VALIDATION REPORT FOR THE JAGUAR AMAZON REDD PROJECT

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Project Title	Jaguar Amazon REDD
Version	1-0
Report ID	1-0

Report Title	Validation Report for the Jaguar Amazon REDD Project
Client	Greenoxx Civil Sociedad
Date of Issue	24 December 2020 this version of the validation report was issued
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Summary:

This report describes the validation of the Jaguar Amazon REDD project ("the project"), a Reduced Emissions from Deforestation and Degradation project located in Peru, that was conducted by SCS. The purpose of the validation engagement was to conduct an independent assessment of the project to determine whether the project complies with the VCS Program rules. The validation engagement was carried out through a combination of document review, interviews with relevant personnel and on-site inspections. As part of the validation engagement 165 findings were raised: 79 Non-Conformity Reports, 86 New Information Requests and 0 Observations. These findings are described in Appendix A of this report. The project complies with the validation criteria, and SCS holds no restrictions or uncertainties with respect to the compliance of the project with the validation criteria.

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1 INTRODUCTION

1.1 Objective

In accordance with Section 4.1 of the VCS Standard (see Section 1.2 below for full reference), SCS conducted an independent assessment of the project to determine whether the project complies with the VCS Program rules. In accordance with Section 2.1.1 of the VCS Validation & Verification Manual, V3.2, the objectives of the validation engagement were to assess

- The project's conformance to the VCS rules.
- The project's conformance to the applied methodology, including the procedure for the demonstration of additionality specified in the methodology.
- The likelihood that the methods and procedures set out in the project description will generate verifiable GHG data and information when implemented.

The other objective of the validation engagement was to assess the non-permanence risk analysis.

1.2 Scope and Criteria

1.2.1 Scope

As defined in accordance with Section 4.3.4 of ISO 14064-3:2006, the scope included

- The project and its activities.
- The baseline scenario(s) applicable to the project.
- The carbon pools and/or greenhouse gases included in the project boundary. Due to Methodology Deviation No. 3 (section 3.3.7), the *quantification* of the carbon pools and greenhouse gas emissions are outside of the scope of this validation.
- The crediting period.

1.2.2 Criteria

In accordance with Section 4.1.8(2) of the VCS Standard (see below for full reference), the criteria for validation was the VCS Version 4, including the following documents:

- VCS Program Guide, V4.0
- VCS Standard, V4.0
- VCS Non-Permanence Risk Tool, V4.0
- The VCS-approved methodology VM0006, Methodology for Carbon Accounting for Mosaic and Landscape-scale REDD Projects, v2.2

This assessment initially included validation under the Third Edition of the CCB Standard. However, due to strict national deadlines set forth by the Peruvian government, the scope and criteria of this

assessment were revised midway through the assessment to include only the VCS validation. As a result, the combined CCB/VCS project description template was utilized. However, the audit team only assessed against the criteria listed above.

1.3 Level of Assurance

In accordance with Section 4.1.8(1) of the VCS Standard, the level of assurance was reasonable.

1.4 Summary Description of the Project

The project is located in south-east area of the Department of Madre de Dios, in the Amazon region of Peru, and is aimed at reducing the expected deforestation rate and the associated GHG emissions in the project area, by promoting a sustainable use of agrarian land in the region, and strengthening land tenure and governance in the project area.

2 VALIDATION PROCESS

2.1 Method and Criteria

The validation engagement was conducted through a combination of document review, interviews with relevant personnel and on-site inspections, as discussed in Sections 2.2 through 2.4 of this report. At all times, an assessment was made for conformance to the criteria described in Section 1.2.2 of this report. As discussed in Section 2.5 of this report, findings were issued to ensure conformance to all requirements.

The audit team created a sampling plan following a proprietary sampling plan template developed by SCS. The audit team identified areas of "residual risk"—those areas where there existed risk of a material discrepancy (either in terms of non-conformance to the validation criteria or in terms of errors, omissions and misrepresentations that, in aggregate, exceeded the materiality threshold established for the project as a percentage of the total reported GHG emission reductions and/or removals) that was not prevented or detected by the controls of the project. Sampling and data testing activities were planned to address areas of residual risk. The audit team then created a validation plan that took the sampling plan into account. This approach is justified as it has been designed in accordance with Section 4.4.3 of ISO 14064-3:2006 and the guidance provided in Annex A.2.4.6 of the same document.

2.2 Document Review

The project description ("PD The Jaguar Amazon REDD Project final.docx" dated 21 December 2020; "PD"), non-permanence risk report ("VCS-Non-Permanence-Risk-Report-v4.0 06122020, dated 6 December 2020; "NPRR") were carefully reviewed for conformance to the validation criteria. The following additional documentation, provided by project personnel in support of the aforementioned documents, was also reviewed by the audit team:

Document	File Name	Ref.
Annex 1: Coordinates of the project area boundary	1. Coordinates.xlsx	/1/
Annex 2: Cash flow analysis for the non-permanence risk report	2. Cash Flow 06122020.xlsx	/2/
Annex 3: social diagnosis of the project zone	3. Social diagnosis of project zone	/3/
Annex 4: Work policies of the project area forest concessions	4. Institutional Policy – Chullachaqui 4. Institutional Policy – Otorongo 4. Personnel Hiring Guidelines	/4/
Annex 5: Occupational Safety and Health Policy for the project area forest concessions	5. Occupational Safety & Health Policy	/5/
Annex 6: Resumes of project personnel	6. B. Diaz 6. CV A. Flores 6. CV ELIALDO MOTTA 6. F. Moali 6. U. Torres 6. V. d Dea	/6/
Annex 7: Anti-corruption policy for the project area forest concessions	7. Anti-corruption Policy	/7/
Annex 8: Documentation pertaining to the ownership of the forest concessions	8. Concession Contract Chullachaqui 8. Concession Contract Otorongo Adenda N° 17-TAHC-J-017-02.pdf Adenda N° 17-TAHC-J-003-03.pdf Libro Matricula de Acciones.pdf	/8/

Document	File Name	Ref.
Annex 9: Forest management plans for the project area	9. Forest Management Plan Chullachaqui 9. Forest Management Plan Otorongo	/9/
Annex 12: Documentation on the beta regression modeling***	Annex 12 REGRESION_BETA_RSTUDIO (4).	/10/
Annex 13: Presentation on the general master plan for permanent productive forests in Madre de Dios	Annex 13 PM BPP.pdf	/11/
Annex 14: Summary of timber harvesting manuals	Annex 14 Summary of manuals	/12/
Report on conservation strategies along the Interoceanic highway in Madre de Dios, Perú	Fleck_etal_2010.xlsx	/13/
Guidance on nesting for VCS REDD+ Projects	Nesting-Guidance_v1.1_ENG_10DEC2019.pdf	/14/
Peru's submission of a Forest Reference Emission Level (FREL) for reducing emissions from deforestation in the Peruvian Amazon	2016_frel__submission_peru_modified.pdf	/15/
Uncertainty analysis of the emission levels in the FREL	8. Casarin, F. 2015. Análisis incertidumbre del FREL 2.pdf	/16/
Maps demonstrating leakage belt demarcation procedure	Map_32.tif, Map_34, Map_35, Map_37_Area01, Map_37_Area02	/17/
Report on the National Forest Inventory of Peru	INFORME-DEL-INFFS-PANEL-1.pdf	/18/
Documentation on the procedure used to map the leakage belt.	Leakage belt determination_10122020.docx Clarification on findings regarding LB.docx	/19/

Document	File Name	Ref.
Description of the ecozone map used for the national forest inventory	Memoria Descriptiva del Mapa de Ecozonas del INFSS – Peru.pdf	/20/
Documentation on forest cover changes***	anuario_peru_forestal_en_numeros_2015.pdf anuario-forestal-y-de-fauna-silvestre-2017.pdf	/21/
Calculations workbooks showing baseline and project scenario quantification of emissions***	Net carbon y VCU´s 16122020.xlsx Proyección de deforestación 16122020.xlsx Accuracy 2017 Bosque - No Bosque.xlsx EVALUACIÓN DE PRECISIÓN - Jaguar Amazon	/22/
List of the tables, maps and graphs in the PD	List of Tables, Maps and Graphs	/23/
Sales receipts associated with the sale of timber products	Facturas Compras de CATAHUA.pdf	/24/
Invoices demonstrating fees associated with VCU issuance	Invoice.pdf	/25/
Documentation showing carbon price assumptions	Janv2019_Amendment_VERPA_GREENOXX_EA.pdf VERPA MDD Greenoxx_NAG 20200805 countersigned.pdf	/26/
Spatial products related to the boundaries, ownership, and stratification of the project area, leakage belt, and reference region	Project_boundary,kml 06_LB_poly_Fill.shp RR_Project_Bozovich.shp Project_stratification.shp, Land_Ownership	/27/
Spatial products related to land use and land cover***	Uso_de_suelos_MINAM.shp Perdida_2001_2017_19S_RR_v17.shp	/28/
Spatial product related to forest harvesting***	Parcelas_de_corta.shp	/29/

Document	File Name	Ref.
Documentation related to mosaic deforestation patterns and land tenure	{various files]	/30/
Documentation related to FSC certification and consolidation of concessions	Certif. Manejo de Bosque Chulla SGS-2017.pdf	/31/
Agreement between Greenoxx and Bozovich to develop carbon project	Agreement Greenoxx Bozovich signed.pdf	/32/
Discount rate assumptions	Equbo extract.pdf	/33/
Report on vehicle velocity	Cuaderno-Legal-4-infraestructura-vial.pdf	/34/
Reports on forest loss spatial products***	Technical methodological memory of forest and forest loss_2000_2011.pdf, 25. MINAM & MINAGRI. Protocolo de Clasificación de pérdida (2).pdf	/37/
Report on the mapping of land use for the REDD+ MINAM project***	Informe_Final_Uso_de_la_Tierra_2011_Rev.0_HW_161215.pdf Informe Final_Validación del Mapa de Perdida de Bosques 2011-2014.pdf	/38/
Documentation pertaining to the social monitoring plan procedures	Manual de Monitoreo Social Otorongo.pdf Manual de Monitoreo Social Chullachaqui.pdf	/39/
Documentation pertaining to stakeholder engagement and community indicators	[Various files]	/40/
Documentation pertaining to engagements with the Arca Pacahuara community	Carta Pacahuara y antecedentes 2014 INF Nº 021 - Presentacion en Arca Pacahuara_SET 2013	/41/
Manuals on conflict resolution in the project area forest concessions	Manual de Resolución de Conflictos Inversiones Forestales Chullachaqui.pdf Manual de Resolución de Conflictos Forestal Otorongo.pdf	/42/
Forest surveillance protocols	Protocolo de Seguridad de Bosques Chullachaqui.pdf Protocolo de Seguridad de Bosques Otorongo.pdf	/43/

Document	File Name	Ref.
Callable funds statement	Acuerdo línea de crédito de emergencia.pdf	/44/
Manuals on internal auditing procedures in the project area forest concessions	Manual de Procedimiento de Auditorías Internas Chullachaqui.pdf Manual de Procedimiento de Auditorías Internas Otorongo.pdf	/45/
Manuals on the evaluation of forest clearings in the project area forest concessions	Manual de Evaluacion de claros Otorongo.pdf Manual de Evaluacion de claros Chullachaqui.pdf	/46/
Manuals on the evaluation of wetlands and water features in project area forest concessions	Manual de Evaluación de Cursos de Agua Chullachaqui.pdf Manual de Evaluación de Cursos de Agua Otorongo.pdf	/47/
Manuals on the quality in operations in project area forest concessions	Manual de Evaluación de Calidad de Operaciones Chullachaqui.pdf Manual de Evaluación de Calidad de Operaciones Otorongo.pdf	/48/
Manuals on the quality in residue management in project area forest concessions	Manual de Evaluación de Calidad en el Manejo de Residuos Otorongo.pdf Manual de Evaluación de Calidad en el Manejo de Residuos Chullachaqui.pdf	/49/
Evidence of forest concessions with violations and sanctions	ObservatorioSIGOMarca Lista Roja.pdf thc_dscffs	/50/

*** Denotes documentation that pertains to the quantification of GHG emissions and as a result of Methodology Deviation No. 3, are outside of the scope of this validation.

2.3 Interviews

2.3.1 Interviews of Project Personnel

The process used in interviewing project personnel was a process wherein the audit team elicited information from project personnel regarding (1) the work products provided to the audit team in support of the PD and NPRR; (2) actions undertaken to ensure conformance with various requirements and (3) planned project activities.

The following personnel associated with the project proponent and/or implementing partner were interviewed.

Individual	Affiliation	Role	Date(s) Interviewed
Jorge Torres Padilla	Greenoxx Sociedad Civil	Contractor – Technical advisor	Throughout audit
Silvia Gomez	Greenoxx Sociedad Civil	Executive Vice President	Throughout audit
Jean Pierre Adrianor	Greenoxx Sociedad Civil	Contractor – Technical advisor	Throughout audit
Pedro Ruiz	Greenoxx Sociedad Civil	Contractor – GIS specialist	Throughout audit
Eliado Motta Machicado	Bozovich Group	Forest Manager	16 October 2020
Branko Bozovich	Bozovich Group	General Manager	16 October 2020
Antonio Flores Léon	Bozovich Group	Social-Environmental Manager	16 October 2020
Drago Bozovich	Bozovich Group	CEO	16 October 2020
Vittorio de Dea	Forestal Otorongo SAC, Bozovich Group	Legal Representative	16 October 2020

2.3.2 Interviews of Other Individuals

The process used in interviewing individuals other than project personnel was a process wherein the audit team made inquiries to confirm the validity of the information provided to the audit team. The following personnel not associated with the project proponent and/or implementing partner were interviewed.

Individual	Affiliation	Role	Date(s) Interviewed
Eng. Elmo Luque Quino	Regional Forestry and Wildlife Management - Madre de Dios	Engineer	14 October 2020

2.4 Site Inspections

The validation has taken place during a global pandemic (COVID19); thus, the audit team was not able to conduct an in-person site visit. Instead we relied on remote auditing techniques with the use of Information and Communication Technology (i.e., remote sensing imagery, video-conferencing, photographic evidence), based on guidance in the ANSI National Accreditation Board's Heads Up #1, dated 23 March 2020, to fulfil the following objectives:

- Select samples of data and information from remote observations in order to meet a reasonable level of assurance and to meet the materiality requirements of the project, as required by Section 4.1.2 of the VCS Standard
- Perform a risk-based review of the project area and project activities to ensure that the quantification of baseline and project GHG emission reductions and removals for the baseline period conforms to the validation criteria
- Confirm the validity of information presented in the non-permanence risk report

In fulfilment of the above objectives, the audit team performed a remote inspection of the project throughout the audit. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel (see Section 2.4.1 of this report) to gather information regarding the project activities, the baseline scenario, and the demonstration of additionality
- Interviewed a regional forest engineer with the Tahuamanu Forest Authority using video conferencing, to gather information regarding project ownership and legality, project risks, and forest management activities in the project areas.
- Independent check of baseline rates of deforestation using a remotely-sensed spatial dataset published by the Peruvian government

The primary forms of Information and Communication Technology used to conduct of the remote assessments were videoconferencing software packages such as Skype and Zoom. The framework set out in the Heads Up #1 document was used to confirm that the required level of assurance could be reached (see Section 1.3, above) and that any potential impacts to confidentiality and the integrity of the verification engagement could be mitigated. In the end, Information and Communication Technology was found to be highly effective as a tool to replace on-the-ground inspections and in-person meetings. This is due to the generally good quality of internet connection available in Peru, as well as the open and clear communication channels between the project team and the audit team, which contributed to a highly efficient audit process. Additional information is contained in SCS' proprietary sampling plan document (see Section 2.1, above, for more details).

2.5 Resolution of Findings

Any potential or actual discrepancies identified during the audit process were resolved through the issuance of findings. The types of findings typically issued by SCS during this type of validation engagement are characterized as follows:

- Non-Conformity Report (NCR): An NCR signified a discrepancy with respect to a specific requirement. This type of finding could only be closed upon receipt by SCS of evidence

indicating that the identified discrepancy had been corrected. Resolution of all open NCRs was a prerequisite for issuance of a validation statement.

- New Information Request (NIR): An NIR signified a need for supplementary information in order to determine whether a material discrepancy existed with respect to a specific requirement. Receipt of an NIR did not necessarily indicate that the project was not in compliance with a specific requirement. However, resolution of all open NIRs was a prerequisite for issuance of a validation statement.
- Observation (OBS): An OBS indicates an area where immaterial discrepancies exist between the observations, data testing results or professional judgment of the audit team and the information reported or utilized (or the methods used to acquire such information) within the GHG assertion. A root cause analysis and corrective action plan are not required, but highly recommended. Observations are considered by the audit team to be closed upon issuance, and a response to this type of finding is not necessary.

As part of the audit process, 79 NCRs, 86 NIRs and 0 OBS were issued. All findings issued by the audit team during the audit process have been closed. In accordance with Section 4.1.13 of the VCS Standard, all findings issued during the audit process, and the impetus for the closure of each such finding, are described in Appendix A of this report.

2.5.1 Forward Action Requests

The audit team is issuing the following forward action requests that must be assessed at verification:

- Due to the methodology deviation No. 3 described in section 3.3.7 below, all quantification pertaining to the GHG emissions reductions must be assessed at verification rather than validation. During this validation, the project was assessed against the quantification requirements in Sections 8.1.1 and 8.3.2.2 of the methodology, and the monitoring plan was assessed against the requirements in Section 9 of the methodology. Assessment of conformance to any and all other requirements of the methodology pertaining to the quantification of GHG emission reductions must be conducted, as a validation activity, during the first verification. As a result, the project proponent must follow the procedures outlined in the remaining sections of the methodology to quantify the baseline emissions, project emissions, leakage emissions, and overall GHG emission reductions at the first verification.
- See section 3.3.7 below for more information on this methodology deviation.

3 VALIDATION FINDINGS

3.1 Project Details

3.1.1 Project Type, Technologies/Measures to Be Implemented by the Project and Eligibility of the Project

The audit team has the following conclusions regarding the project type and technologies and measures that constitute the project activities:

- The project falls under the category of Reduced Emissions from Deforestation and Degradation (REDD), as described in Section 4.2 of the AFOLU Requirements.
- Discussion regarding the project's eligibility under the VM0006 methodology (and, thus, as a REDD project under the VCS Program, as the VM0006 is a methodology for such projects) can be found in Section 3.3.2 below.
- The technologies and measures implemented, as described in Section 3.2 of the PD, are likewise eligible under the VCS Program.
- Project activities are established from a production-protection approach based on three axes: production component, protection component, and governance component.
- "Strengthening of the land tenure and forest governance situation" entails socialization of the REDD+ project through the use of meetings with public and private stakeholders including local leaders, communities, and producer organizations. Also, it includes facilitating dialogues about the legal framework and threats to the forests in the project area.
- The protection component includes designing an integrated protection plan to diminish the risk of illegal activities that lead to the conversion of forest to non-forest land uses as well as expanding the control and surveillance infrastructure through building and improvements of control posts. This protection component also includes periodical patrolling for illegal activities such as deforestation for agriculture or settlement, and fire prevention patrolling. Lastly this activity includes land demarcation and border maintenance.
- The production component includes identification of productive projects in the surrounding communities and developing capacities and strengthening stakeholder organizations to help promote alternative livelihoods with a secure income, that are not based on deforestation.

The audit team finds that the project meets the eligibility requirements of the VCS Program because it meets the additionality test (as discussed in Section 3.4.5 below) and complies with all applicability conditions of the selected methodology (as discussed in Section 3.4.2 below).

3.1.2 Project design, Including Eligibility Criteria for Grouped Projects

Not applicable, as the project is not a grouped project.

3.1.3 Project Proponent and Other Entities Involved in the Project

The audit team has confirmed the project proponent and other entities involved in the project:

- The project has two project proponents. The first is the Forestal Otorongo SAC (also known as Consolidado Forestal Otorongo SAC), which is a Peruvian private company that consists of 11 consolidated forest concessions contracts that were granted by the Peruvian state /8/. Forestal Otorongo SAC has complete ownership over all the concessions within the project area, including those within the Consolidado Inversiones Forestales Chullachaqui SAC, which were officially transferred to Forestal Otorongo SAC in 2014 /8/. The audit team confirmed that the legal representative of the Forestal Otorongo SAC is Vittorio de Dea of the Bozovich Group, which is the entity with overall control and responsibility for the project (see section 3.1.4 below). In addition to reviewing project ownership document, the audit team conducted remote

interviews with the CEO, legal representative, general managers, and forest managers of the Bozovich Group (see section 2.3.1 above), which is responsible for the consolidated forest concession contracts. The audit team confirmed that the Forestal Otorongo SAC is the official project proponent and has effective ownership over the project area.

- The other project proponent is the project developer: Greenoxx Sociedad Civil, who is the implementing partner for the project. Greenoxx provides technical support for the formulation and validation of the project. The audit team was able to confirm the active involvement of Greenoxx Sociedad Civil through interviews and correspondence throughout the course of validation activities. The audit team also confirmed that Greenoxx Civil Sociedad entered into a contractual agreement with the Bozovich Group, to develop and oversee the administration of the REDD project /32/.

3.1.4 Ownership

The audit team concludes that the PD has been accompanied by one or more of the following types of evidence establishing project ownership accorded to the project proponent(s); the audit team's specific conclusions regarding evidence of project ownership are provided specific to each type of evidence.

Conclusions regarding evidence of...	
Project ownership arising or granted under statute, regulation or decree by a competent authority	• N/A
Project ownership arising under law	• N/A
Project ownership arising by virtue of a statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals (where the project proponent has not been divested of such project ownership)	• N/A

Project ownership arising by virtue of a statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions and/or removals (where the project proponent has not been divested of such project ownership)	• The audit team can confirm that the project proponent, Forestal Otorongo SAC, holds notarized official contracts with the Peruvian state for each of the 11 forest concessions within the project area, and has the right to control and operate project activities in the project area and project zone. • The audit team compared the concession contract documentation provided /8/ against government records of the contractual documents to confirm their authenticity and geospatial records to confirm that the boundaries have been accurately represented. • We confirmed that the contracts, which were signed in 2002 and 2003 and are active for a period of 40 years. The 40-year period is renewable every five years thus there is a potential for extension in perpetuity. The concession contracts represent contractual right in the land, vegetation, conservation or management processes that generate GHG emissions reductions and/or removals. The project proponent has clear legal rights to access to the forest resources on the concessions. • We also reviewed that law that grants forest concessions (Peruvian Law No. 29763, the Forests and Wildlife Law). The law codifies the process by which the project proponent was awarded the contract, noting that forest concessions must abide by corresponding management plans approved by the regional forestry wildlife authority. Therefore, the audit team also verified the forest management plans /9/ provided via review of the plans and interviews with the regional forestry authority (see section 2.3.2).

An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals which vests project ownership in the project proponent	• N/A
An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the land, vegetation or conservational or management process that generates GHG emission reductions or removals which vests project ownership in the project proponent	• N/A
Project ownership arising from the implementation or enforcement of laws, statutes or regulatory frameworks that require activities be undertaken or incentivize activities that generate GHG emission reductions or removals	• N/A

3.1.5 Project Start Date

The project start date is 10 November 2017. The audit team has the following conclusions regarding the conformance of the project start date to the validation criteria:

- The project start date coincides with the date at which the entire project area became FSC certified. The project area consists of two consolidated forest concessions Otorongo and Chullachaqui. The Otorongo concessions were previously FSC certified in 2011. However, two additional forest concessions were consolidated under Otorongo in February 2016 and August 2016 /8/. The Otorongo forest concessions, including these two additional concessions received FSC certification by September 2016. The Chullachaqui forest concession was certified on 10 November 2017. Thus, on this date, all of the forest included within the project areas became a continuous FSC certified area.
- The FSC certification is a milestone that guarantees sustainable forest management practices, and the ability to achieve environmental, social, and carbon benefits from the project area.
- Furthermore, during interviews with project personnel, it was confirmed that achieving the FSC certification enables the company to access more attractive niche markets for their products resulting in greater financial opportunities, which allows the project proponent to begin implementing more rigorous patrolling and surveillance of the project area borders.
- As set out in the VCS Standard, the project start date of an AFOLU project shall be the date on which activities that lead to the generation of GHG emission reductions or removals are implemented.

- The audit team undertook the following activities to confirm that the 10 November 2017 was the date on which project activities were first initiated.
    - Confirmed that the project proponent owns rights to the concession contracts (see section 3.1.4 above).
    - Searched the FSC public database for the issue date of FSC certification.
    - Confirmed that the FSC certification includes relevant project activities such as patrolling and surveillance.
    - Interviewed project personnel to confirm that the statements and justifications regarding the project start date as outlined in the PD are accurate.

3.1.6 Project Scale and Estimated GHG Emission Reductions or Removals

The estimated average annual GHG emission reductions or removals, during the period January 1, 2018 through December 31, 2027, have been calculated at 2,272,905.05 tonnes of CO2e per year, as reported in estimations in section 3.2.4 of the PD (Table 113). Therefore, the audit team agrees that the project is a correctly classed as a large project, per Section 3.9.1 of the VCS Standard.

Due to Methodology Deviation No. 3 described in section 3.3.7 and Forward Action Request No. 1 described in section 2.5.1 of this report, the quantification of estimated GHG emission reductions or removals is outside the scope of this validation, thus the estimates provided in the PD and listed above are only considered as estimates that must be evaluated at verification.

3.1.7 Project location

The audit team has the following conclusions regarding the project location:

- The project location was verified through detailed GIS checks and checks on the ownership of the forest concessions included in the project area. The audit team can confirm that the project is located in the Tahuamanu Province, in the Madre de Dios department in the Amazon region of Peru as indicated in section 2.1.7 of the PD.

3.1.8 Conditions Prior to Project Initiation

The audit team has the following conclusions regarding the conditions existing prior to project initiation:

- The audit team agrees with characterization of the conditions prior to the project initiation as described in section 2.2 of the PD.
- Through the review of aerial imagery and geospatial land use change products produced by the Peruvian government, we confirm that the area of non-forest land uses in and around the project zone has increased significantly over the last few decades.
- The audit team can confirm that the scenario that existed prior to the implementation of the project is one of forest management and timber harvesting activities in the project area with the ongoing threat of deforestation due to the expansion of agrarian activities into the project zone.

3.1.9 Project compliance with Applicable Laws, Statutes and Other Regulatory Frameworks

The audit team has the following conclusions regarding the compliance of the project with all applicable laws, statutes and other regulatory frameworks:

- Through a review of section 2.5.7 of the PD, a review forest certification documentation (FSC), review of the Peruvian Forestry and Wildlife Resources Oversight Agency (OSINFOR) records, and interviews with regional government officials (see section 2.3.2), the audit team can confirm that the project is in compliance with applicable laws, statutes, and other regulatory frameworks.

3.1.10 Participation Under Other GHG programs

The audit team concludes that the project is not currently registered under or seeking registration under another GHG program, as confirmed through the following steps:

- Through discussions with project personnel and review of section 2.5.13 of the PD, and investigation into Peruvian jurisdictional REDD program /14/, the audit team confirmed that project is not currently registered or seeking registration under another GHG program.

The audit team concludes that the project has not been rejected by any other GHG program, as confirmed through the following steps:

- Through discussions with project personnel and professional knowledge on the part of the audit team of the alternative GHG programs to VCS, the audit team has confirmed that the project has not been rejected by any of these.

3.1.11 Other Forms of Credit

The audit team concludes that the project is not currently participating in any emission trading or other binding limit program or mechanism, as confirmed through the following steps:

- Discussion with project personnel and through review of Section 2.5.11 of PD, the audit team confirmed that the project does not currently nor plan to receive emission trading or other binding limit program or mechanism credits.

The audit team concludes that the project has not sought or received another form of GHG-related environmental credit, as confirmed through the following steps:

- Discussion with project personnel and through review of Section 2.5.12 of PD, the audit team confirmed that the project does not currently nor plan to receive another form of GHG-related environmental credit, including renewable energy certificates.

3.1.12 Leakage Management

No such leakage management strategy was identified by the audit team, either in review of PD or in interviews with project personnel.

3.1.13 Overall Conclusion

In conclusion, the description in the PD is accurate, complete, and provides an understanding of the nature of the project.

3.2 Safeguards

3.2.1 No Net Harm

In accordance with Section 3.16.1 of the VCS Standard, the project has identified potential negative environmental and socio-economic impacts, and taken reasonable steps to mitigate them, as further described below.

Potential Negative Impact	Audit Team Discussion	Audit Team Assessment of Mitigation Steps
Individuals that previously practiced unsustainable and illegal use of natural resources in the project area may have limited access to resources.	The PD indicates that individuals that previously practiced unsustainable, illegal resource use in the project area would be restricted in doing so given project activities. While this may be a negative impact initially, the stakeholders may instead move their unsustainable resource use activities to outside the project area in the leakage belt, which is accounted for in this project. Furthermore, these activities have not been legally permitted, thus limiting them is an inherent component of this project.	To mitigate this potential negative impact, the project activities entail providing support for alternative productive livelihoods of these individuals that were previously engaged in deforestation or unsustainable use of resources. Such support includes providing training opportunities, capital for sustainable enterprises including fish farming and wildlife husbandry. The audit team confirmed through interviews with project personnel and review of project documentation that the statements regarding the mitigation of the negative impacts on community groups are well-supported.

3.2.2 Local Stakeholder Consultation

In accordance with Section 3.16.2 of the VCS Standard, a local stakeholder consultation was performed prior to validation. The stakeholder input can be summarized, at a high level, as follows:

- The audit team interviewed project personnel involved in the community outreach, who attested that the consultation process was undertaken directly with communities and other stakeholders identified in section 2.1.9 of the PD, through workshops, meetings, interviews, and letter correspondences since 2013 and 2014 as demonstrated in documentation which

the audit team reviewed /3/ /40/ /41/. Community stakeholders involved in this project have indicated their support for the project.

- The audit team also reviewed email and mail correspondences demonstrating that the project proponent has consulted with local and national government officials /40/, indicating that these government stakeholders have been made aware of the project proponent's intentions to enhance forest conservation in the project area and continue to extend the forest concession contracts for this purpose. The government stakeholders have indicated their support for the project.

The audit team concludes, overall, that the project proponent has conducted stakeholder consultations prior to the validation and has taken into account the input from these stakeholders to the project. A detailed assessment of the project proponent's response to all and any input is provided in Appendix B.

Please note that Sections 3.16.9-3.16.19 of the VCS Standard are not applicable because contracting for validation was completed on 13 March 2020, and so prior to 19 March 2020; evidence of contracting will be made available to Verra upon request.

3.2.3 Environmental Impact

Not applicable; no environmental impact assessments have been conducted with respect to the project.

3.2.4 Public Comments

A 30-day public comment period was conducted in accordance with Sections 3.16.5-3.16.8 of the VCS Standard.

No public comments were received during the consultation as was confirmed by checking the Verra registry https://registry.verra.org/app/projectDetail/VCS/2278 on 18 August 2020.

3.2.5 AFOLU-Specific Safeguards

The steps taken to assess against the requirements of Sections 3.16.11-3.16.18 of the VCS Standard are as follows.

Element	Steps taken by the audit team to assess the element
The local stakeholder identification process and the description of results	• Through interviews with project personnel and local government stakeholders, the audit team confirmed that the process of stakeholder identification as indicated in section 2.1.8 of the PD and the social diagnosis of the project zone /3/ have been accurately represented.

Risks to local stakeholders due to project implementation and how the project will mitigate such risks	• The audit team verified documentation demonstrating that a process for identification of risks to local stakeholders has been established /39/ which includes a questionnaire about perceptions of the project and a qualitative assessment based on stakeholder participation as indicated in section 2.3.4 of the PD.
Risks to local stakeholder resources due to project implementation and how the project will mitigate such risks, including plans to ensure the project will not impact local stakeholders' property rights without the free, prior and informed consent	• The audit team verified documentation demonstrating that a process for identification of risks to local stakeholder resources has been established /39/. • The audit team confirmed via interviews with regional government officials (see section 2.3.2) and document review that the project proponent has full legal ownership over the project area /8/ /27/ and therefore the project will not impact local stakeholders' property rights, thus precluding the need for the free, prior, and informed consent. • While stakeholders do not have legal rights to resources within the project area, the project will result in the cessation of the illegal and unsustainable use of resources in the project area. The audit team confirmed via interviews with the project personnel that the project will mitigate such risks through the support of alternative sustainable projects developed with the consultation of stakeholders. Participation in such activities is voluntary and will not impact stakeholder property rights.

Processes to ensure ongoing communication and consultation, including a grievance redress procedure to resolve any conflicts that may arise between the project proponent and local stakeholders	• Through interviews with project personnel, the audit team confirmed that an ongoing and adaptive communication and consultation process has been put in place. • The audit team reviewed the submitted formal Grievance and Redress Mechanism document /42/ which is a detailed document (23 pages), and agreed that it details the procedures for receiving, hearing, responding to and attempting to resolve grievances within a reasonable time period. • In addition, the audit team reviewed the project proponent webpage (https://aldoagain21.wixsite.com/cultura-forestal/chullachaqui-actuales) to confirm the feedback and grievances procedures documentation /42/ has been made publicly available. • Although, the implementation of project activities are technically still in design phase, during interviews with project personnel it was indicated that no grievances has been raised as of this point.

The audit team concludes, overall, that the project has been designed and, as appropriate, is implementing, plans and processes to ensure the project will not create any negative impacts on local stakeholders or mitigates such impacts where necessary. This conclusion is justified as follows:

- The audit team reviewed the PD and conducted interviews with project personnel to confirm that community impacts of project implementation were addressed. The audit team agrees that the only potential negative impacts to local stakeholders would be due to prevention of illegal resource use in the project area. The project proponent will mitigate such risks through the promotion of alternative sustainable livelihood activities, that are developed through stakeholder consultations, and are voluntary.

3.3 Application of Methodology

3.3.1 Title and Reference

The title and reference of the methodology applied by the project (referred to hereafter as “the methodology”) and any tools applied by the project are identified in the table below. The audit team affirms that the methodology and any applied tools, and the specific versions of them applied by the project, were valid at the time of issuance of this validation report.

Type*	VCS ID**	Title	Version	Notes regarding validity
M	VM0006	Methodology for Carbon Accounting for Mosaic and Landscape-scale REDD Projects	2.2	Current version
T	N/A	AFOLU Non-Permanence Risk Tool	4.0	Current version
T	N/A	Tool for testing significance of GHG emissions in A/R CDM project activities (T-SIG)	1.0	Current version

- *M=methodology; T=tool
- **This is the identifier as assigned under the VCS Program or other GHG program

3.3.2 Applicability

The steps taken to assess compliance of the project with each of the relevant applicability conditions of the methodology are described below.

Condition	Steps taken by the audit team to assess compliance
a)	• Confirmation through the use of remote sensing imagery /27/ and GIS analysis that the project area consists of one contiguous area /28/ and meets internationally accepted definitions of forest, for a minimum 10 years before the project start date.
b)	• Confirmation through the use of spatial forest loss products (http://geobosques.minam.gob.pe/geobosque/view/index.php) /27/ and land tenure patterns /30/ that the project area would be be deforested or degraded in the absence of the REDD project activity and that the deforestation is mosaic in nature.
c)	• Confirmation through interviews with project personnel that the drivers of deforestation and forest degradation fall into one or more of the categories defined by the methodology and that none of the drivers are planned in nature.
d)	• Confirmation through interviews with project personnel and expert knowledge on the audit team that project area does not contain organic soils or peatland.

e)	• Confirmation through interviews with project personnel and review of PD that the project implements three of the applicable project activities: (1) Strengthening of lane tenure status and forest governance, (2) Demarcating forest, tenure and ownership boundaries; promoting forest protection through patrolling of forests and forest boundaries, and (3) Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs) such as honey, medicinal plants, etc.
f)	• Confirmation through review of forest management plans /9/ that the implementation of harvesting in the project area meets the applicability conditions related to optional harvest activities in the project area.

In conclusion, the project complies with all applicability conditions of the methodology.

3.3.3 Project Boundary

Overall, the project boundary and selected sources, sinks and reservoirs are justified for the project. A further discussion of this is given below.

3.3.3.1 Spatial boundaries

The audit team assessed the boundaries of the reference region, project area and leakage belt using the procedures described below. This was confirmed through the independent review of the spatial data products provided /28/ and a comparison with satellite imagery and official government sources of forest concession boundaries, ownership boundaries, and geopolitical and natural boundaries in Peru.

3.3.3.1.1 Reference Region

During interviews with project personnel, the audit team undertook a detailed review of procedures used to delineate the reference region, including observation of replication of analyses, in order to assess the information system used to delineate the reference region.

Requirement	Step(s) taken to assess compliance
"The minimum size of the reference region excluding the project area and leakage area must be 250,000 ha or the size of the project area at the start of the crediting period, whichever is greater."	• Carried out independent calculation of area of the reference region minus the area the leakage belt /27/in ArcGIS to confirm minimum was achieved. • The area of the reference region is 516,554 ha which is greater than 250,000 ha and the size of the project area (183,015 ha)
"The boundaries of the reference region must be unbiased and coincide with a combination of natural, geopolitical, satellite footprint, and/or watershed boundaries, or	• The boundaries are unbiased and coincide with a combination of natural, geopolitical, satellite footprint, and/or watershed boundaries.

boundaries that were created by applying a distance buffer around the discrete project parcels."	• It excludes deforested areas where planned deforestation activities took place and deforested areas caused by natural, large-scale extraordinary events. • It has been demonstrated that similarity between the project area and reference region based on a number of variables in Table 3 of the methodology.
"The project proponent must demonstrate that the reference region does not contain areas where agents of deforestation have restricted access**s**."	• Carried out and independent review of restricted areas using maps from official government sources as well as a review of nearby REDD+ projects with effective patrolling and surveillance programs to determine the areas that represent restricted access. We confirmed that all such areas have been excluded from the reference region.
"The reference region must exclude areas where planned deforestation activities took place. It must be demonstrated that planned deforestation areas have been excluded from the reference region or proof of non-existence of such areas within the reference region must be provided."	• Confirmed through the independent review of aerial imagery in Google Earth that the areas of planned deforestation such as urban centers and major highways have been excluded from the reference region.
"The reference region must exclude deforested areas caused by natural (nonanthropogenic) large-scale, extraordinary events (e.g. geological and weather impacts which are infrequent but significant in their impact on the landscape)."	• Confirmed through the independent review of aerial imagery in Google Earth, and other official government land cover maps /28/ (http://geobosques.minam.gob.pe/geobosque/view/index.php) that the reference region does not contain any deforested areas caused by natural large-scale, extraordinary events.
"The project proponent must demonstrate that the reference region contains, at minimum, 15% forest cover at the beginning of the crediting period**,** unless the reference region encompasses a whole country or island."	• Carried out an independent review of aerial imagery in Google Earth, and other official government land cover maps (http://geobosques.minam.gob.pe/geobosque/view/index.php) to confirm that the area contains far greater than 15% forest cover at the beginning of the crediting period.
"The project proponent must compare a number of key variables between the reference region and project area according to the procedures outlined in Table 3 below. Areas in	• Confirmed through interviews with project personnel and independent review of land use land cover maps /28/ from (http://geobosques.minam.gob.pe/geobosque/view/index.php) that the drivers of deforestation in the reference region and the project area generally deforestation due expansion of agrarian

the potential reference region where one or more of these variables differ from the project area are not eligible and must be excluded from the reference region."	lands (cropland and pasture) and deforestation due to infrastructure and/or settlement. • Confirmed through the review of maps provided that the landscape configuration (distribution of native forest types, elevation, slope) of the reference region and project area are within 10% of each other. • Confirmed through the review of official government geospatial data of land tenure, that the reference region and project area are predominantly forest concessions which experience similar mobility and agents and drivers of deforestation. • Confirmed via an independent review of administrative boundaries obtained from official government sources that the reference region and the project area both are predominantly within the Tahuamanu and Iberia districts of the Madre de Dios province and are therefore governed by similar policies and regulations. Also confirmed this during an interview with the regional forest authority representative that the policies and regulations in the general area are uniform and enforced at similar levels. • Carried out and independent review of aerial imagery in Google Earth and review of land use land cover maps in both the reference and project area to confirm that the drivers of deforestation are similar and generally related to the expansion of agriculture (cropland and pasture).

3.3.3.1.2 Project area

The audit team reviewed the project area shapefiles /27/ to confirm that all requirements of section 4.1.1, 5.3, and 8.1.1.1 of the methodology were complied with, as described below. These requirements are also discussed in section 3.3.2 as they represent applicability conditions. During interviews with project personnel, the audit team undertook a detailed review of procedures used to delineate the project area, including observation of replication of analyses, in order to assess the information system used to delineate the reference region.

Requirement	Step(s) taken to assess compliance
"Land in the project area consists of either one contiguous area or multiple discrete project area parcels, and must meet an internationally accepted definition of forest, such as those based on UNFCCC host-country thresholds or	• Confirmation through the use of remote sensing imagery /27/ and GIS analysis that the project area consists of one contiguous area /28/ and meets internationally accepted definitions of forest, for a minimum 10 years before the project start date.

FAO definitions, and must qualify as forest for a minimum of 10 years before the project start date."	
"The project area must be deforested or degraded in absence of the REDD project activity and the deforestation and degradation must be mosaic in nature as described in the VCS *AFOLU Requirements"*	• Confirmation through the use of spatial forest loss products (http://geobosques.minam.gob.pe/geobosque/view/index.php) /27/ and land tenure patterns /30/ that the project area would be deforested or degraded in the absence of the REDD project activity and that the deforestation is mosaic in nature.
"Drivers of deforestation and forest degradation must fall into one or more of the following categories)..." "None of the drivers listed above must be planned in nature."	• Confirmation through interviews with project personnel that the drivers of deforestation and forest degradation fall into the following categories: o Conversion of forest land to cropland for subsistence farming (including pasture lands) o Conversion of forest land to settlements. • Confirmed that the drivers are not planned in nature, but are rather due to unplanned expansion of agrarian lands and related settlements.
"Project proponent must provide digital (vector-based) files of the discrete project area parcels in Keyhole Markup Language (KML) file format or any other format required by *VCS Standard*."	• Confirmation through the use of GIS that the project proponent provided digital vector-based files of the discrete project area parcels in Shapefile format /28/.
"the PD must include a table containing the name of each discrete project area parcel, the centroid coordinate (latitude and longitude using a WGS1984 datum), the total land area in hectares (ha), details of tenure/ownership and the relevant administrative unit it belongs to (county, province, municipality, prefecture, etc.)."	• Confirmation through review of the PD that Table 18 in section 2.1.7 contains the required information regarding the project area parcels. Confirmed via GIS analysis that this information is accurate.

3.3.3.1.3 Leakage belts

During interviews with project personnel, the audit team undertook a detailed review of procedures used to delineate the leakage belts, including observation of replication of analyses, in order to assess the information system used to delineate the reference region. We also reviewed leakage belt spatial files to confirm that requirements of Section 8.3.2.2 regarding the demarcation of leakage belts have been met. Two methodology deviations pertaining to the leakage belt demarcation procedure in Section 8.3.2.2 of the methodology were implemented and confirmed to be valid (see section 3.3.7).

The audit team also validated two methodology deviations pertaining to the procedure for demarcating the leakage belts (see section 3.3.7).

Requirement	Step(s) taken to assess compliance
"leakage areas must contain both forest and non-forest land."	• Confirmed through visual observation of the leakage belt shapefile /28/ along with aerial imagery in that the leakage belt includes both lands classified as forest and non-forest.
"The leakage belts are identical for all geographically constrained drivers (see Table 18)."	• Confirmed through independent review of the leakage belt along with land use land cover classification maps from 2001-2016 that the drivers of deforestation in the leakage belt are identical to those in the project area.
"The size and location of the leakage belts is determined using a cost-of-transportation-based GIS approach and social assessments."	• Confirmed through review of the PD, interviews with project personnel and review of leakage belt shapefile /28/ that the size and location of the leakage belt was determined using a cost-of-transportation approach and social assessments. However, two methodology deviations pertaining to the delineation of the leakage belts were applied (see section 3.3.7).
"Determine the average "cost" to move across an LULC class, forest stratum, or road/track. The relative costs must be calculated by reciprocating the maximal speed for every class or road category and relevant mode of transportation, and therefore represent the fastest time it takes to cross a set distance. The speeds were analyzed in Section 8.1.3.3."	• Confirmed through review of the PD and interviews with project personnel that the average cost to move across LULC class or road/track was determined using published data on from the region of the project area /13/. The in-country technical expert on the audit team confirmed the most common mode of transportation (motorcycle) and the speeds to travel across land use class. The audit team also independently confirmed the speeds published in /13/ are accurate and realistic and were correctly converted to the proper units for this analysis.
Using a GIS, generate a raster map of the reference region in which every pixel contains the cost to cross this pixel, based on the class or roads/tracks on this pixel. The cost to cross areas that are not accessible	• Confirmed through review of the PD and interviews with project personnel that a raster map of the reference was created using the cost to cross values in the previous step, such that every pixel contains the cost to cross the pixel.

to agents of deforestation must be set to an arbitrary large value. Examples of inaccessible areas include protected areas, national parks, economic land concessions, and large plantations. These must have been excluded already from the reference region	• In review of the reference region (see section 3.3.3.1.1), areas inaccessible to agents of deforestation have already been reviewed from the reference region.
This map must have an identical resolution as the remote sensing images of the historical reference period.	• Audit team confirmed through GIS analysis that the resolution of the cost-to-cross map /17/ derived from land use change maps and the remote sensing images of deforestation for the historical reference period are both 30 m as they are derived from Landsat imagery.
"Using the cost map, generate a cost-distance map of the reference region in which every pixel contains the cost (time) to reach the nearest point of the project area."	• Confirmed through review of the PD and interviews with project personnel that a cost-distance map of the reference region was generated. However, given the Methodology Deviation No. 2, as described in section 3.3.7, the cost-distance map rather shows the cost in time to reach the nearest market in the reference region, rather than to reach the project area. This methodology deviation was reviewed and confirmed to be valid.
For every agent of deforestation/degradation, estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest. Determine this value using social assessments by asking what the extra time is that a single household would have to spend if the project area is not accessible anymore."	• Given the Methodology Deviation No. 1 as described in section 3.3.7, social assessments were not conducted for this analysis as deforestation in the project area is illegal and the project proponent did not want to give any impression that deforestation was permitted. Therefore, a methodology deviation was implemented to instead analyze historical patterns of past deforestation in the reference region to determine the distance agents have been willing to move agriculture operations from the nearest markets, rather than from the project area. The audit team reviewed the data, maps, and procedure utilized to determine the furthest distance from the markets that experienced deforestation. It was also confirmed that this approach resulted in a conservative representation of the leakage belt (see section 3.3.7).
"Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-	• Given the methodology deviations No. 1 and No. 2 as described in section 3.3.7 and in the step above, the maximal time within the cost distance map from the nearest market was utilized for this step. However, audit team confirmed through review of the PD, the GIS analysis conducted by the project team /17/, and interviews with

forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts."	project personnel that the maximal time was multiplied by a factor of 1.5 to select the accessible area. • As previously stated, due to the previous methodology deviations, the demarcation of the leakage belt did not follow section 8.3.2.2 of methodology at this point. Thus, the audit team's objective was to confirm that the demarcation of the leakage belt was ultimately conservative. • Confirmed through review of spatial files /28/ that the leakage area is fully encompassed within the reference region.

3.3.3.2 Temporal Boundary

The project complies with all requirements of the methodology and standard regarding temporal boundaries, including data sources (section 8.1.2.1), project start dates and crediting periods, and baseline updates, as discussed below.

Requirement	Steps taken to assess compliance
"At least three images of forest cover are required during the historical reference period, (1) at minimum one image from 0-3 year before project start date, (2) at minimum one image from 4-9 years before project start date, and (3) at minimum one image from 10- 15 years before project start date. No images older than 15 years may be used for the historical reference period."	Confirmed through independent acquisition of the remote sensing imagery used for the historical reference period, that a Landsat image was used for each year from 2008 through 2017, thus in conformance with the temporal requirements of remote sensing imagery source requirements. This imagery was acquired from official government sources (http://geobosques.minam.gob.pe/)
"The project start date of an AFOLU project is the date on which activities that led to the generation of GHG emission reductions or removals are implemented (e.g., preparing land for seeding, planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans)."	Confirmed that a valid start date is provided in section 2.1.14 of the PD (also see section 2.1.5 above).
"AFOLU projects shall complete validation within five years of the project start date."	Confirmed that the validation (December 2020) is within 5 years of the project start date (10 November 2017).

Requirement	Steps taken to assess compliance
"At validation, the historical reference period ends at the start of the crediting period. Once the project has started, and a baseline update is calculated, the historical reference period ends at the time at which the baseline is updated."	Confirmed through review of the PD, and interviews with the project team that the historical reference period is 10 years and spans from 2008 to 2017, and ends at the start of the crediting period which begins January 1, 2018

3.3.3.2 Gases

The audit team confirmed via interview with project personnel and review of the PD the steps taken to assess whether each carbon pool has been selected (or not selected) correctly in accordance with Table 1 of the methodology are described below.

SOURCE		GHG	INCLUDED ?	Steps taken to assess compliance
BASELINE	Deforestation and forest degradation baseline	CO2	NO	Check against Table 1 to confirm that source is omitted when degradation included in estimation of changes in carbon pools.
		CH4	NO	Check against Table 1 to confirm conservatively omitted.
		N2O	NO	Check against Table 1 to confirm that emissions are assumed to be negligible.
PROJECT	Cook stove and fuel efficiency (CFE)	CO2	NO	Confirmed that CFE activities.
		CH4	NO	Confirmed that CFE activities.

		N2O	NO	Confirmed that CFE activities.
	Biomass burning from unexpected at large or short scale fires	CO2	NO	Check against Table 1 to confirm that source is required to be excluded
		CH4	No	Check against Table 1 to confirm that source is required to be excluded.
		N2O	No	Check against Table 1 to confirm that source is required to be excluded.
	Fossil fuel used during logging	CO2	No	Check against Table 1 to confirm that source is required to be excluded.
		CH4	No	Insignificant
		N2O	No	Insignificant
	Removal of woody biomass for fire prevention and suppression activities	CO2	No	Check table 1 to confirm the source included in emissions related to changes in pools.
		CH4	No	Confirmed no biomass burning.
		N2O	No	No biomass burning.
	Biomass harvesting during naturally assisted regeneration	CO2	NO	Confirmed no ANR activities.
		CH4	NO	Confirmed no ANR activities.
		N2O	No	Confirmed no ANR activities.
	Fertilizer used during enrichment for naturally assisted regeneration	CO2	No	Confirmed no ANR activities.
		CH4	No	Confirmed no ANR activities.
		N2O	No	Confirmed no ANR activities.

	Increase of rice production area	CO2	No	Confirmed no rice production.
		CH4	NO	Confirmed no rice production.
		N2O	No	Confirmed no rice production.
	Increase of fertilizer use	CO2	No	Confirm no increase use of fertilizers.
		CH4	No	Confirm no increase use of fertilizers.
		N2O	No	Confirm no increase use of fertilizers.
	Increased livestock stocking rates	CO2	No	Confirmed no increase in cattle ranching.
		CH4	NO	Confirmed no increase in cattle ranching.
		N2O	NO	Confirmed no increase in cattle ranching.

3.3.3.3 Carbon pools

The audit team confirmed through interviews with project personnel and review of the PD that carbon reservoirs have been included in conformance with the methodology.

Carbon pool	Description of steps taken to assess whether selected or not selected correctly
Aboveground tree biomass	Aerial Biomass is an included pool and was confirmed via an independent review of the sampling methodology and through interviews with the project team.
Aboveground non-tree biomass	Aboveground non-tree biomass was accurately excluded as the baseline land cover is annual crop or pasture, rather than perennial tree crop, as confirmed by communications by project personnel
Belowground biomass	Underground biomass in an included pool as it is significant in tropical forests and was confirmed via an independent review of the sampling methodology and through interviews with the project team.
Dead wood	Dead wood was accurately excluded pool and was confirmed via an independent review of the sampling methodology and through interviews with the project team.
Harvested wood products	Harvested wood products is an included pool and was confirmed via an independent review of the sampling methodology and and through interviews with the project team.

Litter	Leaf litter is an excluded pool and was confirmed via an independent review of the sampling methodology and interviews with the project team.
Soil Organic Carbon (SOC)	Soil Organic Carbon is an excluded pool and was confirmed via an independent review of the sampling methodology and interviews with the project team.

The audit team concludes, overall, that the project boundary is appropriately specified, and the selected sources, sinks and reservoirs appropriately justified for the project, as described in detail below.

3.3.4 Baseline Scenario

Overall, the identified baseline scenario, as described in section 3.1.5 is justified. The audit team's high-level assessment of the baseline scenario is included in the table below.

Item assessed	Step(s) taken to assess item
Assumptions and data used in the identification of the baseline scenario are justified appropriately, supported by evidence and can be deemed reasonable	• Confirmed that the data on historical deforestation from a credible source (Peruvian government) and was derived using published, scientifically sound procedures. • Confirmed through interviews with project personnel and the forest authority in the region that the threat of expansion of agriculture and cattle ranching into forest concessions are particularly high in the region, owing to the paving of the interoceanic highway and increase in migrants. The assumptions for the baseline scenario have been confirmed to be reasonable.
Documentary evidence used in determining the baseline scenario is relevant, and correctly quoted and interpreted in the project description	• Confirmed that documentary evidence is relevant and interpreted correctly in the PD.

Item assessed	Step(s) taken to assess item
Relevant national and/or sectoral policies and circumstances have been considered and are listed in the project description	• National circumstances are appropriately considered in the PD. Confirmed during interview with the regional forest authority representative, the laws and regulations within the project area, which is a forest concession and designated as permanent productive forest.
The procedures for identifying the baseline scenario have been correctly followed and the identified scenario reasonably represents what would have occurred in the absence of the project	• As discussed in section 3.3.5 below, all procedures for identifying the baseline scenario have been correctly followed. • Audit team agrees that baseline scenario reasonably represents what would have occurred in absence of project.

3.3.5 Additionality

Overall, additionality is justified for the project. In accordance with the methodology, and as well-documented within Section 3.1.5 of the PD, the tool Version 3.0 (the most recent version) of the VCS-approved "Tool for the Demonstration and Assessment of Additionality in VCS AFOLU Project Activities" has been used to demonstrate additionality. A high-level summary of steps taken to assess additionality is provided below.

3.3.5.1 Sub-step 1a

The identified land use scenarios identified in Section 3.1.5 of the project description include those scenarios required by VT0001. Both alternatives either currently exist or have existed at some time in the period 10 years prior to the project start date and thus are deemed credible. The audit team's findings regarding the identified alternative scenarios are as follows:

Alternative	Audit findings
I. Project activity without being registered	• One identified scenario is the implementation of the project activity without being registered as a VCS AFOLU project. Although there are substantial threats of invasion from outside agents of deforestation, implementation of the project activities was confirmed to be a desirable action for ensuring the longevity of the forest resource.

II. Continuation of the Pre-project land-use	• This scenario would also entail the continuation of sustainable forest management as a FSC certified concession contract. Through the review of timber sales, FSC certification and audit, and interviews with the project proponent, the audit team confirmed that sustainable timber harvesting is a credible pre-project land use. • Given the increases in deforestation in other forest concessions in the region, which the audit team confirmed by reviewing spatial information from the government (http://geobosques.minam.gob.pe/geobosque/view/index.php, the continuation of pre-project land use would also credibly entail the expansion of deforestation for cropland into the project area.

3.3.5.2 Sub-step 1b-c

Land use alternative I complies with all mandatory applicable legal and regulatory requirements as confirmed through the review of relevant laws pertaining to forest concessions in Peru. The audit team confirmed this during interviews with the regional Forest Authority and with project personnel.

Alternative II, which was selected as the most likely alternative is not in compliance with applicable mandatory laws and regulations. However, it was demonstrated that those legal requirements are not systematically enforced, and non-compliance is widespread. The project area has been designated as a permanent productive forest (PPF) and it is managed by the project proponent through a forest concession contract. As a PPF, by law it must stay within forest use and cannot be used for other land uses such as agriculture or cattle ranching. The audit team confirmed the designation as a PPF and the regulations that govern PPEs during an interview with the regional forest authority representative as well as through review of relevant laws (Law No. 29763). Despite this designation, deforestation due to the spread of agricultural lands is widespread in the Madre de Dios province. As shown in section 3.1.5 of the PD, and confirmed through the independent acquisition and review of government land use change data /28 /(http://geobosques.minam.gob.pe/geobosque/view/index.php) and land tenure data /30/, illegal deforestation has been prevalent across all active forest concession contracts of similar land tenure as the project proponent, indicating that although the alternative does not comply with mandatory regulations, non-compliance is widespread.

The audit team confirmed that the selection alternative II as the baseline scenario is the most plausible baseline scenario.

3.3.5.3 Sub-Step 2a

Confirmed through the review of financial information /2//24/ that the VCS AFOLU project generates financial or economic benefits other than VCS related income, as it enables the continued sustainable

management of the timber resource in the project area, which has associated economic benefits. We confirmed that the investment comparison analysis was selected as the appropriate analysis

3.3.5.4 Sub-Steb 2b-c

The audit team reviewed the cash flow analysis /2/ and financial documentation provided /24/ which were also confirmed via interviews with the project proponent. A net present value (NPV) analysis was demonstrated for the project-scenario without the financial benefits from the project and for the without project scenario. The audit team confirmed that the without project scenario (alternative I) financial benefits far exceed those from the with the project scenario without the financial benefits from carbon credit sales (alternative I) indicating that the project would not be considered financially attractive. The audit team confirmed the assumptions and parameters utilized in the cash flow analysis during interviews with the project proponent and through review of financial documentation the investment analysis comparison was provided in a transparent manner /2/. The key assumptions regarding the discount rate have been supported with evidence of company investment analysis records /33/ and are stated and justified in the PD. The key assumptions regarding the costs and revenues associated with project activities and timber harvest operations are stated and justified in the PD.

The audit team confirms that it was concluded that the proposed VCS AFOLU project without the financial benefits from the VCS is not the financially most attractive alternative.

3.3.5.5 Sub-Step 2d

The audit team confirmed that a sensitivity analysis by decreasing key variables including percentage of volume sold and timber incomes by 10% and 20% and then comparing the NPVs of the scenarios. The carbon price as also considered as a separate variable in the sensitivity analysis to demonstrate that the with project scenario is only financially attractive with the sale of carbon credits, although this is not required by the Additionality Tool or was it directly used in the additionality assessment. The audit team traced the calculations in the sensitivity analysis /2/ and confirmed that it demonstrates that the without project scenario NPV is always higher, indicating that it is more financially attractive than the with project scenario (without VCS credits).

3.3.5.6 Step 3

This step was not performed as an investment analysis (Step 2) was applied instead.

3.3.5.7 Step 4

The common practice analysis conducted is based on the prevalence of legal violations pertaining to harvest activities, illegal logging and invasion, abandonment, and other sanctions across similar forest concessions in Madre de Dios. Evidence was provided from the government agency responsible for forest resource supervision (OSINFOR), demonstrating that a lack of protection of forest resources is commonplace across the forest concessions /50/. The audit team independently verified these records from OSINFOR. During interviews with the project personnel, it was conveyed that there are no other

similar projects that have worked to reduce the threat of deforestation on forest concessions other than registered VSC AFOLU projects in the region.

The audit team's independent investigations support the assertion that a there are a number of similar forest concession contracts held by other companies within the Madre de Dios region of Peru. However there is no evidence supporting that the project activities, which include a combination of promoting protection, governance, and sustainable alternative livelihoods is common practice in the region. The audit team was only able to find evidence of other REDD projects that implement similar project activities. The audit team confirmed this during interviews with project personnel and a review of the common practice analysis /50/.

3.3.6 Quantification of GHG Emission Reductions and Removals

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.6.1 Quantification of Baseline Emissions

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.6.2 Quantification of Project Emissions

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.6.3 Summary of Net GHG Emission Reductions or Removals

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.6.4 Uncertainties Associated With the Calculation of Emissions

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.6.5 Documentation Used as the Basis for Assumptions and Sources of Data

Due to methodology deviation No. 3 described in section 3.3.7 and forward action request No. 1 described in section 2.5.1 of this report, assessment of the uncertainties associated with the calculation of emissions is outside the scope of this validation.

3.3.7 Methodology Deviations

The below table identifies each methodology deviation applied to the project were validated as part of the validation engagement described in this report. The audit team concludes, in summary, that all such deviations are valid.

Identification of deviation	Assessment column 1*	Assessment column 2**
1 (Leakage - Deforestation agents)	• This methodology deviation pertains to the use of ancillary data on the extra time an agent of deforestation is willing to move their activities outside of the project area, in lieu of using social assessments. • The audit team reviewed the methodology deviation to confirm that it only impacts the criteria and procedures for delineation of the leakage belt (used for the measurement of ex-post monitoring of leakage emissions).	• Reviewed the results of the analysis of historical patterns of movement of deforestation agents during interviews with the project personnel and we confirmed that this deviation to evaluate historical trends in deforestation to estimate the extra time agents are willing to move deforestation activities does not negatively impact the conservativeness of quantification of GHG emissions reductions as it is more likely to result in a further distance given that there is evidence of deforestation far from the project area. • The audit team independently evaluated the distance of the furthest historical pixel to be in agrarian use, by evaluating the deforestation data from the government to confirm the furthest pixel that had experienced deforestation in the reference region. • The audit team confirmed that given that deforestation is an illegal practice in Peru, the use of social assessments to evaluate this parameter may not yield accuracy results given the likelihood of dishonest responses. As a result, the use of the furthest agrarian pixel as a proxy for the maximum additional time a deforestation agent would travel may result in a more accurate representation of this parameter.

Identification of deviation	Assessment column 1*	Assessment column 2**
2 (Leakage – Distance from markets)	• The audit team reviewed the methodology deviation and confirm that it only impacts the criteria and procedures for delineation of the leakage belt (used for the measurement of ex-post monitoring of leakage emissions).	• The audit team confirmed that by utilizing the distance from the nearest markets as the variable to determine the area most likely to be deforested as a result of the project area becoming unavailable, would result in a conservative delineation of the leakage belt. • The deviation results in the leakage belt being delineated around the areas that have historically experienced the highest rates of deforestation given their proximity to markets, roads, other previous agriculture land uses, and human settlements. By demarcating the leakage belt around these high deforestation areas, the audit team concludes that this is a conservative approach as it is likely to result in higher leakage values than areas that may have been closer to the project area.

Identification of deviation	Assessment column 1*	Assessment column 2**
3	• The project has implemented a methodology deviation to defer the quantification of the ex-ante baseline, project, leakage, and net emissions to the time of verification. Therefore, regarding section 8 of the methodology which pertains to the quantification of GHG emission reductions and removals, only sections 8.1.1, delineation of the reference region, and 8.3.2.2, delineation of the leakage belt, have been included under the scope of this validation. All other sections pertaining to the quantification of emissions have been deferred. • The audit team reviewed the methodology deviation and confirm that it only impacts the criteria and procedures relating to the monitoring and measurement of quantification of net greenhouse gas emission removals thus this deviation is permitted by the VCS standard. The audit team issued a related forward action request (see section 2.5.1).	• The audit team can confirm that this methodology deviation will have absolutely no impact (and certainly not a negative impact) on the ex-post quantification of GHG emission reductions, as it will be confirmed that the methodology is followed in full (excepting any approved methodology deviations) prior to completion of the initial verification. • As a consequence of this methodology deviation, the audit team has issued Forward Action Request No. 1 (section 2.5.1) to indicate that all components of the methodology that pertain to the quantification of emissions for the baseline, project, leakage, and net emissions must be reviewed at verification.

- *Assessment column 1 contains information regarding assessment of whether the deviation meets with the criteria and specifications for permitted methodology deviations.
- **Assessment column 2 contains information regarding assessment of whether the deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions or removals (except where it results in increased accuracy)

3.3.8 Monitoring Plan

The audit team can confirm that monitoring procedures are described with an appropriate degree of certainty, but with some flexibility to allow for decisions to be made according to situations that may arise in the future. All monitoring procedures are appropriate to the stated task.

Due to the Methodology Deviation No. 1 (see section 3.3.7) the values indicated for these monitored parameters are initial estimates and the actual values reported were not included in the scope of this validation. However, the audit team confirmed that the monitoring plan is in place and that the parameters relevant to this project have been included in the monitoring plan.

A monitoring plan, consistent with the requirements of the methodology, is provided in Section 3.3.3 of the PD. The audit team took the following steps to validate the suitability of the implemented monitoring system:

- Confirmed that all relevant parameters and the necessary information to monitor the parameters as described in the methodology have been included in the monitoring parameters of the PD and are accurate (section 3.3.2).
- Interviewed project personnel to verify that the monitoring system as described in the PD is accurate and that the project team have and will maintain the needed tools, technology, and expertise to carry out the monitoring plan.
- Reviewed associated monitoring manuals provided to confirm that monitoring protocols are well documented and suitable for the monitoring system described in the PD /39/, /45/–/49/
- However, due to Methodology Deviation No. 3 described in section 3.3.7 and Forward Action Request 1 described in section 2.5.1 of this report, the audit team did not validate the following as related to the monitoring plan:
    - The appropriateness and correctness of any default values applied from peer-reviewed literature, government publications, or other relevant sources.
    - The procedures and plans for monitoring variables related to the quantification of GHG emissions reductions and removals.

In conclusion, the monitoring plan adheres to the requirements of the applied methodology and any referenced tools.

3.4 Non-Permanence Risk Analysis

The reported value of the overall risk rating, as determined based on the risk analysis documented in the NPRR, was 10%.

The audit team performed a complete review of the risk analysis against the requirements of the AFOLU Non-Permanent Risk Tool. The audit team concludes that the assignment of risk scores is appropriate and in conformance to the AFOLU Non-Permanence Risk Tool.

A detailed review of the audit team's conclusions may be found below.

3.4.1 Internal Risk - Project Management

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• As tree planting is not included in project activities as described in Section 1.8 of PD, risk score is justified.	• NA	Risk rating is appropriate
(b)	• As no credits have previously been issued, risk score is justified	• NA	Risk rating is appropriate
(c)	• From review of CVS of key personnel /6/ and interviews with project personnel conducted throughout the audit, the audit team can confirm that project proponent possesses all key technical skills required to carry out project activities as defined in Section 1.8 of PD (specifically, project personnel have demonstrated that they have all skills necessary to carry out forest management activities, patrolling and surveillance and productive projects with communities.	• CVs of key personnel /6/ are assumed to be of high quality.	Risk rating is appropriate
(d)	• Through interviews with project personnel, the audit team confirmed that the management team maintains a presence both in the country and is located less than an hour from the project area.	• NA	Risk rating is appropriate
(e)	• Through interviews with the project team and expert knowledge by in-country technical experts on the audit team, we confirmed that the project team has extensive experience in development of REDD projects in the country.	• NA	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(f)	• Through interviews with the project proponent, the audit team confirmed that the adaptive management such as the use of low impact forestry techniques and the adaptation to changes in climate such as water availability and the need for erosion reduction are key components of forest management plans /9/in the project area. The project team also confirmed that they focus on social adaptation as well including improving or changing communication channels to reach more community members (shifting from radio to web-based). • The audit team reviewed the forest management plans to confirm that they explicitly contain adaptive management planning and monitoring (section 7.2.2-7.2.3 of the plans)	• The forest management plans /9/ have been approved by the government and are therefore considered of high quality.	Risk rating is appropriate

3.4.2 Internal Risk – Financial Viability

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• NA	• NA	Risk rating is appropriate
(b)	• NA	• NA	Risk rating is appropriate
(c)	• NA	• NA	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(d)	• The audit team reviewed the cash flow analysis workbook /2/ to confirm that the cash flow breakeven point is less than 4 years from the current risk assessment. Due to income from the sale of wood products plus the additional income from the sale of carbon credits, the project will reach the breakeven point in 2021. • During interviews with the project proponent the audit team confirmed that the costs associated with monitoring and management as well as the incomes from forest product sale in the workbook are accurate. • The audit team also reviewed several months of receipts pertaining to timber sale /24/ to confirm that the incomes from forest products are accurate. • The assumptions regarding the sale of carbon credits are conservative as demonstrated by actual invoices for carbon credit sales by Greenoxx /26/ as well as invoices for the fees associated with VCU issuance /25/	• The cash flow analysis /2/ appears to be adequate quality. • The timber product sales receipts /24/ provided are high quality and contain relevant information regarding the unit sold, price of product, taxes, dates, etc. • The invoices of carbon offset credits /26/ and fees /25/ provided are recent and considered high quality.	Risk rating is appropriate
(e)	• NA	• NA	Risk rating is appropriate
(f)	• NA	• NA	Risk rating is appropriate
(g)	• NA	• NA	Risk rating is appropriate
(h)	• The audit team reviewed the cash flow analysis workbook /2/ and confirmed that the project has adequate secured funds to cover all 100% of the costs through the sale of forest products.	• The cash flow analysis /2/ appears to be adequate quality.	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(i)	• Confirmed through the review of credit line statement /44/ that the project has exclusive access to emergency funds from the Maderera Bozovich company.	• The credit line statement /44/ is comprehensive and indicates the available credit line as well as the interest rate and has been signed by all relevant parties.	Risk rating is appropriate

3.4.3 Internal Risk – Opportunity Cost

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• The audit team reviewed the economic analysis of the Interoceanic highway region of Madre de Dios province that was provided /13/. We also discussed the economic analysis with the in-country technical expert on the audit team. We reviewed the cash flow analysis to trace the calculations of NPV for the project activities. Overall, we confirmed that the NPV from the most profitable alternative land use (cattle ranching) would be 100% more profitable than the project activities /2/	• The economic analysis is a multi-author peer-reviewed published report and is considered of high quality. While these values are from 2010 and may be somewhat outdated, there does not appear to be more recent information. • The cash flow analysis /2/ appears to be adequate quality.	Risk rating is appropriate
(b)	• NA	• NA	Risk rating is appropriate
(c)	• NA	• NA	Risk rating is appropriate
(d)	• NA	• NA	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(e)	• NA	• NA	Risk rating is appropriate
(f)	• NA	• NA	Risk rating is appropriate
(g)	• NA	• NA	Risk rating is appropriate
(h)	• In review of the forest concession contracts /8/ and Peruvian law, and through an interview with the regional forest authority representative (section 2.3.2 above), the audit team confirmed that the project is protected by legally binding commitments that protect the credited carbon stocks over at least the length of the crediting period. • The audit team confirmed through the interview of the regional forest authority representative (section 2.3.2 above) that the project area is protected by a legally binding agreement as a permanent productive forest, thus is	• The forest concession contracts /8/ are government issued legal documents with government stamps and are therefore considered of high quality.	Risk rating is appropriate
(i)	• In review of the forest concession contracts /8/and Peruvian law, and through an interview with the regional forest authority representative (section 2.3.2 above), the audit team confirmed that the project area is protected by legally binding commitments that will protect the credited carbon stocks over at least 100 years.	• The forest concession contracts /8/ are government issued legal documents with government stamps and are therefore considered of high quality.	Risk rating is appropriate

3.4.4 Internal Risk – Project Longevity

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• NA	• NA	Risk rating is appropriate
(b)	• Per Section 2.2.4(5) of the AFOLU Non-Permanence Risk Tool, "Any project with a legally binding agreement that covers at least a 100 year period from the project start date shall be assigned a score of zero for project longevity"); thus, a zero score for project longevity is appropriate. • The audit team confirmed by reviewing the forest management plans /9/ that the intention to continue the sustainable management of the forest resources for the entire project longevity. These plans are submitted and approved by the government and made publicly available on the company website (https://aldoagain21.wixsite.com/cultura-forestal)	• For management plans /9/ are approved by the regional government and considered of high quality.	Risk rating is appropriate

3.4.5 External Risk – Land Tenure and Resource Access/Impacts

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• NA	• NA	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(b)	• Through interviews with the regional forest authority representative (section 2.3.2 above), and review of the forest concession contracts /8/, the audit team confirmed that the project area remains under Peruvian government ownership while resource use is granted to the project proponent via the concessions.	• The forest concession contracts /8/ are government issued legal documents with government stamps and are therefore considered of high quality.	Risk rating is appropriate
(c)	• Through interviews with regional forest authority representative (section 2.3.2 above) and project personnel, the audit team was able to confirm that there have not been any disputes in the project area since the start of the project.	• NA	Risk rating is appropriate
(d)	• Through interviews with regional forest authority representative (section 2.3.2 above) and project personnel, the audit team was able to confirm that no disputes over access/use rights (or overlapping rights) exist within the project area.	• NA	Risk rating is appropriate
(e)	• NA	• NA	Risk rating is appropriate
(f)	• Through interview with the regional forest authority representative (section 2.3.2 above) and review of the forest concession contracts /13/, the audit confirmed that the project area continues to be protected by legally binding commitment to continue management practices that protect carbon stocks over at least the project crediting period. • See item (h) under Section 4.6.3 above	• The forest concession contracts /8/ are government issued legal documents with government stamps and are therefore considered of high quality.	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(g)	• NA	• NA	Risk rating is appropriate

3.4.6 External Risk – Community Engagement

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• This is not applicable as the project area is a forest concession and no families live within the boundaries. This was confirmed during the interview with the regional forest authority representative. We also confirmed by reviewing available satellite imagery and confirming that there are no human structures resembling homes within the project area.	• NA	Risk rating is appropriate
(b)	• Although many households live within 20 km of the project boundary outside of the project area, the communities are not directly reliant on the project area as it is a forest concession. There are limited chestnut harvesting agreements with several families from the local communities. • Nonetheless audit team confirmed through review of stakeholder engagement documentation /40/ /41/ and interviews with project personnel that the communities of Portillo, San Francisco, Carachamayoc and Arca Pacahuara, representing greater than 20% of the population have and will be continued to be consulted.	• Although the stakeholder engagement documents are not official or published documents /40/ /41/, they are descriptive. Some documents provided are copies of emails and correspondence letters and therefore are considered high quality.	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(c)	• The project has not sought the Community Engagement mitigation risk deduction.	•	Risk rating is appropriate

3.4.7 External Risk – Political Risk

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• NA	• NA	Risk rating is appropriate
(b)	• NA	• NA	Risk rating is appropriate
(c)	• Audit team independently recalculated Peru's governance score through World Bank Institute's Worldwide Governance Indicators for 2015-2018, as downloaded from http://info.worldbank.org/governance/wgi/#home as -0.1086. The score has been accurately calculated.	• The Worldwide Governance Indicators are required for use by the AFOLU Non-Permanence Risk Tool and are thus considered to be of high quality.	Risk rating is appropriate
(d)	• NA	• NA	Risk rating is appropriate
(e)	• NA	• NA	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(f)	• Audit team confirmed that the Madre de Dios region of Peru is participating in the Governors' Climate and Forest Taskforce as indicated on their webpage (https://www.gcftf.org/, accessed on June 24, 2020) • Peru is also receiving REDD+ readiness funding from the World Bank Forest Carbon Partnership facility (https://www.forestcarbonpartnership.org/country/peru) • The audit team verified that the CDM reforestation project has been approved (https://cdm.unfccc.int/Projects/DB/TUEV-SUED1245856381.67/view) • Thus, more than one of the mitigation discount examples applies.	• The press release has been posted to the official website for the Governors' Climate and Forest Taskforce and can be considered to be of high quality • The Forest Carbon Partnership site is considered high quality.	Risk rating is appropriate

3.4.8 Natural Risk

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
Fire			

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
L	• Audit team reviewed INDECI statistics (https://www.indeci.gob.pe/informe/resumen-incendios-forestales/?title=i%C3%B1apari&tipo_alerta=incendio-forestal&anos_alertas=2019, accessed June 24 2020, and confirmed that the likelihood of fire spread into surrounding forests from agricultural systems is low. • Confirmed that only 1 considerable fire has occurred in the last 20 years.	• INDECI is a government agency and their records are considered of high quality.	Risk rating is appropriate
S	• Through interviews with project personnel as well as the regional forest authority representative (see Sec. 2.3.2), the audit team confirmed that no known fires have recently occurred in the project area and, therefore, the risk remains not applicable	• NA	
M	• N/A	• NA	
Pest and Disease Outbreaks			
L	• Audit team independently reviewed published literature suggesting that due to the high species diversity, tropical rain forests like those in the project area are highly resistant to pest and disease outbreaks.	• NA	Risk rating is appropriate
S	• Through interviews with project personnel as well as the regional forest authority representative, the audit team confirmed that no known pest/disease outbreaks have recently occurred in the project area and, therefore, the risk remains not applicable to the project area	• NA	
M	• NA	• NA	

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
Extreme Weather			
L	• Audit team reviewed INDECI statistics https://www.indeci.gob.pe/informe/informe-de-peligros/?title=Tahuamanu&tipo_alerta=lluvias-intensas&anos_alertas=2019, accessed 24 June 2020 showing that Tahuamanu district has very low risk of extreme weather events. • The audit team also confirmed the low risk of extreme weather during an interview with the regional forest authority representative.	• INDECI is a government agency and their records are considered high quality.	Risk rating is appropriate
S	• Through interviews with project personnel as well as with the regional forest authority representative, the audit team confirmed that no extreme weather events have recently occurred in the project area and, therefore, the risk remains not applicable to the project area	• NA	
M	• NA	• NA	
Geological Risk			
L	• The audit team reviewed INDEC statistics https://www.indeci.gob.pe/informe/informe-de-peligros/?title=Tahuamanu&tipo_alerta=sismo&anos_alertas=2019, accessed 24 June 2020, showing the Tahuamanu district h as very low risk of geologic events, which is further supported in that there are no volcanoes and it is far from fault lines.	• INDECI is a government agency and their records are considered high quality.	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
S	• Through interviews with project personnel as well as with the regional forest authority representative, the audit team confirmed that no extreme geologic events have recently occurred in the project area and, therefore, the risk remains not applicable to the project area	• NA	
M	• NA	• NA	
Other natural risk			
L	• NA	• NA	Risk rating is appropriate
S	• NA	• NA	
M	• NA	• NA	

4 VALIDATION CONCLUSION

The audit team asserts, with no qualifications or limitations, that the project complies with the validation criteria for projects and their GHG emission reductions or removals set out in VCS Version 4.

The audit team concludes that the project is likely to achieve the estimated GHG emission reductions or removals, for the following reasons:

- The baseline scenario including the analysis of the reference region and the reference period are well supported and likely to occur in the absence of the project activities.
- Fairly conservative methodological choices have been voluntarily elected by project personnel in quantifying estimated GHG emission reductions for the baseline period, thus it is possible that the project will meet or even exceed the estimated emissions reductions.
- The project activities are considered appropriate and likely to achieve the desired outcome as they directly address the agents and drivers of deforestation that have been spreading into the project area in recent years.
- The project team and project proponent have demonstrated that they are not only highly skilled, but also motivated to achieve the emissions reductions targets of this project.

APPENDIX A: LIST OF FINDINGS

NIR 1 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2, AFOLU Requirements Version 3.6

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 4.1.1 of the methodology states that "The project area should be deforested or degraded in the absence of the REDD project activity" and that "The project area must be deforested or degraded in absence of the REDD project activity and the deforestation and degradation must be mosaic in nature as described in the VCS AFOLU Requirements."

Section 4.2.9(2)(b)(ii) of the VCS AFOLU Requirements Version 3.6 states the following: "The mosaic deforestation and/or degradation pattern can result when human populations and associated agricultural activities and infrastructure are spread out across the forest landscape. In a mosaic configuration most areas of the forest landscape are accessible to human populations. Mosaic deforestation and/or degradation typically occur: where population pressure and local land use practices produce a patchwork of cleared lands, degraded forests, secondary forests of various ages, and mature forests; where the forests are accessible; and where the agents of deforestation and/or degradation are present within the region containing the area to be protected." On the other hand, this Section states the following "The frontier deforestation and/or degradation pattern can result from the expansion of roads and other infrastructure into forest lands. Roads and other infrastructure can improve forest access and lead to increased encroachment by human populations, such as subsistence farming and fuelwood gathering on previously inaccessible forest lands."

Table 33 of the PD indicates that "Surrounding forest concessions and forest areas are already being deforested by the expansion of agrarian frontier. The rural property in Peru is very small and the agrarian production is mainly caused by small-scale agriculture (less than 5 ha explains more than 90% of Amazon forest loss according to the ENBCC)." The audit team independently reviewed recent and historical satellite imagery of the region, including the surrounding concessions. The imagery indicates that deforestation has increased over the region. However the pattern of the deforestation resembles frontier deforestation as it generally extends out from the roads and infrastructure.

The audit team requests additional evidence that the project meets this applicability condition. For instance, provide evidence that the surrounding forest areas are being deforested due to expansion of agriculture and that the deforestation is in a mosaic configuration as defined by the AFOLU requirements.

Project Personnel Response: Response in MEGA cloud: https://mega.nz/fm/u0s3ibCT

Auditor Response: A detailed description illustrating why deforestation in this region is indicative of a mosaic pattern was provided. The crux of the argument is that the patch size of cleared forest is generally less than 5 hectares and that these patches of cleared forest are spread across broad landscapes, which is more representative of a mosaic pattern. The response further details that rural properties in Madre de Dios are small (<40 ha) and each parcel is often used for a variety of purposes, including agriculture, pasture, and forest. The response also shows the forest loss is spread alongside various rural plots in a discontinuous manner indicative of a mosaic pattern.

The audit team verified the pattern of forest loss shown in the map provided for this finding (Overlapping map_Tenure and deforestation.pdf), does appear to more concentrated around population centers, roads, and rivers, but there are also patches of deforestation spread in a mosaic pattern across the reference region, indicating that these areas have been accessible to human populations. The audit team also verified the accurarcy of this map, using the raw forest loss (2014 to 2018) spatial data from geobosques land along with the tenure data provided by the client (PREDIOS_TAHUAMANU.shp, PREDIOS_MANU.shp, and PREDIOS_TAMBOPATA.shp).

This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 2 Dated 5 Jun 2020

Standard Reference: VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The VCS Standard states in Section 3.7 that "The project start date of an AFOLU project is the date on which activities that led to the generation of GHG emission reductions or removals are implemented (e.g., preparing land for seeding, planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans).

Section 2.1.14 of the PD states that "January 1st, 2018 is the project start date in order to meet with a new forest cycle and to be comparable with official forest loss maps provided by MINAM, through GEOBOSQUES platform."

The audit team requests additional information that demonstrates the project meets the VCS start date requirements. Please clarify what specific "activities that led to the generation of GHG emission reductions or removals" were implemented on 1 January 2018.

Project Personnel Response: The project starts in 2018 as this is the year where the certified sustainable forest management of the project area is consolidated. On one hand, Chullachaqui forest concession achieved the FSC Certificate for the first time on november, 2017 while, on the other hand, two small forest concessions (Forestal Portillo and Forestal David) were transferred to Otorongo forest concession. Thanks to this, a continuous polygon of forest may be well managed as a unique 100% FSC certified forest area. The documentary evidence may be found in the MEGA cloud.

Auditor Response: The audit team verified that the certified sustainable forest management certificate is valid starting on 8 November 2017, while the transfer of the two smaller forest concessiont to Otorongo also occurred in 2017. Thus a project start date soon after there area became a contiguous FSC certified area is justified.

However, section 2.1.14 of the Project Description Template requires that the user "Indicate, and provide justification for, the date on which GHG reduction/removal project activities begin, specifying the day, month and year." A justification of this start date has not been included in the PD.

This finding remains open.

Project Personnel Response 2: Section 2.1.14 includes a reference to FSC certificate and acquisition of the other concessions as a justification to start date of the project

Auditor Response 2: The audit team confirmed during an interview with the project proponent on 16 October 2020 that the start date of 1 January 2018 is in conformance with the methodology, as it follows when the FSC certification was obtained by the Otorongo concession and the two smaller forest concessions were transferred to Otorongo, so that project activities for sustainable forest management could begin.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 3 Dated 5 Jun 2020

Standard Reference: VCS Standard Version 4.0; VCS Program Definitions Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The Standard states in Section 3.6.1 that "The project description shall be accompanied by one or more of the following types of evidence establishing project ownership accorded to the project proponent(s)… (see the VCS Program document Program Definitions for definitions of project ownership…)." The VCS Program Definitions clarifies that the project proponent is defined as "The entity(s) that can demonstrate project ownership in respect of the project." In the VCS Program Definitions, project ownership is defined as "The legal right to control and operate the project activities."

The PD states in Section 2.1.3 that Greenoxx Sociedad Civil is the project proponent and lists Consolidado Inversiones Forestales Chullachaqui SAC and Consolidado Forestal Otorongo SAC as the "project partner" in Section 2.1.4. The audit team has been able to confirm that Consolidado Inversiones Forestales Chullachaqui SAC and Consolidado Forestal Otorongo SAC have been awarded concession contracts by the Instituto Nacional de Recursos Naturales (INRENA). However, the audit team has not been provided with evidence that Greenoxx Sociedad Civil holds one of the forms of project ownership set out in Section 3.6.1 of the Standard.

The audit team requests evidence establishing project ownership accorded to Greenoxx Sociedad Civil.

Project Personnel Response: The PD is changing to include Consolidado Otorongo and Consolidado Chullachaqui as project proponents too as they have originally the rights on carbon credits but they have signed with GREENOXX a commercial agreement which establishes the share of carbon credits among both partners. The agreement is in MEGA Cloud and may be treated as sensitive information.

Auditor Response: Audit team reviewed the signed commercial agreement and confirms that it represents "An enforceable and irrevocable agreement with the holder of the statutory, property or contractual right in the plant, equipment or process that generates GHG emission reductions and/or removals which vests project ownership in the project proponent" (Section 3.6.1(5) of the VCS Standard version 4), thus establishing Greenoxx as a project proponent.

This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 4 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.1.1 of the methodology states "The project proponent must compare a number of key variables between the reference region and project area according to the procedures outlined in Table 3 below. Areas in the potential reference region where one or more of these variables differ from the project area are not eligible and must be excluded from the reference region."

Table 33 of the PD indicates that the drivers are deforestation are (1) Conversion of forest land to cropland for subsistence farming, (2) Conversion of forest land to settlements, and (3) Conversion of forest land to infrastructure, including new roads." The PD states "As can be seen in map, the drivers of deforestation are similar in reference region and project area, as both are geographically close between them. These are mainly expansion of agrarian frontier, mostly for corn production for regional market. Elevation and slope, among other components of landscape configuration confirm the similarities between both areas. Finally, land tenure in both cases is composed by forest concessions and agrarian plots and a few urban areas." The PD also states "Finally, land tenure in both cases [project area and reference region] is composed by forest concessions and agrarian plots and a few urban areas." It also indicates that the reference region "is located in the same districts than the project area (and in very similar proportions)."

The PD does not provide sufficient evidence supporting that the reference region and the project area are similar. The audit team found several differences between the reference region and project area. For instance, the reference region contains three urban areas (Iberia, San Lorenzo and Alerta), whereas the project area does not appear to contain any. The reference area also contains a major road connecting these three urban areas, whereas the project area does not contain a major road. Likewise, contrary to what is reported in tables 35 and 36 of the PD, the reference region falls within three districts and the proportions of land within the reference region falling within the three districts are not very similar to the proportions of land within the project area falling within the same districts.

The audit team requests evidence demonstrating similarity between the project area and the reference region as defined by each of the variables and comparison procedures in Table 3 of the methodology.

Project Personnel Response: Section 3.1.4 provides additional information referred to slope, elevation, forest stratification, excluded areas and other variables considered in the Section 8.1.1.2 of the methodology to confirm that reference region is representative of what may happen in the project area in the baseline scenario without any identifiable and intended bias.

Auditor Response: Auditor Response: The audit team reviewed Section 3.1.3 the updated PD, entitled "PD The Jaguar Amazon REDD Project 13052020-1.docx"and confirms that additional comparisons of the reference region and the project area were added to section 3.1.4 of the PD. These comparisons include physiographic similarities of slope and elevation and a comparison of forest stratum. However, as stated in section 8.1.1.2 of the methodology "The project proponent must compare a number of key variables between the reference region and project area according to the procedures outlined in Table 3 below. Areas in the potential reference region where one or more of these variables differ from the project area are not eligible and must be excluded from the reference region." Table 3 further describes each variable and how comparisons between the project area and reference region must be demonstrated. Below is the audit team's feedback regarding the extent to which the requirements in Table 3 have been adhered to.

- Drivers of deforestation: Table 3 in the methodology states "All drivers that were identified in the project area must also be present in the reference region. A comparison of the existence of every driver between the project area and the reference region must be carried out. The similarity between the project area and the reference region drivers must be documented and justified with relevant evidence." The PD states "Similar drivers of deforestation with the ones predominant on project area." However, the methodology requires that the similarity must be documented and justified with relevant evidence. This evidence has not been provided.
- Distribution of native forest: Sufficient information provided in the PD.
- Slope: Sufficient information is provided in the PD.
- elevation: Sufficient information is provided in the PD.
- Land Tenure system: Table 3 in the methodology states "The land-tenure system prevalent in the reference region must be demonstrated to be similar to the land-tenure system in the project area with reference to peer-reviewed literature, reports, or expert opinion. Any differences in land tenure systems between the project area and reference region must not affect the drivers of deforestation and degradation or the operation of the agents of deforestation and degradation." The PD indicates there is "Similarity in land tenure classes." However, the methodology requires demonstration of this similarity including reference to peer-reviewed literature, reports or expert opinion. Additional information is required.
- Policies and regulations: Sufficient information is provided in the PD.
- Degree of urbanization: Table 3 in the methodology states "Proportion of urbanized and agriculture-based population within the reference region must be within 10% of this proportion in the project area." The PD indicates there is "The same degree of urbanization." However, a demonstration of this similarity according to the requirements of the methodology has not been proved. Additional information is required.

Because the demonstration/evidence has not been provided in respect of the "drivers of deforestation", "land tenure system" and "degree of urbanization" categories, this finding must remain open.

Project Personnel Response 2: Additional explanation on the definition of the boundaries of Reference Region has been included clarifying why other potential areas in the surrounding zone of the project area were excluded from the Reference Region

Auditor Response 2: The audit team reviewed the updated PD (section 3.1.3) and confirmed that additional justification for the delineation of the reference region has been provided. The reference region kml file and maps in the PD showing the reference region have all been updated. However, additional issues remain and the audit team has concluded that the reference region is not in conformance with the methodology. Therefore, this NIR has been closed, but see NCR #90.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 5 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.1.1 of the methodology states "The boundaries of the reference region must be unbiased and coincide with a combination of natural, geopolitical, satellite footprint, and/or watershed boundaries, or boundaries that were created by applying a distance buffer around the discrete project parcels." Section 8.1.1.2 of the methodology states "The project proponent must demonstrate that the reference region contains, at minimum,15% forest cover at the beginning of the crediting period, unless the reference region encompasses a whole country or island." It later states "A reference region must be representative of the future trajectory of the project area in absence." It later states "these conditions are designed as safeguards against biases caused by arbitrary boundary demarcation. However, it is impossible to provide a sufficient set of rules to avoid bias under all project circumstances. Therefore, at validation, the validation/verification body must determine that the selection of the reference region is truly unbiased."

Section 3.2.1 of the PD describes the selection of the reference region as follows: "As described in 3.1.4, the reference region meets the attributes indicated in the methodology. It is over 250,000 ha. There is not biased because it is located in the same districts than the project area (and in very similar proportions). It does not include areas with restricted access and the forest cover is largely higher than 15% of total reference region area. As can be seen in map, the drivers of deforestation are similar in reference region and project area, as both are geographically close between them. These are mainly expansion of agrarian frontier, mostly for corn production for regional market. Elevation and slope, among other components of landscape configuration confirm the similarities between both areas. Finally, land tenure in both cases is composed by forest concessions and agrarian plots and a few urban areas." The PD and kml files indicate that the reference region generally borders the project area to the north and the east.

The PD does not provide sufficient evidence supporting that the delineation of the reference region is truly unbiased or supporting the claims made about the reference region in the PD (e.g., it contains over 15% forest cover). In order to validate the selection of the reference region, the audit team requests more information regarding the delineation of the reference region and a demonstration of how each requirement of Section 8.1.1.2 of the methodology has been met. For instance, please clarify why some areas were specifically excluded from the reference region (e.g., the areas directly to the east and south of the project area).

Project Personnel Response: Similarly to what explained in previous finding, the selected reference region is unbiased. The area is 90% forest covered. The reason why west area was excluded is because it is a protected area for uncontacted indigenous people and at the south is limited by an effective forest area, a REDD+ project. Finally, the reference region is forest covered at 80%.

Auditor Response: The audit team reviewed the map provided with this finding response (Land Tenure in RR and PA.png). We were able to confirm that to the far west of the project area is an indigenous reserve. However, the project boundary does not directly border this indigenous reserve; rather, forest concessions exist to the west, southwest, and northwest of the project area. The audit team is not aware of any valid reason why these areas should be excluded from the reference region. Even though the finding has not been fully resolved, this finding will be closed for administrative reasons (but see NCR 49).

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 6 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 3.1.3 of the CCBv3.0 VCSv.3.3 template requires the following: "provide a diagram or map of the project boundary, showing clearly the physical locations of the various installations or management activities taking place as part of the project activity based on the description provided in Section 2.1.11 (Project Activities and Theory of Change) above. Include in the diagram or map the locations of where the various measures are taking place, any reference areas and leakage belts." Section 5.3 of the methodology states "The spatial boundaries of (1) the project area, (2) the leakage area and (3) the reference region or the JNR Area if a project is nested within a jurisdictional REDD+ program. The spatial boundary must be unambiguously defined in the PD. Project proponent must provide digital (vector-based) files of the discrete project area parcels in Keyhole Markup Language (KML) file format or any other format required by VCS Standard. "

Section 2.1. 7 of the PD includes a project zone map "MAP 7: REFERENCE REGION, PROJECT AREA AND LEAKAGE BELT" and it also states "The geodetic coordinates of the polygon of the project area, leakage belt, reference region and key surrounding communities and towns are included in a KML file attached. While Map 7 in the PD includes the reference region and project area, the map does not clearly show the physical locations of the management activities taking place as part of the project activity based on descriptions in Section 2.1.11. Furthermore, map 7 does not include the leakage belt. It is also not clear in the map which boundaries are the reference region versus the project area. Therefore, the PD is not in conformance with the template.

Project Personnel Response: Map 7 has been updated to include leakage belt and clearly distinguish project and reference region. In addition, a new map showing where the project activities are being implemented. It includes the annual logging plots within the project area and the settlements where the activities in benefit of surrounding communities will take place. KML files of each one of these areas are also included in the cloud.

Auditor Response: The audit team confirms that map 7 in section 2.1.7 of the PD was updated to meet the requirements of the methodology and that the associated KML files for each of the areas were provided (Leakage belt.kml; Project-boundary.kml, Reference_region.kml). We also confirmed that an additional map (unlabeled) was added to section 2.1.7 of the PD that shows the management units within the project area. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 7 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.1.1 of the methodology states "The project proponent must provide digital (vector-based) files of the discrete project area parcels in Keyhole Markup Language (KML) file format as required by VCS Standard. A clear description must accompany each file, and the metadata must contain all necessary projection reference data. In addition, the PD must include a table containing the name of each discrete project area parcel, the centroid coordinate (latitude and longitude using a WGS1984 datum), the total land area in hectares (ha), details of tenure/ownership and the relevant administrative unit it belongs to (county, province, municipality, prefecture, etc.).

The PD does not contain a description of each spatial data file with metadata. The PD does not contain a table as described in the methodology, thus is not in conformance with the methodology.

Project Personnel Response: A table with the description of each spatial data file with metadata is also included in Section 2.1.7

Auditor Response: The audit team confirms that the requested information was included in section 2.1.7 of the PD. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 8 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.3.2.2. of the methodology states "Leakage from these drivers is monitored in an ex-ante fixed geographical region around each discrete project area parcel (a leakage belt). Note that the leakage areas must contain both forest and non-forest land. The leakage belts are identical for all geographically constrained drivers (see Table 18). A correct ex-ante demarcation of each leakage belt is crucial to accurately account for the GHG benefits of the REDD project since the leakage belt is the area where leakage from geographically constrained drivers will be monitored and deducted from the actual NERs. The size and location14 of the leakage belts is determined using a cost-of-transportation-based GIS approach and social assessments. Use the following steps:

Determine the average "cost" to move across an LULC class, forest stratum, or road/track. The relative costs must be calculated by reciprocating the maximal speed for every class or road category and relevant mode of transportation, and therefore represent the fastest time it takes to cross a set distance. The speeds were analyzed in Section 8.1.3.3.

• Using a GIS, generate a raster map of the reference region in which every pixel contains the cost to cross this pixel, based on the class or roads/tracks on this pixel. The cost to cross areas that are not accessible to agents of deforestation must be set to an arbitrary large value. Examples of inaccessible areas include protected areas, national parks, economic land concessions, and large plantations.These must have been excluded already from the reference region. This map must have an identical resolution as the remote sensing images of the historical reference period.

• Using the cost map, generate a cost-distance map of the reference region in which

every pixel contains the cost (time) to reach the nearest point of the project area.

• For every agent of deforestation/degradation, estimate the extra time this agent is

willing to take to move its deforestation activities from the project area to the

nearest accessible forest. Determine this value using social assessments by asking

what the extra time is that a single household would have to spend if the project area is not accessible anymore.

• Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts.

The PD does not contain a description of the analysis undertake to determine the leakage belt demarcation. The audit team requests evidence and justification that the selected leakage belt meets all the requests of Section 8.3.2.2 of the methodology.

Project Personnel Response: A new leakage belt has been determined by combining the approach described in the methodology, based on a transportation-cost map and social assessment, that determines the likely leakage area as the area in the reference region where the cost of agrarian activity is still profitable. An explanation of steps has been shared with the audit team. The cost-map was established thanks to a field paper that estimated the friction cost for each soil class (forest, agriculture, unpaved road, paved road, rivers, etc.). The paper is attached in the MEGA cloud

Auditor Response: Auditor Response: The audit team reviewed the "Leakage belt determination" document provided. We elaborate on our review based on each of the steps required by the methodology.

1) The methodology requires the user to undertake the following: "Determine the average "cost" to move across an LULC class, forest stratum, or road/track. The relative costs must be calculated by reciprocating the maximal speed for every class or road category and relevant mode of transportation, and therefore represent the fastest time it takes to cross a set distance. The speeds were analyzed in Section 8.1.3.3." Step 1 in the document states "We have defined the cost or friction to cross all the LULC classes existing in the landscape of project zone. To do that, we are working with the data from source: "Conservation strategies throughout the Interoceanic Highway in Madre de Dios, Peru: an economic-spatial analysis" (Fleck et al. 2010)." The audit team reviewed Fleck et al. 2010 and it is unclear how exactly this report was used to generate the amount of time to cross a pixel of each land cover using this report. Likewise, it seems unlikely that it would take the same amount of time to cross a pixel of pasture land versus a pixel of forest land. It is unclear whether the analysis assumes that there are roads or trails that are utilized to move across each land cover class. Please provide additional information regarding exactly how the data on travel times were derived from Fleck et al. 2010.

2) The methodology requires the user to undertake the following: "Using a GIS, generate a raster map of the reference region in which every pixel contains the cost to cross this pixel, based on the class or roads/tracks on this pixel. The cost to cross areas that are not accessible to agents of deforestation must be set to an arbitrary large value. Examples of inaccessible areas include protected areas, national parks, economic land concessions, and large plantations. These must have been excluded already from the reference region. This map must have an identical resolution as the remote sensing images of the historical reference period." In step 2 of the document it indicates "Based on those values, we generate a raster map of the reference region where each pixel contains the crossing cost of that pixel, as values obtained in table of Step 1." The raster map shown is a land use land cover map of the broader region. It contains 9 land use land cover classes. Overlaid on the map is a legend of the cost to cross each pixel for 8 land use land cover classes. The correspondence between the work undertaken and the methodology requirements is unclear in the following ways: 1. The map does not exclude the inaccessible areas that were already excluded from the reference region, 2. The resolution of this map is unclear and 3. The cost of crossing 'other lands' is not included in this map. Additional information is needed to determine conformity to the methodology.

3) The methodology requires the user to undertake the following: "Using the cost map, generate a cost-distance map of the reference region in which every pixel contains the cost (time) to reach the nearest point of the project area." With regards to this step, step 3 in the document states "From the

cost-map, a new distance-cost map is produced with the cost measured in time taken to go from each pixel within the reference region to the closest pixel within the project area. To estimate that, we have summed the time taken to cross the intermediate pixels (going by the fastest route) between both points (the pixel in the RR and the closest pixel in the PA). The values of the distance-cost map represent the cost (in time) to achieve from each pixel of the RR to the closest pixel in the PA by using the best transportation method." The audit team has concerns regarding the accuracy of the cost-distance map. For instance, at the southeastern corner of the project area, the reference region pixels that touch southeastern corner of the project area would require 22-25 hours to reach the project area. Please clarify how the cost-distance map has been generated in conformance with the methodology.

4) The methodology then requires the user to undertake the following "For every agent of deforestation/degradation, estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest. Determine this value using social assessments by asking what the extra time is that a single household would have to spend if the project area is not accessible anymore." Step 4 in the document indicates "The next step is to determine the additional or extra time, each deforestation agent is willing to accept to continue doing its activity by displacing outside the project area in the surrounding forests. This was determined indirectly not asking them directly in order to not to create a wrong message that deforestation is permitted or promoted but instead analyzing in the project zone, specifically in the reference region, which is the most far away point where a deforested area for agrarian purposes is registered. The assumption is that if an agrarian production has occurred in this pixel, we can assume that it is profitable to establish some crops at this distance.

This is a conservative approach as likely, in the future, new roads will be opened and new cleared areas will reduce the transportation costs and farther forest areas could be profitable and attractive for deforestation agents." It is unclear how the project team "indirectly" determined this. Please provide additional information.

5) The methodology requires the user to undertake the following "Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts." Step 5 of the document states "According to the methodology, those minimum and maximum values are multiplied by 1.5 to estimate the minimum and maximum values of the leakage belt." Step 6 of the document then indicates "The figure of the leakage belt is presented in the following map, encompassed by the reference region, and combining forest and non-forest areas, as required by the methodology." However, the resulting leakage belt

does not appear to be accurate. The map excludes all areas close the town of Iberia. In reality, these pixels may be more likely to experience leakage as they are closer a population center, closer to roads, and border the project area. The audit team requests additional evidence for why leakage is not expected around the areas close to the town of Iberia.

Given the above issues, the audit team requests additional information to be able to determine whether the current iteration of the leakage belt as presented in the Leakage belt determination.docx is in conformance with the methodology. Furthermore, a new NCR (#49 below) provides additional nonconformities as related to the delineation of the reference region and the leakage belt.

Project Personnel Response 2: A new Leakage Belt Determination has been updated with adjustements in the average cost, type of vehicle used in each land use class and maximum speed of each vehicle with each land use class

Auditor Response 2: The audit team reviewed the updated leakage belt determination as indicated in section 3.2.3 of the updated PD (PD The Jaguar Amazon REDD Project.docx, provided on 7 October 2020). The requested information has been provided and therefore this NIR finding has been closed. However, the updated leakage belt is not in conformance with the requirements of section 8.3.2.2 of the methodology, thus we have upgraded this finding to an NCR which is described in NCR #88 below.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 9 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 3.1.3 of the PD Template states the following: Define the project boundary and identify the relevant GHG sources, sinks and reservoirs for the project and baseline scenarios (including leakage if applicable)." This Section then includes a Table and indicates it is required component when it states "In addition to the table, provide a diagram or map of the project boundary, showing clearly the physical locations of the various installations or management activities taking place as part of the project activity based on the description provided in Section 2.1.11 (Project Activities and Theory of Change) above."

While Table 34 of the PD does include baseline and project emissions, it identifies the emission sources as AGB and BGB, which are not defined in the PD.

Project Personnel Response: A foot note has been included to indicate that AGB and BGB represents above ground biomass and below ground biomass respectively

Auditor Response: The audit team has confirmed that the indicated footnotes defining AGB as aboveground biomass and BGB as belowground biomass were provided in section 3.1.3 of the PD. This finding has been closed (but see finding 11, related).

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 10 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 5.1 of the methodology states “This methodology requires accounting of all potential emissions of CO2, N2O and CH4 from sources not related to changes in carbon pools, henceforward referred to as emission sources (Table 1).Table 1 in the methodology then lists GHG emission sources such as “Removal of woody biomass for fire prevention and suppression activities”, “Biomass burning from unplanned large and small scale fires”, among others.

The audit team requests justification for why none of the sources listed in Table 1 have been included for the project scenario. Please provide justification for why each of the potential options where CH4 or N2O emissions need to or do not need to be included (e.g., “Removal of woody biomass for fire prevention and suppression activities” are not relevant to the project activity).

Project Personnel Response: A new table with all the potential GHG emission sources has been included with a justification of their inclusion or exclusion from the accounting.

Auditor Response: The audit team confirmed that this new table has been added to section 3.1.3 of the PD (below Table 34). This new table is not numbered. It is unclear from this table which GHG sources and sinks were actually included in this project. For example in the column "Se incluye?", it indicates "opcional" or “si” for several of the GHGs, that clearly were not included in this project. For instance, the table indicates “si” next to N2O emissions due to CFE activities. This is confusing. The audit team requests additional clarity with regards to which sinks and sources are included in this project.

This finding remains open.

Project Personnel Response 2: The tables of sinks and sources have been updated in the PD to accomplish the requirement of the methodology

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Auditor Response 2: The audit team reviewed the updated table in section 3.1.3 of the PD (Page 73). The table has been translated to English and it is clear which sources have been included in the project. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 11 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 5.2 of the methodology states that "Table 2 summarizes the carbon pools that must be included in projects following this methodology." Table 2 then indicates that aboveground-non tree biomass "Must be included when the land cover under the baseline scenario is perennial tree crop. May be excluded when baseline land cover is annual crop or pasture grass."

As indicated in Finding #9, AGB and BGB are identified as emission sources, but are not defined. If AGB refers to aboveground live tree biomass, but not aboveground non-tree biomass, please provide justification that the land cover under the baseline scenario is not a perennial tree crop.

Project Personnel Response: A foot note has been included to indicate that AGB and BGB represents above ground biomass and below ground biomass respectively

Auditor Response: The audit team confirmed the footnote was added. However, Table 2 in section 5.2 of the methodology states that aboveground-non tree biomass "Must be included when the land cover under the baseline scenario is perennial tree crop. May be excluded when baseline land cover is annual crop or pasture grass." Please specify whether aboveground biomass includes non tree biomass. This finding remains open.

Project Personnel Response 2: The aboveground biomass includes non-tree biomass as indicated in the technical memory

Auditor Response 2: The audit team reviewed the updated table 34 in section 3.1.3 of the PD and confirmed that it specifies that aboveground non-tree biomass is conservatively excluded from the analysis. However, section 5.2 of the methodology does not indicate that aboveground non-tree carbon can be conservatively excluded. Rather Table 2 in section 5.2 states that aboveground non-tree biomass is "Expected to increase from project activities. Must

be included when the land cover under the baseline scenario is perennial tree crop. May be excluded when baseline land cover is annual crop or pasture grass." Table 42 in the PD States "Above-ground non tree biomass is not significant, based on the results of the inventory made in* the Native Community of Belgica; therefore, it is conservatively omitted. The carbon stocks in post-deforestation biomass were taken from literature." The audit team confirmed during conversations with the project team that post deforestation land use ise predominantely annual crop or pasture, therefore aboveground non-forest can be excluded. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 12 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 5.2 of the methodology states that "Table 2 summarizes the carbon pools that must be included in projects following this methodology." Table 2 then indicates that wood products must be included as they are "Major carbon pool affected by project activities."

The PD does not indicate that harvested wood products are included as a carbon pool in this assessment and thus is not in conformance with the methodology.

Project Personnel Response: Harvested wood products are included as a carbon pool and are part of the NER quantification. A reference to its inclusion has been added in the PD.

Auditor Response: The audit team was able to confirm that CO2 from harvested wood products is now included as a relevant GHG source/sink reservoir in table 34 of the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 13 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 4.1.1 of the methodology states that "Drivers of deforestation and forest degradation must fall into one or more of the following categories." It then lists "Logging of timber for commercial sale (eg, wood planks or poles for commercial sale)" as a category. However it further states that "None of the drivers listed above must be planned in nature. If deforestation from a specific driver is occurring as a result of planned forest conversion activities, then such a driver must be excluded from analysis".

Several places in the PD references "commercial logging" as a driver for forest degradation in the baseline and project scenario (e.g. Section 3.2.1 and 3.2.2). The audit team requests evidence that this commercial logging is not planned in nature.

Project Personnel Response: The methodology allows commercial logging as an optional activity (4.2.3 of the methodology) only if it is executed under a certification of sustainability as FSC and others. The inclusion of commercial logging as a driver of degradation is based on the consideration that it is necessary to apply the equations to determine and discount the emissions caused by sustainable harvest.

Auditor Response: The audit team agrees that the methodology allows commercial logging as an optional activity. However, for commercial logging to be included as degradation, the methodology indicates that it must be unplanned in nature (4.1.1). Thus by including commercial logging conducted by the Bozovitch Group as degradation is not in conformance with the methodology. Furthermore, see findings 78-81 related to planned commercial harvesting.

Project Personnel Response 2: In the updated tables and different sections of the PD, any reference to certified sustainable logging has been deleted as a source of degradation

Auditor Response 2: The audit team reviewed the updated PD including sections 3.1.2, 3.2.1, and 3.2.2 and found that planned logging, as carried out by the Bozovich team (the landowner and project proponent) has been excluded as a cause of forest degradation. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 14 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The methodology states in Sec. 8.1.3 that "The PD must contain an analysis of the agents of deforestation and drivers similar to the analysis in Angelsen and Kaimowitz (1999) and Chomitz et al. (2006) by performing four steps, as described below." The methodology then describes the analysis in Sections 8.1.3.1-8.1.3.4. The PD does not contain a thorough analysis of agents and drivers following each of the steps indicated in Sections 8.1.3.1-8.1.3.4 and thus is not in conformance with the methodology.

For instance, Sec. 8.1.3.1 states "For each of the ten included categories of drivers covered by this methodology that are present in the reference region, the main agents must be identified". The PD does not clearly state which of the "included categories of drivers covered by this methodology" are present in the reference region, nor does it identify the main agents for each driver present in the reference region. Furthermore, Sec. 8.1.3.1 states that "A qualitative analysis of the broader underlying forces determining the agents' motivations for deforestation and forest degradation must be included." Such analysis is not included.

Note that these are only examples of the information that is required to be documented in the PD that is not documented in the PD.

Project Personnel Response: Pending

Auditor Response: This finding has been addressed and therefore remains open.

Project Personnel Response 2: A description of drivers has been included in the PD following the guidelines of the methodology in section 8.1.3

Auditor Response 2: Section 3.2.1 (Step 8) of the PD has been updated with a detailed description of the relative importance of the drivers of deforestation. These are deforestation due to (1) Agriculture/cropland, (2) pasture, and (3) infrastructure. The main agents of deforestation are listed as farmers, ranchers, and infrastructure. The relative contribution of each driver is also calculated based on the steps in table 8, table 9 and the equations for Relative contribution of driver i to the total deforestation on page 36 of the methodology. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 15 Dated 5 Jun 2020

Standard Reference: VCS Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities, Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Substep 1a of the Tool for the Demonstration and Assessment of Additionality requires the following:

"a) Identify realistic and credible land-use scenarios that would have occurred on the land within the proposed project boundary in the absence of the AFOLU project activity under the VCS. The scenarios should be feasible for the project area taking into account relevant national and/or sectoral policies and circumstances, such as historical land uses, practices and economic trends. The identified land use scenarios shall at least include: i) Continuation of the pre-project land use; ii) Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project; iii) If applicable, activities similar to the proposed project activity on at least part of the land within the project boundary of the proposed VCS AFOLU project at a rate resulting from: Legal requirements; or Extrapolation of observed similar activities in the geographical area with similar socio-economic and ecological conditions to the proposed VCS AFOLU project.

b) All identified land use scenarios must be credible. All land-uses within the boundary of the proposed VCS AFOLU project that are currently existing or that existed at some time in the period beginning ten years prior to the project start date but no longer exist, may be deemed realistic and credible. For all other land use scenarios, credibility shall be justified. The justification shall include elements of spatial planning information (if applicable) or legal requirements and may include assessment of economic feasibility of the proposed land use scenario.

c) Outcome of Sub-step 1a: List of credible alternative land use scenarios that could have occurred on the land within the project boundary of the VCS AFOLU project".

The PD states that "The most credible land use in the without project scenario is the expansion of agrarian frontier from rural producers living in the surrounding settlements." However, the PD indicates that additional land uses have existed or currently exist in the project area. For instance Section 2.2.1 of the PD states "Madre de Dios was a pristine region and for this reason, it was the capital of the biodiversity until 2009, when the Interoceanic Highway was finally completely paved and the transportation cost reduced dramatically, increasing exponentially the internal migration from highlands of Peru." that the PD also states that "logging is a traditional activity in the zone since decades ago and BOZOVICH is a very well known family in the forest sector in Peru and also in Madre de Dios." This Section also states "In that scenario, the most likely scenario is that agrarian production will enter into the forest concession as it is already happening in other smaller concessions that do not have the resources to protect as effectively as BOZOVICH has done until now theirs." This suggests that prior to the project the Bozovich group had more effectively protected their resources in the concessions, which suggests another, plausible land use (management of the

project area as a permanent forest concession, with adequate protection measures in place to prevent deforestation) had previously existed in the project area. In addition, sub-step 1a specifically requires that the identified land use scenarios must at least include “Continuation of the pre-project land use” and “Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project” (these may, in fact, be one and the same).

Given that only the only scenario listed is “the expansion of agrarian frontier from rural producers living in the surrounding settlements”, and that the include “Continuation of the pre-project land use” and “Project activity on the land within the project boundary performed without being registered as the VCS AFOLU project” scenarios are not included, the PD is not in conformance with the requirements of the additionality tool.

Project Personnel Response: In sub-step 1a, a new land use scenario, "continuation of the pre-project land use", has been added but, according to analysis, this is not the most likely perspective in the without-project scenario. The data analysis shows that, even though Madre de Dios has been in previous years a region with a tradition of sustainable exploitation of forest for timber purposes, the paving of the road has accelerated the internal migration, increasing exponentially deforestation rate. Other forest concessions, less solid than Bozovich Group, have already been witness of the invasion of their forest for agrarian production.

Auditor Response: The audit team confirmed that an additional land use scenario was provided in the PD. Section 3.1.5. Thus, the PD now meets the requirements of Sub-step1a in the Additionality Tool. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 16 Dated 5 Jun 2020

Standard Reference: VCS Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities, Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Substep 1a of the Additionality tool states " All identified land use scenarios must be credible. All land-uses within the boundary of the proposed VCS AFOLU project that are currently existing or that existed at some time in the period beginning ten years prior to the project start date but no longer exist, may be deemed realistic and credible. For all other land use scenarios, credibility shall be justified7. The justification shall include elements of spatial planning information (if applicable) or legal requirements and may include assessment of economic feasibility of the proposed land use scenario. "

Section 3.1.5 of the PD states "The most credible land use in the without project scenario is the expansion of agrarian frontier from rural producers living in the surrounding settlements. This assumption is based on the empirical evidence registered by forest cover monitoring module IMMCB), in charge of PNCB-MINAM" which is the baseline land-use scenario.

The audit team requests evidence that the selected baseline land-use scenario is credible (e.g., currently existing or has existed within 10 yrs prior to start date).

Project Personnel Response: While in the southern part of Madre de Dios, illegal mining is the main driver of deforestation, deforestation for agrarian purposes is, in the northern part of the region, the main driver, since many years ago, specially since the completion of the paving of the Interoceanic Highway. Many articles describe this situation: https://www.actualidadambiental.pe/datos-oficiales-la-deforestacion-registrada-el-2017-en-madre-de-dios-fue-la-mas-alta-de-los-ultimos-17-anos/

Auditor Response: The audit team reviewed the evidence provided and confirmed that the baseline scenario is credible in that deforestation due to agrarian expansion exists within the project area. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 17 Dated 5 Jun 2020

Standard Reference: VCS Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities, Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Substep 1b of the Additionality tool states "

a) Apply the following procedure: i) Demonstrate that all land use scenarios identified in the sub-step 1a: are in compliance with all mandatory applicable legal and regulatory requirements;

ii) If an alternative does not comply with all mandatory applicable legislation and regulations then show that, based on an examination of current practice in the region in which the mandatory law or regulation applies, those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area;

iii) Remove from the land use scenarios identified in the sub-step 1a, any land use scenarios which are not in compliance with applicable mandatory laws and regulations unless it can be shown these land use scenarios result from systematic lack of enforcement of applicable laws and regulations. "

Section 3.1.5 of the PD states "Even though the land use change in areas whose main capacity is the forest production is forbidden, the empirical evidence shows that current traditional practices prevails and it is being more and more intensive on time. Many forest concessions in Madre de Dios are not feasible anymore because they were forced to reduce their forest production area because of the deforestation and illegal logging."

The audit team requests additional evidence and description of all the plausible alternative land use scenarios and how they are in compliance with mandatory legislation. If an alternative does not comply with legislation, as is the case with illegal logging in the project area concessions, please demonstrate how "based on an examination of current practice in the region in which the mandatory law or regulation applies, those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area")."

Project Personnel Response: Illegal logging is not the main threat on the project area. Illegal forest clearance is. Land use change for agrarian purposes, even though it is not allowed, is a common practice in the Peruvian Amazon. The same literature cited in previous finding acknowledge that unauthorized construction of roads open new forest areas to land trafficking.

Auditor Response: As indicated in the response to finding #15, the audit team confirmed that two credible land use scenarios are now listed in section 3.1.5 of the PD: 1) maintanence of sustainable forestry, and 2) expansion of agriculture in the project area.

However, substep 1b of the Additionality tool states ") Apply the following procedure:

i) Demonstrate that all land use scenarios identified in the sub-step 1a: are in compliance with all mandatory applicable legal and regulatory requirements;

ii) If an alternative does not comply with all mandatory applicable legislation and regulations then show that, based on an examination of current practice in the region in which the mandatory law or regulation applies, those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area;

iii) Remove from the land use scenarios identified in the sub-step 1a, any land use scenarios which are not in compliance with applicable mandatory laws and regulations unless it can be shown these land use scenarios result from systematic lack of enforcement of applicable laws and regulations."

Thus a demonstration that the two land use scenarios are in compliance with mandatory legal and regulatory requirements has not been presented. Likewise, it is indicated that expansion of agriculture into the forest concessions is not in compliance with the mandatory legal and regulatory requirements, thus in accordance with the additionality tool, it must be demonstrated that "those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area."

Project Personnel Response 2: 100% of forest concessions in Madre de Dios has been affected by forest loss within their boundaries. Based on that approach, we consider that the illegal deforestation, even though is not an authorized land use, is prevalent within project zone.

Auditor Response 2: The audit team reviewed the evidence provided and confirmed that the baseline scenario is credible in that deforestation due to agrarian expansion exists within the project area. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 18 Dated 5 Jun 2020

Standard Reference: VCS Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities, Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Substep 1c of the Additionality tool state "The baseline methodology that would use this tool shall provide for a stepwise approach justifying the selection and determination of the most plausible baseline scenario."

The PD states "The most likely scenario described in 2.2.1 is proposed, based in two elements:

Statistical data of increasing deforestation rate in similar type of land tenure, it means, other forest concessions, in the same administrative unit, Madre de Dios Region. Expert opinions from a diverse range of stakeholders (community leaders, forest authorities, etc.) about the profile of each local settlement and the trends on land use."

The audit team requests additional evidence and information regarding the statistical data and expert opinions that justify increasing deforestation as the most-likely scenario justification

Project Personnel Response: Official statistical data from Peruvian Government, available in the following link: "http://geobosques.minam.gob.pe/geobosque/view/perdida.php" show that deforestation is increasing exponentially in Madre de Dios region in general, and in Tahuamanu province specifically. Interviews collected in finding 33, confirm this trend.

Auditor Response: The audit team reviewed the statistical data provided from the geobosques.minam.gob.pe site and the interviews provided with finding 33 (Entrevistas.docx, Inform de entrevistas.docx) and confirm it supports the most likely scenario. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 19 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.1 or the methodology states “Table 4 below lists the data that are required. This table also outlines the information about these data that must be documented in the PD. "

Section 3.2.1 of the PD indicates that “Project only works with official information of the country. In this case, as Peru has only developed a methodology and systematic data series for deforestation, the project has only considered this activity as part of the REDD accounting. When Peru completes the methodological process for measuring degradation, the project will add this activity enhancing the significance of measurements. The methodology for generating the data may be reviewed in the webpage of MINAM.” The PD then provides a link to the Geoboques MINAM site where the data was obtained.

There is no additional information provided about the data sources of the imagery, dates of the imagery, or any preprocessing techniques applied to the imagery, thus the PD is not in conformance with the methodology

Project Personnel Response: The technical document containing a description of the methodology and inputs to prepare annual forest and forest loss maps has been included in the cloud. An independ third-party review is also included.

Auditor Response: The audit team reviewed the technical document provided (Technical methodological memory of forest and forest loss_2000_2011.pdf). However, the PD has not been updated to include summary information about the data sources. Section 8.1.2.1 of the methodology states “Table 4 below lists the data that are required. This table also outlines the information about these data that must be documented in the PD." For instance, the first data source listed in table 4 is “High to medium resolution (= 30 m) remote sensing data are required for at least three time points: (1) at least one image from 0-3 years before project start date, (2) at least one image from 4-9 years before project start date, and (3) at least one image from 10-15 years before project start date. No images older than 15 years may be used for the historical reference period.” The following information must be provided for this data source: “Source, Type, Resolution (spatial and spectral), Acquisition date, Coordinate system and preprocessing, if different sources of remote sensing data are used, a formal comparison of the sensors should be added to the monitoring report to ensure consistency.” Table 4 lists 3 other data sources along with the information about each source that must be documented in the PD.

The required information has not been included in the PD. Therefore, this finding remains open.

Project Personnel Response 2: A chart with information requested by the methodology has been included

Auditor Response 2: The audit team confirmed that a Table 63 "Information Needed about the Data Collected" was added to section 3.2.1 of the PD (page 104). This table provides some of the required information regarding the medium to high resolution imagery and LULC maps that were utilized for the analysis.

However, the following issues remain:

1) In table 63, it is indicated that the Acquisition date of these images is 1999-2011. This has led the audit team to believe that the data reported on in table 63 of the PD are not the same data sources that were actually used in the quantification of baseline emissions, since use of the data reported on in table 63 would lead to a number of non-conformities with respect to the methodology (e.g., the methodology requires that at least 1 image must be 0-3 years before the project start date and that no images can be older than 15 years before the start date may be used; therefore, any image from 1999-2002 would not be valid).

2)Table 4 in section 8.1.2.1 of the methodology indicates that Direct field observations or visually interpreted locations from remote sensing images are required for calibration of the classification and stratification procedures and validation of the calibration and classification accuracy." The PD must include the following about these observations "Acquisition date, Type of data, coordinate system, and location of coordinates." The required information about the direct field observations or visually interpreted locations used for the classification accuracy assessment has not been provided. (This issue is also related to finding #24).

This finding remains open.

Project Personnel Response 3: Tables 63 and 64 have been updated to refer that images used cover forest loss areas for 2008-2017 period

Auditor Response 3: The audit team reviewed the updated PD (dated 6 December 2020). Tables 62 and and 63 which refer to the remote sensing data used, now indicate that the images date from 1999-2017 and from 2000-2017.

It remains unclear if and how images from prior to the reference period were used in this analysis.

However, as a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 20 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; Verified Carbon Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.2 of the methodology states that the LULC classification must "Include, at minimum, the six IPCC LULC classes (Forest Land, Crop Land, Grassland, Wetlands, Settlements, and Other Land) in the LULC class definitions. The definition of these classes must be consistent with Chapter 2 of the IPCC GPG-LULUCF 2003." Later in Section 8.1.2.4, the methodology states "However, existing classification or stratification maps can be used if (1) the classes or strata in these maps can be matched to the LULC class and forest strata definitions developed according to this methodology and (2) the accuracy of these maps is quantified using the procedures in Section 8.1.2.7."

The PD indicates that "For LULC classes, as there are not official categories, we have worked with the stratification proposed by a REDD+ project, already validated, and implemented in Madre de Dios too. This project proposes four LULC classes." The PD also indicates that "Project only works with official information of the country" and later references LULC data from MINAM. The audit team independently checked the MINAM data and found that across Peru the available LULC data includes 6 land use classes (forest land, agricultural land, prairies, wetlands, settlements, and other lands). The methodology requires 6 LULC classes but the PD states that only 4 land use classes were used, thus is not in conformance with the methodology.

However Section 3.17 of the Standard specifies that "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." The Standard list the following requirements for methodological deviations:

"3.17.1 Deviations from the applied methodology are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement set out in the methodology (i.e., deviations are permitted where they relate to data and parameters available at validation, data and parameters monitored, or the monitoring plan).

3.17.2 Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emission reductions or removals, except where they result in increased accuracy of such quantification. Deviations relating to any other part of the methodology shall not be permitted.

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

The audit team requests additional information regarding why only four land use classes were applied, despite the MINAM data including six classes. If the use of four land use classes represents a methodology deviation, the audit team requests evidence supporting that the deviation meets the requirements for methodology deviations as listed in Section 3.17 of the Standard.

Project Personnel Response: The main reason why the project has not worked with the six LULC classes is because this information has not been systematically processed and published officially. In this link: http://geobosques.minam.gob.pe/geobosque/view/cambio-uso.php", it may be seen that the data is public only for some years, being the most recent in 2016. Even more, there are no plans that this information will be produced in the coming years at an annual basis. For this reason, we must work with direct analysis for LULC classes and post-deforestation land use.

Auditor Response: The audit team has reviewed the document "Informe_Final_Uso_de_la_Tierra_2011_Rev.0_HW_161215.pdf" and the map "LULC classification.pdng) that were provided with this finding. The audit team understands that the project team is utilizing national data and land use class transitions from another REDD project. However section 8.1.2.2 of the methodology indicates that: LULC classification and forest stratification must be conducted for the whole analysis area, which is the union of the reference region, leakage area and project area, as follows:

- Include, at minimum, the six IPCC LULC classes (Forest Land, Crop Land, Grassland, Wetlands, Settlements, and Other Land) in the LULC class definitions. The definition of these classes must be consistent with Chapter 2 of the IPCC GPG-LULUCF 2003. In cases where the country has defined more specific LULC classes than the IPCC classes, these definitions must be used if they are accurate

enough for project-specific classification."

The use of this outside LULC data represents a methodology deviation. The audit team requests evidence supporting that the deviation meets the requirements for methodology deviations as listed in Section 3.17 of the Standard. Also see NCR #54 with regards to this methodology deviation.

Project Personnel Response 2: The project intends to use the 6 IPCC classes and will be obtained from GEOBOSQUES webpage (land use change sub-module). A transition matrix has been built based on that data and the percentages for exante project estimations will be obtained from that source.

For transparency purposes, the analysis will be done at the province level instead of the reference region. Doing this way, the audit team or any other independent third-party will be able to replicate. No methodology deviation will be required thanks to this change of approach.

Auditor Response 2: The audit team reviewed the updates to section 3.2.1 of the PD. It now includes a description of the 6 IPCC land use classes are used with details on the definition of each of the land use classes. However, given the methodology deviation described in section 3.1.6 of the PD that "100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland" these six LULC classes or LULC maps are not used for the analysis of deforestation and associated carbon loss. Rather two LULC classes are utilized (forest versus nonforest) as shown in Table 63 of the PD, which represents a methodology deviation.

This finding has been closed for administrative purposes, but see finding NCR #54.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 21 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.2 of the methodology states "Managed forests must be divided into different forest strata according to the forest management regimes, unless the differences in management among regimes do not lead to significant differences in carbon density during the baseline validation period." The methodology later states "All areas that will be subject to harvest activities within the project area must be further divided into forest strata according to the harvest plan. The project proponent must present maps of the stratified project areas in the PD."

Section 3.2.1 of the PD indicates that "Based on the same criteria, we have worked with the official stratification used by the Government of Peru, which are the eco-zones. In this case, in the project area and reference region, the whole area corresponds to the eco-zone "Selva Baja" so there is only one forest stratum."

The audit team requests additional justification regarding why the project area has not been subdivided into different forest strata, given that the project area is apparently subject to harvest activities.

Project Personnel Response: The methodology states that the subdivision of forest in two strata based on harvesting activities is applicable except if the difference in carbon density between harvest areas and non-harvest areas is neglectable. First of all, the whole forest will be harvested through the years and the intensity of the harvesting is low enough to ensure the adequate recovery of biomass at the same original levels. This is the reason why we have considered not necessary to sub-divide the unique forest stratum "Selva Baja", which is the official category used by Peruvian Government.

Auditor Response: This justification is adequate. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 22 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.3 of the methodology states that "A list of the expected land transitions must be included in the PD in the form of a LULC and forest strata transition matrix."

Section 3.2.1 of the PD states that "From the same source for determining the LULC classes, we have used the percentages used in that PD for each land transition." The PD then provides Table 42 showing transitions between forest and cropland, pastures, and infrastructure. It is not clear exactly how the percentages (e.g. forest to cropland 41.26%, Forest to pasture 51.79%) were calculated.

The audit team requests more explanation and clarity about how and where these land use transitions were determined, such as the source and dates of imagery used and whether these values are for the reference region and/or project area, and why land use transitions from another project area are relevant for this project.

Project Personnel Response: Those parameters were obtained from a research developed in Madre de Dios referred to post-deforestation land use. The paper is uploaded in the cloud too.

Auditor Response: The audit team has been unable to confirm the land use land cover class percentages as information was not provided for this finding or the audit team has been unable to locate this information (There is no folder for finding 22). We request that the source and determination of these LULC transitions be explicitly demonstrated. This finding remains open.

Project Personnel Response 2: Response to finding 20 is applicable for this finding too.

Auditor Response 2: The audit team confirmed that in section 3.2.1 of the PD it states "From the same source for determining the LULC classes, we have used the percentages used in that PD for each land transition, which are: {Table 58}, {Table 59}. These two tables list land use transitions.

However, given the methodology deviation described in section 3.1.6 of the PD that "100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland" these six LULC classes or LULC maps are not used for the analysis of deforestation and associated carbon loss. Thus the LULC values presented in tables 58 and 59 of the PD are not relevant. This finding has been closed and upgraded to a NCR (see finding 96). Also see finding 54 for related NCR.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 23 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.5 of the methodology states that "Pre-processing includes geometric correction and handling image data loss due to cloud cover." It further states that "The average location error between two images (RMSE) must be less than or equal to one pixel. Clouds or cloud shadows must be masked out and excluded from the calculation of deforestation rates. The maximum allowable cloud cover is ≤ 20% for a single image or ≤ 20% on average across image pairs used in the transition rate analysis. A forest benchmark map must be generated to show forest cover status in the project and leakage areas. The final LULC map in the historic series can be used as the forest benchmark map, however missing values within the project and leakage areas due to cloud and cloud shadow must be filled with RS data acquired within three years before the start of the crediting period to be eligible. Geographic areas for which no cloud-free or cloud-shadow-free imagery is available within three years of the project start must be excluded from the project area. These may only be added back to the project area at verification following the rules of "Additions of New Project Area" set out in Section 9.3. Calculation of GHG benefits in the project and leakage areas after the project start must include only cloud-free imagery. When clouds and cloud shadows are present, calculation of the GHG benefits from these areas must be postponed until cloud-free remote sensing data is available in a subsequent monitoring period. These temporarily halted NERs may be added to the NERs generated in the subsequent monitoring period. This is only allowed on areas for which the forest status was unambiguously demonstrated at the beginning of the crediting period (see previous point)."

Section 8.1.2.6 of the methodology states "LULC classification and forest stratification may be (sub-) pixel based or segment-based. Attribution of classes to pixels or segments must be done using widely accepted methods such as maximum likelihood, decision trees, or support vector machines."

The PD does not include any information on the pre-processing of the remote sensing data. The audit team requests a description demonstrating how Section 8.1.2.5-8.1.2.6 of the methodology have been complied with and a demonstration that a forest benchmark map was generated.

Project Personnel Response: In concordance with coming national regulation, the project has worked, where existing and available, with official governmental data. This is the case of LULC classification and forest stratification. In the cloud, we have attached the technical papers describing the methodology for pre-processing including geometric correction and handling image data loss due to cloud cover.

Auditor Response: The audit team has reviewed the provided documentation (5aca4c_protocolo_perdida_bosques_2000-2011.pdf and 65aec8_memoria_descriptiva_mapa_perdida_2000-2011.pdf). However, the audit team continues to request information demonstrating how each specific requirement listed in Section 8.1.2.5-8.1.2.6 of the methodology have been complied with. For instance, the following must be demonstrated:

- The average location error between two images (RMSE) must be less than or equal to one pixel.

- Clouds or cloud shadows must be masked out and excluded from the calculation of deforestation rates.

- The maximum allowable cloud cover is ≤ 20% for a single image or ≤ 20% on average across image pairs used in the transition rate analysis.

- A forest benchmark map must be generated to show forest cover status in the project and leakage areas.

- Calculation of GHG benefits in the project and leakage areas after the project start must include only cloud-free imagery.

We request that it be explicitly demonstrated that the remote sensing products meets each of these requirements, with clear and direct references to page numbers, tables, etc in these reports.

This finding remains open

Project Personnel Response 2: A summary of this information has been included in the new version of the PD

Auditor Response 2: The audit team confirmed that a summary of data processing information has been included in the PD in a table on pg. 104, section 3.2.1 (Table 64). This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 24 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.2.7 of the methodology states "The accuracy assessment of LULC classification must be conducted for all LULC maps across the whole analysis area, i.e., the union of the project and leakage areas and the reference region. The accuracy must be assessed by comparing predicted LULC classes for a number of reference locations with independently determined LULC classes. Reference locations must be located throughout the reference region, leakage area, and project area." This Section later describes the three-step procedure for determining the discounting factor for the LULC classification.

The PD states "According to table 6 of the methodology, the number of images is 10, which implies that no discount is applied at this level. On the other side, the accuracy attained for that classification was 71% so the discount factor that corresponds to u classification is 0.497. Meanwhile, according to the methodology, the number of time points available in biomass inventories is one, so, as recommended by the methodology, for the first verification, the u stratification must be 0.75."

The audit team requests the demonstration of how this accuracy assessment was conducted for all LULC maps. More specifically the audit team does not have enough information to independently confirm the methodologies used to attain a 71% accuracy of the classification nor verify how a discount factor of 0.497 was calculated. Likewise, we request additional information on the source, dates, and details about each of the 10 images the PD is referencing.

Project Personnel Response: The third-party revision mentioned in finding 19 has determined that the accuracy value of the confusion matrix is 94% and details the protocols followed to achieve this value. This literature is shared in the cloud, too.

Auditor Response: The audit team has reviewed the report provided for finding 19 (Technical methodological memory of forest and forest loss_2000_2011.pdf). Section 7.5 of this report describes the analysis of precision of the forest loss map using a confusion matrix. This section also indicates that the accuracy assessment was conducted for the entire Amazon region area of the country, which includes the project areas as well as areas far outside of the project area and reference region.

Section 8.1.2.7 states that "The accuracy assessment of LULC classification must be conducted for all LULC maps across the whole analysis area, i.e., the union of the project and leakage areas and the reference region. The accuracy must be assessed by comparing predicted LULC classes for a number of reference locations with independently determined LULC classes. Reference locations must be located throughout the reference region, leakage area, and project area. The LULC classes for these reference locations must be identified using field observations, in-situ maps, remote sensing data, and/or other ground-truthing data. At minimum 50 reference locations per LULC class must be used. If the area of the class exceeds 500 km2 or the number of classes is more than 12, then, at minimum, 75-reference locations per class must be used. The reference locations within each LULC class must be systematically distributed to represent varying topography, parcels and other geographic features." The audit team requests it be clearly demonstrated that the accuracy assessment conducted meets each of the specific requirements as stated section 8.1.2.7 of the methodology.

This finding remains open.

Project Personnel Response 2: National Forest Inventory maps were included in the PD with information regarding the sampling plots spread and a table with the amount of plots per ecozone (more than 50 per ecozone)

Auditor Response 2: The audit team reviewed the map of inventory plots provided on page 82 of the PD. Also, we reviewed the information provided on the Accuracy Assessment on page 103 of the PD and the literature provided (25. MINAM & MINAGRI. Protocolo de Clasificación de pérdida (2).pdf)

We concluded that the accuracy assessment is not in conformance with the methodology. This finding has been closed but upgraded to an NCR, see finding #97.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 25 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: According to Section 8.1.2.8 of the methodology, "In addition, the PD must contain a table which contains the overall areas (ha) of deforestation, increased forest cover, forest degradation, and regeneration for each subperiod. These data will be used to project future land use change (Section 8.1.5.1)."

The PD does not contain such a table as required by the methodology; thus the PD is not in conformance with the methodology.

Project Personnel Response: The annual forest loss, historically and forecasted in the baseline scenario, is included in the PD. Increased forest cover is assumed as zero. Forest degradation is equivalent to the size of annual logging plots while regeneration area, even though they are not included in the accounting for conservative approach, is equivalent to the annual logging plot of previous year.

Auditor Response: The audit team confirmed that the Table 46 in section 3.2.1 of the PD contains a table of the overall area (ha) of deforestation for each subperiod.

This finding is closed. But see finding #56 related to increased forest cover.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 26 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 8.1.4 of the methodology requires the following: "For each LULC class or forest stratum that could be subject to a transition as identified in Section 8.1.2.3, it is necessary to determine the average carbon stock density, based on sampling plots… Alternatively, on non-forest land, conservative defaults gathered from scientific literature may be used to quantify the carbon stock density. The applicability of these default values must be confirmed by the validator." It is stated in Section 3.2.1 of the PD that "We have taken official data from Peruvian Government for emission factor of forest stratum "Selva Baja" and for emission factor of LULC, we have collected from the REDD+ project previously mentioned." Based on the information presented, it is not clear to the audit team that sampling plots have been measured to derive the average carbon stock density for the "Selva Baja" stratum, as required in Section 8.1.4 of the methodology. Please provide a description of how each of the requirements of Section 8.1.4 of the methodology has been followed. In addition, please provide detailed information regarding any carbon stock densities for non-forest areas, including evidence that they are "conservative defaults gathered from scientific literature", as required by the methodology.

Project Personnel Response: As throughout the whole document, the project has intented to use official data. The emissions factors is one of those data. In this case, as recommended by VERRA, the data was collected from the National Forest Inventory. By using this information, we are compatible with the emission factors used in the Peruvian FREL. Technical report about the INF is included in the MEGA cloud.

Auditor Response: It is unclear which technical report about the INF was included with this finding. Although sufficient information or reference to the information was not clearly provided, this finding was closed for administrative reasons (but see finding #61).

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 27 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 3.3.2 of the PD template states "Complete the table below for all data and parameters that will be monitored during the project crediting period (copy the table as necessary for each data/parameter)."

Section 9.2.1 of the methodology indicates the data and parameters that must be monitored. It indicates data/parameter [MN5] is ΔarealeakageArea,ProjectScenario(t, i) and is used to denote the "Hectares undergoing transition ii within the leakage area under the project scenario during year tt. [ha yr-1]" and that the data/parameter [MN6] is ΔarealeakageArea,BaselineScenario(t, i) and refers to the "Hectares undergoing transition ii within the leakage area under the baseline scenario during year tt. [ha yr-1]."

However, Data/parameter MN5 in Section 3.3.2 of the PD indicates that the data/parameter for "hectares undergoing transition ii within the leakage area under the project scenario for year ss" is "ΔarealeakageArea,BaselineScenario(t, i)." This parameter refers to the baseline scenario.

Project Personnel Response: This has been corrected in the PD

Auditor Response: The audit team reviewed the updated PD. Data parameter MN5 and data parameter MN6 are now identical in both their description and denotation. To reiterate, section 9.2.1 of the methodology indicates the data and parameters that must be monitored. It indicates data/parameter [MN5] is ΔarealeakageArea,ProjectScenario(t, i) and is used to denote the "Hectares undergoing transition i within the leakage area under the project scenario during year t. [ha yr-1]." This finding remains open.

Project Personnel Response 2: The description of parameter has been adjusted to be in accordance with the methodology

Auditor Response 2: The audit team confirmed that the description for MN5 in section 3.3.2 of the PD has been updated. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 28 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 3.3.3 of the PD template states "Describe the process and schedule for obtaining, recording, compiling and analyzing the monitored data and parameters set out in Section 3.3.2 (Data and Parameters Monitored) above. Include details on the following:

-The methods for measuring, recording, storing, aggregating, collating and reporting data and parameters. Where relevant, include the procedures for calibrating monitoring equipment.

-The organizational structure, responsibilities and competencies of the personnel that will be carrying out monitoring activities.

-The policies for oversight and accountability of monitoring activities.

-The procedures for internal auditing and QA/QC.

-The procedures for handling non-conformances with the validated monitoring plan.

Any sampling approaches used, including target precision levels, sample sizes, sample site locations, stratification, frequency of measurement and QA/QC procedures.

Where appropriate, include line diagrams to display the GHG data collection and management system."

The PD states "Bozovich will implement a MRV Department composed by a head and an undetermined number of specialists, depending on the intensity of information that needs to be monitored, specially to monitor the community and biodiversity impacts and the REDD project activities. The MRV will have two types of storage: a physical storage in BOZOVICH offices and in a safe platform in the cloud, being MEGA the platform that is being explored."

While the PD provides information on the organizational structure of the monitoring system at Bozovich, it does not describe the procedures for internal auditing and QA/QC, the policies for oversight and accountability, the responsibilities and competencies of the personnel carrying out the monitoring activities, the procedures for handling non-conformances, and sampling approaches used.

Project Personnel Response: The company has a complete monitoring system that includes operations, environmental performance, social performance and silvicultural management. The system includes different variables as responsible, frequency, method, among others. Each one of the sub-system has developed a handbook. All this information is available in the web page. There is also a handbook for internal audits.

Auditor Response: : The audit team reviewed the monitoring manuals provided (e.g. Manual de Evaluación de Calidad de Operaciones Otorongo.pdf, Manual de Evaluacion de claros Otorongo.pdf, Manual de Monitoreo Social Otorongo.pdf, Manual de Procedimiento de Auditorías Internas Otorongo.pdf). They provide clear evidence that a thorough monitoring system is in place and that it meets the requirements of the methodology. However, there is no reference or description of these internal monitoring procedures and manuals in the PD. As a reminder Section 3.3.3 of the PD template states "Describe the process and schedule for obtaining, recording, compiling and analyzing the monitored data and parameters set out in Section 3.3.2 (Data and Parameters Monitored) above. Include details on the following:.." thus the methodology requires that such a description must be included in the PD.

This finding remains open.

Project Personnel Response 2: A summary of Handbooks has included in Annex 14. In addition, a description of monitoring process has been included in the PD

Auditor Response 2: The Audit team verified that section 3.3.3 of the PD was updated with a description of the internal monitoring system in place. We also reviewed Annex 14 titled "Annex 14 Summary of manuals.docx and confirmed that it provides the required information about data collection and processing techniques. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 29 Dated 5 Jun 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 3.3.3 of the PD template states "Describe how the monitoring plan, and any results of monitoring undertaken in accordance with the monitoring plan, will be disseminated and made publicly available on the internet. Describe the means by which summaries (at minimum) of the monitoring plan and results will be communicated to the communities and other stakeholders." Section 3.4 states "Complete this Section (3.4) if the project seeks to be validated to the Gold Level for climate change adaptation benefits. If not applicable, state so and leave this Section blank."

Sections 3.3.3 and 3.4 (including 3.4.1, 3.4.2, and 3.4.3) have not been completed.

Project Personnel Response: Section 3.3.3 is completed. Section 3.4 is optional to obtain community gold standard which has not been decided by the project proponents yet.

Auditor Response: The audit team referenced the incorrect section. Section 3.3.4 titled "Dissemination of Monitoring Plan and Results (CL4.2)" has not been completed in the PD. Although the nonconformity has not been resolved, this finding has been closed for administrative purposes (but see finding 45).

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 30 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section G3 of the CCB Standard states "Communities and Other Stakeholders are involved in the project through full and effective participation, including access to information, consultation, participation in decision-making and implementation, and Free, Prior and Informed Consent (requirements for Free, Prior and Informed Consent are included in G5.2). Timely and adequate information is accessible in a language and manner understood by the Communities and Other Stakeholders." Furthermore, the PD template states "Describe how summary project documentation, including information required for G1.1-9, has been actively disseminated to communities."

Section 2.3.2 of the PD states that "the project plans additional strategies to disseminate the information in a didactic manner: Periodical meetings with families from surrounding settlements, Working groups with community leaders and local authorities to evaluate the development of the project activities, Publishing materials." Furthermore, Section 2.3.3. of the PD states "A protocol for informational meetings with stakeholders will be developed during the first stages of the REDD+ project.

The audit team asks that the client provide any available evidence of these stakeholder engagements, such as the protocol for informational meetings, meeting notes and lists of attendees, and/or any published materials which were disseminated to stakeholders.

Project Personnel Response: In the social monitoring handbook, there is a description of the procedures for preparing informational meetings. Also, in the cloud, we have attached the list of attendees and other evidence of meetings carried out during last two years.

Auditor Response: The audit team reviewed the social monitoring handbooks (Manual de Monitoreo Social Otorongo.pdf, Manual de Monitoreo Social Chullachaqui.pdf) as well as the list of attendees for each of the meetings (Capacitaciones externas 2019.pdf, Capacitaciones externas 2020.pdf) that were provided. These documents serve as adequate evidence that section G3 of the CCB standard has been met. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 31 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.3.4 of the PD template states "Explain how relevant and adequate information about potential costs, risks and benefits to communities – identified using a participatory and transparent process – has been provided to communities in a form they understand and in a timely manner prior to any decision they may be asked to make with respect to participation in the project."

Section 2.3.4 of the PD states that "A qualitative methodology will be developed to estimate the potential costs, risks and benefits of the implementation of the REDD+ project." It then states "The participants will be organized by type of stakeholders so each group will identify the types of costs and/or benefits associated or caused by the core activities of the project (qualitative analysis). Based on this identification, the participants will try to quantify the magnitude of cost and/or benefit of each concept identified at a certain time-period."

The audit team asks that the client provide any available evidence of these cost, risk, and benefit analyses conducted by the stakeholders.

Project Personnel Response: A set of socio-economic indicators has been prioritized and are described in the social monitoring handbook. Even though, family incomes have been collected for 2017-2020 period, we consider that, in the current context of the pandemic, this is not a good indicator of project impact as the variables that affect the income are diverse and do not depend exclusively on project activities, so it is out of control of the project. For this reason, the project proposes the development of local capacities as the main variable. In any case, cost will be periodically monitored for each one of the four neighboring communities.

Auditor Response: The audit team reviewed the social monitoring handbooks (Manual de Monitoreo Social Otorongo.pdf, Manual de Monitoreo Social Chullachaqui.pdf) well as the list of attendees for each of the meetings (Capacitaciones externas 2019.pdf, Capacitaciones externas 2020.pdf) and the spreadsheet (Indicadores Comunitarios.xlsx) that were provided. We confirmed that family incomes were collected and considered as the main socio-economic indicators. However it remains unclear whether the "potential costs, risks and benefits to communities – identified using a participatory and transparent process – has been provided to communities in a form they understand and in a timely manner prior to any decision they may be asked to make with respect to participation in the project." The audit team requests evidence that this information about costs, risk and benefits has been provided to the communities in a form they understand. This finding remains open.

Project Personnel Response 2: A summary of costs, benefits and risks of the project has been prepared (in Spanish) and it is being socialized with key local stakeholders

Auditor Response 2: The information has been provided in this response, however it has not been included in the PD. This finding has been closed but see NCR finding #89.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 32 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.3.7 of the PD template states "Demonstrate that all consultations and participatory processes have been undertaken directly with communities and other stakeholders or through their legitimate representatives. Provide justification that adequate levels of information sharing has occurred."

Section 2.3.7 of the PD states that "Consultation with communities and other stakeholders has been done by collecting their expressions of interest about land use, which are reflected in a social diagnosis applied previously to the project design that is in annex 3. From this way, BOZOVICH considers that the consultation process has been accomplished."

Annex 3 provides information regarding the consultation with stakeholder groups in the region. In the description of engagements with the Pacahuara religious organization, it states [translated to English] "Since 2013 we have tried a direct approach with this organization (we held workshops and meetings at their headquarters, presenting Forestal Otorongo SAC and Inversiones Forestales Chullachaqui SAC, their objectives, lines of development, sustainable forest management and Forest Certification). However, the directors of this organization said they were not interested in maintaining any communication with us, because they believe that there are no common interests. And although it is true that to date there have been no problems with invasions, illegal logging, or poaching by these people, this is a latent risk considering the mechanics they use to gain access to the land, which includes informal possession and invasion practices."

Later in Section 4.1.1 of the PD where it describes Arca Pachahuara it states, "Because of its aggressive agrarian practices, they do not have remaining forests in their land so they are always looking for new lands to expand their crop plans. They produce around 30 hectares per family, principally corn that is sold to Granjas Amazonicas S.A. There are around 600 hectares of corn established, 400 of them are already in production. If they are not controlled, they can grow forever, affecting neighboring forests. Their current production only represents 10-15% of annual demand of Granjas Amazonicas, even though they are its main suppliers. According to specialists, expanding their agrarian frontier is always profitable" and "As can be concluded from the analysis in this Section, Arca Pacahuara is the main threat to adjacent forest."

The audit team asks for any available evidence of these workshops, meetings, and communications with the Pacahuara group as well as additional information regarding how the project proponent plans to address and minimize the threat of the Arca Pacahuara community on preventing deforestation and degradation in the forest concessions that make up the project area.

Project Personnel Response: Since 2014, Arca Pacahuara has closed any type of relationship with Bozovich through a formal response letter submitted by the company even though, through this letter, Bozovich offered some type of synergy around certain topics as fishfarming, legal framework and others. This happened after a workshop carried out by Bozovich technical team in the community. During the workshops, the participants expressed their religious beliefs about that God prefer land to be used to feed humanity. The letters of these exchange is in the cloud. For this reason, the strategy adopted by the company is to demand urgent intervention from authorities. Letters evidencing this interest are also shared and dates since 2019. SERFOR has offered to implement a strategy to protect the forest concessions in the framework of the implementation of the Master Plan.

Auditor Response: The audit team reviewed the "Comunicación con funcionarios de SERFOR.docx" which contains evidence of emails between the project team and SERFOR. We confirmed that SERFOR has offered to implement a strategy to protect forest concessions from invasions. Likewise, we reviewed the INF Nº 021 - Presentacion en Arca Pacahuara_SET 2013.pdf which includes evidence that engagements with the Pacahuara religious organization have occurred, and that information including the Conflict Resolution Manual were distributed. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 33 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 4.1.4 of the PD templates states "Describe the expected changes in the well-being conditions and other characteristics of communities and community groups under the without-project land use scenario."

The PD states "The scenario of the project area is very concerning without project intervention. According to interviewed specialists, more than 80% of Forestal Otorongo concession is under risk to be lost by the expansion of Arca Pacahuara activities. When it happens, they will continue expanding to the other concessions as Chullachaqui."

The audit team requests additional information regarding these interviewed specialists (names, contact, credentials).

Project Personnel Response: An annex with the list of interviewed specialists has been included in the PD, with the questionnaire and a report with the responses.

Auditor Response: The audit team has reviewed the list of interviewed specialists and the report with the responses (Entrevistas.docx, Informe de entrevistas.docx). We confirmed that Annex 10 is listed as "specialists interviewed, questionaire, and responses and that the annexes were provided. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 34 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 4.2.1 of the PD templates states "Complete the table below for each community group to describe the anticipated impacts resulting from project activities under the with-project scenario. Explain and justify key assumptions, rationale and methodological choices. Explain how the affected groups have participated in the evaluation of impacts. Provide all relevant references. Copy and paste the table as needed."

Section 4.2.1 of the PD provides information on the expected community impacts, both positive and negative. It also states "As part of its corporate responsibility, Bozovich Group will prepare and diffuse a Communication Protocol to key stakeholders, explaining the expected impacts that the project will bring to neighboring communities and how they can organize and develop a joint plan to take these opportunities and to deal with the negative impacts and how to offer alternatives to compensate those impacts. At this moment, Bozovich Group has developed a "Handbook for Conflict Resolution", which is a basis and an input for the Communication Protocol."

However, the table in Section 4.2.1 of the PD template is not included in the PD, thus this Section is not in conformance with the requirements of the template. Further, the audit team requests a copy of the Handbook for Conflict Resolution that is referenced.

Project Personnel Response: The Handbook for Conflict Resolution is uploaded in the MEGA Cloud and is included, as an annex, in the PD.

Auditor Response: The audit team has confirmed that the PD now includes a reference to Annex 11 as the "Handbook for conflict resolution." However, the corresponding documents have not been explicitly provided as annexes to the PD. We reviewed the manuals (Manual de Resolución de Conflictos Inversiones Forestales Chullachaqui.pdf, Manual de Resolución de Conflictos Forestal Otorongo.pdf), but cannot confirm their relevance to this section of the PD or in response to this finding.

Furthermore, the required table in Section 4.2.1 of the PD template is not included in the PD, thus this Section is not in conformance with the requirements of the template. This finding remains open.

Project Personnel Response 2: The required table has been included in Section 4.2.1

Auditor Response 2: The audit team confirmed that the required table has been added to section 4.2.1 of the PD (Table 91). This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 35 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.3.8 of the PD template states "Describe the plan developed to continue communication and consultation between the project proponent(s) and communities and other stakeholders about the project. Explain the processes the project will use throughout the life of the project to consider this input and adapt management accordingly."

Section 2.3.8 of the PD states "In addition, BOZOVICH GROUP proposes meetings every 2 months with the directives and partners of each neighboring community and meetings with the Technological Institute of Iberia, promoting sport activities and speeches for teamwork strengthening and trainings on environmental management and entrepreneurship."

The audit team requests additional information regarding the meetings every 2 months such as meeting notes, lists of participants, dates, etc.

Project Personnel Response: As mentioned in response to finding 30, some informational meetings and workshops were being implemented by they had to be suspended because of the quarantine ordered by the government because of the pandemic. When there is an authorization for meeting, they will be restarted.

Auditor Response: The audit team reviewed the provided notes and attendance logs from meetings that occurred between 2019 and 20201 (Capacitaciones externas 2019.pdf, Capacitaciones externas 2020.pdf) and confirmed that they provide the requested evidence. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 36 Dated 5 Jun 2020

Standard Reference: Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The CCB Standard states "The project shall include a process for receiving, hearing, responding to and attempting to resolve Grievances within a reasonable time period.46 The Feedback and Grievance Redress Procedure shall take into account traditional methods that Communities and Other Stakeholders use to resolve conflicts. The Feedback and Grievance Redress Procedure shall have three stages with reasonable time limits for each of the following stages. First, the Project Proponent shall attempt to amicably resolve all Grievances, and provide a written response to the Grievances in a manner that is culturally appropriate. Second, any Grievances that are not resolved by amicable negotiations shall be referred to mediation by a neutral third party. Third, any Grievances that are not resolved through mediation shall be referred either to a) arbitration, to the extent allowed by the laws of the relevant jurisdiction or b) competent courts in the relevant jurisdiction, without prejudice to a party's ability to submit the Grievance to a competent supranational adjudicatory body, if any. "

Section 2.3.12 of the PD documents the feedback and grievance redress mechanism using a flow diagram. The FGRP does not specify the time limits for each of the stages for resolving the grievance(s). Likewise, the PD does not indicate that any grievance that is not resolved is referred to mediation by a neutral third party. Lastly, the PD does not specify that if after third party mediation a resolution is not reached, the grievance are referred to arbitration or courts. As a result, the FGRP is not in conformance with the Standard.

Project Personnel Response: The PD has been updated by mentioning the deadline for answering any complain referred to the implementation of the project, 30 days, and also explicitize that, in case, solution is not satisfactory, it may continue through competent courts.

Auditor Response: The audit team reviewed the updated section 2.3.12 of the PD and confirmed that if solutions are not satisfactory, they are permitted to complain through judiciary channels. However, the PD was not updated to include any mention of the deadline of 30 days as indicated in the response above. This finding remains open.

Project Personnel Response 2: The FGRP has been updated to specify that the complete process since the presentation of the claim to the response to the citizen must not take more than 30 days

Auditor Response 2: We confirmed that the section 2.3.12 of the PD now specifies that the FGRP will not take more than 30 days. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 37 Dated 5 Jun 2020

Standard Reference: Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The CCB Standard states "9. Describe measures needed and taken to provide orientation and training for the project's workers and relevant people from the Communities with an objective of building locally useful skills and knowledge to increase local participation in project implementation. These capacity building efforts should target a wide range of people in the Communities, with special attention to women and vulnerable and/or marginalized people. Identify how training is passed on to new workers when there is staff turnover, so that local capacity will not be lost."

The PD states "The Project's institutional policy (see annex 4) is to provide continuous training to workers, either individually or collectively, through workshops and talks based on specialized documents such as: forest safety regulations, internal work regulations, policies, forest certification, controlled logging, reduced impact logging, and others considered necessary by the Board of Partners. For example, Table 26 shows the training schedule and the topics addressed in 2019." A table of training opportunities for 2019 is then provided.

The audit team requests additional information regarding these trainings, including how they are publicized, location of the trainings, who provides the trainings, and attendance of past trainings.

Project Personnel Response: As indicated previously in response to findings 30 and 35, a list of training is attached in the PD mentioning the topic of the trainings, the location of the trainings, among others.

Auditor Response: The audit team has confirmed that the list of attendees, the topics, the dates, and the trainers of each of the trainings during 2019 was provided in the document (Capacitaciones externas 2019.pdf). This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 38 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 4.5 of the PD for optional criterion: Exceptional Community Benefits indicates "Complete this section (4.5) if the project seeks to be validated to the Gold Level for exceptional community benefits. If not applicable, state so and leave this section blank." This section has been completed indicating that the project seeks to be validated for exceptional community benefits.

Section 4.5.6 of the PD template states "Describe the design and implementation of the project's benefit sharing mechanism(s), demonstrating that smallholders/community members have fully and effectively participated in defining the decision-making process and the distribution mechanism for benefit sharing. Specify how the benefit sharing mechanism provides transparency with regard to project funding and costs as well as benefit distribution."

Section 4.5.6 of the PD states "As the project proponent is the legally assigned forest concession part of Bozovich Group, no benefit sharing mechanism is mandatory. For this reason, the pertinence of a mechanism will be evaluated during project implementation."

Because the project does not indicate a benefit sharing mechanism it is not in conformance.

Project Personnel Response: Pending to be defined by project proponents

Auditor Response: This finding has not yet been addressed and therefore remains open.

Project Personnel Response 2: For the socioeconomic characteristics of the region and the country, the project is not allowed to access to this optional criterion "Exceptional community benefits". In that sense, this finding must not be requested anymore

Auditor Response 2: The project proponent has indicated in their response that they will not claim exceptional community benefits. However, section 4.5 of the PD template requires that "Complete this section (4.5) if the project seeks to be validated to the Gold Level for exceptional community benefits. If not applicable, state so and leave this section blank." Given that section 4.5 (including subsections 4.5.1- 4.5.9) have been completed with information, but the project does not seek to be validated at the Gold Level for exceptional community benefits, these sections are not conformance with the PD requirements. This finding remains open.

Project Personnel Response 3: Texts from Section 4.5 have been deleted as the project does not expect to apply to CCB Community Gold Level

Auditor Response 3: The audit team confirmed that under section 4.5 of the PD (PD The Jaguar Amazon REDD Project 07112020 ultimo.docx), it now states that exceptional community benefits are not being claimed. The subsections in section 4.5 have been left blank. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 39 Dated 5 Jun 2020

Standard Reference: Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: The CCB Standard states "Provide an assessment of substantial risks to worker safety that could arise due to project implementation. Describe measures needed and designed to inform workers of risks and how to minimize such risks. Show how risks will be minimized."

The PD states "The risks of the Project are limited to the forest harvesting carried out in each consolidated. In this regard, the internal regulations on occupational safety and health (annex 5) are in place." Annex 5 provides a description of the internal regulations on occupational safety and health for Forestal Otorongo SAC.

The audit team requests more information regarding the occupational safety and health regulations for the Forestal Chullachaqui SAC. If one exists, please provide it.

Project Personnel Response: The protocols for occupational safety for both companies are now included in the MEGA Cloud. It must be highlighted that, in the case of Chullachaqui, this company hires Otorongo for the whole operational processes, so it does not hire directly workers.

Auditor Response: The audit team reviewed the documents Protocolo de Seguridad de Bosques Chullachaqui.pdf and Protocolo de Seguridad de Bosques Otorongo.pdf provided. These documents are thorough and include details on protection against fire, conflict resolution strategies, and patrolling among other topics. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 40 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section G4 of CCB Standard states “Document the management team’s expertise and prior experience implementing land management and carbon projects at the scale of this project.

Section 2.4.1 of the PD contains Chart 2 showing the Bozovich Governance Structure for the project, which includes the General Coordinator, assistant accountant, and 3 managers (forest, community, and biodiversity). The PD states “In annex 6, the CVs of core personnel described in 2.4.1 are attached.” The CV of Elialdo Motta, the Biodiversity Manager, has not been provided in annex 6. The audit team requests this information.

Project Personnel Response: Mr. Motta's CV has been uploaded in the MEGA cloud.

Auditor Response: The audit team confirms that the CV (CV ELIALDO MOTTA.pdf) was provided and supports Mr. Mottas qualifications as a biodiversity manager. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 41 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3; Climate, Community & Biodiversity Standards Version 3.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.5. 7 of the CCB VCS template states "Submit a list of all national, regional and local laws, statutes and regulatory frameworks in the host country that are relevant to the project activities. Provide assurance that the project is complying with these and, where relevant, demonstrate how compliance is achieved.

Section 2.5.6 of the PD states "The concessions have been legally assigned to BOZOVICH group in forest areas that were being previously exploited by the same group based on previous forestry laws. The concession was granted in 2002 under the umbrella of the recently approved forestry law (in 2000), that changed completely how the forest was managed. With that law, the contract period extended to 40 years; the area was at minimum five thousands of hectares and the forest holder has the rights over all the resources existing in the granted territory. With the previous law, the right was only over a unique resource (in this case, the timber, while other person could have the right on other resources as nuts, for example)."

Section 2.5.7 of the PD then lists the currently Peruvian legal framework applicable to the project in table 31. However, this recently approved forestry law dating to 2000, which is mentioned in Section 2.5.6 of the PD, is not listed in Table 31. The audit team requests additional information about this forestry law and why it was not included in Table 31.

Project Personnel Response: The forestry law from 2000 has been included and so on the forestry law of 2016, that replaces the previous one. Even though, as raised in section 2.5.6 of the PD, the law of 2000 made significant improvements, the law of 2016 included explicit references to ecosystem services rights linked to forest holders rights. It is described in table 31.

Auditor Response: The audit team confirmed that information regarding the forestry law dating to 2000 was included in table 31 of the PD. This finding has been closed. However see finding 52.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 42 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.1.7 of the Template requires the following: "Provide a map of the project zone including… Boundaries of the project zone, which is defined as the area encompassing the project area(s) in which project activities that directly affect land and associated resources, including activities such as those related to provision of alternate livelihoods and community development, are implemented." A map that appears to show the boundaries of the project area and reference region is provided in Section 2.1.7 of the PD, but it is not clear from the map where the boundaries of the project zone are located.

Project Personnel Response: Pending

Auditor Response: This finding has not yet been addressed and therefore remains open.

Project Personnel Response 2: A new map with the project zone has been updated in the PD

Auditor Response 2: The audit team confirmed that two maps have been included in section 2.1.7 of the PD (maps 7 and maps 8). Together these maps show the project zone boundaries (reference region, leakage belt, and project area) as well as the locations of local communities and the different sectors of the concessions. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 43 Dated 5 Jun 2020

Standard Reference: CCB & VCS Project Description Template CCB Version 3.0-VCS Version 3.3

Document Reference: PD The Jaguar Amazon REDD Project 13052020.docx

Finding: Section 2.1.9 of the Template requires the following: "List all communities, community groups, and other stakeholders, including a description of how each stakeholder was identified and their relevance to project activities. For grouped projects, identify communities that may join the project." Please note that communities, community groups and other stakeholders are defined in footnotes 18-20 of the CCB Standards. Section 2.1.9 of the PD does not include a description of how each stakeholder was identified. In addition, the listed entities are not separated into communities, community groups and other stakeholders. Furthermore, it is unclear whether any communities or community groups (as defined in the CCB Standards) have been included.

Project Personnel Response: According to the definition of community in CCB guidelines, there are not communities in the project zone.

Auditor Response: The audit team has reviewed the updated PD and confirmed that the discussion of communities and community groups was added and is sufficient. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 44 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.2.2 of the methodology states “It is recommended that forest stratification be based on an assessment of the key factors that influence carbon stocks in the included carbon pools such as soil features, local climate, landform (e.g., elevation, slope, and aspect), forest type, dominant tree species, soil erosion intensity, forest management, regeneration stage and human degradation intensity using a GIS analysis augmented with forest surveys."

Section 3.2.1 of the PD indicates that “Based on the same criteria, we have worked with the official stratification used by the Government of Peru, which are the eco-zones. In this case, in the project area and reference region, the whole area corresponds to the eco-zone “Selva Baja” so there is only one forest stratum.”

The audit team requests additional information about the source of the data including a reference to the report, location in the report, and information regarding the basis of the forest stratification be provided.

Project Personnel Response:

Auditor Response: A response to this finding has not been providing. This finding remains open.

Project Personnel Response 2: A summary of ecozone stratification has been included

Auditor Response 2: Section 3.2.1 now indicates that the Selva Baja stratification originates from the Peru national forest inventory data (INFF 2019). The audit team reviewed the INFF documentation and confirmed that the entire analysis area is within the selva baja strata. This finding has been closed

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 45 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 3.3.4 of the PD template requires "Describe how the monitoring plan, and any results of monitoring undertaken in accordance with the monitoring plan, will be disseminated and made publicly available on the internet. Describe the means by which summaries (at minimum) of the monitoring plan and results will be communicated to the communities and other stakeholders."

This section has not been completed in the PD.

Project Personnel Response: A summary of the monitoring reports and a description of the ways that will be used to share this results has been included in Section 3.3.4

Auditor Response: Section 3.3.4 of the PD now contains information regarding how the monitoring report will be disseminated to communities and stakeholders. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 46 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 3.3.1 of the CCB-VCS Project Description Template requires the following: "Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data/parameter). Data and parameters monitored during the operation of the project are included in Section 3.3.2 (Data and Parameters Monitored) below."

For each parameter in the tables in section 3.3.1, it requires the following:

- Indicate the unit of measure

- Provide a brief description of the data/parameter

- Indicate the source(s) of data

- Provide the value applied

- Justify the choice of data source, providing references where applicable. Where values are based on measurement, include a description of the measurement methods and procedures applied (e.g., what standards or protocols have been followed), indicate the responsible person/entity that undertook the measurement, the date of the measurement and the measurement results. More detailed information may be provided in an appendix.

- Indicate one of the following:

- Determination of baseline scenario
- Calculation of baseline emissions
- Calculation of project emissions
- Calculation of leakage

- Provide any additional comments"

Section 3.3.2 of the of the CCB-VCS Project Description Template requires the following "Complete the table below for all data and parameters that will be monitored during the project crediting period (copy the table as necessary for each data/parameter). Data and parameters determined or available at validation are included in Section 3.3.1 (Data and Parameters Available at Validation) above."

In sections 3.3.1 and 3.3.2 of the PD, several parameters are included that are not applicable to this project. For instance [EA13], shows the maximal emission factor for methane, which is only to be included if rice production is increase as a leakage prevention measure. Likewise, information

specific to each parameter for this project is not provided, including a description of the actual source of the data used and the measurement procedures applied by the project team. This is not in conformance with the methodology .

Project Personnel Response: Monitoring tables have been update with new data and in conformance with the methodology and sources used

Auditor Response: The audit team confirmed that additional information has been added to the monitoring tables. However several issues remain:

1) Sections 3.3.1 and 3.3.2 do not contain the same tables from sections 3.3.1 and 3.3.2 of the PD template (CCB_VCS_Project_Description_Template_CCBv3.0_VCSv3.3.docx).

The following required information is missing for parameters in section 3.3.1 and 3.3.2 of the PD:

- "Value applied: Provide the value applied"

- "Justification of choice of data or description of measurement methods and procedures applied: Justify the choice of data source, providing references where applicable. Where values are based on measurement, include a description of the measurement methods and procedures applied (e.g., what standards or protocols have been followed), indicate the responsible person/entity that undertook the measurement, the date of the measurement and the measurement results. More detailed information may be provided in an appendix."

"Purpose of the data: Indicate one of the following: -Determination of baseline scenario, - Calculation of baseline emissions, – Calculation of project emissions"

In addition to the information listed above, the following required information is also missing for parameters in 3.3.2 of the PD:

- "Monitoring equipment: Identify equipment used to monitor the data/parameter including type, accuracy class, and serial number of equipment, as appropriate.

- "QA/QC procedures: Describe the quality assurance and quality control (QA/QC) procedures to be applied, including the calibration procedures where applicable."

"Calculation method: Where relevant, provide the calculation method, including any equations, used to establish the data/parameter."

2) The following parameters are missing from sections 3.3.1 and 3.3.2 of the PD

- EA6 (see finding 70)

- EA7 (see finding 70)

- Sizeleakagearea – This is missing from Data Parameter [MN1]

-MN52 - Allometric relationship to convert a tree metric such as DBH or tree height into biomass

-MN53 - Relationship between aboveground and belowground biomass, such as a root-to-shoot ratio

3) The following parameters are inaccurately included in section 3.3.2 of the PD:

- [MN4] (ANR not included in project activity)

-[MN12] (ANR not included in project activity)

-[MN13] (ANR not included in project activity)

-[MN18] (agricultural intensification not included as a project activity)

This finding remains open.

Project Personnel Response 2: The sections 3.3.1 and 3.3.2 have been updated and missing parameters and fields have been completed

Auditor Response 2: The audit team confirmed that section 3.3.1 and sections 3.3.2 have been updated to include the QA/QC procedures to be applied, the purpose of the data, and the correct monitoring parameters. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 47 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; Tool for testing significance of GHG emissions in A/R CDM project activities

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; Calculation Workbooks.xlsx

Finding: Section 8.4.3 of the methodology states "In this step, the significance of emission sources is determined. This test has to be carried\ out at validation for for each of the first ten years of the project crediting period, and the procedure has to be repeated at every baseline update. All insignificant emissions can be omitted from the ex-ante calculation of the NERs. The CDM Tool for testing significance of GHG emissions in A/R CDM project activities from EB31 appendix 16 should be used to test the significance of GHG emissions. The sum of increases in emissions that may be excluded must be less than 5% of the emission reductions. If it is determined that a specific GHG emission source will never reach this threshold and will never become significant, it may be omitted from the monitoring plan."

The audit team requests demonstration that the Tool for testing significance of GHG emissions (also known as the T-SIG) was applied in accordance with the requirements of the methodology and the tool.

Project Personnel Response: A new T-SIG has been updated

Auditor Response: The audit team confirmed that the T-SIG tool was applied as demonstrated in Workbook Calculations.xlsx, sheet significancia. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 48 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.4.4 of the methodology requires "Use Equation [EQ105] to estimate the ex-ante NERs; only use the significant GHG sources as determined in the step above. Prepare a table with all the individual terms of Equation [EQ105]. Calculate the ex-ante NERs for every year of the crediting period. After NERs are calculated, use Equation [EQ106] to calculate the VCUs. Cumulative emissions reductions/removals from ANR activities must account for less than 50% of the cumulative emissions reductions/removals generated by the project. For every year of the crediting period, divide the total emissions reduction from ANR by the total NERs in the overview table, and confirm that the result is less than 50%. Note that ex-ante NERs are are calculated and reported for the entire project crediting period but the estimates must be re-validated at every baseline update. (i.e., every ten years."

It is unclear whether the ex-ante NERs were calculated. The audit team requests demonstration that equations in section 8.4.4 were applied in accordance with the methodology.

Project Personnel Response: Excel Spreadsheets has been updated so links are clear and justified

Auditor Response: No excel spreadsheet demonstrating the ex-ante NERs pertaining to the equations has been provided. This finding remains open.

Project Personnel Response 2: An Excel file has been shared with calculations referred to NER and VCU

Auditor Response 2: The audit team has reviewed the excel file provided (Net carbon y VCU´s actualizado.xlsx). We confirmed that equations105 and 106 are being applied to esatimate NERs and VCUs. However, these equations are only applied for the year 2018, which is not in conformance with the methodology. Therefore, this finding has been administratively closed, but upgraded to an NCR. See NCR #119.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 49 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: As previously indicated in NIR#5, Section 8.1.1.1 of the methodology states "The boundaries of the reference region must be unbiased and coincide with a combination of natural, geopolitical, satellite footprint, and/or watershed boundaries, or boundaries that were created by applying a distance buffer around the discrete project parcels." Section 8.1.1.2 of the methodology then states "these conditions are designed as safeguards against biases caused by arbitrary boundary demarcation. However, it is impossible to provide a sufficient set of rules to avoid bias under all project circumstances. Therefore, at validation, the validation/verification body must determine that the selection of the reference region is truly unbiased."

The methodology makes it clear that the delineation of the leakage belt is related to the delineation of the reference region. For instance, section 3.1 of the methodology defines the leakage area as "The geographical area where leakage is expected around individual discrete project area parcels. Since leakage can occur on both forest land and non-forest land." This implies that the leakage belt surrounds the project area. Furthermore, section 8.3.2.2 of the methodology indicates that "Leakage from drivers that are geographically constrained will remain close to the project areas. Leakage from these drivers is monitored in an ex-ante fixed geographical region around each discrete project area parcel (a leakage belt). Note that the leakage areas must contain both forest and non-forest land" which further indicates that the leakage belt is located around each project area parcel. This section further highlights that the steps to demarcate the leakage belt start with the delineation of the reference region.

The current reference region as indicated in the PD encompasses the area to the east and northeast of the project area, but excludes the area to the west, southwest, and northwest of the project area. The audit team has confirmed that the reference region and leakage belt cannot extend to the southeast, where there is an existing REDD project, or to the far west, where there is an indigenous reserve.

In this context, the concern is not necessarily that the current reference region will be "biased" in terms of determination of the baseline deforestation rate. However the exclusion of the Las Piedras district, the western corner of the Tahuamanu district, and the area of the Iñapari district that borders the project area to the north west, from the reference region will lead to 'bias' in determination of the leakage belt (i.e., it will lead to a leakage belt that is not demarcated around the discrete project area parcels and will not be fully effective in capturing leakage from drivers that are geographically constrained and will remain close to the project areas). Therefore, the reference region has not been delineated in conformance with the methodology.

Project Personnel Response: Additional explanation of why certain areas in the surrounding zone where excluded from the RR and how the final RR meets all the requirements of the methodology has been included

Auditor Response: The audit team reviewed the updates to section 3.1.4 of the PD regarding the Exclusion of restricted areas on page 90 of the PD. We have concluded that the delineation of the reference region is not in conformance with the methodology and therefore, the leakage belt is also not in conformance. We have closed this finding for administrative reasons, but see finding NCR 90.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 50 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2, VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; Leakage belt determination.docx

Finding: Section 8.3.2.2 of the Methodology requires the user to undertake the following "For every agent of deforestation/degradation, estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest. Determine this value using social assessments by asking what the extra time is that a single household would have to spend if the project area is not accessible anymore."

Step 4 in the "Leakage belt determination.docx" document indicates "The next step is to determine the additional or extra time, each deforestation agent is willing to accept to continue doing its activity by displacing outside the project area in the surrounding forests. This was determined indirectly not asking them directly in order to not to create a wrong message that deforestation is permitted or promoted but instead analyzing in the project zone, specifically in the reference region, which is the most far away point where a deforested area for agrarian purposes is registered. The assumption is that if an agrarian production has occurred in this pixel, we can assume that it is profitable to establish some crops at this distance.

This is a conservative approach as likely, in the future, new roads will be opened and new cleared areas will reduce the transportation costs and farther forest areas could be profitable and attractive for deforestation agents."

Given that a social assesssment was not conducted, this represents a methodology deviation. The VCS Standard section 3.17 states "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." Likewise, Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology."

This deviation is not justified or documented and therefore not in conformance with the methodology.

Project Personnel Response: A description of the reason why a different, more realistic, approach was followed to determine the extra time that deforestation agents are willing to waste to continue doing their illegal activities, has been included in the Section 3.1.6 of the PD

Auditor Response:

The audit team confirmed that this methodology deviation is appropriately documented in section 3.1.6 of the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 51 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: The VCS Standard section 3.17 states "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." Section 3.17.1 of the VCS Standard states "Deviations from the applied methodology are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement set out in the methodology (i.e., deviations are permitted where they relate to data and parameters available at validation, data and parameters monitored, or the monitoring plan). Next, section 3.17.2 of the VCS Standard indicates "Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emission reductions or removals, except where they result in increased accuracy of such quantification. Deviations relating to any other part of the methodology shall not be permitted."

As indicated in NCR #50, not employing social assessments to estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest, as required by section 8.3.2.2 of the methodology qualifies as a methodology deviation. The audit team requests additional evidence and information demonstrating that this deviation meets the requirements of section 3.17 of the Standard (will achieve the same level of accuracy or is more conservative than what is set out in the methodology).

Project Personnel Response: The same response of finding 50 applies to this finding

Auditor Response: The audit team reviewed the methodology deviation described in section 3.1.6 of the PD. It states that "To determine the additional or extra time that the deforestation agents will be willing to displace themselves to continue doing its activities, the project has opted for not obtaining that information by applying a social assessment but instead of that, has obtained that information by analyzing real historical pattern of those agents in the past, i.e., how far they have deforested in the past and this value is multiplied times 1.5, as indicated by the methodology.

The reason why the information was not collected by asking them directly is that deforestation is illegal. Asking them could be interpreted as an authorization of continue doing their illegal activity and at some point, a way of promoting them or a relax of governance. In any case, project proponent agrees to give these type of signals or messages.

The alternative method (reviewing their historical behavior, is a more realistic approach as it is a proof, not of what they think they would do, but of what they demonstrated that they did."

As indicated by section 8.3.2.2 of the methodology, the ultimate goal of the social assessments are to "estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest." As shown in maps 29 and 30 in section 3.2.3 of the PD, and described in finding #88, thestimate the extra time this agent is willing to take to move its deforestation activities FROM the project area to the nearest accessible forest" has not been applied correctly to the leakage belt delineations. It remains unclear whether the analysis of "real historical pattern of those agents , i.e., how far they have deforested in the past" represents a methodology deviation that is in conformance with the standard (conservativeness).

The audit team requests more information regarding how the analysis of real historical pattern of deforestation agents were evaluated and applied.

Project Personnel Response 2: [Response outside the cover of this workbook]

Auditor Response 2: The audit team held a meeting with the project team on 10/13/2020. It was made clear that the intent of the analysis of historical pattern of deforestation agents, was to evaluate how far the agent would move their activity from the nearest market, and not from the project area. The audit team confirmed that evidence was provided that indicates this methodology deviation does not negatively impact the conservativeness. Therefore this finding has been closed outside the cover of this workbook.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 52 Dated 20 Aug 2020

Standard Reference: VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: A new table was added to section 3.1.3 of the PD below Table 34. This new table is presented in Spanish. Furthermore, in section 2.5.7 of the PD, table 31 contains a new addition of the Forestry & Wildlife law from July 15, 2000. The description of this law is also provided in Spanish.

Section 1.2 of the VCS Standard version 4.0 states "The operating language of the VCS Program is English. The project and program description, validation report, monitoring report, verification report and all other documentation (including all and any appendices) required under the VCS Program shall be in English."

Project Personnel Response: Table 34 has been included. The PD is fully in English

Auditor Response: The audit team confirmed that Table 34 and Table 32 in section 2.5.7 of the PD are completely in English. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 53 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.1.2 of the Methodology indicates "The reference region must exclude areas where planned deforestation activities took place. It must be demonstrated that planned deforestation areas have been excluded from the reference region or proof of non-existence of such areas within the reference region must be provided."

A map (Land Tenure in RR and PA .png) that shows the reference region and the project area overlaid with maps of protected areas and was provided to the audit team in reference to finding #5. The map also shows that the interoceanic highway and several urban areas are included in the reference region. Given that these represent areas where planned deforestation took place, the reference region is not in conformance with the methodology.

Project Personnel Response: A new RR excluding the interoceanic highway and settlements is being used and maps throughout the PD were updated

Auditor Response: The audit team reviewed the maps included in the PD. Map 21 shows that areas of planned deforestation such as the highways and urban centers have been excluded. This finding is closed. However see finding 90.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 54 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.2.2. of the methodology states "LULC classification and forest stratification must be conducted for the whole analysis area, which is the union of the reference region, leakage area and project area, as follows:

--Include, at minimum, the six IPCC LULC classes (Forest Land, Crop Land, Grassland, Wetlands, Settlements, and Other Land) in the LULC class definitions. The definition of these classes must be consistent with Chapter 2 of the IPCC GPG-LULUCF 2003. In cases where the country has defined more specific LULC classes than the IPCC classes, these definitions must be used if they are accurate enough for project-specific classification."

Furthermore, section 8.1.2.4 of the methodology states, "The historical rates of all LULC classes and forest strata transitions must be calculated on the union of the reference region, leakage area, and project area, based on a remote sensing analysis executed by the project proponent. However, existing classification or stratification maps can be used if (1) the classes or strata in these maps can be matched to the LULC class and forest strata definitions developed according to this methodology and (2) the accuracy of these maps is quantified using the procedures in Section 8.1.2.7."

In response to finding #20, the project team indicated that "The main reason why the project has not worked with the six LULC classes is because this information has not been systematically processed and published officially. In this link: http://geobosques.minam.gob.pe/geobosque/view/cambio-uso.php", it may be seen that the data is public only for some years, being the most recent in 2016. Even more, there are no plans that this information will be produced in the coming years at an annual basis. For this reason, we must work with direct analysis for LULC classes and post-deforestation land use." Likewise section 3.2.1 of the PD indicates "The main reason why the project has not worked with the six LULC classes is because this information has not been systematically processed and published officially. In this link: http://geobosques.minam.gob.pe/geobosque/view/cambio-uso.php", it may be seen that the data is public only for some years, being the most recent in 2016. Even more, there are no plans that this information will be produced in the coming years at an annual basis. For this reason, we must work with direct analysis for LULC classes and post-deforestation land use."

Given that the LULC classification was not conducted for the whole analysis area (union of the reference region, leakage area, and project area), was not based on a remote sensing analysis executed by the project proponent, and because four LULC classes are used instead of the required six classes, the use of the LULC classification from an outside source represents a methodology deviation. The VCS Standard section 3.17 states "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific

circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology."

Furthermore, Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology."

This deviation is not documented in the PD and therefore not in conformance with the methodology.

Project Personnel Response: The six LULC classes, as IPCC guidelines recommends, will be used. No methodology deviation is required at this point.

Auditor Response: While the audit team has confirmed that 6 LULC classes are presented in section 3.2.1 of the PD and are presented in tables 57-60, it is evident that these 6 LULC classes are not utilized in the analysis of post-deforestation land use or the quantification of carbon loss due to deforestation. This is evident from the methodology deviation described in section 3.1.6 of the PD which states "in the baseline scenario, we will assume that 100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland." Therefore only two LULC classes are utilized in this analysis: forest and nonforest, from Geobosques (MINAM) and which is described in table 63 of the PD. Therefore, the use of 2 LULC classes represents a methodology deviation that is related to the deviation indicated in section 3.1.6 of the PD (finding #68).

This methodology deviation is not documented according to the requirements of section 3.1.6 of the PD template. This finding remains open.

Project Personnel Response 2: A reference to these tables has been included as a methodology deviation in Section 3.1.6

Auditor Response 2: The audit team reivewed the updates to section 3.1.6 of the PD. The PD now contains a description of this methodology deviation as follows "Even though that, in order to be conservative, in the baseline scenario, we will assume that 100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland. This is applicable also for tables 57 to 60 from Section 3.2.1. Even though there is data available for the 6 LULC classes, for conservative approach, the same principle has been applied at this section too.

On the other side, in the project scenario, a field assessment will be done to determine the percentage of current forest loss that has become to each post-deforestation land use."

However, section 3.1.6 PD template requires the following “Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology.”

Although the PD has been updated with an indication of a methodology deviation, the following issues remain resulting in a nonconformance with the template requirements for this section:

(1) In the description provided in section 3.1.6 of the PD, it is unclear what the methodology deviation is, such as (a) what section of the methodology it pertains to and (b) hows the project is deviating from this section(s). More, clear information is needed.

(2) It is not indicated exactly how this deviation will not impact the conservativeness of the quantification of GHG emissions reductions or removals. Further demonstration is needed.

(3) It is not indicated that the deviation only relates to the criteria and procedures for monitoring ore measurement and does not relate to any other part of the methodology.

This finding remains open.

Project Personnel Response 3: New mathematics and references have been added to Section 3.1.6 in order to attend audit team request

Auditor Response 3: The audit team reviewed section 3.1.6 updated PD (dated 6 December 2020) and confirmed that additional information regarding this LULC methodology deviation has been included. It now includes a description of the methodology requirement it references, how this deviation is conservative, and that this deviation only pertains to the monitoring or measurement for determination of the baseline transitions. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 55 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.2.7 of the methodology states "The discounting factor for the LULC classification is determined in three steps:

• Step 1: Determine the accuracy of LULC classification for each map by creating a confusion matrix. Report the overall accuracy, and the commission and omission errors (see Congalton 1991 and Pontius 2002 for an in-depth explanation of these concepts).

• Step 2: Multiply the accuracy of LULC classification from step 1 with a factor based on the smallest accuracy of all maps (see Table 5 below). If the accuracy of broad LULC classification is less than 70%, the project is not eligible under this methodology.

Step 3: Multiply the factor from Step 2 with a factor based on the number of images in the historical reference period to get Uclassification, the total discounting factor for avoiding deforestation as indicated in Table 6, An absolute minimum of three images is required to quantify the historical deforestation rate."

Section 3.2.1 of PD indicates "According to table 6 of the methodology, the number of images is 10, which implies that no discount is applied at this level. On the other side, the accuracy attained for that classification was 71% so the discount factor that corresponds to u classification is 0.497. Meanwhile, according to the methodology, the number of time points available in biomass inventories is one, so, as recommended by the methodology, for the first verification, the u stratification must be 0.75."

It is unclear how the number of images was determined. Likewise, it is unclear how the classification accuracy was determined to be 71%. The audit team requests additional information regarding how this accuracy assessment was conducted including a clear demonstration of the images used and how the 71% classification accuracy.

Project Personnel Response: The set of 10 images were obtained from the official source of GEOBOSQUES. A third-party assessment (hired by MINAM) was done to determine the accuracy level. This results were included in the PD and the percentage of accuracy (94%) was updated.

Auditor Response: We reviewed the updates to section 3.2.1 of the PD (Step 7, page 102) which refers to the accuracy assessment. Given that the accuracy assessment was carried out on imagery from 2001-2011, the accuracy assessment is not valid for several of the years of the reference period (2011-2017). Also it includes imagery and data from outside the boundaries of the project area. As indicated in our response to finding 24 which also pertains to this accuracy assessment, we have concluded that the accuracy assessment is not in conformance with step 1 in section 8.1.2.7. However, the procedure followed in step 2 of section 8.1.2.7 pertaining to the determination of the uncertainty deduction factor for LULC classification has been described and is in conformance with the procedures in the methodology. This finding has been closed, but see finding #97 related to the accuracy assessment.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 56 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.5.2 of the methodology states that "Although reforestation is not allowed as a project activity, the baseline scenario must include potential increases in forest cover or forest biomass that would have happened without project activities. There must be a full symmetry in carbon accounting: degradation in the baseline scenario may only be included if regeneration under the baseline is included

as well. Likewise, both transitions from forest to non-forest and non-forest to forest (and that were forest at the start of the crediting period, per applicability condition 1) must be included in the baseline. Note that the quantification of transitions of non-forest to forest areas must not be based on areas on which large-scale reforestation has occurred as such areas should have been excluded from the reference region. The extent of increase in forest cover or forest regeneration that would have happened under the baseline scenario is quantified based on historical observations in the reference region during the historical reference scenario. For every land class or forest stratum that transitions into a different class with higher biomass, calculate the relative regeneration or forest cover increase rate by dividing the area of the transition by the area of the "from" class." It then indicates "Calculate the LULC class or forest stratum-specific regeneration or forest cover increase rates for every pair of subsequent images in the historical reference period, and report the averages in a table in the PD."

In response to finding #25, the project team indicated that "Increased forest cover is assumed as zero."

The audit team requests additional information regarding how the area of increased forest cover was

Project Personnel Response: Statistical data, that confirms the knowledge of experts, that reforestation is not a common practice in Peruvian Amazon, in general, and in Madre de Dios, in particular, have been included and added in the MEGA.

Auditor Response: The audit team reviewed the updates to the PD (section 3.1.5, page 96). We also reviewed the link provided to the MINAM site and confirmed that zero hectares have been reforested in the Madre de Dios region. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 57 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.2.8 of the methodology requires the following "For every pair of subsequent images in the historical reference period, calculate the area of each land transition and report in a LULC and forest strata transition matrix."

Table 42 in the PD reports the land use transitions from forest (selva baja) to cropland, pastures, and infrastructure by percentages. How the methodology indicates "calculate the area of each land transition." The audit team requests additional information regarding the area of each land use transition for each year in the historical reference period.

Project Personnel Response: Table 44 reflects all the transitions from forest classes to other IPCC land use classes

Auditor Response: The audit team reviewed the updates to the PD (section 3.1.5, page 96). We also reviewed the link provided to the MINAM site and confirmed that zero hectares have been reforested in the Madre de Dios region. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 58 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.3.3 of the methodology states "For every driver of deforestation, report the main mode of transportation used by the main agent of deforestation of that driver: on foot, bike, scooter, motorcycle, car, or truck. Substantiate the choice with data from (lower-ranked options may only be used if higher-ranked options are not available) (1) social appraisals, (2) recent (preferably less than 10 years old) peer-reviewed scientific literature conducted among groups similar to the agents of deforestation of the project, (3) consultations with local socio-cultural and anthropological experts."

Section 3.2.1 of the methodology states "The deforestation drivers are in all the cases rural families, locals or migrants, so the access to production areas are mostly with motorcycles. In the case of commercial logging, which is done by the same company, they have trucks for the transportation of timber."

The audit team requests that more information be provided to substantiate the choice of the main mode of transportation based on the ranking of available data sources as indicated in section 8.1.3.3 of the methodology.

Project Personnel Response: The leakage belt determination includes a description of type of vehicle used in each case

Auditor Response: The audit team confirmed that motorcycle is the main choice of transportation in the region by reviewing the documentation provided in the PD (section 3.2.3, pages 116-117). This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 59 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; Leakage belt determination.docx

Finding: Section 8.1.3.3 of the methodology states Present a table of the average speed by which each identified mode of transportation can cross each of the LULC classes and forest strata and road categories, such as tracks, seasonally accessible small roads, and year-round accessible two-lane roads. Note the average speed on land with restricted access, such as national parks, as 0. Substantiate the choice with data from (lower-ranked options may only be used if higher-ranked options are not available) (1) social appraisals, (2) recent (preferably less than 10-year old) peer-reviewed scientific literature conducted among groups similar to the agents of deforestation of the project, (3) consultations with local socio-cultural and anthropological experts."

The document titled "Leakage belt determination" states "Step 1: We have defined the cost or friction to cross all the LULC classes existing in the landscape of project zone. To do that, we are working with the data from source: "Conservation strategies throughout the Interoceanic Highway in Madre de Dios, Peru: an economic-spatial analysis" (Fleck et al. 2010)." It then presents a table with the average speed to cross each land cover class.

The audit team requests that more information be provided to substantiate the choice of the speed data based on the ranking of available data sources as indicated in section 8.1.3.3 of the methodology.

Project Personnel Response: Speed of each vehicle has been built from expert opinion of local technicians of BOZOVICH GROUP

Auditor Response: The audit team confirmed that the PD now lists the source of the average speed data as the Bozovich team (Table 78, section 3.2.3). We also confirmed with the Bozovich team during an interview on 10/16/2020. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 60 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.3.4 of the methodology states "For each identified driver, provide potential spatial driving variables that explain the location of land cover change are also called "predisposing factors" (De Jong, 2007) (to be used in Section 8.1.5.2). The project proponent must select one or more of the following variables that potentially explain the location of deforestation and forest degradation.

• Access to forests (such as vicinity to existing roads, railroads, navigable rivers and coastal lines).

• Slope.

• Aspect.

• Proximity to markets.

• Proximity to industrial facilities (e.g., sawmills, agricultural products processing facilities, etc.).

• Proximity to forest edges.

• Proximity to settlements.

- Soil fertility and rainfall.

• Management category of the land (e.g., national park, logging concession. indigenous reserve, etc.).

Once the agents and drivers of deforestation have been identified, the project proponent must re-assess the similarity between the project area and the reference region, according to the procedure in Section 8.1.1.2. If necessary, adjust the area and location of the reference region to ensure that the same drivers of deforestation are present in both the reference region and the project area."

The audit team requests additional information that demonstrates that the similarity between the project area and the reference region was re-assessed (if needed) according to procedures in section 8.1.1.2, after the agents and drivers of deforestation were identified.

Project Personnel Response: The analysis of areas included and excluded within the Reference Region is clearly demonstrated and in conformance with requirements of the methodology

Auditor Response: During conversations with the project team (i.e. 10/13/2020), it has been made clear that the "proximity to the markets" has been selected as main spatial driving variables that explains the location of deforestation in both the reference region and the project area. It was indicated that the similarity between the reference region and project area after the agents of drivers of deforestation were identified, did not change. This finding has been closed. However, see related finding 90 pertaining to section 8.1.1.2.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 61 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.4.2 of the methodology requires the following: ""Review existing data on biomass stock densities: For the purpose of sampling design and quality assurance of the measured values, all existing data on biomass stock densities must be reviewed. Sources that must be consulted include (lower-ranked options may only be used if higher-ranked options are not available): (1) peer-reviewed scientific literature conducted within the reference region, (2) peer-reviewed scientific literature from an area ecologically similar to the reference region, (3) non peer-reviewed reports or studies from the reference region or similar areas. Sources that contain a measure of the variation of the values (range, standard deviations, standard errors, or coefficients of variation) are specifically useful, since these can be used for preliminary determination of the number of sampling plots required during field sampling. For every data source used, note the following items:

•Methodology (field inventory, extrapolation from satellite imagery, ecosystem model, or GIS analysis).

• Number of measurement plots used.

• Whether all species are included in the sampling.

• The minimum DBH of measured trees in the biomass inventory or any other relevant threshold.

• Region in which the samples were taken.

The carbon stock density on non-forest land may be quantified using conservative defaults gathered from scientific literature. The applicability of these default values must be confirmed by the validator.

Section 3.2.1 of the PD states that "We have taken official data from Peruvian Government for emission factor of forest stratum "Selva Baja" and for emission factor of LULC, we have collected from the REDD+ project previously mentioned. Data is presented in Table 43."

The audit team requests that the following be provided:

1) Demonstration that the required sources of data on biomass stock densities were consulted based on the rankings indicated in section 8.1.4.2 of the methodology.

2) Information about each of the data sources (methodology, number of measured plots, species included, minimum DBH, region were samples taken) as required by section 8.1.4.2.

3) information regarding the source of carbon stock densities on non-forest land covers in the project.

Project Personnel Response: A table with information regarding the carbon content measurement in forest and non-forest classes has been included with all the parameters requested by the methodology

Auditor Response: The audit team reviewed the updates to the PD. It has been confirmed that the information regarding the source of the carbon stock data including field inventory methodology, number of plots, measurements taken, species included has been provided in section 3.1.3 and 3.1.4 of the PD for forest land carbon stock density (Selva Baja).

However the following issue remains:

In section 3.1.6 of the PD, the carbon stock density on non-forest lands (cropland, pastures, and settlement) are also indicated as 31.75 tCO2e for cropland, 18.63 tCO2e for Pasture and 0.0 tCO2e for settlement. Later in Table 72 in section 3.2.1, it is indicated that the nonforest carbon stock densities came from http://www.fao.org/3/y4435s/y4435s0a.htm. The audit team reviewed this report. However, it remains unclear how the cropland and pasture carbon stock densities were derived from the values in Table 1 and Table 2. For example, Table 2 in the Alegre & Arevalo report indicates that pastures contain 2.42 tC/ha in the aboveground portions, but table 67 in the PD indicates pastures contain 2.72 tC/ha in the aboveground portions. Furthermore, Table 2 in the Alegre & Arevalo report indicates that pastures contain 0.68 tC/ha in the belowground portions, but table 67 in the PD indicates pastures contain 0.96tC/ha in the belowground portions.

The audit team requests:

(1) more information regarding how the values in the Alegre & Arevalo report were used to derive non-forest carbon stock densities.

(2) Justification for why this source of cropland and pasture carbon stock information was utilized over other published sources. It must also be noted that these values for carbon stock density for cropland and pasture are considerably lower than those reported by the IPCC (https://www.ipcc-nggip.iges.or.jp/public/gpglulucf/gpglulucf_files/Chp3/Chp3_3_Cropland.pdf) and other recent peer-reviewed literature (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4951720/).

This finding remains open.

Project Personnel Response 2: A description of how values have been obtained from Alegre & Arevalo source and a justification of why this source was preferred and used have been included in the referred section

Auditor Response 2: The audit team confirmed that section 3.2.1 of the updated PD (PD The Jaguar Amazon REDD Project 07112020 ultimo.docx) (pg. 105 and 106) contains further description of how the values reported in Alegre and Arevalo have been used to determine the aboveground and belowground biomass in crop and pasture lands. We also noted that the aboveground biomass for pasture was updated in the PD, and that this updated value matches those in Alegre and Arevalo.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 62 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.4 of the Methodology states "The project proponent must develop the emission factors following the requirements below.

For each LULC class or forest stratum that could be subject to a transition as identified in section 8.1.2.3, it is necessary to determine the average carbon stock density, based on sampling plots. Plots may be either permanent or temporary, but the location of the plots must be known and available at the time of verification. Alternatively, on non-forest land, conservative defaults gathered from scientific literature may be used to quantify the carbon stock density. The applicability of these default values must be confirmed by the validator. The number of plots and their location must be determined in a stratified sampling design.

The following steps are to be followed:

- Identify the LULC classes and forest strata for which carbon stocks are to be quantified.
- Review existing biomass stock density and biomass increment data for comparison with field measurements.
- Determine the sample size per LULC class or forest stratum.
- Measure carbon density stocks of each LULC class or forest stratum.
- Calculate emission factors for each land transition category."

Section 3.2.1 of the PD indicates "We have taken official data from Peruvian Government for emission factor of forest stratum "Selva Baja" and for emission factor of LULC, we have collected from the REDD+ project previously mentioned. Data is presented in Table 43."

Plot-based, field measurements from within the project areas were not utilized to determine carbon stock density and subsequent emission factors as required by section 8.1.4 (and associated subsections) of the methodology. This represents a methodology deviation. The VCS Standard section 3.17 states "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology."

Furthermore, Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

- The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology."

This deviation is not documented accordingly in the PD and therefore is not in conformance with the methodology.

Project Personnel Response: Average carbon contents have been obtained from the official source of INF. A description of how that data was collected and processed is included in the PD. In addition, we have estimated the carbon content in BOZOVICH forest concession from its exploratory inventory and results are almost double than values from the INF so the approach is conservative.

Auditor Response: The audit team has further reviewed the PD and confirmed that a methodology deviation was not utilized or necessary. The project team determined the average carbon stock density, based on sampling plots from the national forest inventory as indicated in section 3.1.3 and 3.1.4 of the PD. The location of the sampling plots has been indicated in map 15 and the required information about this inventory has been included. Given this clarification, this finding has been withdrawn.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 63 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.4.4 of the methodology state "The carbon stock density from sampling plots must be kept separate for aboveground live biomass, aboveground dead biomass, belowground biomass, and soil organic carbon. The above ground dead plant carbon stock density can be calculated by summing the biomass carbon stock density in the lying deadwood and standing deadwood components. Likewise,

the aboveground live plant carbon stock density can be calculated by summing the biomass carbon stock density in the aboveground tree and aboveground non-tree components."

Section 3.1.4 of the PD states "To extrapolate from hectares to tons of CO2e, we also have used the official information about emission factor; the eco-zones of Ministry of Environment. The whole project area and reference region is located in the Eco-zone "Selva Baja", which have an average stock of CO2e of 514.1 tCO2e/ha. This can be verified in the official FREL submission of Peru to UNFCCC."

Furthermore, in the calculations workbook, the carbon stock for Selva Baja of 514.1 t CO2e ha-1 is utilized. The audit team reviewed the official data from the Peruvian Government in Table 6 of the report "Peru's submission of a Forest Reference Emission Level (FREL) for reducing emissions from deforestation in the Peruvian Amazon" (2015). We confirmed that the average C stock for Selva Baja is 514.1 t CO2e ha-1. However, this value includes both aboveground and belowground carbon stocks combined, which is not in conformance with section 8.1.4.4 of the methodology.

Project Personnel Response: Information may be divided between AGB and BGB. This has been updated in the PD

Auditor Response: The audit team confirmed that the carbon stock density for forest (selva baja) has been provided for both the aboveground, belowground, and dead wood pools in table 53 in section 3.1.4 of the PD and that these come from the national forest inventory (INFORME-DEL-INFFS-PANEL-1.pdf). This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 64 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Finding: Section 8.1.4.5 of the methodology states "The total belowground biomass emission factor must also be must be gradually spread over time. The project proponent may propose their own temporal component (e.g., an exponential equation) if the conservative nature of the temporal component can be demonstrated using peer-reviewed literature or measurements conducted by the project proponent. If no temporal component is proposed by the project proponent, the default temporal component from the VCS must be used using the following formula:[EQ29], [EQ30]"

Section 3.2.1 of the PD states "We have taken official data from Peruvian Government for emission factor of forest stratum "Selva Baja" and for emission factor of LULC, we have collected from the REDD+ project previously mentioned. Data is presented in Table 43. Based on those data, we can calculate the emission factor for all the transitions, by using EQ26.

It is clear from the PD and the calculations workbook that the belowground biomass factor was not gradually spread overtime, which is not conformance with the methodology.

Project Personnel Response: Emissions from roots not occur completely at the same time as deforestation occurs but it maintains over time for some years. As no trustable source was found, we worked with the recommendation of the methodology to spread at an homogenous rate throughout the next 10 years, it means, at a rate of 10% of emissions per year

Auditor Response: The audit team confirmed by reviewing the Workbook Calculations.xlsx, sheet Tasa de deforestation, cell L3, that belowground biomass has been spread overtime using equation 29 in the methodology. This finding has been closed. However, see finding 63 regarding the value used for the carbon stock densities.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 65 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.4.4 of the methodology indicates that "Aboveground organic matter, OMagt(I,p) The aboveground organic matter must be determined by measuring the appropriate tree metric (e.g. DBH) of all trees using the appropriate cutoff DBH specified in the allometric equation (e.g., DBH ≥ 5 cm) within the sampling plot. The applicability of the allometric equation fallometric used must be specifically verified using the procedures Section. The allometric equation(s) must remain fixed during a baseline validation period. During a baseline update, the project proponent may replace previously used allometric equations, and BEF values by more accurate ones, if these would become available.

Aboveground non tree organic matter, $\boldsymbol{O}$Magnt($\boldsymbol{i}$, $\boldsymbol{p}$). The above ground non-tree vegetation must be measured by destructive harvesting techniques. Alternatively, the aboveground organic matter can also be estimated using default values IPCC default values by following appropriate tool as the latest version of CDM Tool Estimation of carbon stocks and change in carbon stocks of trees and shrubs in AR CDM project activities.

Belowground organic matter, $\boldsymbol{OB}$G($\boldsymbol{i}$, $\boldsymbol{p}$). The below organic matter pool is estimated from the aboveground organic matter using a relationship $\boldsymbol{f}$belowground between aboveground and belowground organic matter, such as a root-to-shoot ratio. Similar to the constants used for the aboveground organic matter, $\boldsymbol{f}$belowground must be fixed during a baseline validation period. During baseline validation, the project proponent may replace a previously used $\boldsymbol{f}$belowground by a more accurate one, if this would become available."

The audit team requests additional information that demonstrates the aboveground organic matter, aboveground non tree organic matter, and belowground organic matter were measured and estimated as required by the methodology.

Project Personnel Response: A table, summarizing and describing how the aboveground and belowground organic matter was calculated, based on the methods of the INFFS, was included

Auditor Response: The audit team confirmed that tables 67 and 68 in the PD (Section 3.2.1) contains information about the carbon stock densities and emissions factors for the various land use transitions. We confirmed that Table 45 provides information on the allometric equations utilized to estimate these carbon stock densities in live aboveground organic matter, as well as how the belowground organic matter is calculated based on the relationship to the aboveground component. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 66 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.4.4 of the methodology requires the following: "List the estimated emission factors, the associated uncertainties, and the lower confidence limit per LULC class and forest strata category in a table in the PD. The inventory must be iteratively expanded until for every transition, $u\text{transition}(C\text{S1} \rightarrow C\text{S2})$ is greater than 0.75. This threshold serves to ensure a minimal accuracy of biomass inventories."

Table 45 in the PD (section 3.2.1) contains a list of emission factors per type of land transition. However, this table does not include the associated uncertainties and the lower confidence limit per LULC class, and therefore is not in conformance with the methodology.

Project Personnel Response: The table has been updated to include the uncertainty values associated to each class' emission factor

Auditor Response: The audit team confirmed that the emissions factors per type of land transition have been included in section 3.2.1 of the PD (Table 68). The PD also now contains a table (Table 69) listing the associated uncertainties and confidence intervals of each transition. This finding has been closed. However see finding #93 regarding the uncertainty for transitions.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 67 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; JUSTIFICACIÓN DEL USO DE LA REGRESIÓN POLINÓMICA COMO REGRESION BETA.docx

Finding: Section 8.1.5.1 of the methodology requires “Create a graph of the historical deforestation rates in the reference region (hectares per year) versus time (years) for each consecutive pair of images in the historical reference period. Create a similar graph of the historical degradation rates versus time. From these graphs, calculate the future deforestation and degradation rates using two beta regression equations, one for deforestation and one for forest degradation: [EQ35, EQ36].” Footnote 10 that states “Beta regression is commonly used to model variables that assume values in the standard unit interval (0; 1). Beta regression assumes that the dependent variable is beta-distributed and that its mean is related to a set of regressors through a linear predictor with unknown coefficients and a link function. Parameter estimation is performed by maximum likelihood.”

Section 3.1.4 of the PD indicates “We have compared the five most typical mathematical equation:

- Linear
- Polynomial
- Logarithmic
- Exponential
- Power

The criteria for this comparison is the squared R (R2), which measures the degree of accuracy and is used to predict future forecasts, which is what we need to know what will be the deforestation in the reference region in the coming years.

The results show that the polynomial equation is the best predictor considering the available data.

The results in squared R (R2) for each type of equation is as follows:[Table 38].”

The audit team reviewed the PD and the document titled "JUSTIFICACIÓN DEL USO DE LA REGRESIÓN POLINÓMICA COMO REGRESION BETA." Fitting a polynomial curve to the data does not represent a Beta Regression and therefore is not in conformance with the methodology. The audit team reviewed additional literature on Beta Regressions. Ferrari and Cribari-Neto’s paper titled Beta Regression for Modeling Rates and Proportions (2010) states “The proposed model is useful for situations where the variable of interest is continuous and restricted to the interval (0, 1) and is related to other variables through a regression structure. The regression parameters of the beta regression model are interpretable in terms of the mean of the response and, when the logit link is used, of an odds ratio, unlike the parameters of a linear regression that employs a transformed response. Estimation is performed by maximum likelihood.” A beta regression is used when each observation is a percentage from 0 to 100%, or a proportion from 0 to 1. Beta regression is commonly used when you want to model Y that are probabilities themselves. On the other hand, polynomial regression is a form of regression analysis in which the relationship between the independent variable x and the

dependent variable y is modelled as an nth degree polynomial in x. A polynomial regression assumes that the error term is normal and has constant variance. The audit team has concluded that a polynomial regression is not a beta regression and thus it's use is not in conformance with the methodology.

Project Personnel Response: An statistical consultancy was hired to adjust the equation to be a beta regression equation for projecting future deforestation in the baseline scenario. Numbers were updated

Auditor Response: The audit team reviewed Annex 12 which contains the beta regression scripts, modeling, and outputs using R. We were able to verify that the beta regression was conducted correctly. We were also able to confirm the ex-ante estimates of deforestation using the beta regression fro 2018-2020. However, in the Workbook Calculations.xlsx sheet Tasa de Deforestacion, the area of deforestation in the reference region is projected out to 2027, which is the last year of the baseline (Column C). The audit team requests the beta regression output value (y) used to predict deforestation in years 2021-2027. This finding remains open.

Project Personnel Response 2: In the updated workbook calculations, the projections have been extended until 2027 even.

Auditor Response 2: The audit team has confirmed that the latest calculations workbooks contain results of the beta regression out until 2027. Furthermore section 3.1.4 of the PD states "A statistical consultancy was hired to choose the most accurate beta regression feasible with the available most recent data. Report may be found in Annex 12."

However, the audit team had previously reviewed Annex 12 which only shows the Beta regression results through 2021. Thus we are unable to confirm the values that are shown in the calculations workbook.

This finding remains open. Also see finding #124 related to the beta regression.

Project Personnel Response 3: A new version of Annex 12 has been shared and this finding is corrected

Auditor Response 3: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 68 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section. 8.1.5.3 of the methodology requires “The following steps are to be followed once to calibrate the deforestation model and once to calibrate the degradation model. For brevity, the steps below assume a deforestation model.

For each pair of two subsequent LULC classification maps developed as per Section, randomly select a large number (>10,000) of forested grid-cells/pixels from the first image. Use the second image of the pair to determine whether these grid-cells/pixels were deforested, degraded, or showed no change during the period in between the two images. Since grid-cells are selected randomly from the baseline LULC maps, pixels will be selected from degrading, deforested, and no-change areas in an unbiased way. Calculate the value of each spatial driver variable based on the first LULC map of the image pair for each of the points selected in the previous step. Create a list containing the location, land transition category, and all values of each of the spatial driver variable identified in Section 8.1.3.4. In case of dynamic spatial driver variables, use a spatial driver at the time the first image was recorded. Deforestation and degradation usually occur in a clustered fashion. Therefore, include the distance to the forest edge, or forest fragmentation as spatial driver variables (Lambin et al., 1997). Split this list randomly into a calibration dataset and a (statistical) validation dataset. The calibration data will be used to fit the deforestation and degradation statistical models and the validation data will be used to independently assess the quality of the model. 2/3 of the points should be used for calibration and 1/3 for validation.

Calibrate a statistical model for deforestation based on the values of spatial driver variables at the calibration point dataset. The statistical model must predict the suitability for deforestation for every location in the project area, and must therefore be bound by the interval [0,1]. A logistic regression model is an example of an appropriate statistical model. If necessary, apply mathematical transformations to make the effect of the spatial driver variables linear. For instance, the influence of a road on deforestation will decrease exponentially with distance to the road, and a log-transformation should be applied. Calibrate a statistical model for degradation based on the values of spatial driver variables at the calibration point dataset. Calibrate a statistical model to predict the LULC class of the new land use on cells selected for deforestation. In case that there are more than two potential new LULC classes, use

multinomial logit model, which predicts a multilevel categorical variable bases on the spatial driver variables. Quality assurance: significance and goodness-of-fit. As a quality assurance step, report the significance of the statistical model. In case of a regression, report the results of a likelihood ratio test, and the significance of individual drivers of deforestation (t-tests). Both the full model and all individual drivers must be significant at the 95% confidence level. In addition, perform a goodness-of-fit test by predicting the new LULC classes and forest strata for the independent statistical validation data, and comparing the results with the measured data. Present a table of the empirically

observed land-use change rates vs. the land-use change rate predicted using the statistical model. The difference in aggregated deforestation and forest degradation rates as well as forest stratum and LULC-class transition rates averaged over all the time periods (in between images of the reference period) between empirically observed and modeled rates may not be more than 15%. The capability of the model to adequately estimate likelihoods of deforestation and forest degradation must be confirmed by the validation/verification body."

The PD does not indicate that a spatial model was fitted to predict the suitability for deforestation to occur across every location in the project area. Furthermore, discussions with the project team revealed that a spatial model was not employed. Given that spatial modelling to predict the sutitability of deforestation across the project area was not conducted, this represents a methodology deviation. The VCS Standard section 3.17 states "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." Likewise, Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology."

This deviation is not justified or documented in the PD and therefore not in conformance with the methodology.

Project Personnel Response: An explanation of how a statistical approach is more accurate, more consistent with official data and respects the principle of conservativeness has been included in Section 4.1.3 of Methodology Deviations

Auditor Response: The audit team has reviewed the methodology deviation pertaining to the statistical model in section 3.1.6 of the PD. It indicates that in place of using a spatial model to determine where deforestation will occur in the landscape and what is the most likely post-deforestation land use, it was assumed that the post-deforestation land use is the land use with the highest carbon stock density (cropland). This is a conservative approach and therefore in accordance with section 3.17 of the VCS Standard. This finding has been closed. However, see finding 61 regarding the emission factors for cropland and pasture.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 69 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 3.17 of the Standard specifies that "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." The Standard list the following requirements for methodological deviations:

"3.17.1 Deviations from the applied methodology are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement set out in the methodology (i.e., deviations are permitted where they relate to data and parameters available at validation, data and parameters monitored, or the monitoring plan).

3.17.2 Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emission reductions or removals, except where they result in increased accuracy of such quantification. Deviations relating to any other part of the methodology shall not be permitted.

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

As indicated in NCR #68, spatial modelling to predict the sutitability of deforestation across the project area, as required by section 8.1.5.3 represents a methodology deviation. The audit team requests additional evidence and information demonstrating that this deviation meets the requirements of section 3.17 of the Standard (will achieve the same level of accuracy or is more conservative than what is set out in the methodology).

Project Personnel Response: The response to finding 68 above is applicable to this finding too.

Auditor Response: A methodology deviation related to section 8.1.5.3 in the methodology has been included in the PD (section 3.1.6). The audit team confirmed that this methodology deviation is in accordance with the requirements of section 3.17 of the Standard as it relates to the procedures related to measurement set out in the methodology and it does not negatively impact the conservativeness of the quantification of GHG emissions reductions. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 70 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.1.5.4 of the methodology indicates that "The "forest transition" theory (Mather and Needle, 1998) explains how areas with vast forest areas which are initially characterized by rapid deforestation rates, stabilize their forest area after some time. To incorporate a decrease in deforestation rate upon a gradual depletion of forest resources, initial deforestation rates are multiplied with a "forest scarcity" factor, which is initially 1, but gradually decreases as the proportion of remaining forest decreases (Figure 1). This "scarcity factor" must be calibrated using scientific literature in an area close to the project area that has followed a more advanced deforestation route. Examples are neighboring countries, states or provinces that have undergone a more rapid deforestation course than the area where the project is located. Typically, deforestation rates start to decrease when around 50% of the original forest cover has disappeared. In addition, deforestation usually halts when around 80% of the forest area has disappeared. This pattern has been observed by Meyfroidt and Lambin (2008) in Vietnam. Deforestation rates started decreasing when 50% of forest cover remained, and halted in 1991-1993 at around 25% forest cover. However, the specific values of the forest cover when deforestation will decrease are dependent on project conditions and should be analyzed and substantiated within the project document at validation.

The following equation must be used to model the scarcity factor:[EQ40]. The two shape factors $s1$ and $s2$ within this equation must be fitted using historical information in areas similar to the project area or data from peer-reviewed literature. Data sources that must be used are remotely sensed forest cover data in heavily deforested areas close to the project area such as neighboring provinces, states or countries. Values of $s1$ and $s2$ should be selected so that the carbon accounting is conservative. Lower values of $s1$ and higher values of $s2$ will result in lower deforestation, and are therefore more conservative. The project proponent must demonstrate that the source data used to fit this equation is appropriate. The following steps must be followed:" The methodology then lists 7 steps including equation 41.

The PD does not indicate that requirements in section 8.1.5.4 were followed. Likewise during discussions with the project team it was indicated that the methodologies in section 8.1.5.4 with regard to the application of forest scarcity factor was not carried out. This represents a nonconformity.

Project Personnel Response: A detailed and documented analysis has been included to clarify why, based on the concept of FTC and reviewing peer-review classification of Peru in that curve and official data of Madre de Dios, a scarcity factor is not applicable at this moment of time.

Auditor Response: The audit team reviewed the analysis of the forest scarcity factor in section 3.2.1 of the PD (pages 111-115). While the analysis is thorough and does indicate that Peru may still be in the high forest cover-low deforestation category of Angelsen 2007 and far from the achieving the scarcity factor, the methodology requires that the scarcity factor be accounted for. The methodology accounts for countries and regions being at different locations along the trajectory of the scarcity curve. For instance, section 8.1.5.4 of the methodology states "This "scarcity factor" must be calibrated using scientific literature in an area close to the project area that has followed a more advanced deforestation route. Examples are neighboring countries, states or provinces that have undergone a more rapid deforestation course than the area where the project is located." The audit team is tasked with validating the baseline which is valid for 10 years for REDD projects, as stated in section 3.2.7 of the VCS standard "For all IFM, REDD, WRC and ACoGS project types, the project proponent shall, for the duration of the project, reassess the baseline every 10 years and have this validated at the same time as the subsequent verification." Thus, even if the decline in deforestation as a result of the forest scarcity principle is projected to occur sometime after this baseline, the methodology requires that this be demonstrated in order to validate the baseline.

It was indicated that the scarcity factor is not applicable. Given that section 8.1.5.4 of the methodology is not applied, this represents a methodology deviation. As a result, this finding has been closed, but see NCR #101.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 71 Dated 20 Aug 2020 **Standard Reference**: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2 **Document Reference**: PD The Jaguar Amazon REDD Project 13052020-1.docx; Calculation Workbooks.xlsx

Finding: Section 8.2 of the methodology states "The ex-ante estimation of the deforestation and forest degradation rates is based on a breakdown of the effectiveness of every project activity (a) in decreasing any driver of

deforestation (d) relative to that driver's contribution to deforestation and forest degradation, i.e. effectiveness (a, d)." This section later states "Values of effectiveness factors must be estimated for every combination of project activity and driver of deforestation and forest degradation. Note that effectiveness values are only meant for ex-ante estimates of emission reductions/removals. Ex-post emission reduction/removals are not quantified based on these values. The effectiveness values are often challenging to quantify, and depend on local conditions and the experience of the project proponent. However, estimation of the volume of emission reductions/removals that a project will generate depends on the ability of the project proponent to estimate the effectiveness values and refine these estimations throughout project monitoring."

Section 8.2.1 of the methodology states "Identify Project Activities and Estimate the Effectiveness in Reducing Deforestation and Degradation Rates under the Project Scenario." Each of the subsections (i.e. 8.2.1.1-8.2.1.8) provide detailed procedures to quantify the maximal effectiveness of each combination of project activity and each driver of deforestation.

Table 33 in section 3.1.2 of the PD indicates that the following activities are included in the project scenario: (1) Strengthening the land tenure and forest governance situation. (2) Support the development and implementation of sustainable forest and land use management plans, (3) Demarcating forest, tenure and property boundaries; promote forest protection through patrolling of forests and forest boundaries (4) Fire prevention and firefighting activities, (5) Sustainable agricultural intensification on existing agricultural land, and (6) Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs), such as honey, medicinal plants, etc.

Table 47 in section 3.2.2 of the PD presents the "effectiveness of project activities in terms of emissions reductions." It the table deforestation is assigned an effectiveness of 100% and degradation is assigned an effectiveness of 0%." Sheet "leakage" in the Calculations Workbook.xlsx

The audit team requests additional information and demonstration of how the maximal effectiveness was calculated for each combination of project activity and driver of deforestation were calculated based on the methodologies outlined in section 8.2.1 and its relevant subsections.

Project Personnel Response: PD has been updated as planned forest management is not considerered degradation while some level of leakage for cropland (from Arca Pacahuara) and forest fires is likely to occur

Auditor Response: The audit team reviewed section 3.1.2 of the PD, table 34. It now indicates that the drivers of deforestation are (1) Conversion of forestland to cropland, (2) conversion of forest land to pasture, and (3) Conversation of forestland to infrastructure. Section 3.2.2 (Table 75) of the PD demonstrates how maximal effectiveness of "strengthening the land tenure and forest governance situation" was estimated using section 8.2.1.1 of the methodology. The maximal effectiveness of 1% applied to the three drivers of deforestation (conversation to cropland, conversion to infrastructure, and conversation to pasture). Table 75 also indicates that the maximal effectiveness of fire prevention activities for preventing deforestation due to forest fires is 50%. It was conveyed via email on 20 October 2020, that fire is not a driver of deforestation and therefore this effectiveness value is not utilized.

This section 3.2.2 also demonstrates in table 76 how maximal effectiveness of "providing alternative livelihoods to the agents of deforestation" was evaluated using EQ63 in the methodology. It remains unclear how this was calculated. However, for administrative purposes this finding has been closed, but see related finding 75.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 72 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; Calculation Workbooks.xlsx

Finding: Table 11 in Section 8.2.1.2 of the methodology outlines the "Procedure to quantify the maximal effectiveness of forest and land use plans for target drivers." For example, Equation 46 quantifies the maximal effectiveness of forest and land use plans on reducing the conversion of forest land to cropland by participating communities. It is calculated as one minus the change in area of cropland that is allowed in the project area under the project scenario divided by the change in area of cropland in the baseline scenario. Similarly, Equation 47 in Table 11 quantifies the maximal effectiveness of forest and land use plans on reducing the conversion of forest land to settlement by participating communities. It is calculated as one minus the change in area of settlement that is allowed in the project area under the project scenario divided by the change in area of cropland in the baseline scenario. Below Table 11 it states "Any variable with the subscript "allowed" represents the allowed quantity or amount under the project scenario within the project boundary. Analogously, variables with the subscript "baseline" refer to the quantity in the baseline scenario. At the start of the project, information on parameters for the baseline must come from the project area itself. During a baseline update, these values must come from the reference region and/or leakage belts."

Table 33 in section 3.1.2 of the PD indicates that "Support of the development and implementation of sustainable forest and land use management plans" is an activity included under the project scenario.

In the Calculations Workbook.xlsx, sheet Leakage, column Y, it indicates that the area of forest land converted to cropland allowed in the project area under the project scenario is equal to the area of forest transferred to cropland in the baseline scenario. Likewise, column AC in sheet Leakage indicates that the area of forest converted to settlement in the project area that is allowed under the project scenario is 90% of the area of forest lost to settlement under the baseline scenario. During discussions with the project team, it was indicated that deforestation was not allowed in the project area. The audit team requests additional information regarding how the area of allowed forest conversion in the project scenario was determined.

Project Personnel Response: Leakage cancellation has been better understood and calculations have been updated to ensure its conformance with methodology

Auditor Response: The audit team reviewed section 3.1.2 of the PD and found that "Support of the development and implementation of sustainable forest and land use management plans" is no longer included as an activity under the project scenario. Likewise the audit team confirmed that the Calculations Workbook.xlsx, sheet Leakage was updated and now indicates that zero hectares of cropland, settlement, and pasture are allowed in the project area. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 73 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Table 13 in section 8.2.1.4 of the methodology outlines "Procedures to quantify the maximal effectiveness of fire prevention for target drivers."

Equation 56 in Table 13 indicates that the maximal effectiveness of fire prevention is between 40% and 60%. The table further indicates that "Fire prevention measures such as fire breaks, together with education, can effectively reduce fire-related deforestation and forest degradation by 50%.Set the value of effectiveness between the thresholds above based on (1) pilot experiments in the project area, (2) peer-reviewed studies in an area similar to the project area or (3) advice from experts."

Table 33 in section 3.1.2 of the PD indicates that "Fire prevention and firefighting activities" is a project activity included under the project scenario.

It is unclear if and how the maximal effectiveness of Fire prevention and firefighting activities was quantified. The audit team requests additional information regarding how the maximal effectiveness of Fire prevention and firefighting activities were determined based on the data sources indicated in table 16 of the methodology.

Project Personnel Response: Based on information regarding forest fires risk and fire prevention measures, the project has estimated a percentage of effectiveness of 50%

Auditor Response: The audit team confirmed an effectiveness of 50% was applied to fire prevention activities as shown in table 75 in the PD and in column T of the Leakage sheet in the workbook "Workbook Calculations.xlsx". This maximal effectiveness value is in conformance with the methodology (Table 13, section 8.2.1.4). However, via email correspondence with the project team, it was confirmed that fire is not a driver of deforestation and therefore the maximal effectiveness value of 50% is not utilized. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 74 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Table 16 in section 8.2.1.7 of the methodology outlines "Procedures to quantify the maximal effectiveness of agricultural intensification for target drivers."

Equation 60 in Table 16 indicates that the maximal effectiveness of agricultural intensification on the target driver "conversation of forest land to cropland by the proect proponent" is the maximal adoption rate multiplied by the increase in yield per hectare. The table further indicates that "Estimate the maximal adoption rate based on the willingness of project participants to change their practices based on (1) quantified in social assessments, or (2) expert opinion. Estimate the relative increase in yield from (1) field studies, (2) peer-reviewed literature or (3) local agricultural extension experts. Latter options may only be used if former options are not available."

Table 33 in section 3.1.2 of the PD indicates that "Sustainable agricultural intensification on existing agricultural land" is a project activity included under the project scenario. It is unclear if and how the maximal effectiveness of agricultural intensification was quantified. The audit team requests additional information regarding how the maximal effectiveness of agricultural intensification activities were determined based on the data sources indicated in table 16 of the methodology.

Project Personnel Response: BOZOVICH does not propose sustainable agricultural intensification within his activities.

BOZOVICH will extend its social work with neighboring communities by supporting sustainable productive projects related with agrarian crops and other innovative products with local families

Auditor Response: The audit team confirmed that Table 34 in section 3.1.2 has been updated and now clearly specifies that sustainable agricultural intensification is not a project activity. Therefore, maximal effectiveness of the activity does not need to be quantified. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 75 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.1.8 of the methodology states "It is assumed that people will shift automatically towards a livelihood alternative that has a sufficiently greater return than their current livelihood. Therefore, the total effectiveness is calculated by dividing the income from alternative livelihoods by the total value of forest products that are harvested from the forest and sold on local markets. It is further assumed that alternative livelihood options must be 25% more economically attractive before people will switch to these alternative livelihoods. The total effectiveness thus becomes 0.75 multiplied by the sum of income through alternative livelihood divided by the total value of forest products. This total effectiveness is then divided into individual values for the effectiveness for each target driver by multiplying the respective relative financial contribution of the target driver with the total value of forest products."

Table 17 in section 8.2.1.8 of the methodology then indicates the "Procedures to quantify the maximal effectiveness of alternative livelihoods for target drivers."

Table 33 in section 3.1.2 of the PD indicates that "Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs), such as honey, medicinal plants, etc." are a project activity included under the project scenario. More specifically Table 33 in the PD indicates that "Bozovich will extend its social work with neighbouring communities by supporting sustainable productive projects related with agrarian crops and other innovative products with local families."

It is unclear if and how the maximal effectiveness of alternative livelihoods was quantified. The audit team requests additional information regarding how the maximal effectiveness of these activities were determined based on equation 63 in table 17 of the methodology.

Project Personnel Response: Maximal effectiveness of conversion of forest land to cropland has been included in the PD and in the Excel Spreadsheet with the formulae that allows to trace the assumptions and values used

Auditor Response: The audit team confirmed that the maximal effectiveness enhancing land tenure and governance on the target driver conversion of forest land to cropland (Table 75). The maximal effectiveness of alternative livelihoods for the target driver of conversion of forest land to cropland has been quantified and is shown in Table 76 in section 3.2.2 of the PD. However we have been unable to locate the calculation that pertains to Table 76 of the PD in the Workbook Calculations.xlsx to verify the assumptions and values used. The audit team continues to request additional information regarding the assumptions with regards to income and total value of forest products used the calculation of maximal effectiveness in table 76. This finding remains open.

Project Personnel Response 2: An Excel file with the assumptions to estimate the community incomes and expenses associated to its productive activities (agrarian and others) and to the access to forest resources has been shared to clarify how the formula in Table 76 has been produced. The table has been updated with the adjusted numbers.

Auditor Response 2: The audit team reviewed the excel file provided (NIR 75.xlsx) which shows the assumptions to estimate the effectiveness of alternative livelihoods. It is demonstrated that an effectiveness of 74.88% was calculated as shown in Table 76 of the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 76 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.2 of the methodology states "The effectiveness of project actions may change during the crediting period, due to the increased experience of project implementers or an increased allocation of funds during the crediting period. This time-dependent project activity rate is accounted for by integrating a factor rate(a, t) for project activity a during year t. As was mentioned before, effectiveness (a, d) represents the maximally attainable effectiveness given project conditions and capacity are optimal. As a consequence, rate(a, t) must be 100% at least once during the crediting period. The relative reduction in deforestation can be estimated ex-ante by integrating the relative proportion of each driver of deforestation with the effectiveness coefficients and the estimated adoption rates for each project activity." It then lists equations 64 to 67 to calculate the relative project impact of all activities on deforestation and degradation relative to the baseline, and the relative driver impact of each drive on deforestation and degradation. Then section 8.2.2 indicates that "The absolute rate of deforestation in hectares per year in the project region under the project scenario can be calculated by multiplying the relative project impact with the total deforestation and forest degradation rates in the project region under the baseline scenario" using equations 68 and 69.

It is unclear if and how the effectiveness of project activities was calculated. The audit team requests demonstration that the effectiveness of project activities was calculated according to the equations and requirements from 8.2.2 of the methodology.

Project Personnel Response: In DLEAKAGE Excel file, the effectiveness has been calculated following the requirements of the methodology

Auditor Response: The audit team confirmed that the effectiveness of project activities utilizing equations 64 and 66 were applied (for deforestation) to estimate the relative impact on drivers of deforestation (forest land to cropland, forest land to infrastructure, and forestland to pasture. However, the following issues remain:

(1) It is unclear if and how the maximal effectiveness of Providing Alternative Livelihoods for the target driver conversion of forest land to cropland (EQ63) was incorporated into the equation 64.

(2) The project team applied a rate of 100% is applied in equation 64 for each driver and activity. However as the methodology states in section 8.2.2 “The effectiveness of project actions may change during the crediting period, due to the increased experience of project implementers or an increased allocation of funds during the crediting period.” More information is needed to justify why a project activity would immediately be 100% effective. This is of particular importance for activities such as providing alternative livelihoods which may take years for people to shift to. This finding remains open.

Also, the relative driver and project impact are only calculated for 2018-2020. See related finding #100.

Project Personnel Response 2: 1) The effectiveness used in eq. 64 comes fom eq. 46-47, not eq. 63 as may be seen in Workbook Calculations, in the sheet "DLeakage"

2) An explanation about how maximum effectiveness is not contradictory with the fact that the project will not change immediately, nor in the long term, the current agrarian expansion practices of Arca Pacahuara, but instead, these practices will displace, at some degree, to leakage area, which is already considered through the leakage cancellation rate.

Auditor Response 2: The audit team reviewed the calculations in workbook Calculations Workbook 08112020.xlsx, sheet Dleakage. This finding has been closed for administrative purposes and upgraded to an NCR. See finding #120.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 77 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.3 of the methodology requires that "Use the LULC model calibrated and validated in Section in 8.1.5 to divide the total ex-ante deforestation and forest degradation rates under the project scenario into individual rates for every forest stratum transition. The same statistical models may be used for calculating the stratum-specific rates under the project scenario. For every year of the crediting period,

present a land transition table for the project areas under the project scenario."

It is unclear if and how the ex-ante deforestation rates under the project scenario were calculated for each forest stratum transition. The audit team requests a demonstration of how the deforestation rates under the project scenario for the project areas were calculated.

Project Personnel Response: A land use change and land transition matrixes have been included as requested by the methodology

Auditor Response: tables have not been included. Tables 58-60 provide information on land use change and transitions, but for the baseline scenario. This finding pertains to the project scenario. This finding has been closed and upgraded to an NCR. See finding 99.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 78 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; Verified Carbon Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section A1.6 of the VCS Standard indicates that "Activities covered under the REDD project category are those that are designed to stop planned (designated and sanctioned) deforestation or unplanned (unsanctioned) deforestation and/or degradation. Avoided planned degradation is classified as IFM." Based on discussions with the project team and the forest management plans provided, it is clear that timber harvesting in the project area as carried out by the Bozovitch company is planned in nature (designated and sanctioned) and thus does not meet the definition of degradation under this methodology.

With regards to sanctioned and planned timber harvesting, Section 4.2.3 of the methodology states that "Implementing harvesting in the project area as described in Section 8.2.7 is optional but is only is eligible under this methodology only if the following applicability conditions are met:

• The harvest plan and harvest activities must follow Best Management Practice (BMP) guidance of the country or jurisdiction, if such BMP guidance exists.

• The harvest plan must describe procedures to protect soil, water and residual trees in the harvest area and provide documentation on the presence/absence of any threatened or endangered species on the site, potential impacts on species and mitigation measures that will be employed.

• The harvest plan must describe the biophysical sustainability of the harvesting practices. At minimum, the biophysical sustainability must be demonstrated by ensuring that the net removal of biomass from harvesting is less than the net increment of the biomass in the forest. Where possible, the project proponent should use criteria and indicators such as from International Tropical Timber Organization (ITTO) to assess the sustainability of harvesting practices. In addition, it is recommended to obtain sustainability certification from third parties, such as the Forest Stewardship Council or the Sustainable Forestry Initiative."

The audit team requests it be demonstrated that each of the applicability conditions in section 4. 2.3 of the methodology are met.

Project Personnel Response: The operations are being done under the highest standards, even higher than the national requirements. For this reason, the operations have achieved FSC certification and, according to own analysis, elaborated with the support of literature, the biomass growth is higher than the biomass removal

Auditor Response: The audit team reviewed the update to section 3.1.2 of the PD which provide further information about the forest management plan. Likewise the audit team reviewed the forest plans provided in Annex 9 (9. Forest Management Plan Chullachaqui, 9. Forest Management Plan Otorongo). While BMPs did not exist in Peru, these management plans have been approved by the Regional Technical Authority. This was also confirmed via interview the regional Forestry Authority. The forest management plans describe monitoring and protection of soil, water, and residual trees, endangered species, impacts and mitigation measures. Lastly the project proponent utilized inventory data and data on harvesting to estimate that the net removal of biomass from harvesting is less than the net increment of the biomass in the forest. All requirements have been met and this finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 79 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.7 of the methodology states "This methodology allows (limited) harvesting of timber from the project area." It further requires that "The harvest plan description in PD must include the following information:

• Description of harvest areas in terms of location, size, forest inventory and topography.

• A description of all silvicultural activities that will be applied in the areas where harvesting will be carried out. This description must include number of trees removed and number of trees retained, in case of individual tree selection cut methods. For clear-cut methods or group selection cut methods, maximum opening size must also be described.

• The harvesting methods, i.e. mechanized vs. manual, as well as all processes such as felling, bunching, skidding/ forwarding, loading, and unloading. All machinery and equipment must be described.

• The harvest frequency (years between harvests) and volume of harvest at each time period.

• Regeneration assumptions and description of site indexes for dominant species in the strata. The harvest plan must include the expected tree density that will be maintained in the project area. Additionally, growth estimates for harvest areas in terms of total biomass as well as biomass stock density per unit area must be described and all assumptions and validity of any growth estimates must be justified. If any software based models have been used, proper justification of the suitability of such models used must also be described in the harvest plan.

• Activities that are practiced to protect soil, water, site and residual trees in the harvest area. Documentation on presence/absence of any threatened or endangered species and/or habitat on site, potential impacts on species and mitigation measures, presence/absence of natural heritage areas, and potential impacts on natural heritage areas and mitigation measures.

• A map of the harvest site including the following:

• Plot locations.

• Harvest area boundary within the project area boundary.

• Slope classes.

• Streams/rivers/roads (if present).

• Wetlands (if present).

• Stream side management zones or river buffer (if applicable).

• Planned skid trails (if applicable).

• Landing sites/areas (if applicable)."

The PD does not contain a description of the harvest plan and thus is not in conformance with the methodology.

Project Personnel Response: A summary of the management plan has been included in annexes but also, key components of the plan is included within the PD

Auditor Response: The audit team has confirmed that the required information about the harvest plan has been included in section 3.1.2 of the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 80 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.7.1 of the methodology indicates that "The long-term average carbon stock represents the maximum carbon stock that can be attained in harvest areas. GHG benefits must be calculated using a carbon stock that never exceeds the long-term average carbon stock in the areas where harvest activities take place. The long-term average must be quantified based on an appropriate minimal time period which must include at least one full harvest/cutting cycle. The minimal time period must be established as following:

• If the harvest plan concentrates harvest activities in smaller blocks and continuously moves harvesting activities from one block to the next throughout the forest until all the areas are harvested within one harvesting cycle (as practiced in clear-cut or group-selection cut methods), the minimal time period must end at the first year after the end of the crediting period during which all forest blocks have undergone a similar number of harvesting cycles. For example, if the crediting period is 30 years and the duration for all blocks to be harvested once is 12 years, the minimal time period must be 36 years even though project crediting period is only 30 years.

• If the harvest plan intends to target individual trees for harvest throughout the crediting period and the harvest can take place anywhere in a specified are within the forest (as practiced in individual tree selection cut methods), then the established time period over which the long-term average is calculated must be the length of the project crediting period. For example, if the crediting period is 30 years and harvesting of individual trees are carried out throughout the forest during the project crediting period, then the long-term average must be estimated based on the project crediting period.

• After determining the time period for estimating the long-term average, the long-term average carbon stock density must be calculated using [EQ79]."

The audit team requests additional information regarding the minimum time period established to determine long-term average carbon stock and a demonstration of how the long-term average carbon stock density contained in the harvest areas was calculated according to equation 79.

Project Personnel Response: The accounting period is 40 years. The concession contract is for 40 years but renewable automatically every 5 years with the approval of management plan. So, at some point the forest management of the project area is infinite

Auditor Response: The minimum time period applied to determine the average carbon stock in accordance with section 8.2.7.1 of the methodology remains unclear. Furthermore it has not been demonstrated that section 8.2.7.1 has been applied. Furthermore, the requirements of all subsections of section 8.2.7 of the methodology have not been applied. The audit team continues to request information on how this long-term average carbon stock in harvested areas has been determined and applied.

Project Personnel Response 2: An Excel file has been shared with calculations referred to NER and VCU

Auditor Response 2: The project team provided the Net carbon y VCU´s actualizado.xlsx (sheet 9) which shows the calculation of the long-term average carbon stock using equation 79 from the methodology. This workbook indicates that the minimal time period for estimating the long-term average carbon stock [yr] is 1. This is not in conformance with the methodology. Thus this finding has been closed but upgraded to an NCR. See NCR#121.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 81 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.7.1 states "The ex-ante estimation of the LTACharvest must use the biomas carbon stock density Charvest(t,i) values that are estimated using a projection model such as a computer simulation model or a growth table. All projection models must be properly calibrated using field measurements and must estimate the removal of biomass from the harvest areas using the harvest management plan." It further states that "Any projection model used must have the following characteristics:

•The used models have been prescribed or recommended by designation forest department or related agencies in the country/jurisdiction. For example, growth models or yield project tables listed in forest act/regulations can be used. Alternatively, models that have been found in peer reviewed literature and are from the same region as of the project area can be used. However, such models must be parameterized for the specific conditions of the project area.

• The used models must be clearly documented with respect to the scope of the model, assumptions, known limitations, embedded hypotheses, assessment of uncertainties, and sources for equations, data sets, factors or parameters.

• Simulation software must be based on local data or calibrated for use in the project area. CO2FIX is an example of a simple ready-to-use model that can be easily applied globally. FVS, a different simulation model, has more functionality but requires calibration for use outside of the US (and Canada).

• When no individual simulation model is available, a simple spreadsheet model using IPCC biomass growth estimates or growth estimates based on expert opinion corroborated by local studies and historical practice for the project area can be used. The IPCC biomass tables provide estimate of annual growth and total biomass as a function of different forest types, age-group, and time. When biomass removal is tracked along with the annual growth, biomass remaining in forest can be estimated. Note that this approach gives only linear growth."

The audit team requests additional information regarding how the biomass carbon stock density in harvested areas (Charvest(t,i)) was modeled and quantified according to the requirements of section 8.2.7.1 of the methodology."

Project Personnel Response: The biomass carbon stock density in harvested areas has been calculated following the guidance of the methodology

Auditor Response: The PD does contain any information regarding the application of the requirements of section 8.2.7.1 of the methodology. Furthermore, the project team provided a workbook + ΔGHG from changes in long-lived wood products (7).xlsx on 20 October 2020. However this workbook does not contain any of the calculations that pertain to section 8.2.7.1. This finding remains open.

Project Personnel Response 2: An Excel file has been shared with calculations referred to NER and VCU

Auditor Response 2: The project team provided the Net carbon y VCU´s actualizado.xlsx which shows the quantification of ex-post biomass stock density in harvest areas in 2018. However this finding refers to ex-ante biomass stock density in harvest areas. Therefore this finding has been closed and upgraded to an NCRs. See related findings 123 and 125.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 82 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.2.7.2 of the methodology states "The emissions reductions or removals on the land with harvest activities are calculated using [EQ80].

The audit team requests that it be demonstrated how the emissions reductions or removals on the land with harvest activities are calculated using equation 80 of the methodology.

Project Personnel Response: Emissions from logging have been calculated and included in Excel Spreadsheets

Auditor Response: The PD does contain any information regarding the application of the requirements of section 8.2.7.2 of the methodology. Furthermore, the project team provided a workbook + ΔGHG from changes in long-lived wood products (7).xlsx on 20 October 2020. However this workbook does not contain any of the calculations that pertain to section 8.2.7.2. This finding remains open.

Project Personnel Response 2: An Excel file has been shared with calculations referred to NER and VCU

Auditor Response 2: The project team provided the Net carbon y VCU´s actualizado.xlsx which shows the quantification of equation 80 in the methodology. This finding has been closed and upgraded to an NCR. See finding #123.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 83 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.3.1 of the methodology states "The procedure to quantify leakage differs between drivers that are geographically constrained and geographically unconstrained drivers (see Table 18)."

Table 18 provides a " Distinction between geographically constrained and geographically

unconstrained drivers" of leakage. It indicates that Geographically constrained driver categories include:

"• Conversion of forest land to cropland for subsistence farming by local communities

- Conversion of forest land to settlements by local communities
- Logging of timber for local enterprises and domestic use
- Fuelwood collection or domestic and local industrial energy needs
- Cattle grazing in forests
- Extraction of understory vegetation
- Forest fires not part of natural ecosystem dynamics"

Table 18 then indicates that geographically unconstrained driver categories include:

- Conversion of forest land to cropland for subsistence farming by migrants
- Conversion of forest land to settlements by migrants
- Logging of timber for commercial on-sale
- Wood collection for commercial on-sale of fuelwood and charcoal production"

Section 3.2.3 of the PD states "First of all, we need to determine what types of drivers are the ones that the project has to deal with. As explained before, the main threat comes from surrounding settlements than are related with agrarian production. According to the methodology, it classifies as geographically constrained drivers."

However, several sections in the PD also indicate that conversion of forestland to cropland or settlement by migrants is a cause of deforestation in the region. For example, section 3.1.4 of the PD states "Thanks to this, the cost of transportation of products reduced dramatically and the time to go from Puerto Maldonado (Madre de Dios) to Cusco declined from 3 days to 14 hours. Thanks to this and with the rise of gold price, migration to Madre de Dios from highlands increased drastically and the migrants, mainly dedicated to agriculture in their towns of origin, searched for lands to settle and do the same activities as they did traditionally." Likewise section 2.2.1 of the PD states "Madre de

Dios was a pristine region and for this reason, it was the capital of the biodiversity until 2009, when the Interoceanic Highway was finally completely paved and the transportation cost reduced dramatically, increasing exponentially the internal migration from highlands of Peru. This is the reason why Madre de Dios shows an exponential increase of the deforestation rate since that year as can be seen in following chart:[Chart 1]"

The audit team requests additional justification as to why leakage due to geographically unconstrained drivers such a migration was not considered or quantified in addition to geographically constrained drivers.

Project Personnel Response: In DLEAKAGE Excel file, calculations have been updated to clarify and meet requirements of guidance of the methodology

Auditor Response: While the audit team can confirm that calculations have been updated, this finding has not been addressed. The audit team requests additional justification as to why leakage due to geographically unconstrained drivers such a migration was not considered or quantified in addition to geographically constrained drivers. It is indicated in several sections throughout the PD that deforestation is caused by migrants. For instance in section 4.1.1 of the PD it states "The Interoceanic Highway created many new opportunities for migrants searching lands. Pacahuara continues inviting new migrants." In section 2.1.6 it states "Migrants enter Madre de Dios from other regions, mainly from the Andes." This finding remains open.

Project Personnel Response 2: A clarification has been added in Section 3.2.3 referred to why newcomers must not be considered geographically unconstrained potential leakage as their pattern is to establish in already existing settlements as they use to be relatives of families living in those communities (who in the past were migrants too)

Auditor Response 2: The audit team reviewed section 3.2.3 of the updated PD and confirmed that a clarification has been added explaining why only geographically constrained leakage was considered. This clarification has been further explained to the audit team. We have further confirmed with incountry specialists that geographically unconstrained leakage is unlikely in this region. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 84 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.3.2.1 of the methodology states that "The relative impact of leakage is quantified by ex-ante leakage cancellation factors, which express the driver-specific relative amount of leakage for the amount of deforestation or degradation that is avoided. This quantity describes the proportion of the (expected) gross emission reductions inside the project area that are lost again due to leakage outside of the project area. Only changes that are directly attributed to project activities must be included in the cancellation rate."

Section 8.3.2.1 later states that "Every driver is assigned a leakage cancellation rate based expert knowledge, social assessments and past project experience. Summarize all cancellation rates for each driver in a separate table for avoided deforestation or avoided forest degradation. Any variable with subscript "allowed" indicates that the amount contained in that variable is allowed under the project. Similarly, variables with subscript "project" and "baseline" respectively indicate amount demanded under project and baseline."

"Leakage must be calculated as a function of baseline demand, project demand and project supply. If the project intervention does not expect any reduction in demand under the project scenario, any parameter with subscript "project" must be equal to corresponding parameters with subscript "baseline". Similarly, if no deforestation and/or degradation parameter is allowed/expected under project scenario then parameter with subscript "allowed' must be set to "0" in these calculations."

Sections 8.3.2.1.1-8.3.2.1.8 describe procedures for calculating the leakage cancellation rate for each driver of deforestation.

It is unclear which drivers of deforestation leakage cancelation was calculated for and how these calculations were carried out The audit team requests additional information regarding how leakage cancellation for each driver of deforestation was calculated in accordance with section 8.3.2.1 and the subsections that are relevant to the drivers of deforestation in the project, as well a summary of all cancellation rates for each driver in a separate table.

Project Personnel Response: PD has been updated to clarify how leakage cancellation factor has been calculated and what assumptions were used and what sources were used, mostly information gathered from surrounding communities, the origin of drivers of deforestation

Auditor Response: The audit team confirmed that section 3.2.3 of the PD has been updated with the leakage cancellation rate assumptions and calculations. The PD also now contains a separate table that documents the cancellation rates for each driver (Table 88). This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 85 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.3.2.3 of the methodology requires that "Once the leakage area is demarcated, the total deforestation/ degradation rates in the leakage belts are calculated using: [EQ95-98]." It then states that "The total deforestation and forest degradation rates in the leakage area are calculated by adding the leakage-induced increase in deforestation/degradation rates to the baseline deforestation/ degradation rates. The baseline deforestation and forest degradation rates are calculated by taking the size-wise proportion of the deforestation/degradation rates in the project area under the baseline scenario. Add the total deforestation and forest degradation rates in the leakage area in two separate tables such as Table 15. Subsequently, estimate the forest strata-specific deforestation and forest degradation rates for every year of the crediting period using the land use model previously calibrated."

For example equation 97 to calculates the "Rate of deforestation/degradation within the leakage

area under the project scenario at time t of the crediting period." as the "Leakage induced increase in deforestation and forest degradation rates during year t of the crediting period" plus the

It is unclear in the Calculations Workbook.xlsx if and how equations 95-98 were applied. For example, in sheet "leakage" of the Calculations Workbook.xlsx, the Baseline rate of deforestation/degradation within the leakage area and the Rate of deforestation/degradation within the leakage area under the project scenario at time t of the crediting period do not appear to be calculated in any of the columns. The audit team requests demonstration of these calculations.

Project Personnel Response: In DLEAKAGE Excel file, calculations have been updated to clarify and meet requirements of guidance of the methodology

Auditor Response: The audit team confirmed that equations 95-98 have been calculated in the Workbook Calculations.xlsx, DLeakage sheet. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 86 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx

Finding: Section 8.4.2 of the methodology requires the following:

"• Present a table with the total deforestation and degradation rates under the

baseline and project scenarios for the project area and leakage area for every year of the project duration.

• Present tables with the LULC class and forest-strata specific land transitions for the project and leakage area under the baseline and project scenarios."

There is no presentation of the total deforestation rates under both the baseline and project scenarios for the project area and the leakage area for every year of the project duration. Likewise, there is no table with the LULC class and forest strata land transitions for the project and leakage area under both the baseline and project scenario. This is not in conformance with the methodology.

Project Personnel Response: Table 44 shows the transitions from forestlands to non-forest lands in the Project Area, Leakage Belt and Reference Region

Auditor Response: Table 44 contains allometric equations and does not show the transitions from forestlands to nonforest lands. Table 60 refers to transitions from forest land to other uses, but only for the period of 2013 to 2016. Therefore, the audit team has been unable to locate the following in the PD:

(1) A table that shows the total deforestation and degradation rates under the baseline and project scenarios for the project area and leakage area for every year of the project duration.

(2) Tables with the LULC class and forest-strata specific land transitions for the project and leakage area under the baseline and project scenarios.

Note that these requirements are "for every year of the project duration" thus refers to ex-ante estimates.

This finding remains open.

Project Personnel Response 2: A chart with the annual transition for every year of the first 10 years of project has been included

Auditor Response 2: The audit team confirmed that a table showing the deforestation rate in the project area and leakage area under the baseline and project scenario has been included in section 3.2.1 of the PD. The audit team understands that the quantification of these values may change as a result of pending changes to the reference region. Thus we are closing this finding given that the table providing this information has been included in the PD, but this does not preclude further findings related to the quantification of these values in the table.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 87 Dated 20 Aug 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 13052020-1.docx; Calculation Workbooks.xlsx

Finding: soil organic matter emission factor, the combined error in estimated biomass stock densities for a transition from one stratum to another is measured as:[EQ33]. The uncertainty discounting for estimated emissions factors for a transition from one stratum to another is estimated using [EQ34]

The audit team reviewed the PD and the Calculations workbook.xlsx. It is not clear that the combined error in estimated biomass stock density change for a transition from one stratum to another was estimated using equation 33 as required by the methodology. Likewise it is unclear whether the uncertainty discounting for emission factors for a transition using equation 34 as required by the methodology was estimated. The audit team requests demonstration that these equations were applied.

Project Personnel Response: In the new version of Excel Spreadsheets, the combined error has been updated using the equation of the methodology

Auditor Response: We confirmed that the combined error (CE) in estimated biomass stock density change for each transition and uncertainty discounting for emission factors for each transition are reported in table 69 in section 3.2.1 of the PD. The calculations are also documented in the workbook Utransition, Uclassification, CE.xlsx.

In an email dated 19 October 2020, the project team indicated that "Section 8.1.4 asks us to determine the emission factors for all transitions included. These factors have been determined from the National Forestry and Fauna Inventory (INFFS, 2019), from the section 5.2.4 in said document. The methodology can be found in section 5.2.3, the calculations were done using the EValidator tool, constructed by the Forestry Service of the United States within the framework of the Project National Forestry Inventory. The content of carbon in AGL, AGD and BG can be found in table 53 of the Project Description, as well as in section 5.2.4 of the INFFS (2019). Equations 17-25 were not employed, since direct results were taken from the INFFS. In the document "Análisis de Incertidumbre del FREL de Deforestación para la Amazonia Peruana a través de Simulaciones Monte Carlo" (Casarin, 2015), in section 3, page 8, second paragraph, and in the document of the FREL (2016) in section 3.5.2, page 48, first paragraph, the uncertainty (CE) of the inventory can be found, which is 0.1% for the ecozone "selva baja". With this datum and using equation 34 we can find the discount factor for the emission factor in each transition (utransition:1)."

The information on forest carbon stocks in the INFFS document provided does not correspond to the carbon stock densities reports in the FREL document. For instance, the carbon stock in the aboveground live pool is 509t CO2/ha in the INFFS, but in the FREL it is 410 tCO2/ha. Given these differences, the uncertainty analysis that is documented in the document "Análisis de Incertidumbre del FREL de Deforestación para la Amazonia Peruana a través de Simulaciones Monte Carlo" (Casarin, 2015), is not applicable to use the inventory uncertainty of 0.1% for ecozone selva baja. The inventory uncertainty remains unclear, but is addressed in finding 102.

The combined error of each transition (which corresponds to equation 33 in the methodology) is calculated in cell E3-G3 in the workbook Utransition, Uclassification, CE.xlsx. However equation 33 requires that the sum of the "Half-width of the 95% confidence interval around the mean plant organic matter density" of cropland in each pool squared be subtracted from the Half-width of the 95% confidence interval around the mean plant organic matter density of forest each pool squared. It does not appear that the half-width of the 95% confidence interval around the mean is being utilized in this equation. Rather the mean plant organic matter density of each pool for each LULC class utilized. This is not in conformance with equation 33 in the methodology. The values for the combined error of each transition are then used to calculate the "Discounting factor for the emission factor for the transition from LULC class or forest stratum 1 to class 2 according to the uncertainty of

the biomass inventory" using equation 34 (however see finding 93). Given this nonconformity the audit team has closed this finding, but upgraded it to an NCR. See finding 93.

This finding has been closed for administrative reasons. But see findings 93 and 102.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 88 Dated 7 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx, Finding 8 - Leakage belt determination (falta traducir).docx, Leakage belt.kml

Finding: This finding is related to NIR #8.

Section 8.3.2.2 of the methodology lists 5 steps for delineating the leakage belt. We reproduced each of the 5 steps below and indicate if and how a nonconformity exists for each specific step:

1) “Determine the average “cost” to move across an LULC class, forest stratum, or road/track. The relative costs must be calculated by reciprocating the maximal speed for every class or road category and relevant mode of transportation, and therefore represent the fastest time it takes to cross a set distance. The speeds were analyzed in Section 8.1.3.3.”

- The audit team reviewed the updates to the cost analysis based on the Fleck et al. 2010 study and described on pages 115-118 of section 3.2.3 of the PD (PD The Jaguar Amazon REDD Project.docx, provided on 7 October 2020). We confirmed that the costs to cross the different land use classes have been revised and are logical. This step is in conformance with the methodology. No issues.

2) "Using a GIS, generate a raster map of the reference region in which every pixel contains the cost to cross this pixel, based on the class or roads/tracks on this pixel. The cost to cross areas that are not accessible to agents of deforestation must be set to an arbitrary large value. Examples of inaccessible areas include protected areas, national parks, economic land concessions, and large plantations. These must have been excluded already from the reference region. This map must have an identical resolution as the remote sensing images of the historical reference period."

- We reviewed the cost to cross maps on pages 118-119 of the PD (maps 25 and 26). Map 26 shows the reference region with all the land use classes for which the cost to cross was calculated. Although this map does not show the cost to cross on the map, it does indicate the land use classes. When combined with the values reported in table 81, this is in conformance with the methodology. No issues.

3) "Using the cost map, generate a cost-distance map of the reference region in which every pixel contains the cost (time) to reach the nearest point of the project area".

– We reviewed maps 27 and 28 of the PD that show the cost-distance in the reference region. These maps are logical and show that areas further away from the project area are more costly. Also areas that are mostly forested and further from roads are more costly. This is in conformance with the methodology. No issues.

4) "For every agent of deforestation/degradation, estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest. Determine this value using social assessments by asking what the extra time is that a single household would have to spend if the project area is not accessible anymore."

- As indicated by the response to finding 51 in section 3.1.6 of the PDD, the social assessments were not conducted, which has been documented as a methodology deviation. The audit team has provided a response to this finding above (Finding #51).

-However, the methodology indicates that this steps requires the following:"estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest." This would suggest that areas in the reference region that are further from the project area would be less likely to be deforested than areas near the project area, as shown by the cost-distance maps created for step #3 above (maps 27 and 28). However maps 29 and 30 show that areas in the southwest of the reference region (which are very close to the project area) have a higher cost (shown in red) and areas that are close to Iberia have a low cost. This does not make sense given that the cost-distance maps created for step 3 show areas close to the project area as being low-cost. Likewise maps 29 and 30 are titled "Mapa de costo de transporte a mercados." The methodology requires an estimation of the amount of time the agent is willing to move deforestation FROM the project area, not from the nearest market. The location of the nearest market is not relevant to the delineation of the leakage belt as indicated by section 8.3.2.2 of the methodology. Therefore, this step is not in conformance with the methodology.

5) "Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts."

-Given that step 4 is not in conformance with the methodology, it is not possible to evaluate this fifth and final step.

Project Personnel Response: [Response outside the cover of this workbook]

Auditor Response: The audit team held a meeting with the project team on 10/13/2020. It was made clear that the intent of the project team was to estimate of the amount of time the agent is willing to move deforestation from the nearest market, and not from the project area. It was indicated that this will be documented as a methodology deviation and a finding to that effect will be issued. This finding is no longer relevant and has been withdrawn.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 89 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding relates to NIR #31. Section 2.3.4 of the PD template states “Explain how relevant and adequate information about potential costs, risks and benefits to communities – identified using a participatory and transparent process – has been provided to communities in a form they understand and in a timely manner prior to any decision they may be asked to make with respect to participation in the project.” In the response to NIR#31 it was indicated that “A summary of costs, benefits and risks of the project has been prepared (in Spanish) and it is being socialized with key local stakeholders.” However, this explanation of the socialization of the costs, benefits and risk has not been described in the PD.

Project Personnel Response: An explanation of how the socialization process of costs, risks and benefits is expected to be done has been included and the material that plans to be shared is part of the annexes now

Auditor Response: The audit team reviewed the document "NCR 89.docx". This shows that information regarding potential costs, risks and benefits of the project have been included in a document. Section 2.3.4 of the PD also now states "A summary of risks, costs and benefits, in Spanish, have been prepared (see Annexes) and the social responsible of Forestal Otorongo is organizing its socialization. The plan is to do it, at an initial stage, among the families interested in the REDD project in order to validate its functionality."

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 90 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding relates to the previously issued finding NIR#4.

Section 8.1.1.2 of the methodology states “A reference region must be representative of the future trajectory of the project area in absence of the project activities. For a reference region to be fully representative, and selected without any bias.” It then states ”The project proponent must compare a number of key variables between the reference region and project area according to the procedures outlined in Table 3 below. Areas in the potential reference region where one or more of these variables differ from the project area are not eligible and must be excluded from the reference region. “These conditions are designed as safeguards against biases caused by arbitrary boundary demarcation. However, it is impossible to provide a sufficient set of rules to avoid bias under all project circumstances. Therefore, at validation, the validation/verification body must determine that the selection of the reference region is truly unbiased.”

The audit team has determined that the reference region is not in conformance with the methodology for the following reasons:

1) Section 8.1.1.2 of the methodology states “The minimum size of the reference region excluding the project area and leakage area must be 250,000 ha or the size of the project area at the start of the crediting period, whichever is greater.” – When removing the area of the leakage belt (148,347 ha) from the reference region (168,050 ha), the reference region only contains about 20,000 ha. Therefore the reference region does not meet the minimum size requirements of the methodology.

2) In section 3.1.4 of the PD it is indicated that the reference region must have “The same administrative jurisdiction” as the project area, which is not a requirement of the methodology. Rather section 8.1.1.2 of the methodology specifies “The boundaries of the reference region must be unbiased and coincide with a combination of natural, geopolitical, satellite footprint, and/or watershed boundaries, or boundaries that were created by applying a distance buffer around the discrete project parcels.” It is also indicated in section 3.1.4 of the PD that the area to the southwest of the project area has been excluded because “the forest promotion and control is under two different authorities: The Tahuamanu Office (that governs the Bozovich concessions) and the Tambopata Office (that governs the area at the South of River Manuripe).” The audit team conducted an interview with the Tahuamanu Sede office on 14 October 2020. Based on this interview, and on other independent research conducted by the audit team, and has come to the conclusion that the difference described in the PD are not substantial enough to preclude the inclusion of districts outside of Tahuamanu in the reference region.

3) Section 8.1.1.2 of the methodology requires the following: “The project proponent must demonstrate that the reference region does not contain areas where agents of deforestation have restricted access. Include maps where the reference region and the project area have been overlaid with maps of protected areas. The audit team was able to confirm that there are two registered and verified (VCS) REDD projects near the project area (Brazil Nut REDD harvesters project to the southeast and the Madre de Dios REDD project to the north). The audit team made the following conclusions:

(a) The Madre de Dios Amazon REDD project – This project is located to the north of the Jaguar project. The audit team has confirmed by reviewing past verifications that no deforestation has occurred in this area. Likewise the project documentation confirms that patrolling is an active and effective project activity and access is effectively being restricted. Excluding this project is in conformance.

(b) Brazil Nut Harvesters REDD project –The Brazil Nut Harvesters REDD project is located to the southeast of the Jaguar Project area. SCS last verified the project in 2011, thus has a recent project area shapefile. The actual project area is much smaller than the area labeled as Proyecto Castañeros in map 21 in the validated VCS project description as accessed from the project’s VCS webpage (https://registry.verra.org/app/projectDetail/VCS/868), which also includes the leakage belt. We evaluated instances of deforestation within the project area over recent years (2011-2018) utilizing data from geobosques (http://geobosques.minam.gob.pe/geobosque/view/perdida.php) and aerial imagery. It is clear that despite the REDD project, deforestation has occurred within the project area, and substantial deforestation has occurred within the leakage belt. Therefore, despite project activities to limit access, the presence of deforestation indicates that this area cannot be considered restricted access.

(c) Third REDD project in development -it has not been demonstrated that this third REDD project currently or in the future will effectively restrict access. A project under development does not in itself signify that it is an area where access is effectively being restricted. Likewise, the area of this project is unclear.

These three REDD projects do not represent “areas where access is effectively being restricted” and therefore are not considered protected areas that must be excluded from the reference region.

4) Lastly, Section 8.1.1.2 of the methodology states “The project proponent must compare a number of key variables between the reference region and project area according to the procedures outlined in Table 3 below. Areas in the potential reference region where one or more of these variables differ

from the project area are not eligible and must be excluded from the reference region." These include the following:

- drivers of deforestation

- distribution of native forest types

- elevation

- slope

- land-tenure status

-policies and regulations

-degree of urbanization

For each variable, Table 3 outlines a Comparison procedure that must be demonstrated. These comparison procedures have not been conducted in conformance with the methodology for the following variables: drivers of deforestation, land-tenure status, or the degree of urbanization and therefore is not in conformance with the methodology.

Due to the 4 reasons outlined above, the reference region is not in conformance with the methodology.

Project Personnel Response: The answer is provided in the documents RR-Project_Jaguar_11-11-20.rar and FINAL COMPARATIVE ANALYSIS BETWEEN REFERENCE REGION AND PROJECT AREA (1).docx

Auditor Response:

[Review provided outside this workbook in the document: FINAL COMPARATIVE ANALYSIS BETWEEN REFERENCE REGION AND PROJECT AREA (1) (1)_AJD_12052020 and email sent to client on 5 December 2020]

Project Personnel Response 2: A new version of the reference region has been submitted to the audit team for its assessment

Auditor Response 2: The audit team has reviewed the latest version of the reference region as described in FINAL COMPARATIVE ANALYSIS BETWEEN REFERENCE REGION AND PROJECT AREA (1) (1)_AJD_12052020. We have confirmed that the reference region includes all eligible area within Tahuamanu and Iberia districts that are not protected. We have verified that all protected areas have been excluded from the reference region. We also confirmed that the comparisons between the reference region and the project area as outlined in the document provided are in conformance with the requirements of the methodology.

However, section 3.1.4 of the PD (pages 93-102) contain both maps and explanations pertaining to an older version of the reference region that was not in conformance with the methodology.

Given that the PD was not updated accordingly, this finding remains open.

Project Personnel Response 3: Maps will be updated when reference region will be confirmed that is approved

Auditor Response 3: The audit team confirmed that the reference region has been updated and all maps and data presented in the latest PD (version "final" dated 21 December 2020) reflect this updated reference region. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 91 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 8.3.2.2 of the methodology lists 5 steps for delineating the leakage belt. As indicated in the response to findings #8 and #88 and with discussions with the project team on 13 October 2020, it was indicated that a methodology deviation would be used for several of the steps for the demarcation of the leakage belt. Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology." Several of the steps listed in 8.3.2.2 are not addressed as methodology deviations in section 3.1.6 of the PD resulting in a nonconformity.

We indicate the deviations that have not been addressed in section 3.1.6:

1) "Determine the average "cost" to move across an LULC class, forest stratum, or road/track. The relative costs must be calculated by reciprocating the maximal speed for every class or road category and relevant mode of transportation, and therefore represent the fastest time it takes to cross a set distance. The speeds were analyzed in Section 8.1.3.3."

- The audit team reviewed the updates to the cost analysis based on the Fleck et al. 2010 study and described on pages 115-118 of section 3.2.3 of the PD (PD The Jaguar Amazon REDD Project.docx, provided on 7 October 2020). We confirmed that the costs to cross the different land use classes have been revised and are logical. This is in conformance with the methodology and does not represent a methodology deviation.

2) "Using a GIS, generate a raster map of the reference region in which every pixel contains the cost to cross this pixel, based on the class or roads/tracks on this pixel. The cost to cross areas that are not accessible to agents of deforestation must be set to an arbitrary large value. Examples of inaccessible areas include protected areas, national parks, economic land concessions, and large plantations. These must have been excluded already from the reference region. This map must have an identical resolution as the remote sensing images of the historical reference period."

- We reviewed the cost to cross maps on pages 118-119 of the PD (maps 25 and 26). Map 26 shows the reference region with all the land use classes for which the cost to cross was calculated. Although this map does not show the cost to cross on the map, it does indicate the land use classes. When combined with the values reported in table 81, this is in conformance with the methodology.

3) "Using the cost map, generate a cost-distance map of the reference region in which every pixel contains the cost (time) to reach the nearest point of the project area".

– We reviewed maps 27 and 28 of the PD that show the cost-distance in the reference region to the nearest point in the reference region. Although this step was carried out in conformance with the methodology, these cost maps (maps 27 and 28 in the PD) are not utilized in the demarcation of the leakage belt. Instead it was made clear during discussions with the project team on 13 October 2020 a cost-distance map of the reference region in which every pixel contains the cost (time) to reach the nearest point of the nearest market was generated (Maps 29 and 30 in the PD) which represents a methodology deviation.

4) "For every agent of deforestation/degradation, estimate the extra time this agent is willing to take to move its deforestation activities from the project area to the nearest accessible forest. Determine this value using social assessments by asking what the extra time is that a single household would have to spend if the project area is not accessible anymore."

- As indicated by the response to finding 51 in section 3.1.6 of the PDD, the social assessments were not conducted, which has already been documented as a methodology deviation (see finding 51).

5) "Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts." The audit team confirmed that this step in the methodology was carried out and therefore does not represent a methodology deviation. However see finding 92.

Overall, methodology deviations have been applied for steps 3 and 4 above. However, section 3.1.6 does not include a description of the methodology deviation for step 3 of the leakage belt delineation and is therefore not in conformance with the methodology.

Project Personnel Response: A new version of the leakage belt, in conformance with the new RR, has been shared with the audit team for their assessment

Auditor Response: Section 3.1.6 of the latest version of the PD (dated 6 December 2020) still does not include a description of the leakage belt methodology deviation to use the distance to the nearest market rather than the distance to the project area in the delineation of the leakage belt. This finding remains open.

Project Personnel Response 2: A new version of the leakage belt has been shared

Auditor Response 2: The audit team confirmed that a methdology deviation (No. 2) was added to section 3.1.6 of the PD (dated 21 December 2020). This deviation describes the procedure to delineate the leakage belt using the willingness to move deforestation activities from the nearest market rather than from the project area. The audit team confirmed that this results in a conservative representation of the leakage belt as it results in the inclusion of the areas with the highest rate of deforestation and highest likelihood of deforestation. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 92 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding:

The audit team has confirmed that a methodology deviation will be implemented for several of the steps in the demarcation of the leakage belt.

Section 8.3.2.2 of the methodology states that the last step in the demarcation of the leakage belt is as follows: “Select the area in the cost-distance map that is accessible from the boundary of the

project area within the maximal time determined in the previous step multiplied by a factor 1.5. This area must contain both forest and non-forest land. Therefore, when different agents and drivers of deforestation are active, the most mobile agent of deforestation must determine the size of a leakage belt. Note that the leakage area should be fully encompassed within the reference region. Increase the size of the reference region, if necessary, to accommodate the defined leakage belts.”

However, in section 3.2.3 of the PD, it states “Step 5: According to the methodology, those minimum and maximum values are multiplied by 1,5 to estimate the minimum and maximum values of the leakage belt.” The methodology only requires that the maximal time be multiplied by a factor of 1.5, thus by also excluding the minimum time from the leakage belt, the leakage belt is not in conformance with the methodology.

Project Personnel Response: A new version of the leakage belt, in conformance with the new RR, has been shared with the audit team for their assessment. One of the steps has been updated to not multiply the minimum value times 1 instead of 1.5 as it is applicable only for the maximum value.

Auditor Response: The audit team reviewed the latest leakage belt determination document (Leakage belt determination_AJD_12052020.docx). It continues to indicate that pixels below a minimum value, thus with a low cost-distance, are being excluded from the leakage belt. A methodology deviation to use the distance from the nearest market instead of the project area has been implemented. While the audit team has approved the methodology deviation (see finding 91) for that step of the leakage demarcation procedure, the next step states “Select the area in the cost-distance map that is accessible from the boundary of the project area within the maximal time determined in the previous step multiplied by a factor 1.5." The statement "within the maximal time" means that any are below that maximum value is to be included in the leakage belt. By excluding the area that is most likely to be deforested if the project area is not available, this is (1) not on conformance with the methodology or the approved methodology deviation, and (2) not conservative .

This finding remains open.

Project Personnel Response 2: A new version of the leakage belt has been shared

Auditor Response 2: The audit team confirmed that the leakage belt has been updated to include the area immediately around the settlement of Iberia. This was a condition for the audit team in approving the methodology deviation No. 2 as it ensured that the leakage belt methodology deviation was conservative. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 93 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 8.1.4.5 of the methodology states "For aboveground live, aboveground dead, belowground, or soil organic matter emission factor, the combined error in estimated biomass stock densities for a transition from one stratum to another is measured as:[EQ33]. The uncertainty discounting for estimated emissions factors for a transition from one stratum to another is estimated using [EQ34]"

The combined error of each transition (equation 33 in the methodology) is calculated in cell E3-G3 in the workbook Utransition, Uclassification, CE.xlsx. However equation 33 requires that the sum of the "Half-width of the 95% confidence interval around the mean plant organic matter density" of cropland in each pool squared be subtracted from the Half-width of the 95% confidence interval around the mean plant organic matter density of forest each pool squared. It does not appear that the half-width of the 95% confidence interval around the mean is being utilized in this equation. Rather the mean organic matter density of each pool for each LULC class utilized. This is not in conformance with equation 33 in the methodology. The values for the combined error of each transition are then used to calculate the "Discounting factor for the emission factor for the transition from LULC class or forest stratum 1 to class 2 according to the uncertainty of the biomass inventory" which is EQ34.

The values for $u$transition(CS1 → CS2) in table 69 (section 3.2.1 of the PD) range from 0.535 to 0.554. However section 8.1.4.4 of the methodology states that "List the estimated emission factors, the associated uncertainties, and the lower confidence limit per LULC class and forest strata category in a table in the PD. The inventory must be iteratively expanded until for every transition, $u$transition(CS1 → CS2) is greater than 0.75. This threshold serves to ensure a minimal accuracy of biomass inventories." The transitions uncertainties are less than the 0.75 threshold and therefore not in conformance with the methodology.

To summarize, following nonconformities exist:

(1) Equation 33 was not applied correctly.

(2) $u$transition(CS1 → CS2) is less than 0.75

(3) the PD does not contain a table of the emission factors, uncertainties and lower confidence limit per LULC class and forest strata category.

Project Personnel Response: IPCC default value from agroforestry has been used as the Utransition value (0.75) for related calculations. IPCC AFOLU Guidelines, Chapter 5, Section 5.2.1.5 referred to croplands

Auditor Response: The audit team reviewed the latest version of the PD (dated 6 December 2020) and VUC workbook (dated 04 December 2012). The PD continues to indicate in table 69 (section 3.2.1) that the information about carbon stock densities in non-forest land cover is from the source: "Alegre, J. Arevalo, L. Ricse, A. Reservas de Carbono según el uso de la tierra en dos sitios de la Amazonia Peruana. Agroforestería para la Producción Animal en América Latina - II - Memorias de la Segunda Conferencia Electrónica (August, 2000-March, 2001). FAO. "Likewise, the workbook, sheet 'EF' also indicates this same source. This study does not contain any information about the uncertainty of the cropland carbon stock density. Therefore, it appears that the project team has applied a uncertainty value from a different source, the IPCC. Combining the value from one source and the uncertainty from a completely different study is not scientifically sound and not in conformance with the methodology.

As indicated in section 8.1.4.5 of the methodology, the uncertainty discount factor for the transition(EQ 34) is based on the combined error in in estimated biomass stock densities for a transition from one stratum to another (EQ33) which requires the uncertainty associated with each of the LULC classes in the transition (i.e. the "Half-width of the 95% confidence interval around the mean plant organic matter density of LULC class or forest stratum i in pool o.")

This finding remains open.

Project Personnel Response 2: A new source for non-forest stratum similar to the predominant cropland (maize) in project zone but with standard deviation values that allows to calculate the uncertainty factor, has been used to replace Alegre paper

Auditor Response 2: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 94 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: 2019, firewalls were established to avoid the increase in forest fires. Firewalls emissions were accounted in NER calculations. Also, other social engagement activities as training in controlled burns and agroforestry projects implementation, aiming a more efficient use of soil."

Section 8.2.4 of the methodology states "The only project activity that may lead to an increase in emissions in the project is the clearing of trees to establish fire breaks or other fire prevention measures. Increases in emissions from this activity must be duly accounted for and subtracted from the GHG emission reductions generated by the project activities. In case prescribed burning is used to remove woody biomass, all CH4 emissions related to the burning must be included. The GHG emissions from fire breaks can be calculated by:[EQ70]." Furthermore in table 1 of section 5.1 of the methodology, it indicates that "CH4 emissions from removal of woody biomass are significant when prescribed burning is used to clear the land" and therefore must be included. However in table 41 of section 3.1.3 of the PD indicates that CH4 emissions from the removal of woody biomass are not included. Estimation of GHG emissions from fire breaks have not been calculated for or accounted for in NER calculations.

The audit team requests the following:

(1) additional information regarding the use of firewalls/fire breaks, such as if prescribed fires were used to create these fire breaks.

(2) if prescribed fires were used, we request demonstration of the calculations mentioned in section 3.2.2 ("Firewalls emissions were accounted in NER calculations.")

Project Personnel Response: No prescribed fires has been in the project area. A firebreak was opened by a skidder and a forest tractor in the boundary of the concession, completing a barrier of 3.9 km of length with 15 meters of width

Auditor Response: The audit team reviewed the response provided. It has been clarified that no prescribed fires have been used in the project area. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 95 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 3.2.4 of the PD states "Describe the procedure for quantification of net GHG emission reductions and removals. Include all relevant equations. For AFOLU projects, include equations for the quantification of net change in carbon stocks.

Provide the ex-ante calculation (estimate) of baseline emissions/removals, project emissions/removals, leakage emissions and net GHG emission reductions and removals in the table below.

For data and parameters monitored, use estimates. Document how each equation is applied, in a manner that enables the reader to reproduce the calculation. Provide example calculations for all key equations, to allow the reader to reproduce the calculation of estimated net GHG emission reductions or removals."

Table 89 in the PD provides estimates of baseline emissions, project emissions, leakage emissions, and total net GHG emissions. However, the audit team requests documentation of how each equation is applied, and how the values for each year of the crediting period are calculated.

Project Personnel Response: Corresponding sections have been completed with the references that justify how equations have been accomplished

Auditor Response: The audit team confirmed that section 3.2.4 of the latest version of the PD includes information on each equation in the methodology that was applied for the quantification of the Net GHG emissions reductions. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 96 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding is related to finding #22.

Section 8.1.2.3 of the methodology states that “A list of the expected land transitions must be included in the PD in the form of a LULC and forest strata transition matrix.” The audit team confirmed that in section 3.2.1 of the PD it states "From the same source for determining the LULC classes, we have used the percentages used in that PD for each land transition, which are: {Table 58}, {Table 59}. These two tables list land use transitions. However, given the methodology deviation described in section 3.1.6 of the PD that “100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland” these six LULC classes or LULC maps are not used for the analysis of deforestation and associated carbon loss. Thus, the LULC values presented in tables 58 and 59 of the PD are not relevant as they do not reflect the LULC classes that were utilized in the quantification of carbon stock change due to deforestation. This is a nonconformity.

Project Personnel Response: A clarification in Step 6 of Section 3.2.1 has been included to clarify that, consistently with other sections of the PD, the calculations are based on the land use with the highest EF

Auditor Response: The audit team confirmed that clarification was added to the PD indicating that the land use land cover classes in tables 58-60 are not used in the project. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 97 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding relates to finding #24.

Section 8.1.2.7 of the methodology requires "The accuracy assessment of LULC classification must be conducted for all LULC maps across the whole analysis area, i.e., the union of the project and leakage areas and the reference region." Section 3.2.1 of the PD indicates "Accuracy was determined by MINAM (2011) in the Land Use Map Validation Report 2011 for Amazon biome – REDD+ Project. The value obtained, 97.33%". This report titled "PROTOCOLO DE CLASIFICACIÓN DE PÉRDIDA

DE COBERTURA EN LOS BOSQUES HÚMEDOS AMAZÓNICOS ENTRE LOS AÑOS 2000 y 201" was provided to the audit team. The reference period for which LULC classes (forest, nonforest) were derived is 2008 to 2017 (as indicated on page 92 of the PD), thus an accuracy assessment dating from 2001 to 2011 does not include several of the image years (post 2011) that were used for the LULC/forest loss mapping, but does include several years prior to the reference period, thus it is not in conformance. Secondly, the accuracy assessment referenced from this report is for an area much larger than the union of the project and leakage areas and the reference region, as shown in both that reference document and in Map 14 in section 3.1.3 of the PD. Therefore both the timeframe of the accuracy assessment and the area for which it was conducted is not in conformance with the methodology.

Section 8.1.2.7 of the methodology also requires the following: "The accuracy must be assessed by comparing predicted LULC classes for a number of reference locations with independently determined LULC classes. Reference locations must be located throughout the reference region, leakage area, and project area. The LULC classes for these reference locations must be identified using field observations, in-situ maps, remote sensing data, and/or other ground-truthing data. At minimum 50 reference locations per LULC class must be used." In the response to finding #24, it was indicated that more than 50 plots per ecozone were included in this accuracy assessment. Also, the table on page 109 of the PD shows the number of sampling units per ecozone. However, ecozones are different from LULC classes. Two LULC classes were applied in this analysis: forest and nonforest (forest loss) as shown in Table 63 of the PD. Thus 50 reference locations in forest and 50 reference locations in nonforest must be used to conduct this accuracy assessment. Furthermore, "the reference locations within each LULC class must be systematically distributed to represent varying topography, parcels and other geographic features" as required by section 8.1.2.7 of the methodology.

As a result the accuracy assessment is not in conformance with the methodology.

Project Personnel Response: Working with SENTINEL platform, we have randomly allocated 75 pixels in forest stratum at 2017 (according to MINAM classification) within reference region and other 75 pixels in non-forest stratum for the same year. Then, we analysed the land cover visually in those pixels and we built a confusion matrix to assess accuracy. Global accuracy was 89.3%. Data has been shared with audit team to replicate the results.

Auditor Response: This finding was not addressed and therefore remains open.

Project Personnel Response 2:

Auditor Response 2: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 98 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding is related to NIR #57.

Section 8.1.2.8 of the methodology requires the following "For every pair of subsequent images in the historical reference period, calculate the area of each land transition and report in a LULC and forest strata transition matrix." It further states "In addition, the PD must contain a table which contains the overall areas (ha) of deforestation, increased forest cover, forest degradation, and regeneration for each sub period. These data will be used to project future land use change (Section 8.1.5.1)."

Table 60 in section 3.2.1 of the PD shows "Transitions from forestlands to other land uses in Project Area, Leakage Belt and Reference Region (in ha) (2013 – 2016, MINAM)." The areas presented in this table do not represent every pair of images in the historical reference period. Section 3.1.4 of the PD indicates "As recommended by the most prestigious standards, the historical reference period must be at least the 10 most recent years so the projection is based on the period 2008-2017." Furthermore as indicated in NCR 54, it is evident that only two LULC classes are utilized in this analysis: forest and nonforest, from Geobosques (MINAM) and which is described in tables 52 and 63 of the PD.

The area of each land transition for each pair of images used in the historical reference period has not been calculated or presented in a table in the PD in accordance with the requirements of section 8.1.2.8 of the methodology.

Project Personnel Response: Table 60 has been updated to include the annual transitions in the reference period

Auditor Response: Table 60 in the latest PD (dated 6 December 2020) shows a confusion matrix for the forest loss maps, but does not include the annual transitions in the reference period.

Table 59 shows the transitions from forestland to other land uses in the historical reference period (2008-2017). However, the values differ from the forest loss areas for the historical reference period showin in Table 70. The forest loss and LULC data both came from geobosques (MINAM). The audit team independently retrieved these two datasets (LULC and forestloss) and confirmed that the area of forest loss in both datasets match.

This finding is closed. However see finding #155

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 99 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 8.2.3 of the methodology requires that "Use the LULC model calibrated and validated in Section in 8.1.5 to divide the total ex-ante deforestation and forest degradation rates under the project scenario into individual rates for every forest stratum transition. The same statistical models may be used for calculating the stratum-specific rates under the project scenario. For every year of the crediting period, present a land transition table for the project areas under the project scenario."

A land transition table detailing the transitions from forest to nonforest rates in the project area under the project scenario for every year of the crediting period has not been provided. This is not in conformance with the requirements of the methodology.

Project Personnel Response: A new table has been added (table 77) to detail the transitions from forest to non-forest areas in the project scenario

Auditor Response: Table 77 reference the leakage belt cost analysis.

Table 75 shows "Area that will be converted in cropland for surrounding communities in project scenario"

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 100 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 6 of the methodology states "The net GHG sources and sinks under the baseline scenario must be estimated ex-ante for each year of the crediting period. Once validated, the baseline is to be used for the calculation of actual NERs." Furthermore, several sections throughout the methodology require that calculations of ex-ante baseline and project deforestation areas, leakage, emissions, etc be calculated over the entire crediting period. Section 3.8.3 of the VCS standard states "For all other AFOLU projects other than such ALM projects described above, the project crediting period shall be a minimum of 20 years up to a maximum of 100 years, which may be renewed at most four times with a total project crediting period not to exceed 100 years." The audit team has received guidance from VERRA indicating that limiting ex-ante estimations to cover only baseline period (10 years from the start of the project) are permitted. However, in the Workbook Calculations.xlsx, only three years are calculated ex-ante, 2018-2020.

This is not in conformance with the standard or methodology.

Project Personnel Response: In the updated workbook calculations, the projections have been extended until 2027 even.

Auditor Response: The audit team reviewed the updated calculations workbook Net carbon y VCU´s 04122020,xlsx and confirmed that the calculations have been extended through 2027. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 101 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: This finding relates to finding #70.

Section 8.1.5.4 of the methodology states "To incorporate a decrease in deforestation rate upon a gradual depletion of forest resources, initial deforestation rates are multiplied with a "forest scarcity" factor, which is initially 1, but gradually decreases as the proportion of remaining forest decreases (Figure 1). This "scarcity factor" must be calibrated using scientific literature in an area close to the project area that has followed a more advanced deforestation route. Examples are neighboring countries, states or provinces that have undergone a more rapid deforestation course than the area where the project is located. Typically, deforestation rates start to decrease when around 50% of the original forest cover has disappeared. In addition, deforestation usually halts when around 80% of the forest area has disappeared. This pattern has been observed by Meyfroidt and Lambin (2008) in Vietnam. Deforestation rates started decreasing when 50% of forest cover remained, and halted in 1991-1993 at around 25% forest cover. However, the specific values of the forest cover when deforestation will decrease are dependent on project conditions and should be analyzed and substantiated within the project document at validation. The following equation must be used to model the scarcity factor:[40]. The two shape factors s1 and s2 within this equation must be fitted using historical information in areas similar to the project area or data from peer-reviewed literature. Data sources that must be used are remotely sensed forest cover data in heavily deforested areas close to the project area such as neighboring provinces, states or countries. Values of s1 and s2 should be selected so that the carbon accounting is conservative. Lower values of s1 and higher values of s2 will result in lower deforestation, and are therefore more conservative. The project proponent must demonstrate that the source data used to fit this equation is appropriate. The following steps must be followed:" The methodology then lists six steps that utilize the scarcity factor to adjust deforestation rates in the baseline scenario. These steps are required by the methodology.

In response to finding #70, it was indicated that the scarcity factor is not applicable. This represents a methodology deviation. Section 3.17 of the Standard specifies that "Projects may deviate from the procedures set out in methodologies in certain cases, where alternative methods may be more efficient for project-specific circumstances, and where the deviation will achieve the same level of accuracy or is more conservative than what is set out in the methodology." The Standard list the following requirements for methodological deviations:

"3.17.1 Deviations from the applied methodology are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement set out in the methodology (i.e., deviations are permitted where they relate to data and parameters available at validation, data and parameters monitored, or the monitoring plan).

3.17.2 Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emission reductions or removals, except where they result in increased accuracy of such quantification. Deviations relating to any other part of the methodology shall not be permitted.

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

Furthermore, Section 3.1.6 of the Project Description template states "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology." Several of the steps listed in 8.3.2.2 are not addressed as methodology deviations in section 3.1.6 of the PD resulting in a nonconformity.

This methodology deviation has not been documented in section 3.1.6 of the PD following the requirements of that section and of section 3.17 of the standard, thus resulting in a nonconformity.

Project Personnel Response: An explanation of why scarcity factor is not applicable at this moment of development (and througout the next 10 years) of forest transition curve in Madre de Dios and in the project zone has been included.

Auditor Response: We confirmed that an explanation of the scarcity factor is now included, though briefly, in section 3.1.6 of the PD. However section 3.1.6 of the PD template requires the following: "Describe and justify any methodology deviations. Include evidence to demonstrate the following:

•The deviation will not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.

•The deviation relates only to the criteria and procedures for monitoring or measurement, and does not relate to any other part of the methodology."

Such evidence that demonstrates the deviation will not impact the conservativeness is included in section 3.2.1 of the PD, but NOT in section 3.1.6 which is required.

This finding remains open.

Project Personnel Response 2: The confirmation that this factor will not affect the principle of conservativeness has been reinforced in Section 3.1.6

Auditor Response 2: The audit team has reviewed section 3.1.6 of the updated PD (Dated 6 December 2020). We confirmed that additional information related to how this deviation does not impact the principle of conservativeness has been included.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 102 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 8.1.4.4 of the methodology states "For the aboveground live (AGL), aboveground dead (AGD), belowground (BG), and soil organic matter (SOM) pools, the average stock densities of stratum I and associated statistics are calculated using the equations below. The “o” subscript indicates a pool out of the possible pools (AGL, AGD, BG, or SOM carbon)." It then lists equations 17-25.

It was indicated in and email on 20 October 2020 that "Section 8.1.4 asks us to determine the emission factors for all transitions included. These factors have been determined from the National Forestry and Fauna Inventory (INFFS, 2019), from the section 5.2.4 in said document. The methodology can be found in section 5.2.3, the calculations were done using the EValidator tool, constructed by the Forestry Service of the United States within the framework of the Project National Forestry Inventory. The content of carbon in AGL, AGD and BG can be found in table 53 of the Project Description, as well as in section 5.2.4 of the INFFS (2019). Equations 17-25 were not employed, since direct results were taken from the INFFS.

In the document “Análisis de Incertidumbre del FREL de Deforestación para la Amazonia Peruana a través de Simulaciones Monte Carlo” (Casarin, 2015), in section 3, page 8, second paragraph, and in the document of the FREL (2016) in section 3.5.2, page 48, first paragraph, the uncertainty (CE) of the inventory can be found, which is 0.1% for the ecozone “selva baja”. With this datum and using equation 34 we can find the discount factor for the emission factor in each transition (utransition:1)."

As mentioned in the audit teams response to finding 87, the uncertainty for the FREL (2016) is not applicable to the uncertainty of the INFFS, 2019. The audit team requests additional information regarding exactly how the uncertainty for the biomass carbon stock density was calculated using the steps laid out in section 8.1.4.4 of the methodology.

Project Personnel Response: New information provded by SERFOR has allowed to update the calculations of uncertainty and dependent equations have been updated based on that new information

Auditor Response: The audit team reviewed the updated PD (Dated 6 December 2020) and confirmed that Table 67 was added to section 3.2.1 which shows the uncertainty statistics related to each of the carbon pools. (aboveground live, belowground biomass, standing dead, and dead down). The corresponding calculations are in the workbook Net carbon y VCU´s 04122020.xlsx, sheet u, which correspond to the equations 17-22 in the methodology.

The audit team confirmed that this is in conformance with the methodology. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 103 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Table 2 in section 5.2 of the methodology "summarizes the carbon pools that must be included in projects following this methodology." The table indicates that wood products must be included as they are "Major carbon pool affected by project activities."

However, Table 4 of the PD states "The volume of harvested wood is similar in baseline and project case, as it has always been regulated. The use of this wood will be more efficient in project case because FSC certification will be implemented." Nonetheless, calculations in the workbook "+ ΔGHG from changes in long-lived wood products (7).xlsx" indicate that quantification of harvested wood products have been conducted.

The following issues were found:

Harvested wood products are a carbon pool that must be included, but are not listed in Table 4 of the PD. Even if the difference between the project scenario and baseline scenario is zero, the methodology requires that it be included, and therefore specified in table 4 and the calculations must be carried out following section 8.4.1 of the methodology.

Project Personnel Response: If referred to Table 42 (not Table 4), harvested products have been included as a pool

Auditor Response: The audit team confirmed that Table 42 has been updated to indicate the inclusion of harvested wood products. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 104 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 8.4.1 of the PD states the CHWP, Baseline(ty, t) is Total carbon stock in long-lived wood products within the project boundary for class t during time t of wood product t in the baseline scenario. The calculations in the workbook "+ ΔGHG from changes in long-lived wood products (7).xlsx" contains the calculations for carbon in harvested wood products. It is unclear where the values of Chwp, baseline(ty,t) in column K come from. The audit team requests additional information regarding the source of thee baseline harvested wood product carbon.

Project Personnel Response: An Excel file has been shared with calculations referred to NER and VCU

Auditor Response: The audit team reviewed the workbook provided but it does not indicate the source of these harvested wood product values, such as if they came from an inventory by the Bozovich team or other field sampling. This finding remains open.

Project Personnel Response 2: This information has been obtained from own Bozovich field work. This reference has been added in the NER workbook

Auditor Response 2: The audit team reviewed the updated workbook, Net carbon y VCU´s 04122020, sheet 7. It does not indicate that the information was obtained from Bozovich field work.

The audit team requests evidence of the Ctbaseline (volume of timber extracted from within the project boundary during harvest h by species j and wood product class) as sampled by the Bozovich team.

Project Personnel Response 3: Clarification: The data was collected from OSINFOR surveillance of illegal timber found in 311 forest concessions in Madre de Dios. As explained, we extrapolate the volume of this illegal logging of Tahuamanu province and we multiply by the proportion of [project area/province area]. The OSINFOR report states that more than 50% of total NTFP concessions were supervised and, from this number, more than 70% had authorizations to do logging (all the NTFP concessions who request for authorization to do logging). In those concessions, the volume of unauthorized trees logged was the value used for current analysis to estimate timber harvest in project baseline. The assumption is that in baseline scenario, illegal logging would be a common practice (and current average volume is a good proxy). Considering that the report was done in more than 50% of total NTFP concessions, we can assume that it is a very large amount for minimizing any risk of not being conservative.

Auditor Response 3: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 105 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanent Risk Report

Finding: The non-permanence risk report provided utilizes version 3.0 of the non-permanence risk report template. However, the project criteria is version 4.0 of the Verified Carbon Standard. Thus version 4.0 of the non-permanence risk report template must be used. This is not in conformance.

Project Personnel Response: The Risk Report has been updated to use the version 4.0 of Risk Report Template

Auditor Response: The audit team confirmed that a version 4.0 of the AFOLU non-permanence risk report template was utilized. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 106 Dated 23 Oct 2020
Standard Reference: AFOLU Non-Permanence
Risk Tool version 4.0
Document Reference: Non Permanence Risk Report

Finding: Section 2.2.3(1) of the AFOLU Non Permanence Risk Tool states "Opportunity cost analysis shall be undertaken based on the alternative land uses identified in the project's additionality assessment (except where (1) applies). The onus is on the project proponent to demonstrate and substantiate what constitutes credible alternative land use scenarios within this area, and shall at a minimum include the activities identified in the baseline scenario. The opportunity cost analysis shall include a net present value (NPV) analysis, covering the project crediting period, of such alternatives as compared to the project, taking into consideration a conservative estimate of revenue from GHG credit sales and other project revenue streams, and potential price fluctuations of commodities impacted by the project. The financial discount rates used shall be based on published sources and represent the appropriate risk for the relevant land use scenario. Estimates of prices for GHG credit sales shall be based on published sources such as market intelligence reports. The analysis shall be undertaken in a transparent manner and shall provide all relevant assumptions, parameters, and data sources such that a reader may reproduce the analysis and determine the same results."

Section 1.3(b) of the Non permanence risk report indicates a risk rating of 6 and states "NPV from the most profitable alternative land use activity is expected to be between 50% and up to100% more than from project activities The REDD Project has an annual profit of US$ 25.44 per hectare, whereas the cattle ranching expected profit is US$ 50 per hectare. It implies that the most profitable alternative land use is 97% more profitable than the REDD+ Project." The following study is referenced "Estrategias de conservación a lo largo de la Carretera Interoceánica en Madre de Dios, Peru. Un Análisis Económico Espacial. Conservación Estratégica. Serie Técnica 10, marzo 2010" also known as Fleck et al. 2010.

It is unclear where this value of $50/ha/year comes from. Furthermore, this publication is approximately 10 years old. The audit team sought expert opinion on this topic. It was indicated that $50/ha/year for cattle is a very low rentability value and that values today in Madre de Dios are much higher. Furthermore, the annual profit of $25.44/ha for the REDD project. However the 2. Cash Flow.xlsx workbook indicates that in the first year of the REDD project the income from selling carbon credits would be 3 million soles. Given that the project area is about 183,000 ha, that is a total of 16 soles/ha or about $4.4 per ha.

Again, as required by the tool "The analysis shall be undertaken in a transparent manner and shall provide all relevant assumptions, parameters, and data sources such that a reader may reproduce the analysis and determine the same results."

Therefore the audit team requests:

(1) Additional information regarding the annual profit of $25.44/ha for the REDD project, including the source and how it relates to the carbon income in the Cash Flow workbook.

(2) Additional information and justification that the $50/ha/year for cattle is currently accurate in the region.

Project Personnel Response: Calculations have been updated so the NPV per hectare of the REDD project has been modified and a new value for this risk has been obtained

Auditor Response: The updated NPRR and the 2.Cash Flow(1).xlsx workbook indicates that the REDD project has an annual profit of $15.43 per ha (USD). The previous value of 25.34 was in soles which was a source of confusion for the audit team. Note that the audit team found that the most profitable alternativer (cattle ranching) may actually be much more profitable than $50/ha as indicated in the risk report, using a source from 2010 (Fleck et al. 2010). However, using a value of $50 is conservative and it is clear that the NPV of the most profitable alternative land use (cattle ranching) is at least 100% greater than the NPV of the carbon project.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 107 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permament Risk Report

Finding: Section 2.2.2(2) of the states "The cash flow breakeven point is the year in which the cumulative cash flow is positive (i.e., cash flow in exceeds cash flow out) and stays positive. Breakeven should be calculated on a cash flow basis based on generally accepted accounting principles. Cash flow in may include commercial revenue streams associated with the project, secured revenue and conservatively projected revenues from the sale of GHG credits, other funding sources such as donor funds, upfront investments, or carbon prepayments, equity or loans. Cash flow out shall include, at a minimum, project implementation costs, costs associated with GHG credit generation (e.g., validation, verification and registration), and, where applicable, interest expenses, repayment of loans or forward purchase agreements and any required equity distributions."

The 2. Cash Flow.xlsx workbook contains cash flow information for years 1, years 2, and years 3. The audit team requests the following information:

(1) Clarification as to the what years 0-years 3 refer to.

(2) Evidence that supports the costs and incomes reported in the Flujo de caja. For instance, the annual income for the sale of forest products is 9 million soles. The audit team requests evidence that this annual income is accurate.

(3) In order to verify each of the costs associated with the REDD project (rows 11-21) and the forest product industry (rows 23-28), the audit team requests evidence of the assumptions and quantification of these values.

Project Personnel Response: The project proponent has shared historical invoices of sales of roundwood in local markets and historical average of harvested volume to prove the amount of income from timber sales. On the other side, the project partner, Greenoxx is sharing invoices of historical sales of carbon credits. The volume of VCUs are obtained from the PD with a discount obtained from tradable units

Auditor Response: The audit team confirmed that the year 0 refers to the project development years, year 1 is 2021 (when credits are sold) and so on and so forth. The project team provided historical invoices (Invoice.pdf) that support the incomes of timber harvesting that were reported. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 108 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 2.2.2 of the Non Permanence Risk Tool states "The cash flow breakeven point is the year in which the cumulative cash flow is positive (i.e., cash flow in exceeds cash flow out) and stays positive. Breakeven should be calculated on a cash flow basis based on generally accepted accounting principles. Cash flow in may include commercial revenue streams associated with the project, secured revenue and conservatively projected revenues from the sale of GHG credits, other funding sources such as donor funds, upfront investments, or carbon prepayments, equity or loans. Cash flow out shall include, at a minimum, project implementation costs, costs associated with GHG credit generation (e.g., validation, verification and registration), and, where applicable, interest expenses, repayment of loans or forward purchase agreements and any required equity distributions."

The cash flow worksheet does not include costs associated with GHG credit generation, including the costs of validation, verification, project development, and registration. Therefore, the financial viability analysis is not in conformance with the requirements.

Project Personnel Response: The cash flow has been updated to include the costs associated to the generation of carbon units, including project development, validation, verification and registry

Auditor Response: We confirmed that the 2.Cash Flow (1).xlsx workbook was updated with the costs associated with project development, verification, validation, etc. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 109 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 2.2.2(4) of the Non-Permanence Risk Tool requires "Projects may demonstrate that funding has been secured through, for example, financial statements, bank records, executed commodity purchase agreements, executed emission reduction purchase agreements or other signed contractual agreements. Evidence shall be provided that agreement counterparties are in good financial standing, to demonstrate the ability to meet the financial obligations. Given execution uncertainties, options contracts shall not be counted as secured funding. When preparing the cash flow breakeven analysis, the assumptions on revenue from both carbon and other commercial sources (e.g., timber) must be conservative and clearly document the source, pricing assumptions, frequency of verification and other relevant variables." The audit team requests additional evidence of the funding claimed in the Cash Flow.xlsx spreadsheet (Ingresos por venta de productos forestales).

Project Personnel Response: The project proponent has shared historical invoices of sales of roundwood in local markets and historical average of harvested volume to prove the amount of income from timber sales. On the other side, the project partner, Greenoxx is sharing invoices of historical sales of carbon credits. The volume of VCUs are obtained from the PD with a discount obtained from tradable units

Auditor Response: The audit team has reviewed the invoices of roundwood sales (Invoice.pdf) and confirmed that documentation has demonstrated that funding has in fact been secured. The project will reach the breakeven point in less than 4 years (by 2021 when the carbon credits are sold). This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 110 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 2.2.2(5) of the Non-Permanence Risk Tool states “

Callable financial resources are those not included in secured funding, but that are readily available to the project. The availability of such resources may be indicated through letters of credit, revolving credit lines or other financial backing, as evidenced by signed agreements and which demonstrate the project’s ability to access funding as needed. “ Section 1.2(j) of the Non-Permanence Risk Report states that the “Project has available as callable financial resources at least 50% of total cash out before project reaches breakeven.”

The audit team requests evidence of these callable resources and the ability of the project to access this funding as needed.

Project Personnel Response: The project proponent has shared historical invoices of sales of roundwood in local markets and historical average of harvested volume to prove the amount of income from timber sales. On the other side, the project partner, Greenoxx is sharing invoices of historical sales of carbon credits. The volume of VCUs are obtained from the PD with a discount obtained from tradable units

Auditor Response: While the project proponent has provided invoiced of roundwood sales demonstrating that the project has secured funding, no evidence of callable financial resources has been demonstrated.

Per section 2.2.2(5) of the non-permanence risk tool "Callable financial resources are those not included in secured funding, but that are readily available to the project. The availability of such resources may be indicated through letters of credit, revolving credit lines or other financial backing, as evidenced by signed agreements and which demonstrate the project’s ability to access funding as needed."

The audit team continues to request evidence of these callable resources. Evidence may include statements of credit lines, or agreements showing access to funds, that were NOT included in the cash flow worksheet as secured funds. This finding remains open.

Project Personnel Response 2: A signed contract between Bozovich and Forestal Otorongo for $500,000 to be used in case of emergency of absence of carbon incomes has been included as a prove of callable funds

Auditor Response 2: The audit team reviewed the evidence of callable funds Acuerdo línea de crédito de emergencia.pdf. This is sufficient evidence. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 111 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 2.2.3(j) of the Non-Permanence Risk Tool states "Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over at least 100 years." In response to this, Section 1.3(j) of the Non-Permanence Risk Report (NPRR) indicates "As indicated in h, the PPF is a modality considered in the Law that cannot be changed in the future for non-forest uses so even if the contract." During a call with the project proponent on 16 October 2020, it was also indicated that the project proponent intends to renew the concession contract indefinitely, but even if the project proponent does not renew it, the area would still be considered a permanent productive forest (PPF) and could not be deforested per Peruvian law. This would suggest that as a PPF, the project area is under protection of a legally binding commitment to continue management practices that protect carbon stocks indefinitely (over at least 100 years). Thus the following issues are evident:

(1) a value of -8 is not applied in the NPRR for section 2.2.3(j). This is not in conformance with the tool.

(2) And Section 2.2.4(5) of the Risk tool States "Any project with a legally binding agreement that covers at least a 100-year period from the project start date shall be assigned a score of zero for project longevity." However a value of 0 is not applied in the NPRR for section 2.2.4, which is not in conformance with the risk tool.

Project Personnel Response: Even though, legally, the area is cathegorized as Permanent Production Forest and any authority (nor municipalities or Agrarian Offices) may grant any land title or permit to implement activities that imply a land use change, deforestation is a common practice pattern so, in the case the project does not receive the incomes from carbon sales, or even worst it is abandoned, the risk fo land use change is likely to occur

Auditor Response: Despite the information provided, Section 2.2.4(5) of the Risk tool States “Legal agreement or requirement to continue the management practice refers to any legally enforceable agreement or requirement, such as a conservation easement or protected area law that would require the continuation of the management practice that sequesters carbon or avoids emissions for the entire project longevity. In ARR and IFM projects with harvesting, where allowing re-growth of harvested areas is required by law, this may be demonstrated by citing the appropriate legal statute and common practice. Any project with a legally binding agreement that covers at least a 100-year period from the project start date shall be assigned a score of zero for project longevity."

In review Law Nº 27308 and confirmed via interviews with the Tahuamanu Forest Authority, we found that the Law Nº 27308 is a legally binding agreement to continue to protect the project area and it requires continuation of management practices that sequesters carbon, in perpeutity. Given the requirements of section 2.2.4(5) of the Risk Tool, a score of zero shall be assigned.

This finding remains open.

Project Personnel Response 2: The risk report has been updated to clarify that, as the forest concession contract is automatically renewable every 5 years, so the project longevity does not have a limited time.

Auditor Response 2: The audit team reviewed the updated risk report and confirmed that the project longevity risk score has been updated to zero. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 112 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 2.3.3(1) of the Non-Permanence Risk Tool requires the following: "A governance score (of between -2.5 and 2.5) shall be calculated from the mean of Governance Scores across the six indicators of the World Bank Institute's Worldwide Governance Indicators (WGI)1, averaged over the most recent five years of available data. Governance scores shall be translated into risk scores as set out in Table 9." Section 2.3 of the Non-Permanence Risk Report shows that the governance score was calculated from the years 2013-2017. Data from the World Bank Institute's Worldwide Governance Indicators is available for up to 2019. This is not in conformance with the methodology.

Project Personnel Response: The scorecard has been updated to include the 5 most recent years available in the WB webpage

Auditor Response: Confirmed that the governance score was updated to reflect the average of the last 5 years. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 113 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: Section 3-Fire of the Non-Permanence Risk Report indicates that a value of 0 is applied for the mitigation. However, no Prevention measures applicable to the risk factor have been implemented nor has the "Project proponent has proven history of effectively containing natural risk". Furthermore, a value of 0 is not an applicable mitigation value. This is not in conformance with the tool.

Project Personnel Response: None of the above mitigation measures has been considered so the value has been corrected to 1

Auditor Response: The audit team confirmed that the fire risk mitigation was updated. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 114 Dated 23 Oct 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: Non Permanence Risk Report

Finding: The instructions for the Non-permanence Risk Report Template (Short form) states "Unless applying a merited deviation, please complete all sections using Arial or Franklin Gothic Book 10.5 point, black, regular (non-italic) font." The Non-permanence Risk Report provided is in Bahnschrift size 10.0 black font which is not on conformance with the requirements of the template.

Project Personnel Response: Type of letter has been modified to Century Gothic 10.5 as requested by the methodology

Auditor Response: Confirmed that the font and size have been corrected. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 115 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: The instructions for the PD template state "All sections must be completed using Arial 10pt, black, regular (non-italic) font, unless deviations are merited." The PD provided is in Bahnschrift size 10.0 black font which is not in conformance with the requirements of the template.

Project Personnel Response: Type of letter has been modified to Arial 10 as requested by the methodology

Auditor Response: We confirmed that the font and size has been updated. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 116 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020)

Finding: Section 3.4.1 of the VCS Standard requires the following: "The project proponent shall use the VCS Project Description Template, an approved combined project description template available on the Verra website or an approved GHG program project description template where the project is registered under an approved GHG program, as appropriate. The project proponent shall adhere to all instructional text within the template." The CCB & VCS Project Description Template requires the following in respect of the quantification of baseline emissions (Section 3.2.1), project emissions (Section 3.2.2) and leakage emissions (Section 3.2.3): "Include all relevant equations, and explain and justify all relevant methodological choices (e.g., with respect to selection of emission factors and default values)." In respect of the quantification of net GHG emission reductions and removals, the Project Description Template requires the following: "Describe the procedure for quantification of net GHG emission reductions and removals. Include all relevant equations. For AFOLU projects, include equations for the quantification of net change in carbon stocks."

Many non-conformities to the above requirements have been noted by the audit team. A list of examples of non-conformance, which should not be considered exhaustive, is provided below.

1. While Section 3.2.1 of the PD does include Equations 26 through 30, it does not specifically describe how these equations were calculated. It also provides data, in Tables 67 and 68, that appears to be irrelevant to the calculations as provided in the worksheet "Tasa de deforestación" of the workbook "Workbook Calculations". No other equations are provided. In describing methodological choices, the PD includes much information that appears irrelevant to the calculation of baseline emissions (e.g., Table 58 includes six LULC classes, when the audit team understands that only two LULC classes, forest and non-forest, were actually used in the calculation of baseline emissions). In addition, the PD contains many references to data drawn from "Peru's submission of a Forest Reference Emission Level (FREL) for reducing emissions from deforestation in the Peruvian Amazon" (June 2016) and other sources (e.g., Table 71 of the PD presents data from an unknown source), which is misleading given that the pre-deforestation carbon stock data were actually drawn from the "INFORME DEL INVENTARIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE DEL PERÚ" (December 2019).

2. Section 3.2.2 of the PD contains almost no information on the calculation of project emissions and contains no relevant equations.

3. Section 3.2.3 of the PD contains no relevant equations.

4. Section 3.2.4 of the PD does not describe the procedure for quantification of net GHG emission reductions and removals or include all relevant equations. It also does not specifically include equations for the quantification of net change in carbon stocks.

Project Personnel Response: Sections 3.2.1 to 3.2.4 have been updated with the inclusion of a description of equations used and calculations obtained

Auditor Response: The audit team reviewed the updated PD (dated 6 December 2020). We confirmed that sections 3.2.1 and 3.2.4 have been updated and more descriptive information regarding equations and calculations have been added. However, the following issues remain:

(1) Irrelevant Information: Section 3.2.1 continues to contain irrelevant information. For instance, on page 112 it states "From the same source for determining the LULC classes, we have used the percentages used in that PD for each land transition, which are [58]" - Both the statement and Table 58 are not used anywhere in this analysis, thus are irrelevant and confusing.

(2) Table 69 indicates that both the FREL 2016 and the Forest and Wildlife National Inventory data were used for the determination of biomass carbon stock densities used. However, it has been confirmed that only data from the 2019 National Forest Inventory were used for these carbon stock densities. Thus, by also citing the FREL 2016, it is confusing and irrelevant.

(3) Project Emissions: No information from section 8.2.7 of the methodology have been included in the project emissions (section 3.2.2) of the PD.

-However, the calculations workbooks provided indicate that section 8.2.7 was applied (e.g. EQ 79 and EQ80).

- The calculations workbooks also indicate that section 8.2.4 of the methodology was applied to calculate the emissions associated with fire prevention activities like firebreaks. However, none of this information is included in section 3.2.1 of the PD.

This finding remains open.

Project Personnel Response 2: Table 58 and comments referred to that table were deleted. The reference to FREL in Table 69 was also deleted as INF was the source of FREL data. Finally, equations 70, 79 and 80 were developed in Sections 3.2.2 and 3.2.4 of the PD

Auditor Response 2: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 117 Dated 23 Oct 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project.docx (Dated 10/7/2020); Workbook Calculations.xlsx

Finding: Section 8.1.4.5 of the methodology requires that the emission factors be calculated, for aboveground live biomass (Equation 26), aboveground deadwood (Equations 27 and 28) and belowground biomass (Equation 29), by taking the difference between the carbon density in "LULC class or forest stratum 1" (i.e., the selva baja stratum) and "LULC class or forest stratum 2" (i.e., cropland, which is the post-deforestation land use assumed "in the baseline scenario" according to the description in Section 3.1.6 of the PD).

The values in Table 53 of the PD have been traced back to cell L3 of the "Tasa de deforestación" worksheet in the "Workbook Calculations" workbook. Through review of these values, the audit team has confirmed that they pertain solely to the carbon density in the selva baja stratum, and do not account for the carbon stock density in the cropland land-use class. (Data on the carbon stock density in the cropland land-use class, as listed in Table 67 of the PD, appear to be used in the "1" worksheet in the same workbook, but the calculations in this workbook do not appear to be directly used in the calculation of baseline emissions.) This presents a non-conformity to the methodology.

Project Personnel Response: The cell has been corrected to include the carbon content in cropland to calculate the net emissions caused by deforestation process

Auditor Response: Through review of the calculation in cell K3 of the "Tasa de deforestación" worksheet in the "Calculations Workbook 08112020" workbook, the audit team confirmed that a value of 5.74 t/ha is used to represent the total post-deforestation carbon stock. From review of Section 3.3.1 of the revised PD, entitled "PD The Jaguar Amazon REDD Project 07112020 ultimo", it appears that this value is intended to indicate the above-ground biomass value for cropland. However, this still does not comply fully with Equations 26, 27 and 29 of the methodology because post-deforestation carbon stock in the belowground and dead wood carbon pools are not accounted for.

Project Personnel Response 2: Calculations have been updated

Auditor Response 2: The audit team confirmed that the emission factor equations have been updated to account for the belowground biomass. We confirmed that the dead wood biomass is no longer included as a pool within this project.

This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 118 Dated 10 Nov 2020
Standard Reference: VCS version 4.0
Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo.pdf

Finding: This finding relates to finding #2 above.

Section 3.7 of the VCS v.4.0 states "The project start date of a non-AFOLU project is the date on which the project began generating GHG emission reductions or removals. The project start date of an AFOLU project is the date on which activities that led to the generation of GHG emission reductions or removals are implemented (e.g., preparing land for seeding, planting, changing agricultural or forestry practices, rewetting, restoring hydrological functions, or implementing management or protection plans). Projects shall complete validation within specific timeframes from the project start date."

Section 2.1.14 of the PD states "January 1st, 2018 is the project start date in order to meet with a new forest cycle and to be comparable with official forest loss maps provided by MINAM, through GEOBOSQUES platform.

The FSC certificate obtained by the Otorongo concession started on 8 November 2017, while the transfer of the two smaller forest concessions to Otorongo also occurred in 2017. With both achievements, the forest area has consolidated in a contiguous managed area and with the FSC certification, the guarantee of sustainable management has been confirmed by an independent audit team."

However, the project team indicated on a call on 9 November 2020 that the start date is not January 1, 2018, but actually in March or November 2017. The PD does not reflect this change in project start date, nor has it been demonstrated that any of the dates mentioned (Nov. 2017, March 2017, or Jan. 1 2018) represent "the date on which activities that led to the generation of GHG emission reductions or removals are implemented."

The audit team requests the following:

(1) Clarification on the start date of the project

(2) Demonstration and a clear explanation that this start date represents "the date on which activities that led to the generation of GHG emission reductions or removals are implemented." Simply providing evidence of the date of FSC certification is not sufficient demonstration.

Project Personnel Response: A brief explanation of why forest certification is considered as the milestone to define the project start date has been included.

Auditor Response: The audit team reviewed the updated PD (Dated 6 December 2020) and concluded that this finding has not been fully addressed. Section 2.1.14 of the PD continues to state that the project start date is January 1, 2018. However it indicates that the FSC certification occurred in 2017 and that a consolidation of the concessions also occurred in 2017.

The audit team requests the following:

(1) Clarification on the start date of the project.

- It indicates in the PD that the start date is 1 January 2018, but the FSC certification of Chullachaqui occurred on 10 November 2017. The PD is not clear about the actual start date.

(2) Demonstration and a clear explanation that this start date represents "the date on which activities that led to the generation of GHG emission reductions or removals are implemented."

- The audit team notes that additional explanation has been added to the PD "Forest certification is considered the milestone for the project start date not only because it ensures that the forest is being well managed environmental and socially, under independent international recognized standards (in a contiguous area that facilitates the logging and transportation stages and the patrolling of borders) but also because it, with the extra incomes of carbon sales, ensures financially the operations as certified timber allows the access to more attractive market niche." However, it remains unclear whether activities were specifically implemented on the date of the FSC d. The activities that led to the FSC certification (protection, management, etc) would have been implemented prior to the certification.

Project Personnel Response 2: The start date has been corrected to november 10, 2017.

Auditor Response 2: The audit team has confirmed that the PD (version "final", dated 21 December 2020) has been updated to indicate that the start date is 10 November 2017 which corresponds to the date for which the project area was completely FSC certified. The justification in the PD and provided documentation supports this start date. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 119 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo.pdf

Finding: This finding relates to finding #48 and finding #95

Section 8.4.4 of the methodology requires "Use Equation [EQ105] to estimate the ex-ante NERs; only use the significant GHG sources as determined in the step above. Prepare a table with all the individual terms of Equation [EQ105]. Calculate the ex-ante NERs for every year of the crediting period. After NERs are calculated, use Equation [EQ106] to calculate the VCUs."

The calculations workbook provided "Net carbon y VCU´s actualizado.xlsx" demonstrates how equations 105 and 106 were applied to calculate NERs and VCUs, but only for the year 2018. However, the methodology requires that ex-ante NERs and VCUs be calculated for at least the baseline period (2018-2027).

Thus the following issue remains:

(1) ex-ante NERs and VCUs are not calculated for the entire baseline period (through 2027), which is not in conformance with the methodology.

Project Personnel Response: In the updated workbook calculations, the projections have been extended until 2027 even.

Auditor Response: The audit team confirmed that both the PD and the calculations workbooks now contain projections out to 2027, thus cover the first 10 years of the crediting period.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 120 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo.pdf; Calculations Workbook 08112020

Finding: This finding relates to finding #76, as well as #75 which was previously closed.

Section 8.2 of the methodology states "Values of effectiveness factors must be estimated for every combination of project activity and driver of deforestation and forest degradation." Section 8.2.1 of the methodology states "A description of the REDD project activities that are included in this methodology, together with procedures to quantify the effectiveness for each project activity and each targeted driver follows." It then indicates in sections 8.2.1.1-8.2.1.8 how the effectiveness of every combination of project activities and target driver are calculated. Lastly, Section 8.2.2 then states "The relative reduction in deforestation can be estimated ex-ante by integrating the relative proportion of each driver of deforestation with the effectiveness coefficients and the estimated adoption rates for each project activity."

Section 2.1.11 of the PD and section 3.1.2 (table 34) of the PD indicate that the following FOUR project activities are included in this project:

1. Strengthening of the land-tenure status and forest governance situation

2. Demarcating forest, tenure and ownership boundaries; promoting forest protection through patrolling of forests and forest boundaries; promoting social inclusion and stewardship in local communities; facilitating social fencing through capacity building; and creating mechanisms to alert law enforcement authorities of forest trespassing.

3. Fire prevention and firefighting activities, including building firewalls, reducing fuel loads, prescribed burning, education to minimize fires caused by intent, support for fire brigades, water tanks, fire guards and communication systems

4. Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs) such as honey, medicinal plants, etc.

Table 34 also specifies 3 drivers of deforestation:

1. Conversion of forestland to farmland for subsistence agriculture.

2. Conversion of forest lands into settlements.

3. Conversion of forestland into infrastructure, including new roads.

The project team indicated in their response to finding #76 above "1) The effectiveness used in eq. 64 comes fom eq. 46-47, not eq. 63 as may be seen in Workbook Calculations, in the sheet "DLeakage"

2) An explanation about how maximum effectiveness is not contradictory with the fact that the project will not change immediately, nor in the long term, the current agrarian expansion practices of Arca Pacahuara, but instead, these practices will displace, at some degree, to leakage area, which is already considered through the leakage cancellation rate."

Equations 46-47 are found in section 8.2.1.2 of the methodology and are used to calculate the effectiveness of the project activity "Support with the Development and Implementation of Sustainable Forest and Land Use Management Plans." However Support with the Development and Implementation of Sustainable Forest and Land Use Management Plans is NOT a project activity.

The following nonconformities exist:

1. The Values of effectiveness factors have not been estimated for EVERY combination of project activity and driver of deforestation and forest degradation using the relevant subsections in section 8.2.1 (E.g., Equations 43-45, 54-56, and equation 63 are the only equations in section 8.2.1 that are relevant to this project, yet not all of these equations were calculated or applied.)

2. Development of sustainable forest and land management plans are NOT a project activity, thus the use of equations 46-47 to derive maximal effectiveness as shown in the workbook Calculations Workbook 08112020.xlsx and in Table 75 is not in conformance with the methodology.

3. Section 8.2.2 then requires that the effectiveness of every project activity and target driver be incorporated into equation #64 to calculate the relative driver impact. It does not appear that every combination of project activity and driver as calculated in section 8.2.1 (equations 43-45, 54-56, and 63) have been incorporated in equation #64.

Project Personnel Response: Table 75 has been modified to determine the effectiveness of each activity by using EQ43, EQ54 and EQ63, incorporating these values in EQ64 to calculate the relative impact of each driver.

Auditor Response: Table 75 shows the transitions from forest to nonforest in the project area under the project scenario.

Table 73 now shows the effectiveness of factors for all combinations of the project activity and the driver of deforestation. We confirmed that these are in conformance with section 8.2.1. This finding has been closed. However see finding #159 related to the rate of effectiveness.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 121 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado.xlsx

Finding: This finding relates to finding 80 above.

Section 8.2.7.1 of the methodology indicates that “The long-term average carbon stock represents the maximum carbon stock that can be attained in harvest areas. GHG benefits must be calculated using a carbon stock that never exceeds the long-term average carbon stock in the areas where harvest activities take place. The long-term average must be quantified based on an appropriate minimal time period which must include at least one full harvest/cutting cycle. The minimal time period must be established as following:

• If the harvest plan concentrates harvest activities in smaller blocks and continuously moves harvesting activities from one block to the next throughout the forest until all the areas are harvested within one harvesting cycle (as practiced in clear-cut or group-selection cut methods), the minimal time period must end at the first year after the end of the crediting period during which all forest blocks have undergone a similar number of harvesting cycles. For example, if the crediting period is 30 years and the duration for all blocks to be harvested once is 12 years, the minimal time period must be 36 years even though project crediting period is only 30 years.

• If the harvest plan intends to target individual trees for harvest throughout the crediting period and the harvest can take place anywhere in a specified are within the forest (as practiced in individual tree selection cut methods), then the established time period over which the long-term average is calculated must be the length of the project crediting period. For example, if the crediting period is 30 years and harvesting of individual trees are carried out throughout the forest during the project crediting period, then the long-term average must be estimated based on the project crediting period.

• After determining the time period for estimating the long-term average, the long-term

average carbon stock density must be calculated using [EQ79]."

The NERs calculation workbook provided, sheet 9, shows the quantification of equation 79 from the methodology. It indicates that "T" or the minimal time period for estimating long term average is 1 year.

This is not in conformance with the methodology, as the minimal time period must include at least one full harvest/cutting cycle, and must be established following the methods above.

Project Personnel Response: As the minimum logging cycle is 20 years, we have used EQ79

Auditor Response: The audit team revewied the updated calaulations workbook Net carbon y VCU´s 04122020.xlsx, sheet 10 and confirmed that a minimum logging cycle of 20 years was not used for the quantification of equation 79.

After reviewing information on the harvest plans, it appears that "harvest plan concentrates harvest activities in smaller blocks and continuously moves harvesting activities from one block to the next throughout the

forest until all the areas are harvested within one harvesting cycle." Given this, according to the methodology "the minimal time period must end at the first year after the end of the crediting period during which all forest blocks have undergone a similar number of harvesting cycles." Section 2.1.15 of the PD indicates that the crediting period is from 2018 through 2041, thus is 24 years long. Section 3.1.2 of the PD indicates that one harvest cycle is 20 years. The methodology gives this example, "For example, if the crediting period is 30 years and the duration for all blocks to be harvested once is 12 years, the minimal time period must be 36 years even though project crediting period is only 30 years."

Given this, the value for T of 20 years as used in equation 79 is not in conformance with the methodology.

Project Personnel Response 2: Considering that the crediting period is 24 years and the logging cycle is 20, we, following the methodological guidelines, have used a value of 40 for T parameter

Auditor Response 2: The audit team confirmed that a minimum time period of 40 years is in conformance as there are 5 harvest units and harvesting began in 2002, thus if T=40, that means each harvest unit will have been harvested 3 times. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 122 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado.xlsx

Finding: This finding relates to finding 81 above.

Section 8.2.7.1 is used to calculate the long-term average carbon stock that can be attained in harvest areas (Parameter LTACharvest). It applies equation 79 to do this. Section 8.2.7.1. requires that "The ex-ante estimation of the LTACharvest must use the biomass carbon stock density Charvest(t,i) values that are estimated using a projection model such as a computer simulation model or a growth table. All projection models must be properly calibrated using field measurements and must estimate the removal of biomass from the harvest areas using the harvest management plan." It further states that "Any projection model used must have the following characteristics:

•The used models have been prescribed or recommended by designation forest department or related agencies in the country/jurisdiction. For example, growth models or yield project tables listed in forest act/regulations can be used. Alternatively, models that have been found in peer reviewed literature and are from the same region as of the project area can be used. However, such models must be parameterized for the specific conditions of the project area.

• The used models must be clearly documented with respect to the scope of the model, assumptions, known limitations, embedded hypotheses, assessment of uncertainties, and sources for equations, data sets, factors or parameters.

• Simulation software must be based on local data or calibrated for use in the project area. CO2FIX is an example of a simple ready-to-use model that can be easily applied globally. FVS, a different simulation model, has more functionality but requires calibration for use outside of the US (and Canada).

• When no individual simulation model is available, a simple spreadsheet model using IPCC biomass growth estimates or growth estimates based on expert opinion corroborated by local studies and historical practice for the project area can be used. The IPCC biomass tables provide estimate of annual growth and total biomass as a function of different forest types, age-group, and time. When biomass removal is tracked along with the annual growth, biomass remaining in forest can be estimated. Note that this approach gives only linear growth."

The workbook provided Net carbon y VCU´s actualizado.xlsx (sheets 7 and 10) shows that the biomass carbon stock density in harvested areas (Charvest(t,i)) was calculated for 2018 only, using presumably harvest data from the project area. However, the methodology requires the ex-ante estimation of long-term average carbon stock density through the project crediting period, or at least the baseline period (2018-2027), using a projection model or growth table. This procedure was not done, and therefore is not in conformance with requirements of section 8.2.7.1 of the methodology.

Project Personnel Response: In the updated calculation workbooks, the projections have been extended until 2027 even.

Auditor Response: While the audit team confirmed that the projections have been extended out to 2027, this finding is related to the requirement in section 8.2.7.1 to use a projection model to determine the "Biomass carbon stock density at time t in stratum i in harvested areas."

The calculations workbook (Net carbon y VCU´s 04122020.xlsx), sheet 10, columns L & M indicates that the Charvest(t1,i) and Charvest(t2,i) are both 571.67 t Co2/ha, which came from the national forest inventory. Thus, it does not indicate that a projection model was used to determine the ex-ante biomass carbon stock in harvest areas as required by the methodology.

This is not in conformance.

Note, Equation 80 in section 8.2.7.2 of the methodology includes the term "Charvest(t,i)" which is "Biomass carbon stock density at time t in stratum i in harvested areas." The equation involves taking the difference between Charvest(t2,i) and Charvest (t1, i). Given that equation 80 considers that a harvest takes place, the value of Charvest(t2,i) would be lower than the value of Charvest(t1,i).

Furthermore, as indicated in the initial finding, "biomass carbon stock density Charvest(t,i) values that are estimated using a projection model such as a computer simulation model or a growth table."

This finding remains open.

Project Personnel Response 2:

Auditor Response 2: Due to the methodology deviation #3 described in section 3.1.6 of the PD, all quantification of baseline, project, leakage, and net emissions will be conducted during validations. Therefore, this finding is no longer relevant and has been retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 123 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado.xlsx

Finding: This finding relates to finding #82 above.

Sections 8.2.7.1 and 8.2.7.2 of the methodology are used to quantify the long-term average carbon stock in harvest areas (equation 79) and the emissions reductions or removals on land which harvesting activities have bene implemented (equation 80). Both equations incorporate the parameter Uinventory,harvest(i) which is the "discounting factor for the uncertainty in biomass estimation in harvested areas in stratum i in harvest areas." Section 8.2.7.1 indicates that the most recent Uinventory, harvest(t,i) value must be used for discounting the estimate for future years. Section 8.2.7.2 further indicates that this parameter Uinventory,harvest(i)" must be estimated using procedure described in 8.2.5."

Sheet10, column M of the calculations workbook Net carbon y VCU´s actualizado.xlsx, indicates that the uncertainty is 1 according to the FREL. It is unclear why the inventory uncertainty from the FREL was used for the uncertainty in biomass estimation in harvested areas in the project area and not the uncertainty equations in section 8.2.5. The audit team requests additional information regarding how and why the

Uinventory,harvest(i) was estimated.

Project Personnel Response: Calculation Workbooks have calculated Uinventory value based on new information provided by SERFOR so EQ79 and EQ80 have been corrected

Auditor Response: The audit team confirmed that values for Uinventory based on SERFOR have been used for EQ79 and EQ80. This finding has been closed. But, see finding 122 above related to the inventory and values used for the Charvest(t,i).

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 124 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Calculations Workbook 08112020.xlsx

Finding: Section 8.1.5.1 of the methodology requires "If the deforestation/degradation quantity increases (i.e. if the slope of the relation between deforestation/degradation quantities and time is significantly larger than 0 at the 95% confidence level), the lower 95% confidence interval of the beta regression model must be used."

In the calculations workbook Calculations Workbook 08112020.xlsx, sheet Tasa de deforestacion, column D, it shows the trend of deforestation in the reference region. This trend appears to show that deforestation is increasing.

The audit team requests clarification as to whether and how the lower 95% confidence interval of the beta regression model was used, rather than the beta regression estimator.

Project Personnel Response: In the new version of the Beta Regression, the lower value of the 95% confidence interval has been used

Auditor Response: The audit team requests evidence that the Beta Regression uses the lower values of the 95% confidence interval.

This finding remains open.

Project Personnel Response 2:

Auditor Response 2: This finding has not been addressed. However, as a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 125 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado.xlsx

Finding: Equation 80 in section 8.2.7.2 of the methodology includes the parameter "Aboveground live, aboveground dead, belowground, and soil emission factor for transition i, and time after transition t-tt." This equation is calculated in the workbook Net carbon y VCU´s actualizado.xlsx, sheet 10, cell C3. It indicates that only the emission factor for aboveground live carbon is incorporated (cell W4), rather than the sum of the aboveground live, aboveground dead and belowground emission factors for the transition, cell Z4.

As a result, equation 80 is not in conformance with the methodology.

Project Personnel Response: The workbooks have been updated to include emissions from all pools, not only live AGB

Auditor Response: Through review of the cell V4 of the worksheet "10" in the workbook "Net carbon y VCU´s 04122020", the audit team confirmed that the emission factor used in implementation of Equation 80 includes both aboveground and belowground live biomass. (Dead wood is no longer an included pool in response to NCR 127.) Therefore, the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 126 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2 (equation 24)

Document Reference: Calculations Workbook 08112020

Finding: Equation 24 of the methodology requires that, in order to calculate the carbon stock in each pool in each LULC class or forest stratum, the corresponding biomass value must be multiplied by the carbon fraction value. In Section 3.3.1 of the PD, the parameter table for the "CF" parameter indicates that a value of 0.49 has been used as the carbon fraction. There are two issues with the selected carbon fraction:

1. The methodology states, in Section 9.1, that the source of data for the "CF" parameter is to be "Default value of 0.5 (IPCC GPG-LULUCF 2003)". Therefore, use of a value of 0.49 is not in conformance with the methodology.

2. In reviewing the quantification of baseline emissions, the audit team has found that a carbon fraction value of 0.47 has actually been used throughout the workbook "Calculations Workbook 08112020":

2a. The factors used for aboveground biomass, belowground biomass and lying dead wood in cells M5:M7 of the "Tasa de deforestación" worksheet have been sourced from Sections 5.2.4.1, 5.2.4.2 and 5.2.4.3.2 of the "INFORME DEL INVENTARIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE DEL PERÚ" document. Said document indicates, in pages 252-253, that a carbon fraction of 0.47 was used to calculate these values.

2b. The following code is in cell K3 of the "Tasa de deforestación" worksheet: =(N5+10%*(N6+N7))-(5.74*0.47*44/12). This indicates that a carbon fraction value of 0.47 was used to calculate the carbon stock in the cropland LULC.

Project Personnel Response: In all cases, the CF has been updated to work with the defaul value of IPCC GPG-LULUCF 2003, which is 0.5

Auditor Response: The audit team reviewed the updated PD (dated 6 December 2020) and associated calculation workbook, entitled "Net carbon y VCU´s 04122020" in order to see whether this finding could be closed. The feedback of the audit team is as follows:

1. Section 3.3.1 of the PD still indicates that for the parameter CF "Default value of 0.49 (Table 4.3; IPCC GPG-LULUCF 2006)" is used.

2. As previously indicated, The factors used for aboveground biomass, belowground biomass in the "Tasa de deforestación" worksheet have been sourced from Sections 5.2.4.1, 5.2.4.2 and 5.2.4.3.2 of the "INFORME DEL INVENTARIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE DEL PERÚ" document. Said document indicates, in pages 252-253, that a carbon fraction of 0.47 was used to calculate these values. These values have not changed.

Therefore, this finding remains open.

Project Personnel Response 2: PD has been updated to use a carbon fraction of 0.50 has indicated by the methodology.

Auditor Response 2: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 127 Dated 10 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo.pdf

Finding: Section 8.1.4.4 of the methodology contains procedures to measure the "Standing deadwood organic matter" carbon pool. Table 42 of the PD indicates that "Dead wood" is included and does not include anything to suggest that only lying dead wood is included. However, in reviewing the origin of the value of 1.25, as referenced in the Table 67 of the PD for "AGD", the audit team found that it came from Section 5.2.4.3.2 of the "INFORME DEL INVENTARIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE DEL PERÚ" document. From review of the document, the audit team confirmed that this section contains information on lying dead wood only, and does not include any accounting of standing dead wood. Therefore, the standing deadwood organic matter carbon pool is not measured, as required by the methodology, even though Table 42 of the PD suggests that it is an included pool.

The audit team notes that Table 2 of the methodology clarifies that "If [dead wood is] included either or both of standing or lying deadwood may be included." Therefore, it is permissible, under the methodology, to only include lying deadwood. However, the issue is that the PD suggests that all dead wood is included.

Project Personnel Response: As the information provided by SERFOR does not distinguish the lying dead wood and the standing dead wood, this pool (deadwood) has not been included in order to accomplish the methodology guidelines

Auditor Response: Through review of the workbook "Net carbon y VCU´s 04122020", the audit team confirmed that standing dead wood and lying dead wood have been excluded from the analysis.

Section 5.2 of the methodology states that dead wood is a "Major carbon pool affected by project activities.

May be conservatively excluded. If included either or both of standing or lying deadwood may be included." Therefore excluding deadwood is in conformance with the methodology. The non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 128 Dated 12 Nov 2020

Standard Reference: VCS Standard Version 4.0

Document Reference: Net carbon y VCU´s actualizado; PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 3.4.1 of the VCS Standard requires that "The project proponent shall use the VCS Project Description Template… The project proponent shall adhere to all instructional text within the template."

Section 3.1.6 of the VCS Project Description Template states the following: "Describe and justify any methodology deviations."

The workbook "Net carbon y VCU´s actualizado" was provided to demonstrate the ex-ante quantification of GHG emission reductions. In tracing the calculations in this workbook, the audit team noticed that the calculation of baseline emissions for 2018, as calculated in cell B3 of the worksheet "1", assumes post-deforestation land uses of pasture and infrastructure in addition to cropland. This is not consistent with Section 3.1.6 of the PD, which states that "…in order to be conservative, in the baseline scenario, we will assume that 100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland." This is not consistent with the description of the methodology deviation in Section 3.1.6 of the PD. (The audit team notes that the quantification in the workbook "Calculations Workbook 08112020" does reflect the assumption described in Section 3.1.6 of the PD.)

Project Personnel Response: Workbooks have been updated to exclude any reference to carbon content in pastures and infrastructure non-forest land uses

Auditor Response: Through review of the updated calculation workbook, entitled "Net carbon y VCU´s 04122020", the audit team can confirm that the analysis now assumes that the post-deforestation land use for 100% of the land converted in the baseline scenario would be croplan. Thus, the calculations are now consistent with the PD, and the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 129 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Calculations Workbook 08112020; Net carbon y VCU´s actualizado

Finding: Equation 37 of the methodology requires that the "Baseline rate of deforestation/degradation within the project area during year t" be calculated by taking the output of the beta regression and scaling to the size of the project area. In the worksheet "Tasa de deforestación" of the "Calculations Workbook 08112020" workbook, this quantity is calculated to be 2,903.60 ha and 3,375.62 ha, respectively, for 2018 and 2019. However, this quantity is indicated to be 3,526.98 ha and 4.335.00 ha, respectively, for the two years in question in the worksheets "1" and "5" of the workbook "Net carbon y VCU´s actualizado".

Similarly, Equation 95 of the methodology requires that the "Baseline rate of deforestation/degradation within the leakage area at time t of the crediting period" be calculated by taking the output of the beta regression and scaling to the size of the leakage area. There is a similar discrepancy between the areas in the worksheet "DLEAKAGE" of the "Calculations Workbook 08112020" workbook and the worksheet "2" of the workbook "Net carbon y VCU´s actualizado".

Please explain this discrepancy.

Project Personnel Response: Discrepancies have been assessed and adjusted with the most recent information provided by the beta regression

Auditor Response: Through review of the reported deforestation values in the project area for each year under the baseline scenario, as found in column G of the worksheet "Tasa de deforestación" of the workbook "Proyección de deforestación 04122020" and column I of the worksheet "1" of the workbook "Net carbon y VCU´s 04122020", the audit team can confirm that these values are now consistent between sources. Therefore, the discrepancy has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 130 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado; PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 8.1.5.4 of the methodology requires the following: "…sum the areas for each transition separately for (1) the project area excluding ANR and harvest…, (2) the areas with ANR… and (3) the areas with harvesting. This step will yield three transition matrices." Section 8.2.3 of the methodology requires the following: "…divide the total ex-ante deforestation and forest degradation rates under the project scenario into individual rates for every forest stratum transition." Equation 107 of the methodology requires that carbon stock change due to avoided deforestation be calculated solely based on the difference between deforestation rates under the project and baseline scenarios, "excluding ANR and harvest areas".

The calculations in the worksheet "1" in the workbook "Net carbon y VCU´s actualizado" suggest that the entire project area has been represented as the "project area excluding ANR and harvest" (i.e., that no harvest has been assumed throughout the project area). The audit team has drawn this conclusion because the sum of the "projectAreaEAH,baselineScenario" areas in cells N3, O3 and P3 equals the projected deforestation under the baseline scenario in the project area in cell Q3. The audit team notes that information is provided in Section 3.1.2 of the PD which suggests that harvesting is planned in most of the project area (e.g., Map 12 shows that in the Chullachaqui concession the vast majority of area, excepting small reserve areas along various rivers). Such information seems very much at odds with the suggestion that all of the project area is "excluding harvest".

Please provide clear information regarding the origin of the areas in cells K3:P3 of the "1" worksheet and how the calculations relate to the methodology requirements cited above.

Project Personnel Response: Project area has been updated excluding RNA and harvest area in EQ107

Auditor Response: Through review of cells H3:H17 of the worksheet "1" of the updated calculation workbook, entitled "Net carbon y VCU´s 04122020", the audit team can confirm that the variable identified as "Hectares undergoing transition i within

the project area in the harvest area, under the baseline scenario during year t" has been calculated by multiplying the baseline deforestation in the project area by the following ratio: (183015.285191-9352.187)/183015.285191. While the exact values are still under investigation by the audit team, this ratio appears to correctly scale the baseline deforestation rate to account for the number of hectares in the project area that would not undergo harvest in any one year. Therefore, the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 131 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado; PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 3.2.1 of the PD states that "On the other side, the accuracy attained for that classification was 97.33% so the discount factor that corresponds… is 0.9733". Accordingly, in cells D3 and E3 of the worksheets "1" and "2", respectively, in the workbook "Net carbon y VCU´s actualizado", a factor of 0.9733 is included. However, Section 8.1.2.7 of the methodology states the following: "Multiply the accuracy of LULC classification from step 1 with a factor based on the smallest accuracy of all maps (see Table 5 below)…" Table 5 indicates that, for an accuracy of 85% or higher, the factor is 1 (i.e., there is no deduction for classification uncertainty if the accuracy is 85% or higher). Therefore, the quantification of classification uncertainty is not consistent with the methodology requirements.

Project Personnel Response: Uclassification has been adjusted following the requirements of the methodology

Auditor Response: Through review of the respective worksheets in the updated workbook, entitled "Net carbon y VCU´s 04122020", the audit team can confirm that the variable in question has been quantified as 1, which is correct assuming the classification accuracy is 0.9733. Therefore, the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 132 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado

Finding: Section 8.3.3 of the methodology requires that the parameter EF(forest) be used to calculate GHG emissions from leakage due to unconstrained geographic drivers during each year of the crediting period. The description states that this parameter is “Emission factor related to leakage” and provides the following quantification guidance: "If comprehensive national-level statistics on biomass densities available, [EF(forest)] must be calculated based on the average biomass of the country, if local data is not available. Sources of the data allowed are (1) academic research papers and (2) studies and reports published by the forestry administration or other organizations, including the FAO’s Forest Resource Assessment reports, (3) the upper range of biomass in the GPG-LULUCF (2003) Table 3A.1.2.”

A value of 515.80 is used for this parameter in cell K3 of the worksheet “5” of the workbook “Net carbon y VCU´s actualizado”. Through recalculation, the audit team has confirmed that this value has been calculated using the reported values for the “Selva Baja” stratum in Sections 5.2.4.1, 5.2.4.2 and 5.2.4.3.3.2 of the “INFORME DEL INVENTARIO NACIONAL FORESTAL Y DE FAUNA SILVESTRE DEL PERÚ” report. While the audit team agrees that the “Selva Baja” stratum is the stratum to which deforestation is most likely to be displaced, it appears that local data have not been used to calculate the factor in question. In that case, the methodology requires the factor to be calculated “based on the average biomass of the country”. The average biomass of the “Selva Baja” stratum is not the average biomass of the country of Peru. Therefore, the value selected for this factor is not in conformance with the methodology.

Project Personnel Response: Average carbon density for Peruvian Forests is 99,3 MgC ha-1 according to "Geografia de carbono del Peru" (CAO - MINAM 2020) source

Auditor Response: The audit team confirmed that the average carbon density of Peruvian forests (99.3 MgC ha-1) has been applied.

This finding has been closed.

It is unclear if the project team intends to include leakage from geographically unconstrained drivers or not. See finding #153

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 133 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s actualizado; Calculations Workbook 08112020

Finding: In Equation 99, the methodology requires that the relative driver impact of each driver be used to calculate GHG emissions from leakage due to unconstrained geographic drivers during each year of the crediting period. The values for the relative driver impact, as included in cells G3:I3 of the worksheet "5" of the workbook "Net carbon y VCU´s actualizado", are different from the values that have already been reviewed by the audit team in columns K:L of the worksheet "DLEAKAGE" of the "Calculations Workbook 08112020" workbook.

Project Personnel Response: The relative driver impacts have been corrected in both cases

Auditor Response: The relative driver impact in column J of the sheet Dleakage in the workbook Proyeccion de deforestacion 04122020.xlsx shows that the value is 1.13 for each year in the baseline period. However, in the workbook Net carbon y VCU´s 04122020, sheet 5, column G, the relative driver impact is 1.12. These values do not match. Thus this finding remains open.

However, it is unclear whether the project team intends to account for leakage due to geographically unconstrained drivers. See finding #153 below. If the project team does not intende to account for leakage due to geographically unconstrained drivers, this finding is not relevant.

Project Personnel Response 2: All calculations related with geographically unconstrained drivers are not used anymore in the NER estimations to be consistent with what has been described in PD about deforestation pattern

Auditor Response 2: The audit team confirmed that the PD has been updated (section 3.2.3) so that it only includes leakage calculations pertaining to geographically constrained leakage. However, as a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 134 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: In Section 8.3.1, the methodology requires the following: "if the illegal logging activities supply timber products to regional, national or global markets, there is high likelihood of market leakage beyond the detection boundaries of the activity-shifting leakage. Therefore, market leakage… from reducing logging activities that supply timber products to regional, national or global markets must be quantified by applying appropriate market leakage discount factor to the total GHG emissions reductions/removals benefits derived from avoiding the deforestation and/or degradation activities that supply timber would otherwise supply timber products to regional, national or global markets in the baseline. The market leakage discount factor must be derived by using procedures for the market leakage discount factors for IFM projects set out in VCS AFOLU Requirement." In the update to the VCS Version 4, the former AFOLU Requirements document was largely absorbed into the VCS Methodology Requirements Version 4.0; the requirements for the market leakage discount factors for IFM projects formerly set out in the AFOLU Requirements are now set out in Sections 3.17.4 and 3.17.5 of the VCS Methodology Requirements.

A calculation of the market leakage is provided in cell D3 of the worksheet "5" of the workbook "Net carbon y VCU´s actualizado". However, it is unclear to the audit team how this calculation was carried out. Please provide detailed information regarding this calculation and how the requirements of Sections 3.17.4 and 3.17.5 of the VCS Methodology Requirements were complied with.

Project Personnel Response: Market leakage occurs when illegal logging is the main source of emission in baseline scenario and reduces significantly in project scenario, which is not the case. In the baseline and project scenario, logging is implemented by project proponent, with RIL technique, but in baseline scenario, a share of forest areas are being lost for agrarian purposes.

Auditor Response: The audit team confirmed that the methodology indicates that market leakage is only to be included when illegal logging activities supply timber to national or international markets, which is not identified as a driver in this assessment.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 135 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: This is a follow-up to NCR #126. As documented therein, use of carbon fraction values other than 0.5 is not in conformance with the methodology. In review of the "Net carbon y VCU´s actualizado" worksheet, the audit team has noted multiple instances of use of carbon fraction values other than 0.5. For example, in column R of the "7" worksheet, a carbon fraction of 0.47 is used.

Project Personnel Response: CF has been updated in all equations to 0.5 [MgC/Mg.dm]

Auditor Response: Through review of the revised workbook, entitled "Net carbon y VCU´s 04122020", the audit team can confirm that a carbon fraction value of 0.5 is consistently utilized. Therefore, the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 136 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: Section 8.4.1.1 of the methodology contains procedures for quantification of carbon in harvested wood products. The audit team has the following information requests regarding the implementation of these calculations in the worksheet "7" of the workbook "Net carbon y VCU´s actualizado".

1. Please clarify the source of each species-specific wood density value in cells Q3:Q17. While cell Q2 references "la Tabla GPG-LULUCF 3A.1.9", the audit team has had mixed success in tracing the values back to Table 3A.1.9. For example the audit team has been unable to trace the value of 0.7, for Ana Caspi, to the referenced table.

2. The origin of the values in cells K3:K17 are unclear. Please provide clear information as to the origin of the values and how their calculation is consistent with the requirements of the methodology.

3. The parameter tables for "Annually extracted volume of harvested timber round-wood for commercial on-sale under the baseline scenario" and "Annually extracted volume of timber for domestic and local use, round wood under the baseline scenario", in pages 121 and 122, respectively, of the methodology, require that the following sources of data be used:

"1. Participatory rural appraisals conducted by the project proponent. 2. Recent (<10 yr) literature in the reference region 3. Recent (<10 yr) literature in an area similar to the reference region 4. Recent (<10 yr) non peer-reviewed reports by local organizations". Please provide evidence that one of the above data sources was used in order to calculate these parameters.

4. The methodology states that "The uncertainty around the estimates of ["Annually extracted volume of harvested timber round-wood for commercial on-sale under the baseline scenario" and "Annually extracted volume of timber for domestic and local use, round wood under the baseline scenario"] must be estimated and/or justified with appropriate methods, such as reported uncertainties from scientific literature, or calculated uncertainties when social assessments are used. In situations when uncertainty cannot be estimated, the most conservative estimate must be used." Please clarify whether uncertainties in these quantities have been estimated and/or justified with appropriate methods, or clarify whether the most conservative estimate has been used in any situations in which uncertainty cannot be estimated.

Project Personnel Response: Basic densities for each specie has been included from different sources while timber volumes have been obtained from exploratory inventory and census carried out by project proponent

Auditor Response: The audit team reviewed the workbook (Net carbon y VCU´s 04122020.xlsx, sheet 7). We confirmed that specific-densities come from the IPCC report as cited in the workbook.

However the following questions remain:

1. In column S, it indicates that the parameter Ctbaseline was from Table 6 in the source indicated. This value is for all of Tahuamanu, but was adjusted based on the project area. However, in the source provided (https://www.osinfor.gob.pe/wp-content/uploads/2018/07/APROVECHAMIENTO-FORESTAL-CASTA%C3%91A-VF.pdf), it indicates that this value was attained as a result of the 311 supervisions carried out by Osinfor during the years 2012 to 2016 to complementary forest management plans in concession contracts. Thus it is unclear whether this value 1008.61 m3 is the annual volume or is for these 4 years of OSINFOR reporting. The audit team requests additional information.

2. Information regarding the uncertainties associated with the quantities has not been provided. Please clarify whether uncertainties in these quantities have been estimated and/or justified with appropriate methods, or clarify whether the most conservative estimate has been used in any situations in which uncertainty cannot be estimated.

This finding remains open.

Project Personnel Response 2: Value has been divided by 4 considering that OSINFOR report is for a 4-years period. Regarding uncertainty as explained in finding 104, even though the report does not determine uncertainty (as this was not an academic research but a public policy report), the percentage of concessions supervised is very high (half of all the NTFP concessions) so we consider that this is a justifiable assumptions of conservativeness

Auditor Response 2: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 137 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: Section 8.4.1.2 of the methodology indicates that the parameter wwf(ty) is calculated using default values of "24% and 19% respectively for developing and developed countries". The calculation of this parameter in cells E3:E17 of the worksheet "7" in the workbook "Net carbon y VCU´s actualizado" does not follow the requirements of the methodology. Rather, the calculation of wwf(ty) in this location directly calculates 24% of the total carbon for harvested wood products. While the audit team understands that the statement "This can be estimated by multiplying the applicable fraction to the total amount of carbon in different harvested wood product category" in the methodology is confusing, the parameter wwf(ty) is intended to be a proportion.

Project Personnel Response: The calculations have been updated with 24% as the default value for the parameter wwf(ty)

Auditor Response: Through review of the revised workbook, entitled "Net carbon y VCU´s 04122020", the audit team can confirm that the value of 0.24 (24%), as required by the methodology, is now directly used for the parameter wwf(ty) in cells E3:E17 of the worksheet "7". Therefore, the non-conformity has been resolved.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 138 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: Equation 80 of the methodology sets out the calculation of net greenhouse gas emissions or removals in portions of the project area with harvest activities during a given year. This equation is implemented in cell C3 of the worksheet "10" in the workbook "Net carbon y VCU´s actualizado". However, the following non-conformities in the calculation have been identified by the audit team:

1. The calculation uses the value in cell I3 to represent two very different parameters in Equation 80: "Size of strata i within the project area with harvest activities during year t under the project scenario" and the "Hectares undergoing transition i within the project area in the harvest area, under the baseline scenario during year t".

2. The calculation only takes account of carbon stock change in aboveground live biomass under the baseline scenario, even though Equation 80 indicates that the emission factor for below-ground live biomass is to be included as well.

Project Personnel Response: EQ80 has updated to include belowground biomass

Auditor Response: The audit team confirmed that the belowground biomass was included in this equation.

However the other part of this finding relates to the areas being used. We have opened a new finding specific to this parameter (see finding #161 and 162).

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 139 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: Equation 80 of the methodology sets out the calculation of net greenhouse gas emissions or removals in portions of the project area with harvest activities during a given year. This equation is implemented in cell C3 of the worksheet "10" in the workbook "Net carbon y VCU´s actualizado". Please provide a detailed description of the source of the data for the values in cells I3 and M3 in the same worksheet, which are used in the calculations in cell C3.

Project Personnel Response: Sources of data used in EQ80 have been mentioned.

Auditor Response: The source of the value 9352.187 in the workbook, sheet 10, column H has not been provided. The source of the uncertainty value has been provided.

This finding has been closed for administrative purposes, but see finding #162 below.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 140 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Methodology Requirements Version 4.0

Document Reference: Net carbon y VCU´s actualizado

Finding: This is a follow-up to NCR #127.

Equations 70, 107 and 108 of the methodology, among others, include the aboveground deadwood emission factor but do not include an emission factor for lying deadwood. As described in NCR #127, the data source from the national forest inventory pertains specifically to lying deadwood, not to standing deadwood. The methodology does not make any provision for emission factors for lying deadwood to be used in the calculation in Equations 70, 107 and 108. However, a review of the calculations in the workbooks "Net carbon y VCU´s actualizado" and "Calculations Workbook 08112020" has shown that an emission factor for lying deadwood has been included in the quantification in a number of instances.

Project Personnel Response: Dead wood will not be included as already detailed in NCR 127

Auditor Response: The audit team confirmed that dead wood has been excluded as a pool in this project. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 141 Dated 12 Nov 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: VCS-Non-Permanence-Risk-Report-v4.0

Finding: Section 2.2.3(opporuntity costs - j) of the Risk Tool states “Project is protected by legally binding commitment (see Section 0) to continue management practices that protect the credited carbon stocks over at least 100 years.” The tool indicates that if this is true, a risk score of -8 is to be assigned.

This section (Opportunity Costs – j) of the Risk Report states “As indicated in h, the PPF is a modality considered in the Law that cannot be changed in the future for non-forest uses so even if the project proponent does not renew it, the area would still be considered a permanent productive forest (PPF) and is legally under protection and eventually could be granted to another concessionaire.” This seems to indicate that the project is protected by a legally binding commitment to protect carbon stocks indefinitely. However, the risk score is left blank.

Furthermore, in the project longevity section of the risk report, it is indicated that the longevity is at least 100 years, thus a value of zero is assigned to the project longevity.

Given this information, the risk score applied in section Opportunity Costs – j is not consistent with other information presented in the Risk Report and is not in conformance with the Risk Tool.

Project Personnel Response: The risk report has been updated in Opportunity Cost scoring to ensure consistency with project project longevity scoring.

Auditor Response: The audit team reviewed the latest version of the NPRR (Dated 6 December 2020). We confirmed that the Risk Mitigation score of -8 was applied given that the Permanent Productive Forest designation of the project area is "a legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over at least 100 years." This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 142 Dated 12 Nov 2020

Standard Reference: AFOLU Non-Permanence

Risk Tool version 4.0

Document Reference: VCS-Non-Permanence-Risk-Report-v4.0

Finding: Section 2.3.2(3) of the Risk Tool states "To achieve the mitigation credit, it shall be demonstrated that a current participatory assessment of the positive and negative impacts of the project activities on the local communities who derive livelihoods from the project area has been completed and demonstrates net positive benefits on the social and economic well-being of these communities. A participatory assessment is considered current where it is completed at least five years prior to the risk analysis. Certification against the Climate, Community & Biodiversity (CCB) Standards or SOCIALCARBON Standard may be used to demonstrate that a project satisfies this mitigation requirement."

Section Community Engagement-C of the Risk Report states "The project expects to generate net positive impacts on communities living in the surrounding area." The project has not been certified against the CCB standards (yet) thus the CCB certification cannot be used to satisfy this mitigation requirement. Therefore, the audit team requests evidence that the current participatory assessment of the positive and negative impacts of the project activities on the local communities who derive livelihoods from the project area has been completed.

Project Personnel Response: FSC certification could also be compatible with CCB and other social standards but the most recent year where it was achieved is 2017 so the mitigation score has been deleted

Auditor Response: The audit team reviewed the latest version of the NPRR (Dated 6 December 2020). The audit team confirmed that the Risk Mitigation score was deleted for the Community Engagement section. This is now in conformance with the tool. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 143 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2; VCS Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 3.8.4 of the Standard state "AFOLU projects shall have a credible and robust plan for managing and implementing the project over the project crediting period."

Additionally, section 3.3.3 of the PD template requires the following: "Describe the process and schedule for obtaining, recording, compiling and analyzing the monitored data and parameters set out in Section 3.3.2 (Data and Parameters Monitored) above. Include details on the following:

- The methods for measuring, recording, storing, aggregating, collating and reporting data and parameters. Where relevant, include the procedures for calibrating monitoring equipment.
- The organizational structure, responsibilities and competencies of the personnel that will be carrying out monitoring activities.
- The policies for oversight and accountability of monitoring activities.
- The procedures for internal auditing and QA/QC.
- The procedures for handling non-conformances with the validated monitoring plan.
- Any sampling approaches used, including target precision levels, sample sizes, sample site locations, stratification, frequency of measurement and QA/QC procedures.

Where appropriate, include line diagrams to display the GHG data collection and management system."

Section 3.3.3 of the PD indicates "As described in previous section, the monitoring plan must consider following issues:

- Drivers of deforestation, project activities and emissions sources related to REDD+ project activities inside and outside of the project area
- LULC class and forest strata transitions in the project area, leakage area, and reference region using remote-sensing technologies, and validated with ground-truthing data.
- Carbon stock densities in LULC classes and forest strata.
- Carbon stock in long-lived wood products.
- Natural disturbances.
- Monitoring of harvesting activities."

While information is provided about the monitoring of harvesting activities and biodiversity by the Bozovich team, section 3.3.3 of the PD provides does not provide information about the monitoring methods, procedures, and responsibilities for these following key parameters:

(1) Drivers of deforestation, project activities and emissions sources related to REDD+ project activities inside and outside of the project area

(2) LULC class and forest strata transitions in the project area, leakage area, and reference region using remote-sensing technologies, and validated with ground-truthing data.

(3) Carbon stock densities in LULC classes and forest strata.

(4) Carbon stock in long-lived wood products.

(5) Natural disturbances

It is unclear who will be conducting the monitoring of the 5 data/parameters listed above (i.e. Bozovich team, Greenoxx, etc). Overall, more comprehensive information is needed regarding the methods for monitoring these 5 data and parameters (sources of data, technologies used), the responsibilities and competencies of key personnel who will conduct said monitoring, the QA/QC procedures, sampling approaches, etc.

Project Personnel Response: A summary of responsibilities and sources have been added to clarify who will be in charge of collecting key data required for the current project.

Auditor Response: The audit team confirmed that an additional table was added to section 3.3.3 describing who is responsible and the source of the data for each of the key datasets that will be monitored.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 144 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 3.3.2 of the PD template indicates that for every parameter the QA/QC procedures to be applied must be specified, as "Describe the quality assurance and quality control (QA/QC) procedures to be applied, including the calibration procedures where applicable."

Section 3.3.2 of the PD indicates that QA/QC procedures for various parameters that use remotely sensed data (e.g. MN1, MN2, MN3, MN5, MN6, MN7, MN9] indicate that the QA/QC procedures are as follows: "Raster files were converted to vectors. Area was calculated for each vector and compared to calculations based on raster file."

Although not all parameters will require QA/QC, the information currently provided in the QA/QC procedures sections is more related to how the data is processed and not the quality assurance and quality control procedures to be applied to validate the data/parameters being monitored.

This is not in conformance with the methodology.

Project Personnel Response: Field of QA/QC on referred parameters have been updated to be referred to QA/QC methods and procedures

Auditor Response: The audit team reviewed the updated PD (dated 6 December 2020). We confirmed that more specific information related to the QA/QC procedures was added to these monitored parameters.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 145 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 3.4 of the PD template states “Complete this section (3.4) if the project seeks to be validated to the Gold Level for climate change adaptation benefits. If not applicable, state so and leave this section blank.”

The project team indicated that it only seeks the gold level for biodiversity.

Therefore, the following issues exist:

(1) it is not stated in section 3.4 of the PD that the project does not seeks to be validated to the Gold Level for climate change adaptation benefits

(2) The subsections in section 3.4 are not left blank, but rather contain template instructions.

This is not in conformance with the PD template requirements.

Project Personnel Response: Section 3.4 has left blank because the project is not seeking to get the Gold Level on Climate Section and it is stated at the start of the Section

Auditor Response: Section 3.4 of the updated PD (6 December 2020) states "Complete this section (3.4) if the project seeks to be validated to the Gold Level for climate change adaptation benefits. If not applicable, state so and leave this section blank." These are the template instructions for this section.

The instructions state "If not applicable, state so and leave this section blank."

This section has been left blank, but it is not stated that this section is not applicable. This finding remains open.

Project Personnel Response 2: The text "This section is not applicable" has been added to Section 3.4

Auditor Response 2: The audit team confirmed that section 3.4 and the related subsections have been updated to "Not applicable." This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 146 Dated 12 Nov 2020 **Standard Reference:** VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2 **Document Reference:** PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: This finding relates to finding #79 about the harvest plan information that is included in the PD.

Section 8.2.7 of the methodology requires that "The harvest plan description in the PD must include the following information:

• Description of harvest areas in terms of location, size, forest inventory and topography.

• A description of all silvicultural activities that will be applied in the areas where harvesting will be carried out. This description must include number of trees removed and number of trees retained, in case of individual tree selection cut methods. For clear-cut methods or group selection cut methods, maximum opening size must also be described.

• The harvesting methods, i.e. mechanized vs. manual, as well as all processes such as felling, bunching, skidding/ forwarding, loading, and unloading. All machinery and equipment must be described.

• The harvest frequency (years between harvests) and volume of harvest at each time period.

• Regeneration assumptions and description of site indexes for dominant species in the strata. The harvest plan must include the expected tree density that will be maintained in the project area. Additionally, growth estimates for harvest areas in terms of total biomass as well as biomass stock density per unit area must be described and all assumptions and validity of any growth estimates must be justified. If any software based models have been used, proper justification of the suitability of such models used must also be described in the harvest plan.

• Activities that are practiced to protect soil, water, site and residual trees in the harvest area. Documentation on presence/absence of any threatened or endangered species and/or habitat on site, potential impacts on species and mitigation measures, presence/absence of natural heritage areas, and potential impacts on natural heritage areas and mitigation measures.

• A map of the harvest site including the following:

• Plot locations.

• Harvest area boundary within the project area boundary.

• Slope classes.

• Streams/rivers/roads (if present).

• Wetlands (if present).

• Stream side management zones or river buffer (if applicable).

• Planned skid trails (if applicable).

• Landing sites/areas (if applicable)."

While information about the harvest plan has been included in the PD, the following information is still missing from the PD:

(1) A description of the harvest areas in terms of location, size, forest inventory and topography.

---Much of this information is included in the PGMFs provided, but not in the PD.

(2) A description of all silvicultural activities that will be applied in the areas where harvesting will be carried out. This description must include number of trees removed and number of trees retained, in case of individual tree selection cut methods. For clear-cut methods or group selection cut methods, maximum opening size must also be described.

--- The PD indicates that Polycyclic harvesting is implemented, which is similar to selection cut methods, but the PD does not indicate the number of trees removed and number of trees retained.

(3) The harvest frequency (years between harvests) and volume of harvest at each time period.

--- The PD indicates that the frequency of harvesting is every 20 years but does not indicate the volume harvested during each time period for the two concessions. The PGMF contains this information, but it is not in the PD.

(4) Regeneration assumptions and description of site indexes for dominant species in the strata.

--- The PD indicates that “natural regeneration by the clearings” is a regeneration assumption, but it does not indicate the site indexes of dominant species.

(5) The expected tree density that will be maintained in the project area.

-- This is not included in the PD.

(6) If any software based models have been used, proper justification of the suitability of such models used must also be described in the harvest plan.

--The PD indicates that Harvest Projection Simulator is used, but does not describe the suitability of this model in the harvest plan.

(7) A map of the harvest site including the following: 1. Plot locations. 2. Harvest area boundary within the project area boundary. 3. Slope classes. 4. Streams/rivers/roads (if present). 5. Wetlands (if present). 6. Stream side management zones or river buffer (if applicable). 7. Planned skid trails (if applicable). 8. Landing sites/areas (if applicable).

---Map 12 in the PD is only for the Chullachaqui concession, but not Otorongo. Also the map does not show the slope classes or plot locations.

The above 7 items are not included in the PD, but are required, and therefore the PD is not in conformance. Also, the audit team also requests that all items related the forest management plan be organized under a separate sub-heading in the PD: “Forest Management Plan Description.”

Project Personnel Response: Section 3.1.2 has been updated to incorporate the different references to the forest management plan of timber concessions as requested by audit team.

Auditor Response: Some information appears to have been added to Section 3.1.2 of the revised PD, entitled "THE JAGUAR AMAZON REDD PROJECT 06122020", but that information is in Spanish. Section 1.2 of the VCS Standard states the following: "The operating language of the VCS Program is English. The project and program description, validation report, monitoring report, verification report and all other documentation (including all and any appendices) required under the VCS Program shall be in English." Therefore, information in Spanish cannot satisfy the requirement of the methodology for documentation in the PD. In addition, it does not appear that the added language covers all of the areas in which information is requested. Therefore, the non-conformity has not been resolved.

Project Personnel Response 2: The last PD is in English

Auditor Response 2: The audit team confirmed that the information regarding the Forest Management Plan in section 3.1.2 of the PD has been translated to English. All required components of the forest management plan have been included in the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 147 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 2.3.7 of the PD template requires "Describe how communities including all the community groups and other stakeholders have influenced project design. Document consultations and indicate if and how project design and has been affected by stakeholder input."

Section 2.3.7 of the PD states "Consultation with communities and other stakeholders has been done by collecting their expressions of interest about land use, which are reflected in a social diagnosis applied previously to the project design that is in annex 3. From this way, FORESTAL OTORONGO considers that the consultation process has been accomplished.

The influence of communities and other interested parties has been given through the expression of their interests about land use, reflected in a social diagnosis carried out previously to the project design. This is the way how the company has included the interest of the surrounding communities in the design of the project."

The audit team has reviewed Annex 3, however we request additional information regarding this stakeholder consultation process. Specifically:

(1) How the engagement process was conducted with each and every stakeholder (i.e., in-person meetings, letters, phone, email, etc) and when this engagement was conducted.

(1) Any and all input received during the stakeholder consultation process

(2) The project proponents response to said input

(3) A description of any resultant changes to the project design

Project Personnel Response:

Auditor Response: This finding has not yet been addressed and therefore remains open.

Project Personnel Response 2: A table has been added to summarize the meetings with key stakeholders. Documentary evidence of those activities are being shared in annexes

Auditor Response 2: The audit team reviewed the documentation regarding the stakeholder consultations provided. These documents include letter correspondences between the community groups, reports about the process for consultation, communications with government offices, and reports regarding meetings with various communities (e.g., 1- Diagnóstico Forestal Otorongo SAC Enero 2018, 2- Informe de reunión con el sector San Francisco, 3- Informe de Capacitaciones técnicas en agroforestería, reforestación de suelos y reforestación con especies promisorias, 4- Informe sobre reunión de coordinación con el Ing Edgar Cusi, etc). The audit team confirmed that stakeholder consultations were conducted in accordance with the VCS requirements.

The requested information has been provided. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 148 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo; Calculations Workbook 08112020

Finding: In section 3.1.6 of the PD, it indicates:

"% of forest converted to:

Cropland: 31.97%

Pastures: 38.93%

Settlement: 29.10%

According to GEOBOSQUES web page. So, in the baseline scenario, the net emissions per hectare of projected forest loss is:

[576.25 – 31.75] * 37.6% + [576.25 – 18.63] * 47.6% + [576.25 – 0.00] * 14.7% = 555.44

Even though that, in order to be conservative, in the baseline scenario, we will assume that 100% of land use change will convert in the post-deforestation land use with the highest EF, in this case, cropland. This is applicable also for tables 57 to 60 from Section 3.2.1. Even though there is data available for the 6 LULC classes, for conservative approach, the same principle has been applied at this section too."

Also in section 3.2.1 of the PD, below tables 57-60 is states "As explained in Section 3.1.6, these transitions were not applied but the calculations were based on the post-deforestation land use with the highest emission factor (in this case, cropland) in order to be conservative.

However, in the Calculations Workbook 08112020.xlsx, Sheet 1, columns O-Q indicate that the for the calculation of the absolute annual carbon loss per deforestation driver category (Equations 1, 2, 3), the organic matter for pasture and for infrastructure are also used, rather than just the organic matter for cropland.

Given the deviation to not utilize the six LULC classes, but rather assume that 100% of land use change will convert in the cropland, it is not in agreement with this deviation to apply the average organic matter of pasture and infrastructure to calculate equations 2 and 3 for the annual carbon loss associated with pasture and infrastructure. Rather this methodology deviation indicates that only the cropland land use class is to be used.

Project Personnel Response: Updated calculations only include references to organic matter for croplands. Other non-forest land uses as pasture lands or infrastructure will not be used.

Auditor Response: The audit team confirmed that the updated calculations workbook Proyección de deforestación 04122020.xlsx now only contains the the references and calculations for the cropland organic matter which is in agreement with the methodology deviation applied. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 149 Dated 12 Nov 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 07112020 ultimo; FINAL COMPARATIVE ANALYSIS BETWEEN REFERENCE REGION AND PROJECT AREA (1).docx; RR-Project_Jaguar_11-11-20

Finding: Section 8.1.1.2 of the methodology requires: The project proponent must demonstrate that the reference region does not contain areas where agents of deforestation have restricted access. Include maps where the reference region and the project area have been overlaid with maps of protected areas, including:

- National parks that are effectively protected.

- Military bases or installations.

- Areas under conservation that are effectively protected.

- Areas under a logging or economic land concession where access is effectively being restricted.

- Large plantations that are effectively protected."

During a call with the project team on 12 November 2020, it was indicated that the area to the North-central and west of the project area has been excluded from the reference region because it represents restricted access because it is FSC certified. The audit team requests evidence that this represents areas that are effectively protected or that access is effectively being restricted, as defined by the methodology.

Project Personnel Response: Project team has shared with audit team all FSC certificates referred to excluded areas in the north of project area.

Auditor Response: The audit team reviewed the FSC certificates provided FSC Public Search_ProyectoTahuamanu as well as the corresponding FSC audits associated with these areas. We have confirmed that these areas excluded from the reference region represent areas of restricted access given the effective and extensive patrolling and surveillance systems in place. The client also provided reports showing the patrolled areas of this forest concession (Informe N° 001_2019 LÑS Patrullaje Rio Tahuamanu.pdf; Informe N° 001_2020 Patrullaje Rio Tahuamanu). These maps also show that another small area excluded from the reference region as restricted access, is in fact patrolled by the Maderera Forest concession as well as is therefore considered to be area where access to deforestation is effectively restricted.

This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 150 Dated 13 Nov 2020

Standard Reference: VT0001 v3.0 TOOL FOR THE DEMONSTRATION AND ASSESSMENT OF ADDITIONALITY IN VCS AGRICULTURE, FORESTRY AND OTHER LAND USE (AFOLU) PROJECT ACTIVITIES

Document Reference: 2. Cash Flow (1); PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 2.2.5(a) of the Additionality Tool states "Calculate the suitable financial indicator for the proposed VCS AFOLU project without the financial benefits from the VCS and, in the case of Option II above, for the other land use scenarios. Include all relevant costs (including, for example, the investment cost, the operations and maintenance costs), and revenues (excluding GHG credit revenues, but including subsidies/fiscal incentives where applicable), and, as appropriate, non-market cost and benefits in the case of public investors."

As indicated in section 3.1.5 of the PD, an investment analysis using NPV as the indicator was conducted.

Section 2.2.5(d) of the Additionality Tool the states "Present in the VCS AFOLU project description submitted for validation a clear comparison of the financial indicator for the proposed VCS AFOLU project without the financial benefits from the VCS and:

i) Option II (investment comparison analysis): If one of the other land use scenarios has the better indicator (e.g. higher IRR), then the VCS AFOLU project cannot be considered as the financially attractive;"

To be clear, the purpose of Step 2 of the additionality assessment is to "Determine whether the proposed project activity, without the revenue from the sale of GHG credits is economically or financially less attractive than at least one of the other land use scenarios.

The Cash Flow (1).xlsx workbook, sheet Flujo de Caja shows the NPV analysis for 3 years for the with project scenario (with the sale of carbon credits) and the without the project scenario.

However, the requirements of the tool state to "Calculate the suitable financial indicator for the proposed VCS AFOLU project without the financial benefits from the VCS." Therefore in accordance with section 2.2.5 of the tool, the following must be done:

(1) the with project scenario NPV must be calculated without the financial benefits from the VCS (and without the costs of the VCS project development).

(2) Given that we are verifying the entire baseline, this demonstration must be over the entire 10-year baseline period 2018-2027.

Project Personnel Response: Cash flow have been extended for a 10-year period and has included a new cash flow that includes the activities required to deal with deforestation threats but without the incomes of carbon sales

Auditor Response: The audit team confirmed that the updated cash flow spreadsheet (Cash Flow 06122020.xlsx) includes costs and incomes for 10 years since the start of the project. A scenario was added showing the revenue and costs without the generation and incomes from the VCS AFOLU project. The cash flow indicates that the proposed project activity, without the revenue from the sale of GHG credits is economically or financially less attractive than all other scenarios (baseline) and therefore would not be implemented without the revenue from the sale of carbon credits.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 151 Dated 13 Nov 2020

Standard Reference: VT0001 v3.0 TOOL FOR THE DEMONSTRATION AND ASSESSMENT OF ADDITIONALITY IN VCS AGRICULTURE, FORESTRY AND OTHER LAND USE (AFOLU) PROJECT ACTIVITIES

Document Reference: 2. Cash Flow (1); PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 2.2.5(b) of the Additionality Tool states "Present the investment analysis in a transparent manner and provide all the relevant assumptions in the VCS AFOLU project description, so that a reader can reproduce the analysis and obtain the same results. Clearly present critical economic parameters and assumptions (such as capital costs, lifetimes, and discount rate or cost of capital). Justify and/or cite assumptions in a manner that can be validated. In calculating the financial indicator, the project's risks can be included through the cash flow pattern, subject to project-specific expectations and assumptions (e.g. insurance premiums can be used in the calculation to reflect specific risk equivalents)."

The PD does not contain a description of the relevant assumptions related to the economic parameters in the investment analysis such as the NPV, capital costs, costs of management, inventory, patrolling etc.

This is not in conformance with the requirements of the additionality tool.

Project Personnel Response: A description of costs and incomes assumptions have been included in the PD

Auditor Response: The audit team reviewed the latest version of the PD (Dated 6 December 2020). No additional information related the assumptions of the financial analysis have been included in the PD. For instance, the PD does not indicate why the 10% discount rate was applied or what costs/expenses and incomes have been included in the cash flow and why. This finding remains open.

Project Personnel Response 2: All costs found in the cash flow have been stated. Being one of the leading timber companies in Peru guarantees that assumptions used are solidly supported by those decades of experience

Auditor Response 2: The audit team confirmed that section 3.1.6 of the PD (dated 21 December 2020) has been updated to include a description of the all the relevant assumptions included in the investment analysis. Such assumptions include the use of a 10% discount rate in the NPV, and the costs and revenues associated with timber harvesting and other project activities. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 152 Dated 13 Nov 2020

Standard Reference: VT0001 v3.0 TOOL FOR THE DEMONSTRATION AND ASSESSMENT OF ADDITIONALITY IN VCS AGRICULTURE, FORESTRY AND OTHER LAND USE (AFOLU) PROJECT ACTIVITIES

Document Reference: 2. Cash Flow (1); PD The Jaguar Amazon REDD Project 07112020 ultimo

Finding: Section 2.2.5 of the Additionality tool states "If it is concluded that the proposed VCS AFOLU project without the financial benefits from the VCS is not financially most attractive then proceed to Step 2d (Sensitivity Analysis)."

Section 2.2.6 states "Include a sensitivity analysis that shows whether the conclusion regarding the financial attractiveness is robust to reasonable variations in the critical assumptions. The investment analysis provides a valid argument in favor of additionality only if it consistently supports (for a realistic range of assumptions) the conclusion that the proposed VCS AFOLU project without the financial benefits from the VCS is unlikely to be financially attractive.

a) If after the sensitivity analysis it is concluded that the proposed VCS AFOLU project without the financial benefits from the VCS is unlikely to be financially most attractive (Option II and Option III), then proceed directly to Step 4 (Common practice analysis).

b) If after the sensitivity analysis it is concluded that the proposed VCS AFOLU project is likely to be financially most attractive (Option II and Option III), then the project activity cannot be considered additional by means of financial analysis. Optionally proceed to Step 3 (Barrier analysis) to prove that the proposed project activity faces barriers that do not prevent the baseline land use scenario(s) from occurring. If the Step 3 (Barrier analysis) is not employed then the project activity cannot be considered additional."

The PD or workbooks do not demonstrate this sensitivity analysis.

In order to confirm that the project is additional, the audit team requests demonstration of this Sensitivity analysis which shows "that the proposed VCS AFOLU project without the financial benefits from the VCS is unlikely to be financially most attractive."

Project Personnel Response: A sensitivity analysis has been carried out and has demonstrated that, under small changes (as a reduction of timber incomes), the project is very dependent on carbon incomes. Changes in timber incomes may be associated to less volume, fall down in prices, administrative difficulties with forest authority, illegal logging, forest loss, among others). In the cash flow, calculations have been transparented.

Auditor Response: The audit team reviewed the latest cash flow analysis and confirmed that it now contains a sensitivity analysis which alters the volume sold and the annual timber incomes and demonstrates that the VCS AFOLU project without carbon revenues remains the least financially attractive alternative. This sensitivity analysis also included in the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 153 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s 04122020; THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: Section 3.2.3 of the PD states " For this reason, the pattern of migration does not imply a creation of new settlements as this is more difficult to be authorized. Consequently, geographically unconstrained leakage is not applicable."

However, in section 3.3.2, the parameter MN35 is included in monitoring. Furthermore, Table 92 in the PD shows the GHG emissions from Leakage by unconstrained drivers. Likewise, in the calculations workbook Net carbon y VCU´s 04122020.xlsx, sheet 5, leakage from geographically unconstrained drivers is quantified. This values are then reported in the NERs worksheet.

It is unclear if the project team intends to include leakage from geographically unconstrained drivers or not. The audit team requests additional information.

Project Personnel Response: The project does not intend to include leakage from geographically unconstrained drivers. Calculations have been updated based on that assumption

Auditor Response: The audit team confirmed that geographically unconstrained leakage and the related calculations have been removed from the PD (version "final", dated 21 December 2020). This is in-line with the information provided to the audit team during interviews with the project proponent as well as the audit teams independent review of the drivers of deforestation and potential leakage dynamics in the region. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 154 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: Section 2.1.11 of the PD, Table 21, it indicates that several forest protection activities such as "2.1 Design of a protection plan of project area, 2.2 Building/improvement of control and surveillance infrastructure, 2.3 Periodical patrolling, 2.4 Forest Fire prevention patrolling and 2.5 Land demarcation, border and maintenance and signaling" are included as project activities. Furthermore, tables 73 and 74 in section 3.2.2 of the PD indicate that there are 3 project activities.

However, Table 34 in section 3.1.2 of the PD indicates that there are 2 project activities:

(1) Strengthening the land tenure and forest governance situation.

(2) Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs), such as honey, medicinal plants, etc.

The column next to the project activities related to Demarcation and forest protection was left blank.

Given that table 34 only indicates that there are 2 project activities, but other sections of the PD indicate 3 project activities, it remains unclear which project activities are actually included in this project.

Project Personnel Response: Table 34 has been updated to be coherent with effectiveness analysis that have 3 activities. The activity added is forest demarcation

Auditor Response: The audit team confirmed that table35 in section 3.1.2 of latest version of the PD (PD The Jaguar Amazon REDD Project final.docx), now lists all of the project activities included in the project. These include 3 activities: (1) strengthen land tenure and governance, (2) Demarcating forest, tenure and property boundaries; promote forest protection through patrolling of forests and forest boundaries, and (3) Development of local enterprises based on sustainably harvested non-timber forest products (NTFPs), such as honey, medicinal plants, etc.

This is consistent with section 2.1.11 of the PD. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 155 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: This finding is related to finding #98 above.

Section 8.1.2.8 of the methodology requires the following "For every pair of subsequent images in the historical reference period, calculate the area of each land transition and report in a LULC and forest strata transition matrix." It further states "In addition, the PD must contain a table which contains the overall areas (ha) of deforestation, increased forest cover, forest degradation, and regeneration for each sub period. These data will be used to project future land use change (Section 8.1.5.1)."

The PD now contains two tables that show the LULC transitions: Table 59 shows the LULC transitions from Geobosques LULC product for 2008 to 2017. Then Table 70 shows the beta regression results, which includes the area of forest loss from 2008-2017, from geobosques as well. It is unclear why these areas do not match. The audit team independently acquired the geobosques forest loss and LULC maps and confirmed that the pixels all match between the two products. It is confusing that two different tables show forest loss in the reference region during the reference period, but that these areas do not correspond. For instance, the annual area of forest loss to other land uses in Table 59 is generally greater than the annual area of forest loss in Table 70.

The audit team requests additional information regarding this discrepancy.

Project Personnel Response: Table 70 was updated to match with Table 71 and Workbooks

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 156 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: THE JAGUAR AMAZON REDD PROJECT 06122020.docx; Proyección de deforestación 04122020.xlsx

Finding: Table 70 contains the results of the beta regression. The fifth column in table 70 shows the "deforestation in the project area in the baseline scenario". Table 71 shows the conversion of forest land to cropland. Thus both of these tables provides information on the area deforested annually for the baseline period.

However, the audit team found the following discrepancies:

(1) the deforested areas in table 70 do not match those in table 71.

(2), the area of deforestation in the project area and in the reference region shown in table 70 do not match those in the workbook Proyección de deforestación 04122020.xlsx (e.g. in 2017, the workbook indicates that 5,919.62 ha were deforested in the reference region, but Table 71 shows that 4,103 ha were deforested in the reference region in 2017).

The audit team requests additional information regarding these discrepancies

Project Personnel Response: Table 70 was updated to match with Table 71 and Workbooks

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 157 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Proyección de deforestación 04122020.xlsx

Finding: Table 70 in the PD shows the historical deforestation in the project area (ha/year) from 2008 to 2017. However the audit team independently calculated the area deforested in the project area from the forest loss maps on Geobosques. We found that the actual area of forest loss in the project area is much lower than indicated in this table. For instance, in 2017 the area of forest loss in the project area was around 245 ha, and in 2016 only around 16 ha of forest were lost (according to the Geobosques maps). However, in Table 70, it indicates that over 2,800 ha of forest were lost in 2017 and approximately 2092 ha lost in 2016. Thus table 70 in the PD includes a misrepresentation of the actual rate of deforestation in the project area during the historical period, and may be misleading.

The audit team requests information on the actual rate of deforestation in the project area.

Project Personnel Response: Table 70 was updated to match with Table 71 and Workbooks

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 158 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: This finding relates to findings #127 and #140. In response to these findings, it was indicated that dead wood is now excluded from the analysis and project. This is in conformance with the requirements of section 5.2 of the methodology.

However, table 42 in the PD continues to list Dead wood as "included" which does not accurately reflect the pools included in the project.

Project Personnel Response: Table 42 was updated because deadwood is not included anymore

Auditor Response: The audit team confirmed that the table showing the carbon pools (Table 53 in the latest PD, submitted on 21 December 2020) indicates that dead wood has been excluded. This finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 159 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: THE JAGUAR AMAZON REDD PROJECT 06122020.docx; Proyección de deforestación 04122020

Finding: This finding is related to finding #120 (see above).

Section 8.2.2 of the methodology states “The effectiveness of project actions may change during the crediting period, due to the increased experience of project implementers or an increased allocation of funds during the crediting period. This time-dependent project activity rate is accounted for by integrating a factor ate (a,t) for project activity a during year t. As was mentioned before,

effectiveness (a,d) represents the maximally attainable effectiveness given project conditions and capacity are optimal. As a consequence, rate (a,t) must be 100% at least once during the crediting period."

Section 3.2.2 of the PD (dated 6 December 20202) states "The rate is 83.5%, the effectiveness is obtained from tables 75 and 76 and the contribution is 100%. As a consequence, the relative driver impact is 1.13." Furthermore the calculations workbook (Proyección de deforestación 04122020), sheet '2' column k indicates that this rate of 83.5% is used during the entire projection period. However the methodology requires that "rate (a,t) must be 100% at least once during the crediting period."

This is not in conformance with the methodology.

Project Personnel Response: As requested by the methodology, the effectiveness has been made to grow linearly since 83.5% to 100% during first baseline period

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 160 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s 04122020; THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: Equation 80 in section 8.2.7.2 of the methodology involves first multiplying the term "size of strata I within the project area with harvest activities during year t under the project scenario", which is column H in sheet 10 of the workbook Net carbon y VCU´s 04122020. However, in the workbook, column I is instead used. Column I shows the term "hectares undergoing transition i within the project area in the harvest area, under the baseline scenario during year t."

Later in equation 80, the methodology indicates that the term "hectares undergoing transition i within the project area in the harvest area, under the baseline scenario during year t" is multiplied by emissions factors.

Overall, it appears that terms are mixed up (columns H and I) in the quantification of equation 80 (column C) in sheet 10 of the workbook. This is not in conformance with the equation as set out in the methodology.

Also see finding 161 below which is related.

Project Personnel Response: Columns H and I of equation 80 were corrected in the Excel Workbook

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD (PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 161 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s 04122020

Finding: Equation 80 in section 8.2.7.2 of the methodology utilizes the term "areaprojectAreaWithHarvest,baselineScenario(t,i)" which is the "hectares undergoing transition i within the project area in the harvest area, under the baseline scenario during year t."

Section 3.2.4 of the PD indicates that "areaprojectAreaWithHarvest,baselineScenario(t,i): Hectares in transition ii within project area in harvest zone, in baseline scenario was obtained as (proportion of harvest area of total project area) * deforestation rate in project."

This term is calculated in column H in sheet 10 of the workbook Net carbon y VCU´s 04122020. However to quantify this term, the entire project area (183,015 ha) minus the protected areas is used in the quantification. However, the entire project area minus protected areas does not reflect the area that is available for harvesting in year t. According to the harvest plans submitted and described in section 3.1.2 of the project area, harvesting does not occur across the entire project area annually, but rather within smaller harvest blocks. Furthermore, sheet 1, column H of the workbook shows the project area undergoing transition in the baseline excluding ANR and harvest area (areaprojectAreaEAH,baselineScenario(t,i)). According to pages 58 and 59 of the methodology, the values areaprojectAreaEAH,baselineScenario(t,i) (e.g. Sheet 1, column H) and the values areaprojectAreaWithHarvest,baselineScenario(t,i) should be equal to the total rate of deforestation in the project area under the baseline scenario (e.g., sheet 1, column I). They are not.

Therefore, the areaprojectAreaWithHarvest,baselineScenario(t,i) is not in conformance with the methodology as it includes projected deforestation outside of harvest areas.

Project Personnel Response: Concession is divided in four blocks of 5-years each one. Together, all the area will be harvested in 20 years. The logging area of the current 5-years block is 25,353.94 ha, giving an annual average harvest area of 5,070.79 ha. For the period of 2023-2027, the area of the block is very similar, 25,945.91 ha, with an annual average of 5,189.18 ha. These values have been updated in the corresponding working calculations

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 162 Dated 9 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: Net carbon y VCU´s 04122020; THE JAGUAR AMAZON REDD PROJECT 06122020.docx

Finding: This finding relates to findings #139 and #150-151 (see above).

Equation 80 in section 8.2.7.2 of the methodology utilizes the term "areaprojectAreaWithHarvest,projectScenario(t,i)" which is the "size of strata I within the project area with harvest activities during year t under the project scenario"

Section 3.2.4 of the PD states "areaprojectAreaWithHarvest,projectScenario(t,i): Hectares in transition ii within project area in harvest zone, in project scenario in 2018, 9352.187 ha will be used as reference for coming years."

The audit team requests more information regarding why this area, 9352.187 ha was selected and how it was derived. It is unclear if this area relates to the area harvested each year or the size of the PCAs where harvesting takes place. Additional information is needed.

Project Personnel Response: According to Bozovich information, PCA in Otorongo was 4304.37 ha in 2018 and in Chullachaqui, it was 5047.81 ha. So, based on that official information, we obtain the aggregated harvested area in 2018. We extrapolate that value for next years.

Auditor Response: As a result of the methodology deviation No. 3 stated in section 3.1.6 of the PD PD The Jaguar Amazon REDD Project final.docx), this finding is no longer relevant as it pertains to the quantification of GHG emission reductions. This finding has been closed and retracted.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 163 Dated 21 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2, VCS Standard Version 4.0

Document Reference: PD The Jaguar Amazon REDD Project 2.docx

Finding: During a meeting with the project team on 18 December 2020, it was indicated that the project team intended to implement a methodology deviation to defer all validation of the quantification of GHG emissions to the time of verification. However no indication of this methodology deviation in accordance with section 3.17 of the VCS Standard has been added to section 3.1.6 of the PD.

The audit team requests additional information regarding whether the project team still intends to implement such a deviation.

Project Personnel Response: [Finding addressed outside of the cover of this workbook]

Auditor Response: This finding was addressed outside the cover of this workbook, upon issuance. The project team indicated that they intended to implement such a methodology deviation. They have since added this methodology deviation to section 3.1.6 of the latest PD (PD The Jaguar Amazon REDD Project 3.docx). This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NCR 164 Dated 21 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 3.docx

Finding: In the latest version of the PD (EPD The Jaguar Amazon REDD Project 2.docx) section 3.1.6 indicates a methodology deviation to defer all validation of quantification of GHG emissions to verification. However, in sections 3.2 and 3.3 of the PD, it does not make any reference to this methodology deviation but rather presents all the quantification equations, procedures and variables. It is unclear to the audit team whether these equations are intended to be validated.

We request additional information.

Project Personnel Response: [Finding addressed outside of the cover of this workbook]

Auditor Response: This finding was addressed outside the cover of this workbook, upon issuance. The PD has been updated so that at the header of each section and subsection in 3.2 and 3.3. of the PD, it indicates that "

NOTE: Estimations of quantifications in this section are preliminary and subject to confirmation during first verification stage due to methodology deviation No. 3 described in section 3.1.6."

The audit team confirms that this is an appropriate action for addressing this finding. This finding has been closed.

Bearing on Material Misstatement or Conformance (M/C/NA):

NIR 165 Dated 21 Dec 2020

Standard Reference: VM0006 Methodology for Carbon Accounting in Project Activities for Mosaic REDD Version 2.2

Document Reference: PD The Jaguar Amazon REDD Project 3.docx

Finding: Step 4 of the additionality tool states ""Provide an analysis to which extent similar activities to the one proposed as the VCS AFOLU project activity have been implemented previously or are currently underway. Similar activities are defined as that which are of similar scale, take place in a comparable environment, inter alia, with respect to the regulatory framework and are undertaken in the relevant geographical area, subject to further guidance by the underlying methodology. Other registered VCS AFOLU project activities shall not be included in this analysis. Provide documented evidence and, where relevant, quantitative information. Considerations shall be limited to the period beginning 10 years prior to the project start date."

The audit team requests additional information regarding the common practice analysis that was conducted.

Project Personnel Response: [Finding addressed outside of the cover of this workbook]

Auditor Response: This finding was addressed outside the cover of this workbook. The project team indicated that they conducted an analysis of the status of forest concessions in the Madre de Dios region to determine their level of protection activities in preventing deforestation. It was found that a significant number of concessions have been sanctioned as a result of the prevalence of illegal activities, and many have been transferred back to the Peruvian government. The analysis is now indicated in section 3.1.5 of the PD (PD The Jaguar Amazon REDD Project Final.docx) submitted on 21 December 2020.

Bearing on Material Misstatement or Conformance (M/C/NA):

APPENDIX B: STAKEHOLDER INPUT AND PROJECT PROPONENT RESPONSE

The following table includes

- All and any input received during the stakeholder consultation process.
- The project proponent's response to said input.
- A description of any resultant changes to the project design.
- The audit team's explanation of how the project proponent's responses are appropriate.

Stakeholder Input	Project proponent's response	Resultant changes to project	Audit team's assessment
Arca Pacahuara - "directors of this organization said they were not interested in maintaining any communication with us, because they consider that there are no common interests. In a letter /41/ the Arca Pacahuara president expressed that they would not accept any further solicitations of meetings or invitations by the concession.	The project proponent indicated they will respect the wishes of the community and no longer continue engage the community in the future.	There have been no changes to the project. However, the aggressive expansion activities of the Arca Pacahuara community have been identified as a key threat to deforestation in the project area and the project proponent will continue to monitor the groups impacts on the project area	This response is appropriate as it is culturally sensitive, respects the wishes of the community, and does not encroach uninvited on the community's desires .

APPENDIX C: PUBLIC COMMENTS AND PROJECT PROPONENT RESPONSES

The audit team confirmed that no public comments were received during the 30-day public comment period.