

VERIFICATION REPORT FOR THE MADRE DE DIOS AMAZON REDD PROJECT



Document Prepared By Francis Eaton

Project Title	Madre de Dios Amazon REDD Project
Version	1.1
Report ID	071316

Report Title	Verification Report for the Madre de Dios Amazon REDD Project
Client	Greenoxx, Maderacre & Maderyja
Pages	37
Date of Issue	9 August 2016
Prepared By	Scientific Global Services (SCS)
Contact	2000 Powell Street, Suite 600, Emeryville, CA 94608, USA http://www.scsglobalservices.com Email: cpollet-young@scsglobalservices.com Telephone: +1 (510) 452-8000
Approved By	Christie Pollet-Young
Work Carried	Francis Eaton: Lead Auditor

Out By	Zane Haxtema: Technical Reviewer
---------------	----------------------------------

Summary:

This report describes the verification audit of the Madre de Dios Amazon REDD Project (“the project”), a Reduced Emissions from Deforestation and Degradation (REDD) project located in the region of Madre de Dios, Peru, that was conducted by SCS. The purpose of the verification audit was to assess the conformance of the project with the verification criteria. The verification audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. A total of 11 findings were raised during the verification and subsequently resolved. The project complies with all of the verification criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the verification criteria.

Table of Contents

Table of Contents	3
1 Introduction	5
1.1 Objective	5
1.2 Scope and Criteria	5
1.3 Level of Assurance.....	5
1.4 Summary Description of the Project	5
2 Verification Process	6
2.1 Method and Criteria.....	6
2.2 Document Review	6
2.3 Interviews	7
2.4 Site Inspections	7
2.5 Resolution of Findings.....	8
2.5.1 Forward Action Requests.....	10
2.6 Eligibility for Validation Activities	10
3 Validation Findings.....	10
3.1 Participation under Other GHG Programs	10
3.2 Methodology Deviations.....	10
3.3 Project Description Deviations	10
3.4 Grouped Project	10
4 Verification Findings.....	11
4.1 Project Implementation Status	11
4.2 Accuracy of GHG Emission Reduction and Removal Calculations	13
4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals	17
4.4 Non-Permanence Risk Analysis.....	17

5	Verification conclusion	26
	APPENDIX X: <title of appendix>	27

1 INTRODUCTION

1.1 Objective

The purpose of the verification audit activity was to conduct an independent assessment of the Madre de Dios Amazon REDD Project (“the project”) to determine whether the quantification of GHG emission reductions for the project during the period 1 January 2014 through 31 December 2014 (“the monitoring period”) complies with the verification criteria, as set out in the guidance documents listed in Section 1.2 of this report.

1.2 Scope and Criteria

In accordance with Section 4.3.4 of ISO 14064-3:2006, the scope was defined as follows:

- The project and its baseline scenarios;
- The physical infrastructure, activities, technologies and processes of the project;
- The GHG sources, sinks and/or reservoirs that are applicable to the project;
- The types of GHGs that are applicable to the project; and
- The reporting period, as discussed in Section 5 of this report.

In accordance with Section 5.3.1 of the VCS Standard, the criteria for verification was the VCS Version 3, including the following documents:

- VCS Program Guide
- VCS Standard
- VCS AFOLU Requirements
- VCS Non-Permanence Risk Tool

Unless otherwise indicated, the assessment was performed against the most recent version of the relevant VCS guidance document.

The assessment was also performed against the relevant versions of the framework document and modules of the VM0007 methodology, as indicated in Section 2.1 of the validated project description, as well as the requirements of the validated project description itself.

1.3 Level of Assurance

In accordance with Section 5.3.1 of the VCS Standard, the level of assurance of this report is reasonable.

1.4 Summary Description of the Project

The project is located in the region of Madre de Dios, in Peru, and is aimed at reducing emissions related to unplanned deforestation.

2 VERIFICATION PROCESS

2.1 Method and Criteria

The verification was performed 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, the project was assessed for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 2.5, findings were issued to ensure that the project was in full conformance to all requirements.

Prior to the site inspections documented in Section 3.4 below, a sampling plan was assembled that highlighted the areas of highest risk of material error. These included the reported wood volumes and the reported measurements of skid trails, logging roads and logging decks. A verification plan was constructed that took the sampling plan into account.

2.2 Document Review

The monitoring report and supporting documentation were carefully reviewed for conformance to the verification criteria. The following written documents (e.g., reports, memos, land deeds and titles) were reviewed to ensure conformance of the project to the VCS rules and the methodology:

Document	Document Title	/Ref/
Monitoring report	VCS Monitoring Report MDD 2014 13 June 2016 v2	/1/
Financial risk workbook	cash flow REDD MDD jan16	/2/
Main data inputs workbook	DATOS DE MUESTREO CMRA 12	/3/
Leakage workbook	Leakage Estimations in MDD 2014 (1)	/4/
Monitoring parameters workbook	Cp Estimations in MDD 2014 (1)	/5/
Uncertainty workbook	Uncertainty Analysis MDD 2014 (1)	/6/
GHG reductions workbook	VCUs Estimations in MDD 2014 (1)	/7/
Non-permanence risk report	VCS NonPermRisk 28May 2016 v3.0	/8/
Initial PD	PD Madre de Dios Amazon REDD Project v3	/9/
Participatory rural appraisal	Diagnostico PRA Proyecto REDD uv (3)	/10/
Mill Records	Project Mill Report	/11/
Official Government Extraction record	Government Extraction Record	/12/
Management Concessions	Multiple Documents	/13/

2.3 Interviews

Interviews constituted an important component of the audit process. The following personnel associated with the project proponent and/or implementing partner were interviewed. The phrase “throughout audit” under “Date Interviewed” indicates that the individual in question was interviewed on multiple occasions throughout the audit process.

Individual	Affiliation	Date Interviewed
Tatiana Lapeyre	Assessor-Consultant	7-8 December 2015
Lizardo Fachín Malaverri	Assessor-Consultant	7-8 December 2015
Nelson Kroll Kohel	Maderacre	7-12 December 2015
Samuel Parra Rengifo	Maderacre	7-8 December 2015
José Luis Canchaya Toledo	Maderacre	7-8 December 2015
Milagros Jauregui Robladillo	Maderacre	7-8 December 2015
Esau Macedo	Maderacre	7-8 December 2015
Reynaldo Pacheco	Maderacre	7-8 December 2015
Alejandro Ji	Administrator Maderyja	Throughout
Fernando Rodriguez	Maderacre	7-8 December 2015

The following personnel not associated with the project proponent and/or implementing partner were interviewed.

Individual	Affiliation	Date Interviewed
Julio Marcial Ochoa	INRENA (National Institute of Natural Resources)	11 December 2015

2.4 Site Inspections

The objectives of the on-site inspections performed were to:

- Select samples of data from on-the-ground measurements for verification in order to meet a reasonable level of assurance and to meet the materiality requirements of the project, as required by Section 5.1.3 of the VCS Standard;
- Perform a risk-based review of the project area and project activities to ensure that the project conformed to the requirements of the VCS rules and the methodology throughout the monitoring period; and
- Ensure that monitoring was conducted in accordance with the requirements of the validated monitoring plan, the methodology employed and the VCS rules.

In fulfilment of the above objectives, the audit team performed an on-site inspection of the project area on the dates 7-12 December 2015. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel (see Section 2.3 of this report) to gather information regarding the monitoring procedures and project implementation;
- Interviewed project personnel to confirm the appropriateness of the non-permanence risk score claimed for the project (see Section 4.4 below for further details);
- Conducted appropriate cross-checks to confirm the validity of the data used to quantify the parameters required to be monitored by the methodology;
- Conducted a field review of measurement systems employed to determine the area of skid trails, logging decks and logging roads, as required by the methodology;
- Toured Parcela de Corta Anual (PCA) 12 of the Maderacre concession to observe the forest management systems employed as part of the project activity.
- Performed a haphazard check of all stumps encountered during field tour to cross check against reported extraction values.

2.5 Resolution of Findings

Any potential or actual material discrepancies identified during the assessment process were resolved through the issuance of findings. The types of findings issued by SCS were characterized as follows:

Non-Conformity Report (NCR): An NCR signified a material 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 verification 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 verification statement.

Opportunity for Improvement (OFI): An OFI indicated an area that should be monitored or ideally, improved upon. OFI's were considered to be an indication of something that could become a non-conformity if not given proper attention, and were sometimes issued in the case that a non-material discrepancy was identified. OFIs were considered to be closed upon issuance.

All findings issued by the audit team during the verification process have been closed. In accordance with Section 5.3.6 of the VCS Standard, all findings issued during the verification process, and the impetus for their closure, are described in Appendix A of this report.

2.5.1 Forward Action Requests

Not applicable, as no forward action requests were noted during this or the previous monitoring periods.

2.6 Eligibility for Validation Activities

Not applicable, as SCS does hold accreditation for validation in sectoral scope 14 (AFOLU).

3 VALIDATION FINDINGS

3.1 Participation under Other GHG Programs

Not applicable, as the project is not seeking registration under the VCS Program and an approved GHG program.

3.2 Methodology Deviations

The project implemented one methodology deviation during this monitoring period. The deviation was applied with respect to the buffer allocation. Equation 4 of the methodology requires that the net emissions in the baseline minus emissions from fossil fuel use and fertilizer use minus the net emissions in the project case minus emissions from fossil fuels and fertilizer use be multiplied by (1-Buffer%). This is inherently incorrect as this would result in an overestimation of buffer credits. The audit team performed the calculation using equation 4 from version 1.2 of the methodology and compared it with the corrected equation in version 1.4 of the methodology and confirmed that the method being employed in the project calculations is appropriate

- Whereas, the buffer total is not a specific parameter available at validation or monitored that is named by the methodology, the value does feed in to the parameter $\Delta VCU_{t,planned}$ and by association meets the criteria of a parameter monitored and this requirement for methodology deviations.
- As the buffer allocation is not applied until after the GHG reductions are calculated it is not possible for the deviation to affect the conservativeness of the reported reductions.

Based on the above justification, the audit team considers this deviation to be valid.

3.3 Project Description Deviations

Not applicable, as no project description deviations were noted nor required.

3.4 Grouped Project

Not applicable, as this is not a grouped project.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

The audit team reviewed the monitoring plan as described in the PD and cross checked the requirements against the current monitoring report and confirmed that the parameters monitored during this period are consistent with the requirements of the plan (i.e. the processes for obtaining, recording, compiling and analyzing the monitored data and parameters have been followed as described).

Section 4 of M-MON requires, as an applicability condition, that “If emissions from logging are not omitted as *de minimis*, logging may only take place within forest management areas that possess and maintain a Forest Stewardship Council (FSC) certificate for the years when the selective logging occurs”.

The audit team confirmed the following through review of the FSC Certificate Database website (<http://info.fsc.org/>; accessed 12 January 2016):

- FSC certificate SW-FM/COC-002175, issued to Maderyja, was first issued 26 January 2007 and last issued 3 April 2013 (with an expiration date of 14 February 2017)
- FSC certificate SW-FM/COC-002176, issued to Maderacre, was first issued 26 January 2007 and last issued 26 January 2012 (with an expiration date of 25 January 2017)

The audit team confirmed, through review of the above certificates (see Section 3.3 above), that the certificate for Maderacre was valid throughout the monitoring. As no harvests took place on Maderyja (as confirmed by INRENA), the audit team was not concerned with the validity of the FSC certificate for this area. The audit team also confirmed, through review of the areas described in audit reports for Maderacre and Maderyja (assessed during previous monitoring period by SCS) that the area within the geographic scope of each certificate corresponded to the area of the respective concession, and thus selective logging activities on the entire project area were within the scope of an FSC certificate for the duration of the monitoring period. As no harvests took place on Maderyja (as confirmed by INRENA), the audit team was not concerned with the validity of the FSC certificate for this area.

The audit team visited PCA 12 of the Maderacre concession and observed the forest management practices of the project activity. The audit team also confirmed, with personnel from the INRENA (see Section 2.2 above), that the project activity is not known to have resulted in any instances of non-compliance during the monitoring period.

Based on the verification activities the audit team has a reasonable level of assurance that no material discrepancies exist between the project description and project implementation or between the actual monitoring system, and the monitoring plan set out in the project description and the applied methodology.

The audit team has a wealth of experience working under various GHG schemes, as well as in the country of Peru and can confirm that the project is not bound by any emissions trading programs, have not been rejected under any other GHG programs, nor have they sought any other forms of environmental credits since the previous verification.

The following methodology deviations are taken directly from the previous verification report (2013 monitoring period, also performed by SCS). The deviations listed below are not applicable to the project during this monitoring period:

Methodology deviation 01

Equation 13 of the M-MON module requires that the length of skid trails in stratum i in time t be multiplied by a “skid trail emissions factor” to determine the emissions from skid trails in stratum i at time t . A deviation from this approach was applied for PCAs 8 and 9 in the Maderacre concession and PCAs 8-10 in the Maderyja concession, as the length and width of the skid trails in the above PCAs had not been measured. It was indicated to the audit team during on-site activities that it was not feasible to perform measurements of these skid trails because, as of the release of Version 2.0 of the M-MON module (released in 23 November 2011), sufficient time had passed since construction of the skid trails to make measurements difficult. The audit team can attest that it can be difficult to accurately establish the boundaries of skid trails sometime after harvest, due to vegetative growth. As a work-around to this situation, a ratio estimator was applied, using the known skid trail emissions from PCAs 10 and 11 of Maderyja (where measurements were undertaken) to predict skid trail emissions for the remaining PCAs using harvested volume as the predictor variable. The approach undertaken was determined by the audit team to be theoretically sound and competently carried out. While it would not be appropriate to engage in such a deviation during every monitoring period, the discrepancy is a deviation to the criteria and procedures for monitoring and is unlikely to impact the conservativeness of the quantification of GHG emission reductions in this monitoring period.

Methodology deviation 02

Section 5.1 of the M-MON module requires that “A change in source data may only occur if the images based on interpretation of the new data overlap the images based on interpretation of the old data by at least 1 year and they cross calibrate to acceptable levels based on commonly used methods in the remote sensing community.” The project does not conform to the temporal aspect of this requirement, which appears to require that images from two different points of time be available from the “new” and “old” sources, and that the temporal overlap between the different sets of images be at least one year. However, the audit team was provided with a Landsat TM 5 image from July 2010 to observe in comparison with the ResourceSat-1 imagery from July and September 2012. As minimal LU/LC change occurred between the dates of acquisition of the Landsat and ResourceSat-1 images, the cross-calibration between the images produced by the two sources was readily observed.

Methodology deviation 03

For the quantification of uncertainty in emissions from construction of skid trails, logging decks and logging roads, the M-MON module requires that “The uncertainty in carbon stocks estimates and resulting emissions must be included in the estimation of with-project scenario uncertainty calculations performed using the module X-UNC (VMD0017) during each verification event unless indisputably conservative estimates are used”. The uncertainty in carbon stock estimates was not included in the estimation of with-project scenario uncertainty calculations.

For the quantification of uncertainty in skid trail emissions, the audit team agrees that the uncertainty in carbon stock estimates does not have to be included, as discussed in Section 4.2 below. However, for quantification of uncertainty in emission from creation of logging decks and logging roads, sufficient evidence was not provided to the audit team to demonstrate that indisputably conservative estimates of carbon stock have been used. However, the total percent uncertainty calculated by the audit team (using statistically sound calculations and fully accounting for the uncertainty in the carbon stock estimates employed in logging deck and logging road emissions) was far less than 15%, as was the uncertainty reported by project personnel. Therefore, no deduction for uncertainty was required on the basis of either uncertainty calculation. On this basis, the deviation, which applies to the criteria and procedures for monitoring, can be considered to have no impact conservativeness of the quantification of GHG emission reductions, and is therefore considered appropriate with respect to the present monitoring period. It is noted that such a discrepancy with respect to the requirements of the methodology may prove to be a material discrepancy in a future monitoring period.

On the basis of observations made during the site visit, the audit team has no reason to doubt the assertions made in Section 2.1 of the monitoring report and has a reasonable level of assurance that the project has been implemented as described in the project description.

4.2 Accuracy of GHG Emission Reduction and Removal Calculations

The M-MON module requires that several parameters be monitored for quantification of project emissions. The observations of the audit team with respect to the quantification of each parameter are as follows. Unless noted below, each parameter is quantified in a manner that complies with the methodology and is sufficiently accurate to meet the materiality threshold required by the VCS rules.

Parameter/ Module	Verification Findings
Degradation PRA Results (M-MON)	As required by the M-MON module, this parameter was determined on the basis of a participatory rural appraisal (PRA) that was conducted. The audit team confirmed the appropriate conduct of the PRA by reviewing the PRA report and interviewing project personnel who were responsible for carrying out the PRA. The results of the PRA (which indicated very low potential for degradation within the project boundary) are consistent with the audit team's understanding of the general lack of dependence exhibited by neighboring communities with respect to forest resources in the project area.
$\Delta C_{BSL,unplanned}$	The audit team reviewed the PD and confirmed that the previously validated baseline carbon stocks were appropriately included in the GHG calculations and therefore considered accurate.
$A_{DefPA,u,i,t}$ (M-MON)	This parameter was quantified using two scenes from the ResourceSat-1 sensor. The audit team viewed the website from which the scenes were downloaded and confirmed that the selected scenes were than 1% cloud cover. The procedures used for geometric and radiometric correction of the remotely sensed data were reviewed by the audit team and determined to conform to good remote sensing practice, as well as the monitoring

Parameter/ Module	Verification Findings
	plan. The audit team then confirmed that monitoring of deforestation within the selected scenes was implemented in accordance with the monitoring plan, with the exception of the project description deviations discussed in Section 2.2.3 above. The monitoring was undertaken by a qualified expert, and the audit team was able to confirm, through visual observation of the ResourceSat-1 scenes, that no deforestation occurred within the project area during the monitoring period.
A _{DefLB,u,i,t} (M-MON)	This parameter was quantified using the same remotely sensed data, and the same analytical techniques, described above. The audit team confirmed, through visual review of the land classification polygons in comparison to the ResourceSat-1 data that the classification procedures used to determine the quantity of area of land-cover change in the leakage belt were appropriate, replicable and justified. The audit team also observed the replication calculation of the quantity of area deforested per post-deforestation land use reported within the leakage belt, and the calculated values were very close to those reported for the project.
A _{ROADi,t} (M-MON)	This parameter was quantified using written records of all primary and secondary logging roads that were created within the project area. The audit team confirmed the values reported for this parameter by confirming the correctness of the procedures employed to calculate said values. In addition, the audit team confirmed, based on a random sample of records that were pulled from the PCAs (management units) for which roads were built during the monitoring period, that the process used to enter data from field sheets into digital format was without material error. Finally, the audit team confirmed the appropriateness of the measurement protocols employed through review of three instances where road width was measured in PCA 12. This review provided the audit team with assurance that measurements were taken in a competent manner and that, where the potential for professional judgment existed, measurements were taken in a manner that was unlikely to result in the overestimation of GHG emission reductions.* As the information on logging decks was summarized at the level of the PCA (PCA 12), the audit team was able to review the project data and confirm that road lengths were consistent with what was observed by the audit team in the field.
A _{DECKSi,t} (M-MON)	This parameter was quantified using written records of all logging decks that were created within the project area. The audit team confirmed the values reported for this parameter by confirming the correctness of the procedures employed to calculate said values. In addition, the audit team confirmed, based on a random sample of records that were pulled from across all PCAs (management units) in which logging decks were built during the monitoring period, that the process used to enter data from field sheets into digital format was without material error. Finally, the audit team confirmed the appropriateness of the measurement protocols employed through review of three instances where logging decks were measured in PCA 12. This review provided the audit team with assurance that measurements were taken in a competent manner and that, where the potential for professional judgment existed, measurements were taken in

Parameter/ Module	Verification Findings
	a manner that was unlikely to result in the overestimation of GHG emission reductions.* As the information on logging decks was initially summarized at the level of the PCA rather than the stratum, an analysis had to be done to determine the area of logging decks for each stratum. The audit team reviewed this analysis and found it to be appropriate and justifiable.
LSKID _{i,t} (M-MON)	The audit team was able to trace the quantification of this parameter from the final values as included in the emissions calculation workbook, to a workbook containing the specific values for each skid trail (via cross-checks on all records), and finally (via cross-checks on a sample of records) to the datasheets that were used to record measurements in the field. No discrepancies were detected in this review. Finally, the audit team confirmed the appropriateness of the measurement protocols employed through review of three instances where the length of a skid trail was measured in PCA 12. This review provided the audit team with assurance that measurements were taken in a competent manner and that, where the potential for professional judgment existed, measurements were taken in a manner that was unlikely to result in the overestimation of GHG emission reductions.*
W _{SKID} (M-MON)	The audit team was able to trace the quantification of this parameter from the final values as included in the emissions calculation workbook, to a workbook containing the specific values for each skid trail (via cross-checks on all records), and finally (via cross-checks on a sample of records) to the datasheets that were used to record measurements in the field. No discrepancies were detected in this review. Finally, the audit team confirmed the appropriateness of the measurement protocols employed through review of three instances where the length of the skid trails was measured in PCA 12. This review provided the audit team with assurance that measurements were taken in a competent manner and that, where the potential for professional judgment existed, measurements were taken in a manner that was unlikely to result in the overestimation of GHG emission reductions.*
V _{EXTi,t} (M-MON)	The audit team confirmed the quantification of the values reported for this parameter at the stratum level by cross-checking a sample of log records present in an Excel workbook against the original datasheets that were used to record the measured volume for each log. The audit team noted the reported volumes were not consistent with the records provided by INRENA (see Appendix A). Based on the finding issued the project amended the reported emissions to be consistent with those of the government and more than likely to result in a conservative estimate of project emissions.
ΔC_p	See V _{EXTi,t} , A _{ROADSi,t} , and A _{DECKSi,t} above.
A _{DisPA,q,i,t}	It was indicated to the audit team that the quantity of area subject to natural

Parameter/ Module	Verification Findings
(M-MON)	disturbances in the project area was monitored through visual observation of the remotely sensed data. The audit team was able to confirm, through visual observation of the same data that no natural disturbances had occurred in the project area prior to the date of acquisition of the remotely sensed imagery.
A _{burn,q,i,t} (M-MON)	The comments made directly above also apply to this parameter. It was clear to the audit team, through visual observation of the remotely sensed imagery that no fires had burned in the project area prior to the date of acquisition of the remotely sensed imagery.
D _j (M-MON)	The audit team confirmed that the sourcing of wood density values complies with the relevant criteria of Section 4.5.6 of the VCS Standard, as referenced by Section 4.1.7(1) via Section 3.1.5. The sources for the wood density values applied were recognized, credible sources that were either reviewed for publication by an appropriately qualified peer review group or were published by government agencies. The sources were appropriate to the geographic scope of the project, being specific either to the Madre de Dios region or the country of Peru.
C _{LB} (LK-ASU)	As required by the LK-ASU module, the weighted average value for C _{LB} has been re-calculated for the present monitoring period, using information on the quantity of forest remaining in each stratum at the end of the monitoring period. The audit team reviewed the use of information from the remote sensing process (see the description of parameter A _{DefLB,u,i,t} above) to calculate the value for C _{LB} . The audit team agrees with that the value reported is an accurate estimate based on the remote sensing work.
Uncertainty p,i (X-UNC)	For the quantification of uncertainty in emissions from construction of skid trails, logging decks and logging roads, the M-MON module requires that “The uncertainty in carbon stocks estimates and resulting emissions must be included in the estimation of with-project scenario uncertainty calculations performed using the module X-UNC (VMD0017) during each verification event unless indisputably conservative estimates are used”. For emissions from skid trails, parameter C_{BSL,i} was used in place of parameter C_{dest,i} (i.e., the assumption was made that the average per-hectare quantity of CO₂-equivalent destroyed in skid trail creation was equal to the average per-hectare baseline pre-deforestation CO₂-equivalent in aboveground biomass). In the judgment of the audit team, the value for parameter C_{BSL,i} is an indisputably conservative estimate for C_{dest,i}, as the understanding of the audit team (as obtained through interviews with project personnel and confirmed through observations of the project area) is that skid trails were typically constructed so as to go around existing trees rather than require their death. Therefore, the quantification of uncertainty in skid trail emissions was calculated, using standard simple random sampling equations and procedures for uncertainty propagation, as the uncertainty in the sampled values of parameter ΔCSKID_{i,t}

Parameter/ Module	Verification Findings
	Uncertainty in other sources was not accounted for. This methodology deviation, and its implications, are discussed under the heading “methodology deviation 03” in Section 2.2.2 above.
*A further note regarding parameters for which information was cross-checked in the field: While the original measurement of skid trails, logging decks and logging roads was undertaken soon after completion of harvest activities, the verification assessment was undertaken approximately six months later, with sufficient time elapsing in the intervening period to allow for a substantial degree of vegetative growth. This vegetation served to interfere with assessment of the quality of the initial measurements, as the boundaries of infrastructural artifacts (e.g., logging roads), which should have been perfectly clear at the time of initial measurement, became unclear as those artifacts became over-grown. Where uncertainty existed, during the verification assessment, as to the margin of a given skid trail, logging deck or logging road, the benefit of the doubt was given to the entity that performed the initial measurements.	

In all instances the audit team was able to trace the raw data through a series of cell referenced workbooks and ultimately to the monitoring report and confirmed the data was free from transposition error. Based on the verification findings explained above the audit team concludes that the GHG emission reductions and removals have been quantified correctly in accordance with the project description and applied methodology.

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

The evidence used to determine GHG emission reductions for the monitoring period was of high quality. A series of workbooks, which contained the high-level calculations for determination of project emissions, leakage emissions and the calculation of GHG emission reductions, was exceptionally well-organized. Supporting evidence (as described in Section 4.2 above), including remotely sensed imagery, data sheets and reports, was made fully available to the audit team. All of the evidence required by the methodology was found to be present during the audit team's review.

Based on the evidence identified above, the audit team considers the evidence provided to be reliable, sourced from appropriate sources, and of the nature necessary to determine the GHG reductions for this monitoring period. Moreover, the audit team noted that the same information flow was used as was used during the previous verification (also conducted by SCS) and continue to agree that the information flow was generated, aggregated, recorded, calculated and properly transcribed into the monitoring report.

In conclusion, the audit team confirms with a reasonable level of assurance that the quantity, quality of evidence is sufficient to determine the GHG reductions for this monitoring period.

4.4 Non-Permanence Risk Analysis

In accordance with Section 3.7.3 of the AFOLU Requirements, the project's non-permanence risk report was assessed by the audit team. The non-permanence risk report upon which the risk analysis assessment was based is contained within the risk report, dated 28 May 2016 v3.0. The findings and

conclusion regarding the non-permanence risk analysis undertaken for the project are summarized below for each risk category and factor. Unless noted otherwise, the audit team agrees with the conclusion stated in the non-permanence risk report.

The findings of the audit team regarding the risk scores applied for each factor are as follows.

Project Management			
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of the risk rating
a)	The audit team confirmed that the project does not employ artificial regeneration and thus this risk indicator is not applicable.	N/A	N/A
b)	The audit team confirmed that the two parcels had, prior to the project implementation, and continue to have an established custody plan in place and thus additional protection is not required due to project activities. In addition, the audit team calculated the expected deforestation and compared the value to the credits previously issued to the project and confirmed that less than 50% of the credits previously issued would require protection during this monitoring period.	The audit team visited and interviewed employees of the control post and were able to conclude that the information provided by project personnel is consistent with the information gleaned during interviews and is therefore considered to be accurate. In addition, the audit team downloaded the VCU's previously issued to the project from the VCS website, which is also considered to be of high quality.	The Risk Score Is Appropriate
c)	The audit team was able to confirm, through interviews with project personnel and review of the control systems associated with the delivery of GHG information, that the management team includes individuals with significant experience in each of the skills required for effective project implementation. The management team appeared to be the audit team to be highly competent, with a wealth of experience in forest management, GHG accounting and social projects.	The audit team was provided with access to all of the company websites showing that adequate experience exists for the team members. Given that the Madreacre team meets this requirements, the audit team did not review the experience requirements for Maderyia. The audit team considers this high quality. http://www.maderacre.com/	The Risk Score Is Appropriate

d)	The base of operations for Maderacre and Maderyja are located near the town of Iñapari, and thus within a day's travel from the project area.	The audit team performed site visit activities onsite, the audit team considers its own experience and knowledge high quality	The Risk Score Is Appropriate
e)	The audit team can affirm that the management team includes individuals that have already guided the project through successful validation, verification and issuance of GHG credits of the project under the VCS Program.	Also, as stated in item c above the project team has evidence of the history of the project available on their respective websites. In addition, the same information is available on the VCS website; therefore, the information can be considered to be of high quality	The Risk Score Is Appropriate
f)	The audit team reviewed the management plan governing the project and confirmed that the plan includes an array of adaptive management procedures. In addition, interviews with INRENA confirmed that additional oversight is provided in the creation of such place ensuring that the management is to be amended based on lessons learned	Through interviews with government officials and project personnel, and review of the management plan, the audit team confirmed that the adaptive strategies were the result of a long collaborative process therefore are considered high quality	The Risk Score Is Appropriate
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)] Total may be less than zero.			The Risk Score Is Appropriate

Financial Viability			
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of the risk rating
a)	N/A	N/A	N/A
b)	N/A	N/A	N/A
c)	N/A	N/A	N/A
d)	The audit team was provided with a suite of documentation supporting the breakeven analysis /2/. The audit team traced organization	The documentation provided included audited financial documents and a detailed, user friendly budget workbook that allowed for	The Risk Score Is Appropriate

	budget values through the series of project budget worksheets and confirmed that the secured funding values were appropriate. In addition, the audit team reviewed the current and anticipated expenses and confirmed that the values provided for the anticipated project expenses were reasonable	assessment by the audit team and is therefore of high quality	
e)	N/A	N/A	N/A
f)	N/A	N/A	N/A
g)	N/A	N/A	N/A
h)	N/A	N/A	N/A
i)	N/A	N/A	N/A
Total Financial Viability (FV) [as applicable, (a + b + c + d + e + f+g+h+i)] Total may not be less than zero.			The Risk Score Is Appropriate

	Opportunity Cost		
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of the risk rating
a)	The audit team reviewed the calculation of the net present value (NPV) of project activities, which was calculated using the information provided in the spreadsheet described in relation to the Financial Viability sub-category. The audit team confirmed the appropriateness of the discount rate used for the analysis, as it was derived from a relevant source (the study "Las concesiones forestales en el Peru: como hacerlas		The Risk Score Is Appropriate
b)			
c)			
d)			
e)			
f)			

	sostenibles?" by Galarza et al., which was a study on the management of privately-operated forestry concessions in Peru). In addition, the audit team confirmed that expected net present value of cattle ranching was appropriately sourced from the study "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", which estimated the expected net present value of ranching activities within an eight-kilometer buffer of the Trans-Oceanic Highway. The \$50/ha value sourced from the study is thus conservative, as some of the project area is farther than eight kilometers from the Highway (and thus is less attractive for agricultural uses), and the net present value for cattle ranching is higher than the net present value for crop agriculture. Thus, the score reflected in the report reflects an analysis that errs on the side of conservatism (i.e., a higher net present value for the alternative land use).		
g)	N/A The project is comprised of for-profit companies.	N/A	N/A
h)	As confirmed during the previous monitoring period and confirmed during the site visit the project is compelled by the current forest use law in Peru to continue the forest practices over the crediting period.	During the site visit the audit team met with government officials (INRENA) who verbally confirmed the claims in the project risk report which is considered to be of high quality.	The Risk Score Is Appropriate

i)	As confirmed during the previous monitoring period and confirmed during the site visit the project is compelled by the current forest use law in Peru to continue the forest practices over the crediting period. In addition, the same law ensures that the forest area is to be kept in standing forest in perpetuity ensuring the avoided deforestation activities overtime	During the site visit the audit team met with government officials (INRENA) who verbally confirmed the claims in the project risk report which is considered to be of high quality.	The Risk Score Is Appropriate
Total Opportunity Cost (OC) [as applicable, (a + b + c + d + e + f+g+h+i)] Total may not be less than zero.			The Risk Score Is Appropriate

	Project Longevity		
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Risk
a)	Not Applicable	N/A	N/A
b)	As stated above the project is under contract /13/ to manage the forest according to the approved management plan for the duration of the management concession.	The audit team reviewed the forest management plan and the financial analysis submitted to the Peruvian government and considers this document to be of high quality. In addition, the audit team interviewed local government officials who confirmed such submission.	The Risk Score Is Appropriate
Total Project Longevity (PL) May not be less than zero			The Risk Score Is Appropriate

	Opportunity Cost	
--	-------------------------	--

Risk	Assessment of rationale, assumptions and justification		Risk
a)	N/A	N/A	N/A
b)	The audit team agrees that the ownership and resource access/use rights are held by different entities, as the concession contracts for Maderacre and Maderyja clarify that the concession areas (of which the project area is a subset) are owned by the government of Peru, with certain access/use rights granted to the companies Maderacre and Maderyja for their respective concessions.	The audit team reviewed the concession agreements and confirmed their validity through interviews with local government officials who confirmed no changes in the agreements since the previous monitoring period	The Risk Score Is Appropriate
c)	The audit team can confirm, through knowledge of norms governing land use in Peru, that the ownership of the concession areas by the Peruvian government is undisputed.	The audit team met with leaders from a Belgium Native Community who confirmed project claims of no disputes with respect to land tenure	The Risk Score Is Appropriate
d)	N/A - see above	N/A	N/A
e)	N/A the project is not a WRC project	N/A	N/A
f)	See item h of the opportunity cost above	See item h of the opportunity cost above	The Risk Score Is Appropriate
g)	N/A	N/A	N/A
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.			The Risk Score Is Appropriate

Community Engagement			
Risk	Assessment of rationale, assumptions and justification		Risk
a)	The audit team can confirm, through review of remotely sensed data indicating the absence of any land clearing, visits to the project area, and general knowledge of settlement patterns in the region, that there are no households within the project area.	Interviews with leaders from Belgium Native Community and verified remotes sensing products	The Risk Score Is Appropriate
b)	The audit team can confirm, through review of Participatory Rural Appraisal	Interviews with leaders from Belgium Native Community and	The Risk Score Is

	results and general knowledge of land use within the region, that there are no households within 20 km of the project area that could be considered reliant on the project area.	verified remotes sensing products	Appropriate
c)	As there are no communities who derive livelihoods from the project area, this mitigation score is not applicable.	N/A	N/A
Total Community Engagement (CE) [where applicable, (a + b + c)] Total may be less than zero.			The Risk Score Is Appropriate

	Political Risk		
Risk	Assessment of rationale, assumptions and justification		Risk
a)	N/A	N/A	N/A
b)	N/A	N/A	N/A
c)	The audit team download the WGI scores on 3 January 2016 and confirmed the governance score -0.2529 as reported in the project non-permanence risk report	The World bank governance indicator online database is considered of high quality (http://info.worldbank.org/governance/wgi/index.aspx#home)	The Risk Score is Appropriate
d)			N/A
e)			N/A
f)	The Madre de Dios region of Peru is participating in the Governors' Climate and Forest Taskforce (GCF), as confirmed through review of the Governors' Climate and Forest Taskforce (GCF) website (http://www.gcftaskforce.org/ ; accessed 3 January 2016). Thus, at least one of the criteria necessary to claim the	The audit team considers the GCF website of high quality (http://www.gcftaskforce.org/ ; accessed 3 January 2016)	The Risk Score Is Appropriate

	mitigation risk score has been met.		
Total Political (PC) [as applicable ((a, b, c, d or e) + f)] Total may not be less than zero.			The Risk Score Is Appropriate

Given the long term stability of natural risk scores, the audit team did not investigate the risk scores provided, but rather investigated only if changes had occurred since the previous verification (also performed by SCS). As no findings were raised with respect to changes in the natural risk scores, the initial findings of the audit team regarding the risk scores applied for each factor are as follows.

Natural Risk		
Risk Factor	Verification Findings	Risk Rating
F	The audit team can confirm, through expert knowledge of the region in which the project is located, that the risk of natural fires (i.e., fires for whom the ignition source is not humans) is not applicable to the project area. While lightning storms do exist in the Peruvian highlands, they are not common in the region in which the project is located.	0
PD	The audit team can confirm, through expert knowledge of the region in which the project is located, that the risk of pest and disease outbreaks is not applicable to the project area. As with most natural forests in tropical ecosystems, the project area has a diverse array of tree species, which serves to minimize the risk of any outbreaks. While pests (e.g., moths) have been a problem in some plantation areas in the past, the instances of enrichment planting within the project area will be dispersed throughout the project area so as to minimize the risk of pest outbreaks.	0
W	The audit team can confirm, through expert knowledge of the region in which the project is located, that extreme weather events that would result significant impacts on carbon stocks do not occur in the project area. While strong wind events do occur, they do not typically knock trees down.	0
G	The audit team agrees that the risk of landslides in the project area is low. The audit team also agrees that the risk of other geological hazards is not applicable to the project area.	0
Total Natural Risk (as applicable, F + PD + W + G + ON)		0

In summary, the overall risk rating that was determined for the project, in accordance with the VCS Non-Permanence Risk Tool, is 10%. The audit team has concluded that the above risk rating is in conformance with the VCS rules.

Thus, the audit team can confirm that 91,557.70 buffer credits, as calculated using Equation 5 of the REDD-MF methodology framework Version 1.2, should be deposited into the AFOLU pooled buffer account.

5 VERIFICATION CONCLUSION

The project conforms with the verification criteria for projects and their GHG emission reductions set out in the VCS rules. The audit team asserts no qualifications or limitations with respect to the statement above. The project has been implemented in accordance with the project description and subsequently validated variations.

The audit team has been able to confirm, with a reasonable level of assurance, that the quantity of GHG emission reductions set out below has been quantified in accordance with the VCS rules. As documented in Appendix B, the audit team can also confirm that the non-permanence risk score of 10% has been quantified in accordance with the VCS rules and results in a buffer allocation of 91,557.70 tCO₂e.

Reporting period: From 01-January-2014 to 31-December-2014.

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

Year	Baseline emissions or removals (tCO ₂ e)	Project emissions or removals (tCO ₂ e)	Leakage emissions (tCO ₂ e)	Buffer Allocation (tCO ₂ e)	Net GHG emission reductions or removals (tCO ₂ e)
2014	1,107,895	192,324,27	349.64	91,557.70	915,221.09
Total	1,107,895	192,324,27	349.64	91,557.70	915,221.09

APPENDIX A: VERIFICATION FINDINGS

The following tables include all issues raised during the verification audit. It should be noted that all language under “Client Response” is a verbatim transcription of responses to findings as provided by project personnel.

NCR 2014.1 dated 12/21/2015

Standard Reference: VCS Standard v3.5 Section 3.16.6

Document Reference: VCS Monitoring Report MDD 2014 FINAL 1 22oct

Finding: The VCS Standard states that "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

During the review of the project documentation the audit team observed that the version of the monitoring report template was not consistent with the most current version (v3.3). Moreover, given that the footer has been removed from the template, the audit team could not discern which version was being used by the project and thus is not in conformance with the Standard.

Client Response: Madre de Dios Amazon REDD Project changed the version of the monitoring report template with the most updated version (v3.3).

Auditor Response: As stated in the client response, the monitoring report has been updated to the latest version of the template and is now in conformance regarding this issue.

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.2 dated 12/21/2015

Standard Reference: VCS Non-Permanence Risk Report Template v3.1: AFOLU Requirements v3.4 Section 3.7.3

Document Reference:

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

During the document review the audit team discovered that the version of the non-permanence risk report template being used was not consistent with the most up to date version of the risk report template (v3.1) and therefore is not in conformance with the VCS rules.

Client Response: Madre de Dios Amazon REDD Project changed the version of the Risk Report template with the most updated version (v3.2).

Auditor Response: As stated in the client response, the risk report has been updated to the latest version of the template and is now in conformance regarding this issue.

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.3 dated 12/21/2015

Standard Reference: The VCS AFOLU Non-Permanence Risk Tool v3.2 Section 2.2.3 (1)

Document Reference:

Finding: 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 (2) 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."

The project risk report merely states the results of the NPV analysis and does not provide all relevant assumptions, parameters, and data sources such that a reader may reproduce the analysis and determine the same results and therefore is not in conformance with the VCS rules.

Client Response: We present attached to the Risk Report the cash flow done to find the Project's Net Present Value (VPN). The document is an excel sheet, with all the assumptions and formulas inside. In the case of the Opportunity cost and carbon credit prices are based in publications, named in the file.

Auditor Response: Whereas, the audit team confirmed the NPV analysis to be accurately performed during the site visit, this finding was issued given the lack of supporting evidence provided to the audit team. As stated in the client response the cash flow workbook provided to the audit team includes the information necessary to repeat the NPV analysis and is supported by documented evidence. The information provided is sufficient for resolving this issue.

Closing Remarks: The client's response adequately addresses the finding.

NIR 2014.4 dated 12/21/2015

Standard Reference: The VCS AFOLU Non-Permanence Risk Tool v3.2 Section 2.2.3 (1)

Document Reference:

Finding: 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 (2) 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."

During the office portion of the site visit, the audit team observed that the discount rates used to perform the NPV analysis were the same for both the project scenario and the most profitable alternative land use scenario. Please provide justification that the discount rates provided are based on published sources and represent the appropriate risk for the relevant land use scenario.

Client Response: We present attached to the Risk Report the cash flow done to find the Project's Net Present Value (VPN). The document is an excel sheet, with all the assumptions and formulas inside. In the case of the Opportunity cost and carbon credit prices are based in publications, named in the file.

Auditor Response: Whereas, the audit team confirmed the NPV analysis to be accurately performed during the site visit, this finding was issued given the lack of supporting evidence provided to the audit team. As stated in the client response the cash flow workbook provided to the audit team includes the information necessary to repeat the NPV analysis and is supported by documented evidence. The information provided is sufficient for resolving this issue.

Closing Remarks: The client's response adequately addresses the finding.

NIR 2014.5 dated 12/21/2015

Standard Reference: The VCS AFOLU Non-Permanence Risk Tool v3.2 Section 2.2.4 (3)

Document Reference:

Finding: The AFOLU Non-Permanence Risk Tool states "For all AFOLU project types, the entire project longevity shall be covered by management and financial plans as submitted to local government or financial institutions, or otherwise made public, in which the intention to continue management practices is stated and planned for, and may include external evidence such as municipal land-use plans, institutional structures, or tools such as ecological-economic zoning."

During the office portion of the site visit it was not clear to the audit team that the management and financial plans covered the entire project longevity and were submitted to local government or financial institutions, or otherwise made public. Please provide evidence of such to justify the project longevity risk score.

Client Response: The Madre de Dios Amazon REDD Project area include two adjacent forest concessions, given to them with Concession Contracts granted by the Peruvian State for a period of 40 years renewable, which ensures that the management of the area will continue after the end of the Madre de Dios Amazon REDD Project duration.

The areas covered by Maderacre SAC and Maderyja SAC concessions have the title of "Permanent Production Forests", recognized by the Peruvian State, being their conservation as such guaranteed, since they are defined in the Forestry Legislation as Forest areas that due to their biotic and abiotic characteristics are suitable for permanent and sustainable production of timber and other environmental goods and services.

See Risk Report updated attached

Auditor Response: It is the understanding of the audit team that the fact that the term renewable is an appropriate justification that the current management and financial plans are sufficient for meeting the criteria of the risk tool. During the site visit the audit team met with officials of the Peruvian state who review and approve the management plan, which includes the financial plans for the project the submission to the Peruvian state are an appropriate entity as described in the risk tool, thus meeting all criteria of this risk indicator. The information provided is sufficient for resolving this issue.

Closing Remarks: The client's response adequately addresses the finding.

NIR 2014.6 dated 12/21/2015

Standard Reference: The VCS AFOLU Non-Permanence Risk Tool v3.2 Section 2.2.1 (b)

Document Reference:

Finding: The AFOLU Non-Permanence Risk Tool states "Ongoing enforcement refers to the need to protect carbon stocks in the project area from encroachment by outside actors, for example, where a REDD project faces risk from outside actors entering the project area for the purposes of illegal logging."

It is not clear to the audit team that the score suggested by the project for item (b) is justified. Please provide justification for the risk score selected.

Client Response: The project has a custody plan, which includes the presence of control posts and patrol supervisions. This allow us to have under control the risk of invasions and illegal logging.

Auditor Response: During the site visit the audit team was able to observe the presence of multiple control post leading into the project area, as well as along the Acre river. The audit team interviewed the persons manning such posts who confirmed that indeed the control posts are a function of the timber harvest operations and therefore do not require additional protection due to the carbon stocks for which credits have been issued. The audit team considers this issue resolved

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.7 dated 12/21/2015

Standard Reference: The VCS AFOLU Non-Permanence Risk Tool v3.2 Section 2.2.3 (1)

Document Reference:

Finding: The AFOLU Non-Permanence Risk Tool states "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), averaged over the most recent five years of available data. Governance scores shall be translated into risk scores as set out in Table 9."

The project risk report does not use the most recent 5 years of data to determine the political risk score and therefore is not in conformance with the VCS rules.

Client Response: The Peruvian "Governance score" is -0.2529 for the period 2009-2014 (last 5 years data available currently).

See updated risk report attached

Auditor Response: As stated in the client response, the political risk score has been updated to include the last 5 years of available data and therefore are now in conformance with this indicator

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.8 dated 12/21/2015

Standard Reference: VCS Standard v3.5 Section 3.1.1

Document Reference: N/A

Finding: The VCS Standard states "Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.4.1."

Section 2.4.1 defines the principle of accuracy as "Reduce bias and uncertainties as far as is practical" and the principle of conservativeness as "Use conservative assumptions, values and procedures to ensure that net GHG emission reductions or removals are not overestimated."

Subsequent to the site visit, the audit team compared the project reported volumes extracted from the project area with the extracted volume reported by INRENA and discovered that the project was reporting approximately 90 m³ less than the value reported by INRENA. Given that the project is reporting a lesser value than that of INRENA it appears that the project is under reporting the project emissions and thus overestimating the project GHG emission reductions or removals. Given that the project is reporting a less conservative value of extracted volume than that which is verifiable, the project is not in conformance with the principles defined in section 2.4.1 of the VCS Standard.

Client Response: The number of VCUs has been updated, using the official's record for the timber extraction from the forest concessions

Auditor Response: The audit team compared the updated version of the VCU calculations, confirming that the verifiable timber extraction data provided by the Peruvian state is now being used to calculate the project emissions and are now in conformance with the VCS principles.

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.9 dated 12/21/2015

Standard Reference: VCS Standard v3.5 Section 3.16.6; VCS Monitoring Report Template v3.3 Section 2.2.2

Document Reference: VCS Monitoring Report MDD 2014 FINAL 1 22oct

Finding: The VCS Standard states that "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

The monitoring report template v3.3 requires that "Describe any project description deviations applied during this monitoring period and explain the reasons for the deviation. Identify whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario and provide an explanation of the outcome.

Describe and report on any project description deviations applied in previous monitoring reports."

The project monitoring report does not include evidence of any project description deviations, however there were project description deviations listed in previous monitoring periods and therefore is not in conformance with the VCS rules.

Client Response: The project monitoring report includes evidence of deviations in the buffer; that description was included in the point 2.2. Desviations, as well as the deviations description listed in previous monitoring periods and in the validation, according to the VCS rules.

Auditor Response: The audit team reviewed the amended monitoring report and confirmed that the report now conforms to the requirements regarding the inclusion of project description deviations and now in conformance regarding this issue.

Closing Remarks: The client's response adequately addresses the finding.

NCR 2014.10 dated 12/21/2015

Standard Reference: VCS Standard v3.5 Section 3.16.6; VCS Monitoring Report Template v3.3 Section 2.2.1; VCS VM0007 REDD-MF v1.2 Equation 4

Document Reference: VCS Monitoring Report MDD 2014 FINAL 1 22oct

Finding: The VCS Standard states that "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

The monitoring report template v3.3 requires that the user "Describe and justify any methodology deviations applied during this monitoring period. Include evidence to demonstrate the following:

- The deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions or removals.
- The deviations relates only to the criteria and procedures for monitoring or measurement, and do not relate to any other part of the methodology."

The VM0007 shows that the buffer allocation should be calculated using equation 4 in which the final function of the formula is $\times (1 - \text{buffer}\%)$. The project calculations show that the buffer allocation is calculated by a final function showing $\times 1 - (\text{buffer } \%)$. The audit team is aware that the method listed in the methodology is incorrect and thus the method employed by the project is appropriate, however this does not alleviate the need to record this as a methodology deviation and therefore is not in conformance with the VCS rules.

Client Response: The MD Amazon Redd Project has registered this as a methodology deviation in the monitoring report and is in conformance with the VCS rules.

Auditor Response: As stated in the client response, the monitoring report has been amended to include the methodology deviation as required. The monitoring report is now in conformance with the VCS rules regarding this issue.

Closing Remarks: The client's response adequately addresses the finding.

NIR 2014.11 dated 12/21/2015

Standard Reference: VCS Standard v3.5 Section 3.16.6; VCS Monitoring Report Template v3.3 Section 2.2.1

Document Reference: VCS Monitoring Report MDD 2014 FINAL 1 22oct

Finding: The project monitoring report for this period lists the version of the methodology as v1.4, however the version listed in the PD is v1.2. Please provide the correct version of the REDD-MF methodology being employed by the project.

Client Response: The correct version of the REDD-MF methodology employed by the project was 1.2., which was updated in the monitoring report, point 1.8.

Auditor Response: As stated in the client response, the error regarding which version of the REDD MF methodology was employed and is now in conformance with the VCS rule regarding this issue.

Closing Remarks: The client's response adequately addresses the finding.