

VERIFICATION REPORT FOR THE MADRE DE DIOS AMAZON REDD PROJECT



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Project Title	Madre de Dios Amazon REDD Project
Version	1.1
Report ID	1219201601

Report Title	Verification Report for the Madre de Dios Amazon REDD Project
Client	Maderacre S.A.C. and Maderyja S.A.C. Greenox NGO
Pages	51
Date of Issue	16 December 2016 (Revised 29 December 2016)
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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 Peru, in accordance with the rules set out in the prevailing documents of the Verified Carbon Standard (Version 3) and all applicable requirements therein, for the monitoring period from 01 January, 2015 to 31 December, 2015. The verification was conducted by means of document review, follow-up interviews and site inspection, and the resolution of outstanding issues. The verification included: evaluating whether the provisions of the monitoring methodology and the monitoring plan were consistently and appropriately applied; and assessing the collection of evidence supporting the reported data for conformity to the protocol. As part of the verification 14 findings were raised: 8 Non-Conformity Reports, 6 New Information Requests and no Opportunities for Improvement. These findings are described in Appendix A of this report. In summary, the audit team is able to verify with a reasonable level of assurance that the GHG removals generated by the project, quantified in accordance with the verification criteria, amount to 510,569 tonnes CO₂ equivalent. SCS verified that the non-permanence risk rating of the proposed project activity for this verification is 10% which is to be applied to the change in carbon stocks at this verification (equal to 51,089 tCO₂e). The amount of VCUs to be issued would be 459,479 tCO₂e. 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.

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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 2015 through 31 December 2015 (“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 3.6, including the following documents:

- VCS Program Guide
- VCS Standard
- VCS AFOLU Requirements VCS Version 3.5
- VCS Non-Permanence Risk Tool VCS Version 3.3

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

From the Validated PD (Version 3):

“The proposed project activity consists of sustainable forest management in the certified timber concessions “Maderera Río Acre S.A.C. and Maderera Río Yaverija S.A.C.” in Madre de Dios department, South East of Peru, in the Peruvian Amazon.

Both timber concessions have signed long-term concession contracts with the Peruvian State in May 2002 for 40 years, renewable for 40 more years, totaling 80 years of contract, for an area of 98,932 hectares (49,376.0 hectares for Maderacre and 49,556.0 hectares for Maderyja).

The project area is located less than 30 km to the side of the new inter-oceanic road that will unite Brazil with the Peruvian ports, in the region that belongs to the Vilcabamba-Amboró Conservation Corridor in the Peruvian Amazon, one of the world’s biodiversity hotspots.

The area of influence of the Interoceanic road is characterized for still having areas of forests of great importance for their biodiversity and the environmental services they offer. However, the presence of the inter-oceanic road represents a great risk due to a major pressure of population from rural Andes regions that will migrate looking for lands, and the economic activities that will consequently be established. In this sense, it is relevant to consolidate the sustainable management of the area, as it is the case of forestry concessions with timber and non-timber destination, private areas and protected natural areas.

Another secondary source of risk for the future could come from illegal logging, which may affect in a much lower level of risk, the project area. Illegal loggers could be attracted in the future by the abundance of forestry species of high commercial value, as mahogany. Illegal logging, even though it does not necessarily deforest, if happens, could affect in the future value of the forest and open roads that make accessibility easier, creating the conditions for future deforestation. However, it is clear from different independent studies and from the Participatory Rural Appraisal diagnosis (PRA conducted for the project) that this risk is not significant and the main reason for land use change has been, and remains, the installation of crops and pastures.

The Madre de Dios Amazon REDD Project will dramatically reduce deforestation by increasing surveillance in the rainforest and benefiting local communities. The project was been validated on 2nd December 2009, according to the Climate, Community & Biodiversity Alliance (CCB Standards) by Scientific Certification Systems (SCS), which guarantees its social and environmental sustainability and validates that carbon calculations have been done following appropriate methodologies. This is furthermore enhanced by the fact that the project has obtained the maximum status within the CCB Standard: Gold.”

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 conducting the site visit activities, the audit team created a sampling plan to determine the areas with the greatest risk of material error. The audit team created a sampling plan following a proprietary sampling plan workbook developed by SCS. Per Section 4.4.3 of ISO 14064-3:2006, the audit team identified possible risks of errors, omissions and misrepresentations with respect to the verification criteria. These risks included the remote sensing analysis that was employed, the reported harvested wood volumes of each concession, and the reported measurements regarding infrastructure development (skid trails, logging roads, and logging decks) in each concession during the monitoring period in question. For each identified risk, the audit team assessed the likelihood of the material discrepancy occurring, the likelihood of the material discrepancy not being prevented or detected by the controls of the project the material discrepancy and the likelihood of the material discrepancy not being detected by the audit team. Sampling and data testing activities were planned to address any risk where the likelihood of a material discrepancy not being detected by the audit team was judged to be unacceptably high. The audit team then created a validation plan 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, certificates, land deeds and titles, etc.) were reviewed to ensure conformance of the project to the VCS rules and the methodology:

Document/Description	Document Title	/Ref/
Monitoring report	1 st Version: VCS Monitoring Report MDD 2015 June 2016 Final Version: VCS Monitoring Report MDD 2015 15 oct16 (Version 02 dated 15 October 2016)	/1/
Main Data Input Workbooks for Each Concession	DATOS DE MUESTREO CMRA 13-12.xlsx (Maderacre) DATOS DE MUESTREO MDRJA 2015.xlsx (Maderya)	/2/
Leakage Calculations Workbook	1 st Version: Leakage Estimations in MDD 2015 (June 2016)	/3/

	2 nd Version: Leakage Estimations in MDD 2015 (October 20, 2016)	
Monitoring Parameters and Calculations Workbook	1 st Version: Cp Estimations in MDD 2015 (June 2016) 2 nd Version: Cp Estimations in MDD 2015 (October 2016)	/4/
Uncertainty Analysis Workbook	1 st Version: Uncertainty Analysis MDD 2015 (June 2016) 2 nd Version: Uncertainty Analysis MDD 2015 (October 2016)	/5/
GHG Reductions Workbook	1 st Version: VCUs Estimations in MDD 2015 (October 2016) 2 nd Version: VCUs Estimations in MDD 2015 (October 2016)	/6/
Non-permanence risk report	VCS NonPermRisk 2015 VCS NonPermRisk 2015 v2.0 (12 August 2016)	/7/
Validated Project Description Document	PD Madre de Dios Amazon REDD Project v3	/8/
GIS/Remote Sensing Procedure Protocol and Document	Memoria_ SIG monitoreo M&M_jun_2016_.pdf 01. Memoriafinal_M&M_jul_2016 (1).pdf (October 2016)	/9/
Participatory Rural Appraisal Report and Results	Diagnostico PRA Proyecto REDD uv. Pdf	/10/
Original Logging Infrastructure Data Workbooks	Impactos_MRA	/11/
Ground-Truthing Report for Remote Sensing Analysis 2015	Informe_N°_001_2016_Validacion Interpretacion Defo.pdf	/12/
Final Execution Reports for Harvested Parcels in 2015: Madreacre: Parcels 13 and 12 Maderyja: Parcels 3,4, 13	Informe Ejecución POA MRA PCA 13 12.pdf Informe Ejecución POA MRY PCA 3.pdf Informe Ejecución POA MRY PCA 4.pdf Informe Ejecución POA MRY PCA 13.pdf	/13/

General Management Plans for Concessions	PGMF MRA 2014.pdf PGMF MRY 2011.pdf	/14/
Staff Training/Capacity Building Plan and Monitoring SOP	Plan de Capacitaciones 2015.pdf Guia M&E_REDD (1).pdf	/15/
Joint Plan of Custody and Boundary Enforcement for Concessions	Plan de Custodia M%M act 2015.pdf	/16/
Land Use Rights and Concession Contract Documentation	actas de colindancia MRY.pdf Ayuda Memoria Derecho Carbono MRA.doc CC Maderacre.pdf Contrato Concesion Maderyja SAC (1).pdf RRPP Concesion Maderacre .pdf RRPP Concesion Maderyja .pdf	/17/
FSC Certification Documentation for both Concessions	Certificado FSC MRY 2012.pdf Maderera Rio Acre FM cert IN-2014-1.pdf	/18/
Project Staff CVs	Various Resumes from all Key Project Staff	/19/
Financial Risk Workbook and Evidence	cash flow REDD MDD jan16	/20/
Official Government Extraction Records for Concessions	Government Extraction Record	/21/
Management Concessions	Multiple Documents	/22/

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.

Individual	Affiliation	Date Interviewed
José Luis Canchaya Toledo	Maderacre Administrator	26-30 June 2016
Alejandro Ji	Administrator Maderyja	26-30 June 2016
Tatiana Lapeyre	Assessor-Consultant	26-30 June 2016
Nelson Kroll Kohel	Maderacre-Chief Forest Engineer	26-30 June 2016
Samuel Parra Rengifo	Maderacre-Forest Engineer/Technician	26-30 June 2016
Man Kit Chim Chon	Maderyja-Technician/Administrator	26-30 June 2016
Milagros Jauregui Robladillo	Maderacre-Social Scientist/Community Relations	26-30 June 2016
Enrique Pacheco	Maderacre-Engineer/Technician	26-30 June 2016
Natally Lombardi	Maderacre- Social Specialist	26-30 June 2016
Esau Macedo Santillan	Maderacre-Checkpoint Guard/Controller	26-30 June 2016

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

Individual	Affiliation	Date Interviewed
Walter Vilavila Huancaya	INRENA (National Institute of Natural Resources)- Forest and Fauna Director	26-30 June 2016
Moises Mamani Fernandez	Local Project Beneficiary	26-30 June 2016
Hugo Villa	President of Community Villa Primavera	26-30 June 2016
Veronica Musolini	Local Project Beneficiary	26-30 June 2016
Representatives of Local Community Belgica	President Hilson and various other individuals, representatives, and members from the community's women's cooperative group from comunidad Belgica.	26-30 June 2016

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 of 26 June, 2016 to 30 June, 2016. The main activities undertaken by the audit team were as follows:

- An assessment of the implementation and operation of the project activity through visual inspection and through interviews with the project proponent's staff. Project, concession, and parcel boundaries and information were assessed using a Pocket GPS receiver as well as through visual observation;
- Identified and visited randomly selected areas of harvested parcels during the monitoring period in question (Parcela de Corte Annual (PCA) 13 of Madreacre and PCA 13 of the Maderyja concessions) to ensure that the operational and data collection procedures were implemented in accordance with the monitoring plan of the PD and to verify the information flows for generating, aggregating and reporting monitoring parameters.
- Interviewed project personnel (see Section 2.3 of this report) to gather information regarding 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 and methods employed to determine the area of skid trails, logging decks and logging roads, as required by the methodology;
- Performed an arbitrary check of all stumps encountered during the field visit 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): Receiving an OFI indicates an area that should be monitored or ideally, improved upon. OFI's are often an indication of something that may become a non-conformity if not given proper attention. A root cause analysis and corrective action plan are not required, but highly recommended. OFI's 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 verification 8 NCRs and 6 NIRs were issued. 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 inputs for their closure, are described in Appendix A of this report.

2.5.1 Forward Action Requests

A forward action request (FAR) is issued for actions if the monitoring and reporting require attention and/or adjustment for the next monitoring period. No Forward Action Requests were issued by SCS.

2.6 Eligibility for Validation Activities

SCS is accredited for conducting validation of AFOLU projects, so this section is not applicable.

3 VALIDATION FINDINGS

3.1 Participation under Other GHG Programs

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

3.2 Methodology Deviations

Upon review of the monitoring report and relevant excel spreadsheet calculations, the audit team noted that the project proponents were not able to obtain direct field measurements for certain infrastructure created within logging parcels during this monitoring period. This has resulted in the use of the following methodological deviations:

The value of logging deck area estimated for parcel 12 in the Maderacre concession does not come from a source permitted by the methodological tool VMD0015 M-Mon, but rather from an estimate that utilizes the average area of logging decks from another harvested parcel to then multiply by the number of decks on record for parcel 12. This represents a methodological deviation that is permissible under the VCS standard (a deviation from the criteria and procedures relating to monitoring or measurement), and the project proponents have justified that this would not negatively impact the conservativeness of the quantification of GHG emission reductions because the average size of landing deck areas used for this estimation is based on the direct field measurements from a parcel that was harvested during the same monitoring period and using the same equipment and operators as the parcel in question. Thus, the audit team deems this methodological deviation permissible and appropriate under these circumstances and in lieu of not being able to obtain direct field measurements.

Similar to the situation above, the project proponents also decided to employ a methodology deviation in the absence of obtaining direct field measurements for some secondary roads in parcels that underwent harvesting during the monitoring period in both concessions. The audit team can confirm that the estimates used do not negatively impact the conservativeness of the quantification of GHG emissions reductions because they were determined in the following manner:

- Missing width data for secondary roads in PCA 12 were obtained from widths measured in the field PCA 13, and this is deemed appropriate as the audit team determined that the same machinery was used for road construction in both parcels.
- Missing lengths for secondary roads in PCAs 3 and 4 were estimated based on the proportion of known length of secondary roads constructed in neighbouring harvested parcels per the volume of wood extracted from those known parcels, and this is more appropriate than estimates that use area in the proportion as secondary roads are constructed according to volume and location of wood to be extracted.

The final deviation applied by the project proponents during this monitoring period has to do with the project's buffer allocation and an earlier mistake identified in version 1.2 of the methodology. Equation 4 in this version of the methodology requires that 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 was found to be incorrect, as it would result in an overestimation of buffer credits. Hence, the project proponents performed the calculation using the corrected version of equation 4 from version 1.4 of the methodology instead, and the audit team was able to confirm that this method of performing the required buffer calculation was appropriate since:

- The total buffer value feeds into the monitoring parameter ΔVCU_t planned, and thus meets the criteria of a monitored parameter permitted for a possible methodology deviation under the VCS standard; and
- Since the buffer allocation is not applied until after the GHG reductions are calculated, it is not possible for this deviation to affect the conservativeness of the reported reductions.

Based on the above justifications, the audit team considers these deviations to be valid.

3.3 Project Description Deviations

Not applicable, as no project description deviations were noted nor required during this monitoring period.

3.4 Grouped Project

Not applicable, as this is not a grouped project.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

The audit team checked the monitoring plan contained in the latest version of the PD /8/ and compared it with the latest version of the MR /1/ to verify whether there was any difference that would cause an increase in estimates of the GHG emission reductions in the current monitoring period. The audit team confirmed that the implementation is in accordance with that stated in the monitoring plan of the PD, and that no project description deviations were present.

The audit team also confirmed that the monitoring of project implementation has been carried out in accordance with the monitoring plan contained in the registered PD. According to the validated PD (Version 03), the project will achieve the expected GHG emission reductions through two outcomes:

Outcome 1 - Contribute to the sustainable development of rural producers living in the buffer zone of the project through the following activities:

- a) Socialization and dissemination of the project goals: the audit team verified this activity through documentation, pictures, and interviews with community members that the project goals were

presented in public events such as workshops, town meetings, and other events, mainly in the Villa Primavera and Belgica communities

- b) Identification and selection of proposals for the environmentally friendly productive projects: The audit team was able to verify implementation of these activities through interviews with the recipients of the environmentally friendly productive projects contest winners from Inapari and from other buffer areas of the project
- c) Development of the skills and capacities of the members of the associations linked to the selected projects: The audit team was able to verify that some capacity building, although minimal, had occurred with contest winners and with a Children's forest methodology group in Villa Primavera community
- d) Design of the project profiles of the selected projects
- e) Look for financing and/or co-financing for the approved profiles
- f) Support on the implementation of the approved projects
- g) Monitoring of the projects

d-g: The audit team was able to verify implementation of the initiatives mentioned in the MR through review of documentation, materials employed, and interviews with respective community members and beneficiaries. While some progress has been made with individuals that have won the environmentally friendly production project contests, most of the implementation in this regard has been made with two distinct projects involving local communities; a local handcraft project with a women's group in the Belgica community and with the creation of a Children's educational forest in the Villa Primavera community.

While these social projects/initiatives have in fact begun to be implemented during this last monitoring period, the perception from some community members and participants is that their implementation has been rather slow and ineffective. In addition, their impact on contributing to the project's emissions reductions is not entirely apparent or clear. However, these concerns are immaterial as they concern this VCS audit, as they do not represent a nonconformance to the VCS standard and because no deforestation has been detected in the project area and leakage belt during this last monitoring period that could be attributed to the communities surrounding the project area. What is more, it has also already been proven through other means /7//10/ that the subsistence, commercial, and other activities of the communities that surround the project and leakage areas do not pose a threat to the carbon stocks of the project.

Outcome 2 - Reduce the vulnerability of the project area from external factors of deforestation and degradation through the following activities:

- a) Review and update of the custody plan
- b) Installation of control posts PCA 5 Maderacre
- c) Delimitation of 100% of the concessions boundaries
- d) Installation of "Hitos" in the concessions vertexes
- e) Improve the signaling within the concessions
- f) Periodic and annual patrolling within vulnerable sectors
- g) Annual monitoring of possible invasions using satellite images
- h) In-field verification of sectors identified as potential points of invasion (due to deforestation)
- i) Development and implementation of mechanisms for the dissemination of environmental education among children, adolescents and communities involved in the project

The audit team confirmed the review, update, and implementation of the custody plan /16/. The Comunidad Nativa Belgica situated in the leakage belt, is by far the most important neighbor of the REDD Project. During a community meeting, it was evident that the members are informed about the plan and are well aware of the impacts of its implementation, and that the community has no conflicts or complaints against the project and/or its activities. Checkpoints, or control posts, were visited during the onsite visit and the audit team was also able to interview guards who confirmed the presence of project personnel in the area at all times in order to prevent illegal activities and to monitor who enters or leaves the concessions. The audit team also confirmed through visualization, interviews, photographs, and review of documentation /16/ that all the project boundaries have been clearly delineated in the field, that there exists periodic and annual patrolling of vulnerable areas, that the proposed “hitos”, or boundary posts have been installed, and that signaling within the concessions had also been improved.

The monitoring based on satellite images did not register illegal activities during the monitoring period, and the audit team found that the procedures and level of accuracy necessary to comply with the methodology have been properly followed and in accordance with best practices with regards to land use change analysis using remote sensing /9/. One of the results of the analysis was the identification of 87.28 hectares of forested area within the leakage belt that had been converted to farmland during the monitoring period. The audit team was also able to confirm that the project proponents carried out in-field verifications and ground-truthing exercises to confirm the result of the remote sensing analysis /12/.

The audit team can confirm that the monitoring of the project has been carried out in accordance with the revised monitoring plan and formulae contained in the registered PD. As required by the monitoring plan of the PD and the applicable methodology, the project proponent effectively monitors the required parameters to determine the project's removals by sinks and emissions by sources. The parameters reported, including source, frequency and review criteria as indicated in the monitoring plan were verified to be correct and in line with the registered MP of the PD. Necessary management system procedures (i.e. the processes for obtaining, recording, compiling and analyzing the monitored data and parameters), including responsibility and authority of monitoring activities, have been verified to be consistent with the PD. Knowledge of personnel associated with the project activity was also found to be satisfactory /19/.

Section 4 of the M-MON module (monitoring module) of the methodology 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 that both concessions that underwent logging operations during this latest monitoring period worked under the auspices and guidelines of FSC certifications /18/. Evidence provided in the form of FSC certificates from the Rainforest Alliance show that both concessions hold FSC certification through 2017, and through review of the parcels and areas that underwent logging operations in the monitoring report, that these in fact lie within the geographic scope of each certificate.

The audit team visited PCA 13 of the Maderacre concession and PCA 13 of the Maderya concession and observed the forest management practices of the project activity described in the MR. The audit team also confirmed, with personnel from INRENA (local Peruvian Environmental Authorities), that the project activity is not known to have resulted in any instances of non-compliance with any local laws or with any relevant rules of the standard during this 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. Furthermore, the audit team can also confirm that the proposed project activity is not participating towards any other GHG program as confirmed by the audit team by checking with national authorities as well as checking the CDM, VCS, Gold Standard, and other relevant databases, both at the national level in Peru as well as Internationally. Therefore, the project does not participate under other GHG programs, nor does it generate any other forms of environmental credit.

The following methodology deviations were taken directly from previous verification reports for the project. The audit team can confirm that these 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 some time 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 carried out with surrounding communities to the project area. The PRA conducted by the proponent indicates no evidence of degradation. A capable sociologist team conducted the survey; the audit team evaluated the survey and its results, and found it to be credible and in line with the general lack of dependency upon the project's carbon stocks from the surrounding communities. Additional related parameters were not measured by the proponent (area degraded, dbh of stumps, etc.) for this monitoring period as there was no evidence of degradation.

Parameter/ Module	Verification Findings																
$\Delta C_{BSL,unplanned}$	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 for this latest monitoring period (T CO₂e/Ha): <table border="1"> <tbody> <tr> <td>Hill Forest</td><td>505.10</td></tr> <tr> <td>Terrace Forest</td><td>547.81</td></tr> <tr> <td>Bamboos</td><td>604.48</td></tr> <tr> <td>Tree swamp</td><td>543.42</td></tr> <tr> <td>DP</td><td>18.63</td></tr> <tr> <td>DA</td><td>31.75</td></tr> <tr> <td>DI</td><td>-</td></tr> <tr> <td>DC</td><td>31.63</td></tr> </tbody> </table>	Hill Forest	505.10	Terrace Forest	547.81	Bamboos	604.48	Tree swamp	543.42	DP	18.63	DA	31.75	DI	-	DC	31.63
Hill Forest	505.10																
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DP	18.63																
DA	31.75																
DI	-																
DC	31.63																
$A_{DefPA,u,i,t}$ (M-MON)	This parameter was quantified using two scenes from the Landsat-8, OLI sensor, that of the 13th of October 2014 and the 22nd of June, 2015. The audit team viewed the website from which the scenes were downloaded (http://www.dgi.inpe.br/catalogo/) and confirmed that the selected scenes both had less than 10% 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 to the monitoring plan. The audit team also confirmed that monitoring of deforestation within the selected scenes was implemented in accordance with the monitoring plan, and that it was carried out by a seasoned and qualified remote sensing analyst and expert. Through visual observation of the satellite scenes and other documentation reviewed /9//12/, the audit team can confirm the attestation that that no deforestation occurred within the project area during this monitoring period.																
$A_{DefLB,u,i,t}$ (M-MON)	The audit team can confirm that this parameter was quantified using the same remotely sensed data and techniques described above. The audit team confirmed, through visual review of the land classification polygons in comparison to the satellite imagery 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 proponent analysis resulted in identifying 87.29 Has of land use change (apparent deforestation) in the leakage belt resulting from forest being cleared for agricultural purposes. The proponents and audit team were able to confirm this by also relying on the results of the ground truthing exercise /12/ that was carried out as part of the project's QA/QC																

Parameter/ Module	Verification Findings
	procedures. This information helped the audit team confirm that the deforestation activities detected within the leakage belt were appropriately identified and quantified.
A _{ROADi,t} (M-MON)	According to field observations and professional judgment, the audit team confirmed that the “areas of roads” parameters was arrived at in an appropriate and conservative manner. This parameter was mostly quantified using written records of all primary and secondary logging roads that were created within parcels that had undergone harvesting during the monitoring period in question. Standardized procedures for measuring these parameters exist on paper /15/ and the audit team was also able to confirm that trained personnel carried out these procedures accordingly in the field. The audit team also re-measured the width and length of several roads of the parcels encountered during the site visit and were able to compare these to the monitoring results without finding any major differences in the numbers identified. In addition, the audit team carried out random spot and cross checks on a sample of pertinent records, both in the field and in the office, that confirmed that the process used to enter data from field sheets into digital format was without material error, and that figures and values could be traced back all the way from workbook calculations to the proponents’ digital database, and to the field data sheets that were utilized for the original measurements in the field. While this was the case for most of the values identified for this parameter, direct field measurements for some secondary roads in parcels that underwent harvest were not obtained and the project proponents utilized methodology deviations to arrive at conservative estimates for those parameters (refer to section 3.2 for more details regarding these deviations).
A _{DECKSi,t} (M-MON)	According to field observations and professional judgment, the audit team confirmed that logging deck areas were arrived at in an appropriate and conservative manner. This parameter was mostly quantified using written records of all logging decks that were created within harvested parcels in the project area during this monitoring period. Standardized procedures for measuring these parameters exist on paper /15/ and the audit team was also able to confirm that trained personnel carried out these procedures accordingly in the field. The audit team also re-measured the areas of several landing decks visited during the site visit and were able to compare these to the monitoring results without finding any major differences in the numbers identified. In addition, the audit team carried out random spot and cross checks on a sample of pertinent records, both in the field and in the office, that confirmed that the process used to enter data from field sheets into digital format was without material error, and that figures and values could be traced back all the way from workbook calculations to the proponents’ digital database, and to the field data sheets that were utilized for the original measurements in the field. While this was the case for most of the values identified for this parameter, direct field measurements for some logging decks in parcels that underwent harvest were not obtained and the project proponents utilized methodology deviations to arrive at

Parameter/ Module	Verification Findings
	conservative estimates for those parameters (refer to section 3.2 for more details regarding these deviations).
L _{SKID,i,t} (M-MON)	According to field observations and professional judgment, the audit team confirmed that the lengths of skid trails per strata were mostly arrived at in an appropriate and conservative manner. This parameter was mostly quantified using written records of all skid trails that were created within harvested parcels in the project area during this monitoring period. Standardized procedures for measuring these parameters exist on paper /15/ and the audit team was also able to confirm that trained personnel carried out these procedures accordingly in the field. In addition, the audit team carried out random spot and cross checks on a sample of pertinent records, both in the field and in the office, for the harvested parcels that confirmed that the process used to enter data from field sheets into digital format was without material error, and that figures and values could be traced back all the way from workbook calculations to the proponents' digital database, and to the field data sheets that were utilized for the original measurements in the field. While this was the case for most of the values identified for this parameter, the audit team recognized that the values used for "length of skid trails" for parcel 12 in the Maderacre concession and all of the parcels in the Maderyja concession have been estimated by using the length of all skid trails within a stratum i at time t using systematic sampling with a random start of the entire area logged or within a sampled known logged area within the project boundary to produce a conservative estimate of the length of skid trails created. The total length of all these skid trails was determined to be equal to the mean length of skid trails per unit area multiplied by the total area logged, as permissible by the methodology.
W _{SKID} (M-MON)	According to field observations and professional judgment, the audit team confirmed that the "width of skid trails" parameter was arrived at in an appropriate and conservative manner. This parameter was mostly quantified using written records of all the skid trails that were created within parcels that had undergone harvesting during the monitoring period in question. Standardized procedures for measuring this parameter exists on paper /15/ and the audit team was also able to confirm that trained personnel carried out these procedures accordingly in the field. The audit team also re-measured the width of several skid trails encountered during the site visit and were able to compare these to the monitoring results without finding any major differences in the numbers identified. In addition, the audit team carried out random spot and cross checks on a sample of pertinent records, both in the field and in the office, that confirmed that the process used to enter data from field sheets into digital format was without material error, and that figures and values could be traced back all the way from workbook calculations to the proponents' digital database, and to the field data sheets that were utilized for the original measurements in the field.

Parameter/ Module	Verification Findings
	While this was the case for most of the values identified for this parameter, direct field measurements for skid trail widths for Parcel 12 in Maderacre were obtained using conservative estimates based on machinery used, which is permissible under the methodology.
$V_{EXT,i,t}$ (M-MON)	The audit team confirmed the quantification of the values reported for this parameter at the stratum level by crosschecking a sample of log records presented in an Excel workbook against the original datasheets that were used to record the measured volume for each log. The audit team confirmed that the reported volumes were consistent with the records provided by INRENA.
ΔC_p	See $V_{EXT,i,t}$, $A_{ROADS,i,t}$, and $A_{DECKS,i,t}$ above.
$A_{DisPA,q,i,t}$ (M-MON)	The audit team was able to confirm through review of the satellite imagery and through interviews and observations carried out during the site visit that no large scale or significant natural disturbance was identified during this monitoring period, so this value was appropriately omitted from the subsequent calculations.
$A_{burn,q,i,t}$ (M-MON)	The audit team was able to confirm through review of the satellite imagery and through interviews and observations carried out during the site visit that no emissions from biomass burning have occurred during this monitoring period, so this value was appropriately omitted from the subsequent calculations.
D_j (M-MON)	The audit team confirmed that the proponent has selected wood density values from reputable sources, including national databases and published scientific literature in conformance with best practice and 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 were found to be appropriate to the geographic scope of the project.
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”. The audit team has reviewed excel file “VCUs Estimations in MDD 2012- 2013.xlsx.” No errors or material discrepancies were identified and the proponent calculated the uncertainty following the X-UNC module correctly. The ex post precision target of less than 15% uncertainty at 95% confidence level has been met and hence no uncertainty deduction was required to be applied. For emissions from skid trails, parameter $C_{BSL,i}$ was used in place of parameter $C_{dest,i}$. This replacement has been deemed conservative by the audit team as the average per-

Parameter/ Module	Verification Findings
	hectare baseline pre-deforestation CO ₂ -equivalent in above ground biomass destroyed by skid trail creation would be less than baseline deforestation as skid trail construction will circumvent trees rather than fell them. 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 $\Delta CSKID_{i,t}$

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

No significant reporting risks have been identified for the data reported. All the data required for net anthropogenic GHG removals or emissions calculations were obtained following Standard Operating Procedures. The procedures effectively cover: management responsibilities, data monitoring procedures, training procedures, management reviews and corrective actions in case of any deviations. As confirmed by the audit team, there are QA/QC procedures in place to check the quality of the data collected, transferred, processed and reported, and to assure that the defined standards are met at all times. Implementation of SOPs and QA/QC procedures was verified by the audit team along with the monitoring data flows from data collection to reporting. These facts provided the audit team with confidence in the high quality of the reported results. In order to reach the required reasonable level of assurance, the audit team conducted spot checks of monitored raw data and conducted general consistency checks crossing different data sources. Spot checks were conducted for every step of the information flow, from data collection up to data processing and reporting. Furthermore, the audit team performed a step by step recalculation of pertinent values. In addition, upon completion of the recalculation activities, the audit team was able to trace each value back to its origin and confirm that no transpositions or miscalculations of the data were present. Hence, the audit team is able to confirm that sufficient and appropriate evidence is available in order to determine GHG emission reductions and removals.

4.4 Non-Permanence Risk Analysis

The project's non-permanence risk report was assessed by the audit team in accordance with Section 3.7.3 of the AFOLU Requirements. The non-permanence risk report version upon which this risk analysis assessment was based is contained within the risk report, Version 2.0, dated 12 August 2016.

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 nor does it contemplate the use of exotic species, thus this risk indicator can be confirmed as not applicable.	N/A	N/A
b)	The audit team confirmed that the project area has had a custody plan in place prior to the implementation of the REDD project, and continues to do so without the need for further enforcement to prevent encroachment. 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 project personnel at control posts and interviewed community members and other neighboring stakeholders and were able to conclude that the information provided by project personnel is consistent with the information provided in their non-permanence risk tool. 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 review of CV's, interviews with project personnel, that the management team includes individuals with significant experience in each of the skills required for effective project implementation.	Interview with personnel confirmed their significant experience, and this was also corroborated through review of key team members CVs /19/.	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 a site visit and was able to confirm this base of operations. Even then, other key members are also based in Lima, which is less than a day travel from the project site.	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.	Evidence of prior successful verifications and validations are present on the VCS website.	The Risk Score Is Appropriate
f)	The audit team reviewed the management plan governing the	Through interviews with government officials and project personnel, and	The Risk Score Is Appropriate

	project and confirmed that the plan includes an entire section and activities as part of adaptive management procedures.	review of the management plan, the audit team confirmed that the adaptive strategies were the result of a long collaborative process with stakeholders. The forest management plans /14/ provided to the auditors also corroborated this information.	
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 evidence that the Project has been able to finance its initial investment /20/, so that revenues from timber sustainable exploitation (under the forest management model) can thus be added to income from the VCU sales, assuring a healthy cash flow for the project.	The documentation provided included audited financial documents and a detailed, user friendly budget workbook that allowed for assessment by the audit team and is therefore of high quality	The Risk Score Is Appropriate
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)]	The Risk Score Is Appropriate
Total may not be less than zero.	

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 /20/. 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 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).	The Risk Score Is Appropriate
b)			
c)			
d)			
e)			
f)			

g)	N/A The project is comprised of for-profit companies.	N/A	N/A
h)	The audit team confirmed that the project is developed in an area that is determined by law as a permanent productive forest (PPF). A PPF is an area intended for responsible use of the forest resources, including timber, through a forest management model, which enables to keep it as standing forest overtime. This particular PPF was given to the project proponents in concession with a contract signed with the Peruvian government. /22/	During the site visit the audit team met with government officials (INRENA) who verbally confirmed this information.	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 /22/.	During the site visit the audit team met with government officials (INRENA) who verbally confirmed this information.	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 commented earlier, 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 /22/, which ensures that the management of the area will continue after the end of the Madre de Dios Amazon REDD Project duration. The audit team also confirmed that the project is developed in an area that is determined by law as a permanent productive forest (PPF). A PPF is an area intended for responsible use of the forest resources, including timber, through a forest management model, which enables to keep it as standing forest overtime. This particular PPF was given to the project proponents in concession with a contract signed with the Peruvian government. /22/	During the site visit the audit team met with government officials (INRENA) and other stakeholders who verbally confirmed this information.	The Risk Score Is Appropriate
Total Project Longevity (PL) May not be less than zero			The Risk Score Is Appropriate

	Land Ownership and Resource Access/Use Rights		
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Risk
a)	N/A	N/A	N/A

b)	The audit team can confirm that conditions to this risk assessment have not changed since the last verification and 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 confirmed through interviews with government officials and other stakeholders that the ownership of the concession areas are not disputed.	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 as 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)] May not be less than zero			The Risk Score Is Appropriate

	Community Engagement		
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	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 results /10/ 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.	Interviews with local communities and other stakeholders during the site visit corroborated this information.	The Risk Score Is 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)] May not be less than zero			The Risk Score Is Appropriate

	Political Risk		
Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Risk
a)	N/A	N/A	N/A

b)	N/A	N/A	N/A
c)	The audit team download the WGI scores on 22 June 2016 and confirmed the governance score as reported in the project non-permanence risk report	The World bank governance indicator online database: (http://info.worldbank.org/governance/wgi/index.aspx#home)	The Risk Score Is Appropriate
d)	N/A	N/A	N/A
e)	N/A	N/A	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 22 June 2016). Thus, at least one of the criteria necessary to claim the mitigation risk score has been met.	The audit team considers the GCF website for this assessment: (http://www.gcftaskforce.org/ ; accessed 3 January 2016)	The Risk Score Is Appropriate
Total Political Risk (CE) [where applicable, (a + b + c)] 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 51,089.54 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 to 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. The audit team can also confirm that the non-permanence risk score of 10% has been quantified in accordance with the VCS rules.

Reporting period: From 01-January-2015 to 31-December-2015.

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)	Net GHG emission reductions or removals (tCO ₂ e)
2015	1,046,807	535,911	325	510,569
Total	1,046,807	535,911	325	510,569

APPENDIX A: LIST OF FINDINGS

NCR 2015.1 dated 06/22/2016

Standard Reference: VCS Standard, Version 3.4, Section 3.18.1; VCS Monitoring Report Template, Version 3.3; VMD0015 M-MON, v2.1.pdf

Document Reference: VCS Monitoring Report MDD 2015

Finding: According to the VCS Monitoring Reporting Template v 3.3, the tables provided should be completely filled out for all the data and parameters monitored during the project crediting period. Several of the data and parameters identified are missing crucial sections of the table provided by the template, where certain cells of the table requiring information such as "Description of measurement methods and procedures to be applied", "QA/QC procedures to be applied", and "Calculation method" still hold the generic instructions from the monitoring template rather than the actual information sought for each parameter. Likewise, the monitoring frequency of several parameters is also inconsistent, as it is mentioned that several parameters will be measured only every five years when in fact the methodology stresses that several parameters are to be measured every "five years or before each verification event". These discrepancies represent a non-compliance with the monitoring reporting template, methodology VM0007, and methodology tool VMD0015 M-Mon.

Client Response: It was reviewed and improved in the monitoring report

Auditor Response: Upon review of the modified Monitoring Report, the audit team can now confirm that the tables listing parameters available at validation and those monitored during this monitoring period are now complete and include the correct information required and are in compliance with the monitoring reporting template, methodology VM0007, and methodology tool VMD0015 M-Mon. As a result, this finding is now closed.

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

NCR 2015.2 dated 06/22/2016

Standard Reference: VCS Standard, Version 3.4, Section 2.4.1

Document Reference: VCS Monitoring Report MDD 2015

Finding: According to Section 3.1.1 of the VCS Standard projects shall be guided by the principles set out in Section 2.4.1 which include the principle of "Accuracy", "Completeness", "Relevance", "Consistency", "Transparency", and "Conservativeness". The last map provided in section 1.7 describing the project location and boundaries of the project is difficult to read as the colors and patterns in the map key do not match with the colors and patterns of the actual project areas, making it hard to discern which areas correspond to which categories.

Client Response: The map was changed and improved. The shapefile is attached

Auditor Response: Upon review of the modified Monitoring Report, the audit team can now confirm that the last map provided in section 1.7 describing the project location and boundaries of the project has now vastly been improved and that now project boundaries and areas are now easier to identify and distinguish. As a result, this finding is now closed.

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

NIR 2015.3 dated 06/22/2016

Standard Reference: VCS Standard, Version 3.4, Section 2.4.1

Document Reference: VCS Monitoring Report MDD 2015

Finding: According to Section 3.1.1 of the VCS Standard, projects shall be guided by the principles set out in Section 2.4.1, which include the principles of "Accuracy", "Completeness", "Relevance", "Consistency", "Transparency", and "Conservativeness". In section 2.1 of the monitoring report, where the implementation status of the project activities are described, there are several mentions of a number of documents that help substantiate the implementation status of project activities. However, none of these documents have been officially referenced in the monitoring report, nor have they been included as annexes so that readers of the report may access this corroborating evidence should they request it. While the audit team will ask to review these documents during the site visit, these should also be properly referenced within the monitoring report itself so that others readers may access this corroborating evidence should they need to. These documents include the following:

- FSC certificates for both logging concessions
- The general forest management plan for both concessions, with evidence that it has been updated to include the REDD project objectives.
- Record/Evidence of Activities that contribute to the sustainable development of stakeholders living in the buffer zone of the project:
 - o Implementation of the "environmentally friendly productive projects" Program
 - o The friendly productive projects with the environment's Monitoring program
 - o Support to Belgica Native Community's Health and Education Program
 - o Support to Communities in general
- Reduce the vulnerability of the project area from external factors of deforestation and degradation
 - o Documentation substantiating...
- Training and implementation of control posts, pedestrian trials, and patrolling actions
- Agreements with universities and local communities mentioned

Client Response: Report updated and attached

Auditor Response: Upon review of the modified Monitoring Report, the audit team can now confirm the appropriate referencing of key documents and evidence that corroborates the implementation status of project activities, thus facilitating reference and access to this crucial information for other readers of the report. As a result this finding is now closed.

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

NCR 2015.4 dated 06/22/2016

Standard Reference: VCS Standard, Version 3.4, Section 2.4.1

Document Reference: VCS Monitoring Report MDD 2015

Finding: According to Section 3.1.1 of the VCS Standard, projects shall be guided by the principles set out in Section 2.4.1, which include the principles of "Accuracy", "Completeness", "Relevance", "Consistency", "Transparency", and "Conservativeness". In chart 4 on page 20 of the monitoring report, there seems to be a reporting error as the project proponents present a detection of deforestation of 87.28 hectares in the project leakage area for 2015, but this same amount of deforestation is also detected for the project area as a "total area SIG", though no deforestation in any forest type has been expressed for the project area in other sections of the monitoring report. Likewise, in the tables describing the data and parameters to be monitored, in the corresponding table for parameter ADefLB, i, t, the proponents claim that deforestation has been detected within the leakage area in the form of forest being converted to both farming land and infrastructure in the amounts of 87.28 hectares. It seems highly unlikely that the exact same amount of forest converted to each land type would have occurred, and given the amounts reported in chart 4 mentioned earlier, one of these amounts would seem to be incorrect or has been double reported.

Client Response: It was changed. The deforestation was 68.37 ha to farm and 18.92 ha to agriculture. This change is shown in the excel data

Auditor Response: Upon review of the modified Monitoring Report, and in particular chart # 4 and the parameter table describing parameter ADefLB, i, t, the proponents' claim of detected deforestation of forest being converted to farming land in the amount of 87.28 hectares has been corrected and is now in accordance with the evidence provided elsewhere in the report. This finding is now closed.

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

NIR 2015.5 dated 06/22/2016

Standard Reference: VM0007 REDD-MF v1.2

Document Reference: VCS Monitoring Report MDD 2015

Finding: According to the methodology employed by the project (VM0007 REDD-MF), "To ensure that GHG fluxes are estimated in a way that is accurate, verifiable, transparent, and consistent across measurement periods, the project must establish and document clear standard operating procedures and procedures for ensuring data quality. At a minimum, these procedures must include comprehensive documentation of all field measurements carried out in the project area. This document must be detailed enough to allow replication of sampling in the event of staff turnover between monitoring periods." The audit team requests to see this documentation, especially to ensure that field measurement procedures that capture infrastructure-related degradation are consistent across both logging concessions and as evidence that such SOPs exist and can be employed in the event of staff turnover and as QA/QC measures, as described in the monitoring report.

Client Response: Please see attached the Measurement Procedures' Guide ("GUIA PARA LA EVALUACION DE LA DEGRADACIÓN FORESTAL CAUSADA POR LA IMPLEMENTACION DEL MANEJO FORESTAL EN EL ÁREA DEL PROYECTO REDD")

Auditor Response: Upon review of the Measurement Procedures' Guide provided by the project proponents, "GUIA PARA LA EVALUACION DE LA DEGRADACIÓN FORESTAL CAUSADA POR LA IMPLEMENTACION DEL MANEJO FORESTAL EN EL ÁREA DEL PROYECTO REDD", the audit team can now confirm that this document represents appropriate and comprehensive documentation of all field measurements to be carried out in the project area and that it is detailed enough to allow replication of sampling in the event of staff turnover between monitoring periods. However, this document is still not appropriately referenced within the relevant sections of the monitoring report itself, so this finding remains open until this reference has been added accordingly.

Client Response 2: Please see attached the Measurement Procedures' Guide ("GUIA PARA LA EVALUACION DE LA DEGRADACIÓN FORESTAL CAUSADA POR LA IMPLEMENTACION DEL MANEJO FORESTAL EN EL ÁREA DEL PROYECTO REDD")

Auditor Response 2: The audit team now notes that the proper references to the document have now been provided for in the monitoring report. As a result, this finding is now closed.

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

NCR 2015.6 dated 06/22/2016

Standard Reference: AFOLU Non-Permanence Risk Tool, Version 3.2, Section 2.2.3.

Document Reference: VCS NonPermRisk 2015 v1.docx

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. 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." This template says that for each risk category, the proponent needs to "Document and substantiate the risk and/or mitigation for each risk factor applicable to the project and include any relevant documentary evidence." While the proponents mention that several documents will be made available to the audit team during the site visit (custody plan, forest management plans, cash flow and financials, concession contracts) these should at least be properly referenced within the report itself and/or made available as annexes for other readers of the report in order to ensure transparency.

Client Response: The references have been included in the VCS Non-Permanence Risk Report Template, the updated document has been submitted (Risk Report version 2).

Auditor Response: Upon review of the modified Non Permanence Risk Report, the audit team can now confirm that all relevant documentary evidence supporting the correct identification of each risk factor has now been made available and has also been properly referenced throughout the document. This finding is now closed.

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

NIR 2015.7 dated 06/22/2016

Standard Reference: AFOLU Non-Permanence Risk Tool, Version 3.2, Section 2.2.3.

Document Reference: VCS NonPermRisk 2015 v1.docx

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. 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." It is unclear to the audit team how the project proponents arrived at a score of 11.5 for risk related to project longevity, so further information is being requested in order to substantiate this claim or to see if this figure was arrived at in error as it is not consistent with project longevity figures given elsewhere in the monitoring report and PDD.

Client Response: The formula used is the one in accordance "With legal agreement or requirement to continue the management practice":

30 - project longevity / 2

The project longevity is 38 years, then the result is: $30 - 38/2 = 11$

The result has been updated in the AFOLU Non-Permanence Risk Report.

Auditor Response: Upon review of the modified Non Permanence Risk Report, the audit team can now confirm that the project proponents have arrived correctly at the modified score of 11 for the category of risk related to project longevity, and that sufficient information has been made available to help corroborate this value. This finding is now closed.

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

NIR 2015.8 dated 07/15/2016

Standard Reference: VMD0015 M-Mon

Document Reference: VCS Monitoring Report MDD 2015, Memoria_ SIG monitoreo M&M_jun_2016_.pdf

Finding: According to the methodological tool, "VMD00015 M-Mon", the method selected for detecting land use change within the project area and the leakage belt area must be "based upon common good practice in the remote sensing fields and will depend on available resources and the availability of image processing software". Furthermore, the tool also mentions that "The same method must be used for the entire period for which the baseline is fixed.", with the "The key is that the method of analysis results in estimates of any deforestation that may occur in the project and leakage areas." While the project proponents have provided the document "Memoria_ SIG monitoreo M&M_jun_2016_.pdf" as evidence of the procedures, image sources, and software utilized in order to arrive at the deforestation estimates in question, this document lacks the corroborating evidence that would showcase that these procedures were carried out according to the methodological tool. In particular, the audit team requests to see the final maps showing both the location of forest land (or forest land which has been cleared within the last monitoring period) within both the project area as well as the leakage belt area. In addition, the audit team also requests corroborating evidence that would show that the remote sensing analysis that was carried out achieved an overall classification accuracy of 90% or more, as required by Section 5.1.2 of M-MON.

Client Response: It was incorporated the classification accuracy 90% in the memory. And we send the last map with the deforestation in this period. Attached the shape.

Auditor Response: Upon review of the updated document, "Memoria_ SIG monitoreo M&M_jun_2016_.pdf" and the final maps showing both the location of forest land (or forest land which has been cleared within the last monitoring period) within both the project area as well as the leakage belt area, the audit team can now confirm that there is enough information and corroborating evidence presented to show that the remote sensing analysis that was carried out was done in accordance to the methodology, based upon common good practice in the remote sensing field, and that it achieved an overall classification accuracy of 90% or more, as required by Section 5.1.2 of M-MON. This finding is now closed.

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

NCR 2015.9 dated 07/15/2016

Standard Reference: VMD0015 M-MON; VCS Standard

Document Reference: VCS Monitoring Report MDD 2015; Cp Estimations in MDD 2015.xlsx

Finding: According to the methodological tool VMD0015 M-Mon, the sources of data for the required monitoring parameter, "Area of logging decks in stratum I at time t" should be "field measurements or reported measurements such as post-harvest assesment reports and post-harvest maps that are based on field measurments". Furthermore, the monitoring tool also specifies that "systematic sampling must take place to ensure all decks within the area logged are identified and a conservative estimate of area produced". However, the audit team determined during the site visit that the sources of data of this parameter for parcel 12 in the Maderacre concession were not determined according to the procedures of the methodological tool. While deviations from the applied methodology are permitted in these instances (deviation from the criteria and procedures relating to monitoring or measurement), the project proponents must still demonstrate the real source of the data used and how this deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions, as specified in section 3.5 of the VCS standard.

Client Response: It was written in the report as desviation and explained in the excel file. Included the chart with data estimated.

Auditor Response: Upon review of the updated monitoring report and relevant excel spreadsheet calculations, the audit team notes that the project proponents have recognized that the value of logging deck area estimated for parcel 12 in the Maderacre concession does not come from a source permitted by the methodological tool VMD0015 M-Mon, but rather from an estimate that utilizes the average area of logging decks from another parcel to then multiply by the number of decks on record for parcel 12. This represents a methodological deviation that is permissible under the VCS standard (a deviation from the criteria and procedures relating to monitoring or measurement), and the project proponents have justified that this would not negatively impact the conservativeness of the quantification of GHG emission reductions because the average size of landing deck areas used for this estimation is based on the direct field measurements from a parcel that was harvested during the same monitoring period and using the same equipment and operators as the parcel in question. Thus, the audit team deems this methodological deviation permissible and appropriate under these circumstances and in lieu of not being able to obtain direct field measurements. This does not, however, constitute a "project description deviation", as it has been erroneously presented on page 22 of the updated monitoring report, but rather a methodological deviation, so this needs to be amended before this finding can be closed.

Client Response 2: This was included in the report as deviation and explained in the Excel file. Included the chart with the estimated data. In Maderacre concession, all data (width and length) of the 204 logging decks from PCA 13 are available. In PCA 12 the number of logging decks is available (67), and the total area was estimated based on the data from PCA 13.

Auditor Response 2: The audit team can now confirm that this project deviation has been listed correctly in the monitoring report. As a result, this finding is now closed.

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

NCR 2015.10 dated 07/15/2016

Standard Reference: VMD0015 M-MON; VCS Standard

Document Reference: VCS Monitoring Report MDD 2015; Cp Estimations in MDD 2015.xlsx

Finding: According to the methodological tool VMD0015 M-Mon, the sources of data for the required monitoring parameter, "Area of roads in stratum I at time t" should be "field measurements or reported measurements such as post-harvest assesment reports and post-harvest maps that are based on field measurments". Furthermore, the monitoring tool also specifies that the "area of roads created may be based on the length of roads multiplied by the average width of roads. The length of all roads created during selective logging within a stratum i at time t must be measured through systematically sampling the entire area logged to produce a conservative estimate of the length of roads created. The average width of the roads may be estimated through systematically sampling road width. Sufficient number of measurements of road width shall be measured to achieve a precision of equal or less than 15% of the mean at the 95% confidence interval. Where different categories of roads exist, different average road widths must be used". However, the audit team determined during the site visit that the sources of data of this parameter for parcel 12 in the Maderacre and parcels 3 and 4 of the Maderyja concession were not determined according to the procedures of the methodological tool. While deviations from the applied methodology are permitted in these instances (deviation from the criteria and procedures relating to monitoring or measurement), the project proponents must still demonstrate the real source of the data included and how this deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions, as specified in section 3.5 of the VCS standard.

Client Response: 'It was written in the report as desviation and explained in the excel file. Included the chart with data estimated.

Auditor Response: Upon review of the updated monitoring report and relevant excel spreadsheet calculations, the audit team notes that the project proponents have recognized that the sources of data used for the required monitoring parameter, "Area of roads in stratum I at time t" for parcel 12 in the Maderacre and parcels 3 and 4 of the Maderyja concessions, do not come from sources permitted by the methodological tool VMD0015 M-Mon, but rather from estimates that utilize the proportion of volume extracted from parcel 13 of the Maderacre concession, with the length of roads created for that parcel. While the audit team recognizes that a methodological deviation may be utilized in this instance and in the absence of actual field data being able to be recorded, further information and justification is sought from the project proponents to show how these estimates do not negatively impact the conservativeness of the quantification of GHG emission reductions for the parcels that are missing actual recorded field data.

Client Response 2: 'This was included in the report as a deviation and explained in the Excel file. Included the chart with data estimated.

Primary roads:

Within Maderacre concession, the primary road area in PCA 13 was estimated based on both length and width measured in the field. Within PCA 12, it was also estimated based on length and width measured in the field. All field data was measured for primary roads.

Within Maderyja concession field measures (length and width) were taken for PCA 13, within PCA 3 and 4 no primary roads were made.

Secondary roads:

Within Maderacre concession, both length and width were measured in the field in the case of PCA 13. For PCA 12 length was measured and width was considered the same as in PCA 13, since the same machinery was employed.

Within Maderyja concession, both length and width were measured in the case of PCA 13 and width was measured for PCA 3 and 4. Length for both PCAs 3 and 4 was estimated based on the extracted volume in each PCA, considering that secondary roads are constructed according to volume and location of the wood that will be extracted.

Auditor Response 2: The audit team has reviewed the updated monitoring report and spreadsheet calculations and can now confirm that the project proponents have correctly utilized a methodology deviation in lieu of obtaining direct field measurements for some secondary roads in parcels that underwent harvesting during the monitoring period in both concessions. The audit team can confirm that the estimates used do not negatively impact the conservativeness of the quantification of GHG emissions reductions because they were determined in the following manner:

- Missing width data for secondary roads in PCA 12 were obtained from widths measured in the field PCA 13, and this is deemed appropriate as the audit team determined that the same machinery was used for road construction in both parcels.
- Missing lengths for secondary roads in PCAs 3 and 4 were estimated based on the proportion of known length of secondary roads constructed in neighboring harvested parcels per the volume of wood extracted from those known parcels, and this is more appropriate than estimates that use area in the proportion as secondary roads are constructed according to volume and location of wood to be extracted.

As a result, this finding is now closed.

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

NCR 2015.11 dated 07/15/2016**Standard Reference:** VMD0015 M-MON; VCS Standard**Document Reference:** VCS Monitoring Report MDD 2015; Cp Estimations in MDD 2015.xlsx

Finding: According to the methodological tool VMD0015 M-Mon, the sources of data for the required monitoring parameter, "Length of skid trail sk" should be "field measurements or reported measurements such as post-harvest assesment reports and post-harvest maps that are based on field measurments". Furthermore, the monitoring tool also specifies that the "length of all skid trails within a stratum i at time t may be estimated through using systematic sampling with a random start of the entire area logged or within a sampled known logged area within the project boundary to produce a conservative estimate of the length of skid trails created. Where sampling is used, the total length of all skid trails can then be equal to the mean length of skid trails per unit area multiplied by the total area logged". However, the audit team determined during the site visit that the sources of data of this parameter for parcel 12 in the Maderacre and all of the harvested parcels from the Maderyja concession were not determined according to the procedures of the methodological tool. While deviations from the applied methodology are permitted in these instances (deviation from the criteria and procedures relating to monitoring or measurement), the project proponents must still demonstrate the real source of the data included and how this deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions, as specified in section 3.5 of the VCS standard.

Client Response: 'It was written in the report as desviation and explained in the excel file. Included the chart with data estimated.

Auditor Response: Upon review of the updated monitoring report and relevant excel spreadsheet calculations, the audit team notes that the project proponents have recognized that the values used for "length of skid trails" for parcel 12 in the Maderacre concession and all of the parcels in the Maderyja concession do not come from sources permitted by the methodological tool VMD0015 M-Mon, but rather from estimates that utilize the proportion of volume extracted from parcel 13 of the Maderacre concession, with the length of skid trails per hectare for that parcel. This is still not in compliance with what is dictated by the monitoring tool, which specifies that the "length of all skid trails within a stratum i at time t may be estimated through using systematic sampling with a random start of the entire area logged or within a sampled known logged area within the project boundary to produce a conservative estimate of the length of skid trails created. Where sampling is used, the total length of all skid trails can then be equal to the mean length of skid trails per unit area multiplied by the total area logged". As a result, this finding remains open.

Client Response 2: This was included in the report and explained in the Excel file. Included the chart with data estimated. It is not a methodological deviation.

Within Maderacre concession, all length for each sub-sample was measured within PCA 13, and total length was estimated in relation to the total area of the PCA. For PCA 12 there was no information available and the results were estimated based on the data from PCA 13:

$x \text{ m/ha in PCA 12} = (25.4 \text{ m/ha in PCA 13} / 10136 \text{ ha. Total Area PCA 13}) * 9697 \text{ ha. Total Area PCA 12}$

Within Maderyja concession, for all PCAs 13, 3 and 4, length was estimated based on the data from PCA 13 from Maderacre concession relating m/ha from PCA 13 Ma and total area from PCA 13 Ma and total area from each PCA within Maderyja concession

PCA	m/ha	Area PCA
13Ma	25.40	10136.00
13 My	5.87	2344.00
3 My	5.07	2022.11
4 my	6.09	2431.31

Auditor Response 2: Upon review of the changes and additional information added to the monitoring report and spreadsheet calculations, the audit team can now confirm that in lieu of actual field measurements for the length of certain skid trails that the project proponents have now employed conservative estimates of the length of skid trails created through the permissible sampling method specified in the methodology, which uses the total area logged vs the volume of wood extracted, to arrive at the estimate. As a result this finding is now closed.

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

NCR 2015.12 dated 07/15/2016

Standard Reference: VMD0015 M-MON; VCS Standard

Document Reference: VCS Monitoring Report MDD 2015; Cp Estimations in MDD 2015.xlsx

Finding: According to the methodological tool VMD0015 M-Mon, the sources of data for the required monitoring parameter, "mean width of skid trails" should be "field measurements or reported measurements". Furthermore, the monitoring tool also specifies that the "average width of skid trails created within a stratum i can be based on reported widths; a conservative estimate based on machinery used; or additional field measurements. Reported width: the average width of field measured skid trails within FSC Post Harvest Assessment reports from logging that has taken place within the project area; Conservative estimate: Width edge of tires on largest skidder type * 140% can only be used where skidder type(s) is known and used to create all skid trails. (skidder defined as heavy vehicle used in logging operation to create path and pull cut trees to logging road); Field measurements: average of field sampling based on systematic sampling with a random start. The width of the skid trail shall be equal to the distance between trees undamaged by skid trail creation on one side to trees undamaged by skid trail creation on the other side. Sufficient number of measurements of road width shall be measured to achieve a precision of equal or less than 15% of the mean at the 95% confidence interval". However, the audit team determined during the site visit that the sources of data of this parameter for parcel 12 in the Maderacre concession were not determined according to the procedures of the methodological tool. While deviations from the applied methodology are permitted in these instances (deviation from the criteria and procedures relating to monitoring or measurement), the project proponents must still demonstrate the real source of the data included and how this deviation does not negatively impact the conservativeness of the quantification of GHG emission reductions, as specified in section 3.5 of the VCS standard.

Client Response: We are sending the explanation in the Monitoring Report, ítem 2.2.2

Auditor Response: Upon review of the updated monitoring report and relevant excel spreadsheet calculations, the audit team notes that the project proponents have recognized that the value of mean width of skid trails estimated for parcel 12 in the Maderacre concession does not come from a direct field measurement of that particular parcel, but rather from an estimate that utilizes the mean width gathered from field measurements of another parcel. This does not represent a methodological deviation, as this is permissible under the methodological tool VMD0015 M-Mon, where it specifies that the "average width of skid trails created within a stratum i can be based on reported widths; a conservative estimate based on machinery used; or additional field measurements." The audit team thus considers this alternative method to arrive a mean width of skid trails for parcel 12 appropriate as it is based on the direct field measurements from a parcel that was harvested during the same monitoring period, and which used the same equipment, machinery, and operators as the parcel in question. This does not constitute a project description or methodological deviation as has been erroneously presented on page 22 of the updated monitoring report, so this section of the report needs to be amended before this finding can be closed.

Client Response 2: The explanation can be seen in Monitoring Report, item 2.2.2. Skid trail calculations do not represent a deviation. Within Maderacre

concession, width was measured in the field for PCA 12 and for PCA 13 the same width than for PCA 13 was estimated, since the same machinery was employed in both PCAs.

Within Maderyja concession, width was measured in the field in 10 sub-samples and these measures were employed in the skid trail estimation. Said estimation was employed due to the fact that the same machinery was employed for each width and because flora remains alive. However, in the emission calculations it was considered that the flora died, being therefore very conservative.

Auditor Response 2: The project proponents have correctly identified this approach as not being a project or methodological deviation. As a result, this finding is now closed.

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

NIR 2015.13 dated 07/15/2016

Standard Reference: AFOLU Non-Permanence Risk Tool, Version 3.2, Section 2.2.3.

Document Reference: VCS Non PermRisk 2015 v1.docx; cash flos REDD MDD risk16 s1214.xlsx

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. 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." This template says that for each risk category, the proponent needs to "Document and substantiate the risk and/or mitigation for each risk factor applicable to the project and include any relevant documentary evidence." While the proponents have included a cash-flow excel spreadsheet as evidence of their breakeven and financial status analysis, further evidence is needed to support the figures included in this spreadsheet. Since the tool states that, "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" further evidence is being requested to substantiate the figures exhibited in the spreadsheet "cash flow REDD MDD risk16 stot s214.xlsx"

Client Response: We are sending a 2016 Financial Statement, as a proof a profitable operation. Please consider this as confidential information

Auditor Response: Upon review of the financial statement provided for by the project proponents, the audit team can now confirm that sufficient evidence has now been provided to show that the counterparties are in good financial standing, can demonstrate their ability to meet the project's financial obligations, and to substantiate the figures exhibited in the spreadsheet "cash flow REDD MDD risk16 stot s214.xlsx. This findings can now be closed.

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

NIR 2015.14 dated 09/02/2016

Standard Reference: VMD0017

Estimation of uncertainty for REDD+ project activities (X-UNC)

Document Reference: Uncertainty Analysis MDD 2015 (agosto) (1)

Finding: For the quantification of uncertainty in emissions from the 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”. More information is sought in relation to the quantification of uncertainty in emissions from the construction of skid trails, logging decks and logging roads, as while the total uncertainty in carbon stock estimates was included in the estimation of with-project scenario uncertainty calculations, it is not clear to the audit team if and how those uncertainties from parameters where values not derived from direct field measurements were incorporated into the analysis. Since a deduction for uncertainty was required on the basis of the uncertainty calculation (>15%), more information is sought in this respect to ensure no material discrepancy may be present and to ensure adherence to the uncertainty module procedure.

Client Response: Field data and estimated data were employed in the Uncertainty Excel file. Estimated data had at least one field element, except for the case of skid trails in PCA 12. Total uncertainty was estimated in 14.47, and said value was employed for the calculation of the total VCUs. Please, see attached document Answer NIR 14.

Auditor Response: Upon review of the additional evidence provided by the project proponents, the audit team can now confirm that the uncertainty in carbon stocks estimates and resulting emissions have been properly included in the estimation of the with-project scenario calculations with the correct use of the X-UNC (VMD0017) module. The audit team has reviewed excel file “Uncertainty Analysis MDD 2015.xlsx.”, and found no errors or material discrepancies. The ex post precision target of less than 15% uncertainty at 95% confidence level has been met and hence no uncertainty deduction was required to be applied. As a result, this finding is closed.

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