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Verification Assessment Report for:

Camco International Group, Inc's Afognak Island
Carbon Project
in
Afognak, Alaska, USA

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CAMCO INTERNATIONAL GROUP, INC'S AFOGNAK ISLAND CARBON PROJECT VERIFICATION REPORT

12

Document Prepared By Rainforest Alliance

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Summary:
Camco International Group Inc.'s Afognak Island Project in Afognak, Alaska USA is an Agriculture, Forestry and Other Land Use (AFOLU) Logged to Protected Forest (LtPF) project. The project covers an area of 3326.5 hecatres and is publically owned. The project has a lifetime of 30 years, and is expected to sequester 1.56 million tCO₂e over the course of the project from 2006-2036. The purpose of this report is to document the conformance of The Afognak Island Carbon Project in Afognak, Alaska with the requirements of the Verified Carbon Standard (VCS). The project was developed by Rocky Mountain Elk Foundation (RMEF)/American Land Conservancy (ALC) who designated Camco International Group Inc to be the project proponent representatiave, and who will be hereafter referred to as "Project Proponent". The report presents the findings of qualified

Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

The project consists of five adjacent/proximal parcels of land on the North coast (Perenosa Bay/Delphin Bay area) of Afognak Island, Alaska. In a series of transactions outlined, over the period of 2005-2009, the American Land Conservancy (ALC) and the Rocky Mountain Elk Foundation (RMEF) acquired the Afognak Island Carbon Project properties and related timber rights from the privately owned Alaskan Native Corporations (Afognak Joint Venture, Shuyak, Inc., and Uganik Natives, Inc.), with the objective protecting the forest and conserving the land in perpetuity. As part of these transactions, ALC/RMEF specifically retained the carbon legal title rights and right of use for the purpose of a carbon emissions reduction project; attached a permanent federal conservation easement to ensure perpetual conservation management; and transferred the remaining surface title rights to the State of Alaska.

The Afognak Forest Carbon Project achieves net GHG emission reductions and removals through the avoidance of emissions due to logging in the baseline scenario. The Afognak properties were being managed for timber production by the previous managers, with existing or pending logging plans in place across these and adjacent properties owned by the previous owners. The most plausible baseline scenario is timber-harvesting using clear-cutting following minimum State of Alaska forest practice requirements and common practices evident in previous logging on the project lands and adjacent lands across Afognak Island.

The project scenario is conservation management, wherein the State of Alaska manages and monitors the properties for the purpose of wilderness and ecosystem protection and enhancement activities under the terms of the title transfer agreement and federal conservation easement. The project scenario retains the current native and naturally regenerating logged forests in perpetuity to retain and sequester carbon on the property. The project area is approximately 3,326.5 hectares of mature Sitka Spruce forests on Afognak Island, Alaska.

The verification audits to assess conformance against the standards outlined in the report introduction section 1.2, took place in two phases. In October 2011, the audit team conducted an on-site field audit at Afognak Island. The scope of the field audit work in October 2011 was to validate and verify field inventory work conducted by the project proponent to date.

During the October field visit the audit team was able to observe that inventory field work was conducted in accordance to Standard Operating Procedures and that the plots installed were done with a high level of expertise, by a knowledgeable and well trained crew. The audit team re-sampled 4 inventory plots and visited 8 additional plots across the Project Area in all but one planning unit. A comparison of the data collected by the auditors to the original forest inventory data revealed accuracy in the data. The audit team conducted an extensive walk through of the project area allowing them to make a preliminary observation that the forest in the project area is homogeneous, even aged Sitka Spruce pure forest. This observation was also supported by a fly-over of the area. Evidence of natural disturbance from blow down was observed primarily adjacent to previously logged areas. As a result of seeing so much of the project area by foot, the audit team assessed that that initial assumption for stratification (forested and non-forested areas) was reasonable for baseline projections, that forest inventory field work was conducted to high quality management standards, and that data obtained was of good quality.

In January 2012, the proponent submitted a Project Document (PD) and a pre-validation of the project took place, with findings that sufficiently demonstrated the project proponent is ready for the completion of the validation/verification process. The validation and verification was conducted with a second audit visit (Office visit) with Project Proponent Staff in Washington, DC March 6-8, 2012.

Onsite in DC, the audit team did an extensive review of the Project Document and all supporting documentation required to assess the conformance of the project to the methodology and all of the VCS Standard V3 requirements.

On April 2, 2012 a draft version of the validation/verification report was submitted by the Project Proponent for review. A follow-up call was held to discuss the non-conformances identified. April 25, 2012, the Project Proponent submitted an updated PD and additional supporting evidence to address the non-conformances identified. The second review of the evidence provided to the auditors was carried out and all but three of the non-conformance requests were determined to have been sufficiently addressed. The few remaining conformances issues were then discussed between the auditors and the Project Proponent. The Project Proponent submitted an updated copy of the PD and additional evidence to address the few remaining non conformances on May 16, 2012 which were reviewed by the auditors. After some follow-up communications to address a few remaining questions and an error identified by the auditors in the updated PD, a final version of the PD was submitted on May 18, 2012. Based on auditor review of the finalized PD (Version 2.6) it was determined that the project is in conformance with the VCS version 3, and is approved for validation/verification with the VCS.

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1 Introduction

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2007 accredited validation and verification body; additionally, Rainforest Alliance is a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by the Rainforest Alliance, see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact the local Rainforest Alliance regional office or the RA-Cert Division headquarters directly. Formal complaints or concerns should be sent in writing.

1.1 Objective

The purpose of this report is to document the conformance of Camco International Group, Inc.'s Afognak Island Carbon Project with the requirements of the Verified Carbon Standard (VCS). The project was developed by the project representative Camco International Group, Inc., hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

1.2 Scope and Criteria

Verification Scope: The scope of the audit is to assess the conformance of Camco International Group, Inc.'s Afognak Island Carbon Project Improved Forest Management project in Afognak, Alaska USA against the Verified Carbon Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 3,326 hectares. The land is publically owned. The information supporting the GHG assertion is historic in nature. The project has a lifetime of 30 years, and has calculated a GHG reduction and/or removal of 384,612 CO₂e over the course of the monitoring period of 01-January-2006 to 31-December-2011.

Standard criteria: Criteria from the following documents were used to assess this project:

- Verified Carbon Standard Program Guide Version 3;
- Verified Carbon Standard Version 3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements Version 3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool Version 3;
- Verified Carbon Standard Program Updates (please see VCS website for the latest updates); and as applicable,
- The VCS approved methodology/modules used by the project.

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion unless otherwise defined by the standard criteria.

1.3 Level of assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

1.4 Project Description

Camco International Group Inc.'s project in Afognak, Alaska USA is an Agriculture, Forestry and Other Land Use (AFOLU) Logged to Protected Forest (LtPF) project. The project was developed by Rocky Mountain Elk Foundation (RMEF)/American Land Conservancy (ALC), and the Project Proponent "representative" Camco Global, hereafter referred to as "Project Proponent".

The project consists of five adjacent/proximal parcels of land on the North coast (Perenosa Bay/Delphin Bay area) of Afognak Island, Alaska. In a series of transactions outlined, over the period of 2005-2009, the American Land Conservancy (ALC) and the Rocky Mountain Elk Foundation (RMEF) acquired the Afognak Carbon project properties and related timber rights from the privately owned Alaskan Native Corporations (Afognak Joint Venture, Shuyak, Inc., and Uganik Natives, Inc.), with the objective of protecting the forest and conserving the land in perpetuity. As part of these transactions, ALC/RMEF specifically retained the carbon legal title rights and right of use for the purpose of a carbon emissions reduction project; attached a permanent federal conservation easement to ensure perpetual conservation management; and transferred the remaining surface title rights to the State of Alaska.

The Afognak Forest Carbon Project achieves net GHG emission reductions and removals through the avoidance of emissions due to logging in the baseline scenario. The Afognak properties were being managed for timber production by the previous managers, with existing or pending logging plans in place across these and adjacent properties owned by the previous owners. The most plausible baseline scenario is timber-harvesting using clear-cutting following minimum State of Alaska forest practice requirements and common practices evident in previous logging on the project lands and adjacent lands across Afognak Island.

The project scenario is conservation management, wherein the State of Alaska manages and monitors the properties for the purpose of wilderness and ecosystem protection and enhancement activities under the terms of the title transfer agreement and federal conservation easement. The project scenario retains the current native and naturally regenerating logged forests in perpetuity to retain and sequester carbon on the property. The project area is approximately 3,326 hectares of mature Sitka Spruce forests on Afognak Island, Alaska.

2 Audit Overview

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Verification approved: <i>NCR(s) closed</i>	
☐	Verification not approved: <i>Conformance with NCR(s) required</i>	
Draft Final Report Conclusions		
☒	Verification approved: <i>NCR(s) closed</i>	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time.
☐	Verification not approved: <i>Conformance with NCR(s) required</i>	
Draft Report Conclusions		
☐	Verification approved: <i>No NCRs issued</i>	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of a assessment statement.
☒	Verification not approved: <i>Conformance with NCR(s) required</i>	

2.1 Audit Conclusions

It was determined upon finalization of this audit report that the Afognak Island Carbon Project was in conformance with the Verified Carbon Standard Version 3, and the Project could be approved for verification with the VCS. See Section I (1.1. to 1.3) above for the objectives, scope, criteria, and level of assurance covered by this verification.

At the time the first draft verification report was produced the auditors identified a total of 4 non-conformances against the applicable verification criteria. The Project Proponent then submitted updated project documents and additional supporting evidence to address the non-conformances which were reviewed by the auditors and some additional stakeholder calls were made. Based on all of the additional evidence reviewed and discussed, there were still a few issues with 3 of the non-conformances that the auditors determined were not yet adequately addressed. These concerns were clarified in discussion with the Project Proponent, and additional evidence and an updated PD was provided. Through some follow-up questions for additional clarification, the conformance issues were all addressed and the auditors completed the draft final version of this report.

Following issuance of the verification report Rainforest Alliance received notification from the VCSA on 18 September 2012 that the proponent had identified an error in the risk credit calculations that resulted in an over issuance of risk credits and under issuance of VCU's. Rainforest Alliance auditors reviewed the report, the existing GHG estimates and confirmed the error. The proponent submitted revised calculations and a revised monitoring report. The documents were reviewed and their accuracy confirmed. The result was a decrease in risk credits and slight increase in VCUs. These changes have been incorporated in section 2.1 of this report and documented in the NCR report.

Verified Emission Reductions and/or Removals:

Following the review of the monitoring report and supporting documents, the audit team has concluded with a reasonable level of assurance that the project is in full conformance with the VCS standard requirements, validated project design document, and

approved VCS methodology. Below is a description of the verified emission reductions as reviewed and approved by the audit team.

Reporting Period: 01-January-2006 to 31-December-2011

The following table includes the emission reductions and/or removals evaluated and approved during the verification audit:

GHG Emission Reductions or Removals	tCO₂e
Baseline Emissions	431,982
Project Emissions	35,321
Leakage	54,186
Uncertainty Discount	28,505
Net GHG emission reductions or removals	384,612

Year	Emission Reductions (tCO₂e)	Leakage Risk Discount (tCO₂e)	Uncertainty Risk Discount (tCO₂e)	Non-Perm Buffer Set-Aside (tCO₂e)	Cumulative Buffer Account (tCO₂e)	Release From Buffer (tCO₂e)	Available VCU's (tCO₂e)
2006	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0
2008	110,022	(13,407)	(6,666)	(10,361)	10,361	0	79,588
2009	114,843	(13,500)	(6,993)	(10,839)	21,200	0	83,512
2010	119,229	(13,593)	(7,289)	(11,273)	32,473	0	87,074
2011	123,209	(13,686)	(7,557)	(11,666)	44,139	0	90,299

2.2 Nonconformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that in all probability materially affects carbon credit claims. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

NCR#:	01/12
Standard & Requirement:	VCS AFOLU Requirements Sections 4.6.13
Report Section:	Appendix A, section 2.1.5
Description of Non-conformance and Related Evidence:	
The proponent indicates on page 78 of the PD that the current carbon legal title rights owners are non-profit conservation-driven organizations and provides table 11 to indicate that these organization do not have a history of commercial harvesting in properties outside the project area. However the description on pg 78 and the contents of table 11 do not by themselves serve as adequate documented evidence to demonstrate that it meets the requirements set in the VCS AFOLU Requirements Section 4.6.13.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification

Evidence Provided by Organization:	The proponent added references within section 3.3 of the revised PD that refer to email communications by representatives that indicate that neither the ALC or RMEF are engaged or plan to engage in commercial harvests. References to the mission statements of each proponent have been provided in the form of links to their official websites.
Findings for Evaluation of Evidence:	The websites suggest that both the ALC and RMEF are entirely focused on the conservation of land and habitats, and do not indicate that they are engaged or plan to be engaged in commercial harvests. The email correspondence with the President of the ALC and the vice president of the RMEF was reviewed and confirmed, and their contents support the assertion that neither organization has a history of commercial timber harvests. The auditors have therefore determined that this NCR can be closed.
NCR Status:	CLOSED

NCR#:	02/12
Standard & Requirement:	VCS Standard V3; VM0012 Section 11.3
Report Section:	Appendix A, Section 2.2.8
Description of Non-conformance and Related Evidence:	
A review of the Afognak Carbon Model v2.0 suggests there is a mathematical error that occurs when the proponent attempts to remove emissions from harvesting, manufacturing, and transportation from the net annualized emissions that leads to an incorrect calculation of VCUs. An error arises in excel because the negative emissions value from harvesting emissions is being subtracted from net annualized emissions as a positive number, which leads to a decrease in adjusted net emissions reductions instead of an increase. For example in the tab "Summary Tables and Figs" of the Afognak Carbon Model v2.0, the proponent subtracts cell AJ11 from cell BB11, however the excel model is not recognizing the subtraction of the negative number represented in AJ11. As such the net emissions reductions value to which the buffer percentage withholding is applied is incorrect, in turn makes the actual buffer withholding incorrect, thus leading to an incorrect VCU calculation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent asserts that the calculation mentioned in the NCR is correct and no change has been made.
Findings for Evaluation of Evidence:	The audit team reviewed the calculation and determined that it is in fact correct and that no change is or was necessary. The potential error the auditors had thought to have identified was in fact not an error, and this NCR can therefore be closed.
NCR Status:	CLOSED

NCR#:	03/12
Standard & Requirement:	VCS Standard V3 Section 3.17.3 – 3.17.5 VCS AFOLU Requirements Section 4.8: Monitoring plan
Report Section:	Appendix A, Section 2.4.1
Description of Non-conformance and Related Evidence:	

The PD (Section 3.3) states that ongoing monitoring is the primary operational task for the project and this will be the role of the carbon project manager. It is not clear who the carbon project manager is and/or what project proponent team this person will be part of. Further, the monitoring plan states monitoring activities are managed by Camco and 3GreenTree. Onsite, the project proponent stated that monitoring is the responsibility of Camco. Clarification between the documents is required.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	A revised PD was provided (Afognak Monitoring Report 2006-2011 v1.2 Final).
Findings for Evaluation of Evidence:	The revised PD (section 4.3) now shows that ongoing monitoring is the primary operational task for the project, all aspects of which will be under the project management responsibility of Camco as the Project Proponent Representative. Based on this information presented in the updated PD, the auditors determined that this NCR can be closed.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	04/12
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool Section 2.1.1
Report Section:	Appendix A, Section 10.2
Description of Non-conformance and Related Evidence:	
The proponent has provided a completed non-permanence risk report, which is incorporated into the PD starting on page 101. The proponent has not used the most recent version of the AFOLU Non-Permanence Risk Tool. Several issues were identified and will need to be corrected before the final risk score can be evaluated. Issues were identified in the components of the risk report as listed below, but for more details please refer to the findings listed in table 10.2 of the report. Risk Report Components that require corrections: 1. Project Management 2. Financial Viability 3. Opportunity Cost 4. Project Longevity 6. Land Tenure 7. Political Risk 8. Natural Risk	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Validation Prior to Verification
Evidence Provided by Organization:	The proponent provided an updated version of the VCS Non-Permanence Risk report that contains updates to specific tables relevant to the report. The description below identifies the table and item within the table in which modifications were made.

	Project Management - Item c). The proponent clearly identified Camco Global as Project Proponent Partner and project manager. 3GreenTree is identified as implementing partner. Additional descriptions are provided in section 1.3 of the PD. - Item d). The proponent clearly identified the location where the project manager is located (Denver, Colorado) - Item e). The proponent referenced 3GreenTree’s website, as well as Camco Global’s website which provide descriptions of past projects http://www.camcoglobal.com/en/ourexpcarb.html, and http://3greentree.com/whatwe'vedone.html. The individuals involved are identified in these websites as well (http://www.camcoglobal.com/en/managementteam.html, http://3greentree.com/team.html). Financial Viability - Items a-d) The proponent clearly indicated that it has selected item “d”, and listed a score of “0” for this item. It has added the tab “Financial Viability” within the file “Afognak Carbon Model v2.1.xlsx”, which contains a cash flow analysis for the duration of the project. - Items e-h) and Item i). The proponent modified the Risk Report contained within the PD to make explicit reference to Camco’s publically available financial information contained online and it lists their website http://www.camcoglobal.com/en/invsannouncements.html. Opportunity Cost - The proponent presented financial estimates within the Afognak Carbon Model that provide analyses regarding the financial returns of the baseline and with-project scenario. - The proponent modified the entries for Items g) and h). It changed the risk score of both of these items to “0” because it cannot claim Items g), h), and i) as per the rules set within the Risk Tool. Item i) remained unchanged and is being claimed and has an associated risk score of -8. <u>Project Longevity</u> - Item b). The proponent has not changed its project longevity, which is 30 years. The proponent has utilized Item b) because it has a Federal Conservation Easement over the property. The score of “15” has not changed from the previous component. However, the proponent has overridden this score with a score of “0” and has referenced the allowance within section 2.2.4 Item 5 of the VCS Non-Permanence Risk Report. Land and Resource Tenure - The proponent updated its comments related to Items a) and b), has clearly selected Item b), and has attributed a risk score of “2” to this item. - The proponent has updated its comments related to Items c) and d), and has included comments that related to both items. It has clearly assigned a risk score of “0” because it has assessed that neither Item is applicable. Political Risk <u>The proponent updated this table to indicate that the WGI scores from 2006-2010 have been used. It also updated its description to indicate Item e) was chosen.</u> <u>Pests and Disease</u> - The proponent updated its explanation regarding this Item. It identified several potential
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	pests such as the Spruce bark beetle among others, and supported their existence with references (i.e. Burns 1990). In light of these potential pest risks the proponent presents information that suggests that this risk is relatively low due to the lack of impacts visible on the stands in the project area. As a result it listed a likelihood of 50-100 years with “major” significance and indicated that the modelling results suggest a stand mortality that matches that observed in the field. The proponent has not applied a mitigation score to be conservative.
Findings for Evaluation of Evidence:	<u>Project Management</u> 1. The additional description provided in the Risk Report clearly identifies the management team. All parties identified are recognized as reputable and experienced professionals with sufficient relevant experience relative to the demands of the project. The individuals involved in the day-to-day activities from 3GreenTree and Camco Global were met with directly during the field audit and demonstrated sufficient competency in their respective roles, including monitoring, modelling ecosystem dynamics, forest and project management. This aspect of the NCR is therefore considered CLOSED. 2. The proponent clearly identified the location where the project manager is located, and it is within a day’s travel of the project area. This aspect of the NCR is considered CLOSED. 3. The firms and the individuals involved in the project demonstrated an extensive suite of successful AFOLU projects including methodology development of VCS VM0012, the Dark Woods VCS-validated project, and project management. This aspect of the NCR is considered CLOSED <u>Financial Viability</u> 1. The financial viability assessment demonstrated in the Afognak Carbon Model contains justifiable, transparent, and appropriate assumptions regarding the analysis’ key variables. When considered in tandem with the information presented in the two commentaries listed below, the project has been adequately demonstrated to break even in less than four years. Therefore the selection of Item d) and associated risk score of “0” is justified. This aspect of the NCR is considered CLOSED. 2. Camco’s financial information is available up through April 2012. The information suggests that Camco has sufficient funds to cover the operating costs of the project. This information supports the selection of Item h) with a risk rating of “0”, as well as Item i), which a risk rating of -2. The total Financial Viability score is correct. This aspect of the NCR is therefore considered CLOSED. <u>Opportunity Cost</u> 1. The NPV values generated by the with and without project scenario NPV analyses are justified by transparent and reasonable assumptions. Their result leads to the conclusion that the without project scenario is more profitable than the with-project scenario. Because the proponent is eligible for, claims mitigation credit h) (see below), the results of this NPV analysis are immaterial and lead to an overall OC score of 0. This aspect of the NCR is CLOSED. 2. The proponent is no longer claiming item’s g) and h) and has made their scores “0”. It is still claiming Item h) and has left this score as -8. The audit team has reviewed the conservation easements already and this score is appropriate. Since the total Opportunity Cost Score cannot be negative the proponent has correctly determined the total table risk score to be “0”. This aspect of the NCR is therefore considered CLOSED. <u>Project Longevity</u> 1. Since the proponent has a federal conservation easement on the project area the proponent is allowed to override the score in Item b), with “0” according to section 2.2.4 Item 5 of the VCS Non-Permanence Risk Report. This score is in conformance with the methodology, therefore this aspect of the NCR is considered CLOSED. <u>Land and Resource Tenure</u>

	1. The proponent clearly explains that it has selected Item b) because the government owns the surface rights to the project area, while the proponents have established right of use. This justifies the selection of Item b) and the risk score of “2” is correct. Therefore this aspect of the NCR is considered CLOSED. 2. The proponent summarizes the transaction history of the project area, which involves title transactions between the federal government, Native Corporations, and the project proponents, which have undergone the scrutiny required for these purchases. Therefore the proponent claims that neither Item c) nor Item d) are applicable because these transactions have not revealed any disputes, and that there are no disputes to resolve. In addition, the on-site field visit by the audit team did not reveal any land disputes. Therefore the risk score of “0” is appropriate for Item c) and d). This aspect of the NCR is considered CLOSED. <u>Political Risk</u> 1. The proponent corrected a typographical error and provided the underlying calculation in the document “Afognak – US WGI Governance Indix.xls”. A score of 1.25 was calculated so the client has clearly mentioned that it elected item e) and has assigned a risk score of “0”, This assessment is correct so therefore this aspect of the NCR is considered CLOSED. <u>Pests and Disease</u> 1. The proponent suitably identified and documented the threats posed by various plausible pests to Sitka Spruce. The proponent makes the observation that the current stands do not exhibit substantial signs of damage from these pests, which is a strong observation supported by the audit team. Therefore the proponent adequately identified, categorized and justified the risk posed by pests. The score of “1” is appropriate, therefore this aspect of the NCR is considered CLOSED
NCR Status:	CLOSED
Comments (optional):	

NCR#:	05/12
Standard & Requirement:	VCS document <i>Registration and Issuance Process</i> , Section 6.2.2
Report Section:	See VCSA Post-Verification Report
Description of Non-conformance and Related Evidence:	
<i>Following analysis by the proponent an issue was identified and communicated to the VCSA regarding an over issuance of risk credits. A post-verification report was generated by the VCSA and sent to the audit team on 18 September, 2012. The result was identified as the non-application of the conversion factor to convert baseline equipment and production emissions from tC to tCO2e, when this value was subtracted from net annualized emission reductions. This error results in an over issuance of risk credits and under issuance of VCUs. A review of “Afognak Carbon Model v3.2- Monitoring 2006-2011.xls confirmed this error.</i>	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	Afognak Carbon Model v3.3- Monitoring 2006-2011.xls, Afognak Monitoring Report 2006-2011 v1.4 Final.pdf”.
Findings for Evaluation of Evidence:	The proponent submitted for review “Afognak Carbon Model v3.3- Monitoring 2006-2011.xls”, a revised version of its GHG quantifications and summary tables, as well as a revised version of its monitoring report “Afognak Monitoring Report 2006-2011 v1.4 Final.pdf”. The corrected spreadsheet is identical to v3.2 except that baseline equipment and production emissions

	estimates have been accurately converted to tCO ₂ e. The result is a slightly lower amount of buffer credits deducted and a slightly higher number of VCU's. The changes made in the underlying spreadsheet have been faithfully updated in the revised Monitoring Report, and this verification report has been modified to reflect these changes.
NCR Status:	CLOSED
Comments (optional):	The VCU table in section 2.1 of this report has been modified to reflect this change.

NCR#:	06/12
Standard & Requirement:	VCS document <i>Registration and Issuance Process</i> , Section 6.2.2
Report Section:	See VCSA Post-Verification Report
Description of Non-conformance and Related Evidence:	
Following analysis by the proponent an issue was identified and communicated to the VCSA regarding an over issuance of risk credits. A post-verification report was generated by the VCSA and sent to the audit team on 18 September, 2012. The VCSA found that: <i>“Section 4.5 of the monitoring report indicated that the project proponent was unclear as to how to treat the release of credits from the buffer pool in the first verification period. As such, the project proponent proposed to begin the 5 year release of credits in 2013.</i> <i>The VCS document Registration and Issuance Process, Section 6.2.2 indicates that the first release of buffer credits shall be no sooner than five years after the first verification event. Given that the first verification event is in 2012, the first release of buffer credits cannot be in 2013 and should be no sooner than 5 years from 2012.</i> <i>While there is no material impact on VCUs issued, RA shall correct the non-conformance in Section 2.2.8 of verification report and resolve relevant non-conformance in the monitoring report. “</i>	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	Afognak Carbon Model v3.3- Monitoring 2006-2011.xls, Afognak Monitoring Report 2006-2011 v1.4 Final.pdf”.
Findings for Evaluation of Evidence:	The proponent submitted for review “Afognak Carbon Model v3.3- Monitoring 2006-2011.xls”, a revised version of its GHG quantifications and summary tables, as well as a revised version of its monitoring report “Afognak Monitoring Report 2006-2011 v1.4 Final.pdf”. The revised spreadsheet now reflects buffer releases that do not begin until 2017. Section 4.5 of the same report has been updated to reflect the correct method for treating the first release of buffer credits, which it says shall not occur until 2017, and the underlying calculations reflect this understanding. This matter is therefore considered resolved.
NCR Status:	CLOSED
Comments (optional):	Refer also to the VCSA Post-Verification Report for the original finding, sent to the audit team on 18 September 2012.

2.3 Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

OBS 01/12	Reference Standard & Requirement: VCS Standard V3 2.4.1
Description of findings leading to observation: The Implementation status section of the monitoring plan (Section 2.1) discusses how the forest inventory was updated to remove a road that was not identified in the initial carbon inventory and has resulted in a reduction of total emission offsets claimed by the project. However, the audit team confirmed onsite that the road was removed in both the baseline and project scenarios ex-ante and ex-post calculations that are presented in the PD and the monitoring plan. Therefore, there are not any ex-post inventory updates.	
Observation: This monitoring plan should be revised to clarify that the update to the forest inventory (to account for a road discovered when onsite) was reflected in both ex-ante and ex-post calculations and as such, does not affect total emissions claimed by the project in the PD.	

OBS 02/12	Reference Standard & Requirement: VCS AFOLU Non-Permanence Risk Tool Section 2.1.1
Description of findings leading to observation: Some observations were noted within the risk report pertaining to the clarity of the risk scores. The sections where these occur are noted below and should be addressed. Please refer to the findings described in Appendix B table 1.2 of this report for further details. 1. Financial Viability 2. Opportunity Cost 3. Political Risk	
Observation: The proponent should correct several issues pertaining to the clarity of the risk report, please refer to Appendix B table 1.2 for specific findings.	

Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy)

Action Taken by Project Proponent following the issuance of the Draft Report		Date
Additional documents submitted to audit team (additional documents listed below)	☒ Yes ☐ No ☐ N/A	April 25, 2012-May 3, 16, 18, 21, 22, 2012
Additional stakeholder consultation conducted (evidence described below)	☒ Yes ☐ No ☐ N/A	April 30 to May 12, 2012
Additional clarification provided	☒ Yes ☐ No ☐ N/A	May 3, 4, 8, 11, 18, 21, 2012
Documents revised (document revision description noted below)	☒ Yes ☐ No ☐ N/A	April 25, 2012, May 16, 2012 May 18, 2012 October 1 2012
GHG calculation revised (evidence described below)	☒ Yes ☐ No ☐ N/A	April 25, 2012

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

Ref	Title, Author(s), Version, Date	Electronic Filename
1a.	Afognak - VCS Project Design Document - 2012 v2.4 Final, 3GreenTree Ecosystem Services Ltd./Camco Global, April 24, 2012	Afognak - VCS Project Design Document - 2012 v2.4 Final.pdf
2a.	Afognak Carbon Model v2.1,	Afognak Carbon Model v2.1.xls

	3GreenTree Ecosystem Services Ltd, April 24, 2012	
3a.	Afognak LST April 20, 2012, 3GreenTree Ecosystem Services Ltd	Afognak LST April 20, 2012.xls
4a.	Sitka Spruce Dataset Afognak v1.1, 3GreenTree Ecosystem Services Ltd	Sitka Spruce Dataset Afognak v1.1.xls
5a.	Ss SI 20 data from TIPSy with Standish equations v1.1, 3GreenTree Ecosystem Services Ltd	Ss SI 20 data from TIPSy with Standish equations v1.1.xls
6a.	Afognak Carbon Model v3.2- Monitoring 2006-2011, 3GreenTree Ecosystem Services Ltd, April 24, 2012	Afognak Carbon Model v3.2- Monitoring 2006-2011.xls
7a.	Afognak Monitoring Report 2006-2011 v1.2 Final, 3GreenTree Ecosystem Services Ltd, April 24, 2012	Afognak Monitoring Report 2006-2011 v1.2 Final.pdf
8a.	Mission Without a Map, Hunt, 2010	AFOLU Risk Tool Consultation 2011.pdf
9a.	Exxon Valdez Oil Spill Restoration Habitat Protection and Acquisition Atlas, Department of Natural Resources, March 1999	EVOS_atlas_web.pdf
10a.	National Bald Eagle Management Guidelines, U.S. Fish and Wildlife Service, May 2007	F&W Service 2007. NationalBaldEagleManagementGuidelines.pdf
11a.	Governor vetoes Afognak land purchase Posted: Friday, June 13, 2003	http://peninsulaclarion.com/stories/061303/ala_061303akpm004001.shtml
12a.	Existing Riparian Management Zone (RMZ) Regulations Throughout Alaska U.S. Corps of Engineers, Nationwide Permits, SPN-2002-02 (January 15, 2002)	US Corp. Eng, 2002. 3_existing_rmz_regulations.pdf
13a.	Timber Appraisal Shuyak, Inc. Property at Waterfall Lake North Afognak Island Kodiak Island Borough, Fish and Wildlife, 2007	TimberAppraisalShuyakFinal.pdf
14a.	Timber Appraisal Afognak Joint Venture (Uganik Natives, Inc.) Property at Waterfall Lake North Afognak Island Kodiak Island Borough, Fish and Wildlife, 2007	TimberAppraisalUganikFinal.pdf
15a.	Afognak Parcel Pricing Email, May 15, 2012	ADNR note forward again.htm
16a.	Afognak Common Practice Analysis Email, May 16, 2012	Afognak – Additional Evidence – Email confirmation T.R. on common practice analysis.docx
17a.	Afognak PD V2.5 – tracked changes, May 15, 2012	Afognak – VCS Project Design Document – 2012 v2.5 track changes.docx
18a.	Afognak PD V2.5, May 15, 2012	Afognak – VCS Project Design Document – 2012v2.5.pdf
19a.	Afognak Application for Federal Assistance Grant Letter, December	Ajvgrant.pdf

	3, 2004	
20a.	Afognak – AJV RMEF/ALC Settlement Statements, December 14, 2005	AJV-RMEF-ALC_signed Settlement Statements.pdf
21a.	Afognak Expenses Email, May 15, 2012	ALCRMEF Expenses.htm
22a.	Afognak Grant Agreement Addendum Letter, March 3, 2005	Paul Allen addendum letter 3-3-2005.pdf
23a.	Afognak Grant Award Letter, September 12, 2002	Paul Allen Grant Agreement 9-12-2002.pdf
24a.	Afognak Grant Final Report, May 8, 2006	Paul Allen Grant Final Report 5-8-2006.pdf
25a.	Afognak Funding Email II, May 15, 2012	RE Verification of Afognak forest legacy please II.htm
26a.	Afognak Funding Email, May 15, 2012	Re Verification of Afognak forest legacy please.htm
27a.	Afognak Shuyak Resolution Document Parcels 2A & 2B, September 29, 2008	Reso 8-16 Shuyak signed.pdf
28a.	Afognak Uganik Resolution Document, Parcels 3A & 3B, September 29, 2008	Reso 8-17 Uganik signed.pdf
29a.	Afognak Shuyak Settlement Statement	SettlementStatements_Shuyak.pdf
30a.	Afognak Uganik Settlement Statement	SettlementStatement_Uganik.pdf
31a.	Afognak Forest Legacy Email, May 15, 2012	States can use Forest Legacy due diligence.htm
32a.	Afognak Financial Transaction Summary, May 16, 2012	Summary of Financial Transactions for Afognak.docx
33a.	Afognak PD, Version 2.6, May 17, 2012	Afognak – VCS Project Design Document – 2012 v2.6.pdf
34a.	Afognak PD, Version 2.6 – track changes	Afognak – VCS Project Design Document – 2012 v2.6 – track changes.docx
35a.	2005 Purchase Contract between ALC/RMEF and AJV	Option Agmt pp 1-22.pdf
36a.	2005 Policy of Title Insurance issued by Stewart Title Guaranty Company	Title Policy 2005-12-19, O-1201-91032A.pdf
37a.	EVOS Acquisition Catalog	EVOS Acquisition Catalog.pdf
38a.	Afognak Carbon Model, 3GreenTree v3.3	Afognak Carbon Model v3.3- Monitoring 2006-2011.xls
39a.	Afognak Monitoring Report, 3GreenTree, v1.4	Afognak Monitoring Report 2006-2011 v1.4 Final.pdf

3 Audit Methodology

3.1 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal

			visit					Review
Janice O'Brien	☒	☒	☒	☐	☐	☐	☒	☐
John Cathro	☐	☒	☒	☐	☒	☒	☒	☐
Ian Starr	☐	☒	☒	☒	☐	☐	☒	☐
Jeff Hayward	☐	☐	☐	☒	☐	☐	☐	☒

Auditor qualifications:

Auditor(s)	Qualifications
John Cathro	Registered Professional Forester, with 20 years experience in the forest sector with industry, government, communities and First Nations. John has worked within the third party certification framework for over 10 years developing standards, assisting companies in obtaining certification and conducting carbon verification/validation, forest management and chain of custody assessments and audits. John has successfully completed Rainforest Alliance training in carbon, chain of custody and forest management auditing as well as Lead Auditor ISO 14001 training. John has completed over 150 audits and assessments
Janice O'Brien	Janice has a Master's Degree in Forest Conservation from the University of Toronto and has been with Rainforest Alliance for 4 years. Janice acts as both the Canadian Verification and Chain of Custody Coordinator. She has task managed multiple Carbon methodology assessments, pre-validations, and validation projects in Canada, has completed a training program in GHG Accounting for Forests. She is also certified ISO 14001 lead auditor. She has participated in 3 Carbon Pre-Assessments, and 2 Carbon Validation Projects. She has coordinated approximately 800 Chain of Custody audits and assessments, conducted approximately 25 assessments/audits, and participated in 1 Forest Management Audit. Prior to joining Rainforest Alliance she worked in operational and financial risk management for 13 years.
Ian Starr	Ian is a consulting forester and resource manager with personal and professional experience in North America, Central and South America, and Africa. His principal interests lie in improving conservation and forest management practices in tropical forests. Most recently he has served as an auditor for forest carbon offset projects with the Rainforest Alliance. He has also collaborated on a variety of forestry and natural resource management projects in both Amazonia, and the temperate hardwood forests of the Northeastern United States. These projects have included modelling the carbon sequestration potential of various tropical agroforestry systems and designing and participating in several forest inventories in New England to plan timber sales based on natural regeneration. Ian received his Masters degree in Forestry from the Yale School of Forestry and Environmental Studies with a focus on tropical forest and resource management, and received his B.A. from Colgate University where he concentrated in Native American Studies. He is fluent in Spanish and Portuguese.

3.2 Description of the Audit Process

Location/Facility	Date(s)	Length of Audit	Auditor(s)
Afognak Island, Alaska Field	Oct 20-23, 2011	4 days onsite	John Cathro, Janice O'Brien
Hamilton, ON and Washington, DC pre-validation desk audit	February 7-13, 2012	2 days desk audit	Janice O'Brien, Ian Starr
Washington, DC Audit	March 6-8, 2012	3 days	Janice O'Brien, Ian Starr
Hamilton, ON and Washington, DC desk	March 19-28,	4 days	Janice O'Brien, Ian Starr

audit/report writing	2012		
Hamilton, ON, Washington, DC	April 30-May 4, 2012	1.5 days	Janice O'Brien, Ian Starr,
Kaslo, BC	April 30 to May 12, 2012	2 days	John Cathro

3.3 Review of Documents

The following documents were viewed as a part of the field audit:

Ref	Title, Author(s), Version, Date	Electronic Filename
1	3GreenTree - Base PSP Plot SOP 2011 v1.0, Oct 17, 2011	3GreenTree - Base PSP Plot SOP 2011 v1.0.docx
2	Afognak Spatial Data Summary, Oct 17, 2011	Afognak Spatial Data Summary.docx
3	Afognak Data from Timberland, Nov 9, 2011	Afognak Data from Timberland.zip
4	Afognak Carbon Project Ortho Map Nov 30, Brad Seely, Nov 30, 2011	Afognak.png
5	Self-Contained Appraisal Report, Uganik Natives Inc Property, 1,748.65 Acres of Vacant Land, Afognak Island, Alaska, MacSwain Associates LLP, June 6, 2008.	Hardcopy, summary pages in Uganik_Appraisal_07.pdf
6	Self-Contained Appraisal Report, Shuyiak Inc Property, 1,996.79 Acres of Vacant Land, Afognak Island, Alaska, MacSwain Associates LLP, July 19, 2007.	Hardcopy, summary pages in Shuyak_Appraisal_07.pdf
7	Method for selecting monitoring plots. Author unknown, version n/a, date unknown	Method for selecting monitoring plots.docx
8	Afognak Carbon Model v2.0. 3GreenTree. Version 3.1. Date n/a	Afognak Carbon Model v2.0.xlsx
9	Afognak Landscape Summary Tool. Brad Seeley, version n/a, Jan 23, 2012	Afognak LST Jan 23, 2012.xlsx
10	Afognak plot data & UF Jan. 2012. 3GreenTree. Version n/a. Jan. 2012	Afognak plot data & UF Jan. 2012.xlsx
11	Afognak Nov 29 Microsoft Access Database, author unknown	Afognak Nov 29.mdb
12	Sitka Spruce Dataset Afognak. Brad Seeley. Version n/a. Date n/a	Sitka Spruce Dataset Afognak.xlsx
13	Afognak Carbon Model v3.1 - Monitoring 2006-2011. 3GreenTree. Version 3.1. Date n/a	Afognak Carbon Model v3.1 - Monitoring 2006-2011.xlsx
14	Afognak Landscape Summary Tool. Brad Seeley, version n/a, Feb. 7 2012	Afognak LST Feb 7, 2012.xlsx
15	Afognak Forest Carbon Project Monitoring Report Monitoring Periods: 2006-2011, 3GreenTree Ecosystem Services Ltd. and Camco International Group, Inc., Feb 13, 2012.	Afognak Monitoring Report 2006-2011 v1.1.pdf
16	Afognak Oct 3 Microsoft Access Database, author unknown	Afognak Oct 3.mdb
17	Camco North America Backup Documentation, Chris Samarakkody, December 2011	Camco US Data Storage Policy.pdf
18	Resolution 02-02 of EVOS Trustee Council, author unknown, 12/02/01	Resolution 02-02 of EVOS Trustee Council.pdf
19	The Pinchot Letter Vol.10, No.2 Winter 2005, Pinchot Institute for Conservation, Winter 2005	The Pinchot Letter Vol.10, No.2 Winter 2005.pdf
20	Afognak Forest Carbon Project v2.3 (VCS Project Design Document), 3GreenTree Ecosystem Services Ltd./Camco Global, Jan 31, 2011	Afognak - VCS Project Design Document - 2012 v2 3.pdf
21	Approved VCS Methodology VM0012 Version 1.0	VM0012 IFM-LtPF on Privately Owned Temperate

	Sectoral Scope 14: Improved Forest Management on Privately Owned Properties in Temperate and Boreal Forests (LtPF), 3GreenTree Ecosystem Services Ltd, 2011	Boreal Forest v1.0.pdf
22	Measuring and Monitoring Plan for the Forests Around Perenos Bay, Afognak Island, Alaska. Sandra Brown, Matt Delaney, David Shoch, John Kadyszewski (Winrock International), Dec 4, 2002	Winrock Afognak Measurement & Monitoring plan 12-04-02.doc
23	Afognak Deeds	Hardcopy

3.4 Interviews

The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in some cases indirectly, involved and/or affected by the project activities.

Audit Date	Name	Title
Oct 20-24, 2011	Wiley Barbour	Vice President, Corporate Development, Camco
Oct 20-24, 2011 May 11, 2012	Mike Vitt	Owner, 3GreenTree Ecosystem Services Ltd.
Oct 20-24, 2011	Trevor Anderson	RPF, Timberland Consultants
March 6, 2012	Tim Richardson	Director, Governmental Affairs and Alaska Program, American Land Conservancy
March 5-7, 2012 May 11, 16, 2012	Charles Purshouse	Vice President - Carbon Services, Camco
April 30 to May 12, 2012	Claire Doig	President Forest & Land Management Inc.
April 30 to May 12, 2012	Howard Valley	Lands Manager, ANC

APPENDIX A: Field Audit Findings

Note: Findings presented in this section are specific to the findings resulting from the field audit as presented in the Draft Audit Report. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 2 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, is included within section 2 of this report.

1. Evaluation of Validated PDD

This section includes an assessment of the validated PDD to ensure that validated project activities have continued without significant changes.

1.1 Methodology Deviations

Identify, discuss and justify conclusions regarding any methodology deviations applied to the project. Note this includes any applicable deviations from the methodology as well as deviations in monitoring report from the validated monitoring plan.

Findings from Verification Field Audit			
When comparing the monitoring report to both the monitoring plan requirements described in the PD and the methodology, no deviations were noted.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

1.2 New Project Activity Instances

For grouped projects, identify, discuss and justify conclusions regarding the following:

- Number of new project activity instances included in the project at this monitoring/verification event.*
- Quality and completeness of evidence, data and documentation of new project activity instances*
- Eligibility of new project activity instances*
- Sampling process for validation of new project activity instances*

Findings from Verification Field Audit			
The project is not a grouped project.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

1.3 Validation Conclusion

Clearly state whether the project conforms with the validation criteria for projects, as set out in VCS Version 3, and include any qualifications or limitations. This section should include a brief description of any changes from the validated PDD, and a review of project continued conformance with the validated PDD.

Findings from Verification Field Audit			
The project does not yet conform to all validation criteria as set out in VCS Version 3, as noted in all NCRs issued. Until all NCRs related to project validation are demonstrated to be in conformance, the project cannot issue a validation statement of conformance. Refer to all NCRs issued.			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	See NCR 01/12 – NCR 04/12.		

2. Verification Findings

2.1 Project Implementation Status

Identify, discuss and justify conclusions with respect to the following:

- Implementation status of the project activity(s), including any material discrepancies between the project and the project description.
- Implementation status of the monitoring plan and the completeness of monitoring, including any material discrepancies between the project and the project description.
- Any remaining issues from previous validation or verification.

2.1.1 Project title, Purposes and Objectives

Identify any changes in the project title, purpose or objectives since the project validation or the last verification.

Findings from Verification Field Audit			
This report represents a simultaneous validation and verification and so there are no changes to report. The project title, purpose and objectives are the same.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.1.2 Stratification of Baseline and Project Areas

Identify any changes in baseline or project area stratification. Review application of stratification in GHG calculations.

Findings from Verification Field Audit			
The project proponent states in the monitoring plan that the project land base was stratified using the analysis unit approach as described in Section 4.1 of the PD, and that no updates were made to the spatial inventory data that was established in the PD. Onsite, the audit team observed that the Project Area is a homogenous Sitka Spruce forest. The presence of the same indicator species of bryophytes, devil's club and salmon berry supports the homogeneity of the Project Area. The terrain is uniformly low elevation and gently rolling. Observations on the ground and during a flyover of the project area confirm that this simplified stratification is reasonable and appropriate. The Implementation Status section of the monitoring plan (Section 2.1) discusses how the forest inventory was updated to remove a road that was not identified in the initial carbon inventory and has resulted in a reduction of total emission offsets claimed by the project. However, the audit team confirmed onsite that the road was removed in both the baseline and project scenarios ex-ante and ex-post calculations that are presented in the PD and the monitoring plan. Therefore, there are not any ex-post inventory updates. This statement should be clarified. See OBS 01/12.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	OBS 01/12		

2.1.3 Ownership/Proof of Title/Right of Use

Identify any changes in project area land ownership/demonstration of right of use as identified in the validated PDD.

Findings from Verification Field Audit			
The validation and verification are taking place simultaneously. There are no changes in the project area land ownership/demonstration of right of use as identified in the PDD.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

2.1.4 Double counting and whether the project participated in another emission trading programme

Identify if the project has participated in other emission trading programmes.

Findings from Verification Field Audit			
The project has not participated in any other emission trading programmes, as verified by the audit team and described in report section 1.9.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

2.1.5 Conformance with PDD Monitoring Protocol

Evaluate project activity conformance with the validated PDD Monitoring Plan. Review each step outlined within the monitoring plan in the findings box below.

Findings from Verification Field Audit			
As required in the methodology (Section 13.1) and as described in the PD (see section 7.3 of the report), the proponent has provided a monitoring plan ("Afognak Monitoring Report 2006-2011 v1.1") outlining the activities undertaken to monitor carbon			

inventory and stock changes over time.

The initial monitoring period covered by this Monitoring Report includes the years from the project start date in anticipation of initial verification in 2012 (initial monitoring report period: 01-January-2006 to 31-December-2011). The following activities took place in late 2011/early 2012 as documented in the monitoring report:

1. Annual Inventory Change Monitoring
2. Other Monitoring Requirements for the Project (i.e. leakage monitoring)
3. Field Plot Monitoring according to SOPs ("**3GreenTree - Base PSP Plot SOP 2011 v1.0**") and procedures outlined in PD section 3.3 to update field inventory, uncertainty calculations and carbon calculations from field plot measurement data.

4. Quality Assurance/Quality Control Measures

A detailed assessment of conformance with these requirements is described in the following table.

PDD Required Monitoring Procedures	Findings
Monitoring annual inventory changes: conducted via property aerial observation flights over the project area in combination with individual ground observations and measurements from specific disturbance events (field measured using aerial or ground-based GPS, or other remote sensing methods). These spatial elements will be updated in the Afognak GIS database annually.	The project is being validated and verified based on initial monitoring inventory that was established in Oct 2011. The original spatial inventory used was a 2008 inventory (Forest and Land Management, Inc., 2008) and then updated in 2011 using high resolution orthophotos taken from 2006. Non productive areas were updated to include buffers around roads and streams. Ground truthing took place in Oct 2011 where the proponent and audit team did a flyover of some of the project area and extensively walked the project area. The inventory was updated to reflect a recently constructed road that was located when onsite. See OBS 01/12. No other incidents of pest, blowdown (>4 ha per the methodology requirement) or fire or disease were noted on site or during the flyover. These activities are described in the monitoring report in section 3.3.1. The audit team reviewed plot-level inventory data contained in "Afognak plot data & UF Jan. 2012.xlsx". These observations constitute the first instance of inventory observations and as such no change in inventory data is possible and therefore none was provided.
Annual monitoring requirements of the project including activity shifting and market leakage calculations, reporting during verification by updating the timber harvest levels on other ALC/RMEF properties.	Activity shifting and market shifting leakage are reported in the monitoring report section 3.3.2. Activity shifting is summarized in table 1 of the report. The data in the table is zero as none of the proponents (RMEF/ALC) undertake commercial harvesting on other properties. Evidence to support this has not been provided. See also associated findings under section 5.4 of this report and NCR 01/12. As there have been no harvesting activities in the project during the monitoring period of 2006-2011 that differ from those calculated and described in the PD. Market leakage reported is shown in table 5 of the monitoring report and has been found to have been correctly calculated.
Field plot monitoring to update the inventory, uncertainty calculations and carbon calculations.	Initial field plots to provide key stand and project level carbon inventory data which can be tracked and re-measured over time to confirm ex-post carbon inventory levels and stock changes were installed in October 2011. As described in section 3.3.3 of the monitoring report, 22 plots were installed. Plot data were provided. The current use of the plot network is to provide the base inventory data and uncertainty factor data. When onsite, the audit team re-sampled 4 of the 22 plots installed, verified the SOPs for field plot monitoring were followed through interviews with the team leader who did the field work and through demonstration of those activities. The plot level data is contained in "Afognak plot data & UF Jan. 2012.xlsx"

	and was reviewed by the audit team. The calculations described in the monitoring report match those contained in the excel-based inventory data. Calculations were performed correctly.		
Quality Assurance/Quality Control Measures according to Standard Operating Procedures for collecting field measurements, verifying laboratory procedures, verifying data entry and analysis techniques and data maintenance and archiving.	The monitoring report (section 4) includes descriptions of Quality Assurance/Quality Control for the collection of field measurements, verification of laboratory procedures, verification of data entry and analysis techniques and data maintenance and archiving. 3 of 22 plots were cruise-checked using blind checks and met the methodology QA/QC 10% cruise check requirement. Four plots were re-sampled and a comparison of the data collected by the auditors to the original forest inventory data revealed accuracy in the data. DBH and tree height means, medians and standard deviations were calculated for each of the 4 plots re-sampled, and little variation observed between the project and the verifier's data sets. All tree counts were identical, and the only species observed was Sitka Spruce. Tree core samples were reviewed by the assessment team for plots 131 (5 core samples), plot 105 (3 core samples) and plot 52 (2 plots). For all of these core samples the counted age was confirmed. In no cases was the counted age in variance by more than 2 years. Laboratory measurements are not applicable in the project (as identified in the PD and monitoring report). Field data was entered into electronic data recorders (as verified onsite by the audit team) and transferred daily. Blind plot checks were used to test data entry collection and no irresolvable data anomalies were found. This data was provided to the audit team. Four plots were re-sampled and a comparison of the data collected by the auditors to the original forest inventory data revealed accuracy in the data. QA/QC for data entry is reasonable and was found to be adhered to. QA/QC for Data Archiving is described in SOPs provided to the audit team and verbally described during the audit.		
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	NCR 01/12, OBS 01/12		

2.1.6 Observation of local laws and regulations

Identify any relevant local laws and regulations and confirm project compliance with all applicable laws and regulations.

Findings from Verification Field Audit			
As of project validation/verification, the land is owned by the State of Alaska as evidenced in review of contracts, and under federal conservation easements in perpetuity. As such, the land should inherently always be in compliance with all applicable laws and regulations given the parcels are owned by the State.			
Conformance	Yes ☒	No ☐	N/A ☒
NCR/OBS	None		

2.2 Accuracy of GHG Emission Reduction or Removal Calculations

2.2.1 Calculation of emissions in the baseline scenario (ex-post estimate) following identified methodology and validated PDD

Review relevant methodological equation logic for the calculation of baseline emissions as required for the relevant monitoring years. Note that the baseline calculations from some AFOLU projects must be re-validated every 10 years.

Findings from Verification Field Audit	
Emissions from the baseline scenario have been calculated using the FORECAST model outputs in conjunction with the Landscape Summary Tool that uses annualized emissions (Afognak LST Feb 7, 2012.xlsx). The proponent indicates in section 4.2.2 of the "Afognak Monitoring Report 2006-2011 v1.1" that "The only difference was that the LST model was run for 30 years using an annual time step instead of 100 years using a 5-year time step." The audit team reviewed this claim and has verified	

that the same data was used for the LST model and for the Harvested Wood Products calculations. There were in fact differences between ex-ante and ex-post emissions estimates but they were confirmed to be a result of the procedural shift calculating from 5-year estimates to annualized estimates. The ex-post calculations represent a more accurate estimate than those provided in the ex-ante estimate.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.2 Calculation of emissions from project activities (ex-post estimate) following identified methodology and validated PDD

Review relevant methodological equation logic for the calculation of emissions for project activities as required for the relevant monitoring years. Note that emissions may be considered de minimis; refer to the validated PDD for project specific requirements in relation to project activity emissions.

Findings from Verification Field Audit			
The emissions from project activities were found to have been calculated correctly. The comments made in section 2.2.1 of this report above apply to these findings; please refer to section 2.2.1 of this report for more details.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.3 Calculation of emissions reductions or avoided emissions due to the project (ex-post estimate) following identified methodology and validated PDD

Review relevant methodological equation logic for the calculation of avoided emissions or removals from project activities as required for the relevant monitoring years.

Findings from Verification Field Audit			
Please refer to section 2.2.2 above. Furthermore, the “ Afognak Carbon Model v3.1 - Monitoring 2006-2011 ” correctly calculates the total emissions reductions which is based on inputs calculated within Table 6 of Afognak LST Feb 7, 2012 and Afognak Carbon Model v3.1 - Monitoring 2006-2011 . All the leakage calculations were reviewed and appear to be accurate.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.4 Calculation of emissions from leakage (ex-post estimate) following identified methodology and validated PDD

Review relevant methodological equation logic for the calculation of emissions from leakage as required for the relevant monitoring years. Note that emissions may be considered de minimis for some projects; refer to the validated PDD for project specific requirements in relation to project activity emissions.

Findings from Verification Field Audit			
Leakage estimates follow Option 2 in the methodology and were computed in a satisfactory manner within Afognak Carbon Model v3.1 - Monitoring 2006-2011 . The calculated leakage amounts contained in Table 7 of the aforementioned document appear to be correct.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.5 Assessment of uncertainty following identified methodology and validated PDD

Review methodological requirements for uncertainty calculations and confirm calculations are in conformance with all methodological requirements related to uncertainty calculations.

Findings from Verification Field Audit			
Project validation and verification took place simultaneously. Since the inventory and modelling data used for ex-post calculations is the same as that used for ex-ante calculations, please refer to section 6.2 in Appendix A of the Camco International Group, Inc's Afognak Island Carbon Project Validation report.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.6 Appropriate use of default values following identified methodology and validated PDD

Review default values used for GHG calculations and confirm conformance with required values identified in the validated PDD and applicable methodology.

Findings from Verification Field Audit			
The default values used in the calculations are appropriate and where necessary match those used by the methodology.			

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.2.7 The assumptions made for calculating GHG emission reductions and/or removals

Identify assumptions made when calculating GHG emission reductions and/or removals, and confirm assumptions are in conformance with those in the validated PDD. Assumptions should be clearly and transparently described within the monitoring report, and supported with verifiable evidence.

Findings from Verification Field Audit			
Project validation and verification took place simultaneously. Several issues were raised in section 4.7 in Appendix A of the Camco International Group, Inc's Afognak Island Carbon Project Validation report. Since the modelling process for ex-post calculations is the same as ex-ante calculations please refer to the Camco International Group, Inc's Afognak Island Carbon Project Validation report, which shows that prior to validation of the project, all issues were resolved. As such, assumptions for calculating GHGs followed the validated version of the PD.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	Please refer to section 4.7 in Appendix A of this report.		

2.2.8 Calculation of net VCUs to be issued (ex-post estimate) following identified methodology and validated PDD

Findings from Verification Field Audit			
Calculations of net VCU's were executed correctly and conform to the protocols for buffer release established by VCS. They are contained within Afognak Carbon Model v3.1 - Monitoring 2006-2011. Project validation and verification took place simultaneously, and due to issues identified in section 10.2 of Appendix A of Camco International Group, Inc's Afognak Island Carbon Project Validation report, the buffer for risk must be reassessed and therefore the final net VCU calculation is currently incorrect. See also associated findings under section 6.1 of Camco International Group, Inc's Afognak Island Carbon Project Validation report and NCR 02/12 .			
Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	NCR 02/12		

2.3 Quality of Evidence to Determine GHG Emission Reductions or Removals

Identify, discuss and justify conclusions regarding the sufficiency of quantity and appropriateness of quality of the evidence, the reliability of the evidence, and the source and nature of the evidence (external or internal, oral or documented) for the determination of GHG emission reductions or removals.

2.3.1 Verification of inventory equipment used to calculate emissions reduction and/or removals

Identify the inventory techniques used to calculate project emission reductions and removals. Confirm techniques conform with those identified in the validated monitoring plan outlined within the validated PDD. Note that most PDD's include Standard Operating Procedures (SOPs) for forest inventory that detail the inventory design and process.

Findings from Verification Field Audit			
Inventory techniques outlined in the PD (section 3.3) are also described in detail in SOPs that were provided to the auditor's onsite (3GreenTree - Base PSP Plot SOP 2011 v1.0.doc). The field inventory conducted was in accordance with SOPs. This was verified in several ways. Firstly, onsite the field crew team lead was able to verbally discuss all SOPs and demonstrated in the field how to conduct all field inventory procedures in accordance with the SOPs. Secondly, the audit team themselves used SOPs to resample 4 plots onsite using the following equipment:			
• Tree width (diameter at breast height) using a DBH tape; • Tree height using a hypsometer; • Hand held GPS to locate plot centers; • Compass to confirm course woody debris (CWD) transects; • Distance tape to re-measure CWD transect distance; • Increment borer to core trees.			
Field equipment used for plot measurements are industry standard for mensuration and included: VERTEX hypsometer (distance and height measurements), Haglof / Mora increment borers, Richter diameter tapes, Cansel Eslon fiberglass tape measures. Oxhead 2.5lb axe, Garmin GPS Map 60 / 62 gps units, Suunto clinometers and Suunto / Silva compasses.			
DBH and tree height means, medians and standard deviations were calculated for each of the 4 plots re-sampled and little			

variation observed between the project and the verifier's data sets. All tree counts were identical, and the only species observed was Sitka Spruce. Tree core samples were reviewed by the assessment team for plots 131 (5 core samples), plot 105 (3 core samples) and plot 52 (2 plots). For all of these core samples the counted age was confirmed. In no cases was the counted age in variance by more than 2 years.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.3.2 Verification of use of GPS and remote sensing analysis following identified methodology and validated PDD

Identify any GPS and/or remote sensing analysis conducted as part of the development of the monitoring report. Confirm all remote sensing analysis and georeferencing was conducted in conformance with the identified methodology and validated PDD.

Findings from Verification Field Audit

Plot layout was determined using UTM coordinates randomly selected via GIS analysis tools as described in PD Section 3.3. The field team then used hand held GPS to locate plot centers for the installation of all permanent sample plots. Using the same UTM coordinates and their own GPS, the audit team were able to locate the plot centers of 12 randomly chosen plots. High resolution orthophotos were used as the base layer for all maps including field maps and features in the maps (roads, streams, clearings) were located during the field audit as the team extensively walked the project area.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.3.3 Implementation of sampling plan described in the PDD

Identify any requirements within the validated PDD that describe the sampling plan and confirm conformance with the sampling plan requirements. Confirm adequate sampling intensity was completed based on calculated project area variability.

Findings from Verification Field Audit

As described in the PD (Section 3.3) the project has installed a permanent fixed and geo-located 22 plot network for monitoring changes in stand level forest biomass stocks over time. Onsite, the audit team reviewed SOP's that described how the sampling has been conducted, and the field audit team confirmed that SOPs were followed. Using the SOPs, the audit team was also able to re-sample 4 of the permanent sampling plots. A comparison of the data collected by the auditors to the original forest inventory data reveals accuracy in the data and demonstrates that sampling plan requirements were followed.

The methodology does not specify a number of plots required, rather it includes error over the target (10%@90%CI) being accounted for in an uncertainty factor deduction. There were no previous inventory data for the project area to determine what the sampling intensity should be to reach the specified uncertainty levels, however the standard error and standard deviation computed by the proponent supports the characterization of the project area as being of a generally homogenous nature in terms of both species composition and stand structure since the coefficient of variation appears to be 0.34. The remaining error is captured by the uncertainty factor. The audit team reviewed the calculations assessing the uncertainty factor calculation and application in the spreadsheet "Afognak plot data & UF Jan 2012.xls" and was found to have been computed correctly. As such, the audit team did not further assess the adequacy of the sampling intensity.

Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.4 Management and Operational System

Identify, discuss and justify conclusions regarding the suitability of the management system for monitoring and reporting (ie, organisational structure, responsibilities, competencies, non-conformance handling, internal audits and management review).

2.4.1 Monitoring roles and responsibilities identified

Identify any changes in the monitoring roles and responsibilities from the validated PDD. Confirm project staff competency for conducting applicable tasks as designated.

Findings from Verification Field Audit

There have been no changes in monitoring roles and responsibilities listed in the PD as the project validation and verification are taking place simultaneously. However, the PD does not clearly describe who the carbon project manager responsible for monitoring is, while the monitoring plan (section 3.3) states activities are undertaken and managed by Camco and 3GreenTree. See also associated findings under section 7.3 of this report and **NCR 03/12**.

Onsite in the field, staff competency for field inventory conducted was confirmed to be in accordance with SOPs. The field crew

team lead was able to verbally discuss all SOPs and demonstrated how to conduct all field inventory procedures. Each member of the inventory crew is registered with the Association of British Columbia Forestry Professionals as follows: Trevor Anderson, RPF. Crew Leader and Project Supervisor. Gary Molyneux, RFT. Crew Leader. Les Barlow, RPF. Crew Member. Russ Fountain, FIT. Crew Member. Dan Britten, Forest Technologist. Crew Member. Brett McClure, Forest Technologist. Crew Member. The inventory crew is experienced, well trained in tree mensuration skills and capable of implementing the SOPs. Each member of this inventory crew conducts timber cruising in British Columbia, which involves similar plot measurements used to determine the timber royalties payable to the provincial government.

Camco is a global developer of clean energy projects and solutions to reduce greenhouse gas emissions with operations in the US, the UK, China, Africa, Russia and SE Asia, and have over 20 years expertise with project development, technical delivery capabilities and policy advice. 3GreenTree has acted as a project developer on another successfully VCS validated and verified AFOLU IFM-LtFP project.

Conformance	Yes ☐	No ☒	N/A ☐
NCR/OBS	NCR 03/12		

2.4.2 Inventory quality management systems (including both field and remote sensing as applicable)

Identify quality management systems (QMS) required by the project methodology and/or described within the validated PDD. Confirm project has implemented QMS effectively, and inventory accuracy thresholds if applicable are met.

Findings from Verification Field Audit			
Quality management activities described in the monitoring report follow the requirements outlined in the PD (p51, section 3.3) and the methodology. The monitoring report (section 4) includes descriptions of Quality Assurance/Quality Control for the collection of field measurements, verification of laboratory procedures, verification of data entry and analysis techniques and data maintenance and archiving. Quality management for field measurements was demonstrated by observing the field crew team lead conduct all field inventory procedures in accordance with the SOPs. The team lead also described the blind check-cruises required on 10% of the plots. 3 of 22 plots were blind checked and met the +/- 10% standard error at 90% confidence interval. "Afognak plot data & UF Jan. 2012" shows this data, and was reviewed by the audit team. Further, four plots were re-sampled and a comparison of the data collected by the auditors to the original forest inventory data revealed accuracy in the data. Inventory field data is captured onsite using handheld GPS/data recorders. At the end of each day, data is downloaded directly to computers daily (excel format) and sent to 3GreenTree. Once received, 3GreenTree performs a scan of data for accuracy (e.g. looking for data anomalies/outliers in dbh, tree height etc. that appear to be data input errors). Once data has been parsed it is then backed up and copies are sent to Camco for storage and further backup according to SOPs for data handling ("Camco US Data Storage Policy.pdf"). Laboratory measurements are not applicable in the project (as identified in the PD and monitoring report). QA/QC for Data Archiving is described in SOPs provided to the audit team and verbally described during the audit. See section 2.4.4 of this report.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.4.3 Data transcription quality management systems

Identify data management systems required by the project methodology and/or described within the validated PDD. Confirm project has implemented data management systems, and data transcription from field inventory to electronic records is accurate. Audit team should complete a sample of data transcription accuracy from original field data sheets.

Findings from Verification Field Audit			
As described in section 2.4.2 of this report, inventory field data is captured onsite using handheld GPS/data recorders. At the end of each day, data is downloaded directly to computers (excel format) and sent to 3GreenTree. Once received, 3GreenTree performs a scan of data for accuracy (e.g. looking for data anomalies/outliers in dbh, tree height etc. that appear to be data input errors). Once data has been parsed it is then backed up and copies are sent to Camco for storage and further backup according to SOPs for data handling ("Camco US Data Storage Policy.pdf"). When onsite, the audit team re-measured 4 plots and found			

that all data appeared to be entered accurately as there were no significant deviances found in the two sets of data when compared.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

2.4.4 Data management and archival systems

Identify data management and archival systems required by the project methodology and/or described within the validated PDD. Confirm project has implemented data archival systems and can demonstrate effective retrieval of archived data for the period of time defined within the validated PDD (note the VCS requires at a minimum the storage of all relevant data for 2 years following the end of the project crediting period).

Findings from Verification Field Audit			
Detailed QA/QC procedures for data archiving are described in the PD (section 3.3) and the monitoring report (section 3.3.3), and Camco provided the auditors with copies of SOPs for data handling. All data is backed up by Camco daily, weekly, monthly, and annually. Backups are stored in a fireproof cabinet. All required data was provided to the audit team demonstrating the ability to produce required data upon request.			
Conformance	Yes ☒	No ☐	N/A ☐
NCR/OBS	None		

APPENDIX B: Non-permanence Risk Assessment

Note: Risk factors are determined through a qualitative analysis conducted, following the guidance of the VCS AFOLU Non-Permanence Risk Tool. As stated in Section 1.1.3 “Project proponents shall clearly document and substantiate the risk analysis covering each risk factor applicable to the project. During the analysis, the validation/verification body shall evaluate the risk assessment undertaken by the project proponent and assess all data, rationales, assumptions, justifications and documentation provided by the project proponent to support the non-permanence risk rating.”

1.1 VCS AFOLU Non-Permanence Risk Tool Section 2.2.4.4: Projects with tree harvesting

For ARR and IFM projects with harvesting, project longevity may include the length of time the activities that maintain carbon stocks will continue, either through the continuation of the project activity or by replanting or re-growth of the trees after the last harvest in the project crediting period. Such commitment to continue the management practice, or to replant or allow re-growth shall be demonstrated through evidence such as certification of sustainable forest management under Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC) or other internationally recognized schemes, or contractual agreements for timber supply beyond the last harvest in the project crediting period. Re-growth may be considered only where project areas, after harvesting, will be managed for regeneration (naturally or with assistance), maintaining the current species mix and allowing trees to re-grow to an age equivalent to at least the age at which trees were harvested, as demonstrated in management plans.

Findings from Field Audit			
Commercial harvesting is not part of the project activity.			
Conformance	Yes ☐	No ☐	N/A ☒
NCR/OBS	None		

1.2 VCS AFOLU Non-Permanence Risk Tool Section 2.1.1: Risk analysis

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

The potential transient and permanent losses in carbon stocks shall be assessed over a period of 100 years from the start of the current monitoring period, unless otherwise specified in Sections 2.2 to 2.4 of the VCS AFOLU Non-Permanence Risk Tool, to determine the appropriate risk rating.

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-2	<u>Item a).</u> The proponent is not and has not engaged in reforestation within the project area. This was verified during the field audit. Therefore the assigned risk score of “0” is appropriate. <u>Item b).</u> The project area is under public ownership and managed by the State of Alaska. The field audit confirmed that the project area has no history of illegal activities and therefore additional ongoing enforcement is not required. The risk score of “0” is appropriate. <u>Item c).</u> The proponent states that: “The project management team at	NCR 04/12

		<i>ALC/RMEF, Camco, and 3GreenTree hold all necessary experience related to all project activities, including experience developing and managing VCS forest and non-forest carbon projects.</i> “ No additional statements are made or evidence provided to substantiate this claim. Based on the evidence provided it is not clear who the management team consists of and their relevant experience and roles within the project is not documented. As such the risk score of “0” cannot be properly assessed. See NCR 04/12. <u>Item d).</u> The project's day-to-day management team has not been specifically identified and their base of operations has not been clearly specified. As such the risk score of “0” cannot be properly assessed. See NCR 04/12. <u>Item e).</u> The proponent justifies Item e. with the following statement: <i>“AFOLU/Carbon Experience 3GreenTree holds significant experience developing and managing VCS AFOLU projects. Camco holds significant experience developing and managing VCS non-AFOLU projects and projects under other carbon standards.”</i> Based on the information provided the level of experience claimed by the proponent is not substantiated with supporting evidence. As a result the audit team cannot properly assess the risk score of “-2” since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See NCR 04/12. <u>Item f.</u> The proponent does not claim this mitigation credit and has assigned a risk score of “0”.	
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	0	Item (a-d). The proponent appears to have selected Item d) and assigned a risk score of “0”. The proponent has not clearly identified its selection of item d) in the report and should clarify this point. See OBS 02/12. The proponent has not provided a financial analysis that includes the various requirements outlined in 2.2.2.of the risk tool. Therefore the audit team cannot properly assess the	NCR 04/12, OBS 02/12

		proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See NCR 04/12. Item e-h). The proponent appears to have selected item h), however the proponent has not clearly identified its selection of item h) in the report and should clarify this point. See OBS 02/12. The proponent has not provided a financial analysis that includes the various requirements outlined in 2.2.2.of the risk tool. Therefore the audit team cannot properly assess the proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See NCR 04/12. Item i). The proponent has assigned a risk score of "-2", however it has not provided the required documentation needed to substantiate its selection of Item h). as listed in 2.2.2.of the risk tool. See NCR 04/12.	
Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	<u>Item a-f)</u>. The proponent appears to have selected item d), however the proponent has not clearly identified its selection of item d) in the report and should clarify this point. See OBS 02/12. The proponent has not provided an opportunity cost analysis, which is required to substantiate its selection of Item h). as listed in 2.2.3.of the risk tool. Therefore the audit team cannot properly assess the proponent's risk component selection or its risk score of "0" since documentation is not provided to substantiate the risk score as required by Section 1.1.3 of the AFOLU Risk Tool. See NCR 04/12. <u>Items g, h, i).</u> As per the latest version of the Non-permanence tool v.3.1, the proponent must select items g)+h), or item i. The proponent has not used the latest VCS AFOLU Risk Tool, and as such has incorrectly (relative to the instructions of the new tool) selected all three. As such the audit team cannot properly assess these items until the proponent has modified these items to conform to v.3.1 of the tool. See NCR 04/12.	NCR 04/12, OBS 02/12

Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	15	Item b). The proponent has selected item b) on the basis that: “Afognak has a legally binding Federal Conservation Easement that mandates continuation of the project scenario conservation management in perpetuity. The proponent has assigned a project longevity of 30 years and has performed required computation as follows 30 – (30/2) = 15 . The resulting risk score is 15. However, the proponent has incorrectly determined the project longevity period. The conservation easement is active in perpetuity that mandates a continuation of the project activity; therefore the project longevity has not followed the requirement set forth in section 2.2.4.5 of the risk tool. See NCR 04/12 .	NCR 04/12
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	13	Due to the issues identified above the Total Internal Risk Score cannot be assessed until the non-conformances are addressed.	
External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk Tool.	0	<u>Item a, b, c, d)</u> The proponent has grouped its evaluation of items a), b), c), and d together, and has assigned a score of “2. This procedure is incorrect since item a) and b) must be evaluated separately from items c, and d. Although the proponent has determined a score of “2”, it is unclear as to which component this score should refer to. The audit team cannot assess the risk scores for these items until they have been evaluated and represented correctly in the documentation by the proponent. See NCR 04/12. <u>Item e).</u> The proponent has indicated that a federal conservation easement is in place to protect the area for at least 100 years. These easements have been reviewed the audit team and have been verified. Therefore the risk score of -2 is adequate. <u>Item f).</u> The proponent states that there is no land disputes related to the project area. The audit team verified this statement during the field visit. Therefore the risk rating of 0 is appropriate since there are no land disputes that would require a plan for resolving them.	NCR 04/12
Community engagement:	0	The proponent asserts that this section is	

Shall be assessed using Table 7 of the VCS Risk Tool.		not applicable because there are no populations that rely on the project area. The auditor team verified this during the field visit. Therefore the risk rating of “0” is appropriate.	
Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.	0	<u>Item e).</u> The proponent has calculated a risk score of “0” based on a WGI score of 1.22. Although it is unlikely that this score is below 0.89, the proponent has not demonstrated its underlying calculations for this score. See NCR 04/12. Furthermore, it lists the years 2005-2010 as years that were used to determine the score, which is the last 6 years, not the most recent 5 years as required by section 2.3.3.1 of the risk tool. During the audit the proponent confirmed that this was a typographical error, which should be corrected. See OBS 02/12. <u>Item f)</u> The proponent claims a score of “-2”, which is justified on the basis that the US has an established FSC standard body. It is well known that this is the case; therefore the risk rating is appropriate.	NCR 04/12
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0	Due to the issues identified above the Total external risk score cannot be assessed until the non-conformances are addressed.	
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	1	<u>Fire:</u> The proponent claims a risk score of “0” based on fire return interval of ~100 years due to the moist climate found in the project area. The audit team’s assessment of the area supports this analysis, and the rating has been computed correctly. Therefore the risk score of “0” is appropriate. <u>Pests + Disease:</u> The proponent claims a risk score of “1” based on the lack of historical evidence of losses due to pests. It claims a return interval of 50-100 years with a major level of significance, and acknowledges that the highly homogenous tree species composition poses opens some risk to pests. The audit team’s field visit supports these observations. However, there are several known pests and pathogens that attack Sitka Spruce that the proponent has not mentioned. Given the potential risk to pests inherent to a monotypic species	NCR 04/12

		composition a discussion of the risks posed by these pests is warranted in order substantiate the risk score. See NCR 04/12. <u>Extreme Weather:</u> The proponent acknowledges that the project area is susceptible to blow down from extreme maritime weather, but that there is no observed evidence to support that stands have been severely affected in this way. The audit team's field visits supports this assessment, therefore the return interval of 50-100 years, and minor significance is appropriate, and the risk score of 0 is adequate. <u>Geological Risk.</u> The proponent acknowledges significant geological events related to earthquakes and volcanic activity near the project area, especially recent events. The proponent claims a risk score of 0 based on a >100 year return interval, and a minor significance. This is supported by evidence that despite the 1964 Earthquake, one of the largest recorded in the area and which caused a tsunami did not visibly affect the forest in the project area. The same is true for ash fall in 1912. The proponent references Eigler 1964 as well as current assessments that demonstrate that the forests in the project area have not been visibly affected by these significant geological events. The audit team agrees with this assessment and the risk score is deemed appropriate.	
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3.5 VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation

Note: As per VCS AFOLU Non-Permanence Risk Tool 2.5.2, the minimum risk rating shall be 10, regardless of the risk rating calculated using Table 11. Furthermore, where overall risk rating is greater than 60, project risk is deemed unacceptably high and the project fails the entire risk analysis (see VCS AFOLU Non-Permanence Risk Tool 2.5.3). For additional information on project risk assessment failure see VCS AFOLU Non-Permanence Risk Tool 2.1.

To determine the number of buffer credits that shall be deposited in the AFOLU pooled buffer account, the overall risk rating shall be converted to a percentage (e.g., an overall risk rating of 35 converts to 35%). This percentage shall be multiplied by the net change in the project's carbon stocks (stated in the verification report), as set out in the VCS document *Registration and Issuance Process*. Where a project is divided into more than one geographic area for the purpose of risk analysis, the overall risk rating percentage for each area shall be multiplied by the net change in the project's carbon stocks (stated in the verification report) in such geographic area.

Risk Factor	Self Assessment Risk Rating	Findings	NCR/OBS
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Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	13	Several non-conformances were identified in table 11.2 that affect the accuracy of the overall risk rating. Please refer to the findings in section 10.2 above for more details.	Please refer to NCR 04/12
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