VERIFICATION REPORT FOR THE "MULTI-SPECIES REFORESTATION IN MATO GROSSO, BRAZIL" PROJECT

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Summary:

This report describes the verification audit of the "Multi-Species Reforestation in Mato Grosso, Brazil Project" ("the project"), (Project ID: 665) a reforestation project located in the Mato Grosso state of Brazil, that was conducted by SCS. The purpose of the verification audit was to conduct, in accordance with the VCS rules, an ex-post independent assessment of the GHG emission reductions and removals that have occurred as a result of the project during the project's second monitoring period, from 26th April 2009 to 25th October 2015. The verification audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. A total of 76 findings under the VCS rules were issued during the process of verification for the monitoring period. The project complies with all of the verification criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the verification criteria.

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1 INTRODUCTION

1.1 Objective

In accordance with Section 4.1 of the VCS Standard (see Section 1.2 below for full reference), SCS carried out an ex-post independent assessment of the GHG emission reductions and removals that have occurred as a result of the project during the verification period, conducted in accordance with the VCS rules. In accordance with Section 2.1.2 of the VCS Validation & Verification Manual, V3.2, the objectives of the verification engagement were to evaluate the monitoring report and assess the following:

- The extent to which methods and procedures, including monitoring procedures, have been implemented in accordance with the validated project description. This includes ensuring conformance with the monitoring plan.
- The extent to which GHG emission reductions and removals reported in the monitoring report are materially accurate.

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

1.2 Scope and Criteria

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

- The project and, where relevant, its baseline scenarios
- The physical infrastructure, activities, technologies and processes of the project
- The GHG sources, sinks and/or reservoirs that are applicable to the project
- The types of GHGs that are applicable to the project
- The verification period, as discussed in Section 6 of this report

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

- VCS Program Guide, V4.0
- VCS Standard, V4.0
- AFOLU Non-Permanence Risk Tool, V4.0
- VCS Monitoring Report Template, VCS V3.4
- The VCS-approved methodology applied to the project, the A/R Large-scale Consolidated Methodology AR-ACM0003 (Afforestation and reforestation of lands except wetlands)

1.3 Level of Assurance

In accordance with Section 4.1.8 of the VCS Standard, the level of assurance of this report, insofar as it describes work performed under the Verified Carbon Standard, is reasonable.

1.4 Summary Description of the Project

The project is a reforestation project located in the Mato Grosso state of Brazil; its objective is the reforestation of an area that was formerly deforested for the purpose of cattle grazing activities. Per Section 1.1 of the monitoring report, “The baseline scenario is the continuation of cattle grazing activities with the decrease of carbon stocks as it is still observed around the project area; the region is a front of

agriculture going towards north to Amazonia. About 50 mixed tree species are used for project activities (mainly local species, and only one introduced species) as the project was designed for the following objectives: (i) greenhouse gas removals, (ii) pedagogic activities on carbon sequestration, (iii) preservation of biodiversity, and (iv) local development."

The reforestation project occurs within the larger 10,000 hectare Fazenda São Nicolau, which is owned by the Office National des Forets (ONF) Brasil, a subsidiary of ONF International. The project was originally validated and verified under VCS in August, 2011.

2 VERIFICATION PROCESS

2.1 Method and Criteria

The verification was performed through a combination of document review and interviews with relevant personnel, as discussed in Sections 2.2 through 2.4 of this report. At all times, the monitoring report and non-permanence risk analysis were assessed for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 2.5, findings were issued to ensure conformance to all requirements.

The audit team created a sampling plan following a proprietary sampling plan workbook developed by SCS. Per Section 4.4.3 of ISO 14064-3:2006, the audit team identified possible risks of errors, omissions and misrepresentations with respect to the verification criteria. For each identified risk, the audit team assessed the likelihood of the material discrepancy occurring, the likelihood of the material discrepancy not being prevented or detected by the controls of the project and the likelihood of the material discrepancy not being detected by the audit team. Sampling and data testing activities were planned to address any risk where the likelihood of a material discrepancy not being detected by the audit team was judged to be unacceptably high. The audit team then created a verification plan that took the sampling plan into account.

2.2 Document Review

The monitoring report ("20191127 VCS-Monitoring-Report" dated 27 November 2019) ("MR") and non-permanence risk report (included as Appendix I to the MR; "NPRR") were carefully reviewed for conformance to the verification criteria. The revised project description ("20191116 VCS_SC_PDD_Fazenda", dated 16 November 2019) was referenced in conducting this review. The following additional documentation, provided by the project personnel in support of the aforementioned documents, was also reviewed by the audit team:

Document	**File Name**	**Ref**
project area KML file	"zoneamiento_fazenda.kml"	/1/
project area shapefile	"TalhoesPCFPO.shp"	/2/
project plots shapefile	"FazendaPoint.shp"	/3/
Financial document regarding Peugeot	"Anexx_report_risk_C_Peugeot SA (PEUP) Resumen financiero – Investing"	/4/

Document	File Name	Ref
Registration of property with SEMA, state environmental authority-Certificate	"Anexx_report_risk_D_CAR_FSN"	/5/
Evidence of date of land purchase (1)	"MatriculaFSN_1298_nov2017"	/6/
Evidence of date of land purchase (2)	"MatriculaFSN_1299_nov2017"	/7/
Landsat image 1998	"1998.png"	/8/
Registration of property with SEMA, state environmental authority-Statement	"Anexx_report_risk_E_SEMA.2010.Portaria074"	/9/
Contract- project length and ownership of credits	"Anexx_report_risk_F_Contrat Peugeot ONF propriété des credits"	/10/
Social Impact of the Project-Peugeot / ONF Brasil, and Socioeconomic Diagnostics of PA Juruena	"Annex_report_risk_G_Impacto_Social_Projeto.Peugeot"	/11/
Brazilian Atlas of Natural Disasters- Mato Grosso Volume-2012 Second Edition	"MT"	/12/
Monitoring Plan	"20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT"	/13/
The Fazenda São Nicolau Financial Plan	"Formato_custos_entradas_BP_FSN_JML_PV_SOL_6avr14(2)-2"	/14/
Environmental Education information for the Fazenda São Nicolau	"Educaçao.Ambiental.Relatório.2009"	/15/
Peer-reviewed publication regarding the dynamics of deforestation in the Cotriguaçu municipality (Baby et al 2013)	"p1411_deforestation Cotriguaçu"	/16/
Environmental Education Program Information for the Fazenda São Nicolau. ("PROGRAMA DE EDUCAÇÃO	"Relatório Final PEA 2014"	/17/

Document	File Name	Ref
AMBIENTAL- De 15 a 26 de setembro de 2014- ONF Brasil Gestão Florestal Ltda.- "Projeto Piloto Poço de Carbono: Reflorestamento para Seqüestro de Carbono na Amazônia"")		
Annual Report –Fazenda São Nicolau - 2013 (Relatório Anual de Atividades da Fazenda São Nicolau – 2013)	"Relatorio_Anual_FSN_ONFB_2013"	/18/
State of Mato Grosso Environmental Secretariat (SEMA) registration of Area of Permanent Protection (2012)- parcel numbers and geographic coordinates	"TAC_8607_2012"	/19/
A/R Methodological Tool "Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities" (Version 01.1.0)	https://cdm.unfccc.int/methodologies/ARmethodologies/tools/ar-am-tool-16-v1.1.0.pdf	/20/
Brown, S., 1997. Estimating biomass and biomass change of tropical forests. A primer. FAO Forestry Paper 134. Food and Agriculture Organization of the United Nations, Rome, Italy.	Brown Allometry article.pdf	/21/
CAMARA worksheets (Carbon Accounting and Monitoring of Afforestation and Reforestation Activities)- project carbon accounting worksheets	"16-02-16.CAMARA_Data2015_PLANTATIONS_DT" "16-02-16.CAMARA_Data2015_REGENERATION_DT"	/22/
Project's 40 year budget and financial plan	"Cashflow PCFPO.xls"	/23/
Project GHG removals calculations spreadsheet	"04_2016_PDD_GHG_Removals_Peugeot_v03_AS"	/24/

Document	File Name	Ref
Publication regarding evaluation of soil carbon stocks for Fazenda São Nicolau, 2007	"Verneyre 2007_sols fazenda.pdf"	/25/
Email from VCS to ONFI dated 06/05/2015 regarding project description deviation	"Fwd Clarification on Guidance for AFOLU projects Land eligibility"	/26/

2.3 Interviews

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

The following personnel associated with the project proponent and/or implementing partners and/or neighboring communities were interviewed.

Individual	Affiliation	Role	Date(s) interviewed
Danny Torres	ONF International	Forest Engineer	4-7 June 2018, in person, and throughout verification
Estelle Dugachard	ONF Brasil	Director	4-7 June 2018, and throughout the verification
Allan Bernardes	ONF Brasil	Forest Engineer, Coordination of Forest Inventory; Coordinator of Fazenda São Nicolau	4-7 June 2018
Saulo Magnani Thomas	ONF Brasil	Coordinator of Social Projects, Fazenda São Nicolau	4-7 June 2018
Professor Roberto Silveira	Universidade Federal de Mato Grosso, Instituto de Biociências	Coordinator of the Scientific Committee for the Fazenda São Nicolau; Professor, UF Mato Grosso	7 June 2018 (email correspondence)
Raquel Pereira da Silva	Secretaria Municipal de Meio Ambiente (SEMA) de Cotriguaçu, Mato Grosso	Project Coordinator Semeando Novos Rumos	5 June 2018

Individual	Affiliation	Role	Date(s) interviewed
Maicon da Silva Pereira	IBAMA	Chief of Squadrons	5 June 2018
Gezos Francisco Martins	IBAMA	Chief of Squadrons	5 June 2018
Anselmo Luis Pereira Jr.	IBAMA	Chief of Brigade	5 June 2018
Weslei Butturi	Instituto Centro de Vida (ICV)	Analista de Geotecnologias	6 June 2018
Gésica C. Vargas	Instituto Centro de Vida (ICV)	Analista de Geotecnologias	6 June 2018
Veridiana Vieira	Associação de Coletores de Castanha do Brasil do PA Juruena (ACCPAJ)	President	6 June 2018
Sr. Altair	Local resident, nearby community	Rural producer and inhabitant of the community "Asentamentos PA Juruena"	7 June 2018
Sr. Wilson Oliveira Bispo	Local resident, nearby community	Rural producer and inhabitant of the community "Asentamentos PA Juruena"	7 June 2018

2.4 Site Inspections

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

- Select samples of data and information from field observations in order to meet a reasonable level of assurance and to meet the materiality requirements of the project, as required by Section 4.1.8 of the VCS Standard;
- Perform a risk-based review of the project area and project activities to ensure that the project conformed to the requirements of the verification criteria throughout the verification period;
- Confirm the validity of information presented in the non-permanence risk report; and
- Assess the extent to which any monitoring was conducted in accordance with the requirements of the validated monitoring plan.

In fulfilment of the above objectives, the audit team performed an on-site inspection of the project zone on the dates 4 June 2018 through 7 June 2018. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel (see Section 2.3 of this report) to gather information regarding the monitoring procedures and project implementation;
- Interviewed residents of local communities (see Section 2.3 of this report) located in the vicinity of the project area, and involved in programs (e.g. brazil nut collection) implemented with local communities, to confirm the claims of the project with respect to the extent of community engagement;
- Carried out on-site inspections of the project's monitoring methodologies by observation of re-measurement of a number of inventory plots located within the project area.

2.5 Resolution of Findings

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

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

As part of the process of verification for the monitoring period, 59 NCRs, 17 NIRs and no OBS under the VCS Rules were issued. All findings issued by the audit team during the verification process have been closed. In accordance with Section 4.1.13 of the VCS Standard, all findings issued during the verification process, and the inputs for their closure, are described in Appendix A of this report.

2.5.1 Forward Action Requests

One forward action request is being issued.

Section 8 of CDM AR-TOOL14 provides a number of different options for estimating carbon stock in trees at a point of time. From discussion with project personnel, the audit team confirmed that Section 8.1.1, pertaining to stratified random sampling, was applied.

Section 8.1.1.1 states that "Under this method, random sample plots are installed in the strata (e.g. systematic sampling with a random start) and measured." In statistical terms, a random sampling process is one in which each item from a population is selected with a known relative probability (and, in many cases, with equal probabilities of selection). This differs from the most common definition of random in the English language (for example, Merriam Webster, accessed 14 May 2019 from https://www.merriam-webster.com/dictionary/random, provides the following as the most common definition of the term: "lacking a definite plan, purpose, or pattern").

The audit team understands, from a Skype conversation with project personnel held on 3 May 2019, that the process of installing inventory plots used in monitoring of carbon stocks was as follows:

- Plots were distributed in the strata that were established at the time of the initial validation (as documented in Table 12 of the project description dated 22 April 2011).

- The distribution of plots within strata was carried out using a randomized process (consistent with the statistical definition of the term) in GIS software. However, only "the most accessible plots" (i.e., plots closest to accessible roads) were selected for measurement and inclusion in the inventory.

The process described above is "random" in the most common sense of the word in the English language, and is seen by the audit team as conforming to the requirements of AR-TOOL-14. However, the process described above is not consistent with a random selection process in the statistical sense, because a large portion of the project area was located too far from an accessible road to be sampled and, therefore, had zero probability of being sampled. This process would be considered, by most sampling specialists, to result in a biased estimate of carbon stocks within the project area.

Another factor that has injected bias into the sampling process is that sample plots were allocated within the strata that existed at the time of the initial validation. However, since validation, the stratification has been substantively revised, as documented in Section 3.3.2 of the MR. This has led to a situation in which plots within a given stratum may have had differing probabilities of selection. A technically correct compilation process would weight plots accordingly. However, this has not been done (i.e., all plots in a given stratum are given equal weight, under the calculations as submitted).

The actual extent of the bias (i.e., its quantitative impact) is unknown and would be impossible to determine without correcting the error and assessing the difference but, in the judgment of the audit team, there is significant risk of material error attributable to the issues described above. However, the quantification approach selected by the project proponent, the "difference of two independent stock estimations" method, will allow for correction of these issues at a later monitoring event, without adversely impacting the integrity of the VCS Program.

The request being made is that the issues described above be corrected at a future monitoring event. This correction would allow for a "true-up" in the quantification of carbon stock changes—if the direction of the bias was such that carbon stocks within the project area were being overestimated, then this will be compensated through additional crediting at the next monitoring period, and if the reverse is true, reduced crediting can be expected at the next monitoring period. In either case, correction of these issues at the next monitoring period will allow adequate time to plan and implement the necessary update to the sampling methodology, without adversely impacting the long-term integrity of the VCS Program.

2.6 Eligibility for Validation Activities

This section is not applicable, as SCS holds accreditation for validation for the relevant sectoral scope (scope 14; AFOLU).

3 VALIDATION FINDINGS

3.1 Participation under Other GHG Programs

This section is not applicable, as the project is not currently registered under or seeking registration under another GHG program.

3.2 Methodology Deviations

This section is not applicable, as no methodology deviations applied to the project were validated as part of the verification engagement described in this report.

3.3 Project Description Deviations

Project description deviations were applied to the project and were validated as part of the verification engagement described in this report. Section 2.2.2 of the MR describes the project description deviations.

The project description deviations relate to the inclusion of additional acreage in the project at the time of the second verification, compared to at the time of validation and first verification in August 2011. At the time, due to a decision made by the auditors during the validation and first verification process, the project area was limited to 1090.16 hectares due to concerns regarding land eligibility, despite a total of 1974.21 hectares that were planted and originally intended as part of the VCS project activity. Prior to undergoing the second verification, the project team inquired regarding the eligibility of the remaining hectares that had been excluded in 2011. The project team received guidance from VCS/Verra as follows:

"If the project developer can provide evidence that the land was cleared by the previous owner of the land, and there is no relationship between them and the project, it would meet the requirements in version 2007.1 that the project was validated to, and the area can be included in the project at a future verification.

This land can be included through project description deviation and requires validation by the VVB and an update to the project description (see Section 3.6.1 of the VCS Standard)."

Note that the guidance quoted above was issued prior to the release of VCS Version 4 and, therefore, the reference to "Section 3.6.1 of the VCS Standard" was correct at the time of issuance of the guidance. The

correct reference is now to Sections 3.18.2-4 of the VCS Standard. However, none of the changes in the release of VCS Version 4 have impacted the validity of the above guidance.

Per the guidance received by VCS/Verra (which was an email, reviewed by audit team /26/, dated 06-05-2015 from VCS/Verra to Thomas Dufour of ONFI, shared by ONFI with the audit team), the audit team requested and reviewed the evidence related to the date of land purchase relative to the date of deforestation. The evidence provided by the project is the official certified registration of the Fazenda São Nicolau (which comprises the project), indicating the date of land purchase of 1998 /6//7/. The project team provided remotely sensed Landsat imagery indicating that the project area had been deforested prior to land purchase /8/. In addition the audit team conducted interviews (see Section 2.3) with local government officials and project personnel who attested to the land's deforested state prior to the land purchase in 1998.

Regarding the applicability of the methodology, the addition of an area of 884.05 ha, added to the original project area, totals an area of 1974.21 hectares in the project at the time of second verification. Given the change in area, the threshold for using the small-scale methodology originally applied was exceeded. The methodology was changed from the AR-AMS0006 Version 1 (Approved simplified baseline and monitoring methodologies for small-scale silvopastoral afforestation and reforestation project activities under the clean development mechanism) to the A/R Large-scale Consolidated Methodology AR-ACM0003 (Afforestation and reforestation of lands except wetlands).

With regard to how the proposed deviation impacts any of the following factors (applicability, additionality, appropriateness of the baseline scenario), the audit team conducted the assessment of each separately:

- The applicability conditions of the methodology and how each was assessed are listed below:
    - The audit team confirmed through review of project documentation and through observations made onsite during the verification visit that the land subject to the project activity does not fall into the wetland category.
    - The audit team confirmed through observations made onsite during the verification visit that soil disturbance attributable to the project activity does not cover more than 10 percent of the area, when lands as follows are included within the project boundary:
        - Land containing organic soils- the audit team attests that organic soils are not contained within the project boundary- therefore not applicable.
        - Land, which, in the baseline scenario, is subjected to land-use and management practices and received inputs listed in appendices 1 and 2 to this methodology- this is applicable.

      While soil disturbance attributable to the project activity did occur through digging pits to plant trees at project start date, the audit team attests that, given tree spacing and the small size of holes dug to accommodate small trees, 10% of soil was not disturbed, and therefore the applicability condition of the methodology is met.

  - The audit team confirmed that the project description deviation did not impact concurrence with the applicability conditions for each tool contained within the methodology and applied to the project activity.

- The additionality and appropriateness of the baseline scenario are impacted by the project description deviation. The revised PD (Section 2.5) contains a revised analysis as such, using the "Combined tool to identify the baseline scenario and demonstrate additionality in the A/R CDM project activities."

- The appropriateness of the baseline scenario. As stated above regarding additionality, the revised PD contains a revised analysis in Section 2.5 regarding the appropriateness of the baseline scenario.

In conclusion, the audit team finds the project description deviations to be appropriately described and justified, and to be in compliance with VCS rules. The audit team finds the project description deviation to be valid. The audit team reviewed the ex-ante quantification of GHG removals, as presented in Sections 1.7 and 3.1-3.4 of the revised PD and supported by a calculation spreadsheet /24/, and confirmed that such quantification has been carried out in conformance with the methodology and is free from material misstatement, using appropriate default values sourced from the IPCC 2006 Guidelines for National GHG Inventories and the IPCC 2003 Good Practice Guidance for Land Use, Land-Use Change and Forestry. Furthermore, the audit team notes that the GHG removals achieved during the monitoring period (see Section 6 below) significantly exceeds the ex-ante estimated GHG removals for roughly the same time period (i.e., the reported removals of 282,108 tCO2e are significantly greater than the product of the 32,116 tCO2e/year (the ex-ante estimated annual for the same period) and 6.5 years (the length of the monitoring period). Therefore, the audit team concludes that the project is likely to achieve the GHG emission reduction or removals that have been estimated to occur over the duration of the crediting period.

3.4 Grouped Project

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

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

The implementation status of the project activities can be identified as follows:

The steps taken by the audit team to assess each of the following items is specified below.

Item	Verification findings
Existence of any material discrepancies between project implementation and the project description	• Through site visit observations, through interviews conducted with project personnel, and through document assessment, the audit team confirmed no material discrepancies between project implementation and the project description.
The implementation status of the	• Through site visit observations, through interviews

monitoring plan and the completeness of monitoring, including the suitability of the implemented monitoring system (i.e., process and schedule for obtaining, recording, compiling and analysing the monitored data and parameters)	conducted with project personnel, and through document assessment, the audit team confirmed the implementation status of the monitoring plan and the completeness of monitoring, including the suitability of the implemented monitoring system.
The existence of any material discrepancies between the actual monitoring system, and the monitoring plan set out in the project description and the applied methodology	• Through site visit observations, through interviews conducted with project personnel, and through document assessment, the audit team confirmed no material discrepancies between the actual monitoring system and the monitoring plan set out in the project description and the applied methodology
Whether the GHG emission reductions or removals generated by the project have become included in an emissions trading program or any other mechanism that includes GHG allowance trading	• Through general knowledge of other emission trading programs and other mechanisms that include GHG allowance trading, as well as based on knowledge of the organizations involved in the project team, the audit team is confident that the GHG emission reductions or removals generated by the project are not included in an emissions trading program or any other mechanism that includes GHG allowance trading
Whether the project has received or sought any other form of environmental credit, or has become eligible to do so since validation or previous verification	• Please see box above. The audit team is confident that the project has not received or sought any other form of environmental credit, or has become eligible to do so since validation.
Whether the project has participated or been rejected under any other GHG programs since validation or previous verification	• Please see box above. The audit team is confident that the project has not participated in or been rejected under any other GHG programs since validation or previous verification.
Sustainable development contributions	• Through site visit observations, through interviews conducted with project personnel and project communities, and through document assessment, the audit team confirmed the project's sustainable development contributions.

4.2 Accuracy of GHG Emission Reduction and Removal Calculations

The GHG emission reductions and/or removals have been quantified correctly in accordance with the revised project description and with the applied methodology.

For all instances in which values were transcribed between datasets (e.g., transcription from the project description to reporting workbooks, or between reporting workbooks), the audit team carefully traced values to ensure the absence of manual transposition errors.

An identification of the data and parameters used to calculate the GHG emission reductions and removals/or, and a description of the steps taken to assess each of them, follows.

4.2.1.1 Data and Parameters Available at Validation

	Steps taken by audit team to assess…		
Data/ Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
CF_j	N/A (default value used)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	Confirmed that AR-TOOL14 deems the default value appropriate by requiring its use in Section 6.2 “unless transparent and verifiable information can be provided to justify a different value”
CO2e	N/A (default value used)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	Confirmed that AR-TOOL14 requires use of the value in Equation 3

	Steps taken by audit team to assess…		
Data/ Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
R_{TREE}	Conducted independent analysis to show that value used is conservative relative to the equation given in Appendix 1 of AR-TOOL14 and that, on this basis, "transparent and verifiable information can be provided to justify a different value" other than the equation in Appendix 1 (see audit team's internal working papers for details)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	Confirmed that value is conservative relative to what would be calculated using the equation given in Appendix 1 of AR-TOOL14
CO2e	N/A (default value used)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	Confirmed that AR-TOOL14 requires use of the value in Equation 3

	Steps taken by audit team to assess…		
Data/ Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
$f_{MG,i}$	N/A (default value used)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	(1) Confirmed that the value used is the value indicated in Table 6 of AR-TOOL16 for lands that are identified as degraded lands using the "Tool for the identification of degraded or degrading lands for consideration in implementing CDM A/R project activities"; (2) confirmed that the original PD (which can be downloaded from the project's VCS webpage as "PROJ_DESC_665_22AVR2011") contained an analysis (pp. 49-53) that the entire project area was identified as degraded lands per the above-referenced Tool; (3) on-site inspections to confirm that the portions of the project area added at verification (see Section 3.3 above) are not sufficiently different from the originally validated project area that the validated degradation analysis would not apply to them (i.e., the entire project area, as currently constituted, appears to have had the same degradation potential); (4) conclusion, therefore, that the assertion that the entire project area could have been identified as degraded lands was reviewed at validation and is not subject to further review as part of the services described in this report

	Steps taken by audit team to assess…		
Data/ Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
$SOC_{REF,i}$	(1) Application of statistical theory to confirm that the proportion of sample plots falling within different strata is a statistically valid means of estimating the area in the different strata; (2) Review of the referenced study /25/ to confirm it is thoroughly documented and provides information on soil carbon stocking that is specific to the project area (and, presumably, more accurate than the default values in Table 6 of AR-TOOL16) and provides "transparent and verifiable" source of information to justify different values; (3) application of professional judgment to confirm that the referenced study /25/ likely provides conservative results in the context of this parameter, as the project area is a recovering severely degraded landscape (see $f_{MG,i}$ above) and soil carbon stocking within the project area in 2007 can be assumed to be lower than carbon stocking in the project area prior to degradation	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	N/A (default values not used)
$f_{LU,i}$	N/A (default value used)	Confirmed that indicated value is the same as that stated in Section 4.1 of revised PD	Confirmed that the value used is the value indicated in Table 6 of AR-TOOL16

	Steps taken by audit team to assess…		
Data/ Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
$f_{IN,i}$	N/A (default value used)	N/A (no methods set out in revised PD)	(1) Confirmed that the value used is the value indicated in Table 6 of AR-TOOL16; (2) discussions with project personnel during site visit to confirm that fertilizers were not applied prior to the project start; (3) on-site inspections which revealed no evidence of fertilizer use on the project area at any time

4.2.1.2 Data and Parameters Monitored

	Steps taken by audit team to assess…		
Data/Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
A	Area recalculation using project area shapefiles /2//3/; a subset of project area boundaries were confirmed in the field by the audit team.	Audit team confirmed the project area boundary was "on the ground using GPS or from georeferenced remote sensing data" per Section 4.2 of revised PD	N/A (default values not used)
A_i	Area recalculation using project area shapefiles /2//3/; a subset of project area boundaries were confirmed in the field by the audit team.	Audit team confirmed the project area boundary was "on the ground using GPS or from georeferenced remote sensing data" per Section 4.2 of revised PD	N/A (default values not used)

	Steps taken by audit team to assess…		
Data/Parameter	**Accuracy of GHG emission reductions and removals**	**Whether methods/formulae set out in project description have been followed**	**Appropriateness of default values**
Ap_i	The audit team confirmed through field measurements the accuracy of the area of sample plots in both the planted tree and the regeneration plots.	Audit team confirmed that the methods are as described in Section 4.2 of revised PD	N/A (default values not used)
DBH	The audit team confirmed through field measurements on a subset of trees the accuracy of DBH measurements.	Audit team confirmed that the methods are as described in Section 4.2 of revised PD.	N/A (default values not used)
H	N/A as the height measurements were not used in the carbon calculations.	Audit team confirmed that the methods are as described in Section 4.2 of revised PD	N/A (default values not used)
t	Audit team confirmed that the monitored value of 6.5 is correct given that the monitoring period is exactly 6.5 years in length	Audit team confirmed that the value applied is the "Time count between measurement points in years" per Section 4.2 of revised PD	N/A (default values not used)
$f_{D,H}$	Audit team confirmed, through literature review, that the selected equation fully conforms to the tool "Demonstrating appropriateness of allometric equations for estimation of aboveground tree biomass in A/R CDM project activities" as referenced by AR-TOOL14 (see audit team's internal working papers for more details)	N/A (no specific methods set out in revised PD)	N/A (default values not used)

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

The evidence used to determine the GHG reductions and removals was of sufficient quantity and appropriate quality. An identification of the categories of evidence used to determine the GHG emission

reductions and removals, and a description of the steps taken to assess the sufficiency of quantity, and appropriateness of quality, of each category of evidence, follows.

	Steps taken by audit team to assess…		
Category	**Reliability of the evidence, and source and nature of evidence (external or internal, oral or documented) for determination of GHG emission reductions or removals**	**Information flow from data generation and aggregation, to recording, calculation and final transposition into the MR**	**Appropriateness of implemented calibration frequency of monitoring equipment**
Area calculations for the project and strata areas	Recalculation of area	Comparison of recalculated area from project shapefiles /2//3/ with quantities used to recalculate GHG emission reductions in project calculation workbooks /22//24/ and reported in MR	N/A (no calibration necessary)
Calculation workbooks	Recalculation of calculated quantities	Comparison of recalculated quantities with amounts calculated in reporting workbooks /22/ /24/ and reported in MR	N/A (no calibration necessary)
Forest inventory data	Through checks conducted on a subset of plots while in the field to ensure consistency with project team's measurements; through checks between the field inventory sheets and the Camara database to ensure consistency of data entry	Comparison of data sheets with audit team data collected in field; comparison of field data sheets with inventory data reported in workbooks /22/ /24/	N/A (no calibration necessary)

Overall, the evidence used to determine the GHG reductions and removals is of sufficient quantity (i.e., all necessary information has been provided to allow the audit team to trace and, as necessary, recalculate the quantification of GHG reductions and removals), and of appropriate quality (i.e., information presented is free of misstatements, whether material or immaterial) to allow the audit team to render a verification opinion.

4.4 Non-Permanence Risk Analysis

4.4.1.1 Introduction and Conclusion

The reported value of the overall risk rating, as determined based on the risk analysis documented in the NPRR, was 10%. The audit team performed a complete review of the risk analysis against the requirements of the AFOLU Non-Permanent Risk Tool. The audit team concludes that the assignment of risk scores is appropriate and in conformance to the AFOLU Non-Permanence Risk Tool.

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

4.4.1.2 Internal Risk - Project Management

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• As confirmed on the site visit, the plantations are predominantly planted with native species with the exception of *Tectona grandis*. Based on the audit team's quantification using the project's calculation worksheet /22/, the carbon stocks on which GHG credits have previously been issued are well below the 25% threshold. The risk score is justified	• The data sheets are high quality as verified on the site visit	Risk rating is appropriate
(b)	• As confirmed on the site visit, the carbon stocks of the fazenda are well enforced with the staff of ONF Brazil maintains a presence onsite, and with mature developed forest surrounding the area the project is in little danger	• N/A	Risk rating is appropriate
(c)	• As management team does include individuals with significant experience in all skills necessary to successfully undertake project, risk score is justified	• N/A	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(d)	• From site inspections, audit team can confirm that management team maintains a presence onsite and in Cuiaba, which is within a day's drive from project area	• N/A	Risk rating is appropriate
(e)	• Through interviews with project personnel, as well as experience with other ONF International projects, the audit team can confirm that the claims in the NPRR are accurate	• N/A	Risk rating is appropriate
(f)	• The audit team reviewed the documents that contain adaptive management plan elements (e.g. monitoring plan /13/) with oversight provided periodically by the Consultative Scientific Committee which results in high level adaptive management	• The documentation is high quality	Risk rating is appropriate

4.4.1.3 Internal Risk – Financial Viability

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• Audit team reviewed the multiyear budget and workplan /23/ and confirmed that project cash flow breakeven point is 4 years or less from the current risk assessment; therefore, the risk score is justified	• The documentation provided included financial documents and a detailed budget workbook that allowed for assessment by the audit team and is therefore of high quality	Risk rating is appropriate
(b)			Risk rating is appropriate
(c)			Risk rating is appropriate
(d)			Risk rating is appropriate
(e)	• Audit team reviewed the budget and workplan /23/, as well as the contract between the project	• Please see above	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(f)	proponent and project partners (including Peugeot, the major funder)/10/ and confirmed that project has secured 80% or more of funding needed to cover the total cash out required before the project reaches breakeven; the risk score is justified.		Risk rating is appropriate
(g)			Risk rating is appropriate
(h)	• Not applicable; the risk score is justified	• N/A	Risk rating is appropriate
(i)	• The mitigation score is applied as the project has already reached breakeven, per the multiyear budget and workplan /23/; therefore, the risk score is justified	• Please see above	Risk rating is appropriate

4.4.1.4 Internal Risk – Opportunity Cost

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• The project conservatively assumed the highest risk value, indicating that the NPV from the most profitable land use activity is expected to be at least 100% more than that associated with project activities	• N/A	Risk rating is appropriate
(b)			
(c)			
(d)			
(e)	• N/A	• N/A	Risk rating is appropriate
(f)	• N/A	• N/A	Risk rating is appropriate

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(g)	• Audit team agrees that, as a governmental entity, the project proponent does not meet the definition in Section 2.2.3(1) of AFOLU Non-Permanence Risk Tool	• N/A	Risk rating is appropriate
(h)	• N/A; mitigation not applied	• N/A	Risk rating is appropriate
(i)	• Audit team agrees with the project team's assessment that the conversion of the area to Natural Reserve status (under the Forest Code) to be managed for conservation and biodiversity purposes, as approved by the state's environmental authority, SEMA, renders the risk score appropriate	• The documentation provided is a government document from the state of Mato Grosso's Environmental Authority (SEMA) and is therefore of high quality	Risk rating is appropriate

4.4.1.5 Internal Risk – Project Longevity

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
	• N/A	• N/A	Risk rating is appropriate
	• Audit team reviewed the legal contract between the project proponent and project partners /10/, and agrees that there is a contract in place to continue the project for 40 years	• The documentation provided is a contract; the audit team judges it to be of high quality	Risk rating is appropriate

4.4.1.6 External Risk – Land Tenure and Resource Access/Impacts

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• The audit team confirmed that ownership and resource access/use rights are held by the same authority, through site visit interviews and review of documentation /5//10/	• Please see above regarding the quality of government documents	Risk rating is appropriate
(b)	• NA	• NA	Risk rating is appropriate
(c)	• The audit team confirmed the lack of dispute over land tenure or ownership through multiple interviews conducted while on site (see Section 2.3)	• NA	Risk rating is appropriate
(d)	• NA	• NA	Risk rating is appropriate
(e)	• NA	• NA	Risk rating is appropriate
(f)	• Audit team reviewed the legal contract between the project proponent and project partners /10/, and agrees that there is a contract in place to continue the project for 40 years	• The documentation provided is a contract and the audit team judges it to be of high quality	Risk rating is appropriate
(g)	• NA	• NA	Risk rating is appropriate

4.4.1.7 External Risk – Community Engagement

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

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(a)	• The audit team agrees that this risk factor is not applicable given that households are not located within the project area, which was confirmed through onsite observations and interviews conducted onsite (see Section 2.3)	• NA	Risk rating is appropriate
(b)	• Through community interviews while on-site (See Section 2.3), and review of descriptions of social programs /11//15//17//18/, the audit team confirmed that the project held community meetings and performed outreach activities. The audit team agrees with the risk score especially given the strong likelihood that very few households depend on the project area, a plantation, for their livelihood. It is more likely that local households would depend upon the natural forest surrounding the plantation.	• The audit team reviewed the documentation, and compared its assertions with observations and interviews held while on site, and considers it to be of high quality.	Risk rating is appropriate
(c)	• Through on-site interviews with local community members and project team members (see Section 2.3) as well as review of the project's adherence to the SocialCarbon Indicators (SocialCarbon validation is occurring concurrent to VCS verification) the audit team confirms that the risk rating is appropriate	• NA	Risk rating is appropriate

4.4.1.8 External Risk – Political Risk

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

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
(c)	• The audit team has reviewed and recalculated the World Bank World governance indicator score and confirms that it is as stated and therefore that the risk score is appropriate.	• The World bank governance indicator online database is considered of high quality (http://databank.worldbank.org/data/reports.aspx?source=Worldwide-Governance-Indicators)	Risk rating is appropriate
(d)	• N/A	• N/A	Risk rating is appropriate
(e)	• N/A	• N/A	Risk rating is appropriate
(f)	• The audit team confirmed via the Governor's Climate and Forest Taskforce (GCF) website that the State of Mato Grosso does participate in the program and therefore the mitigation score is appropriate.	• The Governor's Climate and Forest Taskforce (GCF) website is considered of high quality (https://gcftf.org)	Risk rating is appropriate

4.4.1.9 Natural Risk

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

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
The audit team reviewed the submitted literature which provides historical information for Mato Grosso related to fire /12/ and the MR's Section 7 Natural Risk narrative regarding fire, which includes a maps of the area including fire breaks. The audit team confirmed through the site visit the proximity of the Juruena River as well as other natural fire breaks including the airstrip, roads, and the central camp. The audit team conducted interviews with multiple project staff living on-site with regard to fires (see Section 2.3). The audit team agrees that the significance and likelihood of fire could increase with climate conditions and increasing deforestation in the area. In sum, the audit team agrees with the selected risk ratings.		• The audit team considers the Brazilian Natural Disaster Atlas to be of high quality.	Risk rating is appropriate
Pest and Disease Outbreaks			
The audit team agrees that the fact that the majority of plantation is multispecies plantings imparts resistance to loss by disease and pests. The impacts of the invasive vine *Malicia* were noted on the site visit, as were the control efforts underway. The audit team reviewed the project's natural risk narrative and agreed with the justification contained therein regarding pests and disease outbreak.		• N/A	Risk rating is appropriate
Extreme Weather			

Risk	Assessment of rationale, assumptions and justification	Assessment of quality of documentation and data provided	Conclusion regarding appropriateness of risk rating
The audit team confirmed the claims in the MR by reviewing provided literature /12/ and the narrative contained in the MR, as well as through observations and interviews while onsite (see Section 2.3). The audit team agrees that, despite the overall drying trend seen in many parts of the Amazon region, the area of the project's rainfall remains high relative to others, and the species chosen for replanting are slow-growing species and less sensitive to lowering moisture regimes. The audit team has experience working in the region and on this additional basis agrees with the risk rating claimed by the project.		• The audit team considers the Brazilian Natural Disaster Atlas to be of high quality.	Risk rating is appropriate

5 SAFEGUARDS

5.1 No Net Harm

The audit team took the following steps to verify that any potential negative environmental and socio-economic impacts identified by the project proponent.

- While on site, the audit team interviewed local community members, members of local and regional government entities and project personnel who perform outreach and education to local communities (see Section 2.4). The audit team reviewed documentation regarding the project's ongoing social and educational programs benefiting local communities (see Section 2.5). The interviews and documentation confirmed the anticipated net well-being impacts, both environmental and socio-economic, are predicted to be positive.
- The audit team notes that the project is concurrently undergoing validation under the SOCIALCARBON Standard, which entails certification against an additional and rigorous set of social indicators related to positive environmental and socio-economic impact.
- The audit team agrees with the project's discussion of possible negative social impacts of the project in Section 2.4 and Section 6 of the MR, which are that a reduced amount of land is available for neighbouring landless communities (called assentamentos) to inhabit and otherwise derive benefits from.
- The audit team confirmed that the project's programs for environmental education, collection of Brazil nut seeds (providing employment to members of the neighbouring assentamentos), and donation of tree seedlings are occurring, are targeted to benefit local landless populations, and are reasonable steps to mitigate any such impacts.

In summary, the audit team concludes that the project's anticipated net well-being impacts are predicted to be positive and the potential negative impacts appropriately mitigated, for all identified community groups compared with their anticipated well-being conditions under the without-project land use scenario.

5.2 Local Stakeholder Consultation

The audit team carefully reviewed Section 2.4.2 of the MR regarding local stakeholder consultation and the project's ongoing communication and outreach with local stakeholders. The audit team was able to confirm the claims made regarding stakeholder input through interviews conducted while onsite, regarding, for instance, local stakeholders benefits from the project through environmental education programs, through Brazil nut seed collection programs, and through the provision of technical assistance with agroforestry. Section 5.1 above details the steps taken through site visit interviews and review of documentation, to confirm that the project proponent took due account of such input.

The audit team concludes that the project took due account of local stakeholder input and has provided appropriate response to the input through ongoing communication and outreach efforts.

6 VERIFICATION CONCLUSION

The audit team asserts, with no qualifications or limitations, that:

- The project complies with the verification criteria for projects set out in VCS Version 4.
- The project has been implemented in accordance with the validated project description and any subsequently validated changes.
- To the extent that the verification engagement described in this report has included validation activities, the project complies with the validation criteria for projects set out in VCS Version 4.

Verification period: From 26 April 2009 to 25 October 2015

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

Year	Baseline emissions or removals (tCO_2e)	Project emissions or removals (tCO_2e)	Leakage emissions (tCO_2e)	Net GHG emission reductions or removals (tCO_2e)
N/A	0	282,108	0	282,108
Total	0	282,108	0	282,108

APPENDIX A: FINDINGS ISSUED UNDER VCS VERSION 4

Please see Section 2.6 above for a description of the findings issuance process and the categories of findings issued. It should be noted that all language under “Project Personnel Response” is a verbatim transcription of responses provided to the findings by project personnel. It should be further noted that the validation process occurred concurrently with the initial verification and, as such, the below findings include documentation of issues relevant to both the validation and verification engagements.

NCR 1 Dated 15 Jun 2018

Standard Reference: Section 3.9.1 of the VCS Standard, Section 2.4.1 of the VCS Standard, AR-ACM0003_ver02.0

Document Reference: “Protocolo dos plantios.pdf”

Finding: The VCS Standard states "Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.4.1." Additionally, accuracy under Section 2.4.1 is defined as "reduce bias and uncertainties as far as is practicable."

The selected VCS-approved Methodology, AR-ACM0003_ver02.0, Section 6.2 states ““Information shall be provided, and recorded in the project design document (PDD), to establish that the commonly accepted principles and practices of forest inventory and forest management in the host country are implemented. If such principles and practices are not known or available, standard operating procedures (SOPs) and quality control/quality assurance (QA/QC) procedures for inventory operations, including field data collection and data management, shall be identified, recorded and applied. Use or adaptation of SOPs available from published handbooks, or from the “IPCC Good Practice Guidance for Land Use, Land-Use Change and Forestry 2003”, is recommended.”

The Standard Operating Procedures (SOPs or protocols) are required to include all protocols related to collection of data in the field, related to accurate measurement of carbon stocks for the biomass teams to follow. As such, the SOPs are required to be detailed and prescriptive for any scenario that could arise in the field. In addition, the SOP’s are required to contain up-to-date information on data management.

The verification team reviewed the submitted project’s SOP document, entitled “Protocolo dos plantios.pdf”. In addition, the verification team observed the project team conducting field measurements of carbon stocks in a subset of plots within the project area. While the audit team notes that the project’s SOPs were generally comprehensively written and followed, the verification team witnessed some inconsistencies.

For instance, inconsistencies were noted related to where diameters on bifurcating trees are to be measured. Figure 2 in the project's SOP document shows two bifurcating stems (’dos ramas separadas’) and buttressed trees (‘abultamiento’); however the SOP document does not specify where the measurement should be taken (e.g. how much above 137cm). In addition, in the 10x10m nested natural regeneration plots, information related to what parameters are measured are incompletely written, and the rule followed in the field regarding the omission of lianas and palm trees is not included in the SOP document. In addition, information related to rules regarding if vines or lianas grow along a

tree and obstruct where the measurement is taken are not included in the SOP document. Information related to data management and quality control/quality assurance (QA/QC) procedures for inventory operations are also not included in the project SOPs.

Project Personnel Response: In the document “Annex_4_MonitoringPlan_Peugeot_v01 DT” SOP’s were completed with inventory procedures and a quality assurance and quality control (QA/QC) plan. In particular it was specified how DBH or CBH is measured in the cases of bifurcated or buttressed trees. It was also specified what is measured in the plots of 100 m2. It was clarified that neither the palms nor the lianas are included in the inventory, and therefore they are not measured. Additionally, in section 3.2 of the monitoring report it was specified the minimum diameter measured.

Auditor Response: The audit team notes that two documents were submitted by the project team containing the Standard Operating Procedures (SOPs) within the project's monitoring plan as follows: "Annex_4_MonitoringPlan_Peugeot_v01 DT" as referenced in the Project Response), and "20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT". The audit team found that the latter document contained revisions to the SOPs and hence these were reviewed in detail as follows.

The audit team reviewed “20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT.doc”, the revised SOP’s submitted by the project team. The audit team confirmed that Section 8 of the revised document contains detailed information regarding the measurement of trees/carbon stocks, including those requested in the original finding which include location of measurement on bifurcated and buttressed trees, and text regarding the exclusion of lianas and palms in the 10x10 meter nested natural regeneration plots. The revised information was consistent with the methods observed during the site visit. In the revised document, Section 11 includes a QA/QC plan. The audit team found the information to be sufficient to close the finding.

NCR 2 Dated 15 Jun 2018

Standard Reference: Section 3.9.1 of the VCS Standard, Section 2.4.1 of the VCS Standard, AR-ACM0003_ver02.0

Document Reference: “Protocolo dos plantios.pdf”, “Annex_4_MonitoringPlan_Peugeot_v01 DT”

Finding: This finding is a follow-on to NCR.1.

Project personnel submitted the project’s SOP’s, “Protocolo dos plantios.pdf”, as described in NCR.1. In addition, the document “Annex_4_MonitoringPlan_Peugeot_v01 DT” was submitted; the document is the Monitoring Plan, and contains information about project planting, stratification, data management and QA/QC, as well as protocols used in field data collection are contained in Section 8. Monitoring and Measurement of carbon pools. Section 8 as currently written does not reflect the measurements taken in the field as witnessed by the audit team during the site visit. In addition, the two documents contain different information about data collected, for instance individual tree measurements. The two documents should contain consistent information, for field data inventory as well as all other aspects of data management, QA/QC, and other aspects of the project.

Project Personnel Response: The document “protocolo dos plantios” is an abstract of the monitoring plan “Annex_4_MonitoringPlan_Peugeot_v01 DT”, nevertheless both documents were updated and the information is now complete and consistent.

Auditor Response: As stated above, in NCR.1, the audit team reviewed the revised document “20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT.doc”, and confirmed that it contains the revised SOP’s submitted by the project team. The revised Section records the measurements observed as conducted during the site visit.

The audit team notes that the document "Annex_4_MonitoringPlan_Peugeot_v01DT" , which was also submitted to the audit team, did not contain the same amount or quality of information as the revised document "20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT.doc".

The audit team notes that upon subsequent verification events it should be checked that the correctly revised SOP document “20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT.doc” , and the appropriately translated portugeuse document, is utilized by the project's measurement team to measure the project carbon stocks.

NIR 3 Dated 15 Jun 2018

Standard Reference: Section 3.9.1 of the VCS Standard, Section 2.4.1 of the VCS Standard, AR-ACM0003_ver02.0

Document Reference: “Protocolo dos plantios.pdf”, “Annex_4_MonitoringPlan_Peugeot_v01 DT”

Finding: The VCS Standard states "Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.4.1." Additionally, accuracy under Section 2.4.1 is defined as "reduce bias and uncertainties as far as is practicable."

Section 8 Monitoring and Measurement of carbon pools, in “Annex_4_MonitoringPlan_Peugeot_v01 DT.doc”, states that “Diameter at breast height (DBH, 1.3 m above ground) of all the trees within each permanent sample plot (1’000 m2; 50 m x 20 m) above a minimum DBH (7.5 cm) will be measured.” The audit team observed in the field and confirmed with the project team that trees that are smaller than the minimum of 7.5 cm are being measured in the field and inputed into the data sheets. NCR.2 addresses the inconsistency. The audit team confirmed that the information is inputted in the project’s carbon model, CAMARA, and has, it is assumed, been used in carbon stock quantification for the project.

However, if the raw data used to create the allometric equations used in the project’s carbon models were developed for larger trees only (as is often the case), this could lead to errors in the project’s carbon calculations. Therefore, the audit team requests information regarding all allometric equations used in the project’s carbon models (including publication or source data for each). In addition, the audit team requests identification of any diameter (or size) thresholds or constraints identified with regard to the equations used. If the project team finds that trees with diameters less than a certain cutoff should be excluded, the project's carbon stock models will need to be rerun.

Project Personnel Response: The minimum circumference of trees measured in forest inventory is 5 cm (1,6 cm DBH) this was corrected in the monitoring plan as mentioned in NCR 1. Regarding allometric equation, we used the equation: AGB = exp{-2.134 + 2.530*ln(DBH)} (Brown, S., 1997. Estimating biomass and biomass change of tropical forests. A primer. FAO Forestry Paper 134. Food and Agriculture Organization of the United Nations, Rome, Italy. http://www.fao.org/docrep/W4095E/W4095E00.htm)

According to this author, equation was adjusted with a sample of 170 trees, with diameters (DBH) ranging from 5 to 170 cm. Although in our database there are some trees below the lower threshold, this does not represent a problem, on the one hand because the allometric relationship is usually heteroscedastic, that is, greater variability at a larger diameter, and therefore the risk of incurring errors in small diameters is low, on the other hand, as mentioned by the same author, it is only discouraged to use the equation for diameters above the upper threshold, which is respected in our case.

Auditor Response: The audit team reviewed the cited Brown 1997 paper, and confirmed that the minimum DBH is appropriate given the allometric equation used for the project, as well as the statement regarding a heightened risk of error in trees exceeding the maximum (versus minimum) diameter. The audit team confirmed that the minimum circumferance at breast height (CBH) is revised

as stated in the SOP document “20181120 Annex_4_MonitoringPlan_Peugeot_v01 DT.doc”.

NCR 4 Dated 15 Feb 2019

Standard Reference: VCS Monitoring Report template v.3.4

Document Reference: 20181120 VCS+SC Monitoring Report v3.0 DT.doc

Finding: Per Social Carbon finding #5 (see “SOCIALCARBBON_MatoGrosso_Val_Findings_v2_16June2018.xls”), the project is currently undergoing validation, but not verification, under the Social Carbon Standard.

The project is currently using the joint VCS+SOCIALCARBON Monitoring Report template, but the correct template is the referenced VCS Monitoring Report template v.3.4. The project is therefore out of conformance at this time.

Project Personnel Response: Monitoring report was changed, from joint VCS+SOSCIALCARBON Monitoring Report template to VCS Monitoring Report template v3.4

Auditor Response: The audit team reviewed the revised document "20190228 VCS-Monitoring-Report.doc", and confirmed that the correct template (VCS Monitoring Report template v.3.4) is now used.

NCR 5 Dated 15 Feb 2019

Standard Reference: VCS Standard Section 3.6.1(1); VCS Monitoring Report template version 3.4

Document Reference: 20181120 VCS+SC Monitoring Report v3.0 DT.doc

Finding: The project received guidance from Verra in June 2018 following the site visit. This finding contains Verra's guidance regarding how to proceed with a revised PD and a Monitoring Report that documents the PD Deviations.

The audit team issued the following information to Verra regarding the project via email on 25th June 2018: "The project underwent validation and verification under the VCS Standard in 2012. Since then, the project team learned that an area formerly thought to be ineligible is eligible to be added to the project area. The eligibility of the land was confirmed through the project proponent's communication with the VCS in 2015. As a result, since undergoing validation and verification, the project area has grown by 44%. Because of the acreage expansion, the project is no longer eligible to use the Afforestation/Reforestation methodology for small scale projects (AR-AMS0006 Simplified baseline and monitoring methodology for small-scale silvopastoral - afforestation and reforestation project activities under the clean development mechanism), and must use instead the AR-ACM0003 (A/R Large-scale Consolidated Methodology- Afforestation and reforestation of lands except wetlands) methodology for larger projects. Given the change in the applicability of the methodology used at validation, we believe a project description deviation at the time of second verification would be permissible in this case, per VCS Standard Section 3.6.1(1),

"Where the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario, the deviation shall be described and justified in a revised version of the project description. This shall include a description of when the changes occurred, the reasons for the changes and how the changes impact the applicability of the methodology, additionality and/or the appropriateness of the baseline scenario."

In addition to the revised PD, the project developer would submit a monitoring report for the 2nd monitoring period."

In response to the email, Verra responded in an email on 28 June 2018, as follows "After discussion, our team has determined that this is the correct course of action to take. Please proceed."

The template for the VCS Monitoring Report (see prior NCR regarding correct template to be used for Monitoring Report) contains Section 2.2.2 Project Description Deviations. The instructions for filling out the section read as follows: "Describe any project description deviations applied during this monitoring period and explain the reasons for the deviation. Identify whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario and provide an explanation of the outcome. Describe and report on any project description deviations applied in previous monitoring reports."

Regarding the Project Description Deviations section in the Monitoring Report, the project must meet the requirements of VCS Standard Section 3.6.1(1) Project Description Deviations as follows:

"3.6.1 Deviations from the project description are permitted at verification. The procedures for documenting the deviation depend on whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario. Interpretation of whether the deviation impacts any of these shall be determined consistent with the CDM Guidelines on assessment of different types of changes from the project activity as described in the registered PDD, mutatis mutandis. The procedures are as follows:

1) Where the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario, the deviation shall be described and justified in a revised version of the project description. This shall include a description of when the changes occurred, the reasons for the changes and how the changes impact the applicability of the methodology, additionality and/or the appropriateness of the baseline scenario."

The audit team reviewed the project's Monitoring Report ("20181120 VCS+SC Monitoring Report v3.0 DT.doc") and Section 2.2.2 of the Monitoring Report currently does not contain the required information referenced above, and therefore does not meet requirements of the VCS Standard, Section 3.6.1 or follow the Verra guidance.

Project Personnel Response: Section 2.2 of the Monitoring report was completed with all requirements of the VSC Standard, section 3.6.1

Auditor Response: The audit team reviewed the revised document "20190228 VCS-Monitoring-Report.doc", and confirmed that the Monitoring Report was revised with the information as stated.

However, the audit team notes that the document was revised to include the information about the Project Description Deviation (as noted in the original finding) under the Methodology Deviation section (Section 2.2.1 Methodology Deviation) rather than the Project Description Deviation (Section 2.2.2). Therefore the finding remains open.

Project Personnel Response 2: The document "20190409 VCS-Monitoring-Report" was updated, integrating the deviations in Project Description in section 2.2.2 instead of section 2.2.1.

Auditor Response 2: The audit team confirmed that most of the referenced information was moved to the PD Deviation section. However, additional information remains in the Methodology Deviation section. The finding cannot be closed until all the information is moved to the PD Deviation section.

Project Personnel Response 3: Information about change of the methodolgy was moved to PD Deviation section and Methodology Deviation section is now empty.

Auditor Response 3: The audit team reviewed the latest version of the Monitoring Report ("20190606 VCS-Monitoring-Report.doc") and confirmed the information has been moved as stated. The finding can be closed.

NCR 6 Dated 15 Feb 2019

Standard Reference: VCS Standard Section 3.6.1(1)

Document Reference: 20180920 VCS_SC_PDD_Fazenda rev DT;

Finding: This findings links to the previous finding VCS NCR.5. The revised PD must meet the requirements of VCS Standard Section 3.6.1(1) as follows: "Where the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario, the deviation shall be described and justified in a revised version of the project description. This shall include a description of when the changes occurred, the reasons for the changes and how the changes impact the applicability of the methodology, additionality and/or the appropriateness of the baseline scenario."

The audit team reviewed the project's revised PD ("20180920 VCS_SC_PDD_Fazenda rev DT.doc"). The revised PD includes some information regarding the changes that occurred, for example, Section 1.8 Project Activities includes information about the new acreage and stratification in Table 7 and Section 1.9 Project Location includes updated information about the acreage. However, the revised PD does not include information required under the VCS Standard Section 3.6.1 (1) including: a description of when the changes occurred, the reasons for the changes and how the changes impact the applicability of the methodology, additionality and/or the appropriateness of the baseline scenario. Therefore, the PD is not currently in compliance.

Project Personnel Response: In section 1.13 of the Project Document, "Further information" changes was provided according to requirements of the VCS Standard, section 3.6.1.

Auditor Response: The audit team reviewed the revised PD and confirmed that it was revised as stated. In Section 1.13 of the revised PD ("20190228 VCS_SC_PDD_Fazenda (1)"), the project team added a subsection entitled "Further Information", which contains a description of the changes that lead to a change in the applicability of the original methodology and the change to the AR-ACM003 methodology. In addition, the description includes information regarding how the changes impact the project, including additionality and/or the appropriateness of the baseline scenario. The finding is closed.

NCR 7 Dated 15 Feb 2019

Standard Reference: AFOLU Requirements Section 3.7.5

Document Reference: Appendix 1 of "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Requirements, Section 3.7.5 states "Projects shall perform the non-permanence risk analysis at every verification event because the non-permanence risk rating may change."

The project has correctly submitted a Non-Permanence Risk Report at the second verification (Appendix 1 of the Monitoring Report "20181120 VCS+SC Monitoring Report v3.0 DT.doc"). However, the project uses an out-of-date Non-Permanence Risk Report template (version 3.0). The current Non-Permanence Risk Report template is version 3.2 (issued 19 October 2016).

Project Personnel Response: Appendix 1 of the Monitoring Report was updated with the current Non-permanence Risk Report template (3.2)

Auditor Response: The revised NPRR (contained as an Appendix to the Monitoring Report :"20190228 VCS-Monitoring-Report") used the correct template as stated. The finding is closed.

NCR 8 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Report template (version 3.2)

Document Reference: Appendix 1 of "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Non-Permanence Risk Report template (version 3.2), states as following the instructions for completing the non-permanence risk report: "All instructions, including this introductory text, should be deleted from the final document."

The title page of the Non-Permanent Risk Report (Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT") contains instructions in the Contact box.

Project Personnel Response: In new version of Non-permancen Risk Report (version 3.2) all instructions were delected.

Auditor Response: The revised NPRR (contained as an Appendix to the Monitoring Report :"20190228 VCS-Monitoring-Report") has deleted all instructions as stated. The finding is closed.

NCR 9 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (version 3.3), Section 2.1.1

Document Reference: Appendix 1 of "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: Section 2.2.1(5) of the AFOLU Non-Permanence Risk Tool, states "Adaptive management plans are those that identify, assess and create a mitigation plan for potential risks to the project, including those identified in this document, and any other obstacles to project implementation. They include a process for monitoring progress and documenting lessons learned or corrections that may be needed, and incorporating them into project decision-making in future monitoring periods. The onus is on the project proponent to demonstrate that such plans are in place, that such plans have considered the realm of potential risks and obstacles to the project, and that a system is in place for adapting to changing circumstances."

The Mato Grosso project's Non Permanence Risk Report (Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"), has selected the risk score of -2 (Table 1A Project Management, row f) indicating that an adaptive management plan exists. It states "It has been assessed the positive impacts on environmental components, and it has followed in a methodical way the monitoring plan proposed (see monitoring plan Anexx_report_risk_B) which has already been tested in a first verification."

However, the audit team does not have the referenced document "Annex Report Risk B" or other documentation to assess if the adaptive management plan exists and meets the requirements.

Project Personnel Response: Annex Report Risk B is provided

Auditor Response: The audit team reviewed the submitted document "Annex Report Risk B", which contains the Monitoring Plan for the project . The document includes information including adaptive planning and management and processes for monitoring progress and documenting lessons learned. The narrative presented in the NPRR presents the importance of the Scientific Committee is this regard and how the committee assists with identifying and adapting to changes that present challenges to the project. The finding is closed.

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

NIR 10 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (version 3.3), Section 2.2.2

Document Reference: Appendix 1 of "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: Section 2.2.2 of the Non-Permanence Risk Tool states:"the financial viability of a project is based on 1) the number of years until cash flow breakeven is reached, and 2) the funding that has already been secured relative to what is needed to implement and operate the project until reaching the cash flow breakeven. The cash flow breakeven point is the year in which the cumulative cash flow is positive (i.e., cash flow in exceeds cash flow out) and stays positive. Breakeven should be calculated on a cash flow basis based on generally accepted accounting principles. Cash flow in may include commercial revenue streams associated with the project, secured revenue and conservatively projected revenues from the sale of GHG credits, other funding sources such as donor funds, upfront investments, or carbon prepayments, equity or loans. Cash flow out shall include, at a minimum, project implementation costs, costs associated with GHG credit generation (e.g., validation, verification and registration), and, where applicable, interest expenses, repayment of loans or forward purchase agreements, and any required equity distributions. The percentage of needed funding secured shall be calculated by adding up all funding and revenue already secured and dividing this by the total cash out up to and including the year the project reaches breakeven."

"Projects may demonstrate that funding has been secured through, for example, financial statements, bank records, executed commodity purchase agreements, executed emission reduction purchase agreements, or other signed contractual agreements. Evidence shall be provided that agreement counterparties are in good financial standing, to demonstrate the ability to meet the financial obligations. Given execution uncertainties, options contracts shall not be counted as secured funding. When preparing the cash flow breakeven analysis, the assumptions on revenue from both carbon and other commercial sources (e.g., timber) must be conservative and clearly document the source, pricing assumptions, frequency of verification and other relevant variables."

The Mato Grosso project's Non Permanence Risk Report (Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT") states under Risk of Financial Failure: "Currently, financial indicators of both entities have been affected by various market circumstances, however for recent years 2014 and 2015, Peugeot kept presenting positive results with assets exceeding liabilities (see Anexx_report_risk_C). However, major risks in terms of funding were already surpassed since the properties of FAZENDA were acquired, and all forest models were established, reducing the risk of funding." However, the audit team does not have "Anexx_report_risk_C". In addition, for risk factors (e) – (h), another Annex is referenced (Anexx_report_risk_D_CAR_FSN).

Please submit these documents, as well as any other needed to support the Financial Viability risk rating, in compliance with Section 2.2.2 of the Risk Tool. Ensure that the proper table is used for the version 3.2 Risk Report template.

Project Personnel Response: The Annexes "Annex Report Risk C" and "Anexx report risk D CAR FSN" are provided , and the proper table of the Non-permanence Risk report (version 3.2) is used.

Auditor Response: The projec t team submitted a revised NPRR in the revised MR document

(20190228 VCS-Monitoring-Report) which includes the correct Financial Viability table and revised justification. The project team submitted the requested “Anexx_report_risk_C” and, “Anexx_report_risk_D_CAR_FSN”, which was submitted in reference to rows (e) – (h). However, the finding cannot be closed based on the response submitted.

The majority of financial checks were based on the business plan submitted (“Formato_custos_entradas_BP_FSN_JML_PV_SOL_6avr14 (2)-2.xls”).

For the breakeven analysis, the project chose the risk score of 0, row d, which corresponds with: “Project cash flow breakeven point is 4 years or less from the current risk assessment”. The response from the project in the revised justification is that the analysis is not applicable because “the project does not provide profitability analysis because it does not focus on the generation of economic benefits from the forest of other activities, N/A”. However, the analysis is required per the VCS Non Permanence Risk Tool, Section 2.2.2. While the property has been purchased, the project has costs associated with it, for instance the annual inventory of carbon. Therefore, to calculate project cash flow (rows a-d of Table 2 Financial Viability), information is still lacking. Cash flow in seems to be computed in the tab “BP_FSN_Sintesis”. However, cash flow out lacks information and the Risk Tool requirement of 2.2.2(2) is not currently met: “Cash flow out shall include, at a minimum, project implementation costs, costs associated with GHG credit generation (e.g., validation, verification and registration), and, where applicable, interest expenses, repayment of loans or forward purchase agreements, and any required equity distributions”

For the funding secured analysis, the claim that the “Project has secured 80% or more of funding needed to cover the total cash out before the project reaches breakeven” is not yet supported. Please see the Risk Tool 2.2.2(3) and (4). This analysis is linked to the evidence needed to claim the mitigation score of -2 for row i, please see Risk Tool 2.2.2(5).

Project Personnel Response 2: As mentioned in the "Non-Permanence-Risk-Report", the project is not profitable; nevertheless a detailed cashflow is provided in order to demonstrate that the breakeven point can be considered one year (there is not negative year in the cashflow because there is "revenues" that covers 100% of costs) and all the cost of forest plantation and maintenance were already executed.

Auditor Response 2: A revised 40 year budget and financial plan was submitted to the verification team, entitled "Cashflow PCFPO.xls". The document includes cashflow analysis for the project, and appropriately includes detailed costs (including carbon inventory) and detailed revenue figures (including a conservative estimate for carbon credit sales). The statements made regarding funding support were further confirmed through interviews while on site, as well as through documentation provided regarding the major donor's support. The finding is closed.

NIR 11 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: Section 1.1.3 of the AFOLU Non-Permanence Risk Tool states "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."

The AFOLU Non-Permanence Risk Tool Section 2.2.3 Table 3 poses specific questions about risk factors related to net present value from the profitable alternative land use activity compared to the project activity, as well as mitigation opportunities. Section 2.2.3 (1-3) contain additional guidance regarding requirements for the analysis.

For the project's Non Permanence Risk Report (Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"), the evidence appears to be missing. For risk factor (a) the project chooses a risk rating of 0, indicating that the following is not true: "NPV from the most profitable alternative land activity is expected to be at least 100% more than that associated with project activities: or where baseline activities are subsistence-driven, net positive community impacts are not demonstrated."

The narrative in the project's risk report references an "Annex_report_risk_E". Please submit the analysis, as well as an explanation for how the risk rating is justified to the audit team. In addition, ensure that the proper table is used for the 3.2 Risk Report template.

Project Personnel Response: Annexes "Annex Report Risk E" is provided. It is important to mention that with new version of the Non-Permanence Risk tool (version 3.2), risk factor related to opportunity cost have changed, therefore, this factor was revalued and explanation about rating was given

Auditor Response: The audit team confirmed that the Opportunity Cost table has been properly applied. The project submitted as evidence regarding the mitigation score claimed of -8 ("Mitigation: Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over at least 100 years") a document ("Anexx_report_risk_E_SEMA.2010.Portaria074) demonstrating that the project area is approved by the State of Mato Grosso Environmental Authority (SEMA) as a private area designated for conservation of resources and biodiversity, or an RPPN (Reserva Particular do Patrimonio Natural), under Brazil's Forest Code (Law No. 9.985 of 18 July 2000). The finding is closed.

NCR 12 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Non-Permanence Risk Tool Section 2.2.4 states the following requirements for the risk assessment of Project Longevity: "Project longevity (PL) shall be assessed using Table 4, noting the following: 1) Project longevity is the number of years beginning from the project start date that project activities will be maintained, which may be longer than the project crediting period where projects can demonstrate that activities that maintain carbon stocks on which GHG credits have previously been issued will continue beyond the project crediting period. The project longevity score shall be determined by the formulae set out in Table 4. 2) Evidence shall be provided that project ownership (see the VCS Standard for specification with respect to project ownership) can be maintained for the entire project longevity (e.g., where control is secured through a concession that is shorter than the project longevity, such concession is renewable for the full longevity period being claimed). 3) For all AFOLU project types, the entire project longevity shall be covered by management and financial plans as submitted to local government or financial institutions, or otherwise made public, in which the intention to continue management practices is stated and planned for, and may include external evidence such as municipal land-use plans, institutional structures, or tools such as ecological-economic zoning. 4) 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. 5) Legal agreement or requirement to continue the management practice refers to any legally enforceable agreement or requirement, such as a conservation easement or protected area law that would require the continuation of the management practice that sequesters carbon or avoids emissions for the entire project longevity. In ARR and IFM projects with harvesting, where allowing re-growth of harvested areas is required by law, this may be demonstrated by citing the appropriate legal statute and common practice. Any project with a legally binding agreement that covers at least a 100 year period from the project start date shall be assigned a score of zero for project longevity.

6) Where AFOLU project longevity is less than 30 years, the project fails the risk assessment and it is not eligible for crediting.

The audit team notes that the requirements for the assessment of Project Longevity are not met, and the table is not the one required by the referenced template or Tool.

Project Personnel Response: Assessment of project longevity was updated according to new Non-

Permanence Risk report (Version 3.2)

Auditor Response: The verification team reviewed the document "Anexx_report_risk_F_Contrat Peugeot ONF propriété des crédits.pdf". The project crediting period is 40 years (1999-2039). The evidence provided that project ownership can be maintained over the entire project longevity (eg, where control is secured through a concession that is shorter than the project longevity, such concession is renewable for the full longevity period being claimed) is the referenced signed contract between Peugeot, ONF International and ONF Brazil to maintain operations of the property for a forty year period ending in 2039. As such the risk score of 10 is appropriate.

In addition, the project submitted as evidence regarding the management plan covering the project longevity, the following pdf "Anexx_report_risk_E_SEMA.2010.Portaria074." The document shows that property is approved by the State of Mato Grosso Environmental Authority (SEMA) as an area designated for conservation, or an RPPN (Reserva Particular do Patrimonio Natural), under Brazil's Forest Code (Law No. 9.985 of 18 July 2000). The evidence meets the requirements of Risk Tool 2.2.4 (3). The finding is closed.

NCR 13 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Report template (version 3.2), AFOLU Non-Permanence Risk Tool (version 3.3), AFOLU Requirements

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The VCS AFOLU requirements, Section 3.7.3 states "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 audit team notes that the Land Tenure and Resource Access/Impacts table, identified as Table 6 in the Risk Tool, being used by the Mato Grosso project is not the one required by the referenced template or Tool.

Project Personnel Response: Land Tenure and Ressource Acces/impact table was updated with the new Non-Permanence Risk Report, version 3.2.

Auditor Response: The proper table is used. The finding is closed.

NCR 14 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Non-Permanence Risk Tool Section 2.3.1 states: "Land and resource tenure (LT) shall be assessed using Table 6, noting the following:

1) The project proponent shall select the appropriate risk score for the land/resource access/use rights and the ownership situation applicable to the project.

2) Any additional withholding required for disputes over land/resource ownership or access/use rights shall be added to the risk score.

3) The mitigation discount may be subtracted where it can be demonstrated that such mitigation is in place.

4) Land and resource tenure refers to the systems of rights to lands, territories and resources, including obligations, rules, institutions and processes regulating ownership of, access to and use of land and associated resources. Tenure and resource rights may be synonymous with property rights and encompass full ownership as well as lesser usufructuary rights to use or have access to the project area and the resources within it, such as rights to fell timber or collect fallen branches.

5) Land may be government, community or privately owned. Ownership refers to a title or right that encompasses full control of the land in perpetuity, and may include the right to transfer or sell land or resource access/use rights.

6) A conservation easement is a permanent legally binding restriction voluntarily placed on an area of land to protect its associated resources, where project ownership and management is defined and transfers with any changes in ownership.

7) A protected area is a clearly defined area recognized, dedicated and managed through legal or other means to achieve the long-term conservation of nature with associated ecosystem services and cultural values, including national parks, nature reserves, wilderness areas, wildlife management areas and landscape protected areas, which may be managed by government, communities or other entities.

8) Project ownership shall be demonstrated as set out in the VCS Standard. In some cases, however, there may be overlapping rights, such as where customary rights overlap with legal ownership. Evidence shall be provided that due process has been undertaken to discover any disputes over ownership and land/resource access/usage rights, including to determine whether there are overlapping boundaries or competing claims on the land or resources that may place carbon stocks in pools included in the project boundary at risk of reversal. The onus is upon the project proponent to demonstrate such process has been undertaken, failing which the project shall fail the risk assessment and shall not be eligible. Evidence may include survey responses, correspondence with relevant land title agencies/departments or evidence that project has secured title insurance.

9) Where disputes exist over potential ownership, land/resource access/usage rights or where there are overlapping access/usage rights within the project area (including water usage rights that may affect the hydrology and/or sediment in WRC project areas, such as causing the water table in the project area to drop or otherwise impacting the hydrology of the project area, resulting in higher GHG emissions), the project proponent shall apply the risk scores listed in Table 6. It shall be demonstrated, in addition to the VCS requirements for project ownership, that the project has endorsement (such as a legal agreement or memorandum of understanding) from all entities with credible ownership claims or land/resource access/use rights (such as customary rights holders), including from formal and/or traditional authorities."

The AFOLU Non-Permanence Risk Tool Sections 2.3.1, Table 6- Land Tenure and Resource Access/Impacts, risk factor (f) states "Mitigation: Project is protected by legally binding commitment (see Section 2.2.4) to continue management practices that protect the credited carbon stocks over the length of the project crediting period."

The Mato Grosso project has indicated selection of the mitigation discount for risk factor f) of -2. Evidence for the selection must be provided, per the requirements of the Risk Tool, Section 2.3.1.

Project Personnel Response: The Anexx_report_risk_F in provided as evidence of the 40 years contract

Auditor Response: The referenced contract was reviewed, as stated in NCR.12, and the evidence is as stated in the project response. The finding is closed.

NIR 15 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Non-Permanence Risk Tool Section 2.3.2 states: "Community engagement (CE) shall be assessed using Table 7, noting the following:

1) Community engagement shall be assessed for projects where local populations, including those living within or surrounding the project area (given as within 20 km of the project boundary), are reliant on the project area, such as for essential food, fuel, fodder, medicines or building materials. Where local populations are not reliant on the project area, the risk is not relevant to the project and the risk rating for community engagement (CE) shall be zero. Evidence may include social assessments such as household surveys and participatory rural appraisals.

2) Households can be determined as consulted and involved in participatory planning where there have been direct meetings and planning with associations or community groups that are legally recognized to represent the households.

3) To achieve the mitigation credit, it shall be demonstrated that a current participatory assessment of the positive and negative impacts of the project activities on the local communities who derive livelihoods from the project area has been completed and demonstrates net positive benefits on the social and economic well-being of these communities. A participatory assessment is considered current where it is completed at least five years prior to the risk analysis. Certification against the Climate, Community & Biodiversity Standards (CCBS) or SOCIALCARBON Standard may be used to demonstrate that a project satisfies this mitigation requirement."

Please justify the risk ratings for Risk Factor (a) and (b) in the Community Engagement table, noting that the Risk Tool Section 2.3.2 (1) states "Where local populations are not reliant on the project area, the risk is not relevant to the project and the risk rating for community engagement (CE) shall be zero. Evidence may include social assessments such as household surveys and participatory rural appraisals." Please provide clarification regarding if local populations are reliant on the project area, and if not, please provide evidence.

Project Personnel Response: Justification of risk ratings for Risk Factor (a) and (b) in the community Engagement table were provided

Auditor Response: The audit team reviewed the evidence provided, including the written narrative in the NPRR. The audit team agrees based on the evidence provided, as well as the outreach and community engagement activities that were witnessed and heard of while on site. The audit team also notes that the project is currently being validated, and will seek verification under the SocialCarbon certification which is further evidence of the commitment towards community engagement. The finding is closed.

NCR 16 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: The AFOLU Non-Permanence Risk Tool Sections 2.3.3 states, "Political Risk (PC) shall be assesses using Table 5, noting the following: A governance score (of between -2.5 and 2.5) shall be calculated from the mean of Governance Scores across the six indicators of the World Bank Institute's Worldwide Governance Indicators (WGI)1, averaged over the most recent five years of available data. Governance scores shall be translated into risk scores as set out in Table 9."

The Mato Gross Risk Report calculates the WGI score using outdated data. Please update the data.

Project Personnel Response: Given that the monitoring period that is being verified is from 2010 to 2015, the data evaluated for the political risk corresponded to the same period. However, the data was updated for the period 2013-2017

Auditor Response: The risk score was appropriately updated using the World Bank Index for recent dates. The mitigation score was appropriately calculated given the state of Mato Grosso's participation in the Governor's Climate and Forest Taskforce. The finding is closed.

NCR 17 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: Section 1.1.3 of the AFOLU Non-Permanence Risk Tool states "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."

In addition, the Risk Tool, Section 2.4.1 (3) states "3) Mitigation of natural risk factors may be applied where evidence is provided that prevention measures are in place and/or the project has a proven history of effectively containing natural risk. Examples of mitigation/prevention measures include, inter alia, the following: a) Fire risk: Fuel removal, establishment of fire breaks and fire towers, and ready access to adequate fire-fighting equipment."

While the Mato Grosso project references "Annex_report_risk_J_Journal.pome.0005102" to substantiate the risk scores chosen for the frequency and significance of fire events. Please also include any of the appropriate evidence for the mitigation risk score as described above (noting that the photographs in Figure 2 is not present in the document).

Project Personnel Response: Some evidences are described in the Non-Permanence Risk Report (V 3.2) may be the main measure is the firebreaks; wich are alse used as access routes as evidenced during project verification visit.

Auditor Response: The audit team reviewed the narrative, as well as the evidence presented in the submitted annex (Anexx_report_risk_J_journal.pone.0005102). The evidence and narrative are sufficient to demonstrate the appropriateness of the claimed mitigation score. In addition, the audit team saw evidence of fire protection activities, including the fuel breaks, while on the site visit. The finding is closed.

NCR 18 Dated 15 Feb 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Appendix A- document entitled: "20181120 VCS+SC Monitoring Report v3.0 DT"

Finding: Section 1.1.3 of the AFOLU Non-Permanence Risk Tool states "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."

Section 2.4.1 of the AFOLU Non-Permanence Risk Tool states that "1) Natural risk is based on likelihood (i.e., the historical average number of times the event has occurred in the project area over the last 100 years) and significance (i.e., the average significance of each event). Any significant natural risk (i.e., a risk affecting more than 5% of the project area) that has occurred over the past 100 years in the project area shall be considered applicable to the project. The frequency and significance of events shall be estimated based on historical records, probabilities, remote sensing data, peer-reviewed scientific literature, and/or documented local knowledge, such as survey data in project areas, and may include projected climate change impacts. Where data are available for at least 20 years, but less than 100 years, projects shall conservatively extrapolate using available data. Where such data are not available for the project area, likelihood and significance shall be determined based on conservative estimates (ie, not underestimating the possible frequency or severity) of historical events in the region in which the project is located." In addition, the Risk Tool, Section 2.4.1 (3) states "3) Mitigation of natural risk factors may be applied where evidence is provided that prevention measures are in place and/or the project has a proven history of effectively containing natural risk."

For natural extreme weather, please provide the information required to assess the frequency and significance of events for the risk report (i.e. historical records, probabilities, remote sensing data, peer-reviewed scientific literature, and/or documented local knowledge, such as survey data in project areas, and may include projected climate change impacts), specifically related to wind events. Where data are available for at least 20 years, but less than 100 years, projects shall conservatively extrapolate using available data.

In addition, the Mato Grosso project claims a mitigation score of 0.5 for natural extreme weather, which indicates (per Table 10 of the Risk Tool) that "Prevention measures applicable to the risk factor are implemented" and that "Project proponent has proven history of effectively containing natural risk". Please provide evidence to substantiate the mitigation risk score of 0.5.

Project Personnel Response: Historiacal inforamtion was provided to evidence that in project area there were not extreme events(strong winds, forest fires or droughts)during the period 1991-2012

Auditor Response: The information provided regarding extreme weather events in the region surrounding the project area is sufficient to close the finding.

NCR 19 Dated 28 Mar 2019

Standard Reference: VCS-Monitoring-Report-Template-v3.4

Document Reference: "20190228 VCS-Monitoring-Report.doc"

Finding: The required template "VCS-Monitoring-Report-Template-v3.4.doc" states as follows:

"This template is for the monitoring of VCS projects. Instructions for completing the monitoring report:

TITLE PAGE: All items in the box at the bottom of the title page must be completed using Arial 10pt, black, regular (non-italic) font. This box must appear on the title page of the final document. Monitoring reports may also feature the monitoring report title and preparers' name, logo and contact information more prominently on the title page, using the format below (Arial 24pt and Arial 11pt, black, regular font).

MONITORING REPORT: Instructions for completing the monitoring report template are given under the section headings in this template. All instructions must be followed, as set out in the VCS Standard. Instructions relate back to the rules and requirements set out in the VCS Standard and accompanying program documents."

The title page of the project's monitoring report "20190228 VCS-Monitoring-Report" is not completed using Arial 10pt, black, regular (non-italic) font. In addition, the physical address is missing under the Contact box.

Project Personnel Response: Title page was updated in the MR (20190228 VCS_SC_PDD_Fazenda) according to requirement ot the template.

Auditor Response: The title page was updated per VCS requirements in the revised MR "20190409 VCS-Monitoring-Report" as stated. The finding is closed.

NCR 20 Dated 28 Mar 2019

Standard Reference: VCS-Monitoring-Report-Template-v3.4

Document Reference: "20190228 VCS-Monitoring-Report.doc"

Finding: The required template "VCS-Monitoring-Report-Template-v3.4.doc" states as follows:

"This template is for the monitoring of VCS projects. Instructions for completing the monitoring report:

MONITORING REPORT: Instructions for completing the monitoring report template are given under the section headings in this template. All instructions must be followed, as set out in the VCS Standard. Instructions relate back to the rules and requirements set out in the VCS Standard and accompanying program documents." The template requirements for Section 1.8 Title and Reference of Methodology state: "Provide the title, reference and version number of the methodology or methodologies applied to the project. Include also the title and version number of any tools applied by the project."

Section 1.8 of the project's monitoring report "20190228 VCS-Monitoring-Report" does not provide the version number of the selected methodology, though it does provide the version number appropriately for all selected tools. The version number must be provided per template requirements.

Project Personnel Response: The new version of the monitoring report (20190409 VCS-Monitoring-Report) provides the version of the methodoly in Section 1.8

Auditor Response: The revised version of the monitoring report "20190409 VCS-Monitoring-Report" includes the methodology version as stated.

NCR 21 Dated 28 Mar 2019

Standard Reference: VCS-Monitoring-Report-Template-v3.4

Document Reference: "20190228 VCS-Monitoring-Report.doc"

Finding: The required template "VCS-Monitoring-Report-Template-v3.4.doc" states as follows:

"This template is for the monitoring of VCS projects. Instructions for completing the monitoring report:

MONITORING REPORT: Instructions for completing the monitoring report template are given under the section headings in this template. All instructions must be followed, as set out in the VCS Standard. Instructions relate back to the rules and requirements set out in the VCS Standard and accompanying program documents." The template requirements for Section 3.1 Data and Parameters Available at Validation state "Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data unit/parameter)."

Section 3.1 of the project's monitoring report "20190228 VCS-Monitoring-Report" is missing a row called "Purpose of the Data" for each of the tables listed under the section. In addition, Section 3.2 Data and Parameters Monitored currently contains broken links in the first two tables. Finally, in Section 3.3 Monitoring Plan, the table labelled "Table 1" is mislabelled as it is referred to as Table 3 in the prior paragraph.

Project Personnel Response: In new version of the monitoring report (20190409 VCS-Monitoring-Report) "proposing of data" information was added to the tables of section 3.1. (Data and Parameters available at validation). Links in tables 1 and 2 of the section 3.2 were updated. Finally, the reference "Table 1 of section 2.1" is correct.

Auditor Response: It was confirrmed that the revised MR "20190409 VCS-Monitoring-Report" has been updated in Sections 3.1 and 3.2 as stated . The finding is closed.

NCR 22 Dated 28 Mar 2019

Standard Reference: Section 3.1.1 and 2.4.1 of the VCS Standard v 3.7; VCS-Monitoring-Report-Template-v3.4

Document Reference: “20190228 VCS-Monitoring-Report.doc”

Finding: The VCS Standard Section 3.1.1 states "Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.4.1." Accuracy under Section 2.4.1 is defined as "reduce bias and uncertainties as far as is practicable."

The audit team noted that the area numbers are not consistent across different sections of the report (e.g. listed as 1974.21 hectares in Section 2.1, but as 1971.25 hectares in Section 1.1). The acreage should be consistently noted throughout the reports.

Project Personnel Response: The corect area is 1974,21 hectares, this value is corrected in section 1.1 of the new version of the Monitrong Report (20190409 VCS-Monitoring-Report)

Auditor Response: The audit team confirmed that the number discrepancies were corrected, and that the acreage number used, 1974.21 hectares, is the same as used in the carbon worksheet, CAMARA. The finding is closed.

NCR 23 Dated 28 Mar 2019

Standard Reference:

Document Reference: “20190228 VCS-Monitoring-Report.doc”; “20190228 VCS_SC_PDD_Fazenda (1).doc”

Finding: In the Verra project database, the project is listed under the name “Multi‐Species Reforestation in Mato Grosso, Brazil”. The same name is on the original VCS Registration documents, including the Project Description, the Registration Representation, the Validation Report and the Validation Representation.

However, the project name listed in the current (referenced) Project Description and current (referenced) Monitoring Report differ from the name under which the project is registered in Verra’s project database. The name of the project should remain consistent across all project documents.

Project Personnel Response: Project name was corected in the new versions of the documents (20190409 VCS-Monitoring-Report and 20190409 VCS_SC_PDD_Fazenda)

Auditor Response: The project name was confirmed to be corrected in the revised "20190409 VCS-Monitoring-Report" as well as the revised PD "20190409 VCS_SC_PDD_Fazenda".

NCR 24 Dated 26 Apr 2019

Standard Reference: VCS Standard V3.7, Section 3.16.7

Document Reference: 20190409 VCS-Monitoring-Report

Finding: The VCS Standard requires the following:

"The verification period of the monitoring report shall be a distinct time period that does not overlap with previous verification periods... verification periods shall be contiguous with no time gaps between verification periods."

Through review of the VCS website at https://www.vcsprojectdatabase.org/#/project_details/665, it appears that the prior monitoring period (=verification period) ended 25 April 2009. The referenced monitoring report indicates that the monitoring period began on 22 April 2011. This is a non-conformance to Sec. 3.16.6 because it results in a gap between verification periods.

Project Personnel Response: There was confusion between the submission date of the monitoring report (April 22 20011) and the end date of the first monitoring period (25 april 2009), so the second monitoirng period is from April 26, 2009 to October 25, 2015. This was changed in monitoring report.

Auditor Response: The audit team reviewed the revised Monitoring Report ("20190606 VCS-Monitoring-Report.doc") and the monitoring period is still listed (on title page) as 22/04/2011 to 25/10/2015. The monitoring period is correctly listed in the Non-Permanent Risk Report as 26/04/2009 to 25/10/2015. However, the finding remains open.

Project Personnel Response 2: The date of the monitoring period was corrected in the title page of the Monitoring Report.

Auditor Response 2: The audit team confirmed that the title page has been revised to the correct date in the revised document: "20190701 VCS-Monitoring-Report". The finding is closed.

NCR 25 Dated 26 Apr 2019

Standard Reference: AR-ACM0003, Equations 6 and 7

Document Reference: 20190409 VCS-Monitoring-Report; 16-02-16.CAMARA_Data2015_PLANTATIONS_DT

Finding: Equations 6 and 7 of the methodology AR-ACM0003 require that the GHG removals be calculated as the difference between the "Net anthropogenic GHG removals by sinks" at the end and beginning of the verification period.

The quantity of GHG removals in the monitoring report is 645,064 tCO2e. This value is calculated in cell Q9 of the worksheet "Removals 2" in the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT". This appears to be the total carbon stock in the teak and mixed species strata as of the end of the monitoring period. It is incorrect to represent this quantity as the GHG removals generated during the monitoring period, because it is necessary to subtract the GHG removals generated during the previous monitoring period (140,365 tCO2e, according to the monitoring report).

Project Personnel Response: In cell Q13 of the worksheet "Removals 2" in the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", it was integrated equation 7 of the methodology AR-ACM0003 and the total GHG removals for the second verification period were reported in section 4.2 of the Monitroing report

Auditor Response: Through review of the referenced location in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", the audit team can confirm that the quantity of GHG removals generated during the prior monitoring period is subtracted. For this reason, while the quantification continues to not be entirely consistent with the requirements of the methodology (see NCR 33), this finding may be closed.

NCR 26 Dated 26 Apr 2019

Standard Reference: AR-AM-16 Version 01.1.0

Document Reference: 20190409 VCS-Monitoring-Report; 16-02-16.CAMARA_Data2015_PLANTATIONS_DT

Finding: Cell H77 of "Removals 2" in "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" contains a comment indicating that "In accordance with the methodology, increase of soil organic carbon (SOC) is 0.5 tC/ha/year during the first 20 years after project start, here at year 16". In addition, the project's Monitoring Report, page 32, states as follows: " The default value of Cagroforestry i, = 0.5 t C ha-1 yr-1 and t equilibrium i , = 20 years. The project start date was 1999 November 1st. As the monitoring event related to the present monitoring report was made in 2009, then t=16 < equilibrium i t". The audit team found reference to the the amount of 0.5 t C ha-1 yr-1 is referenced in the original small scale A/R methodology (A/R-AM S0006), which is no longer applicable to the project.

In addition, per Section 3 of the AR-ACM0003 Methodology (the large scale A/R methodology), the “Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities” are the normative documents and are " indispensable for application of this methodology". The audit team could not find evidence that the required calculations and processes of the A/R AM 16 Tool are used to calculate the project's SOC changes. The project is therefore in non-compliance.

Project Personnel Response: In cell H773 of the worksheet "Removals 2" in the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", an updated estimation of SOC was done according to A/R AM 16 Tool. This correction was also updated in section 3.3.2 of the Monitroing report

Auditor Response: Through review of the referenced location in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", the audit team can confirm that a good-faith effort has been made to quantify GHG removals in soil organic carbon according to the requirements of the “Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities". Therefore, this finding may be closed.

NIR 27 Dated 26 Apr 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT

Finding: The project's uncertainty team of 2.41% is listed in Cell EZ17 of the referenced project calculation worksheet. The audit team could not find evidence that the project uncertainty was calculated in accordance with Eq. 2 in AR-TOOL14. Please provide evidence that the referenced tool was utilized.

Project Personnel Response: [A response to this finding was provided outside the cover of the findings workbook.]

Auditor Response: Subsequent to the issuance of this finding, the audit team had a Skype conversation with project personnel on 3 May 2019, in which an orientation to the uncertainty calculations was provided to the audit team. Therefore, the information request has been satisfied, noting that one or more additional findings has been issued regarding the uncertainty quantification.

NIR 28 Dated 26 Apr 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: Cashflow PCFPO; 20190409 VCS-Monitoring-Report; VCS-Non-Permanence-Risk-Report v3.2

Finding: In response to NCR.10 the project submitted the revised "Cashflow PCFPO.xls" financial plan. While the financial document covers 40 years and meets most of the requirements of the NPRR Tool, specifically Section 2.2.2., the audit team requests evidence regarding the following.

1) Under Revenue, Row 13 lists "other services (ecotourism/cofunding)". Cell W13 value indicates that the revenue amount for the row in the year 2018 was 179700 euros. In 2019, Cell X13 indicates the value increases (almost doubles) to 339,600 euros, a value much higher than any prior year. Please provide justification in the way of documented evidence for this increase. In addition, given that the plantation portion of the project (the proposed project area of 1974.25 hectares) is a small portion of the fazenda of 10,000 hectares, which holds intact forest and abundant wildlife relative to the plantations, please provide justification, per the requirements of Section 2.2 (2) that "breakeven should be calculated based on a cash flow basis based on generally accepted accounting principles" that the ecotourism/cofunding funds are attributable to the carbon project versus the entire fazenda.

2) In Row 12 of the same spreadsheet, the revenue from wood sales begins in the year 2020, generating revenue of 200000 euros per year to project end. Please provide documented evidence of this per Section 2.2 of the NPRR tool.

Project Personnel Response: 1) The increase in income from “other services (ecoturism, cofounding)” in 2019, is due to two main facts: first of all, 2019 is the last year of Petra project, a cofounding project finishing this year and on the other hand, ONF Brazil launched an Ecotourism activity in 2018, with an income of around 15000 € in fris year, in 2019 an income of around 20000€ is expected and from 2021, only incomes from this activity are considered it amounts to 30000 € per year.

Secondly, it should be noted that the cashflow considers the costs and incomes associated with the operation of the entire property. Although forest plantations are a small portion of the property,it is the activity that generates most of the cost and income.

2) A valuation of the plantations carried out in 2019 estimated that around 6800 m3 of commercial wood can be harvested each year, the net income per cubic meter is estimated at € 30

Auditor Response: While the information regarding amounts is helpful, please note that the finding's request for documented evidence, per the requirements of the Non-Permanent Risk Tool. For 1) and 2) these are not yet satisfied.

Project Personnel Response 2: 1) As evidence of ecotourism activity we are sending the presentation of the project idea made in 2017 (SouthWild_Ecoturismo_CCT2017). ONFI is currently negotiating with SouthWild a long-term contract, the evidence of this is the MoU between ONFB and SouthWild in which a revenue of 600 000 reais (around 150 000 €) is expected in 2019.

On the other hand, in terms of cofounding, ONF-Peugeot will contribute in 2019 with 180 000 € to ONFB (see contract 2BR905_Coopé2019_Ss traitance ONFI_ONFB).

2) Evidence of wood revenues are two: an estimate of revenues from the first harvesting (natural forest) was done in 2018 and a net revenue of 75 000 € is expected in first year (see 2º versão prospeccao exploraçao PMFS FSN.pdf), likewise from teak plantations, an estimation of 31 055 m3 of commercial wood was obtained from the last forest inventory (2018), with a harvesting rate of 20% per year (6210 m3/yr) and a net revenue of 20€/m3 total revenue form teak per year is 124 220€. (See "ONFI - Presentation resultats 2018.pptx") and (ONF International - Fwd_ Oferta para Teca.pdf).

Auditor Response 2: 1) The audit team reviewed the Southpole presentation (SouthWild_Ecoturismo_CCT2017) , and confirmed the projected revenue from ecotourism falls within the range stated in the final slide of the presentation. However, the ONF-Peugeot contract, referenced in the Project Response 2 regarding cofunding, is missing. The document "2BR905_Coope2019_Ss traitance ONFI_ONFB" was not submitted to the audit team. Please submit it so that we can review it.

2) The audit team reviewed the estimate of revenue from the first harvest of timber ("2º versão prospeccao exploraçao PMFS FSN") and confirmed the net annual revenue of approximately 75,000 Euros as reported. In addition, the audit team reviewed the documents submitted including "ONF International - Fwd_ Oferta para Teca", and "ONFI - Presentation resultats 2018.ppt" and confirmed that the estimates used to derive 124,220 Euros are reasonable.

The finding cannot be closed until the document listed above is submitted.

Project Personnel Response 3: Please find attached the ONF-Peugeot contract which was missing at the earlier stage.

Auditor Response 3: The audit team reviewed the submitted document "2BR905_ST ONFI-ONFB_2019_signéONFBONFI", a contract between ONF Brazil and ONF International, in which an allocation of 180,000 euros towards the Mato Grosso carbon project is made from the Peugeot fund. The signed contract is from April 2019. The contract provides evidence for the revenue reported in Row 13 of project's 40 year financial plan and budget ("Cashfow PCFPO.xls") and therefore the VCS Non Permanence Section 2.2.2 requirements are met. The finding is closed.

NCR 29 Dated 17 May 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 16-02-16.CAMARA_Data2015_REGENERATION_DT

Finding: In Equation 16 of AR-TOOL14, the plot-level biomass is summed across all plots in a given stratum and the result is divided by the number of plots in the stratum in order to derive the sample mean for the stratum in question.

In the workbooks "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" and "16-02-16.CAMARA_Data2015_REGENERATION_DT", these calculations are carried out independently for the planted trees and the naturally regenerated trees. However, this is not correct (or consistent with the methodology) because both planted trees and naturally regenerated trees were measured at the same sample plot locations (even if there were differences in the size of plot used); therefore, the sample of planted trees and the sample of naturally regenerated trees are not independent from each other. For purposes of calculating the sample mean, it is not necessarily relevant whether the different categories of trees are treated separately for purposes of calculating the stratum-level biomass. However, the manner in which carbon stock has been calculated has had the effect, for a given category of tree, of ignoring plots which do not contain any trees of that category, and simply averaging across plots that do contain trees of that category. This has resulted in an overestimate of biomass and has led to a material misstatement.

For example, in stratum P02, there were seven plots on which naturally regenerated trees were measured, as found in cells G15:G21 of the worksheet "Removals 1" of the workbook "16-02-16.CAMARA_Data2015_REGENERATION_DT". There were 25 plots on which planted trees were measured (and this seems to be the total number of plots in stratum P02), as found in cells G18:G42 of the worksheet "Removals 1" of the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT".

Assuming that there were 25 plots in stratum P02 in total, the only correct method of separately calculating the stratum-level biomass in naturally regenerated trees is to first sum biomass across all seven plots in P02 on which naturally regenerated trees were measured, and then to divide by the total number of plots in the inventory (in this case, 25). By contrast, the stratum-level mean biomass estimate is calculated, in cell H8 of the worksheet "Removals 1" of the workbook "16-02-16.CAMARA_Data2015_REGENERATION_DT", by averaging across the seven plot-level values in cells K14:K21 of the same worksheet. This has the same arithmetic result of summing across the seven values and then dividing by seven. Because the division is by a smaller number than would be correct, an overestimate of biomass in stratum P02 has resulted.

The same error exists with respect to stratum P01 and, in fact, the situation appears to be more complicated in stratum P01 because there appear to have been some plots on which naturally regenerated trees were measured and planted trees were not measured, in addition to plots on which planted trees were measured and naturally regenerated trees are not measured (see also NIR 31). The only stratum that seems not to be effected by this issue is stratum P03, since it appears that there were no planted trees sampled on the four plots measured in that stratum.

Project Personnel Response: This erreur was corrected as follow:

In the workbook "16-02-16.CAMARA_Data2015_REGENERATION_DT" we have estimated the mean value of carbon stock of each strata dividing for the total number of plots of the stratum (instead of the number of plots in which the regeneration was measured) then, the value was added to each mean value of carbon stock in plantations (cells D6 to D8 in the Worksheet "Removals 2" of the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT")

The total number of plots in each strata is as follows:

P01: 380 sample plots of which 369 plots whit plantations (11 plots with mortality of 100% planted trees) and 244 plots with regeneration). otal plots of the strata: 380

P02: 25 sample plots of which 25 plots whit plantations and 7 with regeneration. total plots of the strata: 25

P03: 4 sample plots in regeneration stand (not planted trees). Total plots of the strata: 4

Auditor Response: Through review of the updated versions of the workbooks "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" and "16-02-16.CAMARA_Data2015_REGENERATION_DT", the audit team has confirmed, through comparison of reported results with the results independently calculated by the audit team, that the sample means have been calculated by appropriately dividing by the total number of plots in the stratum. Therefore, error has been corrected.

NCR 30 Dated 17 May 2019

Standard Reference: VCS Standard V3.7, Section 3.6.1

Document Reference: 20190409 VCS-Monitoring-Report

Finding: This is a follow-up to NCR 5.

The VCS Standard states the following: "Note that project proponents may apply project description deviations for the purpose of switching to the latest version of the methodology, or switching to a different methodology." This clarifies that a transition to a different methodology should be treated as a project description deviation. The guidance provided by Verra, as quoted in NCR 5, also indicates that switching to a different methodology would invoke a project description deviation. However, this deviation has been described as a methodology deviation, in Section 2.2.1 of the monitoring report, instead of being described as a project description deviation in Section 2.2.2 of the monitoring report.

Project Personnel Response: As indicated in NCR 5, Information about change of the methodolgy was moved to PD Deviation section and Methodology Deviation section is now empty.

Auditor Response: Per the Auditor Response in NCR.5, the finding can be closed.

NIR 31 Dated 17 May 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 16-02-16.CAMARA_Data2015_REGENERATION_DT; 20190409 VCS-Monitoring-Report

Finding: This is a follow-up to NCR 29.

In Equation 16 of AR-TOOL14, the plot-level biomass is summed across all plots in a given stratum and the result is divided by the number of plots in the stratum in order to derive the sample mean for the stratum in question. In order to implement Equation 16 correctly, the audit team identified all plots that exist within a given stratum by identifying the unique plot identifiers between the "Removals 1" worksheet of the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook and the same worksheet of the "16-02-16.CAMARA_Data2015_REGENERATION_DT" workbook. In so doing, the audit team counted a total of 380 plots in stratum P01. This is inconsistent with Table 4 of the monitoring report, which indicates a total of 369 plots in stratum P01. In researching the situation, the audit team identified 11 plots in stratum P01 on which it seems that naturally regenerated trees were measured but planted trees were not measured. These plots are:

T17BP01

T56P01

T56P02

T57P01

T57P03

T80P01

T80P02

T82P01

T82P02

T83P01

T84P01

Please clarify the number of plots in stratum P01 and explain why the 11 plots identified above were not included in the total count of the number of plots in P01.

Project Personnel Response: As explained in NCR 30, the stratum P01 has 380 sample plots, of which 11 had mortality of the total number of planted trees, for this reason only the regeneration was measured. Table 4 of the Monitoring report was updated according this correction.

Auditor Response: Through review of Table 4 of the revised monitoring report, entitled "20190606 VCS-Monitoring-Report", the audit team can confirm that the reporting on the number of plots in each stratum matches the audit team's independent calculations. Therefore, the information request is no longer relevant, and will be withdrawn.

NCR 32 Dated 17 May 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 20190409 VCS-Monitoring-Report

Finding: This finding addresses a similar topic as does NCR 29.

Equation 15 of AR-TOOL14 provides a procedure for calculating the uncertainty in the parameter C(TREE). An uncertainty value of 2.41% is reported in Section 4.2 of the monitoring report. This value is calculated in cell EZ17 of the "Removals 1" worksheet in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook. The audit team has identified a number of errors in the uncertainty calculations referenced above. The errors are itemized below. The audit team's independent calculations suggest that, when all of the errors are corrected, the net result is that a 25% uncertainty discount is required to be applied to the estimate of C(TREE,t2), following Appendix 2 of AR-TOOL14.

1. From a Skype conversation with project personnel held on 3 May 2019, the audit team understands that only planted trees are included in the uncertainty value of 2.14%. It was explained to the audit team that this was perceived to be a conservative decision because the uncertainty as calculated for planted trees only will be larger than the uncertainty as calculated for the entire inventory. However, the audit team's independent calculations suggest the opposite--it appears that the uncertainty as calculated only for planted trees is approximately half of the uncertainty as (correctly) inclusive of both planted and naturally regenerated trees. It appears that this difference is primarily driven by a difference in the variability in the P01 stratum--the coefficient of variation when only planted trees are included is about 90%, whereas the coefficient of variation with both planted and natural trees included is about 160%. It is not technically (or consistent with the requirements of AR-TOOL14) to exclude naturally regenerated trees from the calculation of uncertainty because these trees are part of the population of interest, and they contribute to the variability in the estimated mean.

2. In row 15 of the "Removals 1" worksheet of the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook, the calculation of standard error is reduced according to the proportion of sample plots in the project inventory that are not included in the stratum in question. For example, for stratum P01, the standard error is multiplied by the result of the code (1-M14/EV14); in this case 6%. The audit team is aware of no valid rationale for this reduction. As one might expect, this reduction has caused a significant underestimate of uncertainty for stratum P01; the resulting uncertainty estimate is 6% of what it should be. Effects on other strata are less significant, but no less incorrect.

3. In row 15 of the "Removals 1" worksheet of the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook, a "Weighted SE" is calculated by multiplying the calculated standard error by the sampling weight (i.e., the proportion of the project area falling into the relevant stratum). These values are summed in cell EV16. This is inconsistent with Equation 15, which requires that, for each stratum, the square of the weights be multiplied by the square of the standard error, and that the resulting values be summed across strata prior to taking the square root.

4. The variable t(VAL), as used in Equation 15, is defined as "Two-sided Student’s t-value for a

confidence level of 90 per cent..." In cell EZ14 of the "Removals 1" worksheet of the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook, the formula used calculated a two-sided Student's t-value for a confidence level of 95 per cent.

Project Personnel Response: Uncertainty was recalculated by using equation 15 of the AR-TOOL14, this calculation includes both, planted and regenerated trees, for do this, an additional worksheet (uncertainty) was added to the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" Results of this calculation were also updated in theMonitoring report.

Auditor Response: Through review of the worksheet "Uncertainty" in the updated version of the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", the audit team has confirmed, through comparison of reported results with the results independently calculated by the audit team, that the identified errors in the calculation of uncertainty have been resolved. However, a number of questions remain open regarding the uncertainty calculation, as documented in NIR 43.

NCR 33 Dated 17 May 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 16-02-16.CAMARA_Data2015_REGENERATION_DT

Finding: This is a follow-up to NCR 25.

In the workbooks "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" and "16-02-16.CAMARA_Data2015_REGENERATION_DT", many of the calculations required by the methodology are not explicitly carried out. Examples of calculation required by the methodology that are not explicitly carried out are provided below. It should be noted that this list of examples does not comprehensively address all instances in which required calculations are not carried out.

1. The change in carbon stock in trees, as required by Equation 1 of AR-TOOL14, is not calculated.

2. The uncertainty in the change in carbon stock in trees, as required by Equation 2 of AR-TOOL14, is not calculated.

3. The change in carbon stock in trees in a given year, as required by Equation 11 of AR-TOOL14, is not calculated.

4. The change in soil organic carbon stock, as required by Equation 8 of the A/R methodological tool ""Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities", is not calculated.

5. The actual net GHG removals by sinks, as required on an annualized basis in Equation 2, is not calculated.

Project Personnel Response: It should be noted that AR-TOOL14 provides three different options to estimate carbon stocks and change in carbon stocks of trees and shrubs. We have used the method "estimating carbon stock in trees at a point of time" and therefore, the equations 1, 2 and 11 do not apply. The method used corresponds to section 8 of the AR-TOOL14 and the approach used is the (a) estimation by measurement of sample plots, therefore equations 12 to17 were programmed in the tool CAMARA.

Regarding the estimation of soil organic carbon, as explained in NCR 26, In cell H773 of the worksheet "Removals 2" in the workbook "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", an updated estimation of SOC was done according to A/R AM 16 Tool. This correction was also updated in section 3.3.2 of the Monitroing report.

Auditor Response: The assertion that Equations 1, 2 and 11 of AR-TOOL14 do not apply is not consistent with the structure of the methodology. The "net anthropogenic GHG removals by sinks, in

year t" are calculated in Equation 5 of the methodology. The "Actual net GHG removals by sinks, in year t", as referenced in that equation, are calculated in Equation 2 of the methodology, which references the variable "Change in the carbon stocks in project, occurring in the selected carbon pools, in year t", which is calculated in Equation 3 of the methodology. There are two relevant variables included in the summation in Equation 3.

The variable ΔC(TREE_PROJ,t) is calculated in Equation 11 of AR-TOOL14 on the basis of quantities calculated in Equation 1 of AR-TOOL14. The audit team understands that the procedures in Section 8.1.1 were applied; however, these procedures do not replace those in Equations 1, 2 and 11 of AR-TOOL14.

The variable ΔSOC(AL,t) is calculated in Equation 8 of the “Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities”. Note that this variable is significantly different from what is calculated in cell G77 of the worksheet “Removals 2” in the workbook “16-02-16.CAMARA_Data2015_PLANTATIONS_DT”. Specifically, this variable is calculated on an annual basis, in order to coincide with the calculations that flow into Equation 5 of the methodology. The methodology lacks a specific equation for summation across years to calculate the total quantity of GHG removals for the monitoring period, but the best approximation of that equation seems to be found in Equation 7.

In summary, it continues to be the case that many of the calculations required under the methodology are not carried out.

Project Personnel Response 2: Indeed, there was a misunderstanding regarding the AR-TOOL14; Equations 1 is applied in cell Q16 of the spreadsheet Removals 2 of the workbook 16-02-16.CAMARA_Data2015_PLANTATIONS_DT.xlsx and Equation 2 in Cell Q12 of the spreadsheet Uncertainty of the same workbook.

Regarding ΔSOC, it was calculated in cells H88 to H107 of the spreadsheet Removals 2 of the workbook 16-02-16.CAMARA_Data2015_PLANTATIONS_DT.xlsx by using equation 8 of the "Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities. And dSOC was estimated by using equation 7 of the same tool.

Although there is not a specific equation for summation across years, it was done in cell H110 of the same spreadsheet.

Auditor Response 2: Through review of the equations in the revised workbook, also entitled "16-02-16.CAMARA_Data2015_PLANTATIONS_DT", the audit team is unable to identify any location in which Equation 11 from AR-TOOL14 is implemented.

In addition, the calculation of the variable ΔSOC(AL,t), as required in Equation 8 of the "Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities", is still not correctly calculated on an annualized basis, and the reported results are significantly different from the results that would be obtained by calculating according to Equation 8. See NCR 63 as well.

Finally, the actual net GHG removals by sinks, as required on an annualized basis in Equation 2 of the methodology, is still not calculated. Therefore, the non-conformity has not been resolved.

Project Personnel Response 3: The results of the Equation 11 from AR-TOOL14 are available in the cells K88 to K106, of "Removals2" spreadsheet. It has been calculated in two different ways: for the first period and initial area of 1090 ha, the information about ΔCTREE for T1 is available in cell R12 of "Removals2", and is divided by the annual periods that can be found in cells E88 to E98. For the second period and area of 1974 ha, ΔCTREE is calculated in cell Q43 of "Removals2", and multiplied by the annual periods of cells E99 to E106.
We also made a little correction on the way the duration was calculated in cell Q42 of "Removals2", considering that the first period stops the day before the verification date. With this change the values from Equation 11 are now consistent with the monitoring report of the 1st verification.
The cells H88 to H106 have been adjusted to calculate the variable ΔSOC(AL,t) as required in Equation 8.
The results of the Equation 2 (actual net GHG removals by sinks on an annualized basis) are now available in cells L88 to L106 of "Removals2" spreadsheet of the revised workbook.

Auditor Response 3: Through review of the equations in the revised workbook, entitled "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM", the audit team can confirm that all of the required equations in AR-TOOL14 are implemented as written. While some instances remain of Equations in AR-TOOL16 and the methodology as a while not being carried out as written, those issues will be addressed in a newly issued finding, NCR 66. This finding may be closed.

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

NIR 34 Dated 17 May 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 16-02-16.CAMARA_Data2015_REGENERATION_DT

Finding: It is stated in AR-TOOL14, regarding the carbon fraction value utilized, that "A default value of 0.47 is used unless transparent and verifiable information can be provided to justify a different value." It is also stated in AR-TOOL14, regarding the root:shoot ratio utilized, that "A default value of 0.25 is used unless transparent and verifiable information can be provided to justify a different value." It appears, from review of the workbooks "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" and "16-02-16.CAMARA_Data2015_REGENERATION_DT", that a carbon fraction value of 0.5 is used and a root:shoot ratio of 0.2 is used. Please provide transparent and verifiable information to justify the use of the carbon fraction and root:shoot ratios used.

Project Personnel Response: The values of carbon fraction and root-shoot ratio had been initially set for the project taking into account the methodology used in the first verification, however, since the PD was updated and the methodology changed, we have changed the values for those recommended in the AR-TOOL14. Changes were done in files: "16-02-16.CAMARA_Data2015_PLANTATIONS_DT"; "16-02-16.CAMARA_Data2015_REGENERATION_DT" and "Monitoring Report"

Auditor Response: Through review of the updated versions of the workbooks "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" and "16-02-16.CAMARA_Data2015_REGENERATION_DT", the audit team has confirmed, through comparison of reported results with the results independently calculated by the audit team, that the carbon fraction and root:shoot ratio have been revised to the default values provided by AR-TOOL14. Therefore, the information request is no longer relevant, and will be withdrawn.

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

NCR 35 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 3.1 of the VCS Monitoring Report Template requires the following: "Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data unit/parameter)." The audit team has observed the following issues with Section 3.1 of the monitoring report:

1. The monitoring report contains a table for the parameter t(equilibrium,i), which is not used under the methodology currently being applied.

2. The monitoring report contains a table for the parameter f(MG,i), suggesting that this parameter was validated. However, from review of the originally validated project description, the audit team is unable to locate any evidence that this parameter was validated.

Project Personnel Response: Parameter t (equilibrium,i) was deleted in montiroing report since this parameter is not loger required in the most recent version of AR TOOL16. Parameter f(MG,i) was added to modified PD and monitoring report of second verification as required by the A/R methodological Tool 16.

Auditor Response: The audit team reviewed the updated Monitoring Report ("20190606 VCS-Monitoring-Report.doc") and confirmed that t (equilibrium,i) was deleted as stated from section 3.1, and the updated PD ("20190409 VCS_SC_PDD_Fazenda.doc") and confirmed that the parameter fMG,i is included in Section 4.1 as stated.

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

NCR 36 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 3.2 of the VCS Monitoring Report Template requires the following: "Complete the table below for all data and parameters monitored during the project crediting period (copy the table as necessary for each data unit/parameter)." The audit team has observed the following issues with Section 3.2 of the monitoring report:

1. The requirement under "Description of measurement methods and procedures to be applied" is to "Specify the measurement methods and procedures, any standards or protocols to be followed, and the person/entity responsible for the measurement" and "Include any relevant information regarding the accuracy of the measurements (eg, accuracy associated with meter equipment or laboratory tests)." The required information is not provided for any of the parameters.

2. Under "Value Monitored", it is required that "an estimated value for the data/parameter" be provided. This should be the monitored (ex-post) value, not the ex-ante value. Section 3.2 of the monitoring report references the project description for information while the information should be contained within the monitoring report.

3. Under "QA/QC procedures to be applied", the following is required: "Describe the quality assurance and quality control (QA/QC) procedures to be applied, including the calibration procedures where applicable." This information is not provided for those parameters where it is appropriate (i.e., parameters pertaining to field measurements).

Project Personnel Response: 1. A description of measurement methods and references were added in section 3.2 of the monitoring report

2. "Value monitored" in tables of section 3.2 of the monitoring report were corrected with ex-post values.

3. Reference to the project Quality Manual is provided in section 3.2 for those parameters partaining to field measurement

Auditor Response: The audit team reviewed Section 3.2 of the revised monitoring report, entitled "20190606 VCS-Monitoring-Report", to assess whether the finding could be closed. The audit team's feedback regarding how each item has been responded to is as follows.

1. The requirement under "Description of measurement methods and procedures to be applied" is to "Specify the measurement methods and procedures, any standards or protocols to be followed, and the person/entity responsible for the measurement" and "Include any relevant information regarding the accuracy of the measurements (eg, accuracy associated with meter equipment or laboratory tests)."

The required information is still not provided for any of the parameters. A reference to "VCS ARR Quality Manual" is provided, but in order to serve as a valid external reference, it is necessary for a complete citation to be provided, so that the reader may readily reference the required information. In addition, the person/entity responsible for the measurement is not provided.

2. For the "Value Monitored", appropriate monitored information is provided for most parameters. However, for parameter A(i), a reference is given to Table 1 in Section 2.1. Table 1 does not provide a summary of area by stratum, and so is not a valid reference for parameter A(i).

3. Under "QA/QC procedures to be applied", the following is required: "Describe the quality assurance and quality control (QA/QC) procedures to be applied, including the calibration procedures where applicable." This information is not provided for those parameters where it is appropriate (i.e., parameters pertaining to field measurements). A reference to "VCS ARR Quality Manual" is provided, but in order to serve as a valid external reference, it is necessary for a complete citation to be provided, so that the reader may readily reference the required information.

For the reasons given above, the non-conformity has not been resolved.

Project Personnel Response 2: 1. Description of measurement methods and procedures for data and parameter monitored was improved in the Monitoring report (20190701 VCS-Monitoring-Report.doc) and the complet reference of the quality manual was provided.

2. The values applied for parametre Ai were directly provided in the table.

3. Description of QA/QC procedures was provided for data and parameter monitored in the Monitoring report (20190701 VCS-Monitoring-Report.doc) as well as the complet reference of the quality manual.

Auditor Response 2: Through review of the revised monitoring report, entitled "20190701 VCS-Monitoring-Report", the audit team can confirm that most of the issues were resolved. A complete reference to the "quality manual" has been provided and it is now made clear, for most parameters, which entity is responsible for measurement. The measured values for A(i) have been reported (though it is unclear that those areas are correct--see NIR 43).

However, it is still not clear which entity is responsible for measuring tree height. Therefore, the non-conformity has not been fully resolved.

Project Personnel Response 3: The entity responsible for measuring tree height is ONF Brasil (same professionals measuring DBH and tree height). More details on the organization of the inventories are given in section 2.1.4 (Carbon Stocks inventory) of the Quality manual (ONF International 2010. Multi-Species Reforestation in Mato Grosso, Brazil. Quality Manual)

Auditor Response 3: The audit team appreciates that the entity responsible for measuring tree height is ONF Brasil. However, this is required to be stated in Section 3.2 of the monitoring report. For administrative reasons, this finding will be closed and a follow-up finding, NCR 67, will be opened in its

place.

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

NCR 37 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 4.1 of the VCS Monitoring Report Template requires the following: "Quantify the baseline emissions and/or removals, providing sufficient information to allow the reader to reproduce the calculation." The required information is not provided. Instead, the monitoring report simply states, "As indicated in the PD, the baseline net greenhouse gas removals by sinks are expected to be zero." It is expected that the monitoring report clearly describe the process by which baseline removals are quantified as zero, "providing sufficient information to allow the reader to reproduce the calculation".

Project Personnel Response: Section 4.1 of the Monitoring report was completed with information and justification of baseline emissions and/or removals.

Auditor Response: Through review of the revised monitoring report, entitled "20190606 VCS-Monitoring-Report", the audit team has confirmed that a robust description of the quantification of baseline emissions has been provided in Section 4.1. Therefore, the non-conformity has been resolved.

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

NCR 38 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 4.2 of the VCS Monitoring Report Template requires the following: "Quantify project emissions and/or removals providing sufficient information to allow the reader to reproduce the calculation." Information regarding the project removals is provided in Section 4.2. However, the information appears to reflect a different methodology than one currently being used (i.e., the equations referenced are not from AR-TOOL14), which is a cause of confusion. In addition, sufficient information is not provided to allow the reader to reproduce all of the calculations (this issue is related to the issue described in NCR 33).

Project Personnel Response: Section 4.2 of monitoring report was updated with explanation of equations used from AR-ACM0003 methodology and AR TOOL 14.

Auditor Response: Through review of the revised monitoring report, entitled "20190606 VCS-Monitoring-Report", the audit team has confirmed that the procedures now more fully outline the process of quantifying project emissions and removals. However, it remains the case that not all equations are included. For example, Equation 11, which pertains to the calculation of carbon stock change on an annualized basis, is not included (this is similar to the issue addressed in NCR 33). In addition, the quantification of carbon stock change in the soil organic carbon pool is not addressed. Therefore, the non-conformity has not been resolved.

Project Personnel Response 2: A review of the methodology was done in order to harmonize the tool developed by ONFI (CAMERA) with the methodology used. All the equations and the intermediate steps for the calculation of net removals are presented explicitly in the tool (16-02-16.CAMARA_Data2015_PLANTATIONS_DT.xlsx, spreadsheet Removals 2)

Auditor Response 2: Through review of the revised monitoring report, entitled "20190701 VCS-Monitoring-Report", it appears that the quantification of project emissions is still not clearly described. As noted in the prior response, Equation 11, which pertains to the calculation of carbon stock change on an annualized basis, is not included, and the annualized quantification of carbon stock change in the soil organic carbon pool is not addressed. This finding remains open for similar reasons as those pertaining to NCR 33.

Project Personnel Response 3: The revised monitoring report, entitled "20190930 VCS-Monitoring-Report" includes now the clarification of the method to calculate Equation 11 and the annualized quantification of carbon stock changes. All the equations and the intermediate steps for the calculation of net removals are presented explicitly in the tool (CAMARA_Data2015_PLANTATIONS_DT, spreadsheet Removals 2)

Auditor Response 3: While significant improvements have been made in the revised monitoring report ("20190930 VCS-Monitoring-Report"), the non-conformity has not been fully resolved. For administrative reasons, this finding will be closed and NCR 68 will be issued.

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

NCR 39 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 4.3 of the VCS Monitoring Report Template requires the following: "Quantify leakage emissions providing sufficient information to allow the reader to reproduce the calculation" The required information is not provided. Instead, the monitoring report simply states, "As discussed in Chapter 1.13 of the PD, there will be no displacement of activities, so methodological assumptions are fulfilled and leakage emissions are equal to zero." It is expected that the monitoring report clearly describe the process by which leakage emissions are quantified as zero, "providing sufficient information to allow the reader to reproduce the calculation".

Project Personnel Response: Section 4.3 of the monitoring report was completed with detailed description about leakage

Auditor Response: Through review of the revised monitoring report, entitled "20190606 VCS-Monitoring-Report", the audit team has confirmed that a robust description of the quantification of leakage emissions has been provided in Section 4.3. Therefore, the non-conformity has been resolved.

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

NCR 40 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 3.16.6 of the VCS Standard states: "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template, VCS Joint Project Description & Monitoring Report Template, VCS & CCB Monitoring Report Template or VCS+SOCIALCARBON Monitoring Report Template, as appropriate, and adhere to all instructional text within the template."

The VCS Monitoring Report Template, version 3.4, instructional text states: "All sections must be completed using Arial 10pt, black, regular (non-italic) font." The referenced Monitoring Report does not consistently use the correct font, for instance in all or portions of the following Sections: 3.1, 3.2, 1.4, 1.8, 1.9, 1.10, 2.1, 2,2, 2., 2.4, 3.1, 3.2, 3.3. The entire document should be checked for consistency.

Project Personnel Response: All sections of the monitoring were reviewd and font were changed to Arial, 10 pt, black, regular.

Auditor Response: It was confirrmed that the font in the revised MR "20190409 VCS-Monitoring-Report" has been updated as stated; however the Table of Contents remains out of compliance.

Project Personnel Response 2: The table of contents of the Motoring Report was updated with the correct font (20190701 VCS-Monitoring-Report.doc)

Auditor Response 2: The revised MR (20190701 VCS-Monitoring-Report) was reviewed and the Table of Contents was fixed. However, the following sections of the report still contain italics, which is a non-conformity to the Verra template requirement: "All sections must be completed using Arial 10pt, black, regular (non-italic) font.": Sections 2.2.2, 3.1, 3.2 and (in the NPRR) Section 5. Therefore the finding is not resolved.

Project Personnel Response 3: The changes have been done in the correct font in the revised Monitoring Report. The only words remaining in italic are the names of species (by convention) and the Equations.

Auditor Response 3: Through review of the revised monitoring report, entitled "20190930 VCS-Monitoring-Report", the audit team can confirm that the font usage has been corrected as described. Therefore, the non-conformity has been resolved.

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

NCR 41 Dated 17 May 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190409 VCS-Monitoring-Report

Finding: Section 4.3 of the VCS Monitoring Report Template requires the following: “Describe the process and schedule followed for monitoring the data and parameters, set out in Section 3.2 (Data and Parameters Monitored) above, during this monitoring period, include details on the following: ….

• The methods used for generating/measuring, recording, storing, aggregating, collating and reporting the data on monitored parameters.

• The procedures used for handling any internal auditing performed and any non-conformities identified.

• The implementation of sampling approaches, including target precision levels, sample sizes, sample site locations, stratification, frequency of measurement and QA/QC procedures. Where applicable, demonstrate whether the required confidence level or precision has been met.”

While Section 3.3 of the monitoring report as written is comprehensive, given changes required in findings NIR.31, NCR.29, NIR.34, NCR.36, NCR.26, Section 3.3 of the monitoring report is must be updated for consistency.

Project Personnel Response: Section 3.3 of the Monitoring report was updated according to changes required in NIR31, NCR29, NIR34, NCR36 and NCR 26.

Auditor Response: It was confirmed that Section 3.3 in the revised MR "20190409 VCS-Monitoring-Report" has been updated as stated. The finding is closed.

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

NIR 42 Dated 17 May 2019

Standard Reference: AFOLU Non-Permanence Risk Tool (v. 3.3)

Document Reference: VCS-Non-Permanence-Risk-Report v3.2

Finding: Section 1.1.3 of the AFOLU Non-Permanence Risk Tool states “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.”

The AFOLU Non-Permanence Risk Tool Section 2.2.4(3) states “For all AFOLU project types, the entire project longevity shall be covered by management and financial plans as submitted to local government or financial institutions, or otherwise made public, in which the intention to continue management practices is stated and planned for, and may include external evidence such as municipal land-use plans, institutional structures, or tools such as ecological-economic zoning.”

The verifiers understand that the submitted “Anexx-report_risk_F_Contrat Peugeot ONF...” documents (in a contract form) the agreement that the project activities are to continue for 40 years. The verifiers understand that portions of the fazenda sao Nicolai property (not project area) are registered with the government as “area de preservacao permanente” (per the “Anexx_report_risk_D_CAR_FSN”). However, the verifiers seek evidence of documentation that meets the 2.2.4(3) requirement of being submitted to local government or financial institutes, or otherwise made public, in which the intent to continue the project activities is documented.

Project Personnel Response: The project activity started 20 years ago and ONF is still committed to accompanying the project at least until fulfilling the commitment acquired with Peugeot (40 years). An additional evidence, is the declaration of the natural forest as a legal reserve in 2010 to the government of Mato Grosso. The legal reserve status is irreversible and restrictive for the land owner. The proof of this status is attached to this file.

Auditor Response: The verifiers reviewed the submitted documentation, entitled "Forest legal reserve.pdf" and confirmed that it is issued by a government entity (the State of Mato Grosso), and is the declaration of the natural forest as a legal reserve in 2010. The finding is closed.

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

NIR 43 Dated 28 Jun 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 20190606 VCS-Monitoring-Report

Finding: Equation 15 of AR-TOOL14 provides a procedure for calculating the uncertainty in the parameter C(TREE). An uncertainty value of 11.57% is calculated in cell Q8 of the worksheet "Uncertainty" in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook. The audit team has the following information requests regarding the uncertainty calculation.

1. Equation 15 requires that the parameter t(VAL) be quantified as "Two-sided Student's t-value for a confidence level of 90 per cent and degrees of freedom equal to n – M, where n is total number of sample plots within the tree biomass estimation strata and M is the total number of tree biomass estimation strata". It appears that a value of 1.646 is used for t(VAL). Please provide clarification regarding the origin of this value. The value used is different from the value obtained by the audit team when calculating a t-value for a confidence level of 90% and a degrees of freedom equal to 406.

2. Please provide clarification regarding the source of the stratum areas, as calculated in cells M3:M5 of "Uncertainty", and the rationale for the divergence of these areas from the areas reported in Table 4 of the monitoring report.

Project Personnel Response: The Two-sided Student's t-value for a confidence level of 90 per cent and 406 degrees of freedom is 1,648, in cell Q8 of the spreadsheet Uncertainty of the Workbook 16-02-16.CAMARA_Data2015_PLANTATIONS_DT.xlsx this value was explicitly calculated

Auditor Response: Through review of the revised version of "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" (with the same filename), the audit team can confirm that the Student's t-value has been correctly calculated, in cell R9 of "Uncertainty", for a confidence level of 90% and a degrees of freedom equal to 406.

However, the following request of the audit team has not been addressed: "Please provide clarification regarding the source of the stratum areas, as calculated in cells M3:M5 of "Uncertainty", and the rationale for the divergence of these areas from the areas reported in Table 4 of the monitoring report." The areas in question in the revised workbook are unchanged from those in the prior workbook. Therefore, the information request has not been fully satisfied.

Project Personnel Response 2: The stratum areas in cells M3:M5 of "Uncertainty" were wrong, the real values are the ones reported in Table 4 of the Monitoring Report. They have been changed in he revised version of CAMARA_Data2015_PLANTATIONS. The final uncertainty value is 12.03%, and the values of the Table 4 for discounted conservative carbon have been adjusted in the Monitoring Report.

Auditor Response 2: Through review of the revised version of the relevant workbook (entitled "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM"), the audit team can confirm that the values in cells N3:N5 of the "Uncertainty" worksheet, which can now be traced back to those in cells H16:H18

of the "Stratification" worksheet, are equivalent to those reported in Table 4 of the monitoring report (both the recently submitted version, "20190930 VCS-Monitoring-Report" as well as the prior version, entitled "20190606 VCS-Monitoring-Report"). Because the noted discrepancy has been resolved, the information request is no longer relevant and will be withdrawn.

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

NCR 44 Dated 28 Jun 2019

Standard Reference: AR-TOOL14 V 04.2

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT; 20190606 VCS-Monitoring-Report

Finding: Equation 15 of AR-TOOL14 provides a procedure for calculating the uncertainty in the parameter C(TREE). An uncertainty value of 11.57% is calculated in cell Q8 of the worksheet "Uncertainty" in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook. It is stated below Equation 15 that "If [the uncertainty] estimated from Equation (15) is greater than 10 per cent, C(TREE) is made conservative by applying uncertainty discount according to the procedure provided in Appendix 2." However, from review of the calculation in the "Removals 2" worksheet of the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook, it does not appear that the estimated value of C(TREE) has been made conservative as required by AR-TOOL14.

Project Personnel Response: An uncertainty discount of 25% of the standard erreur was applied as indicated in AR-TOOL 14, (see cell P9 of the spreadsheet Removals 2 of the Workbook 16-02-16.CAMARA_Data2015_PLANTATIONS_DT.xlsx. Estimations were also updated in the Moniring Report (20190701 VCS-Monitoring-Report.doc)

Auditor Response: Through review of the referenced calculations, the audit team agrees that an uncertainty discount has been applied as required by AR-TOOL14. Therefore, the non-conformity has been resolved.

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

NCR 45 Dated 28 Jun 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190606 VCS-Monitoring-Report

Finding: Section 3.1 of the VCS Monitoring Report Template requires the following: Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data unit/parameter)." The parameter f(MG,i), which was determined at validation, is reported on in Section 3.1 of the monitoring report. However, the following parameters related to quantification of removals in the soil organic carbon pool have not been included in Section 3.1 of the monitoring report:

- SOC(REF,i)

- f(LU,i)

- f(IN,i)

Project Personnel Response: The missing parameters (SOC(REF,i), f(LU,i) and f(IN,i)) were included in section 3.1 of the Monitoring report (20190701 VCS-Monitoring-Report.doc)

Auditor Response: Through review of Section 3.1 of the revised monitoring report, entitled "20190701 VCS-Monitoring-Report", the audit team can confirm that the parameters in question have been accurately reported therein. Therefore, the non-conformity has been resolved.

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

NIR 46 Dated 28 Jun 2019

Standard Reference: AR-TOOL16 V1.1

Document Reference: 20190606 VCS-Monitoring-Report

Finding: The referenced Tool requires stratification if conditions (particularly in terms of soil) differ across the project area, as is detailed in Section II, Estimating Change in SOC Stock, of the tool. No such stratification has been carried out for the project. The value of 60 was selected from Table 3-Default reference SOC stocks (SOCREF) for mineral soils of the tool, indicating that the Climate Region is Tropical Wet, and that the soils are LAC. As the soil tool requires stratification if conditions vary across the project area, please provide evidence that the value of 60 is applicable to the entire project area.

Project Personnel Response: According to the "Tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities", three stratification factors can be considered for the estimation of Soil Organic Carbon (Climate, Type of soil and management activities) Since the project area is confined to a single property, on a relatively flat relief, variations with respect to the Climate factor are not considered. Similarly, variations in soil types are not considered since they are mostly red-yellow Podzols (see section 1.10 of the PDD). Finally, since the management activity in the baseline scenario is only one, (extensive livestock) Variations with respect to this factor are also not considered.

Auditor Response: The audit team requests additional justification for the selection of '60' from Table 3, specifically, that the project area soils are LAC. The characterization in Section 1.10 in the PDD of the soils in the project area are mostly red-yellow Podzols.

Table 3 defines LAC as “2 Soils with low activity clay (LAC) minerals are highly weathered soils, dominated by 1:1 clay minerals and amorphous iron and aluminium oxides (in WRB classification includes Acrisols, Lixisols, Nitisols, Ferralsols, Durisols; in USDA classification includes Ultisols, Oxisols, acidic Alfisols). “

Table 3 defines Spodic soils as ""(d) Soils exhibiting strong podzolization (in WRB classification includes Podzols; in USDA classification Spodosols)".

Please provide justification for the selection of 60 from Table 3, indicating a LAC soil type.

Project Personnel Response 2: In the revision of project publications, we found an evaluation of soil organic carbon for the project area done (Verneyre, 2007). According to this work we can estimate a more accurate value for the Reference SOC stock.

Stratification: The study shows a direct correlation between SOC and soil texture. Although there is not

a map of soil texture for the project area, we can estimate the proportion of area in each texture class from the sampling as follows:

Clay soil: 4 /50 plots = 8%

clay-sandy soil: 7/50 = 14%

Medium textured soil: 37/50 = 74%

Sandy soil: 2/50= 4%

Reference SOC stock (SOCREF): according to A/R Methodological tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities, SOCREF corresponds to the reference condition in native lands. In the project area two textures classes in native forest were sampled for SOC estimations, the two others texture classes can be estimated by using the correlation between soil texture and SOC established in the same study.

Then we actualized the corresponding sections in CAMARA workbook ("Removals2", cells C79:O84) and in the Monitoring Report in order to replace the mention to the reference to LAC soil type value with more accurate value collected in the project area.

Auditor Response 2: The AR-AM-Tool-16 tool states "the values of SOC REF i ... are taken from the Tables 3 through –6 of this tool, unless transparent and verifiable information can be provided to justify different values." The audit team reviewed in detail the submitted publication "Verneyre 2007_sols fazenda.pdf". The client uses the study as the source for SOC ref in place of the IPCC default values from Table 3 of the tool. The audit team agreed that the study is of high quality and delivers "transparent and verifiable information" regarding soil carbon stocks, and furthermore that the study takes places on the fazenda makes it capable in theory of higher accuracy.

The audit team reviewed the methods (NIRS), assumptions, and values employed and agreed that appropriate choices were made. The audit team noted that SOC(ref,i) is defined in the tool as folllows: “Reference SOC stock corresponding to the reference condition in native lands (i.e. non-degraded, unimproved lands under native vegetation - normally forest) by climate region and soil type applicable to stratum i of the areas of land.” As the study areas are 'degraded areas', the condition of the land in 2006/2007 differs from the definition of 'reference conditions' presented by the tool. However, the audit team considered that less degraded land would typically have higher SOC levels and the client's choice to be conservative.

In addition, the audit team confirmed that the values from Table/Tableau 10 of the study for SOC Ref were inputting in the revised calc workbook CAMARA ("Removals2") correctly. The finding is closed.

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

NCR 47 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard, Section 3.19.1, requires as follows: "The project description describes the project's GHG emission reduction or removal activities. The project proponent shall use the VCS Project Description Template, VCS Joint Project Description & Monitoring Report Template, VCS & CCB Project Description Template, VCS+SOCIALCARBON Project Description Template or approved GHG program project description template where the project is registered under an approved GHG program, as appropriate, and adhere to all instructional text within the template."

The VCS+SC-Project-Description-Template, version 3.1, instructional text states, "All instructions, including this introductory text, should be deleted from the final document."

Section 1.7 of the project PD contains original template text as follows: "Indicate the scale of the project (project or large project) and the estimated annual GHG emission reductions or removals for the project crediting period." All instructional text should be deleted.

Project Personnel Response: All instructional text has been deleted in the new version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: All instructional text has been deleted from the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 48 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The current template being used for the project PDD is version 3.0. However, according to the Verra website, the current applicable template, issued 19 October 2016, is the VCS+SC-Project-Description-Template, version 3.1.

Project Personnel Response: Project description was updated in the new version (VCS+SC-Project-Description-Template, version 3.1) (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The correct template was used in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 49 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: Section 1.12.1 in the referenced template is entitled "Project Ownership". However, the project PDD, same section, is entitled "Right of Use".

Project Personnel Response: Section 1.12.1 was entitled "Right of Use" according to version 3 of the PDD, with the updated version(3.1) the title of this section is "Project Ownership" (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The changes to Project Ownership have been made in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 50 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: Section 1.13 of the referenced template requires that information be added regarding Sustainable Development as follows: "Describe how the project contributes to achieving any nationally stated sustainable development priorities, including any provisions for monitoring and reporting same."

At present, Section 1.13 does not include the required information.

Project Personnel Response: Sustainable development description was added in section 1.13 as required in the last version of the PDD (V3.1) (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The information regarding Sustainable Development have been added to Section 1.13 in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 51 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard Section 3.1.1 states "Projects shall meet all applicable rules and requirements set out under the VCS Program, including this document. Projects shall be guided by the principles set out in Section 2.4.1." Accuracy under Section 2.4.1 is defined as "reduce bias and uncertainties as far as is practicable."

The audit team noted that the area of the project is not consistently reported across different sections of the report (e.g. listed as 1974.21 hectares in Section 1.1.3, but as 1971.79 hectares in Section 1, and other numbers are in used in other sections). The project area should be consistently reported across the document.

Project Personnel Response: Project area is 1974,21 hectares, a detailed revision of the PDD has been coducted and projec area is consistently reported across the nexw version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The project area acreage is now consistently reported across the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 52 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard, Section 3.6.1 states: "Deviations from the project description are permitted at verification. The procedures for documenting the deviation depend on whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario. Interpretation of whether the deviation impacts any of these shall be determined consistent with the CDM Guidelines on assessment of different types of changes from the project activity as described in the registered PDD, mutatis mutandis. The procedures are as follows: 1) Where the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario, the deviation shall be described and justified in a revised version of the project description. This shall include a description of when the changes occurred, the reasons for the changes and how the changes impact the applicability of the methodology, additionality and/or the appropriateness of the baseline scenario."

In addition, the VCS Standard, Section 3.6.2 states: "The deviation shall be assessed by a validation/verification body and the process, findings and conclusions shall be reported in the verification report. The assessment shall determine whether the deviation is appropriately described and justified, and whether the project remains in compliance with the VCS rules. The deviation shall also be reported on in all subsequent verification reports. Project description deviations are not considered to be precedent setting."

Section 1.1.3 of the referenced PD contains information regarding the project description deviation. Section 1.1.3 states as follows: "The evidence provided by the project developer is the date of land purchase (2009), which is after the date of deforestation (2004). And therefore an additional area of 884.05 ha, planted under the same proposed stand models, was added to project area for a total of 1974.21 hectares." The verification team reviewed the information to verify the consistency of the revised information with other information provided by the project.

However, the evidence regarding land purchase does not indicate that the land was purchased in 2009 but rather in 1999. In addition, the Monitoring Report (Section 1.1) states that the land was purchased in 1998. The information provided in the PD and MR is not consistent with the evidence provided and should be corrected.

Project Personnel Response: The acquisition of land took place in 1999 and the last area deforested in 1994. Both the Monitoring report (20190701 VCS-Monitoring-Report.doc) and the project document

(20190701 VCS_SC_PDD_Fazenda.docx) were corrected.

Auditor Response: The year of acquisition of land (1999), and year of last deforestation (1994) are reported in the revised PDD ("20190701 VCS_SC_PDD_Fazenda") and the revised MR (20190701 VCS-Monitoring-Report). The finding is closed.

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

NCR 53 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard, Section 3.19.1, requires as follows: "The project description describes the project's GHG emission reduction or removal activities. The project proponent shall use the VCS Project Description Template, VCS Joint Project Description & Monitoring Report Template, VCS & CCB Project Description Template, VCS+SOCIALCARBON Project Description Template or approved GHG program project description template where the project is registered under an approved GHG program, as appropriate, and adhere to all instructional text within the template."

Section 4.1 of the referenced template states "Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data/parameter)." However, the box used in the referenced PD is currently missing the Purpose of Data row.

Project Personnel Response: Purpose of data was provided for each data and parameter fo the section 4.1 of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The Row labeled "Purpose of Data" was included in Section 4.1 of the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 54 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard, Section 2.2.1, states "The operating language of the VCS Program is English. The project and program description, validation report, monitoring report, verification report and all other documentation (including all and any appendices) required under the VCS Program shall be in English.

The referenced PD, Section 4.2, contains information that is written in Spanish, for instance under the row entitled "QA/QC procedures to be applied", or "Comments".

Project Personnel Response: Text in Spanish in section 4.2 was translated into English in the last version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The referenced text in spanish has been changed to english in the revised PDD ("20190701 VCS_SC_PDD_Fazenda") as stated. The finding is closed.

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

NCR 55 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The VCS Standard, Section 3.19.1, requires as follows: "The project description describes the project's GHG emission reduction or removal activities. The project proponent shall use the VCS Project Description Template, VCS Joint Project Description & Monitoring Report Template, VCS & CCB Project Description Template, VCS+SOCIALCARBON Project Description Template or approved GHG program project description template where the project is registered under an approved GHG program, as appropriate, and adhere to all instructional text within the template."

The referenced required template, Section 4.4, contains the following instructional text: "Describe the process and schedule for obtaining, recording, compiling and analyzing the monitored data and parameters set out in Section 4.2 (Data and Parameters Monitored) above. Include in the description, the process and schedule for obtaining, recording, compiling and analyzing the monitored the data set out in Section 4.3 (Data Monitored for SOCIALCARBON) above. For all (VCS and SOCIALCARBON) data and parameters monitored, include details on the following:

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

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

• The policies for oversight and accountability of monitoring activities.

• The procedures for internal auditing and QA/QC.

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

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

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

Section 4.4 of the project PD is currently blank and is therefore out of compliance.

Project Personnel Response: Section 4.4 was completed in the last version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: Section 4.4 has been revised as stated in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 56 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: Section 5.1.2 in the referenced template is labeled Human Resources.

However, PD Section 5.1.2 is labeled as Financial Resources, while Section 5.1.3 is also labeled Financial Resources.

Project Personnel Response: There was a mistake in the title of section 5.1.2, it is Human resource, it was corrected in the last version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The Section 5.1.2 has been revised as stated in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 57 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The referenced template, Section 5.2 Performance at Point Zero, states as follows "Complete the table below to summarize the performance of the project for each resource at point zero. Following the example given, determine the percentage of indicators with critical (scores 1 through 2), satisfactory (3 through 4) or sustainable (5 through 6) scores Calculate the average score and list the corresponding performance."

However, the PD Section 5.2 uses a different table than the one referenced in the template.

Project Personnel Response: The table of the section 5.2 of the PDD was corrected. (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The table in Section 5.2 has been revised as stated in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NCR 58 Dated 28 Jun 2019

Standard Reference: VCS Standard v.3.7

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc", VCS+SC-Project-Description-Template, version 3.1

Finding: The referenced template, Section 6, 6.1, and 6.2, are standalone sections.

However, in the PD, the information seems to be contained under Section 5.3, including Stakeholder Comments, including Section 6.1 Local Stakeholder Consultation, and Section 6.2 Public Comments, has information about some of these topics but does not have the correct section headers, and is currently incomplete.

Project Personnel Response: Indeed, section 6 was included in section 5.3, this was corrected in the last version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: Section 5.3 and Section 6 have been fixed in the revised PDD ("20190701 VCS_SC_PDD_Fazenda"). The finding is closed.

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

NIR 59 Dated 28 Jun 2019

Standard Reference: ar-am-tool-16-v1.1.1

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc"

Finding: Regarding the ex-ante GHG calculation for SOC in Section 3.4 of the PD, Equation 6 is correctly quoted from the referenced tool. However, the PD states as follows:

"For estimations the value of the parameter dSOCt,i= 0.70 (IPCC 2006)", but does not specify where in the IPCC 2006. Given the size of the IPCC 2006 reference, more detailed information on the specific source and justification for the ex-ante value of 0.70 t/ha is requested.

In addition, the units of the result of Equation 6 in the tool are in tC, not in tCO2e.

Project Personnel Response: In section 3.4 of the PD, calcuation of dSOCt,i was detailed and justified (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The audit team reviewed the revised Section 3.4 in the revised PDD ("20190701 VCS_SC_PDD_Fazenda").Rather than using a default value as before, the project team used Equation 6 and Equation 1 and Equation 7 of the AR-AM_Tool-16 to derive the value of the parameter dSOCt . The value of the parameter dSOCt,i changed from 0.70 to 0.80 t C ha-1 yr-1.

Section 3.4 of the PD, details and justifies how calcuation of dSOCt,i was carried out. The finding is closed.

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

NIR 60 Dated 28 Jun 2019

Standard Reference: ar-am-tool-14 version 4.2

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc"

Finding: Regarding Section 3.4.1 of the PD, the PD references Equations 4 and 5 of the AR-Tool-14; however, the equations cited do not match Equations 4 and 5 in the AR-AM-Tool-14 version 4.2. Similarly, the same section references Table 2 of the AR-Tool-14, which does not match with Table 2 in the AR-AM-Tool-14. Please provide justification for the Equations and Table values used.

Project Personnel Response: Equations 4 and 5 correspond to equations 2 and 3 respectively of the applied methodlogy (AR-ACM0003) instead of the AR-TOOL14. This was corrected in the last version of the PDD (20190701 VCS_SC_PDD_Fazenda.docx), Reference to Table 2 of the AR-AM Tool 14 was deleted because it is not relevant

Auditor Response: The audit team reviewed the revised Section 3.4 in the revised PDD ("20190701 VCS_SC_PDD_Fazenda") and confirmed that the Equations were changed as stated. The finding is closed.

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

NIR 61 Dated 28 Jun 2019

Standard Reference: ar-am-tool-14 version 4.2

Document Reference: "20190409 VCS_SC_PDD_Fazenda.doc"

Finding: In Section 3.4.1 of the PD, it states "For ex ante estimations of carbon stocks in aboveground biomass, mean annual increase values for tropical species, natural regeneration and teak (Table 16) from IPCC (2006) will be used.." Table 16 is provided, showing "Annual increment values assumed in ex ante estimates forest species and for natural regeneration (IPCC, 2006)." The verification team was unable to locate the table in the IPCC 2006. Please provide greater detail regarding where to locate the cited table.

In addition, the same section of the PD states as follows "Other default values used from IPCC (IPCC, 2006):

"- Ratio of below-ground biomass to above-ground biomass (r): 0.20-0.24

- Carbon fraction: 0.5

- CO2/C: 3,67 "

Please provide greater detail regarding where to find the cited ratio of below-ground biomass to above-ground biomass, as well as provide justification for the use of the carbon fraction cited given NIR.34. Please note that Table 17 of the PD also contains these values (or other potentially out-of-date values).

Project Personnel Response: There were a mistake in reference, the correct reference is IPCC 2003 (Good Practice Guidance for Land Use, Land-Use Change and Forestry) Detailed information about the reference and the values used in ex-ante and ex-post estimations is provided in the last version of the PDD. (20190701 VCS_SC_PDD_Fazenda.docx)

Auditor Response: The audit team reviewed the revised Section 3.4 in the revised PDD ("20190701 VCS_SC_PDD_Fazenda") and confirmed that the Equations were changed as stated. Citations for the source of values used are provided.

However, for carbon fraction, please provide justification for the use of 0.5, given the AR-AM Tool 14 requirements for the use of 0.47 (as is further detailed in NIR.34, related to the Monitoring Report).

Similarly, for the root:shoot ratio, please provide justification for the use of (r): 0.20-0.24 (see NIR.34 and NCR.62).

Project Personnel Response 2: The value for carbon fraction has been adjusted to 0.47 (reference: AM-AR TOOL 14) in both revised CAMARA worbook (sheets for each strata have now 0.47 registered) and PDD. For the

root:shoot ratio, the value has also be adjusted to 0.25 (reference: AM-AR TOOL 14) in both revised CAMARA worbook (sheets for each strata have now 0.25 registered) and PDD.

Auditor Response 2: Through review of the revised PD, entitled "20190930 VCS_SC_PDD_Fazenda", the audit team can confirm that a value of 0.47 is indicated in Sections 3.4, 4.1 and 4.4, and that a value of 0.25 is indicated in Sections 3.4 and 4.4. However, a value of 0.5 is still indicated in Section 3.4 under "Other default values used from IPCC (IPCC, 2003)". Therefore, a discrepancy remains.

Project Personnel Response 3: The value of 0.5 is still indicated in Section 3.4 of the PD since it's the value used in ex-ante extimations and this has not changed as indicated in the same section: "For ex-ante estimations the value of 0.5 was used (IPCC 2003 section 3.2.1.1.1.1), for ex-post estimations the value must be updated according to methodology applied. (0,47 in AR-AM TOOL 14)"

Auditor Response 3: Through additional review of the methodology, the audit team has realized that the only guidance provided in the methodology regarding the ex-ante estimation of carbon stock in trees is in Section 8.2 of AR-TOOL14. The guidance provided by Section 8.2 is very high-level and does not provide specification regarding the selection of carbon fraction and root:shoot values. Therefore, this finding is closed. However, a discrepancy remains regarding the documentation of the ex-ante quantification in the PD, and this discrepancy has been addressed in the follow-up to NCR 71.

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

NCR 62 Dated 9 Aug 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190701 VCS-Monitoring-Report

Finding: Section 3.1 of the VCS Monitoring Report Template requires the following: Complete the table below for all data and parameters that are determined or available at validation, and remain fixed throughout the project crediting period (copy the table as necessary for each data unit/parameter)."

This finding is a follow-up to NIR 34. In response to that finding, the carbon fraction and root:shoot ratio, as utilized in the quantification of GHG removals, were revised to 0.47 and 0.25, respectively. However, Section 3.1 of the monitoring report continues to indicate that values of 0.47 and 0.2, respectively, have been used for this purpose. Therefore, the parameters available at validation are not accurately reported in the monitoring report.

Project Personnel Response: The value for carbon fraction has been adjusted to 0.47 (reference: AM-AR TOOL 14 version 4.2) in the revised Monitoring Report (Section 3.1).
For the root:shoot ratio, the value has also be adjusted to 0.25 (reference: AM-AR TOOL 14 version 4.2) in the revised Monitoring Report (Section 3.1).

Auditor Response: The audit team can confirm that Sections 3.1 and 3.3 of the revised monitoring report (entitled "20190930 VCS-Monitoring-Report") now refer to a root:shoot ratio of 0.25. Likewise, the same sections of the revised monitoring report now refer to a carbon fraction of 0.47 instead of a value of 0.5. Therefore, the non-conformity has been resolved.

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

NCR 63 Dated 9 Aug 2019

Standard Reference: VCS Standard v.3.7

Document Reference: 16-02-16.CAMARA_Data2015_PLANTATIONS_DT

Finding: Section 5.3.1(4) of the VCS Standard states that "The threshold for materiality with respect to the aggregate of errors, omissions and misrepresentations relative to the total reported GHG emission reductions and/or removals shall be five percent for projects and one percent for large projects." As the project is defined as a "project" under the VCS Standard, the threshold for materiality is five percent.

The methodology indicates that "The net anthropogenic GHG removals by sinks" is to be calculated, on an annual basis, following Equation 5. While the methodology does not provide guidance regarding the quantification of GHG removals for an entire monitoring period, it appears to the audit team that the most correct method is to sum the annualized quantification of GHG removals for all years in the monitoring period (pro-rating the quantification for the period from 25 April 2015 to 25 October 2015, which was less than a full year) or, alternatively, to multiply the annualized quantification of GHG removals by the fractional number of years comprising the monitoring period, similar to the method set out in Equation 11 of AR-TOOL14.

This approach has not been carried out in the project calculations. Rather, as seen in the "Removals 2" worksheet in the "16-02-16.CAMARA_Data2015_PLANTATIONS_DT" workbook, the quantification involves taking the cumulative removal in the soil organic carbon pool at end of the monitoring period (as calculated using the methodology currently in use) and subtracting the cumulative removal in the same carbon pool at the end of the prior monitoring period (as calculated using the methodology previously used), in cell P19. Had there not been a change to the size of the project area and the methodology used, this approach would theoretically result in the same calculation as that produced by the audit team following the method described above. However, given the differences involved, the approach undertaken has resulted in a difference with respect to the audit team's calculation that exceeds the materiality threshold, and must be considered a non-conformity.

Project Personnel Response: In the "Removals2" worksheet in the revised CAMARA_Data2015_PLANTATIONS workbook, the net annualized anthropogenic GHG removals by sinks has been calculated: in cells H88:H106 are given the GHG removals for the soil organic carbon pool per year (ΔSOC), and in cells H88:K106 the GHG removals for the tree biomass (ΔCTREE). The calcultation has been adjusted and the result is now corresponding.

Auditor Response: Through review of the "Removals 2" worksheet in the revised calculation workbook, entitled "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM", the audit team can confirm that the net anthropogenic GHG removals by sinks has been generally calculated in accordance with the methodology in cells L100:L106. While some material discrepancies remain in respect of the calculation of carbon stock change in soil organic carbon (as addressed in NCR 66), these discrepancies constitute the only factor currently leading to a material error (when the discrepancies are addressed, the resulting difference in calculations will be well within the materiality threshold. Therefore, this finding may be closed.

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

NIR 64 Dated 12 Aug 2019

Standard Reference:

Document Reference: 20190701 VCS_SC_PDD_Fazenda

Finding: This finding follows NIR.60 and NIR.61 related to Section 3.4.1 in the revised PD, and the ex-ante SOC calculations. Considering the changes made to default factors or other numbers, provide clarification of how the ex-ante quantification of GHG removals have been updated as well as the associated calculation workbook(s).

Project Personnel Response: In the revision of project publications, we found an evaluation of soil organic carbon for the project area done (Verneyre, 2007). According to this work we can estimate a more accurate value for the Reference SOC stock.

Stratification: The study shows a direct correlation between SOC and soil texture. Although there is not a map of soil texture for the project area, we can estimate the proportion of area in each texture class from the sampling as follows:

Clay soil: 4 /50 plots = 8%

clay-sandy soil: 7/50 = 14%

Medium textured soil: 37/50 = 74%

Sandy soil: 2/50= 4%

Reference SOC stock (SOCREF): according to A/R Methodological tool for estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activities, SOCREF corresponds to the reference condition in native lands. In the project area two textures classes in native forest were sampled for SOC estimations, the two others texture classes can be estimated by using the correlation between soil texture and SOC established in the same study.

Then we actualized the corresponding sections in the PDD in order to replace the mention to the reference to LAC soil type value with more accurate value collected in the project area.

Auditor Response: The audit team understands that the quantification of soil organic carbon stock has been revised as indicated in the findings response. However, even with these revisions made, the audit team is unable to trace the ex-ante calculations as presented in Table 18 of the revised PD, entitled "20190930 VCS_SC_PDD_Fazenda", and the calculated values do not precisely align with those as calculated by the audit team using the values presented in Table 17 of the PD. Please provide the audit team with evidence of the calculations in Table 18 (e.g., provided the audit team with the underlying calculation workbook).

Please also provide clarification regarding the following factors in Table 16a of the PD and how they have been sourced from the IPCC Good Practice Guidance for LULUCF document:

- It appears that the value for Tectona has been sourced from Table 3A.1.6 (not Table 3.A.6, as stated). This value is stated to be applicable to forests with a rainfall between 1000 and 2000 mm/year. Please clarify how the appropriateness of the value for the project area was confirmed.

- It is unclear which specific value is used for "Americas other broadleaf", as Table 16a provides a range of values. Please clarify the source of this value and clarify how the appropriateness of the value for the project area was confirmed.

- Finally, please clarify the rationale for assignment of specific factors to specific strata, as is done in Table 17 of the PD.

Project Personnel Response 2: Detailed calculations of ex-ante estimations, as presented in table 18, were provided on July 6 2017 to SCS ("04_2016_PDD_GHG_Removals_Peugeot_v03_AS"). I'm sending again this workbook along whit this file.

Ex-ante parametres were updated from IPPCC GPG 2006. The correct values and sources were corected in table 16a of the PD.

(Although the rainfall in the project area is around 2300 mm/yr, the value of increment in AGB for teak should be 15, nevertheless as indicated in section 1.10 of the PD, "... with the pioneer deforestation activities coming from the south, the local climate becomes drier every year, leading to less precipitation and more deciduous forests, typical of tropical dry climate", therefore we have used the value of 8 conservatively. In the same way we proceeded with the other species.

The Value for Americas other broadleaf is 6 t.d.m. ha-1 yr-1.

The values presented in table 17 are the same as those in table 16a, in table 17 the strata in which they were used are specified.

Auditor Response 2: Through review of the provided information as well as the named supplementary workbook, the audit team has been able to confirm that the ex-ante quantification is well-supported by IPCC default values that are appropriately and (in some cases) conservatively selected. In addition, through review of the worksheet "Actual removals AGB & BGB" in the workbook

"04_2016_PDD_GHG_Removals_Peugeot_v03_AS", the audit team has been able to determine the rationale for assignment of specific default values to specific strata. Therefore, the information request has been satisfied.

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

NCR 65 Dated 12 Aug 2019

Standard Reference: VCS Standard 3.7

Document Reference: 20190701 VCS_SC_PDD_Fazenda

Finding: Section 3.16.6 of the VCS Standard states: "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template, VCS Joint Project Description & Monitoring Report Template, VCS & CCB Monitoring Report Template or VCS+SOCIALCARBON Monitoring Report Template, as appropriate, and adhere to all instructional text within the template."

The VCS Project Description Template, version 3.4, instructional text states: "All sections must be completed using Arial 10pt, black, regular (non-italic) font." The referenced PDD does not consistently use the correct font, for instance in all or portions of the following Sections: Table of Contents, 1.1, 1.2, 1.3, 1.4, 1.5, 1.6. 1.7, etcetera. The entire document should be checked in order to meet the requirement.

Project Personnel Response: The changes have been done in the correct font in the revised PDD. The only words remaining in italic are the names of species (by convention) and the Equations.

Auditor Response: Through review of the revised project description, entitled "20190930 VCS_SC_PDD_Fazenda", the audit team can confirm that the font non-conformities have been corrected as stated. Therefore, the non-conformity has been resolved.

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

NCR 66 Dated 18 Oct 2019

Standard Reference: AR-TOOL16 V 1.1.0

Document Reference: 20190930.CAMARA_Data2015_PLANTATIONS_DT_GM

Finding: In the workbook "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM", the change in soil organic carbon stock for each year of the monitoring period has not been calculated in accordance with AR-TOOL16. In cells O80:O83 of the worksheet "Removals 2", the output of Equation 8 of AR-TOOL16 for each stratum has been correctly calculated. However, those calculations are not used in any downstream calculations (i.e., summation of the amounts calculated in cells O80:O83 to complete Equation 8 is not carried out, and this value, as calculated for each year, is not used to calculate Equation 3 of the methodology. Instead, the area-weighted average value for dSOC(t,i) is calculated in cell N84, and this value is used in downstream calculations that deviate from the requirements of AR-TOOL16. The most significant manner in which the calculations in the "Removals 2" worksheet deviate from those of AR-TOOL16 is that, unlike with the carbon stock in trees (as carried out per Equation 1 of AR-TOOL14), the equations in AR-TOOL16 do not rely on a "stock-difference approach"; that is, they do not calculate the difference between actual onsite stock at two different points in time and use that as the basis for calculating stock change. Rather, they use a "gain-loss" approach where the soil carbon stock accumulation, as calculated in Equation 7 of AR-TOOL-14, is expanded to the project area. Unlike with AR-TOOL14, the carbon stock at the end of the previous monitoring period (i.e., "at time t1") is not relevant to the quantification.

Project Personnel Response: In the workbook "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM", calculations of soil organic carbon were changed considering the observations: Equation 8 is used in Cell O84, then this value is used to calculate total carbon stock in soils during second verification period (cell H110)

Auditor Response: Through review of the revised workbook, entitled "20191029.CAMARA_Data2015_PLANTATIONS_DT", the audit team confirmed that, in cells H100:H106 of worksheet "Removals 2", Equation 8 of AR-TOOL16 was correctly implemented. In downstream calculations, the output of Equation 8 was combined with other outputs in a manner consistent with the methodology. Therefore, the non-conformity has been resolved.

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

NCR 67 Dated 18 Oct 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190930 VCS-Monitoring-Report

Finding: This is a follow-up to NCR 36.

Section 3.2 of the VCS Monitoring Report Template requires the following: "Complete the table below for all data and parameters monitored during the project crediting period (copy the table as necessary for each data unit/parameter)." Under "Description of measurement methods and procedures to be applied", the following is required: "Specify the... person/entity responsible for the measurement". The person/entity responsible for measurement of the "H" parameter (tree height) is not indicated in the relevant parameter.

Project Personnel Response: In "Description of measurement methods and procedures to be applied" for "H" parameter it was specified that ONF Brazil staff is responsilbe for the measurement. (Section3.2 of the Monitroing report "20191029 VCS-Monitoring-Report")

Auditor Response: Through review of the revised monitoring report, the audit team confirmed that the responsible entity is now clearly indicated in the parameter table in question. Therefore, the non-conformity has been resolved.

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

NCR 68 Dated 18 Oct 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190930 VCS-Monitoring-Report

Finding: This is a follow-up to NCR 38.

Section 4.2 of the VCS Monitoring Report Template requires the following: "Quantify project emissions and/or removals providing sufficient information to allow the reader to reproduce the calculation." Information regarding the project removals is provided in Section 4.2. However, sufficient information is still not provided to allow the reader to reproduce the equation." "Providing sufficient information to allow the reader to reproduce the calculation" means that, at least for the higher-level calculations, the specific quantities used for the different variables, and the equation outputs, are provided, so that the reader can reproduce the calculations based on the information provided in the monitoring report. As an example, to show how Equation 11 of AR-TOOL14 is calculated, the values for C(tree,t2) and C(tree,t1) should be provided, as well as the value for T, and it should be clear how each of these variables has been calculated. Information has not been provided in the manner specified in the VCS Monitoring Report Template.

Project Personnel Response: In section 4.2 of the Monitoring report, detailed information about claculations procedure and references to the location of the calculations in the tool CAMARA were provided.

Auditor Response: Through review of the revised monitoring report, entitled "20191029 VCS-Monitoring-Report", the audit team can confirm that references to the specific cells wherein calculations are carried out in "20191029.CAMARA_Data2015_PLANTATIONS_DT" has been provided. This is helpful, and fulfills the requirement to include "electronic spreadsheets as an appendix or separate file to facilitate the verification of the results." However, it does not substitute for the need to provide specific information within the monitoring report itself. As previously stated, the specific quantities used for the different variables, and the equation outputs, need to be provided, so that the reader can reproduce the calculation based on information in the monitoring report itself. As an example, to show how Equation 11 of AR-TOOL14 is calculated, the values for C(tree,t2) and C(tree,t1) should be provided, as well as the value for T, and it should be clear how each of these variables has been calculated. The same type of information should be provided for the calculation of carbon stock change in soil organic carbon. As information has not been provided in the manner specified in the VCS Monitoring Report Template, the non-conformity has not been resolved.

Project Personnel Response 2: An exhaustive description of the calculations is provided in section 4.2 of the monitoring report "20191108 VCS-Monitoring-Report.docx" as well as some examples of calculation and table with results.

Auditor Response 2: Through review of the calculations in Section 4.2 of the revised monitoring report, entitled "20191108 VCS-Monitoring-Report", the audit team can confirm that a detailed description of all aspects of the quantification of project removals, providing sufficient information to allow the reader to reproduce the calculation, has been provided. Therefore, the non-conformity has

been resolved.

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

NCR 69 Dated 18 Oct 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20190930 VCS-Monitoring-Report

Finding: Section 4.4 of the VCS Monitoring Report Template requires the following: "Quantify the net GHG emission reductions and removals, summarizing the key results using the table below. Specify breakdown of GHG emission reductions and removals by vintages where the intent is to issue each vintage separately in the VCS registry system. For AFOLU projects, include quantification of the net change in carbon stocks. Also, state the non-permanence risk rating (as determined in the AFOLU non-permanence risk report) and calculate the total number of buffer credits that need to be deposited into the AFOLU pooled buffer account."

The audit team has identified the following discrepancies regarding Section 4.4 of the monitoring report:

1) Information from the first monitoring period is included in the table in Section 4.4. The intent of Section 4.4 is to specifically describe the GHG emission reductions and removals for the monitoring period. While this is not explicitly stated anywhere, it is implicit, particularly given the statement in Section 3.4.4 of the VCS Standard (V4.0) that "The monitoring period of the monitoring report shall be a distinct time period that does not overlap with previous monitoring periods." While including information from a prior monitoring period does not necessarily present a non-conformance to the VCS Monitoring Report Template, the manner in which that information is included is likely to result in confusion regarding the GHG removals attributable to the project activity during the monitoring period in question, and that has caused a non-conformity to the requirements of the VCS Monitoring Period Template.

2) The information provided does not seem to be consistent with the quantification in the updated workbook "20190930.CAMARA_Data2015_PLANTATIONS_DT_GM". For example, the audit team is unable to locate the calculation of 423,265 tCO2e within said workbook.

3) The "net change in carbon stocks" (i.e., the difference between carbon stock changes in the baseline and project) is not explicitly provided. In the context of this project activity, the net change in carbon stocks is equal to the GHG removals. However, it must still be labeled as such.

Project Personnel Response:

Table in section 4.4.2 of th Monitoring Report was updated and all the references to first monitoring period were suppressed.

The consistency of the information regarding the tool CAMARA was reviewed.

It was explicitly put in the monitoring report that the net change in carbon stocks is equal to the GHG

removals since carbon stock changes in baseline are 0.

Auditor Response: Through review of the revised monitoring report, entitled "20191029 VCS-Monitoring-Report", the audit team can confirm that all of the discrepancies have been addressed. Specifically:

1) Information from the first monitoring period has been removed from the table in Section 4.4.

2) The quantification of GHG removals is consistent with the calculations in the revised workbook entitled "20191029.CAMARA_Data2015_PLANTATIONS_DT". The reported GHG removals, 282,108 tCO2e, is calculated in cell Q20 of the "Removals 2" worksheet in the "20191029.CAMARA_Data2015_PLANTATIONS_DT" workbook.

3) It is clarified in Section 4.4 that the net change in carbon stocks is equivalent to the GHG removals.

Therefore, the non-conformity has been resolved.

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

NCR 70 Dated 18 Oct 2019

Standard Reference: Non-Permanence Risk Report Template, v. 3.1

Document Reference: 20190930 VCS-Monitoring-Report

Finding: Section 4.2 of the Non-Permanence Risk Report Template requires the following: "Include in this calculation the number of buffer credits to be deposited in the AFOLU pooled buffer account based on the change in carbon stock only. Include any deductions for the AFOLU pooled buffer account, if applicable, to determine the number of GHG credits eligible to be issued as VCUs."

It appears that the values presented in Section 8.2 of the monitoring report are the ex-ante quantified emission removals, as also presented in Section 3.4 of the PD. However, since the non-permanence risk report is being presented for verification, the requirement pertains specifically to the ex-post (i.e., monitored) calculations as carried out for the monitoring period. These ex-post calculations have not been presented.

Project Personnel Response: Ex-post calculation of buffer credits was added to the non-permanence risk report.

Auditor Response: Through review of the revised monitoring report, entitled "20191029 VCS-Monitoring-Report", the audit team can confirm that the calculation of the number of buffer credits to be deposited in the AFOLU pooled buffer account is clearly presented, as well as the number of GHG credits eligible to be issued as VCUs. Ex-ante information has been retained, but it is clearly labeled as such in order to avoid confusing the reader. Therefore, the non-conformity has been resolved.

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

NCR 71 Dated 18 Oct 2019

Standard Reference: VCS Standard 4.0

Document Reference: 20190930 VCS_SC_PDD_Fazenda

Finding: Section 3.4.1 of the VCS Standard states: "The project proponent shall use the VCS Project Description Template, an approved combined project description template available on the Verra website or an approved GHG program project description template where the project is registered under an approved GHG program, as appropriate. The project proponent shall adhere to all instructional text within the template."

The following non-conformities in respect of the quantitative guidance in Section 3 of the VCS Project Description Template have been observed:

1) In Section 3.2, the VCS Project Description Template requires the following: " the procedure for quantification of project emissions and/or removals in accordance with the applied methodology. Include all relevant equations, and explain and justify all relevant methodological choices (eg, with respect to selection of emission factors and default values)." The heading of this section is confusing, as it implies that the section specifically deals with "project emissions". However, as is clarified in the instructional text, the section pertains to "quantification of project emissions and/or removals". The quantification of project emissions (as zero) is described in Section 3.2 of the project description, but the quantification of project removals is not described in Section 3.2. In addition, while a relatively detailed description of the quantification of project removals is provided in Section 3.4.1 of the project description that would satisfy many of the requirements of the Section 3.2 of the Template, the description in Section 3.2 still does not "explain and justify all relevant methodological choices (eg, with respect to selection of emission factors and default values)"; for example, it does not provide the type of clarification sought in the most recent iteration of NIR 64 regarding the values presented in Table 16a of the project description).

2) In Section 3.4, the VCS Project Description Template requires the following: "Describe the procedure for quantification of net GHG emission reductions and removals. Include all relevant equations... Document how each equation is applied, in a manner that enables the reader to reproduce the calculation. Provide example calculations for all key equations, to allow the reader to reproduce the calculation of estimated net GHG emission reductions or removals." While all relevant equations have been included, example calculations for all key equations have not been provided. It is not possible to allow the reader to reproduce the calculation of estimated net GHG emission reductions or removals based on the information presented in Section 3.4 of the PD.

Project Personnel Response: Information about project removals has been moved from section 3.4 to section 3.2. and detailed information about the choice of parameters is provided.

A spreadsheet (04_2016_PDD_GHG_Removals_Peugeot_v03_AS.xlsx) with all calculations is

annexed to the PD in order to facilitate the revision a reproduction of ex-ante calculations.

Auditor Response: The audit team reviewed the revised project description, "20191029 VCS_SC_PDD_Fazenda", to see whether the non-conformities had been resolved. The audit team's feedback regarding the response to each of the issues raised is as follows:

1) Section 3.2 of the project description now includes information on the quantification of GHG removals. However, the requirement to " Include all relevant equations, and explain and justify all relevant methodological choices (eg, with respect to selection of emission factors and default values)" is still not fully adhered to. The remaining issues are as follows:

1a) Through review of the worksheet "Actual removals AGB & BGB" in the ex-ante calculation spreadsheet, "04_2016_PDD_GHG_Removals_Peugeot_v03_AS", the audit team found that a carbon fraction of 0.5 is used and root:shoot ratios of either 0.2 and 0.24 are used, depending on whether aboveground biomass is less than 126 or not. Under "Other default values used from IPCC..." in Section 3.2.1, the carbon fraction of 0.5 is correctly reported but the root:shoot ratios are not correctly indicated. In Table 17, the carbon fraction is incorrectly indicated to be 0.47 and the root:shoot ratios are not correctly indicated.

1b) The process for assignment of the different annual increment values to strata is still not explained and justified. For example, it is not clarified why the annual increment value for "Americas other broadleaf" is used for stratum P01. Through review of the worksheet "Actual removals AGB & BGB", it appears to the audit team that the planted species (or whether the stratum was planted or natural) is used to determine the selection of increment values, but this is not explained and justified in Section 3.2.1.

1c) Through review of the worksheet "Actual removals AGB & BGB", it appears that growth is assumed to begin at different years for stratum strata. For example, for stratum 3, the "AGB biomass" value is 0 for the first three years (cells BM16:BM18). The differing assumptions about when growth begins are not explained or justified.

2) No substantive change to the project description has been made in response to this item. The project description still does not document how each equation is applied, in a manner that enables the reader to reproduce the calculation. Example calculations for all key equations are not provided. For example, it is unclear how the GHG removal value of 14.094,91 tCO2e, for the year 2000, is calculated.

For the reasons indicated above, the non-conformity has still not been fully resolved.

Project Personnel Response 2: 1a) section 3.2 of the PD (20191108 VCS_SC_PDD_Fazenda.docx) was corrected with the correct values and references for root-shoot ratios. likewise, the value of 126 was changed by 125 for the use of the root-shoot ratio in spreadsheet Actual removal AGB & BGB" of the workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS" (125 instead of 126 tons of aboveground biomass), although these changes do not represent any change in the estimates. Values

and references are also corrected in table 17 of the PD.

1b) In section 3.2 of the PD, the values used for increment of each strata are explained and the the source of information ferenced.

1c) In section 3.2 it is explained that the growth applied to each stratum begins at the year of forest establishment and this year is provided in this section.

2. A detailed explanation of the calculation procedure for the ex ante estimates is given in section 3.2.1 of the PD (20191108 VCS_SC_PDD_Fazenda.docx)

Auditor Response 2: The audit team reviewed the revised project description, entitled "20191108 VCS_SC_PDD_Fazenda", to see whether the finding could be closed. The audit team's observations are as follows.

1a) In Section 3.2.1, it is indicated that root:shoot ratios of either 0.2 and 0.24 are used, depending on whether aboveground biomass is less than 125 or not. Through review of the worksheet "Actual removals AGB & BGB" the revised workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS", the audit team can confirm that the described procedure is the same as is implemented in the workbook (see, for example, column F of the worksheet "Actual removals AGB & BGB"). Therefore, this discrepancy has been resolved.

1b) The process of assigning annual increment values to different strata is now described in 3.2.1.

1c) The differing assumptions about when growth begins are now explained and justified in Section 3.2.1 and the different planting ages are provided.

2) Example calculations for key equations (e.g., the calculation of carbon stock in a given stratum within a given year) are provided, and it should be possible for the reader to recalculate the higher-level calculations presented in Section 3.4 based upon the information in Sections 3.1-3.3.

However, one discrepancy in respect of the guidance of Section 3.4 of the VCS Project Description Template remains. Under the column "Estimated project emissions or removals (tCO2e)" in Table 18, the value 0 is indicated for all years. As previously discussed, in the context of the project activities, the project emissions are appropriately accounted as zero. However, the project removals are positive for most years and should be equal to the estimated net GHG emission reductions or removals. Therefore, the estimated project removals are not correctly specified in Section 3.4.

Project Personnel Response 3: Table 18 in section 3.4 of the reviwed PD (20191115 VCS_SC_PDD_Fazenda.docx) is updated with correct values for "Estimated project emissions or removals"

Auditor Response 3: Through review of the revised project description, entitled "20191115 VCS_SC_PDD_Fazenda", the audit team can confirm the project removals are now appropriately reported in Table 18, consistent with the information in the column S of the worksheet "Anthropogenic removals" of the workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS". Therefore, the non-conformity has been fully resolved.

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

NCR 72 Dated 1 Nov 2019

Standard Reference: Non-Permanence Risk Report Template, v. 3.1

Document Reference: 20191029 VCS-Monitoring-Report

Finding: The instructional text at the beginning of the Non-Permanence Risk Report Template requires the following: " All sections must be completed using Arial 10pt, black, regular (non-italic) font."

The recently added text in Section 8.2 of the monitoring report (corresponding to Section 4.2 of the Non-Permanence Risk Report Template) is in Calibri 11pt font, which does not conform to the font requirements.

Project Personnel Response: Format of the text in Section 8.2 of the monitoring report was changed using Arial 10pt

Auditor Response: Through review of the revised monitoring report, entitled "20191108 VCS-Monitoring-Report", the audit team can confirm that all text in Section 8.2 now conforms to the font requirements. However, the following recently added text in Section 4.2 is in Calibri 10pt font, and therefore does not conform to the font requirements: "In project = 65.96 - 1.98 (tc/ha) = 63.97 tC/ha equivalent to 126 299.43 tC in project area." Therefore, the non-conformity has not been wholly resolved.

Project Personnel Response 2: In the revised monitoring report, (20191115 VCS-Monitoring-Report) the font of the text "In project = 65.96 - 1.98 (tc/ha) = 63.97 tC/ha equivalent to 126 299.43 tC in project area." was changed from Calibri 10pt font to Arial 10 pt font.

Auditor Response 2: Through review of the revised monitoring report, entitled "20191115 VCS-Monitoring-Report", the audit team can confirm that the text in question is now in Arial 10pt font. Therefore, the non-conformity has been fully resolved.

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

NCR 73 Dated 1 Nov 2019

Standard Reference: VCS Project Description Template v. 3.3

Document Reference: 20191029 VCS_SC_PDD_Fazenda

Finding: The VCS Project Description Template requires the following in Section 1.7: "Indicate… the estimated annual GHG emission reductions or removals for the project crediting period."

Through comparison with the ex-ante calculation workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS", the audit team can see that the number of VCUs estimated to be issued to the project (net of a 10% buffer), as calculated in column T of the "Anthropogenic removals" worksheet, have been included in Section 1.7 of the project description. This is different from the GHG removals, which are calculated in column S of the same worksheet.

Project Personnel Response: The table in section 1.7 of the PD (20191108 VCS_SC_PDD_Fazenda.docx) was updated with correct values of GHG removals

Auditor Response: The audit team reviewed the revised project description, entitled "20191108 VCS_SC_PDD_Fazenda", to see whether the finding could be closed. The audit team can confirm that Section 1.7 was intended to indicate the ex-ante estimate of GHG removals, as transcribed from column S of the worksheet "Anthropogenic removals" of the workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS", and that the information in Section 1.7 was equivalent to the information provided in this location of a prior version of the workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS". However, a revised version of the "04_2016_PDD_GHG_Removals_Peugeot_v03_AS" workbook was provided to the audit team which address the discrepancy in the root:shoot ratio mentioned in Project Response 2 for NCR 71. Beginning the year 2017 (at cell S28 of the worksheet "Anthropogenic removals"), discrepancies appear between the values in the workbook and the values in the project description. The same issue affects Table 18 in Section 3.4. Therefore, the non-conformity has not been fully resolved.

Project Personnel Response 2: Table 18 of the reviewed PD (20191115 VCS_SC_PDD_Fazenda.docx) and table of the section 8.2 of the Monitoring report (20191115 VCS-Monitoring-Report.docx) were updated with correct data from workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS.xlsx"

Auditor Response 2: Through review of the revised project description, entitled "20191115 VCS_SC_PDD_Fazenda", the audit team can confirm that the quantification presented in Table 18 in Section 3.4 is now fully consistent with the most up-to-date version of the "04_2016_PDD_GHG_Removals_Peugeot_v03_AS" workbook. However, the calculations presented in Section 1.7 of the revised project description have not been revised, and a discrepancy, beginning in the year 2017, remains relative to the information in the column S of the worksheet "Anthropogenic removals" of the workbook "04_2016_PDD_GHG_Removals_Peugeot_v03_AS". Therefore, the non-conformity has not been fully resolved.

Project Personnel Response 3: Table in section 1.7 has been corrected in the reviewed PD (20191116 VCS_SC_PDD_Fazenda.docx)

Auditor Response 3: The audit team reviewed the revised project description, entitled "20191116 VCS_SC_PDD_Fazenda.docx", to confirm that the ER's in Section 1.7 were revised. The finding can now be closed.

NCR 74 Dated 1 Nov 2019

Standard Reference: VCS Project Description Template v. 3.3

Document Reference: 20191029 VCS_SC_PDD_Fazenda

Finding: The instructional text within the VCS Project Description Template requires the following: "All sections must be completed using Arial 10pt, black, regular (non-italic) font." In Section 3.4, the following text was found to be in Arial 11pt: "A spreadsheet with all ex-ante calculations is available at the moment of validation."

Project Personnel Response: the format of the text: "A spreadsheet with all ex-ante calculations is available at the moment of validation." in section 3.4 of the PD was changed to Arial 10pt.

Auditor Response: Through review of the revised project description, entitled "20191108 VCS_SC_PDD_Fazenda", the audit team can confirm that the text in question in Section 3.4 is now in Arial 10pt font. Therefore, the non-conformity has been resolved.

NIR 75 Dated 14 Nov 2019

Standard Reference: VCS Project Description Template v. 3.3

Document Reference: 20191029 VCS_SC_PDD_Fazenda

Finding: On the title page of the referenced PD, the audit team notes that the project title is misspelled as follows "Mutli-species Reforestation in Mato Grosso, Brasil ONF / Peugeot S.A.", while the title page heading reads "MULTI-SPECIES REFORESTATION IN MATO GROSSO, BRAZIL." In addition, the project title is required to be consistent with the title listing on the Verra webpage ("Multi-Species Reforestation in Mato Grosso, Brazil").

Project Personnel Response: The title page of the reviewed PD (20191115 VCS_SC_PDD_Fazenda.docx) was updated with correct Title "Multi-Species Reforestation in Mato Grosso, Brazil".

Auditor Response: Through review of the revised project description, entitled "20191115 VCS_SC_PDD_Fazenda", the audit team can confirm that the project title on the cover page has been revised. However, the word "multi" continues to be misspelled in as "mutli", leading to an inaccurate specification of the project title. Therefore, the non-conformity has not been fully resolved.

Project Personnel Response 2: In the reviewed PD (20191116 VCS_SC_PDD_Fazenda.docx), project title was corrected

Auditor Response 2: The audit team reviewed the revised project description, entitled "20191116 VCS_SC_PDD_Fazenda.docx", to confirm that the project title was consistently applied. The finding can now be closed.

NCR 76 Dated 26 Nov 2019

Standard Reference: VCS Monitoring Report Template v.3.4

Document Reference: 20191115 VCS-Monitoring-Report

Finding: The following non-conformities to the requirements of the VCS Monitoring Report Template have been identified:

1) Section 1.4 of the VCS Monitoring Report Template requires the following: "Provide contact information and roles/responsibilities for any other project participant(s). Copy and paste the table as needed." The monitoring report states that "... a Consultative Scientific Committee of the project, with 12 members, stands each year in order to discuss on project objectives and advancements, and leads to recommendations through a technical report publicly available. The committee reflects the partnerships of Brazilian and French entities in the framework of the project." However, the provided table has not been copied and filled out in order to provide contact information for each entity involved in the Consultative Scientific Committee.

2) Section 2.4.2 of the VCS Monitoring Report Template requires the following: "Describe the process for, and the outcomes from, ongoing communication with local stakeholders conducted prior to verification. Include details on the following... The procedures or methods used for engaging local stakeholders (eg, dates of announcements or meetings, periods during which input was sought)."

While the methods and results after engaging stakeholders are fully explained, the procedures or methods used for engaging local stakeholders are not clearly described in Section 2.4.2 of the monitoring report.

3) Section 4.4 of the VCS Monitoring Report Template requires the following: "Quantify the net GHG emission reductions and removals, summarizing the key results using the table below." In the table in Section 4.4 of the monitoring report, summary information in the "Total" row is present for the "Net GHG emission reductions or removals" but missing for the "Baseline emissions or removals", "Project emissions or removals" and "Leakage emissions".

Project Personnel Response: 1) In section 1.4 of the Monitring Report (20191127 VCS-Monitoring-Report.docx) a table for the Consultative Scientific Committee was added. It is important to note that the members of the scientific committee act in their own name and not on behalf of their respective organizations, for that reason these entities are not considered project participants.

2) Detailed information about procedures or methods used for engaging local stakeholder is provided in sections 2.4.2 of the Monotring report (20191127 VCS-Monitoring-Report.docx)

3) The row "Total" of the tbale "Net GHG Emission Reductions and Removals" in section 4.4 of the monitoring report (20191127 VCS-Monitoring-Report.docx) was completed with information for Baseline emissions or removals and project emissions or removals.

Auditor Response: The audit team reviewed the revised Monitoring Report ("20191127 VCS-Monitoring-Report.doc") and evaluated the issues as follows:

1) The correct table has been added to Section 1.4 with information regarding the Consultative Scientific Committee.

2) Section 2.4.2 contains detailed information regarding local stakeholder engagement and the efforts ONF Brasil has undertaken in engagement. A table was added to summarize efforts made to different stakeholders, demonstrating extensive outreach activities.

3) The Table in Section 4.4 showing Net GHG Emission Reductions and Removals has been completed, with Total information now recorded for each category.

The finding is now closed.