# AMAZON RIO REDD+ IFM PROJECT VCS CCB VALIDATION REPORT TO EBCF


Rainforest Alliance

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**Summary**

This report shows the Amazon River IFM project validation process preliminary results against the CCB (3rd ed. 2013) and VCS (version 3) standards. It aims to systematically assess compliance with the indicators and requirements of these documents and also to point out non-conformities (NCRs), forward action requests (FARs) and observations (OBSs). The evaluation was done by means document analysis, interviews with interested parties and relevant actors, observations and measurements made directly in the field. The audit team had six people, five auditors in the field and one desk-based auditor. Fieldwork lasted five days, between 15 and 21 February 2017. During this period the audit team carried out forest inventories, traveled through rivers and roads analyzing different aspects of the landscape and interviewed residents from communities within the project area.

This IFM project aims to reduce GHG emissions by creating sustainable development reserves, and by ceasing forest management activities that would otherwise cause forest degradation and which are part of the baseline scenario in the project area. Developed on the basis of methodology VM0011 v1.0, the project estimates the reduction in the emission of a total volume of 1,853,000 tCO2e in relation to the baseline scenario over 36 years. In addition to the climate benefits caused by the reduction of forest degradation in the region, the project aims to promote social benefits to the reserve's residents. In this sense, it deals with issues related to health, education and income generation. In relation to biodiversity benefits, the project also aims , to protect habitats and rare and endemic species, through the creation of protected areas and monitoring actions. The audit team raised 29 NCRs, 04 FARs and 12 OBSs. This document is the final audit report, and.it shows that all NCRs that have been closed due to the corrective actions taken by the project proponent.

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# 1 INTRODUCTION

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2013 accredited validation and verification body; additionally, Rainforest Alliance is a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by the Rainforest Alliance, see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

The Instituto de Manejo e Certificação Florestal e Agrícola - IMAFLORA works in partnership with the Rainforest Alliance under its accreditation, delivering certification, validation and verification services of forest enterprises and carbon projects in Brazil. For a full list of services offered by Imaflora visit: http://www.imaflora.org/certificacao-socioambiental_carbono.php.

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## 1.1 Objectives

The purpose of this report is to document the conformance of Amazon RIO REDD+ IFM project with the requirements of the Climate, Community, and Biodiversity Standard Third Edition (2013) and VCS Version 3. The project was developed by EBCF – “Empresa Brasileira de Conservação de Florestas”, hereafter referred to as “Project Proponent”. The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent’s systems and performance against the applicable standard(s).

## 1.2 Scope and Criteria

**Scope:** The scope of the validation audit is to assess the conformance of the Amazon RIO REDD+ IFM Project in Manicoré, AM, Brasil, against the Climate, Community, and Biodiversity

Standard Third Edition (2013) and VCS version 3. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 18.559 ha. The land is private. The project has a lifetime of 36 years, and estimates it will avoid the emission of 1,853,000 tCO2e over the course of the project lifetime.

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

- CCBA. 2013. Climate, Community & Biodiversity Project Design Standards Third Edition. CCBA, Arlington, VA. December, 2013. At: www.climate-standards.org.
- CCBA. 2013. Rules for the Use of the Climate, Community & Biodiversity Standards (December 2013). CCBA, Arlington, VA, USA. December, 2013. At: www.climate-standards.org.
- Verified Carbon Standard Program Guide 2011 v. 3.5;
- Verified Carbon Standard 2015 v. 3.5;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2013 v. 3.4;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2012 v.3.2;
- VM0011 – Improved Forest Management - Logged to Protected Forest (IFM-LtPF) v1.0;

**Materiality:** All material GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion were considered in the validation decision. The project ex-ante estimates it will lead to 1,853,000 tCO2e over the project lifetime, with an average annual reduction of 51,472 tCO2e. Hense, it is not considered as a VCS large project because the credits will not exceed 300,000 t CO2 yr-1 and is subject to a 5% materiality threshold.

### 1.3 Level of Assurance

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

## 1.4 Summary Description of the Project

The Amazon Rio Project consists in preserving a mosaic of four particular areas named Amazon Rio I, II, III, and IV, totaling 18,559 hectares of forest, located in the City of Manicoré, State of Amazonas. The Project main goal is: (i) to conserve forest ecosystems and biodiversity; (ii) to sustainable develop the area, including promotion of ecotourism and scientific research, and (iii) to reduce carbon dioxide ($CO_2$) emissions by containing forest degradation through the suspension of forest management activities authorized by the pertaining environmental agency at the project area.

The abovementioned management plan was approved in 1998, authorizing the selective harvest of wood within an area of 18,559 ha[1], over a period of 25 years. From 1999 to 2009, 4,347.69 ha had been exploited due to the authorized forest operation (ref. 06). In February 2011, the area was acquired by *Empresa Brasileira de Conservação de Florestas* (Brazilian Enterprise for Forest Conservation - EBCF), which took important decisions to implement the project objectives: suspending existing wood extraction operations at the project areas and transforming them into Private Reserves for Sustainable Growth (RPDSs). The first of the main private areas was transformed into a protected area in June 2013, by the Amazonas Department of Environment and Sustainable Development (SDS), via Ordinance/SDS/No. 86/2013. The other private areas, Amazon Rio II, III and IV, are under analysis by the SDS for future homologation. It is proposed that the four areas form an integrated system of Private Conservation Units managed by EBCF by means of a Management Plan (ref. 29).

The earnings from carbon credits will be used to maintain the forest by implementing the activities provided in the Reserve Management Plan (ref. 29), including social and environmental monitoring programs. In addition to the carbon credits, the proponent intends to obtain earnings by the Legal Reserve Compensation (CRA)[2]. Having those financial mechanisms focusing on conservation, it is estimated that after the actions of Amazon RIO REDD+ IFM Project are implemented they shall prevent the emission of about 1,853,000 million tons of carbon for a period of 36 years and positively affect the biodiversity and communities within this context.

[1] Effective management area, not considering permanent preservation areas and watercourses.
[2] The Legal Reserve Compensation - CRL is a provision set forth in item III and paragraphs 5-7 of art. 66 of the Forest Code (Federal Law No. 12.651/2012) authorizing public domain Conservation Units with pending land property regularization to receive, as a donation, private properties located within its limits for Legal Reserve Compensation purposes of properties outside the CU, since they are in the same biome.

In its social scope, the project intends to improve the quality of life of 450 families that live in the 15 communities within this context, by means of actions related to health, education, and income generation. The positive impacts to biodiversity, planned by the proponent, arise from the very creation of protected areas, forming of wildlife corridors that will foster the protection of endangered species andspecies that attract commercial interest and landscape preservation. It is important to emphasize that the expected impacts in biodiversity and communities with the project implementation are related to the monitoring programs that will incorporate the participation of the communities in taking actions for environmental conservation.

# 2 VALIDATION PROCESS

## 2.1 Method and Criteria

The audit was carried out by a combination of a field assessment and a desk-based assessment of the project documentation.. The field work took place on February 15 and 21, 2017. During this period, five auditors covered the project area, taking notes, performing measurements and interviewing residents around the reservation and the project team, in such a way as to ensure a representative sampling of all auditable criteria. In this sense, five forest inventory plots were “reinventoried”, and seven existing communities were visited by the audit team.

The audit team considers the adopted sampling design sufficient for decision making regarding the analysis of project compliance to the applicable requirements.

Additionally, during the field work, the audit team interviewed representatives of competent government agencies in the area and had a field excursion to one of the management areas as well as a sawmill controlled by the proponent that is currently unused and not within the project scope. The project documentation remote analysis focused on issues related to financial aspects, reserve management plan, methodology application, principles adopted in the project, parameters employed and, ultimately, estimating the reduction of GHG emissions.

The table below shows the audit team and its qualifications:

| Auditor(s) | Qualifications |
|---|---|
| Bruno B. Souza – | Climate and Environmental Services Coordinator at Imaflora. Senior lead auditor. Forest Engineer graduated by Escola Superior de Agricultura |

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| Lead auditor | "Luiz de Queiroz" (ESALQ). Biologist graduated by Universidade de São Paulo (USP). Bruno was empowered by the Instituto Floresta Tropical (IFT) and Imaflora through intensive evaluations in FSC Forest Certification and Reduced Impact Exploration. He was trained as lead auditor of management systems by ATSG (Lead Assessor ISO 14001:2004). He has six years of work experience in FSC, when he worked with forest management and chain of custody certification, which has included promotional statements and trademark approval processes. He was trained to be a carbon auditor by Rainforest Alliance and currently integrates Imaflora's climate team. He has technical expertise on VCS and CCB standards and is also experienced on the development of REDD+ policies social and environmental safeguards. He has three years of work experience with climate changes, payment for environmental services and environmental services certification schemes, when he had audited several projects in Brazil. |
| Bruno Castro | Forestry Engineer at ESALQ / USP, with 5 years of experience in forest management in the Amazon. Postgraduate in Integrated Management of Socioecological Systems of Family Production in the Legal Amazon by the University of Florida (UF). Participated in the Management Course on Management and Exploration of Reduced Impact delivered by IFT in 2011 and the Course on Monitoring of Forest Management by Imazon in 2012. Additional training as a leading auditor in Environmental Management Systems - Lead Advisor ISO 14001: 2015 by ATSG , Recognized by ABENDI / RAC (OTR 012). |
| Isabel Drigo –<br><br>Desk reviewer | PhD in Environmental science by PROCAM/USP/AgroParisTech/França, with thesis about barriers on implantation of forest concessions in Latin America. Author of a dissertation about impacts of FSC forest certification over two communities in the state of Acre. She was trained to be an internal auditor of FM-06, April 19th, 2012 ISO 9001:2000. She has seven years of experience in audit teams administration at organic certification processes. Since 2008 she executes audits over the social principle and criteria in community forest management and in forest management enterprises. She was also trained as lead auditor of |

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| | management systems by ATSG (Lead Assessor ISO 14001:2004) and to be a carbon auditor by Imaflora. |
| Mauro Isler | Agronomist with experience in GMP, GLOBALGAP, organic audits and systems of production and quality management in agricultural and forestry production, acting as auditor since 1997. Lead auditor ISO 9000: 2000 conferred by ATSG / INMETRO in 2004. Specialist in Tourism and Environment. Has training in auditing FSC certification of forest management conferred by IMAFLORA in 2013. |
| Renan Kamimura | Forest Engineer graduated by Lavras Federal University (UFLA) in 2009. Renan has a strong working experience with environmental conservation and rural socioeconomic development projects. He is a specialist in GIS and forest biomass inventory, having worked on several REDD+ projects and PES initiatives as a consultant, developer and manager in Brazil. Renan has a comprehensive field experience in Amazon, Cerrado, Caatinga and Mata Altlântica biomes. |
| Thales West | Thales has a BA in forest engineering and a MSc in forest resources, both from the University of Sao Paulo. Thales started working with forest carbon projects in 2008, and since 2011 he works as a climate specialist auditor for the Rainforest Alliance. He is a PhD for the University of Florida, focused on land-use change decisions, remote sensing, and deforestation modelling under REDD+ initiatives. |
| Ian Starr<br><br>Senior Internal Reviewer (RRA Reviewer) | Ian is a forester and resource manager with personal and professional experience in North America, Central and South America, and Africa. His principal interest lies in improving conservation and forest management practices of forests, particularly in the tropics. He currently serves as the Technical Specialist for the Rainforest Alliance's Landscapes and Livelihoods program, where he is involved in designing landscape approaches to conservation and development projects in forestry and agriculture that promote rural development, provide climate change mitigation benefits, and help local land owners adapt to climate change-related risks. He has collaborated on a variety of forestry and natural resource management projects from Central America, to Amazonia, to the |

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| | temperate hardwood forests of the Northeastern United States. In addition, he also serves as a senior auditor for RA-CERT and to date he has participated in auditing. 25 forest carbon offset projects in Africa and South America. . Ian received his Masters degree in Forestry from the Yale School of Forestry and Environmental Studies with a focus on tropical forest and resource management, and received his B.A. from Colgate University where he concentrated in Native American Studies with a focus on the Amazon Basin. He is fluent in Spanish and Portuguese. |

## 2.2 Document Review

The following documentation was reviewed as a part of the processes involving project compliance analysis regarding requirements of applicable standards and methodologies. The table below shows numeric and specific references to the documents analyzed. Those references in the report indicate how documents have been used to review the project description and comparative analyses supporting the audit team decision-making process regarding project compliance with the applicable standards and methodologies under discussion and, ultimately, its validation.

| Ref. | Title, Autor, Version, Date | Electronic File Name |
|---|---|---|
| 1 | PDD VCS & CCB | CCB_PROJ_DESC_POR_DRAFT_1147_09SEP2016.pdf |
| 2 | Relatório de Monitoramento VCS & CCB | CCB_IMP_REP_POR_DRAFT_1147_17AUG2012_29MAR2016_V1.pdf |
| 3 | VCS VM0011: Metodologia para a Melhoria de Gestão Florestal - Floresta Manejada para Floresta Protegida (IFM LFPF): Calculando os benefícios da redução de emissões pela degradação evitada. Versão 1.0 | VM0011 IFM-LtpF.pdf |
| 4 | Procedimentos Operacionais do Inventário Florestal | HDOM#P023_Standard-Operating-Procedures_v12.pdf |
| 5 | Tamanho de parcela amostral para inventários florestais | HIGUCHI, N.; SANTOS, J. dos; JARDIM, F. C. S. 1982. Tamanho de parcela amostral para inventários florestais. **Acta Amazonica**, Manaus, v. 12, n. 1, p. 91-103. |
| 6 | Mapa de Fitofisionomias florestais da Região de Referência do Projeto | Anexo 5_Mapas de Fitofisionomia.pdf |
| 7 | EIA-RIMA e Plano de Manejo Sustentável – Valdenor II | anexo 3_Projeto mae Valdenor II - Gethal 1997.pdf |

| | | |
|---|---|---|
| 8 | Licenças de Instalação e Operação, Planos de Operação Anual do MFS, Documentos de Origem Florestal | Anexo 4_L.O. todas UPAS.pdf |
| 9 | Limites geográficos georreferenciados dos doze (12) imóveis rurais que integram a AP | EBCF\mapas/Shapes (Pasta contendo vários shapefiles e mapas) |
| 10 | RELATÓRIO TÉCNICO INVENTÁRIO FLORESTAL NAS RPDS AMAZON RIO VERSÃO 1.0. HDOM CONSULTORIA AMBIENTAL. 27/01/2016 | HDOM#P023_Relatorio-Tecnico_v1.pdf |
| 11 | VCS AFOLU Requirements v3.4 | VCS AFOLU Requirements v3.4.pdf |
| 12 | VCS Standard v3.4 | VCS Standard v3.4.pdf |
| 13 | Certidões de Inteiro Teor e memoriais descritivos | Anexo 11 - Escrituras dos doze imóveis rurais |
| 14 | Certidões de Cadastro de Imóvel Rural (CCIR) - INCRA | CCIR de onze imóveis rurais |
| 16 | Planilha de cálculo *ex ante* da linha de base das emissões de GEE do Projeto | Anexo 18_planilha de calculos de emissoes_v_final_2016.xlsx |
| 17 | Relatório de Certificação florestal do MFS | anexo 14_Certificacao SmartWood Gethal.pdf |
| 18 | Declaração legal de venda e comercialização de produtos florestais do MFS | anexo 13_Declaracoes de venda Gethal |
| 19 | Analise de risco de não permanência, EBCF | anexo 22_An+ílise de risco de n+úo perman+¬ncia _buffer v.4.xlsx |
| 20 | Autorizações de exploração e planos operacionais anuais | Anexo 6_POA e AUTEX.zip |
| 21 | Planilha Financeira, EBCF | Anexo 16_Analise Fluxo de Caixa-Amazon rio_v_finalxlsx.xlsx |
| 22 | Análise de adicionalidade financeira, EBCF | Anexo 17 - An+ílise financeira_baseline_adicionalidade.xlsx |
| 23 | Plano de negócios | Anexo 27_plano de negócios |
| 28 | Portaria/SDS/n° 86/2013 | DIARIO OFICIAL DOE - RPDS AR I.pdf |
| 29 | Plano de gestão da reserva | Anexo 09_Plano de gest+úo e anexos.zip |
| 30 | Relatorio CLPI, EBCF | Anexo 10_Consentimento Livre Previo e Informado (CLPI)_Amazon_Rio.pdf |
| 31 | Planilha de emissões do projeto, EBCF | Anexo 21_EBCF consumo de energia e transporte+balan+ºofinal_Final.xls |
| 32 | PDD VCS & CCB EBCF v.3.1 | Amazon Rio REDD_VCS CCB PD_PORT_final_3.1_13072017.pdf |
| 33 | Arquivos SIG revisados | Anexo 33_GIS files.rar |
| 34 | Análise de risco revisada EBCF 09Ago17 | Anexo 31_VCS Non-Permanence Risk Report Template, v3.2.doc<br>Anexo 22_VCS Risk Report Calculation Tool, v3.1.xls |
| 35 | Licenças Operacionais_EBCF | Anexo 1_Autorizacoes LO PMFS referente as areas ja manejadas.xls |
| 36 | Relatório tecnico Hdom v1.0 | HDOM#P023_Relatorio-Tecnico-Estimativa-Biomassa_v1.pdf |
| 37 | Planilha de calculo revisada (ex-ante) | Anexo 18_planilha de calculos de emissoes_vs_final.xlsx |
| 38 | Cronograma Físico-financeiro do | Anexo_41 - Cronograma fisico_financeiro projeto |

| | | |
|---|---|---|
| | projeto_EBCF | REDD.xlsx |
| 39 | Diário Oficial do Estado | Diário Oficial do Estado.jpg |
| 40 | Matriz de análise de impactos_EBCF | Anexo_38 - Matriz de análise de impactos das atividades do projeto.xlsx |
| 41 | Materiais da segunda rodada de oficinas junto as comunidades do entorno_apresentação, relatórios, listas de rpesença, listas de distribição, registros fotográficos, questionários preenchidos, recibo de entrega de resumo executivo, protocol de resolução de conflitos, politica anti-discriminação e contratação, matriz de sustentabilidade_EBCF | Anexo_42a - Relatório_Oficinas_CCBA.docx<br>Anexo_42b - Anexos_Oficinas_CCBA.docx<br>Anexo_42b1_Anexo I - Convite das oficinas.rar<br>Anexo_42b2_Anexo II - Lista de Presença.rar<br>Anexo_42b3_Anexo III - Caderno_Comunitário.pdf<br>Anexo_42b4_AnexoIV - Apresentação_Oficina_EBCF.pptx<br>Anexo_42b5_Anexo V - Entrega Resumo Executivo.rar<br>Anexo_42b6_Anexo VI - Protocolo de Resolução de conflitos EBCF.docx<br>Anexo_42b7_Anexo VII - Política Antidiscriminação e contratação.docx<br>Anexo_42b8_Anexo VIII - Matriz de sustentabilidade, reaplicação.pptx<br>Anexo_42b10_Anexo X - Registro fotográfico.docx<br>Anexo_42b11_Anexo XI - Questionários de entendimento das oficinas.rar |
| 42 | Política anti-discriminação e contratação_EBCF | Anexo_43 - Política Antidiscriminação e contratação.docx |
| 43 | Protocolo de recebimento de queixas e resolução de conflitos_EBCF | Anexo_42b6_Anexo VI - Protocolo de Resolução de conflitos EBCF.docx |
| 44 | Mapas de zoneamento_EBCF | Mapas_EBCF.rar |
| 45 | SOPs_HDOM | HDOM#P023_Standard-Operating-Procedures_v1.pdf |
| 46 | Planilha complementar de calculo de emissões_EBCF | Anexo 21_EBCF consumo de energia e transporte+balançofinal_Final.xls |
| 48 | Planilha financeira revisada | |

## 2.3 Interviews

The audit teamcarried out a broad consultation process with the interested parties. Direct consultations were carried out with stakeholders within the cities of Manicoré and in the communities surrounding the project.

The validation team visited 7 of 15 communities identified in the PDD.

The communities of Jatuarana, Terra Preta do Rio Manicoré, Água Azul, Bom Sucesso, Pandegal, Aldeia Kamaiua, and Terra Preta were visited. Interviews were performed individually or with families or people from the community, including 152 individuals, including interviews with community leaders. Of the leaders interviewed, these included presidents of community associations, Indian chiefs, religious groups coordinators, neighborhood association directors or

treasurers, health community agents and association members.

In Manicoré, the team spoke to private, public local, state and federal institutions, which are directly or indirectly related to the project. The validation team interviewed representatives from COMEVA (*Cooperativa Verde de Manicoré* - Manicoré Green Cooperative), IEB (*Instituto Internacional de Educação do Brasil* - International Institute of Education of Brazil) and, while those from the public sector and civil society included the City Department of Agriculture and *Instituto Chico Mendes de Conservação da Biosdiversidade* (Chico Mendes Institute for Biodiversity Conservation - ICMBio).

Before the community consultation a workshop was held at Democracia community, at which other communities participated as an integral part of the field-based assessment carried out during February 13 and 14, 2017. At the Workshop, technicians were able to talk to the residents about the FSC Certification processes, which are currently ongoing as well, and received general information on RPDS creation and REDD+ process. 13 people from 3 communities (Jatuarana, Democracia, and Vista Alegre) attended this workshop.

The chart below summarizes the interactions with the actors which are relevant for interviewing purposes, considering the scope of this validation:

| Interviewed | Local | Date | Number of participants |
|---|---|---|---|
| Coraci Pereira da Costa, morador comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 16/02/2017 | 02 |
| Marcio Leno da Costa, tesoureiro da associação da comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 16/02/2017 | 02 |
| João Bosco Pereira de Souza, morador comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 16/02/2017 | 02 |
| Zuleide Ferreira Pereira, moradora comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 2/16/2017. | 02 |
| Eunice Oliveira de Souza, moradora comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 16/02/2017 | 02 |
| Maria de Lurdes Pereira, moradora comunidade Jatuarana | Comunidade Jatuarana, Manicoré | 16/02/2017 | 02 |
| Manoel do Rosário Paula da Costa, Secretario Municipal de Agricultura | Manicoré | 17/02/2017 | 01 |
| Francivani Fernandes, assessora de projetos IEB Sul Amazonas | Manicoré | 17/02/2017 | 04 |
| Ignácio Oliete, Consultor FVA | Manicoré | 17/02/2017 | 04 |
| Adaldino da Paixão Veiga dos Santos, Presidente da COVEMA, Usina de beneficiamento de castanha. (local coop representative) | Manicoré | 17/02/2017 | 04 |
| Clodoaldo Leal Filho, Tesoureiro | Manicoré | 17/02/2017 | 04 |

| | | | |
|---|---|---|---|
| COVEMA (local coop representative) | | | |
| Victor Bruno, técnico ambiental ICMBio (Goverment) | Manicoré | 17/02/2017 | 01 |
| Manoel José Ferreira Vieira, ribeirinho próximo da comunidade Terra Preta do Rio Manicoré | Colocação São Francisco, Manicoré | 17/02/2017 | 02 |
| Neide Delgado Vieira, ribeirinho próximo da comunidade Terra Preta do Rio Manicoré | Colocação São Francisco, Manicoré | 17/02/2017 | 02 |
| Francisco Campos dos Reis, coordenador da igreja da Comunidade Terra Preta do Rio Manicoré | Comunidade Terra Preta do Rio Manicoré | 17/02/2017 | 03 |
| Maria Alves Miranda, agente comunitária de saúde da comunidade Terra Preta do Rio Manicoré | Comunidade Terra Preta do Rio Manicoré | 17/02/2017 | 03 |
| Dinalva Miranda dos Reis, secretaria da associação da comunidade Terra Preta do Rio Manicoré | Comunidade Terra Preta do Rio Manicoré | 17/02/2017 | 03 |
| Francinéia Costa de Souza, secretaria da associação da comunidade Água Azul. | Comunidade Água Azul, Manicoré | 18/02/2017 | 02 |
| Francisca Jurinéia Pinto da Costa. Agente comunitária de saúde da comunidade Água Azul. | Comunidade Água Azul, Manicoré | 18/02/2017 | 02 |
| Maria das Dores Claro de Carvalho, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Deucilene Moraes Arcanjo, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso | 18/02/2017 | 09 |
| Valdecir Albuquerque de carvalho, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Mercedes Teixeira Claro, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Rivelino Claro de Carvalho, presidente da associação da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Isael Claro de Carvalho, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| José Alicio Araújo Assunção, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Wilson Correia Carvalho, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Lenil Teixeira Correia, morador da comunidade Bom Sucesso | Comunidade Bom Sucesso, Manicoré | 18/02/2017 | 09 |
| Adailzo Cangati Barbosa, ribeirinho lado esquerdo do Rio Madeira, membro da associação da comunidade Pandegal | Comunidade Pandegal, Manicoré | 18/02/2017 | 02 |
| Gil Cangati Barbosa, ribeirinho lado esquerdo do Rio Madeira | Comunidade Pandegal, Manicoré | 18/02/2017 | 02 |

| | | | |
|---|---|---|---|
| Eraldo Felix da Cruz, Cacique aldeia Kamaiua | Aldeia Kamaiua, Br 174, Manicoré | 18/02/2017 | 05 |
| Eliana Mendes Franco, agente comunitária de saúde aldeia Kamaiua | Aldeia Kamaiua, Br 174, Manicoré | 18/02/2017 | 05 |
| Edison Felix da Cruz, morador aldeia Kamaiua | Aldeia Kamaiua, Br 174, Manicoré | 18/02/2017 | 05 |
| Manuel Arildo Felix, morador aldeia Kamaiua | Aldeia Kamaiua, Br 174, Manicoré | 18/02/2017 | 05 |
| Carlos Franco da Cruz, morador aldeia Kamaiua | Aldeia Kamaiua, Br 174, Manicoré | 18/02/2017 | 05 |
| Valmir Marques de Meneses, Pastor evangélico da Comunidade Terra Preta | Comunidade Terra Preta, Br 174, Manicoré | 18/02/2017 | 05 |
| Rosivaldo Leite de Souza, dirigente da Congregação Cristã, Jatuarana | Comunidade Terra Preta, Br 174, Manicoré | 18/02/2017 | 05 |
| João Batista Tezza Neto | Área do Projeto | 16 a 22 de fevereiro de 2017 | 01 |
| Leonardo Barrinuevo | Área do Projeto | 16 a 22 de fevereiro de 2017 | 01 |
| Valdenor Campos da Costa | Área do Projeto | 16 a 22 de fevereiro de 2017 | 01 |

## 2.4 Site Inspections

The chart below summarizes the locations visited throughout the validation audit:

| Local | Data |
|---|---|
| Manicoré, Comunidade Jatuarana, entrevistas com comunitários. | 16/02/2017 |
| Manicoré, Feira Municipal José Rui Vieira, entrevista representante prefeitura. | 17/02/2017 |
| Manicoré, COVEMA, entrevista com representantes da COVEMA, IEB e FVA | 17/02/2017 |
| Manicoré, Escritório ICMBio, entrevista com representante do ICMBio | 17/02/2017 |
| Manicoré, Colocação São Francisco, entrevista com morador | 17/02/2017 |
| Manicoré, Comunidade Terra Preta do Rio Manicoré, entrevista com comunitários | 17/02/2017 |
| Manicoré, Comunidade Água Azul, entrevista com comunitários | 18/02/2017 |
| Manicoré, Comunidade Bom Sucesso, entrevista com comunitários | 18/02/2017 |
| Manicoré, Comunidade Pandegal, entrevista com comunitários | 18/02/2017 |
| Manicoré, Aldeia Kamaiua, Br 174, entrevistas com indígenas | 18/02/2017 |
| Manicoré, Comunidade Terra Preta, Br 174, entrevistas com moradores | 18/02/2017 |
| Parcelas do Inventário Florestal (Amostra 50). Fitofisionomia: Floresta Ombrófila Densa de Terras Baixas. Comunidade Jatuarana | 16 de fevereiro de 2017 |
| Parcelas do Inventário Florestal (Amostras 17 e 22). Fitofisionomia: Floresta Ombrófila Densa Aluvial e sem Manejo Florestal. Comunidade Terra Preta | 17 de fevereiro de 2017 |
| Parcelas do Inventário Florestal (Amostras 111 e 114). Floresta Ombrófila Densa Aluvial em áreas de Manejo Florestal Sustentável | 18 de fevereiro de 2017 |

## 2.5 Public Comments

Project documentation was under public consultation at the CCB website from November 15, 2016 to December 15, 2016. No comments were received, which can be verified at the Standard website[3].

## 2.6 Resolution of Findings

This is a final report. The resolution process of the NCRs identified during the audit process is fully document in annex 01. In total, 29 NCRs were identified by the audit team during the project validation audit. These NCRs have all been successfully resolved. Altogether, the findings concerned the following issues: correcting the project area due to property boundaries and the usable area for forest management, leakage boundary delineation and market leakage analysis, inventory standard operational procedures, carbon non-permanence risk analysis, the harvest intensity used as a basis to estimate net GHG emissions reductions, the variation of carbon stocks throughout the project area, specific methodology parameters related to emissions from wood transportation and decaying of dead wood, analysis for addition evidencing, project start date, the description model used and its completeness, the theory of change and demonstration of causality between the actions and the expected impacts from project implementation, social impact monitoring and assessment schedule, consultation processes with interested parties and representatives from traditional communities affected by project actions, relevant aspects to CCB standard, such as anti-discrimination, anti-harassment and equity measures, protocols for conflict resolution, HCVs and mitigation measures for impacts on HCV, methodology employed for surveying biodiversity, social and biodiversity monitoring plans, project financial analysis, methodology deviations, crediting period, ex-ante emission estimation reductions and, ultimately, information flow used for asserting carbon and quality control protocols. For detailed information, *see* annex 1.

## 2.7 Forward Action Requests

04 FARs were surveyed by the audit team according to the project validation audit. Such findings should be ressolved by the project proponent at the next verification event. The findings regard requirements G5.2 and G5.6, of CCB Standards 3rd ed. (2013) and section 3.2 of methodology VM0011 v1.0, adopted in project description and are related, respectively, to the

[3] http://www.climate-standards.org/2016/10/20/amazon-rio-redd-ifm-reduction-of-ghg-emissions-avoided-by-degradation/

process of prior informed consent, project compliance with the Brazilian legislation and the estimate of $G_{growth\_forgone,t}$ parameter. These FARs are currently open. Their resolution is not a condition for project validation. Validation and verification bodies are encouraged to review the considerations described in the FARs identified in this report during subsequent audit events. For more information, *see* annex 1.

# 3 GENERAL

## 3.1 Summary Description of the Project

After reviewing the updated project documentation (ref. 01) the audit team concluded that the project description is accurate and complete, which allows for a clear understanding of its design.

Project objectives regarding climate, community and biodiversity are described in section 1.4 of this report.

## 3.2 Project Location

The project description contains its location and addresses basic physical parameters, such as soil, geology, topography, climate and hydrography. The project area and zone are also presented (ref. 01, section 1.3). Amazon RIO REDD+ IFM Project is located in the city of Manicoré, south of the State of Amazonas, between Madeira and Amapá rivers sustainable development reserves. The description of physical parameter for the region is supported by appropriate bibliographic review and other reputable information sources.

## 3.3 Conditions Prior to Project Initiation

The project description contains an explanation of forest physiognomies found within the project area, biodiversity within the region, threats to biodiversity and also the socio-economic and cultural conditions of communities within this context. The project is located in an area with moist broadleaf forests. Initial surveys of biodiversity were a result of forest inventory efforts at the project area and also fauna surveys at nearby protected areas. Important threats to biodiversity in project description were mainly due to forest harvestharvest targeted at valuable commercial species, and hunting and fishing by local populations within the project area. The survey on socio-economic and cultural conditions approaches aspects regarding communities

economic activity and livelihoods, health, education, housing, religious preferences, among others. Further, the project description addresses aspects regarding soil use in the area taking into consideration the deforestation dynamics in the south of the state, migration movements, deforestation economic drivers, among others (ref. 01, section 1.3).

Project documentation shows areas for community use within the RPDS and at surrounding areas, such as areas for nut, copaíba, açaí, andiroba and tucumã extraction, hunting and fishing (Ref. 29, page 63, figure 17), and also mention areas owned by families, backyards, planting areas, farms, areas of nut and rubber trees positioning (Ref. 29, page 66).

Conflicts are also described for fishing resources at Urucuri, and São João and Matupiri lakes communities; as well as conflicts for lands and natural resources (hunting) comprehending Kamayua indigenous community, west of “Amazon Rio I” reserve, along AM 174 Highway.

The audit team indicates revising the process of conflict mapping at the territory, in such a way as to consider conflicts between the Kamayuá and residents from Jatuarana, and others that may present, as an opportunity for project improvement. Moreover, special care and consideration are recommended as to the differences inherent to territory mapping processes and rights over natural resources. **Applicable to OBS#01/17.**

### 3.4 Project Proponent

EBCF – Empresa Brasileira de Conservação de Florestas is the only proponent of the project and is responsible for preparing and implementing the project. Contact information is provided in the chart below.

| | |
|---|---|
| **Company name** | Empresa Brasileira de Conservação de Florestas S.A. (EBCF) |
| **Contact** | Leonardo Barrionuevo |
| **Position** | President |
| **Address** | Office in Curituba-PR: Al. Dr Carlos de Carvalho 555, Conj. 231 Centro, Curitiba – PR, ZIP code 80430-180, Brazil<br>Manaus Office: Av. Djalma Batista 1661, Conj. 1409 A, Bloco B, Ed.<br>Business Tower, Millenium, ZIP Code 69.050-010, Manaus-AM, Brazil |
| **Telephone** | +55 41 3158 9800 \| +55 41 9943 8005 |
| **Email** | leonardo@ebcf.com.b |

The proponent directly manages all project operations, with the assistance of consulting

services hired for specific purposes. Those consulting services are described below. The audit team understands that such consulting services gather the necessary knowledge for developing and implementing projects of that nature, due to their renowned actions within their sectors. The project actions result in the creation of protected areas or sustainable development reserves. Such reserves have specific management plans, advisory councils and representative bodies formed by community leaderships. Creating and managing reserves is the key point of the project and the driving force for transformation and promotion of net benefits positive to climate and biodiversity. The audit team understands that a governance plan has to be implemented and adequate to meet the requirements of CCB standard, counting on venues for community representation. On the other hand, the governance plan is not expressly evidenced in project description. The audit team considers having an improved description of the existing governance plan, taking into account every existing scope significant to the project, as an opportunity for improvement. **Applicable to OBS#06/17.**

The Advisory Council, created as an agent for community participation, represents a discussion forum on the relevant subject to the reserve as a whole and also to the REDD+ project as one of its programs. The Advisory board does not function as a deliberative body (refs. 01 and 29). The audit team understands that there is a risk that the plan designed does not allow for effective participation, therefore, does not meet this indicator purpose. **Applicable to OBS#02/17.**

## 3.5 Other Entities Involved in the Project

According to the description in this section 3.4, the organizations hired by the proponent and that are, to some extent, responsible for developing and implementing it, are described below.

| | |
|---|---|
| **Company name** | Original Trade Consultoria |
| **Role** | Update of PD (V2.0) and coordination of the Amazon Rio REDD+ APD Project certification process |
| **Contact** | João Batista Tezza Neto |
| **Position** | Director |
| **Address** | Avenida André Araújo, 2936 – Edifício Incubadora do INPA, sala 10, ZIP code 69.060-000, Manaus-AM, Brazil. |
| **Telephone** | +55 92 981590997 |
| **Email** | tezza.neto@originaltrade.net |

| | |
|---|---|
| **Company name** | CO2X Conservação de Florestas Ltda. |
| **Role** | Technical coordination of version 1.0 of REDD+ APD Project PD, |

| | |
|---|---|
| | preparation of the Informed Consent (CLPI), coordination of the Expeditious Forest Inventory and the coordination and preparation of the Amazon Rio RPDS Management Plan. |
| **Contact** | Rosana Della Méa |
| **Telephone** | +55 11 98493 9237 |
| **Email** | rosana.dellamea@co2x.com.br |

| | |
|---|---|
| **Company name** | Renascer Desenvolvimento Humano |
| **Role** | Development of Social Programs |
| **Contact** | André Albuquerque |
| **Position** | Director |
| **Address** | Rua Coronel Dulcídio 62, Bairro Batel, Curitiba - PR Zip code 80420-170 |
| **Telephone** | +55 41 97030248 |
| **Email** | andre@renascerdesenvolvimento.com.br |

| | |
|---|---|
| **Company name** | HDOM |
| **Role** | Preparing the degradation and deforestation report; Forest inventory to calculate of biomass within the project area and technical support upon PD review. |
| **Contact** | Francisco Higuchi |
| **Position** | Director |
| **Address** | Av. Mário Ypiranga, 315. Ed. The Office, sala 609. Adrianópolis. ZIP code 69.057-002 |
| **Telephone** | +55 92 98128 2561 |
| **Email** | fghiguchi@hdom.com.br |

### 3.6 Project Start Date

The project starting date is June 5, 2013, when the private reserves for sustainable growth were established by the state department of sustainable development, pursuant to publication by the Brazilian Federal Gazette (ref. 39). The audit team understands that the event at hand sufficiently represents the project starting date considering the requirements of VCS standard, which provide for the creation of protection plans with feasible examples.

### 3.7 Project Crediting Period

36 years is the duration and crediting period of the project defined by the proponent. According to the logic presented in the project description, the period is equivalent to the remaining period of the cycle of authorized forest harvest that began in 1998, plus a complete 25-year harvest cycle. It is important to emphasize that this 25-year harvest cycle corresponds to the time

necessary to harvest one single area, in accordance with the mean annual increment observed in the amazon forest and Brazilian applicable legislation.

### 3.8 Project Scale and Estimated GHG Emission Reductions or Removals

The project area is 18,559 ha. The estimate for annual net reduction is below 300 thousand tons $CO_2$.year$^{-1}$, therefore it is not a mega project. For the purposes of estimating the GHG annual net reduction, the carbon stocks in the project area are calculated based on the volume of commercial wood previously harvested in the UPAs – Annual Production Units, defined in official annual operating licenses, together with the authorized management plan (refs. 06).

The table below shows the estimated net GHG emission reductions per vintage and VCUs generated during the project lifetime:

| Years | $C'_{baseline}$ | $C'_{actual,t}$ | $C'_{leakage,t}$ | $C'_{IFM\_LtPF,t}$ | $CC_{NPbuffer,t}$ | $VCU_t$ |
|---|---|---|---|---|---|---|
| Year 2013 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2014 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2015 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2016 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2017 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2018 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2019 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2020 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2021 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2022 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2023 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2024 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2025 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2026 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2027 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2028 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2029 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2030 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2031 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2032 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2033 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2034 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2035 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2036 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Year 2037 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2038 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2039 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2040 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2041 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2042 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2043 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2044 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2045 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2046 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2047 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| Year 2048 | 51,522 | 50 | 0 | 51,472 | 5,110 | 46,363 |
| **Total estimated ERs** | **1,854,803** | **1,803** | **0** | **1,853,000** | **183,943** | **1,669,057** |
| **Average annual ERs** | **51,522** | **50** | **0** | **51,472** | **5,110** | **46,363** |

### 3.9 Leakage Management

The methodology adopted in the project design VM0011 v1.0 considers two types of GHG leakages resulting from implementing the activities: 1) leakages from wood harvests moved to other areas owned by the proponent and 2) market leakage. Other forest areas at the region were identified as owned by the proponent during interviews. Sections 4.4, 5.2 and 5.5 of the project (ref. 01) contain arguments affirming that project actions should not cause GHG leakage, since there is no forest management plan in force for the other areas owned by the proponent. The project proponent provided the audit team with the geographical limits and land documentation of such areas, additionally to presenting similarities in phytophysiognomy and topography aspects with the project area, according to the requirements of methodology VM0011 v1.0 as to the delimitation of leakage limits.

Regarding market leakage, a valid reasoning is presented by the proponent to evidence that the project implementation would not increase management activities at the location and nor the constitution of companies. To that end, 1) documents signed by the project proponents committing to abandon management activities in other areas it owns and 2) the dynamics and trends associated with forest harvest in the region are characterized and related mainly to land issues and easy access to harvest areas, not to the wood demand itself. Characterizing dynamics and trends associated to forest harvest in the region was considered as being conceptually acceptable by the audit team. It is noteworthy that the wood production within the

project area was almost entirely attributed to Gethal, whose activities were shut down in 2006, therefore, excluding the possibility of leakage directly associated to the market.

# 4 DESIGN

## 4.1 Sectorial Scope and Project Type

It is an IFM LtPF (Improved Forest Management, Logged to Protected Forest) project, operating under the AFOLU sector scope, based on VCS methodology VM0011 v1.0 and eligible for validation under CCB and VCS standards.

The proponent evidences that project compliance with the set of requirements for methodology application, among which, the need to qualify the project area as a "forest" at least ten years before the project starting date is emphasized; such forest may be under preservation condition – which qualifies it as an "intact forest" – or even in an alternative condition of "managed forest" – also acknowledged, for the purpose of construing such methodology, as a "degraded forest due to harvest".

## 4.2 Description of the Project Activity

The project describes the project activities (ref. 01, section 2.2) and elaborates the cause and effect relation among the proposed actions and the targeted objectives, indicating the outputs, outcomes and impacts of project actions on climate, communities and biodiversity inside the logic of the theory of change.

In its description, the proponent aligns the project goals with the UN sustainable growth goals, focusing on matters related to the global climate maintenance, conservation of biodiversity, preservation of the traditional culture, income generation and local development. The proponent also emphasizes as specific goals: the creation of an alternative economy to the extraction of wood to benefit the families involved in the context, the decrease of the emission of 1,853,000million of tons of GHG, the forest preservation with consequent maintenance of biodiversity, improvement of the health and education conditions in the area, and finally, the empowerment of women in the communities in the project area. The proponent also defines as specific activities, interrupting the forest management actions, the implementation of a management plan for the reserve, actions linked to ecotourism, education, construction of infrastructure, scientific research, trading of environmental reserve quotas, training, health,

structuring of production chains for forest non-wood forest products, agroforestry systems, monitoring programs and access to public policies, among others.

It is the VB team understanding that the project activities will lead to positive impacts to the climate, the community and biodiversity. Forest preservation efforts will result in the maintainance of the carbon stocks and viable habitats for a diverse of Amazon species, while improvement of the health and education conditions in the area will resut in improvement of the life quality for communities. Finally, project activity related to the empowerment of women in the communities in the project area will lead to a more equitable community and again to the improvement of the life quality for communities.

### 4.3 Management of Risks to Project Benefits

The risk assessment issue is addressed in the project according to the methodological approach proposed by CCB and VCS standards, thus, in two different forms.

A risk assessment is presented compared to the intended benefits to climate, communities and biodiversity which are expected due to project implementation. In this regard, it relates to illegal wood harvest by external agents, forest fires, interference in traditional systems of resource use and predatory harvest of fauna and flora as the main risk factors to the project, whether natural or human-induced. The indicated mitigation measures were the creation of sustainable development reserves as a way to improve governance and territory protection, formation of environmental agents for territory monitoring, among communities, installation of forest fire prevention and combat systems, which shall have trained teams, monitoring towers, programs for environmental education and adoption of good agricultural practices that recommend implementing farming management without employing fire, and improvement of traditional production systems (ref. 01, section 2.3). The project proponent points out to the structuring of non-wood forest products supply chain as an strategy to generate resources that will promote maintenance of the benefits provided by the carbon project outside its duration period, which was considered as a plausible approach, thus, in compliance with the CCB standard.

### 4.4 Measures to Maintain High Conservation Values

The proponent identifies high-value attributes in communities and also biodiversity within the project area.

Supported by a conservation strategy created by the Ministry of Environment, which advocates the consolidation of preservation units for the protection of biodiversity and sustainable use from the territory, the proponent identifies the entire area of the project as a high value attribute for the conservation and proposes impact mitigation and HCVs maintenance measures, namely: creation and management of preservation units integrated to other protected areas in the region (mosaic) and supplementary action to the state, supporting it in its inspection, leadership and control actions in the region. Several other HVCs, which are directly related to biodiversity, are proposed such as: endangered, endemic and rare species (the full fauna and flora list is available in the PD), areas of natural refuge to wildlife and the presence of rare and endangered ecosystems. Measures to mitigate impacts and maintenance of associated HCVs are related to monitoring practices, inventory, guidance to sustainable extraction practices, awareness, linkages with inspection bodies, among others.

High value attributes for conservation to the communities were also identified and are related mainly to forest essences traditionally used as medicines, the traditional culture of the riparian people from Amazon and the use areas of the Kamayuá indigenous community. The measures intended for mitigation of impacts and maintenance of associated HCVs are related to the monitoring of extraction activities, identification of the supporting capacity for harvest of certain species and agreements for use and extraction of those natural resources along with the communities, and also the creation of a channel of continuous communication or a claim and conflict resolution protocol. Maps were provided describing the use areas of surrounding riparian people and indigenous communities.

### 4.5 Project Financing

Full project documentation comprehends financial spreadsheets with earnings, costs, financial parameters and other relevant aspects to analyze and evidence its feasibility (ref. 22). The financial spreadsheet details costs regarding the project activities in its five [sic] points: management, climate, biodiversity, income generation, education and health, inclusion and social empowerment. The activities described in the document correspond to the project actions and comply with ToC matrix. Earnings presented correspond to the carbon credits generated over the course of the project, considering the adopted premises and those regarding ton value and exchange rate. Cost estimation was based on the project staff previous experience and also carried out in a separate manner, through budgeting of specific activities, which could be verified during interviews by the audit team.

The presented financial flow contains earnings from carbon credits and also Environmental Reserve Shares, and a sensitivity analysis was performed for those items. The sensitivity analysis allows to identify how robust the model is against variations in gross income.

Annexes 17 and 18 (ref. 16 and 22) present IRR and NPV calculations, but not the "Breakeven" and "Payback", required by VCS standard non-permanence risk analysis. This aspect was not handled as a non-compliance, since the project proponent conservatively adopts the highest risk factor associated with such tool. The audit team considers the following an opportunity for improving the project: 1) performing sensibility analysis for other income sources (carbon and management of non-wood products) and 2) that the breakeven point and payback are calculated in the spreadsheet so that the results can be observed for those indicators even in the sensitivity analysis. **Applicable to OBS#04/17.**

The institution's financial health can be evidenced by the initial resource input available to the proponent organization by investor partners (ref. 01, section 2.5.) The information presented in project description was verified by the audit team by document analysis (refs. 21 and 22).

### 4.6 Employment Opportunities and Worker Safety

A strategy aiming at trainings in several areas and engagement in monitoring programs is presented in the project description as a way of offering employment opportunities to the communities within this context. Such strategy was understood as plausible by the audit team, considering that many of the project's actions are supported by the community, which is a key component for its implementation. As an example, we can mention the structuring of productive chains targeted to non-wood forest products and adhesion to programs for environmental agent qualification. The description also presents special attention to potentially excluded groups, such as young people and women, compliance with labor laws and the aspects related to the workers' health and safety in specific activities as guidelines of the project (ref. 01, section 2.6).

The project includes a specific equality policy for hiring employees, with special attention to women and other excluded community groups. This policy presents principles related to equality and non-discrimination in the hiring processes, with reference to the covenants 100 and 111 from OIT, that comprehends such subjects and of which Brazil is a signatory.

The project documentation (ref. 01, item 2.6 page 59) broadly mentions trainings, operating procedures and the use of PPE. It is limited to indicate the importance of such aspects in the

project, however, it does not specify the measures or occupational risk analysis provided by CCB standard. Such omission was considered relevant by audit team, since the project involves developing and structuring non-wood forest products supply chain, such as the nut, and those activities present occupational risks. However, it is understood that such actions are not yet being implemented. Therefore, it is important to widely assess situations and occupations which may arise from implementing the project and represent a substantial risk to workers' safety, as well as implement measures to instruct workers, in such a way as to minimize occupation risks, until the next verification. **Applicable to FAR#04/17.**

### 4.7 Stakeholders

The project documentation review informed the history of actions carried out by the proponent, in order to stimulate the participation of the communities within this context (ref. 01, page. 62). The proponent explains that, in order to provide the project "full documentation", three workshops were held, where an overview of the project was presented to the communities and support entities in a "simple language" during initial project planning. Records on the workshops carried out in the communities are included in the reserve management plan, and were made available to the audit team (ref. 29). The project description mentions the content covered in these consultation steps (ref. 01, section 3.7, page. 38). The proponent of the project increased its consultation and interaction efforts with the surrounding communities, carrying out a second cycle of workshops together with the communities in the period from April 24 to 28, 2017. In these workshops, the proponent addressed general aspects related to climate changes, deforestation and destruction avoided and implementation of the project, presenting associated concepts and a detailed history of the activities. Furthermore, the proponent explained the different goals of the project, its action subjects and activities, also listing inherent opportunities, risks and challenges. In the workshops, the role of standards and verification and validation bodies was also discussed, the claim and dispute settlement mechanism and the participatory monitoring activities were explained and divulged, involving aspects related to the biodiversity, social aspects and high value attributes for conservation. At the end of the workshops, the proponent applied quizzes, in order to check the understanding of the participants. The records on the execution of workshops and their results are extensive and were submitted to and considered by the audit team as appropriate and sufficient to show that the project complied with the CCB standard. The audit team considers sufficient the current interaction effort along with the communities executed by the proponent of the project.

The project proponent also presented invitation letters, in order to show its past effort towards stimulating the participation of institutions mapped as “relevant stakeholders" in 03 different workshops. The list of invited participants covers several local entities and relevant government agencies, communities, media, among others. Such actors, as local, state and federal governments representatives, as well as civil entities representatives, were interviewed by the audit team and highlighted their knowledge regarding the project.

The project documentation provides a conflict resolution procedure (ref. 01, item 2.7, page 63). The procedure was prepared taking into consideration the specific requirements of the CCB standard and presents an organization chart, which acts as decision-making key. This key presents the paths and specific actions to be taken in case of relevant and not relevant claims to the project scope, whose development occurs in a friendly and not friendly way. The audit team understands that the proposed protocol acts towards receiving, listening, answering and attempting to solve claims and that it is, therefore, in accordance with the CCB standard. It is important to emphasize that the protocol at hand was presented and discussed in the second round of workshops with the surrounding communities. In spite of the above, we consider that 1) the project description does not contain Valdenor contact data, who is responsible for receiving the complaints; 2) the decision-making key does not point a clear path in case of non-friendly settlement for situations, and 3) the procedure does not include clear deadlines for each step, however this was classified as an Observation, **Applicable to OBS#08/17.**

The reserve management plan shows areas for community use within the RPDS and at surrounding areas, such as areas for nut, copaíba, açaí, andiroba and tucumã extraction, hunting and fishing (Ref. 29, page 63, figure 17), and also mention areas owned by families, backyards, planting areas, farms, areas of nut and rubber trees positioning (Ref. 29, page 66). Conflicts are also described for fishing resources at Urucuri, and São João and Matupiri lakes communities; as well as conflicts for lands and natural resources (hunting) comprehending Kamayua indigenous community, west of “Amazon Rio I” reserve, along AM 174 Highway. A revision of the process of conflict mapping at the territory is indicated by audit team, in such a way as to consider conflicts between the Kamayuá and residents from Jatuarana, and others that may present, as an opportunity of project improvement. Moreover, special care and consideration are recommended as to the differences inherent to territory mapping processes and rights over natural resources. **Applicable to OBS#01/17.**

### 4.8 Commercially Sensitive Information

The project proponent considers the cash flow analysis and the agreement signed by the shareholders represented by the documents: "Annex 16 - Cash Flow Analysis Amazon Rio Vs Final" and "Annex 27_ Business Plan and EBCF Shareholder Agreement ", respectively as commercially sensitive information.The audit team had access to and analyzed the entire project documentation to assess compliance with CCB and VCS standards. The assessed documents, including financial spreadsheets and agreements, are listed in section 2.2.

### 4.9 Sustainable Development

In the description (ref. 01, section 1.2), the proponent connects the project goals to United Nations sustainable development goals, which clarify how the project will promote sustainable development in the area.

### 4.10 Grouped Projects

Not applicable. The project was not designed as group.

## 5 LEGAL STATUS

### 5.1 Compliance with Laws, Statues, Property Rights and Other Regulatory Frameworks

Project description comprehensively lists the applicable legislation (ref. 01, section 3.1). However, interviews with the project staff evidenced that the properties have not yet been registered by the proponents in the CAR official base according to the applicable legislation, namely: 1) Federal Decree No. 7.830/2012: Provides on the Environmental Rural Registry (CAR), establishing general standards to the Environmental Regularization Programs addressed by Federal Law No. 12.651/2012; and 2) Provisional Presidential Decree No. 724/2016. The term limit for registration in the Rural Environmental Registry (CAR) and adhesion to the Environmental Regularization Program (PRA) is extended to December 31 2017[4,5]. Recognizing the extension by the provisional decree, the audit team has categorized this as a FAR in order to indicate the need for future attention to this issue at the next verification event. **Applicable to FAR#02/17.**

[4] http://www.planalto.gov.br/CCIVIL_03/_Ato2015-2018/2016/Lei/L13335.htm
[5] http://www.planalto.gov.br/CCIVIL_03/_Ato2011-2014/2012/Lei/L12651.htm

The project description (Ref. 01, item 3.1 page 63) presents the applicable legislation list, including federal labor legislation, however, the regulation on occupational health and safety is not referenced. The audit team recommends special attention to the applicable legislation and the full description of the project regarding the applicable legal framework. **Applicable to OBS#03/17**.

### 5.2 Evidence of Project Ownership

Copies of land titles were presented according to registrations in the City's Notary Office, among other documents pertaining to the land analysis, and evidence of ownership of the project area (refs. 13 and 14), which give rise to the rights over carbon. The land titles presented show the official registration of the local county while the CCIRs are valid, and their validity was checked independently by the audit team through the INCRA website. Moreover, the proponent right of use is demonstrated by the documentation evidencing that the private reserve for sustainable growth has been homologated by the competent authorities, published in the state's official journal (ref. 28), (ref. 01, section 3.2).

### 5.3 Emissions Trading Programs and Other Binding Limits

The project design (ref. 01, section 3.3) correctly specifies that Brazil is not listed in Annex I of Kyoto Protocol, thus, there is no national obligation towards the reduction of GHG emissions. The audit team verified that the project is not currently involved with any initiative to generate credits whether voluntarily or in the context of regulatory plans (MDL). The project complies with CCB and VCS standards.

### 5.4 Participation under Other GHG Programs

The proponent states that the project has not been, nor is it intended to be, registered under any other standard. The audit team verified that the project is not currently involved with any initiative to generate credits whether voluntarily or in the context of regulatory plans (MDL). The project complies with VCS standard requirements and VCS requirements for AFOLU projects.

### 5.5 Other Forms of Environmental Credit

The proponent points out to the potential trading of environmental reserve quotas (CRA) as a

source for financial resources. The audit team does not consider such quota trading as related to carbon credits or other forms of credits in connection to GHGs, mainly due to the fact that the compensation mechanism provided by Federal Law No. 12.651/2012, is not supported by any type of quantification of carbon stock or GHG emission removal/reduction. Therefore, the project complies with VCS standard requirements and VCS requirements for AFOLU projects.

### 5.6 Projects Rejected by Other GHG Programs

The proponent states that the project was not rejected by other alternative programs since it was not previously validated/verified by any other GHG program. The audit team verified that the project is not listed in any other GHG program.

### 5.7 Respect for Rights and No Involuntary Relocation

The project implementation is currently taking place in private areas. The communities within this context reside in the project area surroundings and have a key part when implementing it, since the actions are partly supported by the structuring of non-wood product supply chains, qualification of environmental agents for monitoring, among others. More than that, one of the key actions of the project is creating reserves for sustainable use, which, in turn, increases territory governance and community participation in the decision-making process, reaffirming their presence in the region. Therefore, it was concluded that the project will not override other properties and communities will not be reallocated due to their activities.

In order to demonstrate the process for obtaining the informed consent of project activities performed by surrounding communities, the FPIC report (ref. 30) was presented by the proponent, listing the topics addressed during the community workshop. A document analysis showed that some activities provided by the project, such as “fishing regulation” (page 37); “improvement in traditional production systems and agroextractivism management” (page 43); “volunteer environmental agent program” (page 36); “ecological and scientific tourism” (page 147); “vigilance task forces” (page 37) are not in the minutes of meeting. In interviews during the field work, the project team emphasized that it was not detailed any further at the workshops so that no expectations would compromise project implementation in subsequent stages. This is understood as a plausible argument; however, it is important to emphasize that the activities proposed impact the communities, therefore, they are subject to being included in a consultation process, focusing on obtaining informed consent. After the field audit, another workshop round

was held, addressing subjects related to the project activities and income generation, cultural valuation and forest conservation. Additionally, the results of workshops to elaborate the reserve management plan were addressed, comprehending aspects regarding the sustainability matrix, specifically connected to family agriculture, supply chains (non-wood forest products processing, transportation and trading), fishing, aquaculture, forest management, technical assistance and access to credit. Therefore, the effort endeavored by the proponent is considered sufficient for validation by the audit team. It is worth emphasizing the need to conduct continuous interaction processes with the communities, in a way to stimulate their participation and obtain informed consent on every relevant aspect of the project and that may be have potential impacts. **Applicable to FAR#01/17.**

### 5.8 Illegal Activities and Project Benefits

Several illegal activities that take place in the project zone are addressed in the project description, such as unauthorized wood extraction, land grabbing, illegal fishing and hunting. The proponent points out to the monitoring and vigilance mechanisms proposed as project actions to control and mitigate these activities. This is understood as sufficient for the proposed effect and, therefore, for compliance with CCB specific requirement.

## 6 APPLICATION OF METHODOLOGY

### 6.1 Title and Reference of Methodology

Methodology VM0011 v1.0, “Improved Forest Management - Logged to Protected Forest (IFM-LtPF)” was adopted to develop the project, and is properly identified in section 4.1 of the project design (ref. 1).

### 6.2 Applicability of Methodology

Conditions for applying VM0011 v1.0, as well as justifications for adjusting the project to the methodology at hand, were presented in table 6 of the project description (Ref. 01, Section 4.2). The project compliance analysis regarding each application condition listed in the methodology is evidenced in the table below, prepared by the audit team:

| Criterion | Compliance analysis |
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| Project type: Improved Forest Management - Logged to Protected Forest; with no removals (e.g. harvesting, planned biomass burning) occurring in the Project Area upon implementation of the actual project (with the exception of felling sample trees for validating or deriving project-specific parameters presented in Section 7.2.4). | The project comprehends converting managed forests in protected areas without wood harvest. |
| **Condition of the Forest:** Intact forest or previously logged forest (also known as forest degraded due to logging) Land within the Project Area must have qualified as forest at least 10 years before the project start date. | Part of the project area had been previously exploited and the other part remains intact. Both areas are eligible according to VM0011. The audit team considers the compliance criteria to be met. |
| **Type of Forest:** Tropical forests including evergreen tropical rainforests, moist deciduous forests, tropical dry forests and tropical upland forests (see Appendix A for definition), except peat swamp forests. | Tropical forest, as is the case of the forests within the project area, are eligible according to VM0011. v1.0, section 1.1, table 1-1. According to the project description the existing forest physiognomies in the project area are Alluvial Dense Rainforest and Lowland Dense Rainforest. The classification of the existing phytophysiognomies is substantiated by IBGE data and by the observation of the auditors in the field, in the case of humid tropical forests. The audit team considers the compliance criteria to be met. |
| **Forest Product Type:** Harvested wood products i.e., sawlog, pulplog and commercially harvested fuelwood (See Appendices A | Wood forest products, e.g. logs, are eligible according to VM0011 v1.0, section 1.1, table 1-1 .. The proponent submitted a sustainable forest management plan approved by the competent environmental agency (IPAAM) to the audit team. The document serves precisely the purpose of managing the forest to obtain wood products. The |

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| and B.9). | audit team considers the compliance criteria to be met. |
| **Driver of Degradation:** Legally sanctioned logging (timber and commercially harvested fuelwood) undertaken in accordance with the relevant laws, regulations and codes of practice of the country in which the Methodology is being applied. | Wooden harvest was carried out in accordance with the legislation in force and common practices (Annex 6). The audit team evaluated the operating licenses and annual operating plans issued by the responsible environmental agency (IPAAM). The documents prove that the logging was legally sanctioned. The audit team considers the compliance criteria to be met. |
| **Baseline Activities to be Displaced:** Legally sanctioned selective logging for specific forest product types presented above | Legally-authorized wood extraction is the activity prior to the project which will be relocated (Annex 6). The proponent submitted to the audit team the sustainable forest management plan approved by the competent environmental agency (IPAAM). The document serves precisely the purpose of managing the forest to obtain wood products. The audit team considers the compliance criteria to be met. |
| **Project Area:** Must be designated, sanctioned or approved by the relevant authority in the host country for the selective logging | The proponent submitted to the audit team the sustainable forest management plan approved by the competent environmental agency (IPAAM) (Annex 6). The document serves precisely the purpose of managing the forest to obtain wood products. The audit team considers the compliance criteria to be met. |
| **Carbon Pools considered:**<br><br>• Aboveground biomass (AGB) of all trees as defined by the relevant authority in the host country<br><br>• Harvested wood products (HWPs) based on domestic production not domestic consumption | Pursuant to VM0011, the only stocks considered in the project description are from the biomass above the soil, wood products (i.e. HWPs) and dead wood, in accordance with VM0011 v1.0, the only reservoirs considered in the project description are above ground biomass, wood products (i.e., HWPs) and dead wood. |

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| • Deadwood (DW).<br><br>**Carbon Pools not considered:**<br><br>• Aboveground biomass (non-trees)<br><br>• Belowground biomass<br><br>• Soil<br><br>• Litter. | |

Thus, having verified all the conditions of application of methodology VM0011, v1.0, arranged in its section 1.1, table 1-1, the audit team concludes that the methodology can be used in the project.

### 6.3 Methodology Deviations

The project proponent has chosen to estimate the forest degradation caused by management activities in the baseline scenario via option "01" of VM0011 V1.0, which relates to the existence of previous inventory data (ref. 20). Project baseline was defined considering the mean wood extraction intensity from 1999 to 2009 (ref. 01, section 5.1.1 and ref. 16). The usage of this information was reported by the project proponent as a methodology deviation, because the pre-existent inventory is more than 05 years old.. The audit team considers that the deviation leads to accurate estimations of the net GHG emissions reductions, since they are related to volumes actually exploited by the land owner within the project area after approval from the responsible environmental agency (IPAAM) Thus, ex-ante estimates calculation considers a projection of the harvest intensity based on the average wood exploited in the project area before the project start date, insted of a harvest plan. In addition, the harvest authorizations take into account inventories of 100% of the trees with DBH above 50cm, which in its turn also leads to accurate estimates. Lastly, the audit team understands that the proposed deviation does not affect the ex-ante estimates conservatism, since they consider harvest of 06 annual harvest units, over a period of 11 years. The mean annual harvest volume considered in the calculation is equal to the harvest volume allowed by Brazilian current federal legislation[6]. Thus, the audit team understands that the proposed deviation will generate more accurate and conservative GHG emission reduction estimates. Finally, it is concluded that this deviation can be approved

[6] NORMATIVE INSTRUCTION No. 5, OF DECEMBER 11, 2006 (Ministry of Environment)

because it relates to a monitoring aspect of the project, which is permited by the VCS rules.

Calculation of parameter $C_{merch,t,}$ was assessed by the audit team based on the default values employed by the proponent for carbon in density fraction. Specific densities are employed by the proponent to determine the parameter $C_{merch,t,}$, supported by literature data from articles on South American tropical forests, which was pointed as a methodology deviation. The data employed was reviewed by the audit team and it is understood that such methodology deviation can produce more accurate emission reductions, without affecting its conservation, since the mean average for densities obtained was 0.676 d/cm$^3$. Finally, it is concluded that the deviation in question can be approved because it relates to a measurement component of the project, which is considered as subject to approval by the VCS rules.

The project proponent uses data on wood production in the municipality of Manicoré and state of Amazonas at the time of interruption of the forest management plan in order to prove that there was no market leakage due to the implementation of the project activity. The audit team reviewed the documentation published by environmental agencies in the state of Amazonas and agrees with the project proponent. In fact, after the interruption of forestry activities in the project area, wood production in the municipality of Manicoré fell in proportion to the average volume previously produced by the forest management enterprise. The audit team, therefore, understands that the proposed methodology deviation is permitted, as it relates to aspects of leakage monitoring and leads to more accurate estimates.

## 6.4 Project Boundary

According to the project design (ref. 01 – section 4.4), the project comprehends the area in which wood harvest is authorized, excluding Permanent Preservation Areas and waterbodies. Ergo, the project corresponds to the net area of the property management included in the project, totaling 18,559 ha. A data pack was provided containing information regarding space (ref. 09), through which it was possible to verify georeferenced limits of the twelve different rural estates comprising the project total area, as well as exclude permanent preservation areas.

The project documentation contains a similarity analysis between the project area and leakage areas, based on aspects related to topography and forest engineering and presents an specific map, describing the delimitation of the areas. The audit team evaluated the similarity criteria required by the methodology in section 2.2.1.2 and adopted by the project proponent and concludes that the project area has the same forest physiognomies and the same topography.

The project area presents 14.2% of Alluvial Dense Alluvial Forest (FDA) and 4.3% of Dense Ombrophilous Lowland Forest (FDTB), while the leakage area presents 14.2% (FDA) of Ombrophilous Forest Dense Alluvial and 4.3% of Dense Ombrophilous Lowland Forest (FDTB). For the classification the proponent used the IBGE databases. Thus, the audit team agrees with the degree of similarity between the project areas and the leakage area. Moreover, an independent verification of the leakage limits and land documentation was conducted by the audit team, which evidences the ownership of Valdenor Campos da Costa, thus validating the presented limits.

The project scope encompasses the carbon stocks above ground (AGB), wood products (HWP) and dead wood (DW), as stated in the project description (ref 01, table 07) and according to the requirements of VM0011 v1.0, section 2.2.3, Table 2-3, which determines that these are the only applicable reservoirs.

The project proponent presents the sources and sinks of GHG considered in the baseline scenario and in the project scenario in table 09 of the project description (ref 01) and in compliance with the requirements of VM0011 v1.0, section 2.2.4.1 , Tables 2-4, 2-5 and 2-6. The audit team evaluated the pertinence of GHG sources and sinks according to the methodology requirements, attesting its conclusions from the table below:

| **Source (S) / Sink (CS)** | **Análise do time de auditoria** |
|---|---|
| Forest Degradation (S) | The propponent counts the emission of CO2, due to forest degradation in the baseline scenario, according to VM0011 v1.0 (refs. 32 and 37). |
| Wood Products (CS) | The proponent counts the carbon stock in wood products and also the emission of CO2 due to carbon decay in long-term wood products (ltHWPs), in the baseline scenario and in accordance with VM0011 v1.0 (refs 32 and 37). Thus, logs are considered as source and sink of emissions. |
| Dead Wood (CS) | The proponent counts the carbon stock in dead wood and also the CO2 emission due to |

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| | carbon decay in the canopies (Cbranch - trim, t) and waste biomass damaged by management (CRSD, t), in the baseline scenario and in accordance with VM0011 v1.0 (refs 32 and 37). Thus, logs are considered as source and sink of emissions. |
| Natural Disturbancies (S) | The proponent counts the emission of CO2, CH4 and N2O due to natural disturbances in the project scenario and in accordance with VM0011 v1.0 (refs 32 and 37). The emissions of CH4 and N2O are subject to analysis of significance, which, according to the project description, will be carried out after the occurrence of the event. |
| Fossil fuel use in machinery (S) | The proponent counts the emission of CO2 by burning fossil fuel in machinery used for forest harvest, in the baseline scenario and in accordance with VM0011 v1.0 (refs. 32 and 37).<br><br>The proponent counts the emission of CH4 and N2O by burning fossil fuel in machinery used for forest harvest in the baseline scenario and according to VM0011 v1.0 (refs 32 and 37), which are subject to analysis of significance and have been included in the ex-ante estimates. |
| Electricity consumption (S) | The proponent counts the emission of CO2, due to the consumption of electric energy in the baseline scenario, according to VM0011 v1.0 (refs 32 and 37).<br><br>The methodology points to the need to |

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| | account for emissions of non-CO2 gases as a function of the consumption of electric energy only in sites where there is use of generators consuming diesel oil. Thus, the audit team understands that the proposer has correctly pointed out that non-CO2 GHG emissions due to the consumption of electric energy will not be reported. |

### 6.5 Baseline Scenario

The project proponent follows the step wise approach to set the project baseline as determined by the methodology.

Step 1a: The proponent correctly identifies and lists alternative land use scenarios for the project activities, namely: 1) sustainable forest management (maintenance of pre-project activities), 2) sustainable forest management + agriculture and livestock, 3) Agriculture and livestock, 4) conservation without VCS registration. The identified scenarios are understood as plausible and realistic by the audit team.

Step 1b: The project proponent considers the listed alternative land use scenarios as applicable per Brazilian legislation. The audit team agrees with this statement. No illegal activities were listed as alternative baseline scenarios.

Step 2a: the project proponent considers barriers related to lack of investments, institutional aspects, technological aspects, local traditions, common practice, social conditions and as obstacles to the implementation of the project activities without resources from carbon credit trading (alternative scenario number 4). The evidence provided on the existence of such barriers is anedoctal and data based (IBGE).

Step 2b: the project proponent eliminates alternative scenario number 2, 3 and 4 based on the lack of investments, institutional barriers (lack of law enforcement), which was considered plausible by the audit team.

Step 2c: the project proponent defines the continuation of the pre-project activities, forest management operation, as the project baseline. The audit team has assessed eah step taken

and described by the project proponent in the project description in order to determine the project baseline and understands the project description as in compliance to the applicable methodology requirements.

### 6.6 Additionality

The project addition analysis is carried out with the VCS VT0001 v3.0 tool, in accordance with the methodology adopted in project description. Based on the tool in question, in the argument proposed by the proponent in the project description and also in the financial analyzes presented, the audit team understands the project as additional.

The proponent correctly identifies and lists alternative land use scenarios for the project activities, namely: 1) sustainable forest management (maintenance of pre-project activities), 2) sustainable forest management + agriculture and livestock, 3) Agriculture and livestock, 4) conservation without VCS registration. The identified scenarios are understood as plausible and realistic. Every identified alternative scenario is compliant with the applicable legislation.

As to investment analysis, the proponent employs IRR – internal rate of return and NPV – net present value as financial indicators for comparative analysis of investment, not considering future earnings from NTFP in the project scenario (refs. 21 and 22). During interviews the proponent emphasizes that the decision of not considering earnings from those activities was caused by lack of knowledge about their potential return, and also by the fact that the NTFP product supply chain structuring have been planned to promote social benefits to the surrounding extractivist communityrather than financial return for the proponent. The audit team agrees with the proposed argument and parameter selection to demonstrate additionality presented in the project financial-physical schedule (ref. 38), as well as in the cash flow analysis (ref. 22). Further, its noteworthy that the project financial indicators (NPV and IRR) that not containing financial return regarding carbon credit trading are less favorable than those same indicators in the baseline alternative scenarios presented in table 11 of the project description. The sensitivity analysis is carried out according to the CRAs (environmental reserve quotas) price variance and project implementation cost, which corroborates with the previous conclusions.

In the additionality analysis, barriers related to investments, institutional aspects, local traditions, social conditions and land use practices are listed, such as obstacles to implement the project without resources from carbon credit trading. This was assessed considering such barrier

existence as plausible. The local demographic trend is increasing, which results in increasing demand for products and services in the area, is also taken as a potential obstacle for executing the project activities, presenting IBGE data to corroborate such trend. The audit team understands the proposed argument as plausible, considering that the demographic increase in the region, including in the communities surrounding the reserve, will put pressure on natural resources. Finally, the proponent points out to the existence of "technological barriers", connected to the community ability of managing business structured from non-wood forest product supply chain, something considered plausible by the audit team, due to the low level of schooling characteristic of traditional communities in the Amazon.

The additionality analysis was concluded taking into consideration regarding pioneering spirit of the project actions, that is, promoting a conservation initiative over forest harvest, with a management plan authorized by the relevant government agencies. The argument is considered plausible by the audit team, considering that this is the first IFM project in Brazil seeking validation from VCS and CCB standards.

# 7 QUANTIFICATON OF GHG EMISSION REDUCTIONS AND REMOVALS

## 7.1 GHG Emission Reductions and Removals

The proponent has chosen to estimate the forest degrading caused by management activities in the baseline scenario via path "01" of VM0011 V1.0, which relates to the previous existence of inventory data. Project baseline was defined considering the mean wood extraction intensity from 1999 to 2009 (ref. 01, section 5.1.1 and ref. 16). For that, the proponent considers increasing the harvested area and volume, during the mentioned period and reported in six official harvest reports, approved by the competent environmental agency (IPAAM) (ref. 20).

Pre-existing inventory data were assessed based on a sample inventory performed for such purpose in the project area (ref. 10). The inventory results were assessed by the audit team and considered to have been prepared in similar forest physiognomy, in multiple portions, complying with the minimum measurement diameter of 50 cm and employing allometric equations adjusted to Brazilian Amazon south region. The results produced values statistically below the mean volumes reported in the existing operating licenses, considering a 95% confidence interval. Thus, the audit team can conclude, based on the methodology requirements, that the proponent properly used the data provided in pre-existing operating licenses and followed the validation steps provided in the methodology.

Net management area ($A_{NHA\_annual,t}$) and volume of tradable logs ($V_{merch,t}$) were verified by the audit team based on operating licenses issued by the responsible environmental agency (IPAAM). Calculation of parameter $C_{merch,t,}$ was assessed by the audit team based on the default values employed by the proponent for carbon in density fraction. Specific densities are employed by the proponent to determine the parameter $C_{merch,t,}$ , supported by literature data from articles on South American tropical forests, this was designated as a deviation from methodology reported in the project description and discussed in a specific way in section 6.4 of this report.

Carbon stock above ground ($C_{AGB\_gstock,j,t=0}$) was determined by the proponent based on the result of pilot inventories carried out in the project area and presented to the audit team. Such parameter was not employed as a base for subsequent calculations, due to 1) developments on the calculation logic caused by choosing path "1" to estimate degradation emissions in the baseline scenario, and 2) the fact that parameter $G_{\_growth\_foregone}$ relies on two-time measurements performed in permanent portions.

It is noteworthy that different strata were initially considered and a variance analysis between the considered strata was presented (ref. 36). Hypothesis test indicated no significant differences between the managed and non-managed areas (p = 0.624908) and there are significant differences among Amazon Rio II, III and IV areas (p = 0.0006). Although the variance analysis suggested that the carbon stocks in the project areas are heterogeneous, it is considered that the mean stock found in strata 2, formed mainly by Amazon Rio II, III and IV areas, is greater than the mean stock found in strata 1, formed by Amazon Rio I. Thus, the audit team understands that the extrapolation of carbon stocks to the project area can be considered, as a whole, conservative.

Parameter $CD_{Wdecay\ ,t}$ was correctly calculated based on equations 3-17 to 3-24 and from the default values found in Feldpausch (2005), Chambers (2000) and Silva (2008) papers (ref. 37). The calculations presented, and correct use of the formulas and default values were assessed by the audit team, attesting the project compliance regarding emissions due to dead wood decaying in the baseline scenario.

Parameter $C_{ltHWPoxidation\ ,t}$ was calculated according to equations 3-25 to 3-31 and from the default values found in Veríssimo (1992) e and VM0011, v1.0. Veríssimo reports loss values in the sawmill as being of the order of 47%, while the methodology suggests the value of 0.023 as a long term carbon decay rate for wood products. The calculations presented and correct use of

the formulas and default values were assessed in the carbon calculation spreadsheet by the audit team, attesting the project compliance regarding emissions due to the oxidation of wood products (long term). Forest management is not aiming at production of for short-lived wood products, such as paper. It should be noted that the management in question is intended for the production of logs for sawing, from high density woods in the Amazon forest, as observed by the field audit team.

As previously mentioned, the proponent opted for zeroing parameter $G_{\_growth\_foregone}$ , due to the lack of two measurements in time and to determine increase in carbon above ground. This was considered a conservative measure by the audit team.

Parameter $C_{regrowth,t}$ was calculated according to equation 3-38 and from the default value in Mazzei (2010) paper, , which determines annual average incremental rates for tropical forests in Paragominas - PA, under forest management conditions. The audit team considers the use of the deafult value of 2.6 Mg ha-1 as appropriate to the project context and referenced in specialized literature. The calculations presented and correct use of the formulas and default values were assessed by the audit team, attesting the project compliance regarding removals due to forest regeneration after the management.

Forest management emissions ($C_{emissions,t}$) were calculated according to equation 3-39, which was assessed through a spreadsheet for the calculation of ex-ante project estimation.

Parameter $E_{harvest,t}$ was calculated according to equation 3-40 and from the mean fuel and lubrication oil mean consumption to operate chainsaws, according to the proponent's previous operational experience. Parameter $E_{onsiteprep,t}$ was calculated according to equation 3-41, 3-42 and from the branch volume and default values in Silva (2007) papers and in appendix B of VM0011 v1.0. Silva (2007), performs allometric studies that show the proportion between canopy biomass and tree trunks in tropical moist terra firme forests. The value of 30.9% used by the proponent was considered appropriate by the audit team. Allometric studies are suitable for the determination of volumes/biomass of each part of thee. Moreover, Silva's work was performed in a similar forest tropical forest at the same state. The audit t Parameter $E_{hauling,t}$ was calculated according to equation 3-43 and from the volume of tradable logs and default values in Smidt e Gallagher e IPCC (2006) papers. The audit team checked the referenced literature and understands the default value of 0.211 Lm3 as pointed out by Smidt and Gallagher as appropriate. The authors determine patterns of mean fuel consumption by claw skidders in forest management operations, the equipment is the same previously used in logging for

logging. On the other hand, the IPCC (2006) brings emission factors for fossil fuel combustion. The presented values of 2.39 tCO2 / kL for gasoline and 3,0138 tCO2 / kL for diesel were verified by the audit team in the spreadsheet and checked in the referenced publication and considered appropriate for the calculation of the parameter in question.

Parameters $E_{transport,t}$ and $E_{distribution,t}$ were calculated according to equation 3-44, 3-45, 3-46, 3-51, 3-52, 3-53 and 3-54 and from the volume of tradable logs, loading capacity of trucks and ferries servicing the forest management operation in the site, emission factors associated to fuel consumption of vehicles used and, finally, the distance between the management area, extraction ports (30Km), port in Manicoré (20Km), Sawmill (3Km), Factory in Itacoatiara (330Km) and other sales points in national territory (Ports in Santos - 5,131Km, Paranaguá - 5340Km and Itajaí - 5,403Km); the audit team evaluated the reported distances, considering the straight line between one point and another based on Google Earth and the reported load capacities, based on their own experience in forest management, considering them plausible. It is worth noting that emissions due to trading to other countries such as United States and Germany, were not included since they are attributable to the next processing and distribution chain, not to the management plan per se. Parameter $E_{processing,t}$ was calculated according to equation 3-47, 3-48 and from the volume of tradable logs and default values in appendix B of VM0011 v1.0. The parameter in question is calculated based on the default value presented in the methodology itself and the volume of commercial wood obtained from the operating licenses and were therefore considered appropriate by the audit team.

The audit team assessed the calculation presented and correct use of the formulas and values employed, attesting the project compliance regarding emissions due to fuel consumption by chainsaw for three felling and top cutting; emissions due to log skidding; emissions due to load transportation and wood processing.

Next, the emissions resulting from forest degradation and those from the forest management to find the emission per annual production unit, based on equation 3-1 of the methodology. The mean annual emission is calculated based on the harvest period from 1999 to 2009 and projected to the entire project duration. The audit team considers the relevant and conservative approach, since through it the proponent projects a reduced harvest intensity and supported by real data.

Project emissions were correctly calculated based on equation 4-1 and estimated according to information collected from 2011 to 2013 Parameter $E_{projplan,t}$ was calculated according to

equation 4-2 and from emissions regarding administrative planning and trips to implement the project, according to the methodology. Parameters $E_{admin,t\ e}$ $E_{plan_travel,t}$were calculated based on the mean energy consumed by EBFC office in Manaus (AM) and Curitiba (PR), on the increasing factor regarding electric energy consumption according to MCTI (2013), distances traveled to the project area, number of trips, number of passengers and emission factors regarding flights according to Ross (2009). Parameter $E_{design,t}$ was calculated based on equation 4-9 and from the emissions regarding air trips for designing the project, according to the same calculation logic presented for $E_{plan\_travel,t.}$ Emissions due to land transportation were all distinctly considered in parameter $E_{plan\_ground,\ t}$, which has been considered acceptable by the audit team, since there is no way to differentiate emissions related to travel for planning, design and deployment. The emissions in question were fully reported and were even projected for the entire duration of the project, which can be considered conservative. Emissions related to natural disturbances and illegal wood extraction were considered void by the proponent, in order to determine ex-ante estimates. The audit team evaluated the historical deforestation series in the project area five years before the date of its beginning and found no signs of natural disturbance and thus agreed with the approach of the proponent. The methodological framework regarding parameter monitoring related to such calculation is referenced in the project description. Finally, the mean annual emission considering the referenced period is calculated and annually projected for the entire project duration, which was regarded as a conservative approach by the audit team, since part of the emissions considered refer only to the project design stages.

The proponent considers as void emissions regarding project and market leakages. Georeferenced limits from other areas owned by the proponent in the state were presented, as well as land documentation, in order to evidence the lack of leakage effects as a result of project activity implementation in the proponent's areas. An independent verification regarding the limits presented was conducted by the audit team, by means of remote sensing techniques and PRODES data bases, in such a way as to confirm forest management inactivity in the leakage areas presented up to the moment. The proponent also justifies the lack of market leakages, with plausible arguments explaining about the drivers for wood extraction activity in the area. In the arguments, the proponent states that the main factors encouraging such activities are more connected to land concentration and easy access to the areas due to nearby roads than to market demand per se. The audit team agrees with the proposed arguments, due to the recognized characteristics of the sector. Typically, drivers associated with productive activities in the Amazon are more closely linked to land concentration, while the proximity of roads is one of

the main factors influencing degradation.

A summary of all ex ante reductions and removals of the project GHG emissions is presented in Section 5.6 from PD (Table 20). The uncertainty estimations related to GHG emission calculation were calculated pursuant to VM0011 (Section 6) and are presented in tab "*incertezas - Cap.6*" of the calculation spreadsheet (Annex 18). No inconsistencies were found.

At last, parameter $VCU_t$is calculated based on equation 1-2, 1-3 and VT0001 tool, reporting the total credit volume to be generated throughout the project duration and per vintage in table 24.

The audit team understands that the project description presents the formulas and parameters used to carry out the GHG reduction estimates, while the calculation worksheet evidences the realization of the same. It is therefore characterized the flow of information to make exant estimates, from data collection, through registration, transformations and aggregations, to finally assertion about exant estimates (refs 32 and 37).

### 7.2 Climate Change Adaptation Benefits

The project description provides a narrative in section 5.7 (Ref.01), however, does not demonstrate conformance with the specific requirements of the CCB standard. The implementation of the project is considered beneficial to the global climate and the local communities and biodiversity by the audit team, however, the project description does not comply with the optional requirements from CCB standard for climate change adaptation. **Applicable to OBS#07/17.**

## 8 COMMUNITY

### 8.1 Net Positive Community Impacts

The audit team considers that the project proponent characterized the communities, their social, economic and cultural diversity and acknowledged the existence of high conservation values for the communities within the project area. Also, that "social programs" were included in the project's actions, which aim at improving the quality of life of the 15 communities within this context. As previously pointed out in this report, such programs focus on aspects regarding health, education and income generation. Still, one of the most significant project actions is creating a private reserve and structuring a management plan, which provides several lines of

action focusing on promoting benefits to communities in the form of a “sustainability matrix”. The audit team considers that the project description complies with CCB standard applicable requirements for validation. As can be seen, its activities were clearly aimed at promoting positive net impacts to surrounding communities.

The project social impacts will be measured based on participatory rural diagnostics (DRPs). The methodology consists of, basically, the holding of workshops, where a set of methods and tools is applied, which allows the communities to perform their own diagnostic and start to self-manage their own planning and development. The audit team understands that the DRP methodology is appropriate for the context in question, since it promotes community engagement and awareness for themes related to the project, besides it is clear to present specific parameterization and defined frequency (see section 10.1)

It is the VB understanding that the project activity will lead to the expected community net benefits. The improvement of the health and education conditions in the area will result in improvement of the life quality for communities, while the empowerment of women in the communities in the project area will lead to a more equitable community.

### 8.2 Negative Offsite Stakeholder impacts

The project description presents the logic that negative impacts can be caused by the project implementation to those individuals from outside who use the project area for unauthorized hunting and fishing, due to increasing territory governance and monitoring, which will confront such "illegal actions". The proponent still claims it is not applicable to provide mitigation actions that affect illegal activities. Although in agreement with such positioning, the audit team warns that those activities, when considered from another perspective, may also be understood as traditional.

The audit team indicates the review of the process of conflict mapping in the territory as an opportunity for project improvement and recommends special attention and consideration to the differences inherent to territory mapping processes and rights over natural resources. **Applicable to OBS#01/17.**

### 8.3 Exceptional Community Benefits

The project description provides a narrative in section 6.3 (Ref.01), but does not demonstrate

correspondence with the specific requirements of the CCB standard. The project implementation is understood as beneficial to local communities; however, its description does not comply with the optional requirements of the CCB standard for exceptional community benefits. **Applicable to OBS#07/17.**

# 9 BIODIVERSITY

## 9.1 Net Positive Biodiversity Impacts

The proponent indicates the creation of reserves, related to surveys, monitoring actions and environmental education as the promotion motor for net positive benefits to the biodiversity in the project. The audit team considers the proposed actions and the project guiding itself as valid to the purpose, since they clearly favor the promotion of net and positive impacts on biodiversity.

The project is based on forested inventories conducted at the project area and also on surveys about biodiversity performed in a nearby reserve, the RDS from Amapá River, to describe the biodiversity from the project area. The audit team considers the approach as plausible for the existing proximity and likeness between the ecosystems at the reserves.

The project description presents the methodology RAPELD - Quick Surveys from several taxonomic groups for long-term ecological studies, engagement in initiatives linked to the government like the program ProBUC - Monitoring Programs of Biodiversity and Use of Natural Resources in State Preservation Units from Amazon and also the creation of the Voluntary Environmental Agent Program (AAV) as a biodiversity monitoring strategy (ref. 01). In interviews with the project staff during the field work, a monitoring strategy was also identified, focused on wildlife hunting used by the communities involved in this context.

It is the VB understanding that the project activity will lead to the expected biosiversity net benefits, forest preservation efforts will result in the maintenance of viable habitats for species diversity, while monitoring protocols, to be stablished, will assess their ocurrance and maintanence.

## 9.2 Negative Offsite Biodiversity Impacts

The proponent considers the potential occurrence of negative impacts to the biodiversity out of

the project area due increase of forest harvest, hunting and fishing in these territories, in turn, as a result of increase of governance and monitoring within the project area. The proponent also indicates training and monitoring activities in the project scope as mitigation actions for these potential impacts. The audit team considers the approach and the description acceptable, since the communities inserted in the context are peripheral to the project area. Hence, working with these actors is essential to reduce negative impacts on biodiversity that can be shifted out of the project area according to project actions. As a matter of scale and assignment, it is important to emphasize that net benefits to the biodiversity due project area conservation go beyond potential negative impacts caused by the territory protection, out of the project zone.

### 9.3 Exceptional Biodiversity Benefits

The project description provides a narrative in section 7.3 (Ref.01), however, it does not demonstrate conformance with the specific requirements of the CCB standard. The audit team understands the project implementation as beneficial to local biodiversity, however, its description does not comply with the optional requirements of the CCB standard for exceptional biodiversity benefits. **Applicable to OBS#07/17.**

## 10 MONITORING

### 10.1 Description of the Monitoring Plan

The proponent identifies the data and parameters measured for indication of carbon stocks and estimates of net GHG emission reductions in support of project validation in section 8.2 of their description. The data and parameters to be monitored during the project term in order to establish ex-post estimates are presented in section 8.3 of the project description. The acquired literature parameters were presented in section 5 of the project description with the calculation methodology description used for GHG quantification and also evaluated in section 7.1 of this report. The audit team has analyzed the listed data, the equations used and the calculation memory presented in the calculation worksheets, and parameters and certifies its compliance with VM0011 v1.0. The monitoring plan presented by the proponent respects section 7.1.1 of the methodology VM0011 v1.0, presenting procedures for the establishment of permanent plots and sampling design, parameters to be considered, frequency of monitoring and quality control protocols. Thus, the audit team understands that it is an adequate monitoring plan and according to the applicable parents, as well as the methodology in question.

The table below provides an assessment of the "Parameters Obtained from Literature / Reports to be Reviewed / Verified (Not Monitored)" according to the PD section 8.2

| **Measured parameter** | **Assessment** |
|---|---|
| $CF_{Wood}$ | 0,49, dimensionless. Carbon fraction in wood. Obtained from the methodology table B-2, appendix B. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $CF_{AGB}$ | 0,47, dimensionless. Carbon fraction in all of tree. Obtained from the methodology table B-2, appendix B. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| D | 0,68 (t d.m.) $m^{-3}$. Average density for the species found in the project area. Calculated based on wood density data provided by the Global Wood Density Database (Chave, 2009 and Zane, 2009) and the Forestry Inventory Report. The audit team has analyzed the specific density of the species used to calculate the average, the calculation itself and the usage of the parameter in the carbon calculation spreadsheet and attest the conformity of the calculations invloved and estimates made. |
| fV(DBHn,i,s, j,t=0,Hn,i,s, j,t=0 ) | NA. Allometric equation of volume as a function of diameter at breast height and height. The project proponent has used volume from a pre-existent |

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| | FIR, following the methodology requirements. |
| fB (DBHn,i,s, j,t=0,Hn,s,i, j,t=0,$D_i$ ) | $\bar{B}_{AGB} = 2.7179 * DBH^{1.8774} * 1.089 * 0.584$.<br>(t d.m.) Allometric equation of biomass as a function of diameter at breast height and height; t = 0 years. The allometric equation was developed from the data analysis of the INPA Forest Management Laboratory, where samples were collected using destructive methods with the direct measurement of the fresh weight of 494 tree individuals and the fresh weight of thick roots by 131 arboreal individuals. All data were obtained from the experimental sustainable forest management area ZF-2. Regression models were tested to verify what best fit the estimate of fresh biomass, and as a result, the equation in form was proposed (SILVA, 2007), plus the correction factor proposed by Lima et al. (2012). The audit team considers INPA as a reputable source of information and the usage of this biomass equation as appropriate in the project site. |
| $k_{decay}$ | 0,167, dimensionless. Deadwood storage yearly decomposition rate. Obtained from literature (Chambers, 2000). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team considers the usage of Chambers (2000) data as adequate for the project site, because the value was obtained. from research in the same ecological zone. |

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| $f_{RSD}$ | 2,4, dimensionless. Damage factor to the remaining forest, based on the fraction of the quantity of carbon resulting from the damage to the remaining forest by the amount of carbon in the marketable logs extracted. Obtained from literature (Feldpausch et al., 2005). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team considers the usage of Feldpausch (2005) data as adequate for the project site, because the value was obtained from research in the same ecological zone. |
| $f_{branch\_trim}$ | 0,309, dimensionless. Fraction of branches and remaining trimmings in the above-ground biomass after logging the marketable timber and transferring it to the deadwood reservoir. Obtained from literature (Silva, 2007). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team considers the usage of Silva (2007) data as adequate for the project site, because the value was obtained from research in the same ecological zone. |
| $f_{lumber\_recovery}$ | 0,47, dimensionless. Lumber recovery factor for the proportion of marketable logs converted into harvested wood products. Obtained from the methodology, table B-4, appendix B. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation |

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| | spreadsheet and attest the conformity of the calculation and estimates made. |
| kltHWP_ ox | 0.023, dimensionless. Yearly oxidation rate for long-term harvested wood products. Obtained from the methodology, table B-5, appendix B. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $G_{regrowth, t}$ | 2,6 (t d.m.) $ha^{-1}$ $yr^{-1}$. Average regeneration per hectare per year of above-ground biomass after selective logging per year t, in t d.m./ha/year. Correctly calculated through equation 3-38, primary data from FIR ($A_{NHA}$), $CF_{AGB}$ and data from literature (Mazzei, 2010). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team considers the usage of Mazzei (2010) data as adequate for the project site, because the value was obtained from research in the same ecological zone. |
| $EF_{fuel – Gasolina}$ | 2,395 tCO2-e kL-1. Emission factor for fuel. Calculated from equation C-2, appendix C and IPCC (2006) data. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $EF_{fuel – Diesel}$ | 3.013 tCO2-e kL-1. Emission factor for fuel. |

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| | Calculated from equation C-2, appendix C and IPCC (2006) data. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $FC_{harvest – Gasolina}$ | 0,01 kL $m^{-3}$. Fuel consumption of equipment employed for felling and snigging per m3 of merchantable log harvested. Obtained from literature (Campos, 2012). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $FC_{harvest – Diesel}$ | 0,05 kL $m^{-3}$. Fuel consumption of the equipment used to cut and drag per m3 of merchantable timber harvested. Obtained from literature (SDS). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $CAP_{truck Carreta}$ | 30 m3 $truck^{-1}$. Truck load capacity. Primary data. Based on previous experience, the audit team considers the value reported accurate. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $CAP_{truck Balsa}$ | 500 m3 $truck^{-1}$. Ferry load capacity. Primary data. Based on previous experience, the audit team considers the value reported accurate. The audit |

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| | team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $Eff_{\_vehicle\ Balsa}$ | 3,770 km $kL^{-1}$. Fuel efficiency in each type of vehicle. Obtained from literature (Barros &Uhl, 1997). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team consider Barros & Uhl (1997) data usage as adequate because is specific for the vehicle. |
| $Eff_{\_vehicle\ Carreta}$ | 2 km $kL^{-1}$. Fuel efficiency in each type of vehicle. Obtained from manufactures, according to the methodology criteria. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $e_{demand}$ | 20 kWh $m^{-3}$. Power demand for processing volume processed. Obtained from the methodology table B-7, appendix B. The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| EFelectricity | 0.000088 (2000)<br>0.000079 (2003)<br>0.00003223 (2006)<br>0.0000293 (2008) |

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| | $tCO_2$-e $kWh^-1$. Power emission factor in the country of origin. Obtained from literature (IEA, 2011 and MCTIC, 2013). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. The audit team consider IEA, 2011 and MCTIC, 2013 data usage as adequate because is from reputable source and specific for the country. |
| $EF_{flight,y}$ | 0.00026 - Domestic<br>0.00036 – Short<br>0.0002 – Medium<br>0.00023 –Long<br>tCO2-e kWh-1. Power emission factor in the country of origin. Obtained from literature (Ross, 2009). The audit team has analyzed the value reported in the PD and utilized in the carbon calculation spreadsheet and attest the conformity of the calculation and estimates made. |
| $V_{historical\_ harvest,l,k}$ | 183.373,46 m3. Total volume of harvest for the land (l), which is owned and/or operated by the proponent of the project during the historical reference period. Primary data from pre-existent FIR (AUTEX). |

The table below provides an assessment of the “Parameters to be measured once” according to the PD section 8.3

| Measured parameter | Assessment |
|---|---|
| $A_{project,t=0}$ | The project area (18,559 ha) was analyzed by the audit team using remote sensing techniques from the SIG files provided by the proponent and from the land documentation. |
| $A_{project,j,t=0}$ | For the purposes of estimating GHG emission reduction, the proponent considers only one forest stratum. The audit team evaluated the pilot inventory results, which uses an analysis of variance considering different potential strata and, for the relevance in considering the project area, they concluded the area is homogeneous in relation to carbon stocks (Ref. 36). See NCR#07/17. |
| $A_{s,\ j,t=0}$ | The total sample area through the pilot inventory is equivalent to 40,5 ha. It was 162 portions of 100x25 $m^2$, established in 04 different areas with occurrence of ombrophilous dense forest in two different conditions (managed and non-managed). The audit team evaluated the technical report of inventory and visited the plots established in the field, checking their sizing and validating the parameter by sampling. |
| $DBH_{n,i,s,\ j,t=0}$ | The minimum measurement diameter used in the pilot inventory was 5 to 10 cm for regeneration and over 10 cm for mature trees, measured at 1.3 m from the soil. Its noteworthy that the proponent worked on the inventory data by dividing the estimates by classes over 10 cm and over 50 cm for purposes of volume and biomass estimation and validation of pre-existing inventories. The audit team evaluated the inventory technical report and |

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| | visited the plots established in the field along with the project proponent in order to check the data collection protocols in the field. |
| $Hn_{,i,s,\ j,t=0}$ | Not applicable. The allometric equation used by the project proponent is simple entry and was adjusted to the site, for the biomass estimates made through the pilot inventory. It should be noted that the pilot inventory data did not influence the determination of the ex-ante emission reduction estimates, since the proponent has chosen the path "1" which incur the use of pre-existing inventory data. |
| $A_{NHA\ \_\ annual,t}$ | Checked through management operational licenses, authorized by the responsible state environmental agency (Ref. 08). The documents are of official character, having the seal of the environmental body. The audit team consulted with the agency to confirm its validity. |
| $A_{NHA\ \_\ annual,\ j,t}$ | Not applicable, considering $A_{project,j,t=0}$ is equal to zero. |
| $KM_{transport,t}$ | For the parameter calculation at hand, the proponent considered the distances between the management area, extraction areas, Manicoré port, sawmill and factory in Itacoatiara (respectively 30, 20, 03 and 330 Km). The audit team assessed the reported distances, considering the straight line between one point and another based on Google Maps, considering them consistent. |
| $KM_{distrib,t}$ | For the parameter calculation at hand, the proponent considered the distribution distances |

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| | between Itacoatiara factory and ports in Santos, Paranaguá and Itajaí (5,131, 5340 and 5,403 km respectively). The audit team evaluated the distances reported considering the straight line between one point and another based on Google Maps, considering them to be consistent, as appropriate. |
| $V_{historical\_harvest,l,k}$ | For the parameter calculation at hand, the proponent considered the operational management licenses authorized by the state responsible environmental agency (Ref. 08). The audit team considered the official character of the documents, which have the seal of the environmental body responsible, as sufficient for its legitimacy. |
| $KM_{plan\_flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). Distances were calculated using Google Maps, considering a straight distance between the departure and arrival points. The audit team reviewed the values presented in the complementary calculation worksheet (Ref. 46) regarding project emissions and sees the stated distances as coherent. |
| $N_{plan\_flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). EBCF provided the number of passengers of each stretch, for each year (Annex 21). In cases of charter flights, in the Manaus - Manicoré section, it was considered maximum occupation, both on the |

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| | outward and return flights. The emission factors for flights were obtained from Ross (2009). The audit team checked the reported data and the reference in the literature. The parameter in question was applied in accordance with VM0011 v1.0, in section 4.1.2.1. |
| $KM_{plan\ \_\ ground,y,t}$ | The proponent provides the description of the parameter in question, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (ref.32). Distances were calculated using Google Maps, considering a straight distance between the departure and arrival points. The audit team reviewed the figures presented in the supplementary calculation worksheet, considering the straight line between one point and another based on Google Maps (ref 46), regarding the project emissions and understands that the assumed distances are consistent and consistent with the VM0011 v1.0, in its section 4.1.2.2. |
| $V_{fuel\ \_\ plan\ \_\ ground,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). The volume of fuel consumed in the trips per year was provided by the proponent institution (Ref 47). The values of emission factors were acquired from IPCC (2006). The audit team evaluated the reported data and associated calculations, understanding that they are consistent with VM0011 v1.0, in section 4.1.2.2. |
| $KM_{design\ \_\ flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and |

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| | measurement methods applicable in section 8.3 of the revised project description (Ref. 32). Distances were calculated using Google Maps, considering a straight distance between the departure and arrival points. EBCF provided the number of passengers of each stretch, for each year (Annex 21). In cases of charter flights, in the Manaus - Manicoré section, it was considered maximum occupation, both on the outbound and return flights. The emission factors for flights were obtained from Ross (2009). The audit team evaluated the data reported and the reference to the literature, understanding the application of the parameter in question as per VM0011 v1.0 in its section 4.2.1 |
| $N_{design\_flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). EBCF provided the number of passengers of each stretch, for each year (Annex 21). In cases of charter flights, in the Manaus - Manicoré section, it was considered maximum occupation, both on the outward and return flights. The emission factors for flights were obtained from Ross (2009). The audit team evaluated the data reported and the reference to the literature, understanding the application of the parameter in question as per VM0011 v1.0 in its section 4.2.1. |
| $KM_{design\ \_\ ground,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). It is noteworthy that the emissions from land or boat |

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| | transportation were calculated as being relative to the planning stages, undifferentiated by the project proponent. The audit team has considered approach as acceptable for validation purposes, since there is no way to differentiate emissions related to travel for planning, design and deployment. The emissions in question were fully reported and were even projected for the entire duration of the project, which can be considered conservative. |
| $KM_{plan\ \_\ flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). Distances were calculated using Google Maps, considering a straight distance between the departure and arrival points. The audit team reviewed the values presented in the complementary calculation worksheet (Ref. 46) regarding project emissions and sees the stated distances as coherent. The audit team reviewed the figures presented in the supplementary calculation worksheet (ref 46) regarding project emissions and understands that the assumed distances are consistent. |

The chart below provides the list of monitorable parameters during project period:

| **Monitorable parameter** | **Assessment** |
|---|---|
| $DBH_{n,i,s,\ j,t}$ | The proponent provides the set of SOPs related to forest inventory, including the measurement of the parameter at hand in the updated project description and in attached documentation (Refs. |

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| | 32 e 45). The audit team understands that the standard operating procedures presented follow the good inventory practices, presenting a measurement height of 1.30m, as is practiced in the forestry sector. |
| $DBH_{tree\_nd,n,i,snd,j,t}$ | The proponent provides the set of SOPs related to forest inventory, including the measurement of the parameter at hand in the updated project description and in attached documentation (Refs. 32 and 45). Specific protocols for quantifying emissions related to natural cause disturbances are presented in section 5.4.4 of the project description, according to the VM0011 v1.0 methodology, the audit team understands the protocols described as sufficient to refer to a specific section of the methodology adopted in its description. |
| $Hn_{,i,s,j,t}$ | Not applicable. The allometric equation used by the project proponent is simple entry and was adjusted to the site, for the biomass estimates made through the pilot inventory. It should be noted that the pilot inventory data did not influence the determination of the ex-ante emission reduction estimates, since the proponent has chosen option "1" which incur the use of pre-existing inventory data. |
| $H_{tree\_nd,n,i,snd,j,t}$ | Not applicable. The allometric equation used by the project proponent is simple entry and was adjusted to the site, for the biomass estimates made through the pilot inventory. It should be noted that the pilot inventory data did not influence the determination of the ex-ante emission reduction estimates, since the proponent has |

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| | chosen option "1" which incur the use of pre-existing inventory data. |
| $t_{op\ \_\ equip,ee,t}$ | Not applicable. The emissions related to electric energy consumption during the administrative stages of project development were directly calculated due annual electricity consumption from offices in Manaus (AM) and Curitiba (PR) and emission factors given by the MCTI (2013) |
| $KM_{monitoring\ \_\ flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). The audit team evaluated the description of the parameter in question and considers it to be compatible with VM0011 v1.0 in its section 4.3 |
| $N_{monitoring\ \_\ flight,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). The audit team evaluated the description of the parameter in question and considers it to be compatible with VM0011 v1.0 in its section 4.3 |
| $KM_{monitoring\ \_\ ground,y,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). The audit team evaluated the description of the parameter in question and considers it to be compatible with VM0011 v1.0 in its section 4.3 |
| $A_{nd,\ j,t}$ | The proponent provides the parameter description at hand, as well as the frequency and |

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| | measurement methods applicable in section 8.3 of the revised project description (Ref. 32). Areas of natural disturbance will be monitored using geo-processing techniques and open databases available at INPE. The institute provides data related to hot spots and deforestation, appropriate to the monitoring of the apprentice in question. The audit team evaluated the description of the parameter in question and considers it to be in conformance with VM0011 v1.0 in section 4.4 |
| $f_{natdisturb,\ j,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). Areas of natural disturbance will be monitored using geo-processing techniques and open databases available at INPE. The institute provides data related to hot spots and deforestation, appropriate to the monitoring of the apprentice in question. The audit team evaluated the description of the parameter in question and considers it to be in conformance with VM0011 v1.0 in section 4.4 |
| $V_{illegal\ \_\ harvest,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). For monitoring regarding the parameter at hand, the proponent will count with field surveys (DRPs) and geo-processing techniques applied to satellite images. The audit team evaluated the description of the parameter as appropriate as it combines geospatial information with information collected in interactions with the communities that are in the |

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| | reserve environment. The audit team evaluated the description of the parameter in question and understands that it is consistent with VM0011 v1.0 in section 4.5 |
| $A_{illegal\ \_\ harvest,\ j,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). For monitoring regarding the parameter at hand, the proponent will count with field surveys (DRPs) and geo-processing techniques applied to satellite images. The audit team evaluated the description of the parameter as appropriate as it combines geospatial information with information collected in interactions with the communities that are in the reserve environment. The audit team evaluated the description of the parameter in question and understands that it is consistent with VM0011 v1.0 in section 4.5 |
| $V_{actual\ \_\ harvest,l,t}$ | The proponent provides the parameter description at hand, as well as the frequency and measurement methods applicable in section 8.3 of the revised project description (Ref. 32). The proponent has committed not to carry out forest management activities in other areas of his property by delimiting them as leakage areas, for purposes of demonstrating compliance with the applicable requirements of this methodology. The audit team sees the undertaken measures as sufficient for the project validation. The audit team evaluated the description of the parameter as appropriate as it combines geospatial information with information collected in interactions with the |

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| | communities that are in the reserve environment. The audit team evaluated the description of the parameter in question and understands that it is consistent with VM0011 v1.0 in section 4.5 |

The proponent presents a biodiversity monitoring plan focusing in two main points: 1) species exploited by management of the baseline scenario, taking into consideration the recovery of its populations, 2) occurrence and abundance of flora and fauna species in the project area, taking into consideration rarity, endemism and degree of threat criteria. The updated project description lists specific monitoring parameters regarding to biodiversity in section 8.3 relating them to the method and frequency of data collection. The methodology adopted (RAPELD) defines aspects related to the sampling, is appropriate to long-term ecological research, acts through quick inventories and was proposed by Magnusson (2005) in a scientific journal. The monitoring frequency can be inferred through the financial-physical schedule of the project, which estimates expenses with flora and fauna inventories every 5 years. The project budget planning also estimates expenses related to the surrounding communities training for the execution of the monitoring activities and expenses with the management of the monitoring program as a whole. It is important to emphasize that the proponent also considers the monitoring data in the project area, in relation to the data of the program ProBUC - Community Monitoring Program of Biodiversity in Preservation Units, in order to assess the conservation status in the project area. In conclusion, the monitoring plan brings specific parameters, frequency of monitoring, is anchored in financial planning and implementation schedule and guided by the logic of a theory of change matrix. Therefore, the audit team understands it as conforming to the CCB standard.

The project social impacts will be measured based on participatory rural diagnostics (DRPs). The methodology consists on, basically, holding workshops, where a set of methods and tools is applied, which allows the communities to perform their own diagnostic and start to self-manage their own planning and development. The monitoring parameters are related to the quantity of hired workers, income generated according to the project activities, quantity of people trained and that is working in biomonitoring programs, number of resource usage agreements executed, number of conflicts, quantity of women attending to councils, quantity of people executing production tasks. The updated project description lists specific monitoring parameters regarding to social aspects in section 8.3 relating them to the method and frequency

of data collection. The monitoring frequency can also be inferred through the project financial-physical schedule, which forecasts annual expenses in the subjects "income generation" and "project management", among others, to which, the monitoring parameters are related. In conclusion, the monitoring plan brings specific parameters, frequency of monitoring, is anchored in financial planning and implementation schedule and guided by the logic of a theory of change matrix. Therefore, the audit team understands it as conforming to the CCB standard.

In addition to the implementation of permanent portions, the project description (Ref. 01) provides as standard operational procedures, the identification of each measured individual and also location, measurement and georeferencing of the portions' vertices. Using a quality perspective, the proponent also points out a series of safety and control guidelines and measures, such as: 1) the measurement and allocation of the permanent portions standardized and focused in checking the field activities; 2) identification of the measuring point on the tree with red paint for further re-measurement; 3) signalization of the portions' vertices. The audit team regards the project description as being in accordance with the methodology used, which reinforces the need for designing standard operating procedures in order to ensure the possibility of independent remeasures of the portions, in other words, to allow a different team to reproduce the preview measurements.

In a broad sense, the proponent still provides in the project description, the commitment for the establishment of quality control procedures applicable to the primary data collection and records, interpretation and systematization, as well as to the storage and consultation of an integrated database aiming the clear purpose of promoting transparency in the measurement and documentary traceability of all planned activities.

Finally, the proponent commits to disclose his/her monitoring reports to the associated communities and relevant stakeholders in events promoted to interact with this public, in the first moment, also emphasizing the commitment to broadly release the same results after that.

## 11 NON-PERMANENCE RISK ANALYSIS

After documentary analysis (Ref. 19), direct observations and interviews with the teams involved in the project, the audit team corroborates the risk analysis results of the carbon stocks non-permanence carried out by the proponent.

| Risk Factor | Score related to the proponent self-evaluation | Evidences | NCR/OBS |
|---|---|---|---|
| Internal risks | | | |
| Project management | -4 | The project does not include the introduction of exotic species, presents relatively isolated areas and counts with the participation of local communities for the project monitoring.<br><br>The project has been signed by different specialists with recognized competence and approvable performance in Brazil. After the audit, the proponent hired new consultants and reviewed the project documentation in order to describe his staff qualification.<br><br>The proponent maintains physical presence in Manicoré where the project area is located.<br><br>The proponent proposes to establish an adaptive management plan, in line with the RPDS management plan. The audit team understands that the reserve governance structure can serve this purpose and its existence is sufficient to assign the negative score regarding this particular mitigation measure, for purposes of project validation.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | -- |
| Financial feasibility | 6 | The proponent conservatively adopts the major risk factors considered in the tool at hand.<br><br>The presented financial flow contains earnings from carbon credits and also Environmental Reserve Shares, and a sensitivity analysis was performed for those items. The sensitivity analysis allows to identify how robust the model is against variations in gross income.<br><br>Annexes 17 and 18 present IRR and NPV calculations, but not the "Breakeven" and "Payback", required by VCS analysis. The proponent conservatively adopts the major risk factor associated with the non- | OBS#04/17 |

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| | | permanence tool.<br><br>The audit team understands the parameterization as according to the VCS tool, however, as an opportunity for improving the project and recommends, respectively: 1) performing sensibility analysis for other income sources (carbon and management of non-wood products). 2) that the breakeven point and payback are calculated in the spreadsheet so that the results can be observed for those indicators even in sensitivity analysis. | |
| Opportunity costs | 0 | The proponent assumes that the NPV of the most profitable alternative land-use activity is at least 100% greater than the one associated with the project activity<br><br>The project is not managed by a non-profit organization and had its area converted into a conservation unit.<br><br>The proponent assumes as a mitigation measure the area protection by creating conservation units, which was considered appropriate by the audit team.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | -- |
| Project Longevity | 0 | The project is based on sustainable development reserve creation homologated by the competent governmental agency (Ref. 28). Therefore, such activity confers a permanent conservation status to the project area.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | -- |
| Total internal risk | 2 | Having that in perspective, the audit team considers the internal risk assessment as complying with the applicable tool. | -- |
| External Risks | | | |
| Rights on land and natural resources | 1 | The proponent presented documents proving the project area legitimacy and its reserve approved status as an absence proof of conflicts by territory in the project area. In addition, he presented a letter addressed to FUNAI as evidence of questioning about the recognition of possible overlaps between the project area and indigenous areas. The audit team | -- |

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| | | performed an independent checking with the agency, having no assertive response on this issue. Due to the above, the risk associated with the category "Land Ownership and Resources Access" is considered as compliant.<br><br>The proponent considers the associated risk with the overlapping of collection areas between indigenous and riparian communities in the project area and also, the mitigation measures related to the existence of the reserve and to its conflict resolution protocols applied.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | |
| Community engagement | -5 | Through direct observation and interviews during the field work, the audit team confirmed the existence of riparian communities living within the project area, precisely in the "Amazon River IV" area. However, the audit team understands the risk score associated with this component, specifically in items a) and b), can be marked as zero, depending on the extensive consultation process carried out. The negative score refers to the mitigation measure associated with the validation in CCB standard.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | -- |
| Political risk | 0 | The proponent correctly presents the political risk using a tool from global bank for risk calculation associated with Brazil for the last 05 years, as well as the associated mitigation measures. Brazil receives international funding for structuring REDD + policies and programs in several areas; the state of Amazonas participates in the GCF; the country has an established FSC national initiative, among others.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | -- |
| Total external risk | 0 | Having that in perspective, the audit team considers the internal risk assessment as complying with the applicable tool. | |
| Natural risks | | | |
| Natural risks | 3.5 | The proponent correctly pointed out the risks | -- |

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| | | associated with natural causes providing data from reliable sources and plausible line of argument. The risk associated with the occurrence of fire was considered according to INPE's analysis of heat sources and to the existence of specific mitigation measures, such as training of fire brigades and clearing management. The risks associated with extreme weather were considered in relation to possible droughts in the region and to the rise of fire incidence risk. The proponent also considered as null further risk components, as those associated with plagues, illness and also geological disasters. The score for those risks was considered acceptable by the audit team, due the project location and biome-inherent biodiversity.<br><br>The audit team understands the risk score indicated for this specific parameter as appropriate. | |
| General risk score: 10 | | | |
| The audit team considers the proponent evaluation as compliant and the associated risk as relevant. | | | |

## 12 VALIDATION CONCLUSION

This is a final report. After reviewing the project description and all supporting documentation, the audit team concluded with the reasonable level of assurance that the project complies with all applicable requirements of the standards, methodologies and tools considered within the scope of this audit, following the recommendation:

**Conclusões do Relatório Final**

☒ Validação aprovada:

☐ Validação não aprovada:

**Conclusões do Relatório Preliminar v.2.0 (*Final DRAFT Report*)**

☒ Validação aprovada:

☐ Validação não aprovada:

**Conclusões do Relatório Preliminar v.1.0 (*DRAFT Report)***

☐ Validação aprovada

☒ Validação não aprovada

*Ações corretivas necessárias*

**CCB STANDARDS CRITERIA CHECKLIST:**

| **GENERAL SECTION** | **CONFORMANCE** |
|---|---|
| G1. Project Goals, Design & Long-Term Viability | YES |
| G2. Without-project Land Use Scenario & Additionality | YES |
| G3. Stakeholders Engagement | YES |
| G4. Management Capacity | YES |
| G5. Legal Status and Property Rights (Required) | YES |
| **CLIMATE SECTION** | |
| CL1. Without-project Climate Scenario | YES |
| CL2. Net Positive Climate Impacts | YES |
| CL3. Offsite Climate Impacts | YES |
| CL4. Climate Impact Monitoring | YES |
| GL1. Climate Change Adaptation Benefits (Optional) | NO |
| **COMMUNITY SECTION** | |
| CM1. Without-project Scenario for Communities | YES |
| CM2. Net Positive Community Impacts | YES |
| CM3. Offsite Stakeholder Impacts | YES |
| CM4. Community Impact Monitoring | YES |
| GL2. Exceptional Community Benefits (Optional) | NO |
| **BIODIVERSITY SECTION** | |
| B1. Without-project Biodiversity Scenario | YES |
| B2. Net Positive Biodiversity Impacts | YES |
| B3. Offsite Biodiversity Impacts | YES |
| B4. Biodiversity Impact Monitoring | YES |
| GL3. Exceptional Biodiversity Benefits (Optional) | NO |

# 1 APPENDIX 1: NON-CONFORMANCE REPORTS, FORWARD ACTION REQUESTS AND OBSERVATIONS

## 1.1. Non-conformance evaluation

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

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

| **NCR#:** | 01/17 |
|---|---|
| Standard & Requirement: | VM0011 v1.0, Seção 1.1 |
| Report Section: | 4.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The methodology used for the project design provides a set of application requirements, among which, it is highlighted the need to qualify the project area as a “forest” at least ten years before the project starting date is emphasized; such forest may be under preservation condition – which qualifies it as an “intact forest” – or even in an alternative condition of “managed forest” – also acknowledged, for the purpose of construing such methodology, as a “degraded forest due to harvest”. Therefore, the project area needs to be eligible for qualification according to the requirements above, that is, to be recognized as an intact or managed forest area since at least 2002, so that the methodology adopted is applicable. The project proponent has failed in presenting evidence that he satisfies such methodology implementation requirements. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate |

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| | conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 33: Arquivos SIG revisados (Anexo 33 do proponente) |
| Findings for Evaluation of Evidence: | The proponent examined the issue addressed in this NCR, recalculating the project area according to the area eligibility; the updated project documentation shows the updated limits and the new value of the project area as 18,559 ha (refs. 32 and 33). The audit team reviewed the GIS files collection provided by the proponent in order to confirm the information independently. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 02/17 |
| Standard & Requirement: | VCS Standard v3, requisito 3.12<br>VM0011 v1.0, seção 2.2.1.1 |
| Report Section: | 6.4 |
| **Description of Non-conformance and Related Evidence:** | |
| According to the project design (ref. 01 – section 4.4), the project includes the area in which wood harvest is authorized, excluding Permanent Preservation Areas and waterbodies. Ergo, the project corresponds to the net area of the property management included in the project, totaling 19,800 ha. A data pack was provided by the proponent with information regarding space (ref. 09), through which it was possible to verify georeferenced limits of the twelve different rural estates comprising the project total area. The audit team, however, has not found among the documents supplied by the proponent, verifiable evidence that proves the effective management of the net area. Observations made in the field suggest that Permanent Preservation Areas and waterbodies or even open areas for infrastructure construction within the project boundaries have not been effectively discounted from the project area, which leads to an overestimation of it and, as a consequence, a verifiable emission reduction overestimation over project period. Also, through an independent analysis of the project documentation (refs. 13 and 14) of 11 rural properties, it was identified the existence of divergences between the total rural properties area at hand, which also | |

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| leads to uncertainty regarding the project area, among other unfolding already mentioned. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 33: Arquivos SIG revisados (Anexo 33 do proponente) |
| Findings for Evaluation of Evidence: | The proponent has reviewed the project documentation in order to exclude permanent preservation areas from the project area and also to consider it accordingly by eliminating possible divergences between project boundaries and documentation proving land ownership (ref. 33 & 34). In an independent review conducted through geospatial analysis, the audit team evaluated the excluded areas and redefined project boundaries through supplementary documentation provided, considering NCR as closed. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 03/17 |
| Standard & Requirement: | VM0011 v1.0, Seção 2.2.1.2 |
| Report Section: | 3.9 |
| **Description of Non-conformance and Related Evidence:** | |
| The methodology adopted in the project design VM0011 v1.0 considers two types of GHG leakages resulting from implementing the activities: 1) leakages from wood harvests moved to other areas owned by the proponent and 2) market leakages. Other forest areas at the region were identified as owned by the proponent during interviews. Sections 4.4, 5.2 and 5.5 of the project (ref. 01) contain arguments affirming that project actions should not cause GHG leakage, since there is no forest management plan in force for the other areas owned by the proponent. During field audit, the audit team cannot confirm location or the inactivity of forest harvest in the other areas owned for the project proponent. Also, a similarity analysis was not presented to the audit team between the project area and the "leakage areas", | |

as requested by the methodology at hand.

Regarding market leakages, no reference was made to justify the argument that the regional market timber demand is inflexible regarding supply or that demand tends to accompany supply, reasoning presented by the proponent in the project (ref. 1, section 5.5). It is worth to mention that the project still presents the logic that the local market should accept and purchase illegal timber in that region, which would potentially reduce the effect of legal timber supply reduction due to the inactivity of a specific management plan. However, it is understood that the main buyer of timber extracted by the previous proponent, namely Gethal, guided its business model to wood sale to the external market, and it is therefore, unlikely that it would purchase illegal wood as a substitute for the wood offered by the proponent.

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent presented additional documentation with the discussed topic reviewed in this NCR. The project documentation contains a similarity analysis between the project area and leakage areas, based on aspects related to topography and forest engineering and presents a specific map, describing the delimitation of the areas. An independent verification of the leakage limits and land documentation was conducted by the audit team, which evidences the ownership of Valdenor Campos da Costa, thus validating the presented limits.<br><br>The additional documentation changes the analysis approach for markets leakage. The proponent presents a valid reasoning to evidence that the project implementation would not increase management activities at the location and nor the constitution of companies. To that end, 1) documents signed by the project |

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| | proponents committing to abandon management activities in other areas it owns and 2) the dynamics and trends associated with forest harvest in the region are characterized and related mainly to land issues and easy access to harvest areas, not to the wood demand itself.<br><br>The leakage spatial limits were checked by the audit team based on PRODES data, in order to enhance the claim made by the project proponent. No evidence of deforestation or degradation has been found since the project start date.<br><br>In turn, characterizing dynamics and trends associated with forest harvest in the region was considered conceptually acceptable by the audit team. It is noteworthy that the wood production within the project area was almost entirely addressed to Gethal, whose activities were shut down in 2006, therefore, excluding the possibility of leakages in directly associated to the market. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 04/17 |
| Standard & Requirement: | VCS Standard v3, requisito 3.17.1<br>VM0011 v1.0, seção 7.3.1 |
| Report Section: | 10 |
| **Description of Non-conformance and Related Evidence:** | |
| In addition to the implementation of permanent portions, the project description (Ref. 01) provides as standard operational procedures, the identification of each measured individual, through aluminum platelets, and also location, measurement and georeferencing of the portions' vertices. Using a quality perspective, the proponent also points out a series of safety and control guidelines and measures, such as: 1) the measurement and allocation of the permanent portions standardized and focused in checking the field activities; 2) identification of the measuring point on the tree with red paint for further re-measurement; 3) signalization of the portions' vertices. The audit team sees the project description as according to the methodology used, which reinforces the need for designing standard operating procedures in order to ensure the possibility of independent remeasures of the portions, in other words, to | |

allow a different team to reproduce the preview measurements.

During the field work, the audit team found difficulties in locating the portions and measuring point of individuals, even with the guidance of a field guide (the local communities' representative who worked on the forest inventories carried out). This is due to the fact that the inventory work was not carried out in compliance with the standard operational procedures and quality control measures listed in the project description (Ref. 01). After the direct observations made by the field audit team, it was pointed out that: 1) the project proponent has not set the portions' vertices properly, so that the vertex identification is durable and allows its visual identification in the field; 2) demarcation with red paint at the measuring point was only partially performed in the trees in the portions; 3) the field portion design and the arrangement of portions in the conglomerate do not correspond to the one found in the operational procedure presented (ref. 04) (i.e., regeneration portions were implemented on both sides, at the beginning and end of portions, in part of the sampled portions, the distance between one portion and another did not correspond to that indicated in the operational procedure in part of the cases sampled); 4) spatial information, known as vertices of the georeferenced portions, was not promptly available in a format that would facilitate the audit team work; 5) Field sheets and spreadsheets digitized with the inventory data were not promptly available in a format that would allow analyzes of accuracy and, therefore, inferences about the quality of the inventory work performed by the project proponent. It is understood the project has not been implemented in compliance with its design and methodology used regarding the referred section in this survey.

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 35: Licenças Operacionais do PMFS (Anexo 1 do proponente)<br>Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The project proponent revised his inventory protocols quality control procedures in order to ensure the correct implementation of future inventories and proper data maintenance for checking. Regarding results of this validation, the audit team understands the inventory results were not used for calculation of any parameter |

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| | related to estimates of ex-ante GHG emission reductions, being therefore irrelevant to this report. It is worth mentioning the proponent chose to follow the "path 1" of the methodology adopted in the project design, that estimates the carbon stocks based on pre-existing inventories. In this case, the proponent used the volumes of wood contained in the operating licenses of the management plan, which were issued between 1999 and 2009 by the competent state environmental agency and supported by previous inventories of the area. The proponent properly conducted the validation stages of the pre-existing inventories, thus demonstrating the pilot inventories carried out in the project area at zero time resulted in a higher volume of biomass and thus the conservatism of its estimates. |
| **NCR Status:** | CLOSED |
| Comments (optional): | -- |

| **NCR#:** | 05/17 |
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| Standard & Requirement: | VCS AFOLU Non-Permanence Risk Tool v3.2 |
| Report Section: | 11 |

**Description of Non-conformance and Related Evidence:**

After document analysis (ref. 19), direct observations and interviews with involved teams, the audit team noticed inconsistencies in the risk assessment of the non-permanence of carbon stocks carried out by the proponent.

The audit team understands the risk associated with project management as underestimated by the proponent - specifically, in table 1, items c) and e) of VCS tool referenced herein. During the audit process, it was characterized that the project (item 01) has been analyzed and received contributions from different consultants throughout its development. Although the project is signed by different experts with recognized competence and proven performance in Brazil, it is possible the repeated changes in the project team have made their design presentation in a fragmented way; in addition, it is understood that the team currently in charge of its management, not having participated in previous stages of elaboration, sometimes demonstrates a lack of knowledge with specific topics.

It can be pointed out regarding the rights on land and natural resources access - mainly in table 6, items b), c) and d). During the field audit, the team has noticed evidences of dispute for territory and natural

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| resources, in this case, chestnut harvest, between indigenous communities and proponent, and indigenous and riparian communities, respectively. On the other hand, no evidence of mediation actions between these disputes was found, which could be pointed out as a risk mitigation measure.<br><br>Regarding project natural risks - specifically, table 10, it is understood that the proponent has not analyzed the level of significance and probability of occurrence of natural events, nor proved the existence of impact mitigation measures in a clear way and through verifiable evidence, thus demonstrating the pertinence of the scores used.<br><br>In its risk analysis, the project proponent mistakenly states there are no traditional communities living in the project area. The audit team recognizes the community engagement effort made by the proponent in order to obtain the informed consent, and also regarding other aspects related to the construction of the reserve management plan, by holding workshops with the communities. However, indicates the need for its risk assessment review, considering "community engagement – specifically items a), b), and c)"<br><br>Finally, the proponent has not presented his risk analysis using an official template. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 34: Análise de risco revisada (anexos 22 e 31 do proponente) |
| Findings for Evaluation of Evidence: | The proponent revised its non-permanence risk analysis in order to address specific aspects covered by the audit team. General risk score was calculated as 10. After the audit, the proponent hired new consultants and reviewed the project documentation in order to describe his staff qualification. This aspect was considered by the audit team as compliant.<br><br>The proponent presented documents proving the project area legitimacy and its reserve approved status as an absence proof of conflicts by territory in the project area. In addition, he presented a |

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| | letter addressed to FUNAI as evidence of questioning about the recognition of possible overlaps between the project area and indigenous areas. The audit team performed an independent checking with the agency, having no assertive response on this issue. Due to the above, the risk associated with category "Land Ownership and Resources Access" in its sub-items b) and c) is considered as compliant. This aspect was considered by the audit team as compliant.<br><br>The risk associated with the "community engagement" component was maintained. Through direct observation and interviews during the field work, the audit team confirmed the existence of riparian communities living within the project area, precisely in the "Amazon River IV" area. However, the audit team understands the risk score associated with this component, specifically in items a) and b), can be marked as zero, depending on the extensive consultation process carried out. This aspect was considered by the audit team as compliant.<br><br>The proponent has reviewed the risk associated with "Land Property and Access to Resources", considering the VCS tool operation which determines that the risk associated with this specific category cannot be less than zero, also considering the risks associated with disputes over natural resources existing among traditional communities that use the project area for collecting nuts, specifically in its item d). This aspect was considered by the audit team as compliant.<br><br>The proponent correctly points out the risk associated with the country's "political context" as zero, considering mitigation measure associated and presented in the VCS tool. This aspect was considered by the audit team as compliant.<br><br>Finally, the proponent correctly pointed out the risks associated with natural causes by summarizing them with data from reliable sources and plausible line of argument. The risk associated with |

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| | the occurrence of fire was considered according to INPE's analysis of heat sources and to the existence of specific mitigation measures, such as training of fire brigades and clearing management. The risks associated with extreme weather were considered in relation to possible droughts in the region and to the rise of fire incidence risk. The proponent also considered as null further risk components, as those associated with plagues, illness and also geological disasters. The score for those risks was considered acceptable by the audit team, due the project location and biome-inherent biodiversity. This aspect was considered by the audit team as compliant. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 06/17 |
| Standard & Requirement: | VM0011 v1.0, Seção 3.2.1 |
| Report Section: | 6.2 e 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| Project baseline was defined considering the mean wood harvest intensity from 1999 to 2009 (ref. 01, section 5.1.1 and ref. 16). For such, the proponent considers increasing the exploited area and volume, over the mentioned period and reported in six official harvest reports (ref. 20). The audit team considers the approach as compliant with the methodology used for the project. However, the proponent does not provide evidence that the project management usable area is wide enough, so that the adoption of the average harvest volume would not imply the hypothetical harvest of the same production unit before the end of its rotation period of 25 years, which would represent a violation of the Forest Code. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 35: Licenças Operacionais do PMFS (Anexo 1 do proponente) |

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| Findings for Evaluation of Evidence: | The project proponent presented the operational licenses for forest management in order to demonstrate that, following the average harvest intensity practiced in the reference period, the usable management area would not be fully exploited in 25 years. Based on the area already managed, the average annual managed area, the project period and the total manageable area, the audit team independently calculated the "surplus area" i.e. to be managed at the end of the first cycle, as being 1,702 ha. Thus, it is understood the harvest intensity provided would not potentially exceed the project's available area. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 07/17 |
| Standard & Requirement: | VCS Standard v3, requisito 2.4.1<br>VM0011 v1.0, Seção 3.2.1 |
| Report Section: | 3.8, 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent does not demonstrate the adoption of the wood harvest average (Vmerch, t), using the official harvest reports (ref. 20), is an appropriate approach for the baseline definition. There is no evidence that the carbon stocks present in the already exploited area are compatible with carbon stocks in the rest of the project area in order to achieve accurate and conservative extrapolation. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 36: Relatório técnico Hdom (anexo 23 do proponente) |
| Findings for Evaluation of Evidence: | The proponent presented a variance analysis based on the forest inventory data (ref. 36). Hypothesis test indicated no significant differences between the managed and non-managed areas (p = |

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| | 0.624908) and there are significant differences among Amazon Rio II, III and IV areas (p = 0.0006). Although the variance analysis suggested that the carbon stocks in the project areas are heterogeneous, it is considered that the mean stock found in strata 2, formed mainly by Amazon Rio II, III and IV areas, is greater than the mean stock found in strata 1, formed by Amazon Rio I. Thus, the audit team understands that the extrapolation of carbon stocks to the project area can be considered, as a whole, conservative. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 08/17 |
| Standard & Requirement: | VM0011 v1.0, Seções 3.3.1.3 e 3.3.2.2 |
| Report Section: | 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The CDWout, t-1 and CltHWP_out,t-1 parameters were not calculated or included for estimating the GHG emission reduction, in disagreement with the methodology definitions adopted. The audit team understands that project ex-ante estimates are not affected by the adopted approach, since these parameters have been incorporated into CDWdecay, t and CltHWPnet_out, respectively. However, despite the above, the project (ref. 01, pages 116 and 121) still have erroneous aspects. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 37: Planilha de calculo (ex-ante) – Anexo 18 do proponente |
| Findings for Evaluation of Evidence: | The proponent revised its calculation spreadsheet with ex-ante reduction estimates, in order to consider the parameters being discussed. The audit team revised the documentation and understands that the parameters were properly calculated, |

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| | respectively according to the equation 3-17 from the methodology adopted in the project and the values intended for the decaying rate from the dead wood stock of Chambers et al (2000). |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 09/17 |
| Standard & Requirement: | VM0011 v1.0, Seção 3.4.6 |
| Report Section: | 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent provides the information that, in the baseline scenario, 98% of the wood exploited in the project area was sold to the forest company Gethal, which in turn, exported it to the south region of the country, United States and Germany (ref. 01, Section 5.3.4).<br><br>By analyzing the calculation spreadsheet (ref. 16), we can observe that the GHG emissions related to the wood transportation carried out by Gethal are considered by the proponent as project emissions. However, the project scope is limited to emissions that occur due to the transport executed between the forest management and the first processing link in the processing chain (we understand that there is a raw material property transfer in this process, on agreements, in which, the wood is supplied to factories). The audit team understands that the GHG emissions related to the wood transportation to the south region of the country, United States and Germany are out of the project scope (columns AF to AT of the tab “Cálculos_baseline” from the calculation spreadsheet). | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 37: Planilha de calculo (ex-ante) – Anexo 18 do proponente |
| Findings for Evaluation of Evidence: | The proponent revised his ex-ante calculation spreadsheet, in order to ignore the emissions related to the wood export, evidenced by the |

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| | reading of the parameter $Km_{distributtotal,t.}$ |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 10/17 |
| Standard & Requirement: | VM0011 v1.0, Seção 3.4.6 |
| Report Section: | 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent did not prove that the transportation distances and the load capacity of the vehicle used for removal of the wood (e.g., rafts, trucks etc.) used for the GHG emission calculation from the baseline are consistent (refs. 01 and 16). | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 37: Planilha de calculo (ex-ante) – Anexo 18 do proponente |
| Findings for Evaluation of Evidence: | The proponent revised its calculation bases, substantiating data on transported volumes and distances travelled by trucks and rafts, to Manicoré and Itacoatiara used in the baseline scenario. The audit team considers the distances between the management area, extraction ports, port in Manicoré, Serraria and Factory in Itacoatiara (respectively, 30, 20, 03 and 330 Km) and the load capacities (30 m3 per truck, 500 m3 per raft) as plausible. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 11/17 |

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| Standard & Requirement: | VT0001 v3.0, Steps 2 e 3 |
| Report Section: | 6.6 |

**Description of Non-conformance and Related Evidence:**

The proponent executed the additionality analysis of the project using the VT0001 tool, v3.0, from the VCS.

The proponent employs IRR – internal rate of return and NPV – net present value as financial indicators for comparative analysis of investment, not considering in the project scenario the future earnings from non-wood forest product harvest (refs. 21 and 22). The audit team understands that the project does not comply with the requirements of the aforementioned tool, specifically concerning sub-step 2c. (item 2.2.5, a))

In his barrier analysis, the proponent provides the demographic increase trend, which results in increasing demand for products and services in the area, and it is also put as a potential obstacle for executing the project activities, without, however, presenting evidences that corroborate such trend. The audit team understands that the project does not comply with the requirements of the aforementioned tool, specifically concerning sub-step 3a. (item 2.3.1, l))

Finally, the proponent points out the existence of "technological barriers", which would be associated with his own management ability of the project activities, more specifically, the non-wood forest product management and conflict management. The audit team understands the barrier as inherent to the project proponent and, therefore, ineligible to the tool purpose, specifically, in sub-step 3a (item 2.3.1, a)).

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 38: Cronograma Físico-financeiro do projeto_EBCF (anexo 41 do proponente)<br>Ref. 22: Análise de adicionalidade financeira, EBCF (anexo 16 do proponente) |
| Findings for Evaluation of Evidence: | The proponent revised its additionality analysis and specifically its |

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| | step 02 – investment analysis – in order to take into account expenses related to the income generation activities, which, in turn, refer to the structuring of PFNM production chains. During interviews the proponent emphasizes that the decision of not considering earnings from those activities was caused by lack of knowledge about their potential return, and also by the fact that the non-wood forest product supply chain structuring have been planned to promote social benefits to the surrounding extractivist community, as opposed to financial return for the proponent per se. The audit team agrees with the proposed argument and parameter setting to demonstrate additionality presented in the project financial-physical schedule (ref. 38), as well as in the cash flow analysis (ref. 22). Further, it is noteworthy that the project financial indicators (NPV and IRR) not containing financial return regarding carbon credit trading are less favorable than those same indicators in the baseline alternative scenario, providing the maintenance of forest management. The sensitivity analysis is carried out according to the CRAs (environmental reserve quotas) price variance and project implementation cost, which corroborates with the previous conclusions.<br><br>In relation to the analysis of barriers to demonstrate additionality, the proponent revised the project description in order to corroborate its claim related to the demographic increase of the population from the region, based on official data from IBGE for the city of Manicoré. The audit team understands the proposed argument as plausible, considering that the demographic increase in the region, including in the communities surrounding the reserve, will put pressure on natural resources. This aspect was considered by the audit team as compliant.<br><br>The proponent also revised the presented barriers, in order to emphasize that by technological barriers, he means the community ability of managing business structured from PFNM production chains, something considered plausible by the audit team, due to the |

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| | low level of schooling characteristic of traditional communities in the Amazon.<br><br>Therefore, the audit team considers the additionality analysis and demonstration, submitted by the project proponent to be complete and in conformance with applicable requirements. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 12/17 |
| Standard & Requirement: | VCS standard v3, requisito 3.7.1<br>VCS AFOLU requirements v3.4, requisito 3.2.1 |
| Report Section: | 3.6 |
| **Description of Non-conformance and Related Evidence:** | |
| The project start date is August 17, 2012, date, on which, a business plan approval was signed by the board of directors from EBCF (ref. 01). According to the proponent, the document provides guidelines for the project actions and creation of the reserve, in order to definitively stop the wood harvest forest management with consequent forest destruction, thus, providing the effective reduction of GHG emissions. The audit team acknowledges the decision validity, evidenced by the document signature (ref. 23), however, it questions 1) if the wood harvest activities have ceased before the project start date and 2) why the reserve management plan approval occurred only on June 5, 2013 (ref. 24). Therefore, it is necessary to support the project start date establishment with enough arguments to show that the project complies with the specific requirements from the VCS standard herein. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 39: Diário Oficial |
| Findings for Evaluation of Evidence: | The proponent revised the project description redefining its start date and linking it to the sustainable growth private reserve approval, |

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| | which occurred on June 5, 2013, according to publication in the federal official gazette (ref. 39). The audit team understands that the event at hand sufficiently represents the project starting date considering the requirements of VCS standard, which provide for the creation of protection plans with feasible examples. The proponent also justifies the management activities stop prior to the creation of the reserve as temporary and casual, due to shutdown of Gethal company, at the time, its sole buyer. The audit team understands that the evidences and reasoning proposed by the proponent as sufficient for closing this NCR. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 13/17 |
| Standard & Requirement: | Rules for the Use of CCB Standards, december 2013, item 1, pág. 17.<br>VCS standard v3, requisito 3.18.1 |
| Report Section: | 3.1, 4.9, 8.1, 9.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent has not use the last description template from the project, version 3.1 from October 19, 2016, for the approach x (in English: streamlined approach), considering both the standards CCB + VCS, available on VCS website. Consequently, existing specific sections in the new PD were not considered by the project proponent, such as section 2.9 - "Sustainable Growth". Furthermore, in the corresponding sections between the current template and the one used in the preparation of the project description (ref. 01), it was evident that the proponent did not follow all filling instructions provided in the document, which is required by the specific requirement from the standard. For example, section 1.1 from PD: the proponent presents a brief description of the project, without, however, taking into account one of the specific guidelines from the template, which determines the need of reporting the average annual emission reduction.<br><br>Furthermore, the project description was not prepared based on the CCB standard use rules. The document does not provide the information in a way that facilitates the public and validation/verification body assessment. Concerning the project social scope, e.g., two aspects are defined: 1) the specific component writing from the project, in order to meet the specific components of the standard, in general sections from the PD and 2) the omission of specific sections from the standard. Concerning the first | |

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| aspect mentioned, appropriate examples are: sections CM1.1 and CM1.2 from the standard, specific of the social scope and which were covered by the proponent, respectively, in sections 1.4 - “Conditions prior to the project start” and 2.4 – “Measures for Maintaining HCVs” from the PD, related to the project general scope. Concerning the second mentioned aspect, appropriate examples are: sections CM1.3, CM2.3 and CM3.2, which were never covered, clearly and objectively, in the project description.<br><br>The audit team understands that there is an overlapping of subjects between general and specific sections of the standard and, thus, of the PD templates, however, in order to facilitate the reader's understanding and the compliance analysis of the verification and validation bodies, the audit team points out the non-compliance of the project, in relation to this specific directive, described in the CCB standard use rules. The audit team also considers that the absence of a specific project template for a simplified approach that includes the 3rd issue of the CCB standard, will cause additional issues to the project proponents, who must adapt the available template, in order to ensure that the project complies with the new standard issue. However, the audit team understands that this additional issue will not restrict the effect of the directives provided in the system rules, i.e., the project description must be complete and clear, in accordance with the CCB and VCS standards. | |
| Corrective Action Request: | O proponente do projeto deverá implantar ações corretivas a fim de demonstrar conformidade com o(s) requisito(s) acima mencionado(s).<br><br>Nota: Ações corretivas eficazes focam a abordagem da ocorrência específica descrita nas evidências acima, bem como sua causa fundamental, com a finalidade de eliminar e prevenir a reincidência da não conformidade. |
| **Timeline for Conformance:** | Antes da validação |
| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent revised the project description in order to make it clear and also to adopt the combined template of the PD (CCB + VCS), version 3.1, from October 19, 2016. This version was the latest one, at the time the project was released for public consultation on the CCB website. In this revision process, the proponent followed properly the template guidelines, e.g., section 1.1, where it is referenced the emission reduction volume targeted by the project |

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| | along its term. The audit team performed a sufficiency analysis of the information included in the updated description of the project, based on the guidelines provided in the template used for its preparation and understands that the updated PD complies with the standard guidelines. Special attention was given by the proponent to the standard sections referenced in this survey. The audit team understands that the project description reports, e.g. the expected changes in the wellness conditions and other characteristics from the communities in the baseline scenario (section 6.1, referencing section 1.3), which shows that the net impacts are positive for the communities in the scenario with the project (section 6.1) and that also addresses the negative impact mitigation matter to other participants (section 6.2).<br><br>Even though the content of specific sections from the standard are still discussed in general sections from the PD, the audit team understands that the revised document is clear and objective, including references from all the standard requirements and efficiently guiding the reader in his/her reading.<br><br>It is important to emphasize that VCS/CCB released a new project description template on June 21, 2017. The audit team understands that this template is not applicable, because it was issued after the start of the period reserved for public comments on CCB website and also subsequent to the DRAFT report issuance by the audit team on May 18, 2017. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 14/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), requisito G1.8 |
| Report Section: | 4.2 |
| **Description of Non-conformance and Related Evidence:** | |

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| The project presents a description of its activities (ref. 01, pages, 35 to 37) without, however, defining clearly the cause and effect relations between the actions proposed and the target goals. The CCB standard determines the need of defining such relations indicating the outputs, outcomes and impacts of the project actions to the climate, communities and biodiversity within a change theory logic.<br><br>In its description, the proponent aligns the project goals with the UN sustainable growth goals, focusing on matters related to the global climate maintenance, conservation of biodiversity, preservation of the traditional culture, income generation and local development. The proponent also emphasizes as specific goals: the creation of an alternative economy to the extraction of wood to benefit the families involved in the context, the decrease of the emission of 3.2 million of tons of GHG, the forest preservation with consequent maintenance of biodiversity, improvement of the health and education conditions in the area, and finally, the empowerment of women in the communities in the project area. On the other hand, the proponent defines as specific activities, stop the forest management actions, the implementation of a management plan for the reserve, actions linked to ecotourism, education, construction of infrastructure, scientific research, trading of environmental reserve shares, training, health, structuring of production chains for forest products not related to wood extraction, agroforestry systems, monitoring programs and access to public policies, among others. It is important to emphasize that the subjects presented in the "sustainability matrix" (ref.29), document attached to the reserve management plan and that also evidences the specific work lines, are not correlated with the activities described in the PD. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 40: Matriz de análise de impactos_EBCF (anexo 38 do proponente) |
| Findings for Evaluation of Evidence: | The proponent revised the project description, in order to prepare a matrix theory of the change, relating the specific activities to outputs, outcomes and expected impacts in five large subjects of the project: management, climate, biodiversity, income generation and social empowerment and inclusion. The audit team understands that the matrix submitted shows the relations of cause and consequence |

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| | between the actions planned and the impacts intended to be caused. |
| **NCR Status:** | CLOSED |
| Comments (optional): | Although the ToC matrix included in the project description serves the purpose of demonstrating the conformity of the project to the CCB standard, the audit team issued an observation with the intention of pointing out an opportunity to improve the project, regarding the monitoring of actions, outputs, outcomes and impacts. The current description of the project lists indicators associated with impacts but does not list performance indicators for each of the activities and results of short and medium-term outcomes in order to allow a careful analysis of the evolution of the framework project in each of its axes and focusing on the expected impact (OBS # 10/17). |

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| **NCR#:** | 15/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), requisito G1.9 |
| Report Section: | 3.7 |
| **Description of Non-conformance and Related Evidence:** | |
| The project description provides the start date and term of the project (ref.01, page 33), but does not establish the action impact assessment period or, in other words, the period of benefit generation to the communities, according to the specific requirement of the CCB standard. The schedule provided in the document extends only to 2018 (ref. 01, page. 33), not being considered an implementation schedule. | |
| Corrective Action Request: | O proponente do projeto deverá implantar ações corretivas a fim de demonstrar conformidade com o(s) requisito(s) acima mencionado(s).<br><br>Nota: Ações corretivas eficazes focam a abordagem da ocorrência específica descrita nas evidências acima, bem como sua causa fundamental, com a finalidade de eliminar e prevenir a reincidência da não conformidade. |
| **Timeline for Conformance:** | Antes da validação |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 38: Cronograma Físico-financeiro do projeto_EBCF (anexo 41 do proponente) |

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| Findings for Evaluation of Evidence: | Concerning the generation of social benefits, aspect covered in this NCR, the proponent submits a revised implementation schedule, providing the assessment period of the project impacts, for clarification purposes, monitoring up to 2022, for the component "Education and Health Care", "Income Generation" and "Social Inclusion and Empowerment" (ref. 41). The proponent also justifies the aforementioned period for its implementation schedule as being of medium term, what was considered acceptable by the audit team. It is important to emphasize that the project implementation schedule redefinition after the end of the referred period will be performed in spaces created for the participation of the communities, taking into consideration the governance structure and the instruments of RPDS from time to time, aspect covered in the project description (ref. 32). Therefore, the audit team considers the NCR closed |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 16/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), requisito G3.1, G3.2, G3.3 |
| Report Section: | 4.7 |
| **Description of Non-conformance and Related Evidence:** | |
| The project documentation review informed the history of actions carried out by the proponent, in order to stimulate the participation of the communities within this context (ref. 01, page. 62). The proponent explains that in order to provide the "full documentation" of the project, three workshops were held, where an overview of the project was presented to the communities and support entities in a "simple language". However, the document does not evidence how the summarized project documentation was made available in proper language or how the communities can access regularly the full documentation. Furthermore, it was not clearly informed how the workshops or other meetings were widely announced to other participants. In interviews performed during the field work, it was evidenced that the communities, community groups and other participants did not access the full documentation of the project. Therefore, the audit team reports the non-compliance of the project, in relation to the requirement G3.1 from the CCB standard.<br><br>Through the project description, the proponent does not explain how relevant and proper information on | |

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| potential costs, risks and benefits were provided to these communities (ref. 01, section 2.7, page. 60). In interviews performed during the field work, representatives from community groups demonstrated generic knowledge about the project. Therefore, the audit team reports the non-compliance of the project, in relation to the requirement G3.2 from the CCB standard.<br><br>Finally, during the execution of the interviews, it was evidenced that the communities, community groups and other participants were unaware of Imaflora role as a verification and validation body. In fact, the project description (ref. 01) does not addresses the subject. Therefore, the audit team reports the non-compliance of the project, in relation to the requirement G3.3 from the CCB standard. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 41: Materiais da segunda rodada de oficinas junto as comunidades do entorno_apresentação, relatórios, listas de rpesença, listas de distribição, registros fotográficos, questionários preenchidos, recibo de entrega de resumo executivo, protocol de resolução de conflitos, politica anti-discriminação e contratação, matriz de sustentabilidade_EBCF (família 42 de anexos do proponente) |
| Findings for Evaluation of Evidence: | The proponent of the project increased its consultation and interaction efforts with the surrounding communities, carrying out a second cycle of workshops together with the communities in the period from April 24 to 28, 2017. In these workshops, the proponent addressed general aspects related to climate changes, deforestation and destruction avoided and implementation of the project, presenting associated concepts and a detailed history of the activities. Furthermore, the proponent explained the different goals of the project, its action subjects and activities, also listing inherent opportunities, risks and challenges. In the workshops, the role of standards and verification and validation bodies was also discussed, the claim and dispute settlement mechanism and the participatory monitoring activities were explained and divulged, involving aspects |

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| | related to the biodiversity, social aspects and high value attributes for conservation. At the end of the workshops, the proponent applied quizzes, in order to check the understanding of the participants. The records on the execution of workshops and their results are extensive and were submitted to and considered by the audit team as appropriate and sufficient to show that the project complied with the CCB standard. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

| **NCR#:** | 17/17 |
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| Standard & Requirement: | CCBS 3ª ed. (2013), requisito G3.4, G3.5, G3.6 |
| Report Section: | 4.7 |
| **Description of Non-conformance and Related Evidence:** | |
| Records on the workshops carried out in the communities are included in the reserve management plan, and were made available to the audit team (ref. 29). The project description mentions the content covered in these consultation steps (ref. 01, section 3.7, page. 38), without, however, evidence how the Communities, Community Groups and Other Participants could influence the planning and implementation of the project. The audit team does not consider the project pursuant to the requirement G3.4 from the CCB standard.<br><br>Furthermore, the interviews performed in the field, together with a sampling of the community members revealed that the communication of managers with the communities occurs occasionally, not frequently. The communities do not inform how or where they could influence the project design. The people interviewed remembered the workshops held and that they expressed their consent towards project creation, but they are unable to explain what this implies into their way of living. Likewise, other participants interviewed, such as representatives from the local, state and federal government, as well as representatives from civil authorities, are aware of the initiative, but informed that were not officially communicated on activities that they could engage in, also informing that no leaflets or other materials were provided, which could, at least, provide a brief description of the project. Therefore, the audit team understands that appropriate levels of information sharing were not currently achieved and also that effective measures were not implemented to allow the participation of communities in the project design, implementation and monitoring, what shows that the project does not comply with the requirements G3.5 and G3.6 from the CCB standard, respectively. | |

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 41: Materiais da segunda rodada de oficinas junto as comunidades do entorno_apresentação, relatórios, listas de rpesença, listas de distribição, registros fotográficos, questionários preenchidos, recibo de entrega de resumo executivo, protocol de resolução de conflitos, politica anti-discriminação e contratação, matriz de sustentabilidade_EBCF (família 42 de anexos do proponente) |
| Findings for Evaluation of Evidence: | The audit team considers sufficient the current interaction effort along with the communities executed by the proponent of the project. The proponent held workshops at different times, in order to discuss the relevant aspects of the project and also the reserve establishment, stimulating the participation of the surrounding communities. The materials related to the second round of consultation evidence the way how the participants were invited to give their opinions on project aspects, being capable of influencing its design and implementation, presenting the project scopes, goals and activities, discussing the potential benefits and risks and showing the application of specific quizzes, to check the understanding and receive suggestions and critics.<br><br>The project proponent also presented invitation letters, in order to show its past effort towards stimulating the participation of institutions mapped as “relevant stakeholders" in 03 different workshops. The list of invited participants covers several local entities and relevant government agencies, communities, media, among others. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 18/17 |

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| Standard & Requirement: | CCBS 3ª ed. (2013), requisito G3.7 |
| Report Section: | -- |
| **Description of Non-conformance and Related Evidence:** | |
| The documentation review shows that relevant subjects to the CCB standard like " discrimination" and "harassment" were not addressed by the proponent in the project description. The PD lacks information on these subjects. Interviews performed in the field with groups of women revealed that, according to their own perception, information about the project are not shared. The reports show that conversations, meetings or information exchange on economic and production aspects of the communities are restricted to men. According to the reflection of these women, the project is reproducing the prevailing sexist cultural pattern. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 38: Cronograma Físico-financeiro do projeto_EBCF (anexo 41 do proponente)<br>Ref. 42: Política anti-discriminação e contratação_EBCF (anexo 43 do proponente) |
| Findings for Evaluation of Evidence: | The proponent implemented an internal anti-discrimination policy (ref. 42), through which several specific measures are established, from which: 1) the creation of seats for women in the advisory council of the project and 2) reference and compliance with the covenant 100 from OIT, from 1951, which covers the remuneration equality among men and women, from which Brazil is a signatory. Besides the referenced policy, the proponent directed some of the actions of the project to "social empowerment and inclusion", creating specific components linked to the "inclusion of women in the reserve decision-making councils" and also to "identification and development of income generation activities for women and teenagers". Such activities are referenced in the project description (ref. 32), are included in the ToC matrix and are bound to the |

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| | "financial-physical schedule" (ref. 38), which shows the planning of expenses with the activities of the project, during its term. |
| **NCR Status:** | CLOSED |
| Comments (optional): | The audit team understands the measures presented as compliant, but stresses the fact that the governance structures of the project and the reserve have not been clearly presented. It is not evident in the project documentation, what are the executive, deliberative and consultative spheres of the governance structure, what is its composition and what representativeness women would have in those instances. The audit team presents the notes in this paragraph as opportunities to improve the project (OBS # 11/17). |

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| **NCR#:** | 19/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G3.8, G5.5 |
| Report Section: | 4.7 |
| **Description of Non-conformance and Related Evidence:** | |
| The project documentation provides a conflict resolution procedure (ref. 01, item 2.7, page 63). The procedure does not inform clearly how the three stages determined by the CCB standard will be executed. It also does not mention terms for handling the complaints received in each of the phases. It was not established the way, through which, the interested parties will be benefited, neither how compensations will be provided, and it is not mentioned if the filing and disclosure of such claims/agreements/compensations will be executed.<br><br>On the field, the auditors identified a conflict generated by the competition for forest products not related to wood extraction between the indigenous community Kamayuá and the local Jatuarana communities. Both communities accuse each other. On one hand, the Kamayuá community disagrees with the owner's right over the area and the right of distributing the areas according to its convenience. On the other hand, the riparian people complain about the invasion of their traditional nut gathering areas. There are no evidences that the issue has been identified and solved by the proponents.<br><br>Coming back to the project description (Ref. 01) the proponent acknowledges the existence of possible conflicts related to the extraction of forest resources. It is mentioned the existence of excessive extraction of resources in some areas and appearance of invaders in others, without, however, clearly identifying | |

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| the possible conflicts, their level of importance and the actions taken towards their settlement. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 43: Protocolo de recebimento de queixas e resolução de conflitos_EBCF (Anexo 42b6 do proponente) |
| Findings for Evaluation of Evidence: | The project proponent changed its claim and conflict resolution protocol. The procedure was prepared taking into consideration the specific requirements of the CCB standard and presents an organization chart, which acts as decision-making key. This key presents the paths and specific actions to be taken in case of relevant and not relevant claims to the project scope, whose development occurs in a graduated fashion. The audit team understands that the proposed protocol acts towards receiving, listening, answering and attempting to solve claims and that it is, therefore, in accordance with the CCB standard. It is important to emphasize that the protocol at hand was presented and discussed in the second round of workshops with the surrounding communities.<br><br>The existing conflicts between the traditional surrounding communities and the complaint of the indigenous community Kamayua on acknowledgement of its territory are described in the project revised documentation. The proponent paid special attention to the subject, identifying an agreement between the traditional communities as a desired result in the change theory matrix and the gathering areas of the indigenous community as HCV. |
| **NCR Status:** | CLOSED |
| Comments (optional): | In spite of the above, 1) the description of the project does not bring |

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| | the contact data of Valdenor, the person chosen to receive complaints; 2) the decision key does not show a clear path to situations where no amicable solution can be found and 3) the procedure does not provide clear deadlines for each of its stages. These last points were gathered in the form of an observation (OBS # 12/17). |

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| **NCR#:** | 20/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G3.10 |
| Report Section: | 4.6 |
| **Description of Non-conformance and Related Evidence:** | |
| The project (ref.01) does not include an equality policy for hiring employees, with special attention to women and other excluded community groups. Even though the proponent defines as a priority or in a simple way, acknowledges the possibility of hiring members of the communities for the performance of tasks related to the specific programs of the project (ref. 01, pages 59 and 64), this aspect of the project is not considered to be in compliance with the standard requirement. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 42: Política anti-discriminação e contratação_EBCF (anexo 43 do proponente) |
| Findings for Evaluation of Evidence: | Aspects related to equality, with special attention to gender, were taken into consideration in the “anti-discrimination and hiring” policy. This policy presents principles related to equality and non-discrimination in hiring processes, with reference to the covenants 100 and 111 from OIT, which cover such subjects and, from which, Brazil is a signatory. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

| **NCR#:** | 21/17 |
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| Standard & Requirement: | CCBS 3ª ed. (2013), G1.7, CM2.2, B2.3 |
| Report Section: | 4.4 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent identifies the occurrence of high value attributes for the communities and also to biodiversity in the project area, without, however, defining the priority areas to its preservation (focused on social aspects), and neither identifies the required actions to the mitigation of the risks and/or maintenance of the attributes at hand (focused on both, social aspects and related to biodiversity) (ref. 01). | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 44: Mapas de zoneamento |
| Findings for Evaluation of Evidence: | The proponent has revised the project documentation to address this NCR. Supported by a conservation strategy created by the Ministry of Environment, which advocates the consolidation of preservation units for the protection of biodiversity and sustainable use from the territory, the proponent identifies the entire area of the project as a high value attribute for the conservation and proposes impact mitigation and HCVs maintenance measures, namely: creation and management of preservation units integrated to other protected areas in the region (mosaic) and supplementary action to the state, supporting it in its inspection, leadership and control actions in the region. The proponent also proposes several other HVCs which are directly related to biodiversity, such as: endangered, endemic and rare species (the full fauna and flora list is available in the PD), areas of natural refuge to wildlife and the occurrence of rare and endangered ecosystems. Measures to mitigate the impact and maintenance of associated HCVs are related to monitoring practices, |

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| | inventory, guidance to sustainable extraction practices, awareness, articulation with inspection bodies, among others.<br><br>High value attributes for conservation to the communities were also identified and are related mainly to forest essences traditionally used as medicines, the traditional culture of the riparian people from Amazon and the use areas of the Kamayuá indigenous community. The measures intended for the mitigation of impacts and maintenance of associated HCVs are related to the monitoring of extraction activities, identification of the exploration support capacity of certain species and agreements of use and extraction of these resources along with the communities and also the creation of a channel of continuous communication or a claim and conflict resolution protocol. Maps were provided describing the use areas of surrounding riparian people and indigenous communities.<br><br>Thus the audit team understands that the proponent has chosen mitigation measures associated with the maintenance of the identified HCVs. In conclusion, the monitoring plan after specific parameters, frequency of monitoring, is anchored in financial planning and implementation schedule and guided by the logic of a theory of change matrix. Therefore, the audit team understands it as conforming to the CCB standard. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 22/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), B2.1 |
| Report Section: | 9.1, 10.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The project description presents the methodology RAPELD - Quick Surveys from several taxonomic groups for long-term ecological studies, engagement in initiatives linked to the government like the program ProBUC - Monitoring Programs of Biodiversity and Use of Natural Resources in State Preservation Units from Amazon and also the creation of the Voluntary Environmental Agent Program (AAV) as a biodiversity monitoring strategy (ref. 01). In interviews with the project staff during the field | |

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| work, a monitoring strategy was also identified, focused on wildlife hunting used by the communities involved in this context. The audit team does not consider the project description as being compliant to the standard. It is not clear how the proponent intends to estimate the changes in the current acknowledged biodiversity, existing in the project zone according to the project activities. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent revised the project description in order to clarify its approach. The strategy adopted by the project proponent to cause positive impacts to biodiversity consists of suspending the forest harvest activities, with consequent preservation of habits, creation of a preservation and monitoring unit for specific components of biodiversity.<br><br>The proponent revised its biodiversity monitoring plan, in order to list specific parameters: 1) species exploited by management of the baseline scenario, taking into consideration the recovery of its populations, 2) occurrence and abundance of flora and fauna species in the project area, taking into consideration rarity, endemism and degree of threat criteria. The methodology adopted (RAPELD) defines aspects related to the sampling, is appropriate to long-term ecological research, acts through quick inventories and was proposed by Magnusson (2005) in a scientific journal. The monitoring frequency can be inferred through the financial-physical schedule of the project, which estimates expenses with flora and fauna inventories every 5 years. The project budget planning also estimates expenses related to the surrounding communities training for the execution of the monitoring activities and expenses with the |

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| | management of the monitoring program as a whole. It is important to emphasize that the proponent also considers the monitoring data in the project area, in relation to the data of the program ProBUC - Community Monitoring Program of Biodiversity in Preservation Units, in order to assess the conservation status in the project area. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 23/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), CM4, B4 |
| Report Section: | 10.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The project design (ref. 01, pages 167 e 168) does not present a structured monitoring plan with variables to be monitored, communities, community groups and other participants to be monitored, biodiversity components, types of measurement, sampling, monitoring and reporting frequency. It is important to emphasize that initial surveys on socio-economic aspects and others related to the communities do not act individually as a monitoring plan and, therefore, towards the purpose of proving the compliance to this specific requirement of the CCB standard. Likewise, the potential adoption to government monitoring programs as ProBUC or adoption of methodologies as RAPELD, does not act individually towards evidencing the compliance of the project to the specific requirements of the CCB standard. The audit team understands that rapid participatory diagnostics, as suggested by the proponent in the project description, can act as a monitoring methodology if and when inserted in a wider strategy and in a full monitoring plan, which takes in consideration the aspects described in advance on this document. The same applies to the strategies focused on the biodiversity monitoring. More than an implementation directive from the project, it is necessary to submit a monitoring plan including specific parameters. In the field work, it was verified that up to now no efforts directed towards the monitoring of the social scope or biodiversity of the project were implemented by the project staff or consultants contracted for this purpose. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |

| **Timeline for Conformance:** | Prior to project validation |
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| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent revised its biodiversity monitoring plan, in order to let it clear and list specific parameters: 1) species exploited by management of the baseline scenario, taking into consideration the recovery of its populations, 2) occurrence and abundance of flora and fauna species in the project area, taking into consideration rarity, endemism and degree of threat criteria. The methodology adopted (RAPELD) defines aspects related to the sampling, is appropriate to long-term ecological research, acts through quick inventories and was proposed by Magnusson (2005) in a scientific journal. The monitoring frequency can be inferred through the financial-physical schedule of the project, which estimates expenses with flora and fauna inventories every 5 years. The project budget planning also estimates expenses related to the surrounding communities training for the execution of the monitoring activities and expenses with the management of the monitoring program as a whole. It is important to emphasize that the proponent also considers the monitoring data in the project area, in relation to the data of the program ProBUC - Community Monitoring Program of Biodiversity in Preservation Units, in order to assess the conservation status in the project area.<br><br>The project social impacts will be measured based on participatory rural diagnostics (DRPs). The methodology consists of, basically, the holding of workshops, where a set of methods and tools is applied, which allows the communities to perform their own diagnostic and start to self-manage their own planning and development. The monitoring parameters are related to the quantity of hired workers, income generated according to the project activities, quantity of people trained and that is working in biomonitoring programs, number of resource usage agreements executed, number of conflicts, quantity of women attending to councils, quantity of people executing production tasks. The monitoring frequency can also be inferred through the project financial-physical schedule, which |

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| | forecasts annual expenses in the subjects "income generation" and "project management", to which, the monitoring parameters are related.<br><br>In conclusion, the monitoring plan after specific parameters, frequency of monitoring, is anchored in financial planning and implementation schedule and guided by the logic of a theory of change matrix. Therefore, the audit team understands it as conforming to the CCB standard. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 24/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G1.12 |
| Report Section: | 4.5 |
| **Description of Non-conformance and Related Evidence:** | |
| The full project documentation includes financial spreadsheets with earnings, costs, financial parameters and other relevant aspects to analyze and evidence its feasibility (ref. 22). The audit team understands that a breakdown on pre-operational, administrative and other costs is also required, but not currently included, in order to evidence the appropriate financial flow to the project implementation as a whole, allowing the understanding and checking of the activities nature and identification of the origin of the values used as inputs in the spreadsheet. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 48: planilha financeira revisada |
| Findings for Evaluation of Evidence: | The proponent revised its financial spreadsheet in order to detail costs regarding the project activities in its five points: management, climate, biodiversity, income generation, education and health, |

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| | inclusion and social empowerment. The activities described in the document correspond to the project actions and comply with ToC matrix. Earnings presented correspond to the carbon credits generated over the course of the project, considering the adopted premises and those regarding ton value and exchange rate. Cost estimation was based on the project staff previous experience and also carried out in a separate manner, through budgeting of specific activities, which could be verified during interviews by the audit team. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 25/17 |
| Standard & Requirement: | VM0011 v1.0, seção 3.2.1.1<br>VCS standard v3, requisito 3.5 |
| Report Section: | 6.3 |
| **Description of Non-conformance and Related Evidence:** | |
| The proponent informs the existence of methodology deviations in the project and references a technical report (ref. 04), which would indicate the nature of such deviations. The audit team has not found, in the project documentation, references which explain the nature of such deviations and justify its adoption. The proponent also informs wrongly (ref. 01, section 4.3) that the aforementioned methodology was created for a different scope from the applicable ("within a context of homogeneous forests from temperate regions"), submitting the information provided as a way to justify the adoption of the project methodology deviations.<br><br>Finally, the audit team considers the adoption of forest inventories prior to 5 years for the determination of carbon stock and calculation of GHG emission reductions, as executed by the proponent, as a non-reported methodology deviation, taking into consideration the VCS requirements. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |

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| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent amended the project description in order to address this NCR. The project updated documentation shows the adopted methodology deviation, regarding the FIRs age used for the determination of the wood volume intended for trading in the baseline scenario. The audit team considers the proposed deviation as relevant, because it focuses on aspects related to the measurement and also as conservative, because it considers carbon stocks above ground lower than those found through the pilot forest inventory in the project area. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 26/17 |
| Standard & Requirement: | VCS standard v3, requisito 3.8 |
| Report Section: | 3.7 |
| **Description of Non-conformance and Related Evidence:** | |
| 37 years is the duration and crediting period of the project defined by the proponent. According to the logic presented in the project description, the period is equivalent to the remaining period of the cycle of authorized forest harvest that began in 1998, plus a complete 25-year harvest cycle. It is important to emphasize that this 25-year harvest cycle corresponds to the time necessary to exploit one single area, respecting the mean annual increment observed in the amazon forest and Brazilian applicable legislation. The audit team considers the logic valid, however, points out that the duration period and crediting period of the project was not established in accordance with the stated project start date, taking into consideration the information provided by NCR#12/17. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by | Ref. 32: PDD revisado |

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| Findings for Evaluation of Evidence: | The proponent revised the project documentation in order to update the aforementioned parameters. The duration period is equivalent to the crediting period, i.e., 36 years, which starts on June 5, 2013, and ends on June 5, 2048. This period is equivalent to the remaining 10 years of the first authorized harvest cycle (25 years from 1998) plus other 25 years from a second harvest cycle, which is allowed by the Brazilian laws. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 27/17 |
| Standard & Requirement: | VM0011 v1.0, seção 7.2 |
| Report Section: | 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The parameters used in the calculation spreadsheet (ref. 16, "Cálculos_baseline" tab) were checked by the auditors along with the proponent during the field audit. No material errors were found, however, the references used for obtaining the calculation parameters were not submitted to the audit team. Furthermore, VM0011 (Section 7.3.2.) specifies that the standard values obtained from the literature must include the following information: *Source of data, date, table/figure, page number, from which the data is derived*. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 37: Planilha de calculo (ex-ante) – Anexo 18 do proponente |
| Findings for Evaluation of Evidence: | The proponent revised the project description in order to provide the full list of all parameters acquired from the literature, including the specific unit, the parameter description and the data source, year and the value applied. The proponent also provides additional |

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| | information on the tables, figures and pages from where the data was acquired, in the same calculation spreadsheet or through interviews performed with the project staff (regarding the management parameters; ex: fuel use, raft load capacity etc). |
| **NCR Status:** | CLOSED |
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| **NCR#:** | 28/17 |
| Standard & Requirement: | VM0011 v1.0, seção 7.3.3 |
| Report Section: | 7.1 |
| **Description of Non-conformance and Related Evidence:** | |
| A summary of all ex ante reductions and removals of the project GHG emissions is presented in Section 5.6 from PD (Table 20). However, due to the non-compliances reported, it is impossible to validate the submitted values at this point in the process. It should be pointed out, however, that Table 20 was only partially presented in tab “Summary of the reduced emissions" in the calculation spreadsheet provided to the auditors (Ref. 16). The proponent must submit a document with the summary of the ex ante reductions and removals of the project GHG emissions with values enabled for traceability. Analyzing the project from a quality perspective, the project description fails to evidence the existence of management procedures that provide the required information flow for the determination of GHG reduction estimates, from data collection (primary or secondary), to carbon calculations, and finally informing the GHG. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado<br>Ref. 37: Planilha de calculo (ex-ante) – Anexo 18 do proponente |
| Findings for Evaluation of Evidence: | The proponent revised the project description and its calculation spreadsheet. The calculation spreadsheet provides the emission reduction estimate with formulas and traceable links between the cells and tabs. The project description reflects the methodology logic, |

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| | providing equations, explanations of approaches taken by the proponent, pre-requirements and values acquired from the literature, tables which evidence the calculated values for each of the relevant components and uncertainty calculations. Specifically, and in a summarized way, table 17 shows the area calculation and wood volume exploited in the baseline scenario, as well as the carbon stocks above ground. Table 18 shows the values associated with the baseline scenario, according to the forest destruction, from decaying of dead wood, long-term oxidation of lumber, growing of the cut trees and also the recovery effect of the stocks after gathering. Table 19 shows emissions related to forest management in the baseline scenario, taking into consideration the cutting, dragging, processing and transportation operations. Table 21 considers the project emissions, regarding planning and implementation. Table 24 summarizes the net reduction estimates of GHG.<br><br>Therefore, the audit team understands that the proponent evidenced how the information flow occurs for the determination of the GHG reduction estimates, what shows that the project complies with this specific requirement of the methodology. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

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| **NCR#:** | 29/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), B1.1 |
| Report Section: | 9.1 |
| **Description of Non-conformance and Related Evidence:** | |
| The project is based on forested inventories conducted at the project area and also on surveys about biodiversity performed in a nearby reserve, the RDS from Amapá River, to describe the biodiversity from the project area. The audit team considers the approach reasonable due to existing proximity and similarity between the ecosystems from the reserves, however, the RDS being discussed is not inserted in the project zone, according to its current design. | |

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| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to project validation |
| Evidence Provided by Organization: | Ref. 32: PDD revisado |
| Findings for Evaluation of Evidence: | The proponent assessed the project boundaries, in order to include the RDS from Amapa river, taking into consideration its buffer zone, in the project zone. Therefore, the audit team considers that the methodology framework applicable to the project, based on the CCB standard requirements, is currently applicable to the region used as reference for the project area, concerning the adopted proxys for surveying biodiversity. |
| **NCR Status:** | CLOSED |
| Comments (optional): | None |

### 1.2. Forward Action Requests

*Note: FARs (Forward Action Request) indicate critical points in the project that must be observed and resolved by the proposer until the next verification event. Failure to resolve these items, which result in material discrepancy in the design and implementation of the project in relation to such standards and methodologies, until the next verification event will represent the issuance of an NCR on the same point, at the next verification event.*

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| **FAR#:** | 01/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G5.2 |
| Report Section: | 5.7 |
| **Description of Non-conformance and Related Evidence:** | |

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| The first workshop, associated by the proponent to obtain the informed consent from the communities, was held one year after the project start date. Considering that the communities involved in the context shall have their property rights [7] affected by the project, it has been checked the need to obtain the consent prior to starting the activities and, thus, the non-compliance with the requirement G.5.2 from the CCB standard. The audit team understands, however, that the informed consent must be conducted as a continuous process, which must allow enough time for the project content to be well understood and also to the decision-making process from those whose consent is expected. Therefore, considering the continuous nature of the activity and also that the communities seem mostly unaware of the project (see NCR#16/17), it is important to emphasize the need of reassuring the informed consent, in order to ensure the compliance with the project to the CCB standard, for previous steps, until the next inspection.<br><br>Furthermore, concerning the consent process, the review of workshop minutes (ref. 29), conclude the project was only partially presented. The CLPI report (ref. 30) lists the topics discussed in the workshops with the communities, however, some activities planned for the project, such as the "fishing regulation" (page. 37); the "improvement in traditional production systems and agroextractivism management" (page 43); the "volunteer environmental agent program" (page 36); the "ecological and scientific tourism" (page 147); the "vigilance task forces" (page 37) were not included as content from the referred minutes, and were not discussed in details. The activities proposed in the workshop minutes are not detailed, in order to prove that the consent process was executed in accordance with the specific requirement from the CCB standard[8]. In interviews during the field work, the project team emphasized that the project was not detailed any further at the workshops so that no expectations would compromise the project implementation in subsequent stages. This is understood as a plausible argument, however, it is important to emphasize that the activities proposed have impact on the communities, therefore, they are subject to be included in a consultation process, focusing on obtaining properly informed consent. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root |

[7] 'Direitos de Propriedade' são definidos como direitos legais e habituais de posse/uso/acesso/gestão a terras, territórios e recursos

[8] **'Informado'** significa que são fornecidas informações que abrangem (pelo menos) os seguintes aspectos: a. a natureza, o tamanho, o ritmo, a reversibilidade e o escopo de qualquer projeto ou atividade proposta; b. o(s) motivo(s) ou a finalidade do projeto e/ou atividade; c. a duração dos itens acima; d. a localização de áreas que serão afetadas; e. uma avaliação preliminar do provável impacto econômico, social, cultural e ambiental, incluindo riscos potenciais e o compartilhamento justo e equitativo de benefícios em um contexto que respeite o princípio da precaução; f. as pessoas com probabilidade de se envolver na execução do projeto proposto (incluindo Povos Indígenas, equipe do setor privado, instituições de pesquisa, funcionários do governo e outros); e g. procedimentos que podem estar implicados no projeto;

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| | cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to the next verification |
| Evidence Provided by Organization: | -- |
| Findings for Evaluation of Evidence: | -- |
| **FAR Status:** | OPEN |
| Comments (optional): | None |

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| **FAR#:** | 02/17 |
| Standard & Requirement: | VM0011 v1.0, Seção 3.2 |
| Report Section: | 5.1 |
| **Description of Non-conformance and Related Evidence:** | |
| Interviews with the project staff evidenced that the properties have not yet been registered by the proponents in the CAR official base according to the applicable legislation, namely: 1) Federal Decree No. 7.830/2012: Provides on the Environmental Rural Registry (CAR), establishing general standards to the Environmental Regularization Programs addressed by Federal Law No. 12.651/2012; and 2) Provisional Presidential Decree No. 724/2016. The term limit for registration in the Rural Environmental Registry (CAR) and adhesion to the Environmental Regularization Program (PRA) is extended to May 05. Recognizing the extension by the provisional decree, the audit team made this annotation in order to indicate the need for attention to this particular issue for the next verification event. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to the next verification |
| Evidence Provided by Organization: | -- |
| Findings for Evaluation of Evidence: | -- |
| **FAR Status:** | OPEN |

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| Comments (optional): | None |

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| **FAR#:** | 03/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G5.6 |
| Report Section: | -- |
| **Description of Non-conformance and Related Evidence:** | |
| According to Section 5.3.2 from the PD (Page 109), the parameter CAGB_gstock,j,t was estimated in an ex ante manner, based on the carbon density map prepared by Baccini et al. (2012). However, VM0011 (Section 3.2) specifies that this parameter must be obtained directly from valid forest inventories for the project area. Furthermore, the same parameter is used in another part of VM0011 (Section 3.3.4) for estimating the parameter Ggrowth_forgone,t related to growing of the trees that would be exploited in the baseline scenario of the project. However, it is important to highlight that according to the Equations 3-36a and 3-36b from VM0011, the parameter Ggrowth_forgone,t must be estimated based on the difference between biomass stocks above ground measured in two different points in time and not how it was presented in tab "G_growth_foregone" from the calculation spreadsheet provided to the auditors (Annex 18). Although the approaches taken above do not necessarily represent a non-compliance for the project validation, the estimation of the parameters being discussed must be remade for the ex post calculation of the VCUs generated by the project in the inspections. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to the next verification |
| Evidence Provided by Organization: | -- |
| Findings for Evaluation of Evidence: | -- |
| **FAR Status:** | OPEN |
| Comments (optional): | None |

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| **FAR#:** | 04/17 |
| Standard & Requirement: | CCBS 3ª ed. (2013), G3.12 |

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| Report Section: | -- |
| **Description of Non-conformance and Related Evidence:** | |
| The project documentation (ref. 01, item 2.6 page 59) broadly mentions trainings, operating procedures and the use of PPE. It is limited to indicate the importance of such aspects in the project, however, it does not specify the measures or occupational risk analysis provided by CCB standard. Such omission was considered relevant by audit team, since the project involves developing and structuring non-wood forest products supply chain, such as the nut, and those activities present occupational risks. However, it is understood that such actions are not yet being implemented. Therefore, it is important to widely assess situations and occupations which may arise from implementing the project and represent a substantial risk to workers' safety, as well as implement measures to instruct workers, in such a way as to minimize occupation risks, until the next verification. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| **Timeline for Conformance:** | Prior to the next verification |
| Evidence Provided by Organization: | -- |
| Findings for Evaluation of Evidence: | -- |
| **FAR Status:** | OPEN |
| Comments (optional): | None |

### 1.3. Observations

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

| **OBS#:** | 01/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G5.1 |
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| Description of findings leading to observation: | Project documentation shows areas for community use within the RPDS and at surrounding areas, such as areas for nut, copaíba, açaí, andiroba and tucumã extraction, hunting and fishing (Ref. 29, page 63, figure 17), and also mention areas owned by families, backyards, planting areas, farms, areas of nut and rubber trees positioning (Ref. 29, , pág.66).<br><br>Conflicts are also described for fishing resources at Urucuri, and São João and Matupiri lakes communities; as well as conflicts for lands and natural resources (hunting) comprehending Kamayua indigenous community, west of "Amazon Rio I" reserve, along AM 174 Highway. However, the proponent fails in mapping other conflicts in the territory, which are not related to fishing resources and hunting, such as the one involving the Jatuarana and Kamayuá communities for the nut gathering area (see NCR#19/17). | | |
| Observation: | The audit team indicates reviewing the process of conflict mapping at the territory, in such a way as to consider conflicts between the Kamayuá and residents from Jatuarana, and others that may present, as an opportunity of project improvement. Moreover, special care and consideration are recommended as to the differences inherent to territory mapping processes and rights over natural resources. | | |

| **OBS#:** | 02/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G3.6 |
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| Description of findings leading to observation: | The Advisory Council, created as an agent for community participation, presents as one of its programs a discussion forum on the subject pertaining the reserve as a whole an also REDD+ project. The Advisory board does not present deliberative nature (refs. 01 and 29). | | |
| Observation: | The audit team understands that there is a risk that the plan designed does not allow for effective participation, therefore, does not meet this indicator purpose. | | |

| **OBS#:** | 03/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G3.6 |
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| Description of findings leading to observation: | The project description (Ref. 01, item 3.1 page 63) presents the applicable legislation list, including federal labor legislation, however, the regulation on occupational health and safety is not referenced. | | |
| Observation: | The audit team recommends special attention to the applicable legislation and the full description of the project regarding the applicable legal framework. | | |

| **OBS#:** | 04/17 | Reference Standard & Requirement: | VCS AFOLU Non-Permanence Risk Tool v3.2 |
|---|---|---|---|
| Description of findings leading to observation: | The presented financial flow contains earnings from carbon credits and also Environmental Reserve Shares, and a sensitivity analysis was performed for those items. The sensitivity analysis allows to identify how robust the model is against variations in gross income.<br><br>Annexes 17 and 18 present IRR and NPV calculations, but not the "Breakeven" and "Payback", required by VCS analysis. The proponent conservatively adopts the major risk factor associated with the non-permanence tool. | | |
| Observation: | The audit team considers the following an opportunity for improving the project: 1) performing sensibility analysis for other income sources (carbon and management of non-wood products) and 2) that the breakeven point and payback are calculated in the spreadsheet so that the results can be observed for those indicators even in the sensitivity analysis. | | |

| **OBS#:** | 05/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G1.5 |
|---|---|---|---|
| Description of findings leading to observation: | The project description emphasizes the existence of specific participants that can influence the project goals, such as the invaders in the area from São José Lake (ref. 01, page 151). The audit team also identifies the existence of government agencies that can interact meaningfully with the project | | |

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| Observation: | It is recommended, as an improvement opportunity, the revision of the identification process of "other participants", taking into consideration the concept established in the CCB standard. |

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| **OBS#:** | 06/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G4.1 |
| Description of findings leading to observation: | The proponent directly controls every project action, counting on the aid from consulting services hired for specific purposes. Those consulting services are described below. The audit team understands that such consulting services gather the necessary knowledge for developing and implementing projects of that nature, for they are renowned actors within their sectors. The project actions result in the creation of protected areas or sustainable development reserves. Such reserves have specific management plans, advisory councils and representative bodies formed by community leaderships. Creating and managing reserves is the key point of the project and the driving force for transformation and promotion of net benefits positive to climate and biodiversity. The audit team understands that a governance plan is to be in place and enough to meet the requirements of CCB standard, counting on venues for community representation. On the other hand, the governance plan is not expressly evidenced in project description. | | |
| Observation: | The audit team considers a better description of the existing governance plan, taking into account every existing scope significant to the project, an opportunity for improvement. | | |

| **OBS#:** | 07/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), GL1, GL2, GL3 |
|---|---|---|---|
| Description of findings leading to observation: | The project description provides narratives in sections 5.7, 6.3 and 7.3 (ref.01), however, without demonstrating correspondence with the specific requirements of the CCB standard. The audit team considers the implementation of the project as beneficial to the global climate and the local communities and biodiversity, however, the project description does not comply with the optional requirements from the standard CCB for adaptation to the climate change, exceptional benefits to the communities and biodiversity, respectively. | | |
| Observation: | Considering that this set of optional requirements is essential to the project approval, the audit team raised this remark, in order to identify the need of the additional requirement set from the CCB standard to be addressed in a expressly and specific way in the project description, in order for it to be approved. | | |

| **OBS#:** | 08/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), GL1, GL2, GL3 |
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| Description of findings leading to observation: | The project proponent changed its claim and conflict resolution protocol. The procedure was prepared taking into consideration the specific requirements of the CCB standard and presents an organization chart, which acts as decision-making key. This key presents the paths and specific actions to be taken in case of relevant and not relevant claims to the project scope, whose development occurs in a friendly and not friendly way. The audit team understands that the proposed protocol acts towards receiving, listening, answering and attempting to solve claims and that it is, therefore, in accordance with the CCB standard. It is important to emphasize that the protocol at hand was presented and discussed in the second round of workshops with the surrounding communities. | | |

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| Observation: | In spite of the above, we consider that 1) the project description does not contain Valdenor contact data, who is responsible for receiving the complaints; 2) the decision-making key does not point a clear path in case of non-friendly settlement for situations, and 3) the procedure does not include clear deadlines for each step. The audit team emphasizes the aforementioned points as an opportunity for improving the project. |

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| **OBS#:** | 10/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), requisito G1.8 |
| Description of findings leading to observation: | The proponent revised the project description, in order to prepare a matrix theory of the change, relating the specific activities to outputs, outcomes and expected impacts in five large subjects of the project: management, climate, biodiversity, income generation and social empowerment and inclusion. The audit team understands that the matrix submitted shows the relations of cause and consequence between the actions planned and the impacts intended to be caused. | | |
| Observation: | Although the ToC matrix presented in the project description aims to evidence the project compliance with the CCB standard, the audit team issued a remark with the purpose of indicating a project improvement opportunity, concerning the monitoring of actions, outputs, outcomes and impacts. The current project description lists indexes associated with impacts, but does not list performance indexes for each of the short (outputs) and medium (outcomes) term activities and results, in order to allow a detailed review on the project progression, in each of its subjects and focused on the expected impact. | | |

| **OBS#:** | 11/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), requisito G3.7 |
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| Description of findings leading to observation: | The proponent implemented an internal anti-discrimination policy (ref. 42), through which several specific measures are established, from which: 1) the creation of seats for women in the advisory council of the project and 2) reference and compliance with the covenant 100 from OIT, from 1951, which covers the remuneration equality among men and women, from which Brazil is a signatory. Besides the referenced policy, the proponent directed some of the actions of the project to "social empowerment and inclusion", creating specific components linked to the "inclusion of women in the reserve decision-making councils" and also to "identification and development of income generation activities for women and teenagers". Such activities are referenced in the project description (ref. 32), are included in the ToC matrix and are bound to the "financial-physical schedule" (ref. 38), which shows the planning of expenses with the activities of the project, during its term. | | |
| Observation: | The audit team considers the submitted measures as compliant, however, it emphasizes that the project and reserve governance structures were not presented clearly. The project documentation does not clarify which are the executive, deliberative and advisory bodies from the governance structure, what are they composed of and how women are represented in such bodies. The audit team indicates the aforementioned points in this paragraph as opportunities to improve the project. | | |

| **OBS#:** | 12/17 | Reference Standard & Requirement: | CCBS 3ª ed. (2013), G3.8, G5.5 |
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| Description of findings leading to observation: | The project proponent changed its claim and conflict resolution protocol. The procedure was prepared taking into consideration the specific requirements of the CCB standard and presents an organization chart, which acts as decision-making key. This key presents the paths and specific actions to be taken in case of relevant and not relevant claims to the project scope, whose development occurs in a friendly and not friendly way. The audit team understands that the proposed protocol acts towards receiving, listening, answering and attempting to solve claims and that it is, therefore, in accordance with the CCB standard. It is important to emphasize that the protocol at hand was presented and discussed in the second round of workshops with the surrounding communities. | | |
| Observation: | In spite of the above, we consider that 1) the project description does not contain Valdenor contact data, who is responsible for receiving the complaints; 2) the decision-making key does not point a clear path in case of non-friendly settlement for situations, and 3) the procedure does not include clear deadlines for each step. These points were gathered in a remark. | | |