



RA-Cert Division Headquarters
 65 Millet St. Suite 201
 Richmond, VT 05477 USA
 Tel: +1 802-434-5491
 Fax: +1 802-434-3116
www.rainforest-alliance.org

Verification Assessment
 Report for:

FLORESTAL SANTA MARIA S/A
 in
São Paulo, Brazil



Audit
 Managed by:
 Imaflora

Estrada Chico Mendes, 185
 Sertãozinho Piracicaba - SP, Brazil
 13400970
 Tel: +55 19 3429 0800
 Fax: +55 19 3429 0800
 Contact Person: Bruno Brazil de Souza
 Email: bruno@imaflora.org

Report Finalized:	December 6, 2012
Draft Report Date:	August 22, 2012
Field Audit Dates:	June 14th - 15th, 2012
Lead Auditor:	Tália Bonfante Bruno Brazil
Audit Team Members:	Marina Piatto Thales West
Senior Internal Reviewer	Lawson Henderson
Audit Standard:	VCS Version 3
Verification Code:	RA- VER-VCS-016424
Project Latitude/Longitude:	Lat: -9.17991 Long: -56.26045
Monitoring Report Version:	2.0 (September 04, 2012)
Project Proponent Contact:	Rubens Forbes Alves de Lima rubens@florestalsantamaria.com.br
Project Proponent Address:	Rua Augusta, 2883 – 6° andar - Conjunto 62- Bairro Cerqueira Cesar São Paulo 01413-100 Brazil

FSM VCS VERIF (1) 12

Document Prepared By Rainforest Alliance

Project Title	FLORESTAL SANTA MARIA PROJECT
Version	1.0 (May 18th, 2012)
Report ID	Florestal Santa Maria VCS verif 12

Report Title	Florestal Santa Maria VCS verif 12
Client	Florestal Santa Maria S/A
Pages	44
Date of Issue	December 6, 2012
Prepared By	Imaflora/Rainforest Alliance
Contact	<p>Imaflora Estrada Chico Mendes, 185 Piracicaba – SP/Brazil servicosambientais@imaflora.org</p> <p>Rainforest Alliance - Campbell Moore, Carbon Specialist 2101 L Street NW Washington, DC USA 20037 cmoore@ra.org</p>
Approved By	Lawson Henderson
Work Carried Out By	<p>Imaflora Talía Bonfante (Lead Auditor) Bruno Brazil Marina Piatto Thales West</p>

Summary:

The proposed project aims to avoid GHG emissions from Unplanned Deforestation (AUDD) in the Brazilian Amazon Forest. The project proponent is Florestal Santa Maria, a Brazilian private company whose main business is the management and commercialization of native wood. The project is located on north region of Mato Grosso State and occupies a total area of 71,714 hectares.

From the implementation of this REDD Project, it is estimated that 29,923,331.0 tCO₂ will be avoided which would have been emitted into the atmosphere in a period of 30 years in the absence of the carbon project. For the first monitoring period, the net GHG emission reductions verified was

2,572,690.6 tCO₂.

The audit of the PD, was supported by documentation review, field visits, and interviews with stakeholders in order to collect evidence to determine conformance with the VCS Standard Version 3 with a reasonable level of assurance. The audit team identified 14 non conformances which were addressed by the Project Proponent.

Additional evidence was submitted to the audit team, and reviewed to close the non-conformities prior to the finalization of this report. Following the closure of identified non-conformances, the project was found to be in full conformance with the requirements of the VCS standard Version 3.

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1 INTRODUCTION

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

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

1.1 Objective

The purpose of this report is to document the conformance of FLORESTAL SANTA MARIA PROJECT with the requirements of the Verified Carbon Standard (VCS). The project was developed by Florestal Santa Maria S/A, 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 audit is to assess the conformance of FLORESTAL SANTA MARIA REDD project in Brazil (Mato Grosso State) against the Verified Carbon Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. The project covers an area of 71,714 ha. The land is privately owned. The information supporting the GHG assertion is historic in nature. The project has a lifetime of 30 years, and has calculated a GHG reduction and/or removal of 2,572,690.6 tCO₂e over the course of the monitoring period.

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

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

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

1.3 Level of assurance

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

1.4 Summary Project Description

"The proponent and developer of the Project is Florestal Santa Maria S/A (FSM). PLANT Environmental Intelligence is technically responsible for this VCS-PD, which had contributions of AVIX in deforestation risk analysis and similarity analysis. All legal matters are in responsibility of Pinheiro Neto Advogados' lawyers. General Coordination for this initiative was performed by VO2 Desenvolvimento Empresarial. The electronic addresses of the companies cited above are available in item "1.4 Other Entities Involved in the Project" of this VCS-PD.

The FSM forest estate, a rural property solely dedicated to sustainable management of natural forests, is located in the Municipality of Colniza, some 30 km from the township, in the North western region of the State of Mato Grosso, approx. 1,100 km north from the State Capital of Cuiabá. The geopolitical region is within the Brazilian Legal Amazon. The municipality of Colniza has been fairly recently emancipated, in the year of 1998 and it previously belonged to the municipality of Aripuanã, founded in 1946.

The FSM-REDD Project was conceived to give the opportunity for this forest management company to take full advantage of the REDD regulatory system under development by means of the VCS System. The specific area of the Carbon Project is a section of a larger colonization initiative, initiated in 1975, by means of the legally established state effort to develop the northern region of the State of Mato Grosso.”

2 VALIDATION PROCESS, FINDINGS AND CONCLUSION

Note: If at the time of verification, the audit team has also undertaken a gap validation of the project, or has validated a new methodology and/or project description deviation, and/or inclusion of a new project activity instance in a grouped project, the relevant validation sections below should be completed in detail. In absence of these activities, the validated PDD must still be reviewed in detail to ensure validated project activities have continued without significant changes. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 5 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, is included within section 5 of this report.

2.1 Validation Process

2.1.1 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site visit	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal Review
Jared Nunery	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Talia Bonfante	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thales West	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Jeffrey Hayward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Auditor qualifications:

Auditor(s)	Qualifications
Jared Nunery, Lead Auditor	<p>Jared has led the technical review of multiple validation assessments for the VCS. In addition he has participated in two Improved Forest Management methodological reviews for the VCS. Before joining the Rainforest Alliance, Jared worked as a member of the Carbon Dynamics Lab at the University of Vermont, where he conducted research on the effects of forest management on carbon sequestration. Jared has published multiple scientific articles on forest carbon dynamics as well as general forest ecological processes.</p> <p>Jared has a B.S. in Environmental Sciences from the University of Vermont and earned his M.Sc. in Forestry from the University of Vermont. Jared has extensive experience in forest stand dynamics, forest carbon dynamics, forest mensuration, GHG quantification, forest growth and yield modelling, and wildlife habitat conservation. In addition Jared is a certified lead auditor with the Climate Action Reserve for Forest and Urban Forest projects. Additionally, Jared is an IFM AFOLU Expert with the Verified Carbon Standard.</p>
Talia Bonfante, Auditor	<p>Biologist and expert in Integrated Management Systems - Health, Environment and Security. Talia received her Master's degree in the program of Management of Organizations FEA - USP, where she studied the economic viability of small scale projects included in the CDM. She has experience in social and environmental audits (FSC, CCB, VCS standards) as well in research related to the carbon market and socio-environmental responsibility. She has project strong expertise in biodiversity assessment, forest management, and nuanced local context issues that are important to consider when assessing conformance against the CCB standards.</p>
Thales West, Auditor	<p>Forest Engineer and M.Sc. in Forest Resources, both from the University of São Paulo, studying forest management and carbon project activities. Thales holds a specialization in Business Management from Fundação Getúlio Vargas and has worked for several companies as consultant in forest carbon projects, under the CDM and voluntary carbon market schemes.</p>
Jeffrey Hayward, Senior Internal Reviewer	<p>Jeff Hayward is Director, Climate Program at the Rainforest Alliance. Based in Washington, DC, he leads a global program active in carbon verification, best practices and standards for climate mitigation and adaptation, REDD+ capacity building, and facilitation of carbon forestry and agroforestry projects. He has 20 years experience working to advance sustainability in natural resource management, particularly through</p>

	<p>policy mechanisms that harness markets responsibly. For nearly six years he managed the Rainforest Alliance forest certification programs in the Asia-Pacific region from Jakarta, Indonesia. Jeff earned an Msc in forestry, (Univ. of British Columbia, Canada); and a B.A. in Latin American development with a specialization on forestry (Univ. of Washington, USA). In forest certification and carbon verification, he has conducted over 100 assessments or audits. Jeff is a registered AFOLU expert with VCS and lead verifier with Climate Action Reserve.</p>
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2.1.2 Description of the Audit Process

The audit was conducted in a two-step process. The first step consisting of a pre-validation audit conducted as a desk review of all project materials. Following the pre-validation audit, the pre-validation report was delivered to the project proponent, identifying any significant gaps within the project documentation. The second step in the audit process included the field audit to the project area. Below is a description of the field audit process and list of documents reviewed during the field audit.

Location/Facility	Date(s)	Length of Audit	Auditor(s)
Florestal Santa Maria Office – Base 1	31 Oct 11	2 hours	Jared Nunery, Talia Bonfante, Thales West
Florestal Santa Maria Office – Base 1	31 Oct 11	4 hours	Jared Nunery, Thales West
Florestal Santa Maria Office – Base 1	31 Oct 11	4 hours	Talia Bonfante
Florestal Santa Maria Active Harvest UT-07	01 Nov 11	2 hours	Jared Nunery, Talia Bonfante, Thales West
Florestal Santa Maria Inventory Transect 10 P91SB01 and P92SB1	01 Nov 11	6 hours	Jared Nunery, Talia Bonfante, Thales West
Florestal Santa Maria Inventory Transect 5 P42SB5	02 Nov 11	3 hours	Jared Nunery, Talia Bonfante, Thales West
Florestal Santa Maria Inventory Transect 2 P12SB1	02 Nov 11	2 hours	Jared Nunery, Talia Bonfante, Thales West
Florestal Santa Maria Office Base 1	02 Nov 11	5 hours	Jared Nunery
Florestal Santa Maria Office Base 1	02 Nov 11	5 hours	Talia Bonfante, Thales West
Florestal Santa Maria Office Base 1	03 Nov 11	8 hours	Jared Nunery, Thales West
Florestal Santa Maria Office Base 1	03 Nov 11	6 hours	Talia Bonfante
Florestal Santa Maria Office Base 1	04 Nov 11	4 hours	Jared Nunery, Talia Bonfante, Thales West

2.1.3 Review of Documents

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

Ref	Title, Author(s), Version, Date	Electronic Filename
1	Florestal Santa Maria and Bunge emissions Fund Limited. Agreement for the sale and purchase of REDD Unitis generated by Florestal Santa Maria REDD+ project in Colniza, situated in the State of Mato Grosso in the Federal republic of Brazil. Dated 17 February 2011.	Printed
2	Project Idea Note (PIN) – Florestal Santa Maria REDD+ Project. Draft v.2. October 7, 2009. Participants: Florestal Santa Maria, K2C, VO2 Desenvolvimento Empresarial and Pinheiro Neto Advogados.	Printed Físico – Anexo Contrato FSM/Bungue
3	6º Serviço notarial e Registro de Imóveis da Terceira Circunscrição Imobiliária. Cuiabá- Mato Grosso. Livro Nº 2-NQ- registro Geral. Matrícula 73.958 – Folha 130. Dentro desta matrícula: AV-01-73.958: Termo de Responsabilidade de Manutenção de Floresta Manejada-	02 Matrícula 73958 da Fazenda Florestal Santa Maria.pdf

	TRMFM. 12/07/2002. Celebra entre a proprietária desta	
4	Certidão FUNAI. Ofício N° 036/DIF/GAB/ERA/CGB. Cuiabá/MT, 23 abril de 2003.	05 Certidão FUNAI da Fazenda Florestal Santa Maria.pdf
5	Memorando de Entendimentos. 19 Março 2009. Florestal Santa Maria SA, VO2 Desenvolvimento Empresarial LTDA, Pinheiro Neto Advogados, K2C.	Memorando de Entendimentos.pdf
6	Comprovante de Registro Junto ao Ibama da Filial Colniza Florestal Santa Maria S/A. Data Emissão: 04/07/2008. Autenticação: urvy.t1ue.uwxu.uynl	Printed
7	Certidão Negativa de Débito junto ao IBAMA da Filial Colniza Florestal Santa Maria S/A. Data emissão: 25/10/11. Válido até: 24/11/11. Número da Certidão: 2556597.	Printed
8	Certidão Negativa de Débito junto à SEMA da Florestal Santa Maria S/A. Data emissão: 27/10/11. Número da Certidão: 052747.	Printed
9	Licença Ambiental Única N° 7393/2009. Validade: 27/12/2017.	Printed
10	Boletim de Ocorrência – por parte de Sergio Lunardelli. Entrada de pessoas desconhecidas na área da fazenda Florestal Santa Maria, com o objetivo de 'grilar' e extração de madeira sem autorização do proprietário da fazenda.	Printed
11	Mandato de reintegração de posse. Poder Judiciário Comarca de Aripuanã – Processo:2004\G54. Aripuanã, 1 fevereiro, 2005. Assinado pela Juíza Aline Luciane Ribeiro Viana Quinto.	Printed
12	Comprovante de Transferência de recursos – Data: 13/04/2009 K2C Serviços de Consultoria Empr (R\$ 18.000).	Printed
13	Licenses Proof (Lau –Single Environmental License and AUTEX - Authorization for Forest Exploitation). See Right.	<p>01 Licença Ambiental Única - LAU da Fazenda Florestal Santa Maria junto a SEMA - MT.pdf</p> <p>14 AUTEX Autorização de Exploração Florestal de Manejo da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>15 AUTEX Renovação da Autorização de Exploração Florestal de Manejo da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>16 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>17 AUTEX Autorização de Exploração Florestal de Manejo da UPA 23 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>18 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 23 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>19 AUTEX Autorização de Exploração Florestal de Manejo da UPA 24 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p> <p>20 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 24 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf</p>

14	Memorando de Entendimentos. 18 March 2009.	Memorando de Entendimentos.pdf
15	Termino do Memorando de entendimentos entre FSM e K2C. 11 May 2010.	Termino do Memorando de Entendimentos entre FSM e K2C.pdf
16	Resposta da K2C ao Termino do Memorando de entendimentos entre FSM e K2C. 13 May 2010.	ENC Formalização de término do Memorando de Entendimentos.msg
17	KML Files	kml.zip
18	Certidão FUNAI da Fazenda Florestal Santa Maria. 2003	05 Certidão FUNAI da Fazenda Florestal Santa Maria.pdf
19	Memorial Descritivo da Certificação do Georreferenciamento da Fazenda Florestal Santa Maria pelo INCRA. 2004.	08 Memorial Descritivo da Certificação do Georreferenciamento da Fazenda Florestal Santa Maria pelo INCRA.pdf
20	Escritura de Remebramento da Fazenda Florestal Santa Maria. 2002	01 Escritura de Remebramento da Fazenda Florestal Santa Maria.pdf
21	Declaração de ITR.2011	11 Declaração de ITR.pdf
22	Certificado de Cadastro de Imovel Rural CCIR da Fazenda Florestal Santa Maria junto ao INCRA.	10 Certificado de Cadastro de Imovel Rural CCIR da Fazenda Florestal Santa Maria junto ao INCRA.pdf
23	FSM REDD VCS PD, v.1.1, 03Dec11	FSM_REDD_VCS_PD_V1.1.doc
24	REDD Estimates	REDD_ESTIMATES_27_09_2011.xls
25	Financial analysis spreadsheet	AVALIACAO_DA_MADEIRA_MAIS_REDD-AUDITORIA_REV1 setape c protecao.xls
26	Transects map	GERENCIAL_TRANSECTOS.pdf
27	Sandro Marostica CV	CVSandroFSM.doc
28	Warwick Manfrinato CV	CV-Warwick Manfrinato-2011-English NOV.pdf
29	Luis Fernando CV	Luiz_Fernando_de_Moura-CV_en_21_11_11
30	FSM Projeto de alocação de área de Leakage belt e análise de risco de desmatamento, v4 2011	Relatoriofinal_v4.doc
31	FSM Project leakage belt area allocation and deforestation risk analysis	Apresentacao_projeto.pdf
32	FSM GIS Maps (11 maps used in remote sensing analysis)	Collection of PDFs provided in folder titled "layouts"
33	Mapa Imagem Gerencial Fazenda Florestal Santa Maria	24 Mapa Imagem Gerencial Fazenda Florestal Santa Maria
34	Transect Inventory Spreadsheet_T01	dados_transectos_01_101020.xls
35	Transect Inventory Spreadsheet_T02	dados_transectos_02_101020.xls
36	Transect Inventory Spreadsheet_T03	dados_transectos_03_101122.xls
37	Transect Inventory Spreadsheet_T04	dados_transectos_04_101118.xls
38	Transect Inventory Spreadsheet_T05	!dados_transectos_05_101124.xls
39	Transect Inventory Spreadsheet_T06	dados_transectos_06_101117.xls
40	Transect Inventory Spreadsheet_T07	dados_transectos_07_101119.xls
41	Transect Inventory Spreadsheet_T08	dados_transectos_08_101119.xls
42	Transect Inventory Spreadsheet_T09	dados_transectos_09_101026.xls
43	Transect Inventory Spreadsheet_T010	dados_transectos_10_101110.xls
44	Transect Inventory Spreadsheet_T011	dados_transectos_11_101109.xls
45	Transect Inventory Spreadsheet_T012	dados_transectos_12_101124.xls
46	Transect Inventory Spreadsheet_T013	dados_transectos_13_101104.xls
47	Transect Inventory Spreadsheet_T014	!dados_transectos_14_101029.xls
48	Transect Inventory Spreadsheet_T015	dados_transectos_15_101027.xls
49	Transect Inventory Spreadsheet_T016	dados_transectos_16_101021.xls
50	Transect Inventory Spreadsheet_T017	dados_transectos_17_101026.xls
51	Transect Inventory Spreadsheet_T018	dados_transectos_18_101022.xls
52	Sample Plot Calculation	N_PARCELA.xls
53	Steering Committee Minutes from FSM Management Team	Minutes from meetings on 04Jul11, 27Sept11, and 29Jun11 were provided to the audit team.
54	Voluntary Credit Purchase Agreement (VERPA)	Printed
55	027296 MAOA-IMAGEM DO IMOVER – Map of project area denoting APP	Printed
56	Licence Ambiental Unica –LAU 21Nov2005 SEMA MT	Printed

57	Field Data Sheets from Biomass Inventory for Transect 5	Printed
58	Field Data Sheets from Biomass Inventory for Transect 4	Printed

2.1.4 Interviews

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

Audit Date	Name	Title
01 Nov 2011	Gleiton Gonçalves de Carvalho	Forest Management Worker and Involved in Forest Inventory
01 Nov 2011	Fabio Milanis Gonçalves	Forest Management Worker and Involved in Forest Inventory
01 Nov 2011	Welligton Baubino Ferreira	Forest Management Worker
01 Nov 2011	Claudeir de Oliveira	Forest Management Worker
01 Nov 2011	Magno Lopes Pereira	Forest Management Worker
01 Nov 2011	Marcelo Eduardo Lopes Pereira	Forest Management Worker
02 Nov 2011	Gleiton Gonçalves de Carvalho	Forest Management Worker and Involved in Forest Inventory
02 Nov 2011	Isac Bueno de Campos	Forest Management Worker and Involved in Forest Inventory
02 Nov 2011	Fabio Milanis Gonçalves	Forest Management Worker and Involved in Forest Inventory
31 Oct to 04 Nov 2011	Rubens Forbes Alves de Lima	CEO and Land Ownership - Florestal Santa Maria S.A.
31 Oct to 04 Nov 2011	Marcelo Martins Lunardelli	Administrative and Financial Director
31 Oct to 04 Nov 2011	Warwick do Amaral Manfrinato	CEO and founder, team leader of technical project development – Plant Inteligencia Ambiental Ltda
31 Oct to 04 Nov 2011	Luiz Fernando de Moura	Technical Advisory – Plant Inteligência Ambiental Ltda
31 Oct to 04 Nov 2011	Sandro T. Marostica	Bunge Emissions Group's Manager Brazil
31 Oct to 04 Nov 2011	André Vivan de Souza	Legal Advisory - Pinheiro Neto Advogados
31 Oct to 04 Nov 2011	André Moraes Barros	Project Coordination and Advice to Florestal Santa Maria S.A - VO2 Desenvolvimento Empresarial
31 Oct to 04 Nov 2011	Octávio de Guimarães Horta	Project Coordination and Advice to Florestal Santa Maria S.A - VO2 Desenvolvimento Empresarial
02 – 04 Nov 2011	Jhonathan J. Borella	Consultant – Savana Assessoria e Projetos Ambientais
29Nov11	Timóteo A. Schwebel	Engineer surveyor from Geomapas

2.2 Validation Findings

2.2.1 Gap Validation

Identify, discuss and justify conclusions regarding the additional project description (and any supporting documents) produced in accordance with the VCS rules on participation under approved GHG programs.

Findings from Verification Field Audit

Three NCRs were raised regarding validation requirements that were found not to be in conformance with VCS methodologies. **NCR 01/12** was issued based on required accuracy map assessment regarding the classification of forest and non-forest classes for the reference region for projecting rate of deforestation (RRD). **NCR 02/12** was issued because the reference region for location of deforestation (RRL) selected by the project proponent did not include the project area and the leakage belt. **NCR 03/12** was issued as a result of the NCRs cited above, as the location of the deforestation interferes in the amount of carbon that would be released, and the baseline scenario calculation would have to be modified.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 01/12 NCR 02/12 NCR 03/12		

2.2.2 Methodology Deviations

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

Findings from Verification Field Audit			
Two methodological deviations were made, as stated in Section 2.6 of the validated PD, v. 1.2 (Ref. 7), both involved the ex-ante quantification of leakage occurring outside the leakage belt:			
<p>1. For the estimation of the parameter PROPIMM (Step 2 of LK-ASU module), the participatory rural appraisal (PRA) approach was replaced by local data available from IBGE. IBGE (Brazilian Institute of Geography and Statistics) is a Brazilian institute specialized on demographic data and other kinds of research. The institute data represents a reliable approach for accounting population locally, which allowed the proponent to calculate the number of immigrants for a given period of time in the municipality of Colniza. Based on the number of immigrants, the project proponent has inferred the proportion of deforestation attributed to immigrant deforestation agents as required by the methodology; This deviation is justifiable because it represents a consistent method for estimating the proportions of area deforested by immigrants in the baseline, which is the main local deforestation agent, and the primary objective of step 2 of LK-ASU module, also.</p> <p>2. Given the great variety of forest biomes in Brazil, the parameter TOT_{FOR} (Step 4 of LK-ASU module), considered, conservatively, only the Amazon Rainforest biome, instead of the whole Brazilian territory. Thus, as a representation of the total area of Amazon Rainforest in Brazilian Territory, TOT_{FOR} consisted of multiplying the country territory by 49.29% (proportion of Amazon comprised in Brazilian Territory). As TOT_{FOR} is considered only for the Amazon biome, the parameters PROT_{FOR} and MAN_{FOR} were evaluated solely for Brazilian Northern and Centre-West macro-regions.</p>			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR/OBS raised.		

2.2.3 Project Description Deviations

Identify, discuss and justify conclusions regarding any project description deviations.

Findings from Verification Field Audit			
No deviations were found on project description on this verification process.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR/OBS raised.		

2.2.4 New Project Activity Instances

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

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

Findings from Verification Field Audit			
Not applicable. As stated in the validated PD v.1.2, Section 1.2 (Ref. 7), the project activity is not a Grouped Project as defined in Section 3.4 of the VCS Standard v.3.			
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
NCR/OBS	No NCR/OBS raised.		

2.3 Validation Conclusion

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

Findings from Verification Field Audit			
Three new non-conformances were found by the audit team related to the validation conclusion:			

(1) The first NCR is related to the map accuracy assessment (Section 2.1.4 of BL-UP module) regarding the classification of forest and non-forest classes for the reference region for projecting the rate of deforestation (RRD). No accuracy assessment was developed. The project proponent has misunderstood the concept of the accuracy assessment procedure, thrusting that the accuracy inherent to the automatic classification of the imagery used was enough to address the methodological requirements of VM0007. As mentioned in section 2.1.4 of BL-UP module, project proponent shall refer to Chapter 5 of IPCC 2003 GPG, Chapter 3A.2.4 of IPPC 2006 Guidelines for AFOLU, and Section 2.1 of Sourcebook on REDD (GOFC-GOLD, 2009) for guidance on mapping deforestation and performing accuracy assessments. See **NCR 01/12**.

(2) The second NCR is related to the reference region for projecting the location of deforestation (RRL). The RRL selected by the project proponent did not include the project area and the leakage belt, as required by BL-UP module, Section 1.1.1.2. The selection of the RRL has a direct implication over the calibration and verification procedures that confirm the baseline deforestation modelling (Step 3.3 of BL-UP module), and hence the amount of VCUs generated by the REDD project activity. It is important to highlight that in the case of a transition configuration, location analysis is not required where it can be shown that ≥25% of the project geographic boundary is within 50m of land that has been anthropogenically deforested within the 10 years prior to the project start date. If this criterion is not met location analysis is always required. See **NCR 02/12**.

(3) The third NCR was issued as a result of the NCRs cited above, as the location of the deforestation interferes in the amount of carbon that would be released, the baseline scenario calculation would have to be modified. See **NCR 03/12**.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 01/12 NCR 02/12 NCR 03/12		

3 VERIFICATION PROCESS

3.1 Method and Criteria

Describe the method and criteria, including the sampling plan, used for undertaking the verification.

As the verification audit was initiated less than 6 months after the validation process concluded (which included a field visit in the project area), the audit team's focus during the verification was on document review which occurred in two steps. The first one consisted in a desk review of all project materials. Following this step, a document review was held in the project organization's office (VO2 Desenvolvimento Empresarial) located in São Paulo on June 14-15, 2012. At this time, the Monitoring Report (May 28, 2012) and all supporting documents related to the project were analyzed, and further interviews with the persons involved in the project were conducted by the audit team.

Considering that during validation 22 NCR's were identified and all of them were closed by desk review based in the revised documents sent by the project proponent to audit team, the verification audit team decided to review again part of this documentation related to the validation process together with the project proponent representatives.

Below is a description of the verification auditing process including, auditors involved, documents reviewed and people interviewed:

3.2 Audit Team

Overview of roles and responsibilities:

Auditor(s)	Responsibilities							
	Lead	Desk Review	On-site visit	Climate Specialist	Biodiversity Specialist	Social Specialist	Report	Senior Internal Review
Talia Manceira Bonfante*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Thales West	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Marina Piatto	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Bruno Brazil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lawson Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

* Talia Manceira Bonfante has worked as lead auditor in the field verification stage and in the development of the First Draft Report.

Auditor qualifications:

Auditor(s)	Qualifications
Talia Manceira Bonfante (TB)	Biologist and expert in Integrated Management Systems - Health, Environment and Security. Talia received her master's degree in the program of Management of Organizations FEA - USP, where she studied the economic viability of small scale projects included in the CDM. She has experience in social and environmental audits (FSC, CCB, VCS standards) as well in research related to the carbon market and socio environmental responsibility. She has strong project expertise in biodiversity assessment, forest management, and nuanced local context issues.
Thales A. P. West (TW)	Forest Engineer and M.Sc. in Forest Resources, both from the University of São Paulo, studying forest management and carbon project activities. Thales holds a specialization in Business Management from Fundação Getúlio Vargas and has worked for several companies as a consultant in forest carbon projects, under the CDM and voluntary carbon market schemes.
Marina Piatto (MP)	Msc. in Tropical Agriculture, Agronomist Engineer. Agriculture Certification Coordinator and member of Climate team at Imaflora. Marina has experience with RAS audits, CoC audits and carbon verifications on Brazil and Argentina.
Bruno Brazil (BB)	Forest Engineer and Biologist. Bruno is the current Carbon Assistant and have being participating in Carbon audits as a trainee (CCB and VCS); he participated in the last VCS Imaflora course and is supporting all Carbon Validations and Verifications developed by Imaflora. Bruno have 3 years of experience in CoC audits. Lead Auditor (ISO 14.001:2004).
Lawson Henderson	Carbon Coordinator with Rainforest Alliance. Education: B.S.F. in forest management from University of New Hampshire, 2005. Experience, Forest Management Associate with SmartWood, US Region (2008 to 2012). Chain of Custody Associate with SmartWood, US Region (2007-2008). Forest Land Surveyor for a private forest/civil engineering firm in Western Oregon for two years. Auditor on more than 20 FSC forest management and chain of custody audits and assessments. Lead auditor or auditor on 8 forest carbon projects. Project manager on over 250 forest management and chain-of-custody projects. Completed SmartWood CoC Auditor Training in April 2008, Rainforest Alliance Carbon Verification and Validation Audit Training in March 2009, and SmartWood Lead Forest Management Auditor Training in June 2009. Attended the Climate Action Reserve Lead Verifier Training for the Forest Project, and Urban Forest Project Protocol in September 2010. Completed the ISO Quality Management Systems Lead Auditor Training Course (ISO 9001) in December 2010. Member of the Society of American Foresters.

3.3 Review of Documents

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

Ref	Title, Author(s), Version, Date	Electronic Filename
1	FLORESTAL SANTA MARIA PROJECT (FSM-REDD PROJECT). NON-PERMANENCE RISK REPORT. V.1.0 (28-May-2012)	NON PERMANENCE RISK REPORT_28_05_2012.doc
2	FLORESTAL SANTA MARIA PROJECT (FSM-REDD PROJECT) MONITORING REPORT. V.1.0 (28-May-2012)	FSM_REDD_ Monitoring Report.doc
3	CALCULO DAS ÁREAS MANEJADAS NOS ANOS DE 2009, 2010 E 2011	Calculo das áreas manejadas 2009, 2010 e 2011.docx
4	Carbon Spreadsheet	VERIFICATION_1_25_05_2012.xls
5	Relatório Técnico de Classificação de Imagem Digital de Satélite. Geomapas. June, 06 th 2012. Timóteo Andreas Schwebel.	Printed Material
6	Funadação Nacional do Índio. Ofício nº 305/DPT/2012. May, 03 rd 2012. Atestado Administrativo.	Printed Material
7	FLORESTAL SANTA MARIA PROJECT (FSM-REDD PROJECT), v.1.2	FSM_REDD_VCS_PD_V1.2.pdf
8	Memorial Descritivo da Certificação do Georreferenciamento da Fazenda Florestal Santa Maria pelo INCRA. 2004.	08 Memorial Descritivo da Certificação do Georreferenciamento da Fazenda Florestal Santa Maria pelo INCRA.pdf
9	Escritura de Remebramento da Fazenda Florestal Santa Maria.	01 Escritura de Remebramento da Fazenda Florestal

	2002	Santa Maria.pdf
10	Declaração de ITR.2011	11 Declaração de ITR.pdf
11	Certificado de Cadastro de Imovel Rural CCIR da Fazenda Florestal Santa Maria junto ao INCRA.	10 Certificado de Cadastro de Imovel Rural CCIR da Fazenda Florestal Santa Maria junto ao INCRA.pdf
12	6º Serviço notarial e Registro de Imóveis da Terceira Circunscrição Imobiliária. Cuiabá- Mato Grosso. Livro Nº 2-NQ- registro Geral. Matrícula 73.958 – Folha 130. Dentro desta matrícula: AV-01-73.958: Termo de Responsabilidade de Manutenção de Floresta Manejada- TRMFM. 12/07/2002.	02 Matrícula 73958 da Fazenda Florestal Santa Maria.pdf
13	Boletim de Ocorrência – por parte de Sergio Lunardelli. Entrada de pessoas desconhecidas na área da fazenda Florestal Santa Maria, com o objetivo de „grilar” e extração de madeira sem autorização do proprietário da fazenda.	Printed
14	Mandato de reintegração de posse. Poder Judiciário Comarca de Aripuanã – Processo:2004\G54. Aripuanã, 1 fevereiro, 2005. Assinado pela Juíza Aline Luciane Ribeiro Viana Quinto.	Printed
15	Certidão Negativa de Débito junto ao IBAMA da Filial Colniza Florestal Santa Maria S/A. Data emissão: 25/10/11. Válido até: 24/11/11. Número da Certidão: 2556597.	Printed
16	Certidão Negativa de Débito junto à SEMA da Florestal Santa Maria S/A. Data emissão: 27/10/11. Número da Certidão: 052747.	Printed
17	Licença Ambiental Única Nº 7393/2009. Validade: 27/12/2017.	Printed
18	Licenses Proof (Lau –Single Environmental License and AUTEX - Authorization for Forest Exploitation). See Right.	01 Licença Ambiental Única - LAU da Fazenda Florestal Santa Maria junto a SEMA - MT.pdf 14 AUTEX Autorização de Exploração Florestal de Manejo da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 15 AUTEX Renovação da Autorização de Exploração Florestal de Manejo da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 16 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 2 e 3 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 17 AUTEX Autorização de Exploração Florestal de Manejo da UPA 23 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 18 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 23 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 19 AUTEX Autorização de Exploração Florestal de Manejo da UPA 24 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf 20 Comprovação de Liberação de Crédito Florestal da AUTEX da UPA 24 da Fazenda Florestal Santa Maria junto a SEMA-MT.pdf
19	Boletim de Ocorrência – por parte de Sergio Lunardelli. Entrada de pessoas desconhecidas na área da fazenda	Printed Material

	Florestal Santa Maria, com o objetivo de grilar" e extração de madeira sem autorização do proprietário da fazenda.	
20	Mandato de reintegração de posse. Poder Judiciário Comarca de Aripuanã – Processo:2004\G54. Aripuanã, 1 fevereiro, 2005. Assinado pela Juíza Aline Luciane Ribeiro Viana Quinto.	Printed Material
21	Memorando de Entendimentos. 19 Março 2009. Florestal Santa Maria SA, VO2 Desenvolvimento Empresarial LTDA, Pinheiro Neto Advogados, K2C.	Memorando de Entendimentos.pdf
22	Source: Brown, S., A. J. R. Gillespie, and A. E. Lugo, 1989. Biomass estimation methods for tropical forests with applications to forest inventory data. Forest Science, 35:881-902.	Available online at: http://www.winrock.org/ecosystems/files/Brown_Gillespie_et_al_1989.pdf
23	B.J. Wilsey et al. Tropical pasture carbon cycling: relationships between C source/sink strength, above-ground biomass and grazing. Ecology Letters, (2002) 5: 367–376	Printed Material
24	Ford-Robertson, J., Robertson, K. and Maclaren, P. (1999) Modelling the effect of land-use practices on greenhouse gas emissions and sinks in New Zealand, Environmental Science & Policy (2)135-144	Printed Material
25	RODRIGUES et. al. ESTOQUE DE CARBONO EM SISTEMA AGROFLORESTAL COM CAFÉ RONDÔNIA - BRASIL. Agroclimatologia. Simpósio de Pesquisa dos Cafés do Brasil.	Available online at: http://www.sbicafe.ufv.br/bitstream/handle/10820/27/155537_Art010f.pdf?sequence=1
26	AVALIAÇÃO DO IMPACTO PROVOCADO POR DOIS SISTEMAS DE MANEJO, SEM IRRIGAÇÃO, NAS CARACTERÍSTICAS DO SOLO E NA CAFEICULTURA. INFORMAÇÕES AGRONÔMICAS - Nº 94 - JUNHO/2001. Tabela 12, pg. 13.	Available online at: http://www.ipni.org.br/ppiweb/brazil.nsf/87cb8a98bf72572b8525693e0053ea70/d5fbc829a2f54298832569f8004695c5/\$FILE/Enc94p10-16.pdf
27	van Noordwijk et al. Carbon stock assessment for a forest-to-coffee conversion landscape in Sumber-Jaya (Lampung, Indonesia): from allometric equations to land use change analysis. pg. 7.	Available online at: http://www.globalcarbonproject.org/global/pdf/landuse_Canadell_Zhou_Noble2003/Noordwijk_yc0075.pdf
28	DOSSA et. al. Above- and belowground biomass, nutrient and carbon stocks contrasting an open-grown and a shaded coffee plantation. Agroforest Syst (2008) 72:103–115. DOI 10.1007/s10457-007-9075-4.	Printed Material
29	S.S. Saatchi, R.A. Houghton, R.C. dos Santos Alvalá, J.V. Soares, and Yifan Yu. Distribution of Aboveground Live Biomass in the Amazon Basin. 2007.	Saatchi_GCB_revised_small_157.66.pdf
30	Adaptive Management Plan for FSM Farm, 13 December 2011.	Procedimento FSM P-02 Controle ... a Incendio Final para validação do grupo 20_02_2012.pdf
31	REDD project financial analysis worksheet	"AVALIACAO DA MADEIRA__MAIS_REDD-AUDITORIA_REV1 setape c protecao.xls"
32	VERPA (Voluntary Emissions Reductions Purchase) agreement	Printed Material
33	FSM Fire Management Plan	Printed Material
34	Letter from Jean P. Ometto, Centro de Ciências do Sistema Terrestre (CST/INPE), 06 February 2012	Blowdown_Pest outbreak_AMZ_JOmetto.pdf
35	FSC Pre-Assessment Report. Imaflora. Issued in February 28, 2012	Santa Maria FM preassess 11 POR.pdf
36	Satellite imagery and Remote Sensing Documents	Pacote Avix FSM
37	UPA 1 documents - Autorização para Exploração Florestal (AUTEX) - Nº 055/02 Validade: 09/05/2002 a 09/05/2003 Renovação: 10/07/2003 a 10/07/2004	Printed Material
38	UPA 2 and 3 documents	Printed Material

	- Autorização para Exploração Florestal (AUTEX) - Nº 057/2006 Validade: 16/08/06 a 16/08/2007 Renovação: 28/08/06 a 28/08/2007	
39	UPA 23 Documents (1) Autorização para Exploração Florestal (AUTEX) - Nº 502/2008 Validade: 20/08/2008 a 19/08/2009 Área total do POA: 4.001,1341 ha Área Autorizada para Exploração Florestal: 3.031,8362 ha (2) POA Processo SEMA – MT Nº 142.354/2006 Relatório Pós Exploratório Protocolado Sema 04/12/2009 Nº Protocolo: 880654/2009	Printed Materials
40	UPA 24 Documents (1) Autorização para Exploração Florestal (AUTEX) - Nº 952/2010 Validade: 28/04/201 a 31/01/11 Renovação: 02/0/2011 a 27/06/2011 Área total do POA: 4.217,9604 ha Área Autorizada para Exploração Florestal: 3.588,4006 ha Retificação Autex RAutex Nº 952/2010 Validade: 09/08/2010 a 30/11/10 Retificação da validade: 01/06/2011 a 29/11/2011 Área total do POA: 4.217,9604 ha Área Autorizada para Exploração Florestal: 3.588,4006 ha	Printed Materials

3.4 Interviews

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

Audit Date	Name	Title
14-15 Jun. 2012	Luiz Fernando de Moura	Technical Carbon – Plant Team
14-15 Jun. 2012	Marta Lisli Giannichi	Florestal Santa Maria S.A Team
14-15 Jun. 2012	Timóteo Andreas Schwebel	Responsible for the Digital Satellite Image Classification of project boundaries – Geomapas Team.
14 Jun. 2012	Fernando Frosini de Barros Ferraz	Responsible for the baseline modeling - AVIX Geo Ambiental Team
15 Jun. 2012	Rubens Forbes Alves de Lima	CEO and Land Ownership - Florestal Santa Maria S.A.
15 Jun. 2012	Marcelo Martins Lunardelli	Administrative and Financial Director - Florestal Santa Maria S.A.

3.5 Description of the Audit Process and Site Inspections

Location/Facility	Date(s)	Length of Audit	Auditor(s)
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VO ₂ Desenvolvimento Empresarial Office	14 June 2012	8 hours	TB;TW
Augusta Park Hotéis	14 June 2012	2 hours	TW
VO ₂ Desenvolvimento Empresarial Office	15 June 2012	8 hours	TB;TW

3.6 Resolution of Material Discrepancy

Describe the process for the resolution of any material discrepancies (corrective actions, clarifications or other findings) raised by the verification team during the verification process.

Additional documents were submitted to auditor team after the verification audit. The proponent provided revised documents and also clarification regarding all evidence sent to Imaflores to close the NCRs identified. There were three meetings in total: two of them were in-person and there were several conference calls held for the evaluation of evidence to close the NCRs.

4 VERIFICATION FINDINGS

Project Implementation Status

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

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

4.1.1 Project title, Purposes and Objectives

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

Findings from Verification Field Audit			
Based on the Monitoring Report review and interview with the Florestal Santa Maria project staff, the audit team has found that the project title and objective have not been changed since validation of the project.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR or OBS raised.		

4.1.2 Stratification of Baseline and Project Areas

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

Findings from Verification Field Audit			
No ex post stratification took place. The stratification followed the ex ante stratification by forest types, as it reflects the carbon stocks, as it is shown in Figure 9 of the Monitoring Report (Ref. 2).			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR/OBS raised.		

4.1.3 Ownership/Proof of Title/Right of Use

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

Findings from Verification Field Audit			
As the verification process was conducted 4 months after validation process, no changes regarding ownership and use rights were found. In Section 1.12.1 of the PD v.1.2, it shows the documents to prove the title of the project proponent’s project area. During the validation field audit, all the documents requested (Ref. 11, 12, 13, 14) were made available to the audit team, which confirmed the information described in the PD. Interviewing representatives of the project proponent, partner organizations and workers who live inside of Florestal Santa Maria S.A area, as well as visit to project area and document review (06,19, 20), the audit team has found that in between the time of validation and verification there is no conflict of use in the project area. Based on the information described above, the audit team confirmed clear proof of title over the project area.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR or OBS raised.		

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

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

Findings from Verification Field Audit			
In section 1.12.3 of the PD v.1.2 it is stated that "This project has not been registered, and is not seeking registration under any other GHG programs". The audit team confirmed this information during the audit through interviews with the project proponent and partner organizations. At the moment of validation and this first verification, Brazilian REDD projects are not eligible under other emission trading programs beside VCS. Additionally, the audit team took a remote assessment to CCBA webpage and checked that the project is not validated or in validation process under CCB Standard.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR or OBS raised.		

4.1.5 Conformance with PDD Monitoring Protocol

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

Findings from Verification Field Audit	
PDD Required Monitoring Procedures	Findings
Revision of the baseline	No revision of the baseline was required for the timeframe of this verification activity.
Monitoring of the actual carbon stock changes and greenhouse gas emissions	<p>As stated in the PD, Section 4.3 (Ref. 7), the monitoring procedures are based on eight field bases that will be positioned at strategic points within the project area (see Figure 27 of the Monitoring Plan - Ref. 2) and continuous monitoring through satellite images and field studies. The land use area monitoring will be done with remote sensing methods, using images of medium resolution, generated by INPE (Brazilian National Institute for Space Research).</p> <p>During the validation field visit that took place from October 31 to November 04, 2011, the audit team visited 4 field bases. After subsequent verifications, all the bases should be fully operational, in accordance with the monitoring plan. See OBS 01/12.</p> <p>During this verification, the audit team gathered all satellite imagery and remote sensing documents used for the project monitoring and land use classification (Ref. 36). These documents were used to confirm the areas of forest and non-forest classes and the observed changes among such classes in order to identify the deforestation in the project area that have occurred within the verification time frame.</p>
Monitoring degradation due to selective logging of forest management areas	<p>In accordance with the M-MON module, the calculation procedure for estimating net ex-post emissions and removals related to selective logging activities in the project case are equal to the summed emissions arising from selective logging operations (Ref. 7).</p> <p>As all logging operations that had occurred in the project area since the project start date were not FSC certified, as required by the methodology, all logged areas UPAs (annual production units) (represented here by the areas that belong to the approved the Annual Operational Plans (POAs), required for any annual logging activity that occurs in accordance with the Brazilian law) were excluded and did not generate VCU (UPAs number 23 and 24).</p> <p>The POA's documentation was reviewed by the audit team. Since UPAs number 1, 2 and 3 (Ref. 37,38) were logged before the project start date and their emissions associated with the logging activity were indirectly quantified by the forest inventory conducted in the project area in order to estimate the carbon stocks, those UPAs areas remained eligible to generate VCUs. Nevertheless, as stated above, as the logging activities in UPAs number 23 and 24 (Ref. 39, 40) took place after the project start date, and those UPAs areas did not generate VCUs.</p>
Field inventory of biomass	As no baseline revision was required for this verification timeframe, there was no need to conduct an inventory of biomass for estimating the carbon stocks.
Monitoring of leakage carbon stock changes and greenhouse gas emissions	In accordance with the M-MON module, the deforestation occurring in the leakage belt must be monitored (Ref. 7). Still, it is important noting that the project proponent shall refer to the LK-ASU module to quantify the ex post leakage outside the leakage belt, as it will vary with the ex post deforestation monitored in the leakage belt (please

	<p>refer to item "g" and equations 7 to 11 of the LK-ASU module to quantify the ex post leakage occurring outside the leakage belt and the NCR 06/12 issued below).</p> <p>During this verification, the audit team gathered the satellite imagery and remote sensing documents used for the deforestation monitoring and land use classification in the leakage belt (Ref. 36). These documents were used to confirm the areas of forest and non-forest classes and the observed changes among such classes in order to identify the deforestation in the leakage belt that have occurred within the verification timeframe.</p>
Estimation of ex-post net carbon stock changes and greenhouse gas emissions	<p>The monitoring plan for estimation of ex post net carbon stock changes and Green house gas emissions follows the M-MON module (Ref.7).</p> <p>As stated in the PD, Section 4.3 (Ref. 7), the project proponent conservatively assumes that no wood products are produced as a result of FSC certified harvesting (please refer to Equation 8 of the Monitoring Plan of the validated PD or Equation 5 of the M-MON module).</p> <p>The Monitoring Plan is based on the procedures established by the M-MON module (please refer to Section 5.2.2.1). Degradation through extraction of trees for illegal timber, fuelwood and charcoal, are not expected.</p> <p>Natural disturbance undergoing in project area will also be based on the procedures established by the M-MON module (please refer to Section 5.2.3).</p>
Monitoring areas undergoing carbon stock enhancement	As stated in the PD, Section 4.3 (Ref. 7), the project proponent conservatively assumes that no carbon stock enhancement is occurring (please refer to Section 5.2.4 of the M-MON module).
Conformance	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A <input type="checkbox"/>
NCR/OBS	OBS 01/12 NCR 06/12

4.1.6 Observation of local laws and regulations

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

Findings from Verification Field Audit			
<p>In Section 1.11 of the PD v.1.2 the legal framework (focus in the environmental aspect) is explained in which the project is immersed. In addition the project proponent provided to audit team all the documents to proof that the forest management activities that occurs in the project area are in compliance with Brazilian applicable laws and regulations, such as Brazilian Forest Code (Ref. 15, 16, 17) and Mato Grosso regulation for Forest Management Activities (Sustainable Forest Stewardship Plan previously approved by the SEMA/MT – Ref. 18).</p> <p>FSM is committed with the FSC certification and has been carrying on the FSC certification process. The FSC pre-assessment field audit was conduct at the same time of the VCS validation audit field and the FSC assessment for certification is scheduled to for October, 2012.</p> <p>The audit team reviewed the FSC pre-assessment audit report issued in February 28, 2012 (Ref. 35) and has found some non-conformances connected with labour law and NR-31. The audit team checked this information with FSC auditors and confirmed that the non- conformances raised in the FSC pre-assessment report are not impeditive to continuing forward with the FSC certification process. Moreover, FSM is committed to resolve these issues before the FSC Assessment, in which the FSC audit team will evaluate if FSM took adequate corrective action to address the findings raised in the FSC pre-assessment report.</p> <p>Considering the information described above and that all these points will be evaluated continually by FSC certification, the verification audit team concluded that this issue is not relevant to project’s initial verification. However, whether FSM does not take effective action to address this and consequently in the next FSC report; non-conformances connected with labour law and NR-31 become major and compromise FSC certification or new critical points appear along of the project life time, it may become relevant for future verifications. In addition, at the time of verification, there is no National REDD+ Regulatory Regime applicable to the proposed project or for Mato Grosso State in Brazil. See OBS 02/12.</p>			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	OBS 02/12		

4.1.7 VCS AFOLU Requirements Section 3.1.5: Negative environmental and socio-economic impacts

Project proponents shall identify potential negative environmental and socio-economic impacts and shall take steps to mitigate them. Additional standards such as the Climate, Community & Biodiversity Standards (CCBS) or Forest Stewardship Council (FSC) certification may be applied to demonstrate social and environmental benefits beyond GHG emissions reductions or removals. VCUs may be tagged with additional standards and certifications on the VCS project database where both the VCS and another standard are applied.

Findings from Field Audit			
<p>FSM property conducts Forest Management in accordance with local regulations and has Sustainable Forest Stewardship Plan previously approved by SEMA (Environment Secretariat of the State of Mato Grosso) – Ref. 18. Furthermore, FSM is committed with FSC certification and has been carrying out the FSC certification process. The FSC pre-assessment field audit was conducted at the same time of the VCS validation audit field and the FSC assessment for certification is scheduled to occur in October, 2012.</p> <p>At validation and the first verification time, the audit team has not found any evidence that the proposed project has caused any negative environmental and socio-economic impacts. If any critical negative environmental and socio-economic impacts appear along of the project life time, it may become relevant for the further verifications. See OBS 03/12.</p>			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	OBS 03/12		

Accuracy of GHG Emission Reduction or Removal Calculations

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

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

Findings from Verification Field Audit			
<p>Although the methodological equation logic for the calculation of baseline emissions is found to be in conformance with VM0007 (Ref. 4), as pointed out in Section 1.3 of this verification report, two NCRs were raised regarding validation requirements that were found not to be in conformance with the methodology. NCR 01/12, related to the RRL, and hence the validation of the baseline deforestation modelling, compromises not the expected deforestation area within the project the area, but the location of such deforestation. Given that project area has different strata with different carbon stocks per hectare, the location of the deforestation interferes directly in the amount of carbon that would be released into the atmosphere in the baseline scenario. Therefore, the calculation of the emissions on the baseline scenario is not found to be in conformance with the methodology. See NCR 03/12.</p> <p>The audit team has reviewed the equations related to the carbon stocks estimation in the baseline scenario regarding the wood products carbon pool ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4), pastures ("BL PASTURE CARBON POOL" worksheet of Ref. 4), coffee plantations ("BL COFFEE CARBON POOL" worksheet of Ref. 4) and the equations used to estimate the emissions from non-CO2 gases from biomass burning ("BIOMASS BURNING" worksheet of Ref. 4). No inconsistencies were found.</p>			
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 01/12 NCR 03/12		

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

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

Findings from Verification Field Audit			
<p>The methodological equation logic for the calculation of project emissions is found to be in conformance with VM0007 (Ref. 4). As noted above, no logging activities have occurred within the project area that are eligible to generate VCUs and hence no emission from logging took place in the project scenario (see "PA LOGGING GAP" and "PA LOGGING INFRA" worksheets of Ref. 4).</p> <p>Also, the audit team has reviewed the equations related to the carbon stocks estimation in the project scenario regarding the living biomass carbon pool ("PA A_B CARBON POOLS" worksheet of Ref. 4).</p> <p>Nevertheless, as at the time of the audit, the project proponent was considering the areas of the logged UPAs (Number 23 and 24) eligible for the generation of VCUs. Hence, the actual observed deforestation between the validation date and the first verification date</p>			

could not be reviewed by the audit team. The project proponent is expected to correct the project area and provide the shape files resulting from the classification of forest and non-forest classes in the project area. These values shall be reviewed and the areas per stratum used in the GHG calculation regarding the project emissions shall be confirmed by the audit team. See **NCR 04/12**.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 04/12		

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

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

Findings from Verification Field Audit

Although the methodological equation logic for the calculation of baseline emissions is found to be in conformance with VM0007 (Ref. 4), as pointed out in Section 1.3 of this verification report, two NCRs were raised regarding validation requirements that were found not to be in conformance with the methodology. **NCR 01/12**, related to the RRL, and hence the validation of the baseline deforestation modelling, compromises not the expected deforestation area within the project the area, but the location of such deforestation. Given that project area has different strata with different carbon stocks per hectare, the location of the deforestation interferes directly in the amount of carbon that would be released into the atmosphere in the baseline scenario. Therefore, the calculation of the emissions on the baseline scenario is not found to be in conformance with the methodology. See **NCR 03/12**.

Apart from the issues that resulted in **NCR 03/12** above, the methodological equation logic of the avoided emissions estimation due to the project activity was found to be in conformance with the VM0007 (see "VCU" worksheet of Ref. 4).

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 01/12 NCR 03/12		

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

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

Findings from Verification Field Audit

Three important issues were observed during the verification process related to the leakage associated to the project activity by the audit team:

(1) The first one is related to leakage occurring inside the leakage belt, addressed by the LK-ASU module. As pointed out in Equation 1 of the LK-ASU module, only the emissions observed to be above the expected levels in the baseline scenario in the leakage belt are required to be accounted as emissions from leakage inside the leakage belt. The project proponent assumed all the emissions from deforestation in the leakage belt as project leakage. This might represent a conservative approach, nevertheless, if the project proponent decides to maintain such an approach, it needs to be clarified in the monitoring report and be justified that this approach does not represent an underestimation of the leakage outside the leakage belt, once its ex post estimation that is directly related to the leakage monitored inside the leakage belt has been calculated (please refer to Equations 7 to 11 of the LK-ASU module). Further, the calculation spreadsheet does not show the discount for the leakage occurring inside the leakage belt (see "VCU" worksheet in Ref. 4). See **NCR 05/12**.

(2) The second one is related to leakage occurring outside the leakage belt, also addressed by the LK-ASU module. The estimation of such leakage is presented in the worksheet titled "LEAKAGE OUTSIDE" (Ref. 4). As the formulas were reviewed by the audit team, it was found that the calculations made did not correspond to the ones established by the methodology to address the ex post leakage outside the leakage belt (Equations 7 to 11 of the LK-ASU module), as it will vary based on the expected and observed deforestation inside the leakage belt. See **NCR 06/12**.

(3) The final issue is related to the leakage factor applied to the total leakage estimated for the project presented in the worksheet titled "LEAKAGE FACTOR" (Ref. 4). This factor is applicable only for ex ante estimations of leakage, based on the expected effectiveness of the proposed REDD project activities, conservatively estimating the carbon stock changes and greenhouse gas emissions in the leakage belt that are expected to occur due to the implementation of the REDD project activity and that would have not occurred in the baseline case. Hence, this factor cannot be use to estimate the ex posttotal leakage, as it appears on the worksheet mentioned above. See **NCR 07/12**.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 05/12		

	NCR 06/12 NCR 07/12
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4.2.5 Assessment of uncertainty following identified methodology and validated PDD

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

Findings from Verification Field Audit			
<p>Table 4 of the Monitoring Report (Ref. 2) presents the accuracy related to the biomass estimation in all strata of the project. The overall error was calculated as 3.71%, below the threshold established by methodology of 15% (see X-UNC module). As the deforestation rate was based on the long-term average observed, in accordance with X-UNC module (Step 1), no uncertainty is associated with it.</p> <p>Nevertheless, as Table 4 (Ref. 2) was the only evidence provided, the overall uncertainty value calculated could not be reviewed by the audit team. Project proponent has not provided auditable evidence allowing the audit team to confirm the value calculated. See NCR 08/12.</p>			
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 08/12		

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

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

Findings from Verification Field Audit			
<p>The following default values were used for the GHG calculations and were found to be appropriate:</p> <ul style="list-style-type: none"> • Default Biomass Conversion and Expansion Factor (BCEF) = 1.66 t biomass (m³ of wood volume)⁻¹ ("PA A_B CARBON POOLS" worksheet of Ref. 4). This value comes from a peer-reviewed article from Brown et. all (1989) (Ref. 22), representing the lower range of the most conservative default value available in the article for tropical forests. This value was found to be in accordance with the range values available in the GPG-LULUCF, Table 3A.1.10 (IPCC, 2003) and Table 4.5 of the IPCC Guidelines for National Greenhouse Gas Inventories (IPCC, 2006); • Ratio of Below-Ground Biomass to Above-Ground Biomass(R) = 0.37 t d.m. t d.m.⁻¹ ("PA A_B CARBON POOLS" worksheet of Ref. 4). This value is originated from the IPCC Guidelines for National Greenhouse Gas Inventories (IPCC, 2006) for tropical rainforest ecological zone and was found to be appropriate to the project context; • Parameters used for the calculation of the carbon stocks in the wood products carbon pool (WW_{tv}; SLF_{tv}; and OF_{tv}) = 0.24; 0.20; and 0.84, respectively ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4). These values came from the CP-W module and were found to be appropriate to the project context; • Wood average density= 0.59 t d.m. (m³ fresh volume)⁻¹ ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4). According to worksheet, this value came from Table 4 of the same peer-reviewed article from Brown et. all (1989) (Ref. 22), nevertheless this value was not found in the specified Table. Project proponent needs to refer to the corrected source of information used for the wood average density default value. See NCR 09/12; • Carbon stock in pastures= 8.7 t d.m. ha⁻¹ ("BL PASTURE CARBON POOL" worksheet of Ref. 4). This value came from Table 6.4 of the IPCC Guidelines for National Greenhouse Gas Inventories (IPCC, 2006). Although it is the mean value available in the table, this value was compared to other two values from peer-reviewed articles (Ref. 23 and 24) and was selected because it represented the most conservative value (the higher value). The approach taken by the project proponent was found to be conservative and in accordance with the project context; • Carbon stock in coffee plantation= 22.9 t C ha⁻¹ ("BL COFFEE CARBON POOL" worksheet of Ref. 4). This value was the most conservative one found among four peer-reviewed articles reviewed (Ref. 25 to 28). The approach taken by the project proponent was found to be conservative and in accordance with the project context; • Default values used for the GHG emissions from biomass burning (COMF; G_{CH4}; G_{N2O}; GWP_{CH4}; and GWP_{N2O}) = 0.59; 4.8; 0.2; 21; and 310, respectively ("BIOMASS BURNING" worksheet of Ref. 4). These values came from the E-BB module. They were reviewed by the audit team and found to be in conformance with the methodology; • Default values used for the estimation of leakage occurring outside the leakage belt (TOTFOR; PROTFOR; MANFOR; C_{LB}; and C_{OLB}) = 418,965,000; 158,413,767; 0; 238.6; and 578.1, respectively ("LEAKAGE OUTSIDE" worksheet of Ref. 4). The first three 			

values came from public data available for Brazilian Amazon biome, from the IBGE (Brazilian Institute of Geography and Statistics) and the National Register of Protected Areas. The CLB value was estimated based on similarity analysis of the leakage belt area to the project area; and the COLB value came from a peer-reviewed article from Saatchi et al. (2007) (Ref. 29);

- Default values used for the estimation of market leakage (D_{mn} ; CF; LDF; LIF and LF_{ME}) = 0.59; 0.47; 0.53; 0.29; and 0.4 respectively ("LEAKAGE MARKET" worksheet of Ref. 4). D_{mn} value was reviewed above (wood average density). CF, LDF and LIF are default values from the LK-ME module and were properly selected. The LF_{ME} value used was selected based on similarity analysis of the proportion of total biomass in commercial species that is merchantable (in the project area) to the mean proportion of total biomass that is merchantable for each forest type (outside the project area). The selection of this value was not fairly justified by the project proponent and further clarification must be provided to the audit team. See **NCR 10/12**.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 09/12 NCR 10/12		

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

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

Findings from Verification Field Audit			
An assumption taken by the project proponent regarding the merchantable wood in exploitation (m ³ /ha), used to calculate the parameter P com (Equation 3 of the CP-W module) for the estimation of the baseline carbon stock in wood products ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4) was not fairly justified by the project proponent and further clarification must be provided to the audit team. See NCR 11/12 .			
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 11/12		

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

Findings from Verification Field Audit			
The net of VCUs was calculated in the worksheet "VCU" of the carbon calculation spreadsheet (Ref. 4). The calculation was found to be in accordance with VM0007 methodology. Nevertheless, it is important to highlight that the final result regarding the amount of VCUs generated during the first verification period will be amended as the applicable NCRs issued above and below in this verification report are closed.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR/OBS raised.		

Quality of Evidence to Determine GHG Emission Reductions or Removals

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

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

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

Findings from Verification Field Audit			
The Methodology VM 0007 v. 1.1 applied by the project and its corresponding Monitoring Module M-MON v. 2.0 do not request re-inventory of the project area every year, since within the project area selective logging occurs through forest management that is also undergoing the FSC certification process. As such, the project has used the original validated inventory to complete verification calculations. See the validation report for findings on the validated field inventory.			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR or OBS raised.		

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

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

Findings from Verification Field Audit			
As stated above, during this verification the audit team gathered all satellite imagery and remote sensing documents used for			

the project area and leakage belt monitoring and land use classification (Ref. 36). These documents were used to confirm the areas of forest and non-forest classes and the observed changes among these classes in order to identify the deforestation in the project area and leakage belt that have occurred within the verification timeframe.

Nevertheless, as at the time of the audit, the project proponent was considering the areas of the logged UPAs (Number 23 and 24) eligible for the generation of VCUs. Hence, the actual observed deforestation between the validation date and the first verification date could not be reviewed by the audit team. The project proponent is expected to correct the project area and provide the shape files resulting from the classification of forest and non-forest classes in the project area. These values shall be reviewed and the areas per stratum used in the GHG calculation regarding the project emissions shall be confirmed by the audit team. See **NCR 04/12**.

The gathered documentation was found to be in conformance with the methodology and the validated PD, apart from the **NCR 04/12** issued above.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 04/12		

4.3.3 Implementation of sampling plan described in the PDD

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

Findings from Verification Field Audit

Since no re-assessment of the baseline was required for this initial verification, no sampling activity was required to take place regarding the biomass carbon stocks in the selected carbon pools.

It is important to highlight that, as stated above, the Monitoring Plan does not describe a specific procedure for monitoring degradation through extraction of trees for illegal timber or fuelwood and charcoal. It is assumed that such monitoring will be minimally based on the procedures established by the M-MON module (please refer to Section 5.2.2.1). Nevertheless, the Monitoring Report (Ref. 2) does not mention anything related to sampling activities conducted in order to identify such degradation in the project area. The Project proponent has not justified the absence of this information in the Monitoring Report (Ref. 2). Further, the Monitoring Report does not state if natural disturbances have or have not occurred in the project area within this verification timeframe. See **NCR 12/12**.

Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	NCR 12/12		

4.4 Management and Operational System

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

4.4.1 Monitoring roles and responsibilities identified

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

Findings from Verification Field Audit

No changes in the monitoring roles and responsibilities from the validated PD were identified in the monitoring report. In addition the audit team confirmed this by interviewing the project proponent representatives during the verification process. During the field visit and Document Review for the validation process carried on October, 2011, FSM representatives were interviewed by audit team, who found that they are competent for conducting applicable tasks as designated.

Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	No NCR or OBS raised.		

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

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

Findings from Verification Field Audit

The validated monitoring plan defines a number of criteria relevant to ensure inventory quality. However, as the project has not completed a second inventory at this time (it is not required of the VM0007 methodology), the project has developed GHG quantification based on the inventory completed prior to the project validation which is valid through April 2019. Refer to the project validation report for findings relevant to the inventory QMS.

Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
NCR/OBS	Not applicable.		

4.4.3 Data transcription quality management systems

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

Findings from Verification Field Audit			
The validated monitoring plan defines a number of criteria relevant to ensure inventory quality. However, as the project has not completed a second inventory at this time (it is not required of the VM0007 methodology), the project has developed GHG quantification based on the inventory completed prior to the project validation which is valid through April 2019..Refer to the project validation report for findings relevant to the inventory QMS.			
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
NCR/OBS	Not applicable.		

4.4.4 Data management and archival systems

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

Findings from Verification Field Audit			
During the validation and verification process, the audit team confirmed that the proposed project has implemented data archival systems and demonstrated effective retrieval of archived data along for the project life time as well as 2 years following the end of the project crediting period.			
Even though the project proponent is a single organization (Florestal Santa Maria S.A), there are other entities involved in the Project. However, it is important highlight that the project proponent has the responsibility to keep data in a secure manner and implement an effective retrieval of archived project data. See OBS 04/12 .			
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
NCR/OBS	OBS 04/12		

Non-permanence Risk Assessment

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

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

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

Findings from Review on Field Audit			
Under the VCS AFOLU project categories (See AFOLU Requirements: VCS version 3 – Section 4.2), the proposed project is classified as a REDD Project.			
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
NCR/OBS	Not applicable		

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

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

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

Risk Factor

Self Assessment Risk Rating

Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)

NCR/OBS

Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	-2	<p>The project does not involve plantations (+0 scored on item "a").</p> <p>GHG credits have not been previously issued. This is the initial verification of the project (+0 scored on item "b").</p> <p>The audit team agrees that the management team includes individuals with significant experience to undertake the project activities (+0 scored on item "c").</p> <p>The management team maintains a presence in the country and is located less than a day of travel from the project site (+0 scored on item "d").</p> <p>The management team does not include individuals with significant experience in AFOLU project design and implementation, carbon accounting and reporting under the VCS Program or other approved GHG programs as required by the risk assessment tool (0 scored</p>	No NCR/OBS raised

on item "e").

FSM adaptive management plan (Ref. 30) was reviewed by the audit team and was found to be in conformance with the plan required by the risk assessment tool.

Further, the project proponent are working to have their forest management activities FSC certified (-2 scored on item "f").

Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool. 0

Cash flow assessment: According to the worksheet "Clash Flow Redd", out of the spreadsheet AVALIACAO_DA_MADEIRA__MAIS_RE DD-AUDITORIA_REV1 set ape c protecao.xls", cash flow breakeven point is at year 3 (Ref. 31) (+0 scored on item "d").

No NCR/OBS raised.

Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool. 0 (total may not be less than 0)

Demonstration of secured funding: During the field audit, the audit team reviewed project documents supporting demonstration of secured funding through a purchase agreement of credits established between FSM and Bunge (VERPA contract reviewed by audit team) (Ref. 32). The purchase agreement between FSM and Bunge demonstrated evidence of secured funding to meet this criterion (+0 scored on item "h").

The NPV analysis conducted by the project proponent was reviewed by the audit team and NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity (Please refer to the Ref. 31 and the NPV information available for the business as usual activities identified in the validated PD - Ref. 7 - and the FSM non-permanence risk report - Ref. 1) (-4 scored on item "f"). No mitigation action was scored.

No NCR/OBS raised.

Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool. 15 = 30 -(30/2)

The audit team has reviewed the project proponent's disclosure statement for the maintenance of the forest management activities (Ref. 12). This document shows their commitment (C-57 VCS Verif Report Tmpl 14Jun12 Page 37) to maintain the forest management activity in the project area for long term, and in accordance with local regulations. Note that this term is legally binding just for the harvest cycle identified in the Sustainable Forest Stewardship Plan, which was previously approved by SEMA (Environment Secretariat of the State of Mato Grosso) – Ref. 18. As the proposed project has set 30 years for the project longevity, i.e, equal the project crediting period, the disclosure statement for the maintenance of the forest management activities (Ref. 12) can be use as a legal agreement.

No NCR/OBS raised.

Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool. 13

The selected scores for the internal risk were properly accounted.

No NCR/OBS raised.

External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):

Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk Tool.

Clear ownership of the project area by FSM was demonstrated by the project proponent (see findings above related to project ownership) (+0 scored on item "a").

NCR 13/12

The project proponent has the legal title of the entire project area (see section 2.1.3 of this report) (+0 scored on item "b"). However, according to the Brazilian legislation, the Brazilian Government owns the subsoil natural resources and this issue needs to be addressed in the external risk analysis. See **NCR 13/12**.

There are no existing disputes over land tenure or ownership. Documents from FUNAI (Ref. 6) were presented to audit team stating the no presence of indigenous communities within the FSM area (+0 scored on items "c" and "d").

The audit team has reviewed the legal binding commitment to continue management practices that protect carbon stocks over the length of the project crediting period (Ref. 12). Refer to the findings above regarding the Project Longevity (-2 scored on item "e").

<p>Community engagement: Shall be assessed using Table 7 of the VCS Risk Tool.</p>	<p>0</p>	<p>Given the lack of a more complex and detailed analysis of item "b", the project proponent attributed the maximum score for this item (5 scored on item "b").</p> <p>FSM has on its south frontier a rural community. From this community 19 people work at FSM directly, and these people have 4 to 6 members in the family, so many families are benefiting from the farm and when the project is implemented more people will be needed as work force.</p> <p>As mention above, the project proponent aims to get FSC certification, which would likely represent a social improvement to the company employee working conditions. Further, the project aims to establish a new technical school in partnership with the local city hall and expand the forest activities related to non-wood products (if feasible), among other initiatives. Hence, the audit team agrees that the project generates net positive impacts on the social and economic well-being of the local communities (-5 scored on item "c").</p>	<p>No NCR or OBS raised.</p>
<p>Political risk: Shall be assessed using Table 8 of the VCS Risk Tool.</p>	<p>0</p>	<p>The risk rating for this criterion is based on the calculated governance score of -0.32, and was found to be appropriate (+2 scored on item "c").</p> <p>Criteria f: The application of this risk mitigation criterion is found to be appropriate as the project is located in Brazil (-2 scored on item "f").</p>	<p>No NCR or OBS raised.</p>
<p>Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.</p>	<p>0</p>	<p>Apart from NCR 13/12 issued above, the selected scores for the total external risks were properly accounted.</p>	<p>NCR 13/12</p>

Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
<p>Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.</p>	<p>0.5</p>	<p>The risk of natural fire is classified as “minimum” in the project area. There are records for the whole project area for more than 40 years, and, according to then, there have been only 6 events of natural fire resulting in less than 5% loss of carbon stocks. This affirmation is further supported by the book of Gascon and Moutinho (1998). Nevertheless, it is not clear how the appointments of the book are in support of the project case. See OBS 05/12.</p> <p>Still, the FSM fire management plan (Ref.33) was found to be in accordance with the mitigation requirements of the risk tool (+0.5 scored for Fire risk).</p> <p>There is no record of Pest and Disease outbreaks in the area since the area is a natural forest in its equilibrium where it is hardly believed to have a pest or disease outbreaks. A Scientific Opinion letter was provided by Dr. Jean Ometto to support this affirmation (National Space Research Institute). This letter was reviewed by the audit team (Ref. 34) (+0 scored for Pest and Disease Outbreaks risk).</p> <p>There is no record of any extreme event in the area for more than 80 years. The area is not affected by hurricanes, floods etc (+0 scored for Extreme Weather risk).</p> <p>The project area is located in a stable geological area with no faults. A series of studies (Ref. 1) are referenced in order to prove that, even so, earthquakes in Brazil are not likely to produce significant losses of forest biomass (+0 scored for Geological risk).</p> <p>The Scientific Opinion letter provided by Dr. Jean Ometto (Ref. 34) also states that occurrence of blow-down in response to strong winds, are natural and random occurrences in mature forests in the Tropical Amazon. It is highlighted that "large scale" (more than 30 ha) blow-downs are rare and unpredictable events in preserved primary forest. Still, the forest patches under disturbance, from a blow-down event, are under recovery processes by a succession of local plant species."</p> <p>Although Dr. Ometto express a scientific point of view regarding the carbon dynamics in the forest under blow-down winds, as supported by several studies, the methodology VM0007 accounts for these carbon emissions differently (please refer to the M-MON module).</p> <p>Two important observations must be made regarding Dr. Ometto's statements (Ref. 34), (1) "...it is conceivable to assume that the net biome production is zero. Which means that the carbon released by the death of the trees is absorbed by the growth of the new plants, composing the stand biomass. This process is modulated by the resilience of the system."). It is important to highlight that since such resilience in the forest may only be fully achieved in a timeframe longer than the verification timeframe or the project lifetime, carbon losses that might have happened between verifications may not be conceivable assumed to be zero within a specific timeframe. See OBS 06/12.</p> <p>Further, (2) regarding the third statement of Dr. Ometto, "biomass loss is negligible, since such disturbance does not export any material from the area, as it would occur if timber were harvested.", it is important to highlight that the M-MON module (see Equation 23) can account for the carbon losses related to the wood collection of the new dead wood resulted from</p>	<p>OBS 05/12 OBS 06/12 OBS 07/12</p>

blow-down. Also, the project proponent shall refer to T-SIG to check whether GHG emissions and reductions can be negligible or not (OBS 07/12).

Nevertheless, as the carbon loss percentage from blow-down winds presented by the project proponent is 0.004% (Ref. 1), the audit team agrees that the LS score can be considered 0 (+0 scored for Other Natural risk).

VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation

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

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

Risk Factor	Self Assessment Risk Rating	Findings	NCR/OBS
Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	13.5	Apart from the NCR 13/12 issued above, the selected scores for the overall non permanence risk rating were properly accounted. Nevertheless, because of the NCR, the final score could not be verified.	NCR 13/12 NCR 14/12
		The determined number of buffer credits that shall be deposited in the AFOLU pooled buffer account was presented in Section 4.2 of the Non-Permanence Risk Report (Ref. 1). Again, this number shall be updated once NCR 13/12 is closed and the final score properly revised. See NCR14/12 .	

VERIFICATION CONCLUSION AND AUDIT OVERVIEW

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
<input checked="" type="checkbox"/>	Verification approved: <i>No NCRs issued</i>	
<input type="checkbox"/>	Verification not approved: <i>Conformance with NCR(s) required</i>	
Draft Final Report Conclusions		
<input checked="" type="checkbox"/>	Verification approved: <i>No NCRs issued</i>	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of

<input type="checkbox"/>	Verification not approved: <i>Conformance with NCR(s) required</i>	decisions reached. The auditors will not review any new material submitted at this time.
Draft Report Conclusions		
<input type="checkbox"/>	Verification approved: <i>No NCRs issued</i>	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of a assessment statement.
<input checked="" type="checkbox"/>	Verification not approved: <i>Conformance with NCR(s) required</i>	

Audit Conclusions

See Section I above for the verification objectives, scope, criteria, and level of assurance.

The audit team has reviewed all the exhibits submitted by the Project Proponent (see sections 2.4 and 3.3 of this report) and considered that the proposed project is in conformance with VCS 3.3 standard.

Verified Emission Reductions and/or Removals:

Following the review of the monitoring report and supporting documents, the audit team has concluded with a reasonable level of assurance that the project is in full conformance with the VCS standard requirements, validated project design document, and approved VCS methodology. Below is a description of the verified emission reductions as reviewed and approved by the audit team.

Reporting Period: From April 13, 2009 to May 03, 2012.

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

GHG Emission Reductions or Removals	tCO ₂ e
Baseline Emissions	3,071,955.3
Project Emissions	0
Leakage	97,746.5
Uncertainty Deduction (if applicable)	NA
Net GHG emission reductions or removals	2,974,208.8
Total calculated buffer contribution	401,518.2
Total VCUs to be issued	2,572,690.6
Net GHG emission reductions or removals - 2009	603,023.3
Net GHG emission reductions or removals - 2010	840,930.4
Net GHG emission reductions or removals - 2011	842,617.7
Net GHG emission reductions or removals - 2012	286,119.3

Nonconformance evaluation

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

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

NCR#:	NCR 01/12
Standard & Requirement:	VCS Standard v.3.3 - Section 3.1
Report Section:	Gap Validation, Validation Conclusion, Accuracy of GHG Emission Reduction or Removal Calculations
Description of Non-conformance and Related Evidence:	
<p>This NCR was issued based on required accuracy map assessment (Section 2.1.4 of BL-UP module) regarding the classification of forest and non-forest classes for the reference region for projecting rate of deforestation (RRD). No accuracy assessment was developed. The project proponent has misunderstood the concept of the accuracy assessment procedure, thrusting that the accuracy inherent to the automatic classification of the imagery used was enough to address the methodological requirements of VM0007. As mentioned in section 2.1.4 of BL-UP module, the project proponent shall refer to Chapter 5 of IPCC 2003 GPG, Chapter 3A.2.4 of IPCC 2006 Guidelines for AFOLU, and Section 2.1 of Sourcebook on REDD (GOFC-GOLD, 2009) for guidance on mapping deforestation and performing accuracy assessments.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	Relatório Técnico ANSWER_REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>Project proponent provided the accuracy map assessment required by the VM0007 methodology (see BL-UP module, Section 2.1.4) regarding the classification of forest and non-forest classes of the reference region for projecting rate of deforestation (RRD).</p> <p>The overall accuracy of the classification was assessed as 97.25%. This value is higher than the threshold established by the methodology (90%) and, therefore, the NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 02/12
Standard & Requirement:	VCS Standard v.3.3 - Section 3.1
Report Section:	Gap Validation, Validation Conclusion
Description of Non-conformance and Related Evidence:	
<p>The reference region for location of deforestation (RRL) selected by the project proponent did not include the project area and the leakage belt, as required by the VM0007 methodology (see BL-UP module, Section 1.1.1.2). The selection of the RRL has a direct implication over the calibration and verification procedures that confirm the baseline deforestation modelling (Step 3.3 of the BL-UP module), and hence the amount of VCU's generated by the REDD project activity. It is important to highlight that in the case of a transition configuration, location analysis is not required where it can be shown that $\geq 25\%$ of the project geographic boundary is within 50m of land that has been anthropogenically deforested within the 10 years prior to the project start date. If this criterion is not met location analysis is always required.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	Apresentacao_projeto_atualizado2 ANSWER_REPORT_04/09/2012 FSM VERIFICATION – FINAL ANSWERS 28/09/2012
Findings for Evaluation of Evidence:	<p>The provided documentation shows the entire RRL area which includes the project area and the leakage belt, as required by the VM0007 methodology. Besides that, as required by VM0007 v2.0 methodology (module BL-UP), the calculation of "Figure of Merit" (FOM) indicates a value of 0.61, which is above the threshold stipulated for "transition" deforestation pattern.</p>
NCR Status:	CLOSED

Comments (optional):	Version 3 of the BL-UP module, that defines new threshold for FOM result (that is lower than the previously defined threshold), could be used to confirm the model deforestation prediction.
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NCR#:	NCR 03/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Section 4.5 and VCS Standard v.3.3 - Section 3.14
Report Section:	Gap Validation, Validation Conclusion and Section 4.2.3 Calculation of emissions reductions or avoided emissions due to the project (ex-post estimate) following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
Although the methodological equation logic for the calculation of baseline emissions is found to be in conformance with VM0007 (Ref. 4), as pointed out in the gap validation, and validation conclusion sections of this verification report, two NCRs were raised regarding validation requirements that were found not to be in conformance with the methodology. This NCR, related to the RRL, and hence the validation of the baseline deforestation modelling, compromises not the expected deforestation area within the project the area, but the location of such deforestation. Given that project area has different strata with different carbon stocks per hectare, the location of the deforestation interferes directly in the amount of carbon that would be released into the atmosphere in the baseline scenario. Therefore, the calculation of the emissions on the baseline scenario is found not to be in conformance with the methodology.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012
Findings for Evaluation of Evidence:	The proponent provided evidence that the RRL design considered the whole project area and the linkage belt; besides the corrections to address NCR 02/12, the calculation of the baseline emissions remained correct as required by the VM0007 methodology closing this NCR.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 04/12
Standard & Requirement:	VCS Standard v.3.3 - Section 3.14
Report Section:	4.2.2 Calculation of emissions from project activities (ex-post estimate) following identified methodology and validated PDD, 4.3.2 Verification of use of GPS and remote sensing analysis following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
At the time of the audit, project proponent was considering part of the areas of the logged UPAs (Number 23 and 24) eligible for the generation of VCUs. Hence, the actual observed deforestation between the validation date and the first verification date could not be reviewed by the audit team. Project proponent is expected to correct the project area and provide the shape files resulting from the classification of forest and non-forest classes in the project area. These values shall be reviewed and the areas per stratum used in the GHG calculation regarding the project emissions be confirmed by the audit team.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012 !!!Prancha A3 - 2009 - Risco de Desmatamento !!!Prancha A3 - 2009 - Tipologia de Vegetacao !!!Prancha A3 - 2012 - Risco de Desmatamento !!!Prancha A3 - 2012 - Tipologia de Vegetacao <u>Matriz infra estrutura 2012</u>

	Matriz Prancha A3 - UPA 23 - 24 - 2012 - Risco de Desmatamento Prancha A3 - UPA 23 - 24 - 2012 - Tipologia de Vegetacao
Findings for Evaluation of Evidence:	The documentation provided presented the eligible area (ha) for VCUs generation inside the project area and the monitored change (ha) in the forest area for the first verification period (2009 to 2012). Auditor review of this documentation and the changes to the eligible area for VCU generation, and the monitored change in the forest are for this initial verification allowed this NCR to be closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 05/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Section 3.6.1
Report Section:	4.2.4 Calculation of emissions from leakage (ex-post estimate) following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
This NCR is related to leakage occurring inside the leakage belt, addressed by the LK-ASU module. As pointed out in Equation 1 of the LK-ASU module, only the emissions observed to be above the expected levels in the baseline scenario in the leakage belt are required to be accounted as emissions from leakage inside the leakage belt. The project proponent assumed all the emissions from deforestation in the leakage belt as project leakage. This might represent a conservative approach, nevertheless, if the project proponent decides to maintain such an approach, it needs to be clarified in the monitoring report and it be justified that this approach does not represent an underestimation of the leakage outside the leakage belt, once its ex post estimation that is directly related to the leakage monitored inside the leakage belt has been calculated (please refer to Equations 7 to 11 of the LK-ASU module). Further, the calculation spreadsheet does not show the discount for the leakage occurring inside the leakage belt (see "VCU" worksheet in Ref. 4).	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012 OFICIAL_SPREADSHEET_04_09_2012
Findings for Evaluation of Evidence:	In conformance with Equation 1 of the LK-ASU module, the project proponent has chosen not to account for the deforestation emissions inside the leakage belt once they were not above the expected deforestation in the baseline scenario (see worksheet "LEAKAGE SHIFTING" from the "OFICIAL_SPREADSHEET_04_09_2012" spreadsheet). Therefore, the NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 06/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Section 3.6.1
Report Section:	4.1.5 Conformance with PDD Monitoring Protocol, 4.2.4 Calculation of emissions from leakage (ex-post estimate) following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
This NCR is related to leakage occurring <u>outside</u> the leakage belt, addressed by the LK-ASU module. The estimation of such leakage is presented in the worksheet titled "LEAKAGE OUTSIDE" (Ref. 4). As the formulas were reviewed by the audit team, it was found that the calculations made did not correspond to the ones established by the methodology to address the <i>ex post</i> leakage outside the leakage belt (Equations 7 to 11 of the LK-ASU module), as it will vary based on the expected and observed deforestation inside the leakage belt.	

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012 OFICIAL_SPREADSHEET_04_09_2012
Findings for Evaluation of Evidence:	The Equations 7 to 11 of the LK-ASU module, that address leakage occurring outside the leakage belt, were properly applied by the project proponent in the new version of the calculation spreadsheet (see worksheet "LEAKAGE OUTSIDE" from the "OFICIAL_SPREADSHEET_04_09_2012" spreadsheet). The leakage estimation was found to be in conformance with the VM0007 methodology and, therefore, the NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 07/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Sections 3.6.1 and 3.6.2
Report Section:	4.2.4 Calculation of emissions from leakage (ex-post estimate) following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
This NCR was raised regarding the leakage factor applied to the total leakage estimated for the project presented in the worksheet titled "LEAKAGE FACTOR" (Ref. 4). This factor is applicable only for <i>ex ante</i> estimations of leakage, based on the expected effectiveness of the proposed REDD project activities, conservatively estimating the carbon stock changes and greenhouse gas emissions in the leakage belt that are expected to occur due to the implementation of the REDD project activity and that would have not occurred in the baseline case. Hence, this factor cannot be use to estimate the <i>ex post</i> total leakage, as it appears on the worksheet mentioned above.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012 OFICIAL_SPREADSHEET_04_09_2012
Findings for Evaluation of Evidence:	The leakage factor applied was removed from the calculation spreadsheet and the leakage estimation was corrected by the project proponent (see "OFICIAL_SPREADSHEET_04_09_2012" spreadsheet). The leakage calculation was found to be in conformance with the VM0007 methodology and, therefore, the NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 08/12
Standard & Requirement:	VCS Standard v.3.3 - Section 3.1 and 3.15
Report Section:	4.2.5 Assessment of uncertainty following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	

<p>Table 4 of the Monitoring Report (Ref. 2) presents the accuracy related to the biomass estimation in all strata of the project. The overall error was calculated as 3.71%, below the threshold established by methodology of 15% (see X-UNC module). As the deforestation rate was based on the long-term average observed, in accordance with X-UNC module (Step 1), no uncertainty is associated with it. Nevertheless, as Table 4 (Ref. 2) was the only evidence provided, the overall uncertainty value calculated could not be reviewed by the audit team. Project proponent has not provided auditable evidence allowing the audit team to confirm the value calculated.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	<p>ANSWER_REPORT_04_09_2012</p> <p>ALOMETRICS folder</p> <p>CORRECTED DATABANK folder</p> <p>CONCLUSION_TEST_N</p> <p>TEST_N</p>
Findings for Evaluation of Evidence:	<p>The documentation provided was reviewed by the audit team and the overall error calculated by the project proponent was found to be in conformance with the X-UNC module of the VM0007 methodology. Therefore the NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 09/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Section 3.1.1
Report Section:	4.2.6 Appropriate use of default values following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
<p>This NCR was raised based on the appropriate use of default values for the wood average density. According to worksheet "BL WOOD PROD CARBON POOL" (Ref. 4), the wood average density value came from Table 4 of a peer-reviewed article from Brown et. all (1989) (Ref. 22), nevertheless this value was not found in the specified table. Project proponent needs to refer to the corrected source of information used for the wood average density default value.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	ANSWER_REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>The wood average density value adopted by the project proponent came from Table 4 of a peer-reviewed article from Brown et al. (1989). This wood density value was obtained from the specified table by dividing the stem mass (194.83 t ha^{-1}) by the correspondent stem volume ($330.06 \text{ m}^3 \text{ ha}^{-1}$), which results in the density value used in calculations (0.59 t m^{-3}).</p> <p>As the reference for the default value adopted by the project proponent for the wood average density was properly justified, the NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 10/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Sections 3.6.4, 4.6.4, 4.6.15
Report Section:	4.2.6 Appropriate use of default values following identified methodology and validated PDD
Description of Non-conformance and Related Evidence:	
<p>This NCR was raised based on the selection of the LF_{ME} value used for the market leakage calculation (please refer to the LK-ME module). The LF_{ME} value used was selected based on similarity analysis of the proportion of total biomass in commercial species that is merchantable (in the project area) to the mean proportion of total biomass that is merchantable for each forest type (outside the project area). The selection of this value was not fairly justified by the project proponent and further clarification needs to be provided to the audit team.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>The project proponent revised the LF_{ME} value selected. The newly selected value (0.2) was justified given the difference between the average biomass in the project area and the average biomass of the Amazon biome. Thus, according to the LK-ME module, it is expected that the areas to be deforested in the Amazon biome in the project case, as a result of project leakage, are less than those that would be observed in the project area. This explanation was added to the new version of the Monitoring Report (see Section 4.3).</p> <p>The LF_{ME} value selected was considered by the auditors to be properly justified by the project proponents and, therefore, this NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 11/12
Standard & Requirement:	VCS AFOLU Requirements v.3.3 - Section 4.5
Report Section:	4.2.7 The assumptions made for calculating GHG emission reductions and/or removals
Description of Non-conformance and Related Evidence:	
<p>An assumption taken by the project proponent regarding the merchantable wood in exploitation (m^3/ha), used to calculate the parameter P_{com} (Equation 3 of the CP-W module) for the estimation of the baseline carbon stock in wood products ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4) was not fairly justified by the project proponent and further clarification must be provided to the audit team.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	ANSWER_REPORT_04_09_2012 Da Silva Moju STCP_Tabela1 STCP_Tabela2 Verissimo Paragominas
Findings for Evaluation of	The provided documentation cited above supports the value adopted for the merchantable wood in

Evidence:	exploitation (m ³ /ha), used to calculate the parameter <i>P_{com}</i> (Equation 3 of the CP-W module) for the estimation of the baseline carbon stock in wood products ("BL WOOD PROD CARBON POOL" worksheet of Ref. 4). Therefore, this NCR is considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	NCR 12/12
Standard & Requirement:	VCS Standard v.3.3 - Sections 3.16.3 to 3.16.5 and VCS AFOLU Requirements v.3.3 - Section 4.8
Report Section:	4.3.3 Implementation of sampling plan described in the PDD

Description of Non-conformance and Related Evidence:	
<p>The Monitoring Plan does not describe a specific procedure for monitoring degradation through extraction of trees for illegal timber or fuelwood and charcoal. It is assumed that such monitoring will be minimally based on the procedures established by the M-MON module (please refer to Section 5.2.2.1). Nevertheless, the Monitoring Report (Ref. 2) does not mention anything related to sampling activities conducted in order to identify such degradation in the project area. The project proponent needs to justify the absence of this information in the Monitoring Report (Ref. 2). Further, the Monitoring Report does not state if natural disturbances have or have not occurred in the project area within this verification timeframe.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	FSM VCS verif 12 (2) ANSWER_REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>The project proponent stated that according to previous studies for characterization of the Reference Area, illegal extraction of smaller trees for fuelwood and charcoal is not a usual practice in the FSM region and they refer the FSM security system for monitoring boundaries and for hindering any invasion that might endanger the forest. The only carbon loss due to forest degradation inside the FSM farm is attributed to forest management. The forest management performed inside the FSM farm is currently being evaluated and improved to receive FSC certification in 2012. Further, during field audit, the audit team did not identify any signs of forest degradation through extraction of trees for illegal timber or fuelwood and charcoal.</p> <p>In response to the raised concern about natural disturbances, the following text was added to the new version of the Monitoring Report (page 74): "The project proponent has stated and demonstrated through satellite imagery that no natural disturbances have occurred in the project area within this verification timeframe". The documentation presented was reviewed by the audit team and the justification provided by the project proponent was found to be appropriate. Therefore, this NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	It is important to highlight that, for future verifications, the forest degradation issue in the project area shall be reassessed by the audit team during field audit.

NCR#:	NCR 13/12
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v.3.2 - Section 2.1.
Report Section:	External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3), VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation
Description of Non-conformance and Related Evidence:	

<p>The project proponent has the legal title of the entire project area (see section 2.1.3 of this report) (+0 scored on item “b” of the Non-Permanence Risk Assessment - Ref.1). However, according to the Brazilian legislation, the Brazilian Government owns the subsoil natural resources and this issue shall be addressed in the external risk analysis.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	ANSWER_REPORT_04_09_2012 NON PERMANENCE RISK REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>The project proponent assumes that there are no significant risks associated with mining inside the FSM farm. This was justified based on data from DNPM (Department of Mineral Production) that states that only 3.9% of the total FSM area has availability of minerals (gold). Further, no mining license has been requested and no interest in mining has been expressed so far and the project proponent believes that the amount of mineral resources available in the FSM farm would not justify investments in mining. The audit team considered the provided justification appropriated and, therefore, this NCR is considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	It is important to highlight that, for future verifications, the subsoil natural resources issue in the project area shall be reassessed by the audit team.

NCR#:	NCR 14/12
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v.3.2 - Section 2.1
Report Section:	VCS AFOLU Non-Permanence Risk Tool Section 2.5.1 – 2.5.3: Overall Project Risk Calculation
Description of Non-conformance and Related Evidence:	
<p>Apart from NCR 13/12 issued above, the selected scores for the overall non permanence risk rating were properly accounted. Nevertheless, because of the NCR, the final score could not be verified.</p> <p>The determined number of buffer credits that shall be deposited in the AFOLU pooled buffer account was presented in Section 4.2 of the Non-Permanence Risk Report (Ref. 1). Again, this number shall be updated once NCR 13/12 is closed and the final score properly revised.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	Prior to Verification
Evidence Provided by Organization:	ANSWER_REPORT_04_09_2012 NON PERMANENCE RISK REPORT_04_09_2012
Findings for Evaluation of Evidence:	<p>As the selected scores for the overall non-permanence risk rating were properly justified by the project proponent, the determined number of buffer credits that shall be deposited in the AFOLU pooled buffer account, presented in Section 4.2 of in the Non-Permanence Risk Report, was kept unchanged. Since the justification presented to address NCR 13/12 was considered appropriated and the NCR was closed, NCR 14 is, therefore, also considered closed.</p>
NCR Status:	CLOSED
Comments (optional):	None

Observations

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

OBS 01/12	Reference Standard & Requirement: VCS Standard v.3.3 - Sections 3.16.3 to 3.16.5 and VCS AFOLU Requirements v.3.3 - Section 4.8
During the validation field visit that took place from October 31 th to November 04 th , 2011, the audit team visited 4 field bases. However, as this first verification was conducted by document review (see section 3 of this report), the audit team did not have chance to check <i>'in loco'</i> if the bases are fully operational, in accordance with the monitoring plan.	
Observation: In future verifications all the bases should be fully operational, in accordance with the monitoring plan.	
OBS 02/12	Reference Standard & Requirement: VCS AFOLU Requirements v 3.3 Section 3.1.3
Labour law and regulations are an important issue for the proposed project, since inside of the project area there is forest management activities, which includes a lot of workers. However the PD does not mention any labour regulations or laws. FSM is committed with to FSC certification and has been carrying on the FSC certification process. The FSC pre-assessment field audit was conduct at the same time of the VCS validation field audit and the FSC assessment is schedule to occur during October, 2012.	
The audit team reviewed the FSC pre-assessment audit report issued on February 28, 2012 (Ref. 25) and has found some non-conformances connected with labor law and NR-31. The audit team checked this information with the FSC auditors and confirmed that the non- conformances raised in the FSC pre-assessment report are not impeditive to continuing forward with the FSC certification process. Moreover, FSM is committed to resolve these issues before the FSC Assessment, in which the FSC audit team will evaluate if FSM took adequate corrective action to address the findings raised in the FSC pre-assessment report. Considering the information above and that all these points will be evaluated continually through their FSC certification, the verification audit team concluded that this issue is not relevant to the project's first verification. However, if FSM does not take effective action to address this and consequently in the next FSC report; non-conformances connected with labor law and NR-31 become major and compromise FSC certification or new critical points appear along of the project life time, it may become relevant for the future verifications.	
At the time of verification, there is not a National REDD+ Regulatory Regime applicable to the proposed project or for Mato Grosso State.	
Observation: The project proponent should ensure that all relevant laws are complied with during project implementation, including environmental and labor law/regulation, as well as be aware if Brazilian and/or Mato Grosso state REDD+ regulatory regime become formally regulated during subsequent monitoring and the possible implication of it for the project. Otherwise, it may become critical for the further verifications.	
OBS 03/12	Reference Standard & Requirement: VCS AFOLU Requirements v 3.3 Section 3.1.5
FSM is committed to FSC certification and has been carrying on the FSC certification process. The FSC pre-assessment field audit was conduct at the same time of the VCS validation field audit and the FSC assessment is schedule to occur during October, 2012. At validation and the time of initial verification, the audit team has not found any evidence that the proposed project has caused any negative environmental and socio-economic impacts. If any critical negative environmental and socio-economic impacts appear along of the project life time, it may become relevant for the future verifications.	
Observation: The project proponent should ensure that the proposed project will not cause any negative environmental and socio-economic impacts along of the project life time. The VCS verification audit team will accompany the FSC certification and monitoring process.	
OBS 04/12	Reference Standard & Requirement: VCS Standard, v. 3.3, Requirement 3.17.1
Even though the project proponent is a single organization (Florestal Santa Maria S.A), there are other entities involved in the Project. However, it is important highlight that the project proponent has the responsibility to keep all data in a secure location and implement an effective retrieval of archived project data.	
Observation: The Project Proponent should be responsible to keep in a secure and retrievable manner all the project documents, regardless of whether they were produced or acquired from other organizations, or whether they are involved in process or just service providers. Otherwise, it may become relevant for the future verifications.	
OBS 05/12	Reference Standard & Requirement: VCS AFOLU Non-Permanence Risk Tool v.3.2 - Section 2.1

The risk of natural fire is classified as “minimum” in the project area. There are records for the whole project area for more than 40 years, and, according to these records, there have been only 6 events of natural fire resulting in less than 5% loss of carbon stocks. This affirmation is further supported by the book of Gascon and Moutinho (1998). Nevertheless, it is not clear how the appointments of the book are supporting the project case. For this first verification, the audit team has found that it is not a critical point.

Observation: The project proponent should for the next verification and along the project life time, shows in a clear manner how the appointments of the book are supporting the project case. Otherwise, it may become relevant for the future verifications.

OBS 06/12	Reference Standard & Requirement: VCS AFOLU Non-Permanence Risk Tool v.3.2 - Section 2.1
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The Scientific Opinion letter provided by Dr. Jean Ometto (Ref. 34) states that occurrence of blow-down in response to strong winds, are a natural and random occurrence in mature forests in the Tropical Amazon.

Observation: Although Dr. Ometto expresses a scientific point of view regarding the carbon dynamics in the forest under blow-down winds, and as supported by several studies, the methodology VM0007 accounts for these carbon emissions differently (please refer to the M-MON module). One important observations regarding Dr. Ometto statements (Ref. 34), "(...it is conceivable to assume that the net biome production is zero. Which means that the carbon released by the dead of the trees is absorbed by the growth of the new plants, composing the stand biomass. This process is modulated by the resilience of the system.", is that it is important to highlight that since such resilience in the forest may only be fully achieved in a timeframe longer than the verification timeframe or the project lifetime, carbon losses that might have happened between verifications may not be conceivable assumed to be zero within a specific timeframe. Also, project proponents shall refer to T-SIG to check whether GHG emissions and reductions can be negligible or not. Otherwise, it may become relevant for the future verifications.

OBS 07/12	Reference Standard & Requirement: VCS AFOLU Non-Permanence Risk Tool v.3.2 - Section 2.1
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Another observation about the Scientific Opinion letter provided by Dr. Jean Ometto (Ref. 34), is regarding the third statement of Dr. Ometto, "*biomass loss is negligible, since such disturbance does not export any material from the area, as it would occur if timber were harvest.*"

Observation: It is important to highlight that the M-MON module (see Equation 23) can account for the carbon losses related to the wood collection of the new dead wood resulted from the blow-down wind. Also, project proponents shall refer to T-SIG to check whether GHG emissions and reductions can be negligible or not. Otherwise, it may become critical for the future verifications.

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

Action Taken by Project Proponent following the issuance of the Draft Report	Date
Additional documents submitted to audit team (additional documents listed below)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A 18/09/2012
Additional stakeholder consultation conducted (evidence described below)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A --
Additional clarification provided	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A 11/10/2012
Documents revised (document revision description noted below)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A 26/09/2012
GHG calculation revised (evidence described below)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A --

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

Ref	Title, Author(s), Version, Date	Electronic Filename
1a.	FSM VCS verif 12 (2)	FSM VCS verif 12 (2).pdf
2a.	ANSWER_REPORT_04_09_2012	ANSWER_REPORT_04_09_2012.doc
3a.	Relatório Técnico	Relatório Técnico.pdf
4a.	Apresentacao_projeto_atualizado2	Apresentacao_projeto_atualizado2.pdf
5a.	!!!Prancha A3 - 2009 - Risco de Desmatamento	!!!Prancha A3 - 2009 - Risco de Desmatamento.jpg
6a.	!!!Prancha A3 - 2009 - Tipologia de Vegetacao	!!!Prancha A3 - 2009 - Tipologia de Vegetacao.jpg
7a.	!!!Prancha A3 - 2012 - Risco de Desmatamento	!!!Prancha A3 - 2012 - Risco de Desmatamento.jpg
8a.	!!!Prancha A3 - 2012 - Tipologia de Vegetacao	!!!Prancha A3 - 2012 - Tipologia de Vegetacao.jpg
9a.	Matriz infraestrutura 2012	Matriz infraestrutura 2012.xls
10a.	Matriz	Matriz.xls
11a.	Prancha A3 - UPA 23 - 24 - 2012 - Risco de Desmatamento	Prancha A3 - UPA 23 - 24 - 2012 - Risco de Desmatamento.jpg
12a.	Prancha A3 - UPA 23 - 24 - 2012 - Tipologia de Vegetacao	Prancha A3 - UPA 23 - 24 - 2012 - Tipologia de

		Vegetacao.jpg
13a.	ALOMETRICS folder	ALOMETRICS folder
14a.	CORRECTED DATABANK folder	CORRECTED DATABANK folder
15a.	OFICIAL_SPREADSHEET_04_09_2012	OFICIAL_SPREADSHEET_04_09_2012.xls
16a.	NON PERMANENCE RISK REPORT_04_09_2012	NON PERMANENCE RISK REPORT_04_09_2012.pdf
17a.	FINAL_ANSWERS_28_09_2012	FINAL_ANSWERS_28_09_2012.doc
18a.	FSM_REDD_Monitoring Report Version 2.0, September 04, 2012	FSM_REDD_Monitoring Report.doc