PROJECT REVIEW REPORT

This project review report includes findings raised during Verra's review of the project specified below. The VVB must address the findings before the project request can be considered for approval by Verra. The project review report will be made publicly available on the Verra Registry. Confidential information may be provided in separate attachments.

Project ID	2897
Project Name	Forest Conservation in Boumba-et-Ngoko
Review Type	Verification
Program(s)	VCS
Verification Period	01-January-2022 to 31-December-2023
Project Proponent	CARBONSINKGROUP S.R.L. (A South Pole company)
Methodology	VM0010 Methodology for Improved Forest Management: Conversion from Logged to Protected Forest, version 1.3
VVB	Earthood Services Private Limited
Assessment Criteria	VCS Standard v4.7 (16 April 2024)
Date of First Issue	13 September 2024
Date of Second Issue	10 December 2024
Review Conclusion	Approved
Date of Final Issue	8 January 2024

FINDINGS

<table>
<tr><th>#</th><th>Finding Description</th><th>VVB Response</th><th>Status</th></tr>
<tr><td>1</td><td colspan="3">Incomplete description of the verification methods and criteria</td></tr>
<tr><td></td><td><u>Issue</u>
1. Section 2.1 of the VR does not sufficiently describe the verification schedule, including key milestones (e.g., kick-off meeting and desk review) and corresponding dates.
2. Section 2.1 of the VR does not sufficiently describe the sampling approach used by the VVB for the on-site assessment.

<u>Action Required</u>
1. The VVB must include the missing information in Section 2.1 of the VR.
2. The VVB must update Section 2.1 of the VR to sufficiently describe the sampling approach used by the VVB during the on-site assessment. This should encompass the methodology, criteria, and rationale for the sampling and stratification procedures.

<u>Program Rule(s)</u>
VCS standard v4.7, Section 4.1.21, VCS Verification Report Template, v4.3, Section 2.1</td><td>Round 1
<u>VVB Response</u>
1. In response to the finding, section 2.1 of the VR has been updated to include more information about the verification schedule. The missing information pertaining to key milestones as per the requirements of VCS Verification Report Template, v4.3, Section 2.1 have been incorporated in section 2.1 in the table.

<table><tr><th>Key milestones*</th><th>Date</th></tr><tr><td>Establishment of VVB PP contract</td><td>27-09-2023</td></tr><tr><td>MR and supporting documentation received by VVB</td><td>29-03-2024</td></tr><tr><td>Kick-off call</td><td>02-04-2024</td></tr><tr><td>NOVS sent to VERRA</td><td>18-04-2024</td></tr><tr><td>On-site visit</td><td>20-05-2024 to 23-05-2024</td></tr><tr><td>Submission of VR to VERRA</td><td>08-08-2024</td></tr><tr><td>PRR Round I received</td><td>13-09-2024</td></tr></table>
*Kindly note that desk review and assessment of</td><td>Closed</td></tr>
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		project documents is a continues process and therefore had been added as independent milestone of the project. 2. Sampling approach for the on-site assessment. There is no sampling approach adopted for the verification of the project. It is to be noted that this project is an IFM project where the sampling could be applied on the biomass plot monitoring activities. However, in this project PP has taken deviation from the methodology requirements at the time of validation which allowed them to calculate the carbon stocks in commercial timber volumes in the baseline scenario using pre-existing forest inventory data. As per the MR, the methodological deviation is to use the censuses (Annual Operation Permissions, PAO) instead of the limited samplings (from the CDM Tool's sample plots) to validate the UFA 10-064 forest inventory. Furthermore, as per the applied methodological requirements, PP has used remote sensing techniques to assess and quantify forest cover loss (illegal logging) in the project area. For this verification, VVB has checked the entire dataset and remote sensing files. The assessment has been provided in section 4 of this report. During on-site visit, VVB visited the forest concession areas, carried out inspection of monitoring activities at South Access UFA 10-064 and part of the southern border and PK27, as control access point of the UFA 10-064 from the north. Further, interviews with the	

		FB monitoring team and stakeholders were conducted. Section 2.3 of the verification report has list of interviewees, section 2.4 has the summary of site visit activities. CL#07 and CL#08 tables in the Appendix 5 of VR includes the site visit observations and assessment of project carried out on site. Other combined assessment of site visit and desk review are communicated to PP in another audit finding tables added in Appendix 5 of VR. The methodology, criteria, and rationale for the sampling and stratification procedures has been explained above. It to be confirmed that the requirements of the VCS standard v4.7, Section 4.1.21 has been met by VVB, as this verification report describes the verification process, included all findings raised during verification and their resolutions, and the opinion reached by the validation/verification body.	
		<u>Verra Response</u> The issues have been addressed. The finding is closed, and no further action is required.	

2	**Clarification is needed on the assessment of risk to stakeholders.**		
	<u>Issue</u> 1. Under Section 4.2.6 of the VR, it is unclear how the VVB has confirmed that the project poses no risk on the following: a) Safety of women and girls b) Safety of minority and marginalized groups,	**Round 1** <u>VVB Response</u> In response to this finding, VVB has further sought clarification from PP on the aspects of safety of women and girls, minority and marginalized groups, including children. The assessment of updated MR and addressal of findings is as follows.	Closed

	including children <u>Action Required</u> Under section 4.2.6 of the VR, the VVB must discuss how they determined that the project poses no risk to the safety of women and girls as well as to minority and marginalized groups, including children. <u>Program Rule(s)</u> *VCS Standard v4.7, Sections 3.19.8 and 3.19.9*	PP has updated the MR section 2.2, by mentioning that marginalized groups were always included in the consultations of the project and as evident from the meeting notes of the stakeholders' consultations, female representatives and people from Baka communities were present in those meetings and did not share any complaint about the risks to their communities. These were checked by VVB from the LSC meeting evidence held on April 2022, where interviews were made to stakeholders by PP. Moreover, LFB carried out social works, which proves the engagement that the project implementer has with the stakeholders that live close to the project area, with a particular focus also on marginal groups The evidence of these social works can be found at the following link (official document of the forestry minister): https://opentimberportal.org/uploads/operator_document_file/attachment/3573/sefac-proces-verbal-attestation-de-realisation-des-oeuvres-sociales-prevues-aux-cahiers-des-charges-2022-12-19.pdf Also, during the site visit interview, VVB conducted interviews with women and minority groups within the project area. It was evident from their responses that the project and its associated activities have not had a significant impact on these groups. The same information has been added in section 4.2.6 of the VR. Therefore, section 4.2.6 of the VR now discusses	

		and confirm that the project poses no risk to the safety of women and girls as well as to minority and marginalized groups, including children. The requirements of VCS Standard v4.7 section 3.19.8 and 3.19.9 have been met by the project.	
		Verra Response The issue has been addressed. The finding is closed, and no further action is required.	

3	**Clarification and correction are needed on the non-permanence risk analysis**		
	Issue 1. The VR mentions the governance score for India instead of Cameroon, where the project is located. 2. **Project management:** It is unclear why, under internal risk Q2(b), the risk score is 0, despite the implementation of mitigation actions such as patrolling against illegal activities (see background). 3. **Financial viability:** It is unclear how the project, which is ceasing harvesting, is expected to reach the breakeven point by 2025, as indicated in Section 4.5 of the VR. 4. **Opportunity cost:** It is unclear how the NPV of the most profitable alternative land use activity is 20% or less than that of the project activities, given that the baseline involves commercial harvesting while the project does not. Action Required 1. The VVB must ensure that the project justifies the	**Round 1** VVB Response 1. In response to this finding, VVB has corrected the country name and updated the governance score of Cameroon in Political risk section under section 4.5 of the VR. 2. **Project management:** Mitigation actions are taken under Cameroonian law and are thus compulsory, e.g. panels at the UFA access and control points at the access points. Additional monitoring activities are implemented to prevent the risk of this encroachment and to estimate the risk of encroachment (e.g. annual patrolling), but the remoteness of the area will not put in danger more than 50% percent of stocks on which GHG credits have previously been issued. Indeed, as verified by the VVB and visible by the illegal activities monitoring (i.e. field monitoring and GIS	Closed

	risk scores for the various risks highlighted above or revises them to accurately reflect the situation. 2. The VVB must assess the updated non permanence risk analysis and update the VR as needed. <u>Program Rule(s)</u> *AFOLU Non-Permanence Risk Tool, v4.2,* Sections 2.2.1(4), 2.2.2 (2) and 2.2.3. <u>Background</u> Per section 1.1 of the MR, mitigation actions are implemented, such as refreshing the forest boundaries, patrolling against illegal activities inside UFAs, and controlling access to the barriers of the UFA, aimed at minimizing the risk of illegal activities.	analysis), the risk of potential encroachment is only visible at the borders of the project area, which covers a quite a small area to the total project area. VVB checked the risk rating applied in the NPR report of this project as per the requirements of NPR tool, v4.2 According to NPR tool, table 1 Project Management Q2(b) Ongoing enforcement to prevent encroachment by outside actors is required to protect more than 50 percent of stocks on which GHG credits have previously been issued, the risk score is 2. However, if a project can demonstrate the ongoing enforcement is in place, then the risk is mitigated and scored 0. As per the NPR tool section 2.2.1(4), Ongoing enforcement refers to protecting carbon stocks in the project area from encroachment by outside actors, which is covered by the project. The risk is correctly rated in the NPR report. 3. **Financial viability:** The break-even point will be potentially reached in 2025 with the sale of carbon credits from the first monitoring period. This has been presented in the financial analysis provided by PP. This was explained in the financial analysis attached to the NPRT as Supporting Information, and already presented as a note (see attached documents, with the updated version of the NPRT document and NPRT notes v1.1). VVB found the risk rating as per the NPR tool, v4.2 is correctly calculated following the requirements of section 2.2.2(4)	

		which says “Projects may demonstrate that funding has been secured through, for example, financial statements, bank records, executed commodity purchase agreements, executed emission reduction purchase agreements, or other signed contractual agreements. Evidence shall be provided showing agreement counterparties are in good financial standing and can meet their financial obligations. Given execution uncertainties, options contracts shall not be counted as secured funding. The assumptions made for revenue from both carbon and other commercial sources (e.g., timber, agricultural commodities) must be conservative. The source, pricing assumptions, frequency of verification, and other relevant variables shall be clearly documented.” 4. **Opportunity Cost:** As can be verified in the financial analysis, the NPV of baseline (most profitable alternative LU activity) is about 95% of the NPV of project. However, this situation does not fit in with any of the proposed alternatives by the NPRT tool (see Opportunity Cost, Q2). The most suitable option would be d) "NPV of the most profitable alternative land use activity is expected to be 20 percent or less than that of the project" because our situation does not fit in with any other option. VVB found the risk rating as per the NPR tool, v4.2 is correctly calculated following the requirements of section 2.2.3 and	

		the risk score 0 is rated as per the Q2(d). It is also to be noted that the opportunity cost as per the NPR tool is calculated for the most profitable alternative land use activity. Therefore, risk is correctly calculated and justified by PP. The assessment of non-permanence risk rating is updated in section 4.5 of the VR.	
		Verra Response The finding cannot be closed. Issue The financial viability score was not properly assessed by the VVB, as a financial analysis (without supporting documentation) is not sufficient for demonstrating that funding is secured, and counterparties are in good financial standing. Action Required The VVB must assess additional supporting evidence (e.g., bank records, executed purchase agreements) that demonstrates the financial breakeven point expected in 2025. The evidence must establish that funding is secured, and counterparties are in good financial standing). Program Rule(s) *AFOLU Non-Permanence Risk Tool, v4.2,* Sections 2.2.1(4)	

		Round 2 VVB Response (Pending) As per the submitted NPR report which is also available on VERRA Project Hub, the risk factor of Financial viability indicator has been assessed as follows. Following AFOLU Non-Permanence Risk Tool, v4.2, PP has appropriately selected (i) 'Project has secured 80 percent or more of the funding needed to cover the total cash out before the project reaches breakeven' for the percentage of funding project has secured to cover the total cash out required before the project reaches breakeven. Based on the risk factor, the overall risk rating for the financial viability calculated is 0, considering that the risk factor shall not be less than 0. For the review, VVB checked "Excel_BoumbaAndNgoko_2Ver_FinancialAnalysis_v1.2" worksheet "PRJ Cashflow" column K calculations. Further crosschecks to verify the values have been performed by reviewing PP's financial documentation. Please note that all these documents are confidential and contain commercially sensitive information as per the VCS Program definition, v4.5 page no. 22 and VCS Standard v4.7 section 3.5.4. However, VVB has now added these documentation in the VR as well. VVB reviewed Financial statements of Carbon sink Group S.R.L dated 31/12/2023 to review the financial values. Another piece of evidence reviewed is	

		'Certificate of non-royalty of La Filiere Bois dated 02/01/2024, which confirmed that the company is not liable for any tax to the tax administration. VVB also checked the Invoice sheet for the latest cost of VCUs. VVB confirmed and found the risk rating justified appropriately in the NPR report. All the evidence checked provides reasonable level of assurance to VVB and it was assessed that project conform to NPR tool v4.2 section 2.2.2 requirements. 2.2.2 (4) states "Projects may demonstrate that funding has been secured through, for example, financial statements, bank records, executed commodity purchase agreements, executed emission reduction purchase agreements, or other signed contractual agreements. Evidence shall be provided showing agreement counterparties are in good financial standing and can meet their financial obligations", and the condition has been met. The supporting documents are listed in appendix 2 of the updated VR. The assessment of the financial viability under NPR section is also updated in VR section 4.5. The following documentation are submitted with this PRR file for Verra review, however, it is requested to consider them confidential. 1. Excel_BoumbaAndNgoko_2Ver_FinancialAnalysis_v1.2 2. Financial statements of Carbon sink Group S.R.L dated 31/12/2023 3. Certificate of non-royalty of La Filiere Bois	

		dated 02/01/2024 4. Invoice sheet	
		Verra Response The VVB has clarified the issue. The finding is closed and no further action is required.	
		Round 3	
		VVB Response (Pending)	
		Verra Response (Pending)	

4	**Missing information on the ERR calculations**		
	Issue 1. Under Section 5.2 of the MR, methodology provisions have not been followed to consider emissions from illegal logging as de minimis. Instead, the area of illegal logging has been compared to the total project area (see background). 2. The baseline, project, and net GHG ERRs are not clearly described in the MR to allow a third party to replicate the calculations. Specifically, Sections 5.1, 5.2, and 5.4 of the MR do not include the relevant equations. Action Required 1. The VVB must ensure the forest inventory data and other data inputs are reported in the ERR calculations spreadsheet. 2. The VVB must ensure that methodology provisions are followed to consider emissions from illegal	**Round 1** VVB Response 1. It is ensured the forest inventory data and other data inputs are reported in the ERR calculations spreadsheet. PP has reported the data in a separate excel file and the assessment has been explained below. 2. Methodology provisions are being followed to consider emissions from illegal logging as de minimis. 3. MR is updated to include the linkages of all the relevant equations applied in the quantification. Subsections of section 5 of the MR have been revised consistently. 4. The updated MR is being assessed and reported in section 4.4 of the revised VR. ERR spreadsheet for the quantification provided by	Closed

	logging as de minimis. 3. The VVB must ensure that the MR is updated to include all the relevant equations. 4. The VVB must assess the updated MR and revise the VR as needed. <u>Program Rule(s)</u> *VCS Standard, v4.7* Section 2.2.1 (Principle of Transparency), *VM0010, v1.3,* Section 8.2, *VCS Methodology Requirements v4.2,* Section 3.3.6 <u>Background</u> Per section 5.2 of the MR, this illegally logged area corresponds to around 0.1% of the total project area (37.4 ha over 38,309 ha), which shall be considered below *de-minimis* and not significant. VM0010, v1.3, Section 8.2: Greenhouse gas emissions from Improved Forest Management (IFM) activities implemented in the project scenario must be accounted subject to application of the *de minimis* rule, as prescribed by the *VCS AFOLU Requirements.* VCS Methodology Requirements v4.2, Section 3.3.6: Specific carbon pools and GHG sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed *de minimis* and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than 5% of the total GHG benefit generated by the project.	PP and assessed by VVB is ExPost_BoumbaAndNgoko-VCS2897_VM10_Ver2-22-23-v5_highlighted. VVB is submitting both clean and highlighted versions for the PRR review. In the worksheet BSL_ExPost, it is mentioned that the data are retrieved from the ex-ante file calculations for the project: '[ref]ExAnte_BoumbaAndNgoko-VCS2897_VM0010_v4.xlsx', provided as supporting information. The data of extractable volumes are calculated in the spreadsheet '[ref]ExtractableVolumes_Project_UFA1064-VCS2897.xlsx' (provided as supporting information). VVB has checked these sheets and confirmed the calculation approach. The values mentioned in columns C to Q are retrieved from above-mentioned excel sheet. VVB checked the calculations and values applied are traceable across the excel sheet. The equations mentioned is from the applied methodology and correctly applied. The assessment for the illegal logging is as follows. As per the applied methodology VM0010, v1.3 section 8.2.2.2, it is a requirement that any greenhouse gas emissions from illegal logging above de minimis that may occur in the project area ($\Delta CDIST\_IL,i,t \mid PRJ$) are monitored. Following this requirement, PP has demonstrated that the emission from illegal logging in below de minimis. Following the VCS methodology Requirements, v4.4 section 3.3.7 "Specific carbon pools and GHG	

		sources, including carbon pools and GHG sources that cause project and leakage emissions, may be deemed de minimis and do not have to be accounted for if together the omitted decrease in carbon stocks (in carbon pools) or increase in GHG emissions (from GHG sources) amounts to less than five percent of the total GHG benefit generated by the project. The methodology shall establish the criteria and procedures by which a pool or GHG source may be determined to be de minimis." This requirement is also followed in the project. PP has demonstrated the de-minimis assumption from the emissions from illegal logging. As per the approach, PP has directly related GHG emissions to potential illegal disturbances and they were tested for their significance. In the excel sheet ExPost_BoumbaAndNgoko-VCS2897_VM10_Ver2-22-23-v5_highlighted, worksheets 'PRJ_Illegal_Logging' and 'PRJ_ExPost' have been checked. It was assumed "biomass removed through illegal logging is estimated from FAO/MINFOF 2005 study for forest aboveground biomass." The assumption was found appropriate as compared to other literature available. For the assumptions, the total areas potentially covered by illegal activities were used (i.e. 37.4 ha) which is found to be conservative. The deforestation rate of 50% is detected for 2022 as well as 2023. PP also assumed that all the biomass in those areas would have been lost. The total carbon emissions	

		associated with the combustion of fossil fuel (C_FUEL) and the mean volume of extracted timber for forestry infrastructure (V_Ex,inf,BSL) associated with the baseline were considered zero. It is clarified that parameters (C_FUEL) and (V_Ex,inf,BSL) were not used in the calculation of illegal logging emissions, since they were already conservatively excluded from the calculation of the baseline emissions. Under these assumptions, the value estimated as the net stock change in carbon related to the potential illegal disturbances during the 2022-2023 monitoring period was ΔC_DIST-IL|PRJ = 15,580 tCO_2e. Project Emissions related to Illegal Logging (whole area of AACs included in the project, conservatively used for accounting) have been checked. The approach for testing the non-significance of the illegal logging (de-minimis) is provided in worksheet 'Significance'. The source of emission associated to project and leakage for the parameter ΔCDIST-IL,t|PRJ was calculated to be non-significant; and therefore does not need to be accounted.	
		<u>Verra Response</u> The issues have been clarified. The finding is closed, and no further action is required.	

5	Missing threshold materiality value in VR		
	Issue 1. Section 1.3 of the VR does not specify the threshold materiality for the verification process. Action Required 1. The VVB must ensure that threshold materiality value is specified in Section 1.3 of the VR. Program Rule(s) *VCS Standard v4.7, Section 4.8.1 (4).*	**Round 1** VVB Response In response to the finding, VVB has added the following information in section 1.3 of the VR. With respect to VCS Standard version 4.7 para 4.1.10.4, the threshold for materiality with respect to the aggregate of errors, omissions, and misrepresentations relative to the total reported GHG emission reductions and/or removals shall be five percent for projects and one percent for large projects. The scale of the project is large scale. Therefore, 1% (large scale project). VVB has specified the threshold materiality value in Section 1.3 of the VR. Verra Response The issue has been addressed. The finding is closed, and no further action is required.	Closed

6	Missing information on SD contributions		
	Issue 1. Under section 1.12 of the MR, the relevant SDG targets have not been listed for the different SD contribution. 2. Additionally, for SDG 13, the indicator number has not been listed. Action Required	**Round 1** VVB Response 1. Section 1.12 of the MR has been updated by PP to incorporate the changes required in the reporting of SDG targets and indicators. revised to include the relevant SDG targets and indicators. Table 1: Sustainable Development Contributions now has all	Closed

	1. The VVB must ensure that Section 1.12 of the MR is revised to include the relevant SDG targets and indicators. 2. The VVB must assess the revised MR and update section 4.1 of the VR accordingly. <u>Program Rule(s)</u> *VCS Standard, v4.7* Section 3.5.5, *VCS Monitoring Report Template, v4.3,* Section 1.12	the SDG targets and indicators listed correctly. Please note that SDG indicators have been reported in VR section 4.1. VVB has now updated the VR with SDG targets also. For SDG 13.0, it is to be noted that PP has correctly followed the template guidelines of VCS-Monitoring-Report-Template-v4.3 provided for section 1.12 which is as follows. *"While climate change and mitigation activities relate to SDG 13, they do not align with any SDG 13 target. For climate change mitigation impacts, write "13.0" in the SDG target column and use the indicator "Tonnes of greenhouse gas emissions avoided or removed"* In the project MR, table 1 under section 1.12, SDG target is 13.0 and the net impact on SDG indicator column correctly reports *"Tonnes of greenhouse gas emissions avoided or removed"* *Therefore, VVB assessed that the MR correctly reports the SDG 13 and the indicator details which is found to be compliance of UN SDGs and reporting guidelines of VCS MR template.* 2. Section 4.1 of the VR has been updated accordingly. <u>Verra Response</u> The issues have been addressed. The finding is closed, and no further action is required.	

7	Measures are needed to ensure the project fulfils its commitments		
	Issue Per Section 2.5.1 of the MR, actions will be considered during the next monitoring period in response to stakeholder comments about repairing the road between Socambo and Moloundou and providing housing, a hospital, and a school for the Baka. It is unclear how the fulfilment of these commitments will be ensured. Action Required The VVB must raise a FAR requiring that the project's commitments, namely, repairing the road between Socambo and Moloundou and providing housing, a hospital, and a school for the Baka, are assessed during subsequent verification. Program Rule(s) *VCS Standard, v4.7* Section 3.18.2	**Round 1** VVB Response In response to this comment and addressal of action required, VVB has raised the FAR as per the requirement and the context of FAR is provided below and same has been added in VR section 2.5.1, 4.2.5 and Appendix 5 (table 4). Please note that the MR section is 2.1.5 (Public Comments) instead of 2.5.1. Verra is requested to refer to the MR section 2.1.5 and corresponding VR sections for the review of the comment. FAR#01 MR section 2.1.5 (Public Comments) reported in the summary of comments received that “several participants pointed out that the road between Socambo and Moloundou is in bad condition, and it could be fixed. VVB has checked the comment origin in the project supporting documents dated LSC Socambo questionnaires dated 06/12/2023. VVB further discussed the status of comments addressal and actions taken have also been checked with stakeholders during on-site interview sessions. As provided in MR, VVB assessed that it is confirmed that the road that passes through the UFA 10-064 concession is a department road (Départmentale 77, D77): the maintenance of this kind of road is not directly related to the forest concession. However, considering that the road repairment is asked by communities, as part of action taken, communities	Closed

		will be timely informed of all the progress made by the responsible entity for the road construction. PP will update the road maintenance work to communities and take their further feedback in future stakeholder consultation meetings to seek resolutions on this comment. The dialogue established in this context requires further updates on ground which could not be captured in the current verification cycle (MP2). Therefore, VVB in the next verification (MP3) shall assess whether the road between Socambo and Moloundou has been repaired. The other public comment related to the establishment of a hospital, housing and a school for the Baka shall also be confirmed by the next verifying VVB.	
		Verra Response The issue has been addressed. The finding is closed, and no further action is required.	