

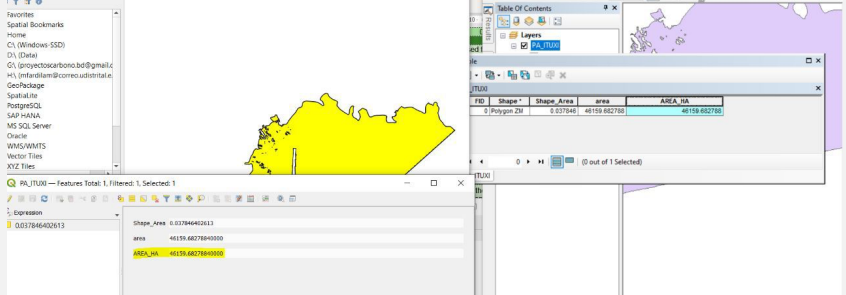
PROJECT REVIEW REPORT

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	1654
Project Name	Fortaleza Ituxi REDD Project
Review Type	Verification Approval
Program(s)	VCS Program
Verification Period	01 January 2020 – 26 December 2021
Project Proponent	Fazenda Nossa Senhora das Cachoeiras do Ituxi
Methodology	VM0015 Methodology for Avoided Unplanned Deforestation, version 1.1
VVB	Earthood Services Private Limited
Assessment Criteria	VCS Standard, v4.2
Date of First Issue	01 November 2022
Review Conclusion	Approved
Date of Final Issue	15 March 2023

FINDINGS

#	Finding Description	VVB Response	Status
1	Non-Permanence Risk report not submitted		
	<u>Issue</u> The validation documents submitted for verification do not include a Non-Permanence Risk report.	Round 1 <u>VVB Response</u> The Non-Permanence Risk report (version 2.1) reviewed by the verification body, corresponding to the current monitoring period will be uploaded to the Verra Registry as a public document along with the other requested documents.	Closed
	<u>Action Required</u> The Non-Permanence Risk report corresponding to the current monitoring report must be uploaded to the Verra Registry as public document.	<u>Verra Response</u> The Non-Permanence Risk report has been provided. This finding is closed.	
	<u>Program Rule(s)</u> VCS Standard v4.2, Section 3.2.9 Registration and Issuance Process v4.2, Section 4.4.1		
2	Non-eligible areas inside the project area		
	<u>Issue</u> The KML file submitted to the Verra Registry includes non-eligible areas (i.e., non-forest areas) inside the project area.	Round 1 <u>VVB Response</u> In finding 3.4 the Project proponent was requested as follows “ <i>The PP is called to update the kml file on the verra website</i> ”	Closed
	<u>Action Required</u> 1. The VVB must describe how it was confirmed that non-forest areas that are included in the KML file are not part of the project area nor of the emission reductions accountability. 2. KML file must be updated to clearly delineate the project area only where the activities to reduce GHG emissions are taking place.	In addition, in finding 2 was requested to adjust some issues that resulted in the recalculations described below. Regarding sub-item 1, all the land tenure documentation were updated to confirm proof of rights. Regarding sub-item 2, the boundaries of the PA were adjusted, resulting in changes to the KML file and GHG emissions reductions calculations.	
	<u>Program Rule(s)</u> VCS Standard, v4.2, Section 3.10.2	And clarification request 06 “ <i>Project Area is different between the SIG system (47,106.687 ha), Monitoring report (46,592 ha) and the calculus</i> ”	

2	Non-eligible areas inside the project area	
	tablet (46,728 ha) the Project Proponent is also requested to verify the areas of the reference region and leakage belt area.” The new calculations are found in the updated calculation spreadsheet sent in attachment, in the MR document, primarily in sections 3.2.2., and 5.4., as summarized below. In summary, the PA underwent minor adjustments due to the identification of classification errors concerning rocky outcrops (327.8 ha), the property’s headquarters (5.7 ha), the borders of the river (16.75 ha), and the frontiers of the Ramal do Boi road (82.1 ha). Regarding emissions reductions accountability, the corrections included 38 ha discrepancy of projected deforestation over non-forest areas, identified in the years 2014, 2015, 2017, 2019 and 2021, equating to 28,725.91 tCO₂e which were deducted from the year 2021. Through the procedure described in the aforementioned report, the PA reduced in size from 46.592,06 hectares to 46.159,68 hectares. In addition to the findings above described, this VVB assured by Geo processing that the project proponent excluded all the non-forest areas of the project area in the KML nor its emission reductions accountability. The project proponent updated appropriately the KML file to clearly delineate the project area only where the activities to reduce GHG emissions are taking place:  The Verification report was also updated where appropriate	

2	Non-eligible areas inside the project area		
		<u>Verra Response</u> An updated KML file has been provided which excludes the non-eligible areas. This finding is closed.	

3	No sufficient information is provided to allow the reader to reproduce net GHG emission reductions calculation		
	<u>Issue</u> Section 5.1 of the MR does not provide sufficient information to allow the reader to reproduce the calculations. <u>Action Required</u> The VVB must attach electronic spreadsheets of net emission reduction calculation as an appendix or separate	Round 1 <u>VVB Response</u> The electronic spreadsheet of net emission reduction calculations entitled “VM0015_CALCULATION_v4.1_MR3_23_11_2022.xlsx” has been attached as a separate file(s), as requested. This annex has been acknowledged in the text of the MR, at the beginning of section 5.1 and the verification report where appropriate.	Closed

3	No sufficient information is provided to allow the reader to reproduce net GHG emission reductions calculation		
	file(s) to facilitate the verification of the results. <u>Program Rule(s)</u> VCS Monitoring Report Template v4.1, Section 5	<u>Verra Response</u> Electronic spreadsheets of net emission reduction calculation have been provided. However, an inconsistency was detected in the calculation of “Ex post net anthropogenic GHG emission reductions” (Sheet “Net GHG reductions and VCU”). <u>Issue</u> Calculation of “Ex post net anthropogenic GHG emission reductions” sums the total “Ex post project carbon stock changes” (i.e., 32,365 tCO₂e for 2020 and 19,611 tCO₂e for 2021) to the “Baseline carbon stock changes” while this value must be subtracted. <u>Action Required</u> The VVB must ensure that the calculation of the “Ex post project carbon stock changes” is fixed following the guidance of Section 9.2 of the methodology. <u>Background</u> Section 9.2 of VM0015 indicates, “If ΔCPSPAt represents a net decrease, the positive sign shall be used.” While the estimated actual carbon stock changes in the project in 2020 and 2021 represent a decrease due to not avoided deforestation, a negative sign was used instead.	
		Round 2	
		<u>VVB Response</u> The issue described by Verra, regarding summing instead of subtracting of “Ex Post project carbon stock changes” to the “Baseline carbon stock changes”, has been corrected in the MR spreadsheet specifically in the “Net GHG reductions and VCU” and “Net change and emissions in PA” tabs.	

3	No sufficient information is provided to allow the reader to reproduce net GHG emission reductions calculation		
		The regeneration of areas logged in the past has been also updated in table 42 of the MR document, and tab “Increase after Logging in PA” in the calculation spreadsheet. The electronic spreadsheet of net emission reduction calculations entitled “VM0015_CALCULATION_v4.4_MR3_17_02_2023.xlsx” was verified the correct sign was applied.	
		<u>Verra Response</u> The ERR calculations and the corresponding VCUs eligible for issuance have been corrected. This finding is closed, and no further action is required.	