VALIDATION REPORT FOR THE "'GUANARÉ' FOREST PLANTATIONS ON DEGRADED GRASSLANDS UNDER EXTENSIVE GRAZING" PROJECT

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Summary

This report describes the validation audit of the "'Guanaré' Forest Plantations on degraded grasslands under extensive grazing" project ("the project"), (Project ID: 959) an afforestation project located in the Central-Eastern Region of Uruguay that was conducted by SCS Global Services (SCS). The purpose of the validation audit was to conduct an independent assessment of the project to determine whether the project design complies with the Climate, Community & Biodiversity (CCB) Standards. The validation audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. A total of 3 findings were issued during the validation process. The project complies with all the validation criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the validation criteria.

Table of Contents

1 INTRODUCTION

1.1 Objective

The audit team's objective was to conduct a validation audit under the Climate, Community & Biodiversity (CCB) Standards. In accordance with Section 4.1 of the CCB Program Rules (see reference in Section 1.2.2 below), SCS Global Services (SCS) carried out an independent assessment of the project to determine whether the project design complies with the CCB rules.

1.2 Scope and Criteria

1.2.1 Scope

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

- The project and, where relevant, its baseline scenarios
- The physical infrastructure, activities, technologies and processes of the project
- The GHG sources, sinks and/or reservoirs that are applicable to the project
- The types of GHGs that are applicable to the project
- The crediting period, as discussed in Section 3.2.11 of this report

1.2.2 Criteria

In accordance with Section 1.1 of the CCB Program Rules (see below for full reference) the criteria for validation was established as follows:

All CCB Version 3 program documents, including the following:

- CCB Standards Third Edition, v3.1
- CCB Program Rules, v3.1
- CCB Program Definitions, v3.0

1.3 Summary Description of the Project

This is an afforestation project located in the Central-Eastern Region of Uruguay. Project activities consist of the establishment of forest on degraded grasslands, with the additional goals of increasing employment, rural development, biodiversity preservation, and improvement of soil quality. Overall the project objectives are carbon sequestration, wood production, and land restoration through plantation forest in areas historically used for extensive grazing.

2 VALIDATION PROCESS

2.1 Audit Team Composition (Rules 4.3.1)

A table indicating how the audit team meets each of the requirements of the CCB Standards Rules is below.

Area of required expertise	Individual(s) on audit team containing required expertise	Summary of relevant qualifications
Proficiency in a relevant local or regional language for the project location	William Arreaga	Mr. Arreaga is Native Spanish Speaker.
Relevant agriculture, forestry and/or other land use experience in the project country or region	William Arreaga, Scott Eaton, Francis Eaton	Mr. Arreaga was previously Auditor for the Validation of this Project under Verified Carbon Standard. These individuals are familiar with common agricultural practices and corresponding deforestation pressures in the project country.
Relevant social and cultural expertise	William Arreaga, Scott Eaton	Familiar with established social norms in rural Uruguay, Mr. Arreaga and Mr. Eaton both have past experience working in South America including working with communities and understanding social and cultural norms. Given the similarities of norms and customs throughout rural South America the experience of the team is consistent with the requirements of the standards. In addition, Mr. Arreaga has a suite of experience assessing FSC projects which include community consultation.
Relevant ecological and biodiversity expertise	Francis Eaton, Scott Eaton	Familiar with ecology and biodiversity best practices and measurements

2.2 Method and Criteria

The validation was performed through a combination of document review and interviews with relevant personnel, as discussed in Sections 2.3 through 2.5 of this report. As discussed in Section 2.6, findings were issued to ensure conformance to all requirements. The audit team created a sampling plan following a proprietary sampling plan workbook developed by SCS. Per Section 4.4.3 of ISO 14064-3:2006, the audit team identified possible risks of errors, omissions and misrepresentations with respect to the validation criteria. For each identified risk, the audit team assessed the likelihood of the material discrepancy occurring, the likelihood of the material discrepancy not being prevented or detected by the controls of the project and the likelihood of the material discrepancy not being detected by the audit team. Sampling and data testing activities were planned to address any risk where the likelihood of a material discrepancy not being detected by the audit team was judged to be unacceptably high. The audit team then created a validation plan that took the sampling plan into account.

2.3 Document Review

The project description (version 1, dated 30 March 2019; “PD”, /1/) was carefully reviewed for conformance to the validation criteria. The following additional documentation, provided by project personnel in support of the aforementioned documents, was also reviewed by the audit team:

File Name	Document	Ref.
V2 FINAL DRAFT - GUANARE CCB_Project_Description_Summary_ENGLISH	PD English Summary	/1/
V2 FINAL DRAFT - GUANARE CCB_Project_Description_Summary_SPANISH	PD Spanish Summary	/2/
MELGAS_2018_CARBONO_GUANARE	KMZ Geographic Information File	/3/
PADRONES_2018_CARBONO_GUANARE	KMZ Geographic Information File	/4/
PP_2018_CARBONO_GUANARE	KMZ Geographic Information File	/5/
FAS BRUSSA RESUMEN 2019	Biodiversity Report for FAS tracts	/6/
Graficas Indices Diversidad FAS	Biodiversity Indexes and Graphs for FAS tracts	/7/
Indicadores cualitativos especies rae fas_	Qualitative Indicators for Species on FAS tracts	/8/
Informe Santa Sofía, Agosto 2018 con cambios	Santa Sofia tract biodiversity report from 2018, showing changes from 2013	/9/
Informe Santa Sofía, Agosto 2018	Santa Sofia tract biodiversity report from 2018	/10/
Informe Santa Sofía, Octubre 2013	Santa Sofia tract biodiversity report from 2013	/11/
plan general de estudios en fauna FAS	General Plan for Study of FAS Fauna	/12/
Ex ante Carbon stock calculation Guanaré	Carbon Stock Calculations	/13/

File Name	Document	Ref.
Benefit metrics	Summary of Project Beneficiaries	/14/
PLA 04 PLAN DE GESTIÓN Y MONITOREO SOCIAL v8 2017	Plan for Social Monitoring and Management	/15/
INS 03 -Instructivo RESOULICIÓN CONFLICTOS FAS v6 2017	Plan for Conflict Resolution	/16/
Informe_Impacto_Cadena_Forestal_CPA_Ferrere_22-11-17	Report from Sociedad de Productores Forestales on the economic contribution of forestry activities	/17/
Informe y programa huertas 2018	Report on Farming Program in Educational Areas	/18/
ANALISIS DEL IMPACTODE EN AREAS DE INFLUENCIA FAS 2011	Analysis on impacts in areas of influence	/19/
ANALISIS DE IMPACTO Valentines 2015-16-17-18	Analysis of impacts in the Valentines tract from 2015 to 2018	/20/
Donaciones_Colaboraciones FAS unificadaas	Summary of Donations to Project Beneficiaries	/21/
entrevistas Placido Rosas, La Micaela. Arroyo Malo 2010	Interview reports from various communities	/22/
Entrevistas Melo, Arbolito, Placido La Micaela FAS2018	Interview reports from various communities	/23/
FOR 15 FORMULARIO VISITA VECINOS FAS V2	Interview form template	/24/
FOR 16 FORMULARIO QUEJAS v1 2017	Request form template	/25/
Lista de quejas conflictos desde 2012	List of requests and conflicts since 2012	/26/
Localidades_Partes interesadas - FAS	List of contacts in various areas	/27/
Partes Interesadas Grupo Guanaré y LMAT 2018 uv	List of contacts in various areas	/28/
word indicadores FAS Octubre 2018	Updated Social Impact Indicator Measurements	/29/
Registro de Capacitacion (various filenames)	List of attendees at trainings and meetings, with photos	/30/

File Name	Document	Ref.
Capacitaciones Bodiversidad- Escuelas 2013	Documentation of Biodiversity Training	/31/
MAN01 - MANUAL GENERAL DE GESTIÓN FORESTAL FAS v4 2017	FAS General Forest Management Manual	/32/
BN_2009_FAS	Report on Biodiversity in the Native Forests of the Area	/33/
Manual Manejo Residuos FAS	FAS Waste Management Manual	/34/
Capacitaciones internas	Project Personnel Competencies	/35/
Descripcion planilla de empresas tercerizadas	Contracting Summary	/36/
PLA 02 - Plan de Capacitación Anual - 2018	Annual Training Plan	/37/
Registros Empresas Tercerizadas unificada	List of contractors and employees	/38/
IFC- Metodologia medicion a Campo	Forest Inventory Manual	/39/
Informe Audtoría 2018 RSP_M2_FM_Guanaré_002589_18_s	FSC Audit Report	/40/
Resumen_Publico_Plan de Manejo y Monitoreo_Grupo GUANARÉ 2018	Public Report on Monitoring and Management	/41/
Informe Dellepiane (three files from 2013 – 2018)	Biodiversity Reports	/42/
Informe El Yugo (five files from 2013 – 2018)	Biodiversity Reports	/43/
Informe Las Canas (six files from 2013 – 2018)	Biodiversity Reports	/44/
Informe Santa Sofia (six files from 2013 – 2018)	Biodiversity Reports	/45/
Proyecto Forestal_LC_33_	Monitoring Plan for Native Forests	/46/
Informe FAS_11_41 Control de Manejos	Silvicultural Management Report	/47/
Fotos Raleo Alto	Photos of the thinning process	/48/
Contrato Raleo	Example contract for thinning	/49/
GUANARE AARL PROP JUNIO	Sample Landowner Agreement	/50/
GUANARE SA PROP JUNIO	Sample Landowner Agreement	/51/

File Name	Document	Ref.
EIA Evaluación General de impactos Ambientales y Sociales FAS 2018	Evaluation of Environmental and Social Impacts	/52/
Categorización Flora y Fauna Guanaré	Flora and Fauna Categorization and Populations	/53/
PRO 01 - SILVICULTURA FAS v4 2017	Silvicultural Process Description	/54/
Laws and Regulations.xlsx	Summary of all applicable laws and regulations	/55/
Guanare S.A. & Guanare AARL Combined 06-30-2018 USGAAP.pdf	Financial workbooks	/56/

2.4 Interviews

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

The following personnel associated with the project proponent, implementing partner, and community members were interviewed.

Individual	Affiliation	Role	Date(s) interviewed
Alvaro Perez del Castillo	Carbosur	Forest Engineer- Director	On Site (June 4-7 2019)
Agustin Inthamoussu	Carbosur	Senior Carbon Consultant	On Site (June 4-7 2019)
Alejandro Castroman	Pike & Co.	Operations Manager (Maps and Logistics)	June 7, 2019
Yamile Tejera	Pike & Co.	GIS Technician	June 7, 2019
Rocio Gamundi	FAS	Legal and Human Resources Controller	June 5, 2019
Ines Bocage	FAS	FSC Manager	June 5, 2019

Individual	Affiliation	Role	Date(s) interviewed
Mariana Villemur	FAS	Forest Technician	June 7, 2019
Belen Moreno	FAS	Social Manager	June 5, 2019
Carlos Brussa	FAS	Forest Engineer	June 6, 2019
Raul Lombardi	FAS	Biologist	June 7, 2019
Paulo Rodriguez	FAS	Human Resources	June 7. 2019
Alejandro Venturino	FAS	Harvest and Logistics Manager	June 7, 2019
Nelson Ledesma	FAS	General Manager	June 5, 2019
Marcia Doral	Alcalde de Placido Rojas	Secretaria	June 6, 2019
Fernanda Solia	Alcalde de Placido Rojas	Secretaria Administrativa	June 6, 2019
Douglas Lucas de Olivera	Alcalde de Tupambae	Alcalde	June 6, 2019
Graciela Rodrigues	Juan Rosas No. 29 Elementary School (Placida Rosas)	Principal	June 6, 2019

2.5 Site Inspections

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

- Perform a risk-based review of the project area and project activities to ensure that the project conforms to the validation criteria; and
- Confirm the validity of information presented in the PD.

In fulfilment of the above objectives, the audit team performed an on-site inspection of the project area on the dates 3 June 2019 through 6 June 2019. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel to gather information regarding the project activities
- Interviewed residents of several communities involved in the project activities to confirm the claims of the project proponents with respect to the extent of community engagement and to confirm other information provided in the PD.
- Carried out on-site inspections of the project's biodiversity monitoring methodologies and inspections of native forests.

2.6 Public Comments (Rules 4.6)

The public comment period extended from 6 April 2020 to 6 May 2020, with a second public comment period 23 October 2020 to 22 November 2020, as confirmed by the audit team through review of the project webpage in the CCB project database (http://www.vcsprojectdatabase.org/#/pipeline_details/PL959). In the latter comment period there was one comment regarding the FSC certification. As the project proponent acknowledges, the FSC certification only applies to part of the project area.

2.7 Resolution of Findings

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

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

As part of the validation process, 0 NCRs, 3 NIRs, and no OBS were issued, for a total of 3 findings. All findings issued by the audit team during the validation process have been closed. In accordance with Section 5.3.7 of the VCS Standard, all findings issued during the validation process, and the inputs for their closure, are described in Appendices A and B of this report.

2.8 Forward Action Requests

This section is not applicable, as no forward action requests have been issued.

3 VALIDATION FINDINGS

3.1 Summary of Project Benefits

The Project Description summarizes the benefits as being the development of the forestry sector for economic and environmental benefits, with jobs provided in forest planting and subsequent improvement in management of degraded lands. The benefits are described in a straightforward way with accompanying metrics that are appropriate for the benefit type. Significant GHG reductions and removals are estimated along with an increase in forest cover, employment of hundreds of workers, and quality of life improvements. These categories of benefits described in the PD are each addressed in detail throughout sections 2-5. Through review of project documentation, interviews, and on-site inspection the audit team has affirmed that all claims made are substantiated.

3.2 General

3.2.1 Project Proponent (G1.1)

Guanaré SA (Guanaré) is the project proponent, and is managed by Forestal Atlantico Sur (FAS). Guanaré has a contractual agreement with Guanaré AARL, which owns the land, and FAS, which has experience in managing forests. Carbosur has an agreement with Guanaré for the management of the carbon offset portion of the project.

3.2.2 Project Objectives (G1.2)

The primary climate objective is the sequestration of carbon though the establishment of plantation forests on degraded grasslands. This will facilitate their community objectives, which are generating jobs and improving jobs with additional training through project activities. The project aims to conserve the existing natural forest areas as well as provide additional forest habitat. The audit team concluded through review of the project documentation and on site interviews that the description of the project activities provides an accurate understanding of the nature of the project.

3.2.3 Physical Parameters (G1.3)

While on site the audit team observed the conditions surrounding the afforested areas, and found the environmental conditions consistent with those described in the PD. Grass species dominate the land, with some shrubs, and trees only found scarcely next to streams. Soil appears to have been significantly degraded, with lots of rocky ground and signs of grazing in the area. Several of the species described as utilizing the forest and grazing habitats were identified, and the native forest areas resemble that described in the Report on Biodiversity in the Native Forests of the Area /33/. Aerial imagery allowed the audit team to review a larger section of the audit area and ground-truth while on site to ensure grasslands were degraded.

3.2.4 Social Parameters (G1.3)

The population density of the project area is low, with only small towns relatively near the project area. The project maps accurately show the relatively few people living within the project area and are consistent with on the ground observations and satellite imagery. Interviews with locals demonstrated that the communities are relatively homogenous, with the primary jobs being in the livestock industry, as described in the PD. The summary of project beneficiaries provided was crosschecked with the social impact indicator documentation provided by project personnel, These descriptions are consistent with the PD and documents referenced therein regarding education indicators such as percentage literacy in the area, the application of the Human Development Index, and percentage of employment in the extensive livestock sector. Due to the degraded soils these extensive systems are relatively low in productivity, and municipal workers interviewed confirmed that job quality is poor in the region. Schools and municipal buildings in the area are relatively small, with on-site observations that resources provided by project activities were providing a significant impact on educational quality.

3.2.5 Project Zone Map (G1.4-7, G1.13, CM1.2, B1.2)

The audit team was able to inspect tracts of the project area in each of the three regions within the project zone. Traveling through the project zone, the audit team observed that GPS readings showed consistency between what is shown in aerial imagery and what is visible on the ground. Overall the project area regions are a relatively small portion of the total project zone area, with the vast majority of the land undeveloped and uninhabited. Specific properties within the project area were identified while on site and confirmed to match the GPS coordinates of the tracts in KMZ files. In the relatively few inhabited areas near the project zone, but outside of it, the audit team determined it would not be realistic for there to be an effect from the project.

3.2.6 Stakeholder Identification (G1.5)

The audit team took the following steps to validate the process of stakeholder identification and analysis used to identify communities and community groups as described in Section 2.1.6 of the PD.

- The audit team interviewed government officials, including the Mayor of Tupumbae, and administrators for the Placido Rojas Mayor's Office, as well as other members of the project team who were present for stakeholder identification and analysis workshops.
- The audit team cross-checked a subset of informational meeting notes and sign-in sheets to verify the information contained in the PD.
- The audit team has performed CCB audits in the past and confirmed that the community characteristics information in the PD provide a sufficient baseline for which the project and future verifiers can assess conformance.

3.2.7 Stakeholder Descriptions (G1.6, G1.13)

The categorization system used by the project personnel for identifying stakeholders from various communities appropriately prioritizes them based on the extent affected, as determined by the visits where information was collected on the neighbor forms (/24/). This information is collected into various community reports (/22/, /23/) and registries (/30/). Interviews by the audit team with local officials affirmed that the descriptions of stakeholders in the PD were appropriate, with agreement that the communities closer to the project are most likely to be affected, and that the list of communities was comprehensive.

3.2.8 Project Activities and Theory of Change (G1.8)

The audit team took the following steps to validate the causal relationships or theory of change that link the project activities to the project's predicted climate, community and biodiversity benefits.

- The audit team confirmed that the project uses the theory of change methodology and that the text in the PD is well supported by an appendix which allows for assessment by the auditor and the public.
- The assumptions described in section 4.4.1 of the PD are indeed measurable, and consistent with the social monitoring and management documentation.

- The audit team interviewed project personnel regarding the how the prioritization of these indicators was determined, and how it informed the project's objectives.

In summary, the audit team concludes that the theory of change in the PD is accurate, complete, and provides an understanding of the nature of the project and how it will achieve its climate, community, and biodiversity objectives.

3.2.9 Climate, Biodiversity and Community Benefits Assessment Period (G1.9)

The assessment period extends 60 years from the project start date, and there is no reason to expect the monitoring of climate, biodiversity, and community benefits over this period should not be possible. This period will allow for multiple harvests, sustaining jobs and allowing for analysis of changes to biodiversity within the project area.

3.2.10 Implementation Schedule (G1.9)

The implementation schedule described in section 2.1.11 of the PD is consistent with supporting documentation of project activities and milestones. It appropriately references time periods up to the reporting period for various activities, with reasonable time periods between.

3.2.11 Risks to the Project (G1.10)

The proponent has identified the following risks: fire, diseases and insects, wind, and frost. The corresponding impact of those risks on climate, community and biodiversity benefits are addressed, along with the actions to mitigate the risks. The activities described are consistent with those included in more detail in FAS forestry field manuals /32/.

The audit team agreed with the identification of risks and mitigation measures as per field observations and interview with employees and other stakeholders. No other potential human-induced risks are anticipated by interviewees.

3.2.12 Benefit Permanence (G1.11)

The PD describes the increase in jobs and associated development in the region (increased small family business, increase in exports, reduction in rural poverty, incorporation of improved technologies for enhanced productivity) in regards to the expectation that that these benefits impact the permanence of the project. The report from Sociedad de Productores Forestales on the economic contribution of forestry activities /17/ supports this assessment of the development impact of forest activities in the region. The monitoring activities detailed in the PD to analyze changes in community and biodiversity benefits are consistent with supporting documentation, and these activities help ensure the sustainability of the project.

3.2.13 Financial Sustainability (G1.12)

The audit team concludes the following regarding financial mechanisms adopted to provide an adequate actual and projected flow of funds for project implementation and to achieve the project's climate, community and biodiversity benefits.

- Through review of the budget and financial workbooks /56/, the audit team confirmed the projected flow of funds is adequate to support implementation of the project activities, as follows:
- Revenue assumptions (e.g., estimates of pricing and broker fees) are all reasonable and/or conservative
- Administrative and operational cost projections are sourced directly from the official budget of the project proponent, and can be assumed to be correct
- Breakeven analysis demonstrates that cumulative cash flow becomes positive in the fourth year of the project and remains positive thereafter

Evidence of actual and/or projected revenues from GHG emissions reductions and/or removals and/or other sources has been provided to the audit team. The financial feasibility of the project is well documented as part of the non-permanence risk analysis conducted by the proponent.

The proponent demonstrated that around 80% of the required funds have been secured already. For instance, all lands have been paid in full, and also maintenance activities have been covered already. The breakeven point has been reached as well. The audit team agrees with the proponent's interpretation as per field observation and interviews.

3.2.14 Eligibility Criteria for Grouped Projects (G1.14)

This section is not applicable, as the project is not a grouped project.

3.2.15 Scalability Limits for the Grouped Projects (G1.15)

This section is not applicable, as the project is not a grouped project.

3.2.16 Risk Mitigation Approach for Grouped Projects (G1.15)

This section is not applicable, as the project is not a grouped project.

3.2.17 Land-Use Scenarios without the Project (G2.1)

The audit team concludes the following regarding the range of potential land-use scenarios and the associated drivers of land use changes most likely to occur within the project zone in the absence of the project.

- The project proponent appropriately applied the "Combined tool to identify the baseline scenario and demonstrate additionality in A/R CDM project activities", version 01.
- A common practice analysis was done in which the proponent demonstrated that there are similar forest activities in the region but one main factor distinguishes the Guanaré project from others. As a result, the final conclusion is that the project activity is not the baseline scenario, and hence it is additional.

A more detailed description of how the range of potential land-use scenarios and the associated drivers of land use changes has been assessed, against the requirements of the selected methodology, may be found in Section 3.3.4 below.

3.2.18 Most-Likely Scenario Justification (G2.1)

The audit team took the following steps to validate the most-likely land use scenario.

- The audit team reviewed the PD document, which includes a list of barriers for the landuse alternatives, and a list of possible scenarios. An investment analysis was made and the proponent determined that only one of those scenarios were not prevented by any barriers, and as such, it can be considered to be the baseline scenario: continuation of the pre-project activity (extensive cattle grazing with no pasture improvement).
- The sensitivity analysis applies a valid monte carlo method to show that it is very unlikely similar forest plantations would have the internal rate of return. The analysis includes appropriate assumptions and regional values.
- The audit team reviewed the additionality argument, including barrier analysis, common practice analysis, and supporting information, and through interviews with local stakeholders found them to be consistent with the conditions in the area.

In summary, since the expected returns of extensive grazing are greater than afforestation without carbon finance, the audit team concludes that the most-likely land-use scenario in absence of the project, as described in the PD, is justified. A more detailed description of how the most-likely land use scenario in absence of the project has been assessed, against the requirements of the selected methodology, may be found in Section 3.3.4 below.

3.2.19 Additionality (G2.2)

The audit team took the following steps to validate the project's justification for the additionality of the project benefits.

Steps taken to assess…	
Existing laws, regulations, and governance arrangements, or lack of laws and arrangements that would likely affect land use in the absence of the project.	-The audit team carried out interviews in the field to confirm that project benefits are additional to existing laws, regulations and governance arrangements. -The audit team reviewed the detailed list of applicable laws and regulations and found no indication there would be arrangements to promote conversion of grassland to forest in a manner that would affect the project activities.
Significant financial, technological, institutional or capacity barriers under the without-project scenario that would have inhibited project activities.	-The audit team reviewed financial information /56/ for the entities participating in the project funding, along with the anticipated budgets for carrying out the project activities. -The proponent shows effectively that despite a lack of policy incentives, an increase in plantation

	establishment after 2005 was due to the consideration of carbon offset opportunities.
Any distinct climate, community and biodiversity benefits intended to be used as an offset and specify how additionality is established for each benefit intended for this purpose.	-N/A

In summary, since there are significant barriers to the establishment of forest plantations in the region, and no governance mechanism to sufficiently encourage conversion exists, the audit team concludes that the justification for the additionality of the project activities, as provided in the PD, is appropriate and in conformance with requirements of the selected methodology. A more detailed description of how the justification for the additionality of the project activities has been assessed, against the requirements of the selected methodology, may be found in Section 3.3.4 below.

3.3 Stakeholder Engagement

3.3.1 Stakeholder Access to Project Documents (G3.1)

- The audit team took the following steps to validate the project's stakeholder engagement plans and practices to fulfil the requirements of G3.1.The audit team carried out a detailed review of Section 2.7.5 of the PD which contains information regarding steps made to communicate and publicize the PD and other project documentation, the project validation process, and the CCB public comment period.
- The audit team conducted interviews with community members and heard first-hand of stakeholder engagement practices.

In summary, given the impressive amounts of outreach material available in most project communities, the audit team concludes that the project has made project documentation accessible to communities and other stakeholders.

3.3.2 Community Costs, Risks and Benefits (G3.2)

The audit team took the following steps to validate project proponent's plan/practices to explain the project's potential costs, risks and benefits to communities.

- While on site, the audit team held interviews with community members across the project zone and heard first-hand accounts regarding the project personnel's communication and engagement with the project communities regarding the project. During the interviews, the audit team confirmed that the potential costs, risks and benefits were discussed with communities.
- The audit team discussed the content of meetings and workshops held with the project's Community Outreach specialist as well as other project personnel involved in the meetings, and confirmed that potential costs, risks and benefits of the project were discussed.

- The audit team reviewed meeting notes, photographic evidence and sign in sheets confirming the level of outreach that was performed by the project; the audit team confirmed that potential project benefits and risks were discussed during meetings.

In summary:

- Given this information, the audit team concludes that the information was relevant to decision-making with respect to participation in the project, and was sufficiently adequate to inform such a decision.
- In addition, the audit team concludes that the information was provided in a form that could be understood by the communities.
- The audit team concludes that the information was provided in a in a timely manner prior to any decision made to participate in the project.

3.3.3 Information to Stakeholders on Validation and Verification Process (G3.3)

The audit team took the following steps to validate the measures taken and communication methods used to inform communities and other stakeholders of the process for CCB validation.

- While on site, the audit team held interviews with community members across the project zone and confirmed that communities had been apprised of the CCB validation process.
- The audit team discussed the content of meetings and workshops held with the project's Community Outreach specialist and confirmed that the CCB validation process was discussed with community members in a variety of forums and settings.
- The audit team reviewed meeting notes, photographic evidence and sign in sheets confirming the level of outreach performed by the project.

The project proponent provided updated evidence of additional program documentation and audit information made available on their website, and distributed this information over a three day period in December 2020 to stakeholders in the project area. The audit team was provided with a record of each of the stakeholders contacted. This is sufficient to fulfil the requirement of active dissemination of audit information.

3.3.4 Site Visit Information and Opportunities to Communicate with Auditor (G3.3)

The audit team concludes the following regarding how communities and other stakeholders were informed of the auditor's site visit in a timely manner before the site visit occurred, and how direct and independent communication between communities and other stakeholders or their representatives and the auditor were facilitated.

- While on site, the audit team held interviews with community members across the project zone in a variety of settings and forums and confirmed that communities had been apprised of the auditor's site visit in a timely manner. The villagers were aware that the meetings would be held with the auditor, and that direct and independent communication with the auditor team was encouraged.
- The audit team held both group and one-on-one meetings; in both settings, the audit team heard that most community members were aware of the upcoming auditor's visit and of ways to communicate with the team.

- The audit team reviewed meeting notes, photographic evidence and sign in sheets confirming the level of outreach performed by the project, including appraisal of the audit team's visit and the CCB validation process.

The project proponent provided updated evidence of additional program documentation and audit information made available on their website, and distributed this information over a three day period in December 2020 to stakeholders in the project area. This was complemented by a The audit team was provided with a record of each of the stakeholders contacted. This is sufficient to fulfil the requirement of providing site visit information and opportunities to community with the audit team.

3.3.5 Stakeholder Consultations (G3.4)

The audit team took the following steps to validate the project's method(s) for conducting effective consultation to fulfill the requirements of G3.4.

- The audit team confirmed that the PD includes a detailed description of the stakeholder consultation process.
- While onsite, the audit team interviewed project personnel involved in community outreach who confirmed that the consultation process was implemented as described in the PD. In addition, the audit team reviewed the interview sheets where this information was collected and incorporated into the community benefit initiatives.
- Moreover, the audit team reviewed meeting minutes, photographic evidence and sign in sheets confirming the level of outreach that was performed by the project personnel.

In summary, given the evidence collected, the audit team concludes that the project's method(s) for conducting effective stakeholder consultations, as described in the PD, fully satisfy the requirements of G3.4. In addition to the existing plans described in 2.3.7 and 2.3.8, the project proponent will build a new section of the Guanare project website to continue with community communication.

3.3.6 Stakeholder Consultation Channels (G3.5)

The audit team concludes the following regarding the stakeholder consultation channels used by the project proponent to fulfil G3.5, considering especially the project proponent's justification that adequate levels of information sharing occurred.

- While onsite, the audit team interviewed project personnel involved in community outreach who attested that the consultation process was undertaken directly with communities and other stakeholders, or their legitimate representatives.
- Moreover, the audit team reviewed meeting minutes, photographic evidence and sign in sheets confirming that outreach was conducted directly with community members.
- A large number of community meetings and workshops occurred during the project development process, as is documented in Section 2.7.2 of the PD and was confirmed onsite. The audit team concludes that adequate levels of information sharing occurred.
- While on site the audit team interviewed community members who were able to confirm their involvement, as well as the involvement of other community members noted in supporting documentation of previous meetings.

3.3.7 Stakeholder Participation in Decision-Making and Implementation (G3.6)

The audit team concludes the following regarding the measures needed (and taken, if appropriate) by the project proponent to enable effective participation in culturally appropriate and gender sensitive manner with all communities.

- As is the case in the community consultation section above, the audit team confirmed that the project design process has been implemented in a collaborative manner ensuring that all potentially affected stakeholders are included throughout the project design process.
- While onsite, the audit team interviewed community members across the project zone and confirmed that meetings were held in Spanish.
- The audit team confirmed that meetings were held during the day and at times when other work did not interfere with full community participation.
- The audit team confirmed through interviews that invitations were extended to community leaders, leaders of community forests, and commune leaders within a respectful timeframe and in such a manner that each stakeholder could respond.
- While on site the audit team interviewed community members who were able to confirm their involvement, as well as the involvement of other community members noted in supporting documentation of previous meetings.

3.3.8 Anti-Discrimination Assurance (G3.7)

The audit team concludes the following regarding the measures needed and designed to ensure that all entities involved in project design and implementation are not involved in, or complicit in, any form of discrimination or sexual harassment.

- The audit team confirmed that the PD contains detailed description of measures designed to ensure that all entities involved in project design and implementation are not involved in any form of discrimination or sexual harassment. This includes appropriate description of human resources responsibilities.
- While onsite, the audit team interviewed project personnel involved in community outreach who attested that entities involved in project design were not involved or complicit in discrimination or sexual harassment.
- The audit team confirmed that the project established a grievance system that was written up in a formal Plan for Conflict Resolution /16/.

3.3.9 Feedback and Grievance Redress Procedure (G3.8)

The audit team concludes the following regarding the project's feedback and grievance redress procedure.

- The audit team agrees that the project's formalized process is consistent with the intent of the CCB Standards

The audit team took the following steps to validate that the procedure meets the requirements of G3.8.

- The audit team reviewed the submitted formal Plan for Conflict Resolution /16/ and agreed that it outlines a procedure for receiving, hearing, responding to and attempting to resolve grievances within a reasonable time period.

- While on site, the audit team interviewed government officials and members of local communities. It was confirmed that the grievance process described in the PD is consistent with their understanding.
- Whereas, the project is technically still in design phase, no grievances have been raised as of this point.

In summary, the audit team concludes that the feedback and grievance redress procedure described in the PD fully satisfies the requirements of G3.8.

3.3.10 Worker Training (G3.9)

The audit team concludes the following regarding the measures needed and designed to provide orientation and training for those employed through project activities and relevant people from the communities.

- The audit team concludes that employee orientation, training and capacity building for those employed through project activities meet the intent of the CCB Standard Indicator G3.9.

The audit team took the following steps to validate that the orientation and training meet the requirements of G3.9.

- The audit team confirmed that the PD contains a detailed description of employee orientation, training and capacity building measures that are either occurring or planned related to project activities.
- While onsite, the audit team interviewed community members who had also been hired as forestry workers who confirmed that training, orientation and capacity building is occurring, for instance for local community members training as rangers to monitor community forests for illegal activities.

3.3.11 Community Employment Opportunities (G3.10)

The audit team concludes the following regarding how the project provides equal employment to people from the community.

- The audit team concludes that the project provides equal employment in line with the intent of the CCB Standard indicator G3.10

The audit team took the following steps to validate the project's practices.

- The audit team confirmed that the PD contains a detailed description of the project's equal opportunity policy regarding how future project positions will be openly advertised through the project's office within the project area, and how positions will be open to all groups including ethnic minority, women, and different socio-economic groups, if the job requirements are met.

3.3.12 Relevant Laws and Regulations Related to Worker's Rights (G3.11)

The audit team concludes the following regarding the project's adherence to all relevant laws and regulations covering worker's rights and the measures needed and designed to inform workers about their rights.

- The audit team confirmed that the PD contains a detailed description of worker rights laws and regulations in Uruguay.
- In addition, the audit team performed a web-based review of employee rights in Uruguay and confirmed that no laws or regulations have been omitted from the PD.
- The audit team conducted interviews with project personnel and confirmed that the project's worker's laws meet or exceed all applicable laws and/or regulations covering worker rights.
- The audit team reviewed the project's Annual Training Plan /17/, which contains information about relevant laws and regulations related to worker's rights.

3.3.13 Occupational Safety Assessment (G3.12)

The audit team concludes the following regarding the project's occupational safety assessment and the measures needed and designed to minimize risk.

- The audit team confirmed that the PD described ways that the project ensures worker's health and safety protections, including an outline of risks and how to mitigate them.
- The audit team reviewed the project's Annual Training Plan /17/, and confirmed that it informs workers of risks and explains how to minimize such risks. The Policy is comprehensive and details project staff safety procedures for different types of fieldwork and indoor work, and how to report incidents of worker injuries
- The audit team conducted interviews with project personnel and confirmed that the project's worker's laws meet or exceed applicable laws and/or regulations covering worker rights.

3.3.14 Project Governance Structures (G4.1)

The audit team concludes the following regarding the project's governance structures, and roles and responsibilities of all entities involved in project design and implementation.

- The audit team reviewed the PD and confirmed that it identifies the project's governance structure as well as roles and responsibilities of all who will be involved in the project development and implementation.
- The audit team held interviews with contact people from the project proponent (FAS/Guanare), the project Consultant (Carbosur), as well as Forest External Advisor, Pike & Co. to confirm that the PD description of the governance structure is accurate.

3.3.15 Required Technical Skills (G4.2)

The audit team concludes the following regarding the key technical skills required to implement the project successfully, including community engagement, biodiversity assessment and carbon measurement and monitoring skills.

- The audit team reviewed the PD and confirmed that it identifies the required technical skills needed to implement the project successfully, including which entities will provide which technical skills.
- The audit team confirmed the assertions of the PD through interviews with project personnel including the project proponent, the project developer, and the Forest External Advisor, Pike & Co.
- The audit team confirmed that the key technical skills covered included those needed for community engagement, biodiversity assessment, carbon measurement, and monitoring skills. The individuals hired to conduct the biodiversity assessments in particular are the most qualified and experienced in Uruguay.

3.3.16 Management Team Experience (G4.2)

The audit team concludes the following regarding the management team's expertise and prior experience implementing land management and carbon projects at the scale of this project.

- Through prior validation and verification engagements, audit team can confirm that the project proponent currently holds or previously held the role of project proponent with respect to the other afforestation projects in Uruguay.
- Through past work with Carbosur, audit team can confirm that this entity has extensive experience in development and maintenance of afforestation projects at a scale similar to this project

3.3.17 Project Management Partnerships/Team Development (G4.2)

This section is not applicable, as there are no areas of relevant experience lacking in key technical skills required to implement the project successfully

3.3.18 Financial Health of Implementing Organization(s) (G4.3)

The audit team concludes the following regarding the financial health of the implementing organization(s) to ensure adequate financial support over the project lifetime.

- The audit team reviewed the financial budgets /56/ for the project, and confirmed that the financial mechanisms adopted, including projected revenues from emissions reductions and other sources, are likely to provide an adequate flow of funds for project implementation and to achieve the anticipated climate, community and biodiversity benefits.
- The audit team confirmed that the project budget was designed by individuals with a wealth of experience in designing afforestation projects, including implementing activities designed to ensure success and confirmed that the budget carefully considers the cost of project implementation.
- The audit team confirmed that predicted credit sales and an accurate estimated annual budget demonstrate sufficient cash flow from predicted contracted sales to sustain the project through the end of the crediting period.

3.3.19 Avoidance of Corruption and Other Unethical Behaviour (G4.3)

The audit team took the following steps to validate the assurances provided that the project proponent and any of the other entities involved in project design and implementation are not involved in or are not complicit in any form of corruption.

- Regarding corruption, while the audit team cannot and will not make any assertions regarding the absence of corruption at any level within the entities involved in the project, the audit team took steps to validate that the project proponent and any other entities involved in project design and implementation are not involved in, or complicit in, any form of corruption.
- The audit team conducted on-site interviews with members of communities, project proponent staff, and other implementing entity staff and inquired about corruption. The interviewees attested to no knowledge at the time of any entities involved in project design and implementation being involved or complicit in any form of corruption.
- The audit team interviewed the project personnel and heard attested that the donor entity involved in the project is committed to ensuring transparency of any donor funds disbursed by the project and has set forth means by which any and all donor funds are closely tracked.
- In addition, the project's Plan for Conflict Resolution /16/ provides a clear protocol for bringing forth and addressing any concerns regarding issues including corruption that are made within the context of the project.

In summary, the audit team concludes that all necessary measures have been taken to adequately support assurances made in the PD that the project is not involved or complicit in any form of corruption.

3.3.20 Commercially Sensitive Information (Rules 3.5.13 – 3.5.14)

This section is not applicable, as no information has been withheld as "commercially sensitive".

3.3.21 Statutory and Customary Property Rights (G5.1)

The audit team concludes the following regarding the map of tenure, use, access and management rights to lands, territories and resources in the project zone:

- The project maps (/3/, /4/, /5/) accurately depict tenure, use, access and management rights to lands in the project zone

The audit team took the following steps to validate the presented map:

- Observed the boundary Santa Sofia tract on the ground, compared with project maps, to validate the boundary
- Interviewed project personnel to validate the boundaries forest and neighbouring grazing areas.

3.3.22 Recognition of Property Rights (G5.1)

The audit team took the following steps to validate that all property rights are recognized, respected, and supported.

- The audit team carefully reviewed the PD and confirmed that it contains detailed descriptions of statutory and customary rights as relates to land, territory and resources in the project.
- In addition, the audit team reviewed the landowner agreements, /50/ and /51/ to confirm that appropriate rights are granted to the landowner.
- The audit team conducted interviews with community members across the project zone to confirm that customary and statutory rights were not infringed upon by the project.

In summary, given these actions, the audit team concludes that all property rights are recognized, respected and supported in the project design as described in the PD.

3.3.23 Free, Prior and Informed Consent (G5.2)

The audit team took the following steps to validate the adherence of the planned project activities, as described in the PD, to the requirements of G5.2.

<table>
<tr><th colspan="2">Steps taken to validate that…</th></tr>
<tr><td colspan="2">The planned project activities, as described in the PD, will not encroach uninvited on private property, community property, or government property</td></tr>
<tr><td colspan="2">• The audit team conducted interviews with stakeholders, many of whom area workers who work within the project area, as well as with the FAS Community specialist, and confirmed that the planned project activities within the project area will not encroach uninvited on private or community property. The project area is privately-owned and the project proponent is a private entity; the audit team confirmed that communities do not have rights to the land.</td></tr>
<tr><td colspan="2">Consent of those whose property rights are affected by the project has been obtained through a transparent, agreed process, and this consent has the following attributes:</td></tr>
<tr><td colspan="2">‘Free’, meaning no coercion, intimidation, manipulation, threat and bribery</td></tr>
<tr><td colspan="2">• Through interviews with stakeholders, in group and individual settings, as well as through review of the process implemented by the project personnel and confirmed through the review of meeting minutes, the audit team confirmed that communities were consulted, without coercion, intimidation, manipulation, threat and bribery.</td></tr>
<tr><td colspan="2">‘Prior’, meaning sufficiently in advance of any authorization or commencement of activities and respecting the time requirements of their decision-making processes</td></tr>
<tr><td colspan="2">• Through the same processes as described in the above bullet, confirmation was attained that notice was provided sufficiently ‘prior’ to any authorization of activities</td></tr>
<tr><td colspan="2">‘Informed’, meaning that information is provided that covers (at least) the following aspects:</td></tr>
<tr><td>a. the nature, size, pace, reversibility and scope of any proposed project or
activity;</td><td>• Through the same processes as listed above; and through observing the amount of material (e.g. posters, fliers) available regarding the project’s purpose and scope in project communities</td></tr>
<tr><td>b. the reason/s or purpose of the project and/or activity;</td><td>• Through the same processes as listed above; and through observing the amount of material (e.g. posters, fliers) available regarding the project’s purpose and scope in project communities</td></tr>
</table>

c. the duration of the above;	• Through the same processes as listed above; the audit team viewed maps made available in project communities by project personnel
d. the locality of areas that will be affected;	• Through the same processes as listed above, as were confirmed during onsite interviews
e. a preliminary assessment of the likely economic, social, cultural and environmental impact, including potential risks and fair and equitable benefit sharing in a context that respects the precautionary principle;	• Through the same processes as listed above; in addition, the audit team conducted interviews with the FAS Community specialist and confirmed that he was well known and respected in the project communities
f. personnel likely to be involved in the execution of the proposed project (including Indigenous Peoples, private sector staff, research institutions, government employees, and others); and	• Through the same processes as listed above
g. procedures that the project may entail	• Through the same processes as listed above
The option of withholding consent is available and the parties have reasonably understood it	
• Through the processes listed above, namely multiple interviews with stakeholders, many of whom are workers who work within the project area, the audit team was able to confirm this.	
Collective rights holders have been able to participate through their own freely chosen representatives and customary or other institutions following a transparent process for obtaining their Free, Prior and Informed Consent that they have defined	
• Through the processes listed above, namely multiple interviews with stakeholders and workers who work in the project area, the audit team was able to confirm this.	
Appropriate restitution or compensation has been allocated to any parties whose lands have been or will be affected by the project.	
• Through the processes listed above, and as discussed in Section 3.2.39 and 3.2.40 the audit team was able to confirm that the project area land is owned by a private entity and parties were not relocated by the project.	

In summary, given this information, the audit team concludes that the project design, as described in the PD, respects the property rights of the communities.

3.3.24 Property Rights Protection (G5.3)

The audit team took the following steps to validate that that that project activities do not lead to involuntary removal or relocation of property rights holders from their lands or territories, and do not force rights holders to relocate activities important to their culture or livelihood.

- While on site, the audit team conducted interviews with local communities and project personnel and confirmed that project activities do not lead to involuntary removal or relocation of property rights holders from their lands or territories.
- Interviews confirmed that project activities do not force rights holders to relocate activities important to their culture or livelihood.

3.3.25 Illegal Activity Identification (G5.4)

The audit team concludes the following regarding any illegal activities that could affect the project's impacts and the measures needed and designed to reduce these activities so that project benefits are not derived from illegal activities.

- Audit team confirmed, through on-site observations and interviews, that illegal activities are accurately described in Section 2.55 of the PD
- Audit team agrees that the measures stated in Section 5.22 of the PD should help to reduce such activities and that, in any case, there is no risk of project benefits being derived from illegal activities

3.3.26 Ongoing Disputes (G5.5)

The audit team concludes the following regarding any ongoing or unresolved conflicts or disputes over rights to lands, territories and resources.

- No ongoing disputes or unresolved conflicts are occurring over rights to lands, territories and resources.

The audit team concludes the following regarding any disputes that were resolved during the last twenty years where such records exist, or at least during the last ten years.

- No disputes or conflicts were occurring over the last twenty years, and therefore none were resolved during that timeframe.

The audit team took the following steps to validate that no activity is undertaken by the project that could prejudice the outcome of an unresolved dispute relevant to the project over lands, territories and resources in the project zone.

The audit team reviewed PD section which attests to no ongoing disputes occurring relevant to the project over lands, territories and resources in the project zone.

- While on site, the audit team conducted interviews with members of project communities, in both group and one-on-one settings, and confirmed the project personnel's assertions of no disputes over lands, territories and resources in the project zone.
- The audit team conducted interviews with multiple project personnel working within the project communities and in the project zone and confirmed the project personnel's assertions of no disputes over lands, territories and resources in the project zone.
- Should disputes over project lands, territories or resources occur, the project has effective measures in place. Per Section 3.3.9 of this report, the project's Plan for Conflict Resolution/16/provides an effective protocol for bringing forth and addressing concerns, including issues of rights to lands, territories and resources.

3.3.27 National and Local Laws (G5.6)

The audit team concludes the following regarding all national and local laws and regulations in the host country that are relevant to the project activities.

- The lists in Sections 2.5.7 are comprehensive and include all such laws

The audit team took the following steps to validate that the project is complying with said laws and regulations.

- Review of relevant laws including those listed in Section 2.5.7 of the PD
- Interviews with project personnel regarding compliance and enforcement
- Audit team experience working in-country and with many of the same laws and regulations

The audit team concludes the following regarding how the project demonstrates compliance with relevant laws and regulations.

The audit team concludes that the project is in compliance with the relevant laws and regulations

3.3.28 Approvals (G5.7)

The audit team concludes the following regarding the project's approval from appropriate authorities, including established formal and/or traditional authorities customarily required by the communities.

- While on site the audit team reviewed the approval documents from General Forestry Directorate (entity of the Ministry of Agriculture, Livestock and Fishery) and the National Environment Directorate (entity of the Ministry of Housing, Territorial Planning and the Environment) referenced in section 2.5.8 of the PD.

The audit team concludes the project has approval from appropriate authorities, including established formal and/or traditional authorities customarily required by the communities.

3.3.29 Right to Claim Benefits (G5.8)

The audit team concludes, as described in the registered VCS validation report completed for this project, that project ownership in accordance with specifications on project ownership for CCB, as well. The land ownership documentation and agreements are specific with regards to the carbon benefits to be claimed.

3.3.30 Other Programs (G5.9)

The audit team concludes that the project has not sought or received another form of GHG-related environmental credit (other than validation under the CCB Version 3), as confirmed through review of the PD and supporting financial and legal documentation, and interviews with project personnel.

3.3.31 Double Counting (G5.9)

The audit team concludes that the project has not sought or received another form of GHG-related environmental credit (other than validation under the CCB Version 3), as confirmed through review of the PD and supporting financial and legal documentation, and interviews with project personnel. There is no applicable market in Uruguay for double counting, and there is no record of this project on any other GHG program websites.

3.4 Climate

3.4.1 Without-Project Estimated Greenhouse Gas Emissions (CL1.1)

The IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry (2003) concludes the net GHG removals and sinks from the extensive grazing activities described in the baseline are zero. This scenario has been described appropriately in the PD.

3.4.2 With-Project Estimated Greenhouse Gas Emissions (CL2.1)

The project applies appropriate equations for the calculation of GHG emissions from project activities. The tool for “Estimation of non-CO_2 GHG emissions resulting from burning of biomass attributable to an A/R CDM project activity”, as has the “Estimation of carbon stocks and change in carbon stocks of trees and shrubs in A/R CDM project activity”. The PD includes appropriate references to the parameters used for the estimation of biomass carbon stocks, and provides corroborating references to these values for Eucalyptus.

The “Tool for the estimation of change in soil organic carbon stocks due to the implementation of A/R CDM project activity” is applied if the applicability conditions are met, which is the case with this project because it doesn’t include wetlands and the land use prior to the project start was grassland. The parameters described for the estimation of soil organic carbon are also appropriate to the region and previous practices based on the documents reviewed and on site inspection.

3.4.3 Net Impact (CL2.2)

The net impact section of the PD appropriately references the VCS AFOLU Requirements. As described in the VCS+CCB Verification Report the estimated emissions reductions are calculated over 71 years, and the carbon credits do not exceed the long term GHG benefit of the project.

3.4.4 Expected Leakage (CL3.1, 3.3)

The audit team reviewed the assessment of potential sources of leakage, and in application of the tool for “Estimation of the increase in GHG emissions attributable to displacement of pre-project agricultural activities in A/R CDM project activity” appropriately determined the project would not cause displacement of extensive grazing. Additionally they show that applying the “the “Guidelines on conditions under which increase in GHG emissions related to displacement of pre-project grazing activities in A/R CDM project activity" results in insignificant leakage. They provide data showing that both extensive grazing and total forest area have been increasing the Cerro Largo and Treinta y Tres regions to show that increasing forestry does not displace grazing.

3.4.5 Leakage Mitigation (CL3.2)

Because leakage is assumed to be zero, this section is not applicable. It should be noted, however, that the PD describes a system for transitioning existing grazing operations from land owners to reduce their cattle populations.

3.4.6 Climate Monitoring Plan (CL4.1)

The parameters to be monitored are as follows:

- Area of strata
- Baseline carbon stocks in biomass at the end of the current monitoring period
- Project carbon stocks in biomass prior to first verification event
- Project carbon stocks at the end of the current monitoring period
- Project carbon stocks at the beginning of the current monitoring period

A monitoring plan, consistent with the requirements of the methodology, is provided in Section 3.4.1 of the PD. The audit team took the following steps to validate the suitability and eligibility of monitoring equipment and procedures in the field:

- Visited a random subset of inventory plots throughout the project accounting area, and confirmed that the collection of forest inventory data conformed to the project SOPs for plot measurements and data collection, which are in conformance with best forestry practices for the collection of carbon stock data.

In conclusion, the monitoring plan adheres to the methodology. The conclusions of this assessment are described in additional detail in the accompanying VCS + CCB Verification Report

3.4.7 Dissemination of Monitoring Plan and Results (CL4.2)

The audit team affirmed that the project documentation had been made available on both the VCS/CCB website as well as the Guanare/FAS website for public comments. Results of monitoring will be made publicly available during each verification event. In December 2020 the project proponent also provided updated evidence of additional monitoring documentation on their website, and distributed over a three day period to stakeholders in the project area. The audit team was provided with a record of each of the stakeholders contacted. This is sufficient to fulfil the requirement of active dissemination of project information.

3.5 Optional Criterion: Climate Change Adaptation Benefits

3.5.1 Regional Climate Change Scenarios (GL1.1)

N/A

3.5.2 Climate Change Impacts (GL1.2)

N/A

3.5.3 Measures Needed and Designed for Adaptation (GL1.3)

N/A

3.6 Community

3.6.1 Descriptions of Communities at Project Start (CM1.1)

The audit team reviewed the PD and confirmed it contains a comprehensive description of communities at the start of the project, including social, economic and cultural diversity within the communities. Demographics, well-being, and other community characteristics (e.g. shared language, culture, and livelihood structures) are also presented comprehensively. Information about significant community changes in the past, like in-migration and population increase, as well as conflicts over resources, are described. The community descriptions draw from a variety of appropriate sources.

The audit team confirmed that the descriptions contained in the PD are accurate through on-site observations and interviews. The audit team concludes that the project descriptions of the communities at the start of the project and any significant community changes in the past are thorough and accurate.

3.6.2 Interactions between Communities and Community Groups (CM1.1)

Please see Section 3.6.1 above.

3.6.3 High Conservation Values (CM1.2)

The audit team confirmed that the qualifying attributes for the areas included in the PD regarding the community-related High Conservation Values (HCVs) are accurate through on-site observations and interviews. There are various historical sites within the project zone which qualify as HCV areas for the purposes of community monitoring.

3.6.4 Without-Project Scenario: Community (CM1.3)

As described in the without project scenario above, the land use has historically been limited to extensive cattle ranching due to poor soil productivity and financial and technological barriers to forestry. Employment throughout the region is primarily based on ranching to produce cows for sale, and this practice is exemplified by the traditions of the gauchos still seen in the area.

3.6.5 Expected Community Impacts (CM2.1)

The audit team confirmed through reviews of employee information that the project has resulted in many job opportunities for community members. This increased employment and improved job quality is expected to reduce rural poverty, as described in a study of forestry economic impacts in Uruguay. These jobs will incorporate application of new technologies in forestry and contribute to the sale of value added forestry products with the investment in new forestry infrastructure. In addition to these employment benefits, the audit team has also reviewed documentation of the project's donations to local organizations as a result of the project, including material goods and informational presentations.

3.6.6 Negative Community Impact Mitigation (CM2.2)

The audit team recognized that in the stakeholder consultation process two areas which were considered outside of the project's area of influence there had been complaints about disruptions from harvesting and transport activities. In the case of the first area and transportation noise, this had been mitigated by arranging for a different route outside the community, however the result was that there were additional complaints about the drivers not stopping in the community to make purchases that benefit the community. In the second case there was an issue with noise from harvesting affecting school children in the area, and as such the hours for these activities had been adjusted to be outside school hours. The audit team concludes that the project will mitigate negative community impacts.

3.6.7 Net Positive Community Well-Being (CM2.3, GL1.4)

The project proponent summarizes the positive community effects in section 4.2.3 of the PD appropriately, and notes as well that the forestry jobs generated by the project are expected to be less affected by natural disasters such as drought and floods than extensive grazing jobs. These employment opportunities are also expected to include additional technical training, and improve job quality overall. Given these benefits and the limited negative community impact which the project has claimed to have mitigated, the audit team can conclude their assessment of net positive community well-being is sound.

3.6.8 High Conservation Values Protected (CM2.4)

The audit team reviewed documentation of "site of high conservation value" prepared by social advisors to the project proponent who conducted interviews with local stakeholders. The areas identified as sites of historical significance can be appropriately considered critical to traditional cultural identity of communities, however they are not expected to be affected by project activities. The Quebrada de los Cuervos area within the project zone is an HCV and part of the National System for Conservation Areas, however no project activities are taking place near the area to cause any affect.

3.6.9 Impacts on Other Stakeholders (CM3.1)

As described in the study provided on the economic impact of forestry activities in Uruguay, it is reasonable to expect that increased employment and job quality in the project area can help improve socioeconomic conditions in the area more generally, and allow for more decentralized economic development. The audit team agrees this is reasonable as the primary expected impact on other stakeholders.

3.6.10 Mitigation of Negative Impacts on Other Stakeholders (CM3.2)

The negative impacts described in section on stakeholder consultation may be considered to be negative impacts on stakeholders, rather than other stakeholders. Regardless the project proponent has shown they have mitigated these impacts by altering routes and hours of operations.

3.6.11 Net Impacts on Other Stakeholders (CM3.3)

The audit team concludes the expectation of limited negative impact, demonstrated by the lack of negative public comments or negative response to project activities during interviews, is outweighed by the economic contributions to communities inside and outside the project area.

3.6.12 Community Monitoring Plan (CM4.1, CM4.2, GL1.4, GL2.2, GL2.3, GL2.5)

The audit team reviewed the Guanaré Social Monitoring and Management Plan /15/, as described in the PD and confirmed that it employs the Theory of Change and the Social Impact Assessments, as suggested by the CCB Standards. The audit team confirmed that the plan has selected variables that are directly linked to the project's community development objectives and impacts, and that the appropriate sampling methods, frequencies, and reporting methods are used. While on site, the audit team interviewed local community members who confirmed that the community variables were produced as a result of the consultation process and are anticipated to be positive.

The audit team therefore concludes that the community monitoring plan meets the requirements of the relevant CCB Standard indicators.

3.6.13 Monitoring Plan Dissemination (CM4.3)

The audit team affirmed that the project documentation had been made available on both the VCS/CCB website as well as the Guanaré/FAS website for public comments. In December 2020 the project proponent also provided updated evidence of additional monitoring documentation on their website, and distributed over a three day period to stakeholders in the project area. The audit team was provided with a record of each of the stakeholders contacted. This is sufficient to fulfil the requirement of active dissemination of project information.

3.7 Optional Criterion: Exceptional Community Benefits

3.7.1 Exceptional Community Criteria (GL2.1)

N/A

3.7.2 Short-term and Long-term Community Benefits (GL2.2)

N/A

3.7.3 Community Participation Risks (GL2.3)

N/A

3.7.4 Marginalized and/or Vulnerable Community Groups (GL2.4)

N/A

3.7.5 Net Impacts on Women (GL2.5)

N/A

3.7.6 Benefit Sharing Mechanisms (GL2.6)

N/A

3.7.7 Benefits, Costs, and Risks Communication (GL2.7)

N/A

3.7.8 Governance and Implementation Structures (GL2.8)

N/A

3.7.9 Smallholders/Community Members Capacity Development (GL2.9)

N/A

3.8 Biodiversity

3.8.1 Existing Conditions (B1.1)

The audit team confirmed that the PD provides comprehensive information regarding biodiversity within the project zone at the start of the project. While on site, the audit team toured the project area and identified the native forest areas as had been described in the documentation. The audit team viewed photographs of, and reviewed literature to confirm the threatened wildlife species present or assumed to be present within these native forests. The biodiversity experts which conducted studies in the project areas are among the most qualified in the country and applied appropriate methods in assessing initial conditions. The audit team was able to affirm that the grasslands surrounding the forested areas were degraded by extensive grazing. In addition to the natural forest areas, conservation areas next to streams and rivers considered transition grassland areas were assessed for conservation purposes.

3.8.2 High Conservation Values (B1.2)

As described above the Quebrada de los Cuervos is an HCV included in the National System for Conservation Areas. This is the only HCV for biodiversity in the project area, but it is sufficiently far enough away from areas of project activities to be considered unaffected.

3.8.3 Without-project Scenario: Biodiversity (B1.3)

The audit team reviewed the PD and supporting documentation, which provides ample evidence that the temperate grasslands in the country are affected by grazing practices. In the absence of the project there had not been any previous biodiversity studies on grazing lands in the area, as it was not required. However the project proponent has been helpful in including description of grazing species and their prevalence within the project zone (including just forested areas) as a reference to the without-project scenario. Additionally, the proponents also claim that in the absence of the project native forests are expected to be degraded by extensive grazing, and there would be additional hunting due to decreased controls provided by the project. The audit team reviewed these counterfactual claims and found them to be reasonable assumptions.

3.8.4 Expected Biodiversity Changes (B2.1)

The project activities will allow for buffer areas to protect native areas while allowing for biological corridors. As such there would be limited changes to native forest areas (and as claimed by the counterfactuals above, the possibility of increased native biodiversity in these areas) and species that typically use grassland areas will still have protected areas. As described in the PD and supported by biological surveys in project area, species use forest areas even if they have historically only used grasslands as habitat. The PD also references prohibition of hunting, fishing, damaging of native forest, prevention of forest fires, and practices like soil conservation associated with the project to be a positive impact for biodiversity in the project area.

3.8.5 Mitigation Measures (B2.3)

The biological corridors described in the PD can reasonably be expected to mitigate some of the effect of grazing habitat reduction. Overall the prohibition of hunting and fishing, and access to native forest areas will also be mitigating factors for potential biodiversity impacts. The project proponents also describe their afforestation activities as having a lower impact on biodiversity due to their lack of slash on burn conversion, and the row site preparation preserving areas between rows as much as possible. These practices are consistent with the forestry practices described in FAS field manuals /32/.

3.8.6 Net Positive Biodiversity Impacts (B2.2, GL1.4)

The assessment described in the PD and supporting documents is realistic with regards the relative biodiversity impacts of the project. The grazing and grassland areas converted to forest are degraded and relatively low in biodiversity, while the project activities can reasonably be expected to reduce impacts on native forests and not have a significant affect on grassland species or destruction from conversion. As such the audit team concludes that the project will produce net positive biodiversity impacts.

3.8.7 High Conservation Values Protected (B2.4)

The project proponents appropriately assess that the project activities will not be expected to contribute negatively to the biodiversity-related HCV in the area. It is sufficiently far from area being forested, and more likely to be affected by positive management and protection activities in the area.

3.8.8 Species Used (B2.5)

The audit team performed a site visit and confirmed the species listed in the PD and MR are indeed those planted throughout the project area. Moreover, the audit team reviewed the suite of literature provided on the National Directorate for the Environment of Uruguay (https://www.mvotma.gub.uy/component/finder/search?q=Eucalyptus&Itemid=1014&b28b8241e720772e9caef6e063b5e063=) and confirmed that the species are adapted to the region and provide low risk of invasiveness. Additionally, the team has no reason to disagree with the VCS validation showing that the species used are not genetically modified. Finally, the team observed that areas adjacent to the project area undergo periodic control of spread of the species planted.

3.8.9 Impacts of Non-native Species (B2.6)

See B2.5 above.

3.8.10 GMO Exclusion (B2.7)

See B2.5 above.

3.8.11 Inputs Justification (B2.8)

The audit team relied on two types of evidence to confirm conformance to this indicator. First the audit team performed onsite inspections of the reforested areas and found no evidence of inputs or waste as no harvesting or planting/site preparation was occurring at the time. Second, the audit team therefore relied heavily on the FSC certification documentation which confirms that appropriate pesticides are in use and no wastes exist that would fall outside of the national code for good forestry practices.

3.8.12 Waste Products (B2.9)

See 3.8.11 above

3.8.13 Negative Offsite Biodiversity Impacts (B3.1) and Mitigation Measures (B3.2)

See 3.8.11 and 3.8.14.

3.8.14 Net Offsite Biodiversity Benefits (B3.3)

The audit team performed onsite inspections confirming that the project area prior to commencement and confirmed that the area consistent solely of heavily grazed degraded grasslands. In addition, the audit team confirmed that native forest encroachment is encouraged outside of a 20-meter buffer. Based on this the audit team expects all benefits to biodiversity to be positive.

3.8.15 Biodiversity Monitoring Plan (B4.1, B4.2, GL1.4, GL3.4)

The audit team reviewed the biodiversity monitoring plan, as described in the PD and confirmed that the plan has selected biodiversity indicators that are directly linked to the project's biodiversity objectives, and that the appropriate sampling methods, frequencies, and reporting methods are used. While on site, the audit team interviewed project personnel involved in the wildlife surveys and observed the biomass teams involved in carbon plot monitoring, and confirmed their competence to perform the wildlife and vegetation monitoring protocols. In addition, the audit team was able to independently confirm the accuracy of the GIS and remote sensing work performed by the project partners through validation activities.

The audit team therefore concludes that the biodiversity monitoring plan meets the requirements of the relevant CCB Standard indicators.

3.8.16 Biodiversity Monitoring Plan Dissemination (B4.3)

The audit team affirmed that the project documentation had been made available on both the VCS/CCB website as well as the Guanaré/FAS website for public comments. In December 2020 the project proponent also provided updated evidence of additional biodiversity monitoring documentation on their website, and distributed over a three day period to stakeholders in the project area. The audit team was provided with a record of each of the stakeholders contacted. This is sufficient to fulfil the requirement of active dissemination of project information.

3.9 Optional Criterion: Exceptional Biodiversity Benefits

3.9.1 High Biodiversity Conservation Priority Status (GL3.1)

N/A

3.9.2 Trigger Species Population Trends (GL3.2, GL3.3)

N/A

4 VALIDATION CONCLUSION

Following completion of SCS's duly accredited validation process, it is our opinion the 'Guanaré' Forest Plantations on degraded grasslands under extensive grazing Project conforms to the CCBA Climate, Community and Biodiversity Project Design Standards (Third Edition).

APPENDIX A: LIST OF FINDINGS

The following findings were issued for the validation against the CCB rules. Project responses are verbatim responses and were not altered for this report.

NIR 1 Dated **Standard Reference**: CCB Standards v3.1 G1.2 **Document Reference**: V2 -FINAL DRAFT2 - GUANARE CCB_Project_Description_Template_CCBv3.0-PD CCB Validation- GUANARE PROJECT **Finding**: The CCB Standards state that "The project has clear objectives to generate climate, community and biodiversity benefits and is designed to meet these objectives. Risks are identified and managed to generate and maintain project benefits within and beyond the life of the project... and Define the project's climate, community and biodiversity objectives." In addition, footnote 15 for this section states "The project shall have specific, measurable and distinct climate, community and biodiversity objectives such that climate, community or biodiversity benefits are not just a result of positive externalities." While the project description provides some information on this requirement, the information provided does not meet the requirements of "specific, measurable, and distinct" objectives. Please update the project description to define the project CCB objectives to include the level of specificity required to ensure that these benefits are a result of the project and not just a result of positive externalities. **Project Personnel Response**: Please see chapter 2.1.2 **Auditor Response**: As stated in the project response, the documentation has been updated to include the required information.

NIR 2 Dated
Standard Reference: CCB Standards v3.1 G1.9
Document Reference: V2 -FINAL DRAFT2 - GUANARE CCB_Project_Description_Template_CCBv3.0-PD CCB Validation- GUANARE PROJECT
Finding: The CCB Standards state "Define the project start date and lifetime, and GHG accounting period and biodiversity and community benefits assessment period if relevant and explain and justify any differences between them. Define an implementation schedule, indicating key dates and milestones in the project's development."
Moreover, footnote 27 states "The 'project lifetime' is defined as the time period over which project activities are implemented. The project lifetime starts on the date on which activities which aim to generate climate, community or biodiversity impacts begin."
In addition, the project description states, "There is no difference between the GHG emissions accounting, climate adaptive capacity and resilience, community and biodiversity assessment periods."
This on its own would be sufficient, however the project non-permanence risk report states that the project longevity is 100 years, which is indeed different than the project accounting period. Please justify the choice to not explain these differences in the PD or otherwise update the PD accordingly.
Project Personnel Response: Please see chapter 2.1.10.
Auditor Response: As stated in the project response, the documentation has been updated to include the required information.

NIR 3 Dated
Standard Reference: CCB Standards v3.1 G5.6
Document Reference: V2 -FINAL DRAFT2 - GUANARE CCB_Project_Description_Template_CCBv3.0-PD CCB Validation- GUANARE PROJECT
Finding: The CCB standards state "Submit a list of all national and local laws and regulations in the host country that are relevant to the project activities. Provide assurance that the project is complying with these and, where relevant, demonstrate how compliance is achieved."
The project description provides some information regarding applicable laws and decrees, however the information provided does not appear provide a list of all national and local laws and regulations in the host country that are relevant to the project activities.
Please update the PD to contain the required list or otherwise justify why the information provided meets the requirement of the standards.
Project Personnel Response: Please see chapter 2.5.7 and excel file to be send regarding Laws and Regulations.
Auditor Response: As stated in the project response, the documentation has been updated to include the required information.