VERIFICATION REPORT FOR THE KATINGAN PEATLAND RESTORATION AND CONSERVATION PROJECT

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Project Title	The Katingan Peatland Restoration and Conservation Project
Version	V1-0
Report ID	131016

Report Title	Verification Report for The Katingan Peatland Restoration and Conservation Project (The Katingan Project)
Client	P.T. Rimba Makmur Utama
Pages	47
Date of Issue	14 October 2016
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Summary:

This report describes the verification audit of the Katingan Peatland Restoration and Conservation Project ("the project"), a Reduced Emissions from Deforestation and Degradation (REDD) project located in the region of Central Kalimantan, Indonesia, that was conducted by SCS. The purpose of the verification audit was to assess the conformance of the project with the verification criteria. The verification audit was performed through a combination of document review, interviews with relevant personnel and on-site inspections. A total of 9 findings were raised during the verification and sufficiently resolved. The project complies with all of the verification criteria, and the assessment team has no restrictions or uncertainties with respect to the compliance of the project with the verification criteria.

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1 INTRODUCTION

1.1 Objective

In accordance with Section 5.1.1, SCS carried out an ex-post independent assessment of the GHG Emission Reductions or Removals that have occurred as a result of the project during the monitoring period, conducted in accordance with the VCS rules. In accordance with Section 2.1.2 of the VCS Validation & Verification Manual, V3.1, the objectives of the verification engagement were to evaluate the monitoring report and assess the following:

- The extent to which methods and procedures, including monitoring procedures, have been implemented in accordance with the validated project description. This includes ensuring conformance with the monitoring plan.

- The extent to which GHG Emission Reductions or Removals reported in the monitoring report are materially accurate.

The other objective of the verification engagement was to assess the non-permanence risk analysis.

1.2 Scope and Criteria

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

- The project;
- 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; and
- The monitoring period, as discussed in Section 5 of this report.

In accordance with Section 5.3.1 of the VCS Standard, the criteria for verification was the VCS Version 3, including the following documents:

- VCS Program Guide
- VCS Standard
- VCS AFOLU Requirements
- VCS Non-Permanence Risk Tool

Unless otherwise indicated, the assessment was performed against the most recent version of the relevant VCS guidance document.

In addition, the assessment was performed against the requirements of the validated project description.

1.3 Level of assurance

In accordance with Section 5.3.1 of the VCS Standard, the level of assurance of this report is reasonable.

1.4 Summary Description of the Project

The project is located in Mendawai, Kamipang, Seranau and Pulau Hanaut sub-districts of Katingan and Kotawaringin Timur districts, Central Kalimantan, Republic of Indonesia, and is aimed at reducing and avoiding emissions related to Planned Deforestation and Reforestation in combination with Conservation of Undrained and Partially drained Peatland and Rewetting of Drained Peatland activities.

2 VALIDATION PROCESS, FINDINGS AND CONCLUSION

2.1 Validation Process

N/A – The project is not undergoing validation at this time.

Gap Validation

N/A – No gap validation activities were performed during this verification event.

2.1.1 Methodology Deviations

N/A – No methodology deviations have been applied to the project.

2.1.2 Project Description Deviations

1. As described in the monitoring report, the project monitoring plan and the VM0007 M-MON Module requires that a PRA survey be conducted every two years to determine if degradation might have occurred. As also stated the project did not complete this activity in emission years 2012 and 2014 because the project conservatively assumed degradation had taken place. The monitoring report then states that the PRA was conducted in 2015 along with field work to determine the degradation across all emission years. The verification team reviewed the rationale for the deviation and agrees that a full field survey is likely to produce more accurate degradation results than relying on reporting of potential degradation using a PRA.
2. Also described in the monitoring report is the fact that Global Forest Watch data for the 2015 emission year was not available at the time that the monitoring was taking place. The project instead chose to use the most conservative value (the largest area of degradation) for the 2015 emission year. Given the range of variation among the proxy areas over the reporting period, the verification team agrees this is a conservative estimate. Given that the deviation does not affect the applicability of the methodology nor the additionality or the baseline scenario, the verification team confirms the deviation to be appropriate.

2.2 Validation Conclusion

N/A – The project is not undergoing validation at this time.

3 VERIFICATION PROCESS

3.1 Method and Criteria

The verification was performed through a combination of document review, interviews with relevant personnel and on-site inspections, as discussed in Sections 2.2 through 2.4 of this report. At all times, the monitoring report and non-permanence risk analysis were assessed for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 2.5, 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 verification 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 the material discrepancy 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 verification plan that took the sampling plan into account.

3.2 Document Review

The monitoring report titled “Katingan Monitoring_Implementation_Report29072016” and Project Description titled “2016-May-11 Revised Final PDD_RMU” were carefully reviewed for conformance to the verification criteria. The following additional documentation, provided by Project personnel in support of the aforementioned documents, was also reviewed by the audit team. Please note that as a number of validation documents were used for comparison, validation documents will also be included with the following:

Document	File Name	Ref.
Indonesian version of restoration decree SK 734 (Audit team included Indonesian partners who reviewed the decree for adherence to the VCS rules for Right of Use)	Minister of Forestry Decree SK 734/Menhut-II/2013.pdf	/1/
Signed letter from Indonesian Director General	Surat Perintah Setor Iuran IUPH PT. RMU.pdf	/2/
Shapefiles showing land concessions in Indonesia	Various Shapefiles	/3/
KML file showing project area	251SKS-IUPHHK-REP-MON2016	/4/
VCS Extension approval letter	Extension Request Response 2 Oct 2016	/5/
Shapefiles showing land-use classifications for Indonesia	Various Shapefiles	/6/
Shapefiles showing peatland classifications for Indonesia	Various Shapefiles	/7/

Shapefiles showing political boundaries for Indonesia	Various Shapefiles	/8/
Shapefiles showing river boundaries for Indonesia	Various Shapefiles	/9/
Shapefiles showing settlement boundaries for Indonesia	Various Shapefiles	/10/
Modis data showing potential fire incidence in the project area	Modis_Fire_Proxy.pdf	/11/
Peat map covering the project area	Peat and status map.pdf	/12/
Carbon dioxide emissions from an Acacia plantation on peatland in Sumatra, Indonesia	bg-9-617-2012.pdf	/13/
Subsidence and carbon loss in drained tropical peatlands	bg-9-1053-2012.pdf	/14/
PT Bina Daya Bentala, a company affiliated to APP/Sinar Mas, continues of clearcutting Libo peat forest block in Riau, which closes to extinction	Bina Daya Bentala.pdf	/15/
Forest regulations in Indonesia	Indonesia_Forest_Regulation.pdf	/16/
"Reconciling Forest Conservation and Logging in Indonesian Borneo"	journal.pone.0069887.pdf	/17/
Concessions example for Indonesia	Kalimantan Subur Permai Concession	/18/
Peat loss quantification literature	Quantifying soil carbon loss and uncertainty from a peatland wildfire using multi-temporal LiDAR	/19/
Literature supporting baseline quantification	Site Management and Productivity in Tropical Plantation Forests	/20/
Financial evidence	Katingan Loan Amendment Agreement_CONFIDENTIAL	/21/
Monitoring workbooks	Appendix 9_10_11_CCB Monitoring Plans_Revised.xlsx	/22/
Financial model	Endorsement of Katingan Financial Model_60-Year Projection_FINAL_CONFIDENTIAL.pdf	/23/
NPV Analysis	eCBA 3 GGGI - Katingan - Technical Document	/24/
Baseline Scenario	• Sims_Summary_DSR20150707.xlsx	/25/

	• Master_bsl.xlsx • 20150624_REDD_BSL_WPS_emissio n estimate_ITC_SK_NR_ver7 20150625_ARR_BSL_WPS_emission_removal _ estimate_ITC_ver5	
Uncertainty Calculations validation	Uncertainty_calculation.xlsx	/26/
Ex Ante Reductions	20150729_SummaryEmissionReductions	/27/
Plot locations	Various Shapefiles	/28/
Associated Documents and Literature	Database Access Guidelines	/29/
Indonesian Law 41/99	uu41_99_en	/30/
Indonesian Law 19/2004	ins137703	/31/
Forest Cover Analyzer	http://www.wri.org/applications/maps/forest-cover-analyzer/index.html	/32/
Proxy Data	http://commodities.globalforestwatch.org	/33/
Uncertainty Calculations verification	MR Annex 8_Uncertainty_calculation_23-May-2016	/34/
Monitoring Report Supporting Documentation	MR Annexes 1-7	/35/
Climate Monitoring	MR Appendix 4_Climate MRV Tracker_23-May-2016	/36/
Community Monitoring	MR Appendix 5_Community MRV Tracker_23-May-2016	/37/
Biodiversity Monitoring	MR Appendix 6_Biodiversity MRV Tracker_23-May-2016	/38/
Final Emission Calculations	Unchanged Katingan Emission Calculations 2010-2015_Master Spreadsheet_REVISED_07-Jul-16	/39/
Project Longevity and Breakeven Analysis	Katingan Financial Model_60-Year Projection_Revised 2016_CONFIDENTIAL	/40/
NPV Calculations	Katingan NPV Analysis_60-Year Projection_Revised 2016_CONFIDENTIAL	/41/
Fire Scar Data	Various Imagery	/42/
Deforestation Data	LC81190622016113LGN00.img	/43/

Monitoring Map	Map of degradation and burnt area plots	/44/
Logged Areas	Plot Degradation South Canal	/45/
Burned Areas	Plot Peat Burn_South Canal	/46/

It should be noted that the project utilized an online database where the majority of supporting documents are retained. Given the sheer volume of documentation, only the main documentation is noted in this report. All other documentation should be requested from the project proponents.

3.3 Interviews

Interviews constituted an important component of the audit process. The following personnel associated with the project proponent and/or implementing partner were interviewed. The phrase "throughout audit" under "Date Interviewed" indicates that the individual in question was interviewed on multiple occasions throughout the audit process.

Individual	Affiliation	Role	Date(s) Interviewed
Dharsono Hartono	PT. Rimba Makmur Utama (RMU)	Chief Executive Director	23 June 2016; July 25-29 2016
Rezal Ashari Kusumaatmadja	RMU	Chief Operating Director	23 June 2016; July 25-29 2016
Taryono Darusman	RMU	General Field Manager	23 June 2016; July 25-29 2016
Dipa Satriadi Rais	Wetlands International	Technical Consultant	23 June 2016; July 25-29 2016
Andaman Muthadir	Yayasan Puter Indonesia	Manager Program	23 June 2016; July 25-29 20162015
Irwansyah Reza Lubis	Wetlands International	Technical Consultant	23 June 2016; July 25-29 2016
Nick Brickle	Permian Global	Technical Consultant	Throughout Audit
Nathan Renneboog	Permian Global	Technical Consultant	Throughout Audit
Iwan Tricahyo Wibisono	Wetlands International	Technical Consultant	23 June 2016; July 25-29 2016
Christy Magerkurth	Permian Global	Technical Consultant	Throughout Audit

Residents of villages located near the project boundary (termed “local residents” within this report) were also interviewed. Local residents of the following villages were interviewed during the field visit.

Individual	Position	Village
Mr. Ngajo	Village Head	Seragam Jaya
Mr. Bahrudin	Village secretary	Seragam Jaya
Mr. Kartianu	Secretary of P2LG	Mentaya Seberang
Mr. Salimundin	Head of sub-village	Mentaya Seberang
Ms. Murni	Head of PM2PK	Mentaya Seberang
Mr. Totok	Village Head	Rawasari
Mr. Saifudin	Head of BPD	Rawasari
Mr. Abdurrahman	Village Head (Makarti Jaya)	Rawasari
Mr. Yahya	Village Office Staff	Babaung
Mr. Helmi	Village office staff	Babaung
Mr. Hasanudin	Village Coordinator	Penyaguan
Mr. Wahyudi	Head of Village Youth Organization	Penyaguan
Mr. Suryadi	Villager	Penyaguan
Mr. Aspuri	Villager	Bemadu
Mr. Suryansah	Villager	Bemadu
Mr. Prayitno	Head of Sub-village (RT) 2	Bemadu
Mr. Masrian	Villager	Bemadu
Mr. Hairan	Villager	Bemadu
Mr. Darliansah	Villager	Bemadu
Mr. Alam	Villager	Bemadu

Mr. Zulkifli	Villager	Bemadu
Mr. Sarifudin	Villager	Bemadu
Mr. Agus Panipasma	Village Secretary	Mendawai
Mr. Harpiansah	Village office staff (Head of General Affair/*Kepala Urusan Umum*)	Mendawai
Mr. Hengki	Village office staff (Head of Governmental Affair/*Kepala Urusan Pemerintahan*)	Mendawai
Mr. Junaedi	Villager	Mendawai
Mr. Masripai	Villager	Mendawai
Mr. Marhasan	Villager	Mendawai
Mr. H. Artawansah	Villager	Mendawai
Mr. H. Mijan	Villager	Mendawai
Ms. Norsa	Head of KSM (community institution for livelihood priority program)	Mendawai
Ms. Madone Medi Melani	Secretary of KSM	Mendawai
Mr. Supiyanto	Head of Sub-village (RT) 7/Head of Village Fire Fighting Team (*Regu Siaga Api*)	Mendawai
Mr. Suryadi	Village Secretary	Perigi
Mr. Gunadi	Head of BPD (Village Representatives Body)	Perigi
Mr. Agus Setiabudi	Villager	Perigi
Mr. Siswanto	Villager	Perigi
Mr. Alfiansah	Villager	Perigi
Mr. Murdani	Villager	Perigi

Mr. Bahari	Villager	Perigi
Mr. Agan	Villager	Perigi
Mr. H. Yusran	Village Head	Tumbang Bulan
Mr. Andi	Village Secretary/Member of KSM (community institution for livelihood priority program)	Tumbang Bulan
Mr. Aliansah	Head of KSM	Tumbang Bulan
Mr. Sahran	KSM Treasurer/member of BPD (Village Representatives Body)	Tumbang Bulan
Mr. Maryono	Head of Fishery Farmer Group (under KSM)	Tumbang Bulan
Mrs. Irawansah	Head of Fishery Farmer Group (under KSM)	Tumbang Bulan
Mr. Diyan	Head of Fishery Farmer Group (under KSM)	Tumbang Bulan
Mr. Kaskop	Head of KSM	Tampelas
Mr. Heru	Member of BPD	Tampelas
Ms. Nurhayati	KSM Treasurer	Tampelas
Mr. Edi Martono	Member of KSM Supervisory Board (*Badan Pengawas KSM*)	Tampelas
Mr. Hernodiansah	KSM Secretary	Tampelas
Mr. Herdianur	Head of BPD	Tampelas
Mr. Aman	KSM member	Tampelas
Mr. Dedi	KSM member	Tampelas
Mr. Eyet	KSM member	Tampelas
Mr. Suparjan	Villager	Tampelas
Mr. Pendi	Treasurer of KSM	Telaga

Mr. Sabransah	Head of Fishery Farmer Group 2 (under KSM)	Telaga
Ms. Rahmi Hidayat	Secretary of Fishery Farmer Group 1	Telaga
Mr. Dabik	Head of customary village institution (*Ketua Mantir Adat*)	Telaga
Mr Jaransah	Head of KSM	Telaga
Mr. Arifin Agai	Informal leader/former Village Head	Telaga
Mr. Duak Rahmanto	Village Secretary	Telaga
Mr. Lolong	Village youth leader	Telaga
Mr. Hamdansah	Secretary of Fishery Farmer Group 3	Telaga
Mr. Suharjo	Head of Fishery Farmer Group 1 (under KSM)	Telaga
Mr. Waldiyono	Member of KSM	Jahanjang
Ms. Arsiah	Villager	Jahanjang
Ms. Noorsinah	Treasurer of KSM	Jahanjang
Mr. Herdi	Member of KSM	Jahanjang
Mr. Andri	Member of KSM	Jahanjang
Mr. Dedi	Head of KSM	Jahanjang
Mr. Radiansah	Secretary of KSM	Jahanjang
Mr. Sudiyono	Head of KSM	Asem Kumbang
Ms. Sri Hartati	Treasurer of KSM	Asem Kumbang
Ms. Arbaenah	Village Head	Asem Kumbang
Mr. Anggus	Member of KSM Supervisory Board	Asem Kumbang

Ms. Nora Fianti	KSM Secretary	Asem Kumbang
Mr. Bahrudin	Member of BPD	Bahun Bango
Mr. Sumediyanto	Village Head	Bahun Bango
Mr. Muhlis	Head of KSM	Bahun Bango
Ms. Sukarti	Treasurer of KSM	Bahun Bango

3.4 Site Inspections

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

- Select samples of data from on-the-ground measurements for verification in order to meet a reasonable level of assurance and to meet the materiality requirements of the project, as required by Section 5.1.3 of the VCS Standard;
- Perform a risk-based review of the project area and project activities to ensure that the project conformed to the requirements of the VCS rules and the methodology throughout the monitoring period; and
- Ensure that monitoring was conducted in accordance with the requirements of the validated monitoring plan, the methodology employed and the VCS rules

In fulfilment of the above objectives, the audit team performed an on-site inspection of the project area on the dates 25-29 July 2016. The main activities undertaken by the audit team were as follows:

- Interviewed Project Personnel (see Section 2.3 of this report) to gather information regarding the monitoring of the project;
- Interviewed Project Personnel (see Section 2.3 of this report) for the purpose of seeking evidence of conformance with respect to the specific requirements of the methodology and the VCS rules;
- Interviewed residents of communities near the project boundary to confirm the claims of the project proponents with respect to the extent of community engagement with the project implementation.
- Observed Project Personnel conducting re-measurements logged and burned areas. The representatives were asked to replicate the measurement protocol that was applied, for the purpose of providing the audit team with reasonable assurance that the measurements were collected to appropriate quality standards.

3.5 Public Comments

No comments were received from the CCBA during the public comment period. The verification team performed on site interviews and received a number of comments from the individuals listed in Section 3.3 above. Whereas, the majority of comments were positive and consistent with the project implementation, as described in the monitoring report, a few comments of concern were noted. A description of the comments of concern are noted in Appendix A of this report.

3.6 Resolution of Any Material Discrepancy

N/A – No material discrepancies were noted during this verification.

VERIFICATION FINDINGS

4 GENERAL

The Rules for the Use of the CCB Standards state "The Project Implementation Report does not need to include information for indicators that has not changes from the validated PDD but shall include relevant information about project implementation and impacts, and any changes to project design, as follows…" As is allowed by the rules, any indicators that have not changed since validation or are not a specific requirement for project implementation reports will not be reported on here, but rather referred to the VCS website where these items can be reviewed in the most recent version of the VCS and or CCB validation reports.

4.1 Summary Description of the Project

The project is located in the Central Kalimantan region of Indonesia, and is aimed at reducing and avoiding emissions related to Planned Deforestation and Reforestation in combination with Conservation of Undrained and Partially drained Peatland and Rewetting of Drained Peatland activities

4.2 Project Location

The project location has not changed since validation.

4.3 Conditions Prior to Project Initiation

As conditions prior to project initiation are, by definition, ex-ante, this report does not include such information.

4.4 Project Proponent

The project proponent has not changed since validation.

4.5 Other Entities Involved in the Project

Other entities involved in the project have not changed since validation.

4.6 Project Start Date

The project start date is 1 November 2010 and is the date that activities leading to the GHG reductions began.

4.7 Project Crediting Period

The project crediting period is 60 years and runs from 1 November 2010 – 31 October 2070.

5 IMPLEMENTATION OF DESIGN

The audit team assessed the implementation of the project activities against Section 4.3 of the Project Description. The audit team confirmed that Section 2.2 of the monitoring report provided an accurate description of the implementation of the project. For a complete description of the steps taken to assess the project implementation see below:

Item	**Verification Findings**
Material discrepancies between project implementation and the project description	The audit team performed a series of visits to the communities included in the project and observed the project activities taking place. The audit team held interviews with members of 14 communities involved in the project and were informed that the project had thus far met all commitments with regard to the project activities. No material discrepancies were found
Implementation status of monitoring plan and completeness of monitoring	The audit team confirmed that all monitoring activities documented in Section 2 of monitoring report were correctly carried out accordingly with the requirements and frequency of the monitoring plan described in Section 8 of the PD, through the following: • Reviewed stratification process for the project and confirmed that the stratification remained constant with the initially validated strata boundaries as stated in table 52 of the PDD • Observed the set up and re-measurement of the logged and burned areas across the project area and confirmed to the sampling design was implemented as described in Section 6.2.2.2 of the monitoring report, as well as using best practices in forest mensuration. In addition, the audit team performed spot measurements during the field verification and consistently produced the same results as the project team

Item	Verification Findings
	• Spent one week in the field with the project team confirming the implementation of project activities within communities and confirmed that the organizational structure and operation is as described in Section 1.3.2 of the monitoring report • Reviewed the process for data management and storage and confirmed that the description provided in Section 5.1.1 of the monitoring report was followed completely and is sufficient for providing quality data management and storage • Interviewed field team while on site and confirmed that the personnel were highly skilled and educated as to the processes described in Section 5.1.1of the monitoring report. In addition, the audit team spent over a week in both the office and the field with the team and confirmed that the description provided in the monitoring report was be followed completely • Reviewed the allometric equations provided by project personnel and confirmed that the equations were correctly calculated in the project's workbooks. It should be noted that increases in biomass were not accounted for during the reporting period and therefore no re-calculations of aboveground biomass were performed • Re-calculated the uncertainty deduction calculations, as prescribed by the methodology and confirmed that the value provided in the Project calculations resulted in an accurate estimate of uncertainty • Reviewed the process for the detection of forest fires across the project area. The audit team confirmed that no fires other than what has been accounted for in the

Item	Verification Findings
	deforestation class occurred during the monitoring period • Traced the raw leakage data for all leakage plots in the Project Area. The audit team confirmed the resulting leakage to be reported accurately. In addition, the audit team agrees that the leakage monitoring employed by the Project is very likely to result in a conservative estimate of GHG Emission Reductions or Removals, as conservative estimates were used in the project calculations • Re-calculated the GHG Emission Reductions or Removals using the required methodological functions and confirmed the emission reductions to be calculated accurately
Existence of material discrepancies between monitoring system and monitoring plan (as described in 8.1 of project description) and applied methodology	• All tasks described in Section 5.1 of the monitoring report were in agreement with the monitoring plan as described above. No material discrepancies were found other than those described in Section 2.2.3 of this report

5.1 Description of the Project Activity

See table above.

5.2 Management of Risks to Project Benefits

See table above.

5.3 Measures to Maintain High Conservation Values

The project description describes a number of measures designed to maintain high conservation values (HCV's). These include protection from deforestation, firefighting, peat rewetting, afforestation, and engaging local communities in the project activities and the development of sustainable infrastructure, energy sources and economic activities. During the desk review of the project monitoring report and the subsequent site visit, the verification team reviewed the remote sensing analysis, performed on site measurements of degraded areas, and interviewed local community members and were able to confirm that all activities have been implemented with the exception of peat rewetting. As peat rewetting is not

scheduled to be implemented as of this reporting period, the project is in conformance with the monitoring plan. Based on the activities described here, the verification team confirms that the measures in place to maintain the project HCV's have been implemented appropriately.

5.4 Project Financing

The project financing has not changed since validation.

5.5 Employment Opportunities and Worker Safety

During the validation site visit, the verification team confirmed that the project personnel have systems in place to ensure that all employment is in compliance with Indonesia's labour laws, equal employment opportunity, and in conformance with the requirements of the CCB Standards (the Standards). During the site visit, the verification team interviewed communities in which members either were or had been employed by the project who confirmed that the project employee handbook (including works rights and safety information) had been provided and explained by project personnel.

5.6 Stakeholders (G3)

Prior to the site visit, the verification team selected 14 communities in the project zone for interviews. The interview process included questions regarding consultation, the public comment period, and the grievance procedures. In all but three cases it was clear to the verification team that all requirements of the standards are being met. Community members were knowledgeable about the implementation phase of the project, understood the processes for grievances and commenting and were actively partaking in the project implementation. Whereas, in the three communities in question there was a bit of confusion reaching agreement with the project itself, it was clear to the verification team that consultation had been provided and that project documents had been provided and explained. See Appendix A for a more detailed description of these issues.

6 LEGAL STATUS

6.1 Compliance with Laws, Statues, Property Rights and Other Regulatory Frameworks

The verification team included a local auditor who has worked with SCS under the Forest Stewardship Council repeatedly and is well versed with employment and land management law within Indonesia. Together with the institutional knowledge and a review of Indonesian laws applicable to the project, the verification team was able to confirm that the project is in compliance with all laws, statutes, property rights, and other regulatory frameworks. Moreover, a requirement of the decree giving resources and management rights to the project proponent, the management and activities are under scrutiny of the Indonesian government providing greater assurance of compliance.

6.2 Evidence of Right of Use

The right of use evidence has not changed since validation.

6.3 Emissions Trading Programs and Other Binding Limits

Whereas, the verification team is aware that Indonesia is currently in the process of developing an emissions trading program and may put binding limits on how GHG emissions are handled nationally, no such program is in place at the time of this verification.

6.4 Participation under Other GHG Programs

The verification team and the institution of SCS Global Services work in many areas of GHG verification and thus work under many different schemes, both voluntary and compliance. The verification team reviewed the available data for the known GHG registries and found no evidence that the project is participating in any other GHG programs.

6.5 Other Forms of Environmental Credit

The verification team is unaware of any other environmental crediting program in which the project would be eligible to participate.

6.6 Projects Rejected by Other GHG Programs

See Section 6.4 above.

6.7 Respect for Rights and No Involuntary Relocation

As the project area is owned by the Indonesian government no communities are present in the project area. During the site visit, the verification team interviewed local communities and toured the project area and found no evidence that any relocation took place, let alone involuntary relocation.

6.8 Illegal Activities and Project Benefits

No changes have taken place since validation. The project activities are not currently illegal.

7 APPLICATION OF METHODOLOGY

7.1 Project Description Deviations

See Section 2.2.2 and 2.2.3 of this report.

7.2 Baseline Scenario

No changes have taken place to the baseline scenario since validation.

7.3 Additionality

No changes have taken place with respect to additionality since validation.

8 QUANTIFICATON OF GHG EMISSION REDUCTIONS AND REMOVALS

8.1 Accuracy of GHG Emission Reduction or Removal Calculations

The GHG Emission Reductions or Removals have been quantified correctly in accordance with the project description and the applied methodology.

For all instances in which values were transcribed between datasets (e.g., transcription from the project description to reporting workbooks, or between reporting workbooks), the audit team carefully traced values to ensure the absence of manual transposition errors.

An identification of the data and parameters used to calculate the GHG Emission Reductions or Removals and a description of the steps taken to assess each of them, follows:

	Steps taken by audit team to assess…		
Data/Parameter	**accuracy of GHG Emission Reductions or Removals**	**whether methods/formulae set out in project description have been followed**	**appropriateness of default values**
$\Delta C_{WPS-REDD}$	The verification team traced the input data from a series of workbooks listed in the climate tracker workbook /36/ and confirmed that the values had been imported correctly. In addition, the verification team reviewed the baseline values confirmed at validation and confirmed that the values had been transferred correctly. Once the verification team confirmed the accurate transfer of data, they recalculated the GHG emission reductions /39/ and confirmed the values to be reported accurately	The audit team reviewed and re-calculated this parameter using the methods and formulae set out in the project description and the methodology and confirmed that they were being followed	No default values were necessary to calculate this parameter
$\Delta C_{LK-AS,planned}$	Prior to performing independent data checks, the verification held online meetings with project personnel, in which the process for calculating leakage was performed. The	The audit team reviewed this parameter using the methods and formulae set out in the project description and the methodology and confirmed that they were being followed	No default values were necessary to calculate this parameter

	Steps taken by audit team to assess…		
Data/Parameter	**accuracy of GHG Emission Reductions or Removals**	**whether methods/formulae set out in project description have been followed**	**appropriateness of default values**
	verification team was able to confirm that each step of the process was performed correctly and reported accurately in the project calculation workbook /39/		
ΔC_{LK-ME}	N/A – the project activities do not include a reduction in the production of timber, fuelwood, or charcoal	N/A	N/A
$\Delta C_{WPS-ARR}$	Whereas, ARR activities began in 2015, no reductions are reported at this time, given the necessary time required to ascertain survival and growth	N/A	N/A
ΔC_{LK-ARR}	As described in the VCS validation report, leakage due to displacement of pre-project agricultural activities is not applicable given the absence of such activities within the project area in the baseline scenario	N/A	N/A
$GHG_{WPS-WRC}$	The verification team reviewed the validated PDD and confirmed that the emission factors had been correctly transferred into the project calculation workbook /39/. Upon confirming the appropriate transfer of data, the verification team recalculated the project emissions for dissolved organic carbon (DOC) and confirmed the project values to be reported accurately	The audit team reviewed the implementation of the project calculations and cross-checked them against the project description and confirmed that the parameters were calculated using the methods and formulae set out in the project description and the methodology	The default values for DOC were obtained from the IPCC default emission factors as allowed by the methodology

	Steps taken by audit team to assess…		
Data/Parameter	**accuracy of GHG Emission Reductions or Removals**	**whether methods/formulae set out in project description have been followed**	**appropriateness of default values**
GHG_{LK-ECO}	N/A – no rewetting activities took place during this monitoring period	N/A	N/A
$E_{B\,BM}^{[m]}$	The audit team recalculated the cumulative baseline emissions from biomass at the end of the current monitoring period	The audit team reviewed and re-calculated this parameter using the methods and formulae set out in the project description and the methodology and confirmed that they were being followed	N/A

In all cases the data driving the climate monitoring parameters were based on remote sensing imagery, baseline reported values, and on the ground measurements. Whereas, the verification team did not independently perform a complete remote sensing analysis, the entire process was performed by project personnel using a step-wise process. During the desk review process, the verification team reviewed all of the reported data and performed independent calculations for degradation through illegal logging and fire. While on site, the verification team visited a sample of degraded areas and independently re-measured field plots and produced results consistent with those reported by the project. Two instances occurred in which the 2015 emissions year differed from previous emission years; specifically assessing actual burn depths and ascertaining activity shifting leakage. In both cases, the audit team confirmed the methods to be either more conservative or more accurate than previous emission years. See Section 2.2.3 of this report.

8.2 Quality of Evidence to Determine GHG Emission Reductions or Removals

The evidence used to determine the GHG reductions and removals was of sufficient quantity and appropriate quality. An identification of the categories of evidence used to determine the GHG Emission Reductions or Removals, and a description of the steps taken to assess the sufficiency of quantity, and appropriateness of quality, of each category of evidence, follows:

	Steps taken by audit team to assess…		
Category	**reliability, source, nature of evidence**	**information flow from data generation and aggregation, to recording, calculation and final transposition into the monitoring report**	**appropriateness of implemented calibration frequency of monitoring equipment**

Reporting workbooks	Workbooks originated from Project Personnel and were determined, after thorough testing, to be of high quality and highly reliable; quantity of workbooks provided to audit team was sufficient	In all cases, audit team traced data contained in the monitoring report from the emission reduction workbooks back to their respective sources, which were: /22/ /26/ /27/ /36/ /39/	N/A
Field Protocols	The field protocols were reviewed by the audit team, who confirmed that they were designed using best practices and are capable of capturing changes in carbon stock in conformance with the methodology	The audit team reviewed the field protocols and confirmed that the QA/QC procedures provide checks and balances to ensure high quality data collection /35/	N/A
GIS Data	All stratification and other demographic data was provided to the audit team, who confirmed that the data contained all the necessary information to recreate the processes employed by the project and found the calculations consistent with values stated in the project description, monitoring report and applied calculations.	The verification team reviewed the process for obtaining the source data and confirmed the imagery to be consistent with that reported in the monitoring report. In addition, the verification team selected a sample of areas obtained using drone imagery and confirmed the imagery to be accurate. .	N/A

8.3 Management and Operational System

See Section 5 of this report.

8.4 Climate Change Adaptation Benefits

- The verification team confirmed that the likely regional climate change for the project zone has been appropriately obtained from the SERVIR-based One-Stop portal (SERVIR). The verification team reviewed the SERVIR data and confirmed it to be accurately reported in the monitoring report and in conformance with the Standards.

- The verification team reviewed the likely impacts of climate change in the project zone and confirmed that all impacts are indeed likely as a result of expected climate change. The isolated location, the reliance on local water ways, and incidence of fire and smoke in the region allow the verification team to corroborate such claims.

- Whereas the climate change adaptation measures are outlined in the PDD and monitoring report, only the implementation of such activities are reported on here. While on site, the verification team was able to confirm that the majority of communities in the project zone had taken part in project activities designed to ameliorate the effects of climate change. The verification team observed communities taking part in developing fisheries to assuage food security concerns. In addition, the verification team interviewed local community members who confirmed that they were taking part in firefighting and agroforestry training which is likely to moderate the risk of respiratory and cardiovascular ailments. The verification the also interviewed community members who were receiving in microfinancing loans to support economic development.

9 COMMUNITY

9.1 Net Positive Community Impacts

Prior to the verification site visit the verification team reviewed the monitoring plan and the reported community benefits reported by project personnel. Based on this information the verification team developed a list of questions to use during community interviews in order to confirm the existence of such benefits. Whereas, the verification team noted that there is some room for improvement, as discussed in Section 5 and Appendix A of this report, the verification team was able to confirm that the benefits described in Section 7.1 of the monitoring report to be accurate. Community members were taking part in a suite of activities ranging from participatory planning to developing fisheries and firefighting. In all cases the verification team was able to confirm these benefits to be positive. Finally, using professional judgement, the verification team can corroborate claims that peat swamp restoration is directly linked to the improved livelihoods of local communities.

9.2 Offsite Stakeholder impacts

N/A – As described in the CCB validation report, no offsite stakeholders are expected to be affected by project activities.

9.3 Exceptional Community Benefits

As stated in the CCB validation report, the project zone meets the requirement of being in a low human development country or is in a medium or high human development country in which at least 50% of the households within the Communities are below the national poverty line. In addition, the verification team confirmed that the agreements between project personnel and communities ensure that benefits will be distributed and shared equally across all community members. As the community benefits are directly

linked to the climate change benefits, the reader is instructed to see Section 8.4 of this report for further corroboration of exceptional community benefits.

10 BIODIVERSITY

10.1 Net Positive Biodiversity Impacts

As the benefits to biodiversity are directly linked to the successful restoration and protection of the project area, the verification team is able to confirm that the successes of the project in reducing deforestation and degradation, implementing reforestation activities, and developing alternatives to bush meat is resulting in net positive biodiversity benefits. The verification team has a wealth of experience in understanding the correlation between intact forest cover and wildlife biodiversity. In addition, the success in protecting the peat swamps by project personnel has resulted in the removal of deleterious effects of illegal logging and forest clearing on native plant species. Finally, the verification team interviewed project personnel regarding the implementation of the biodiversity monitoring and confirmed that project personnel had an intimate knowledge of the monitoring results, providing a reasonable level of assurance that the monitoring results were reported accurately.

10.2 Offsite Biodiversity Impacts

As described in the validation report, the project is designed to have positive impacts only on offsite stakeholders. The verification team can confirm that the biodiversity in the project zone is unlikely to result in any negative effects. Moreover, the only feasible offsite impacts would be an increase in wildlife that are traditionally hunted and therefore would be positive to offsite stakeholders.

10.3 Exceptional Biodiversity Benefits

Whereas, it is not possible for the verification team to monitor the critically endangered species listed in the monitoring report, the verification team was able to confirm the presence of such species using information gleaned from the IUCN Red List. In addition, during the site visit the verification team sighted at least one helmeted hornbill.

The verification team reviewed the biodiversity tracker /38/ and the information reported in the PDD and confirmed that to date project personnel have performed the monitoring necessary to meet the requirements of the Standards.

11 VERIFICATION CONCLUSION

The verification team asserts, with no qualifications or limitations that the project complies with the verification criteria for projects and their GHG emission reductions or removals set out in VCS Version 3.

In addition, the verification team asserts that the project complies with the verification criteria for projects set out in Third Edition of the CCB Standards, including reaching Gold Level for Climate, Community, and Biodiversity.

The audit team has been able to confirm that the project has been implemented in accordance with the project description and subsequently validated variations.

The audit team has been able to confirm, with a reasonable level of assurance, that the quantity of GHG emission reductions or removals set out in the table below has been quantified in accordance with the VCS rules. As documented in Appendix B below, the audit team can also confirm that the non-permanence risk score of 10% has been quantified in accordance with the VCS rules. Total VCU's to be issued to the buffer account are as follows:

2011 - 152,711

2012 - 152,366

2013 - 437,835

2014 - 410,285

2015 - 263,314

Reporting period: 1 November 2010 – 31 October 2015

GHG Emission Reductions or Removals	tCO_2e 2011	tCO2e 2012	tCO2e 2013	tCO2e 2014	tCO2e 2015
Baseline Emissions	1,507,482	1,496,486	4,345,291	4,071,308	2,617,400
Project Emissions	19,632	27,174	33,061	31,546	15,744
Leakage	0	0	0	0	0
Net GHG emission reductions or removals	**1,527,114**	**1,523,660**	**4,378,352**	**4,102,854**	**2,633,144**

CCB STANDARDS CRITERIA CHECKLIST:

GENERAL SECTION	CONFORMANCE
G1. Original Conditions in the Project Area (Required)	YES
G2. Baseline Projections (Required)	YES
G3. Project Design and Goals (Required)	YES
G4. Management Capacity and Best Practices (Required)	YES
G5. Legal Status and Property Rights (Required)	YES
CLIMATE SECTION	
CL1. Net Positive Climate Impacts (Required)	YES
CL2. Offsite Climate Impacts ("Leakage") (Required)	YES
CL3. Climate Impact Monitoring (Required)	YES
COMMUNITY SECTION	

CM1. Net Positive Community Impacts (Required)	YES
CM2. Offsite Community Impacts (Required)	YES
CM3. Community Impact Monitoring (Required)	YES
BIODIVERSITY SECTION	
B1. Net Positive Biodiversity Impacts (Required)	YES
B2. Offsite Biodiversity Impacts (Required)	YES
B3. Biodiversity Impact Monitoring (Required)	YES
GOLD SECTION	
GL1. Climate Change Adaptation Benefits (Optional)	YES
GL2. Exceptional Community Benefits (Optional)	YES
GL3. Exceptional Biodiversity Benefits (Optional)	YES

12 APPENDIX A: VERIFICATION FINDINGS ISSUED DURING VERIFICATION

Please see the Section “Resolution of Discrepancies” above for a description of the findings issuance process and the categories of findings issued. It should be noted that all language under “Client Response” is a verbatim transcription of responses provided to the findings by project personnel. As validation and verification for the CCB portion of the audit, the reader is directed to the CCB validation report for further findings.

NCR 2015.1 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.16.6

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final

Finding: The VCS Standard states "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

In addition the VCS +CCB Monitoring and Implementation Report Template states "All sections must be completed using Arial 10pt, black, regular (non-italic) font. Sections which are not applicable may be left blank but should NOT be deleted from the final document. All instructions, including this introductory text, should be deleted from the final document."

During the review of the project documentation the audit team discovered that instances where italics were provided rather than non-italic, as required by the template. Specifically, certain information in the data and parameters tables. Whereas, these may not be the only areas of the report that are not in conformance to the standard, they are presented as an example of the non-conformance. In order to resolve this issue, any and all non-conformities with respect to italics need be appropriately addressed.

Client Response: Italics were removed in all instances except when used to denote scientific names of species as that is considered standard format.

Auditor Response: As stated in the client response, all in appropriate italics have been removed from the mornitoring report and therefore is now in conformance with the template requirements.

Closing Remarks: The Client’s response adequately addresses the finding.

NCR 2015.2 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.16.6

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final

Finding: The VCS Standard states "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

In addition the VCS +CCB Monitoring and Implementation Report Template states "All sections must be completed using Arial 10pt, black, regular (non-italic) font. Sections which are not applicable may be left blank but should NOT be deleted from the final document. All instructions, including this introductory text, should be deleted from the final document."

During the review of the project documentation the audit team discovered that instances where 9pt font was provided rather than 10pt, as required by the template. Specifically, certain information in section 1.4 of the report. Whereas, these may not be the only areas of the report that are not in conformance to the standard, they are presented as an example of the non-conformance. In order to resolve this issue, any and all non-conformities with respect to font need be appropriately addressed.

Client Response: The font size has been corrected throughout the report.

Auditor Response: As stated in the client response, all font sizes have been corrected in the monitoring report and therefore is now in conformance with the template requirements.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2015.3 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.16.6

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final Section 2.2.1

Finding: The VCS Standard states "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

In addition the report template states "Describe the project activity or activities (including the technologies or measures employed) and how it/they have achieved net GHG emission reductions or removals during this verification period."

Whereas, section 2.2.1 of the monitoring report provides a brief description of how the project meets this requirement, it then provides a broken reference that does now allow for assessment by the auditor.

Client Response: This link has been changed to a narrative direction. Additional language has been added to the section to highlight that the following sections are structured such that the first part of the section explains the planned activities and how they avoid emissions (from PDD) and the second part explains which of the activities occurred during the monitoring period.

Auditor Response: The correction to the monitoring report and additional language added now allows for assessment and resolves this issue.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2015.4 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.16.7

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final Section 3.1

Finding: The VCS Standard states "The monitoring report describes all the data and information related to the monitoring of GHG emission reductions or removals. The project proponent shall use the VCS Monitoring Report Template and adhere to all instructional text within the template."

In addition the report template states "Identify and demonstrate compliance of the project with all and any relevant local, regional and national laws, statutes and regulatory frameworks."

During review of the project monitoring report, the audit team confirmed that the project provides and exhaustive list of relevant laws and identifies compliance, however it is unclear from the information provided that the report includes language demonstrating compliance.

Client Response: Additional language has been added to ensure that the report adequately demonstrates compliance.

Auditor Response: The additional language added now allows for assessment of compliance and resolves this issue.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2015.5 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.1.3; VCS M-MON Module Step 1.

Document Reference: N/A

Finding: The VCS Standard states "Projects shall apply methodologies eligible under the VCS Program. Methodologies shall be applied in full, including the full application of any tools or modules referred to by a methodology, noting the exception set out in Section 3.14.1. The list of methodologies and their validity periods is available on the VCS website."

Additionally, the M-MON module states "Medium resolution remotely sensed spatial data shall be used3 (30m x 30m resolution or less, such as Landsat, Resourcesat-1 or Spot sensor data). In general, the same source of remotely sensed data and data analysis techniques must be used within the period for which the baseline is fixed. If remotely sensed data have become available from new and higher resolution sources (e.g. from a different sensor system) during this period then it is possible to change the source of the remotely sensed data. Equally if the same source is no longer available (e.g. due to satellites or sensors going out of service) an alternate source may be used. A change in source data may only occur if the images based on interpretation of the new data overlap the images based on interpretation of the old data by at least 1 year and they cross calibrate to acceptable levels based on commonly used methods in the remote sensing community."

The project monitoring report states "Due to significant cloud cover, and the limited availability of Landsat and other multispectral datasets since 1st November 2015, there were some sections of the project area that could not be classified using multispectral imagery. In order to ensure no land cover changes were missed, RADAR imagery was processed."

Based on the information provided, please demonstrate that the project meets the requirements of the M-MON module with respect to new sources of imagery.

Client Response: Since the Monitoring Report was initially submitted, additional Landsat imagery has become available. The Project has elected to remove the radar analysis and instead analyse the newly available Landsat imagery to complete the monitoring. The text of the Monitoring Report has been updated to remove the discussion of the use of radar images and expand the Landsat data set. In addition, the calculations have been updated with the results of the analysis. There is no longer a change in data sources which eliminates the need to show conformance with the cited M-Mon requirement.

Auditor Response: The verification team was able to confirm that the project is now using the appropriate data source, so no additional analysis is required of the project personnel.

Closing Remarks: The Client's response adequately addresses the finding.

NCR 2015.6 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.5.1; VCS M-MON Module Step 1.

Document Reference: N/A

Finding: The VCS Standard states "Deviations from the applied methodology are permitted where they represent a deviation from the criteria and procedures relating to monitoring or measurement set out in the methodology (ie, deviations are permitted where they relate to data and parameters available at validation, data and parameters monitored, or the monitoring plan). Methodology deviations shall not negatively impact the conservativeness of the quantification of GHG emission reductions or removals, except where they result in increased accuracy of such quantification. Deviations relating to any other part of the methodology shall not be permitted."

During calls with project personnel regarding image processing, it was brought to the attention of the audit team that a new post processing method was employed in order to identify areas of degradation. Whereas, the audit team has found nothing erroneous about the method employed, it is not clear that this has been included as a methodology deviation and subsequently, how the deviation meets the requirements of section 3.5.1 of the VCS Standard.

Client Response: The post processing method has been added to the Deviation section of the Monitoring Report along with a discussion of how it meets the requirements of Section 3.5.1 of the VCS Standard. The deviation relates to monitoring only and results in a more accurate analysis in accordance with Section 3.5.1.

Auditor Response: The verification team reviewed the amended monitoring report includes sufficient language to address this finding and therefore resolves this issue.

Closing Remarks: The Client's response adequately addresses the finding.

NIR 2015.7 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.6.1

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final Section 4.2

Finding: The VCS Standard states "Deviations from the project description are permitted at verification. The procedures for documenting the deviation depend on whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario. Interpretation of whether the deviation impacts any of these shall be determined consistent with the CDM Guidelines on assessment of different types of changes from the project activity as described in the registered PDD, mutatis mutandis."

The project monitoring report states that there were two deviations from the monitoring plan. Given that the monitoring plan is described in the project description, monitoring plan deviations, by definition, are also project description deviations and need to meet the requirements of section 3.6.1 of the VCS Standard. Please provide evidence that the monitoring plan deviations meet the requirements of the VCS Standard.

Client Response: A discussion of how the deviations meet the requirements of Section 3.6.1 of the VCS Standard has been added to the Monitoring Report. Following the CDM Guidelines, the deviations relate only to monitoring data collection and analysis and do not affect methodology applicability, additionality or the selection of the most appropriate baseline scenario.

Auditor Response: The verification team reviewed the amended monitoring report includes sufficient language to address this finding and therefore resolves this issue.

Closing Remarks: The Client's response adequately addresses the finding.

NCR 2015.8 dated 07/13/2016

Standard Reference: VCS Standard V3.5 Section 3.6.2

Document Reference: Katingan Monitoring_Implementation_Report23May2016Final Section 4.2

Finding: The VCS Standard states "Deviations from the project description are permitted at verification. The procedures for documenting the deviation depend on whether the deviation impacts the applicability of the methodology, additionality or the appropriateness of the baseline scenario. Interpretation of whether the deviation impacts any of these shall be determined consistent with the CDM Guidelines on assessment of different types of changes from the project activity as described in the registered PDD, mutatis mutandis."

The project monitoring report states that there were two deviations from the monitoring plan.

During calls with project personnel, it was brought to the attention of the audit team that the project had employed the use of drone photography in order to assess burned areas. The audit team has found nothing erroneous with this method, however, as this is not included in the monitoring plan included in the project description, it should be included as a monitoring plan deviation.

Given that the monitoring plan is described in the project description, monitoring plan deviations, by definition, are also project description deviations and need to meet the requirements of section 3.6.1 of the VCS Standard. Please provide evidence that the monitoring plan deviations meet the requirements of the VCS Standard.

Client Response: The use of drones has been added to the deviation section of the Monitoring Report along with evidence that the deviation meets the requirements of Section 3.6.1 of the VCS Standard. Following the CDM Guidelines, the deviation relates only to monitoring data collection and analysis and does not affect methodology applicability, additionality or the selection of the most appropriate baseline scenario.

Auditor Response: The verification team reviewed the amended monitoring report includes sufficient language to address this finding and therefore resolves this issue.

Closing Remarks: The Client's response adequately addresses the finding.

OFI 2015.9 dated 09/30/2016

Standard Reference: CCB Standards Third Edition G3

Document Reference: N/A

Finding: The CCB Standards state "Communities and Other Stakeholders are involved in the project through full and effective participation, including access to information, consultation, participation in decision-making and implementation, and Free, Prior and Informed Consent (requirements for Free, Prior and Informed Consent are included in G5.2). Timely and adequate information is accessible in a language and manner understood by the Communities and Other Stakeholders. Effective and timely consultations are conducted with all relevant stakeholders and participation is ensured, as appropriate, of those that want to be involved.

Feedback and Grievance Redress Procedures are established and functional.

Best practices are adopted for worker relations and safety.

During the site visit, the verification team visited three communities (Mentaya Seberang, Rawasar, Babaung), where it was unclear as to the level of consultation that had been provided. In addition, these communities appeared to have no knowledge of how to voice grievances. Furthermore, these communities projected an attitude that they were interested in understanding the project activities, but were not given the opportunity. It should be noted that some individuals in these communities had enough knowledge of the project that some consultation had been provided and the verification team was informed that project documents had been provided.

Based on the experience of the verification team, both during the verification and validation site visits that community benefits are designed to be and are indeed net positive, however this lack of clear knowledge by the communities is reason for concern as to how the project will fare moving forward. As this finding is listed as an opportunity for improvement, no response is required at this time, however this finding is to memorialize this issue so that progress can be assessed in future verification events.

Client Response:

Auditor Response:

Closing Remarks: The Client's response adequately addresses the finding.

13 APPENDIX B: NON-PERMANENCE RISK ASSESSMENT

In accordance with Section 3.7.3 of the VCS AFOLU Requirements, the project's non-permanence risk report was assessed by the audit team. The risk analysis assessment was based on the non-permanence risk report, which is dated 29 July 2016. The findings and conclusion regarding the non-permanence risk analysis undertaken for the project are summarized below for each risk category and factor. Unless noted otherwise, the audit team agrees with the conclusion stated in the non-permanence risk report.

As the conclusion of the validation and verification were completed within five months from each other, the risk assessment analysis has not changed since validation. The findings of the audit team regarding the risk scores applied for each factor are as follows.

Internal Risks

	Project Management		
Risk	**Assessment of rationale, assumptions and justification**	**Assessment of quality of documentation and data provided**	**Conclusion regarding appropriateness of the risk rating**
a)	No credits have been issued at this time and therefore this risk score is not applicable	N/A	N/A
b)	No credits have been issued at this time and therefore this risk score is not applicable	N/A	N/A
c)	The audit team is familiar with many of the project management team and was able to confirm that this team designed and implemented these project types dating back to 2011. The audit team also reviewed published literature showing further experience in each of the required areas	The audit team was provided with access to all of the company websites showing the experience of the team members. The audit team considers this high quality	The Risk Score Is Appropriate
d)	The management team has offices in Jakarta, Bogor and Palangkaraya. The audit team visited the Bogor office and traveled to the project area during the site visit and confirmed that the project team is less than a days travel from the project area.	Given that the audit team observed this first hand, the audit team considers their own experience and knowledge high quality	The Risk Score Is Appropriate
e)	The same individuals alluded to in item c above have also	Also, as stated in item c above the project team has evidence of the	The Risk Score Is Appropriate

	successfully implemented a number of AFOLU projects around the world, therefore meeting these requirements. The audit team reviewed the VCS project database on 27 December 2015 providing evidence for meeting this criteria	types and number of projects available on their respective websites. In addition, the same information is available on the VCS website; therefore, the information can be considered to be of high quality	
f)	The audit team reviewed the PD and confirmed that Section 6.3 and Chapter 8 of the PD and confirmed it includes a detailed description of the adaptive management plan.	Through interviews with local communities and project personnel, and review of meeting minutes, the audit team confirmed that the adaptive strategies were the result of a long collaborative process therefore are considered high quality	The Risk Score Is Appropriate
Total Project Management (PM) [as applicable, (a + b + c + d + e + f)] Total may be less than zero.			The Risk Score Is Appropriate

	Financial Viability		
Risk	**Assessment of rationale, assumptions and justification**	**Assessment of quality of documentation and data provided**	**Conclusion regarding appropriateness of the risk rating**
a)	N/A	N/A	N/A
b)	N/A	N/A	N/A
c)	The audit team was provided with a suite of documentation supporting the breakeven analysis /19-20/ and /25-29/. The audit team traced organization budget values through the series of project budget worksheets and confirmed that the secured funding values were appropriate. In addition, the audit team reviewed the current and anticipated expenses and confirmed that the values provided for the anticipated project expenses were reasonable	The documentation provided included audited financial documents and a detailed, user friendly budget workbook that allowed for assessment by the audit team and is therefore of high quality	N/A

d)	N/A	N/A	The Risk Score Is Appropriate
e)	N/A	N/A	N/A
f)	N/A	N/A	N/A
g)	N/A	N/A	The Risk Score Is Appropriate
h)	In addition to the documentation provided above, the audit team reviewed the funding received by the project confirming it to be sufficient to cover project cash out prior to breakeven.	See item C above	The Risk Score Is Appropriate
i)	See item g above	See item g above	The Risk Score Is Appropriate
Total Financial Viability (FV) [as applicable, ((a, b, c or d) + (e, f, g or h) + i)] Total may not be less than zero.			The Risk Score Is Appropriate

	Opportunity Cost		
Risk	**Assessment of rationale, assumptions and justification**	**Assessment of quality of documentation and data provided**	**Conclusion regarding appropriateness of the risk rating**
a)	N/A	N/A	N/A
b)	N/A	N/A	N/A
c)	N/A	N/A	N/A
d)	The audit team reviewed the project financial model, as well as the costs and benefits supported by confidential financial documents and compared the analyses performed by project personnel confirming that item d is the	The audit team was provided with a detailed financial model and literature supporting the costs and benefits associated with the baseline scenario which have been audited by investment organizations and the Indonesian government making them	The Risk Score Is Appropriate

	appropriate risk indicator for the project	of high quality	
e)	N/A	N/A	N/A
f)	N/A	N/A	N/A
g)	N/A	N/A	N/A
h)	N/A	N/A	N/A
i)	N/A	N/A	N/A
Total Opportunity Cost (OC) [as applicable, (a, b, c, d, e or f) + (g + h or i)] Total may not be less than zero.			The Risk Score Is Appropriate

	Project Longevity		
Risk	**Assessment of rationale, assumptions and justification**	**Assessment of quality of documentation and data provided**	**Risk**
a)	Whereas the project is legally required to continue the management practices, the audit team confirmed that the entire carbon accounting area is not currently covered and thus does not meet the requirement to use item b below. While on site, the audit team reviewed the financial and management plans (requirements of the concession application) confirming the conformance to this criterion	The audit team considers the legal application process for forest concessions in Indonesia to be of high quality.	The Risk Score Is Appropriate
b)	N/A	N/A	N/A
Total Project Longevity (PL) May not be less than zero			The Risk Score Is Appropriate

Internal Risk	
Total Internal Risk (PM + FV + OC + PL) Total may not be less than zero.	**8**

External risk

	Land Tenure and Resource Access/Impacts		
Risk	**Assessment of rationale, assumptions and justification**		**Risk**
a)	N/A	N/A	N/A
b)	As described in section 3.1.9 above the audit team reviewed the concession for the project area confirming the ownership and use rights are held by separate entities.	The audit team considers government decrees to be of high quality	The Risk Score Is Appropriate
c)	The audit team held interviews with local communities and reviewed concession process confirming no disputes exist at this time	The audit team considers the concession process and firsthand knowledge through interviews of high quality	The Risk Score Is Appropriate
d)	See above	See above	The Risk Score Is Appropriate
e)	The audit team reviewed the rationale and made observations on site confirming that the project is not likely to have upstream impacts	The information provided in the PD and the supporting literature is considered high quality by the audit team	The Risk Score Is Appropriate
f)	N/A	N/A	N/A
g)	N/A	N/A	N/A
Total Land Tenure (LT) [as applicable, ((a or b) + c + d + e + f + g)] Total may not be less than zero.			The Risk Score Is Appropriate

	Community Engagement		
Risk	**Assessment of rationale, assumptions and justification**		**Risk**
a)	The audit team held interviews with communities inside of the project zone and confirmed that the all of the individuals in the audit sample had	Interviews, consultation meeting minutes are considered high quality	The Risk Score Is Appropriate

	been consulted. The results of this sample leads the audit team to believe that the majority of communities inside the project area have been consulted		
b)	N/A	N/A	N/A
c)	The audit team also conducted the CCB validation of the project and held interviews with local communities confirming that the project is designed to provide net positive impacts on the social and economic wellbeing of the local communities who derive livelihoods from the project area.	The CCB PD and Interviews with local communities and are considered high quality	The Risk Score Is Appropriate
Total Community Engagement (CE) [where applicable, (a + b + c)] Total may be less than zero.			The Risk Score Is Appropriate

	Political Risk		
Risk	**Assessment of rationale, assumptions and justification**		**Risk**
a)	N/A	N/A	N/A
b)	The audit team observed project personnel downloading and calculating the political risk score confirming the applicability of this indicator	The World Bank governance indicator online database is considered of high quality (http://info.worldbank.org/governance/wgi/index.aspx#home)	The Risk Score Is Appropriate
c)	N/A	N/A	N/A
d)	N/A	N/A	N/A
e)	N/A	N/A	N/A
f)	The audit team reviewed the Governors' Climate and Forest Task Force webisite confirming that the project area meets this criteria	The audit team considers the online database of high quality (http://www.gcftaskforce.org/)	The Risk Score Is Appropriate

Total Political (PC) [as applicable ((a, b, c, d or e) + f)] **Total may not be less than zero.**			2 The Risk Score Is Appropriate

Natural Risk - Fire		
Risk	**Assessment of rationale, assumptions and justification**	**Risk**
The audit team interviewed local communities and reviewed MODIS data for the project area confirming that fires are not responsible for loss of carbon stocks for undrained peatland. While on site the audit team did observe a suite of fires near the project area, however these were taking place on drained soils. Whereas peatland fires are growing in frequency and intensity in Indonesia, the available literature and online resources are in agreement that these are anthropogenic fires		The Risk Score Is Appropriate

Natural Risk - Pest		
Risk	**Assessment of rationale, assumptions and justification**	**Risk**
The audit team reviewed the evidence referenced in the PD and included an expert in peatlands in the region and was able to confirm that risks from pests to more than 5% of the carbon stocks is highly unlikely.		The Risk Score Is Appropriate

Natural Risk - Extreme Weather		
Risk	**Assessment of rationale, assumptions and justification**	**Risk**
The audit team interviewed local communities and reviewed the literature referenced in the PD. In addition, the audit team included an expert in peatlands in the region. Based on the literature and expert knowledge of the audit team confirms the score is appropriate		The Risk Score Is Appropriate

In summary, given the audit teams' experience in the region, the audit team agrees with the assessment of project personnel that the natural risk literature is indeed lacking. Overall, the audit team agrees with the expert opinion that has been documented in the PD. Finally, the audit team agrees that the minimum risk score of 10% has been appropriately applied in this project case.