VCS PROJECT REVIEW REPORT

Project ID	PL1503
Project Name	Resex Rio Preto-Jacundá REDD+ Project
Project Proponent	Biofílica Investimentos Ambientais S.A., Associação dos Moradores de Reserva Extrativista Rio Preto- Jacundá e Ribeirinhos do Rio Machado (AMOREX)
Methodology	VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"
Sectoral Scope(s)	14. Agriculture, Forestry, Land Use
Validation/Verification Body (VVB)	Rainforest Alliance
Registry	Markit

Assessment Criteria	*VCS Standard, v3.5, AFOLU Non-Permanence Risk Tool, v3.2, VCS AFOLU Requirements, v3.4, VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"*
Date of First Issue	21 July 2016
Date of Second Issue	16 August 2016
Date of Third Issue	7 September 2016
Date of Final Issue	24 September 2016

Summary:

An accuracy review of the *Resex Rio Preto-Jacundá REDD+ Project* registration and issuance request has been conducted by VCS in accordance with Section 4.3 of the *Registration and Issuance Process*.

The accuracy review has raised 23 assessment findings and 5 minor findings, detailed below. The VVB, in coordination with the project proponent, is hereby required to provide a response to the assessment findings presented in Section 1. The 23 assessment findings must be addressed to the satisfaction of VCS. The VVB need not address the minor finding(s) during this review. Please note, however, that where VCS finds consistent minor findings by the VVB in future reviews, minor findings shall be escalated to assessment findings.

This findings report may be made publically available. Confidential information may be provided as separate attachments.

1 ASSESSMENT FINDINGS

Finding 1

Section 3.11.1 of the *VCS Standard, v3.5* states that right of use must be "accorded to the project proponent(s)".

The VCS *Program Definitions, v3.5* defines "project proponent" as the individual or organization that has overall control and responsibility for the project, or an individual or organization that together with others, each of which is also a project proponent, has overall control or responsibility for the project.

The *Program Definitions, v3.5 Errata and Clarifications* clarifies that "the entity that has physical control over the activity that reduces or removes GHG emissions is the entity with overall control or responsibility for the project…having control over the creation of project document, the auditing process or registration of the VCS project alone is not sufficient to demonstrate 'overall control or responsibility' of a project. Additionally, having proof of right (ie, ownership that an entity has over the GHG emission reductions or removals generated by the project) is also not sufficient to demonstrate 'overall control or responsibility' of a project."

Section 3.4 of the *VCS CCB Validation Report Template, v3.0* requires that the VVB not only identify, but also discuss and justify conclusions regarding the project proponent and other entities involved in the project.

Section 1.4 of the project description identifies Biofílica Investimentos Ambientais S.A. and ASMOREX as project proponents.

Section 3.4 of the validation report states that Biofílica Environmental Investments and ASMOREX present themselves as project proponents, but does not discuss or justify conclusions for how each entity satisfies the VCS requirements for being a project proponent. Section 5.2 of the validation report appears to describe right of use with respect to ASMOREX, however right of use does not appear to be described with respect to Biofílica Environmental Investments.

Considering the above, the VVB is requested to please clarify whether Biofílica Environmental Investments meets the definition and right of use requirements to be considered a project proponent for this project. The VVB is then requested to update the project documents as may be necessary, including a detailed discussion and justification of its conclusions regarding the assessment of the project proponents.

VVB Response:

In section 3.4 of the validation report, the VVB summarizes the roles of both project proponents, thus discussing their overall control or responsibility for the project. The roles described in this section are related to the physical control over the activity that removes GHG emissions, thus being in conformance with ISO 14064-2, VCS Program Definitions, v3.5 Errata and Clarifications document and the VCS CCB Validation Report Template, v3.0, what can be demonstrated through the text below, taken from VVB

validation report, section 3.4:

"*Biofílica is responsible for the socioeconomic and environmental diagnosis,* ***carbon stocks and baseline studies****; the development and funding of the PDD (Project Design Document); the validation/verification and* ***commercialization of credits*** *and finally the* ***co-management of the project as a whole on the project lifetime*** *and implementation of its conservation activities*"

A description of the project proponent's roles and how they are related to the overall control or responsibility for the project and so, the physical control over the activity that removes GHG emissions, can also be seen in the validated PD, section 1.4.

The right of use with respect to Biofílica Environmental Investments, are secured by an enforceable and irrevocable agreement with ASMOREX, which vests the right of use in them, thus being in compliance with the VCS standard, v. 3.5, item 3.11.1, 1), 2) and 6). This can be demonstrated through the text below, taken from VVB validation report, section 5.2:

"The rights to the carbon from the other project's proponent, Biofílica Environmental Investments, are secured by contract between that organization and the ASMOREX (Ref. 06)."

This contract is considered as commercially sensitive information by the project proponents but was made available to the audit team. The document has clauses that specifies, among other issues, how the right over part of the carbon credits generated by the project is passed from ASMOREX to Biofilica.

VCS Response:

The VVB response above specifically identifies Biofílica's responsibility for producing carbon stock and baseline studies, commercialization of carbon credits and co-management of the project as demonstration of overall physical control over the activity that reduces or removes GHG emissions.

However, note that neither the production of carbon stock and baseline studies, nor the commercialization of carbon credits are activities that reduce or remove GHG emissions. Physical control over co-management of the project would potentially satisfy the prerequisite "overall control or responsibility for the project", if co-management duties involve control over the activities that reduce or remove GHG emissions, and a legal right to such is established and demonstrated per Section 3.11.1 of the *VCS Standard, v3.5*.

With respect to demonstration of right of use in Section 3.11.1 of the *VCS Standard, v3.5*, the VVB notes that documentary evidence establishing right of use is achieved through an enforceable and irrevocable agreement with ASMOREX which vest the right of use in the project proponent (fulfilling evidences 1 and 6 in the VCS Standard). However, Section 5.2 of the validation report describes this agreement as follows:

"The rights to the carbon from the other project's proponent, Biofílica Environmental Investments, are secured by contract between that organization and the ASMOREX (Ref. 06)."

Considering that the *Program Definitions, v3.5 Errata and Clarifications* states that having ownership over the GHG emission reductions or removals generated by the project is not sufficient to demonstrate 'overall control or responsibility' of a project (ie, right of use), it is not clear based on the information available in the validation report that the agreement referenced is sufficient documentary evidence of right of use.

Considering the above, the VVB is requested to clarify how physical control over the activity that reduces or removes GHG emissions is legally accorded to Biofílica.

VVB Response:

VVB has complemented the validation report section 3.4 in order to address this finding, thus better describing Biofilica's roles and responsibilities over the project and how this proves their "overall control or responsibility" for the project, and therefore establish Biofilica's status as a project proponent.

VCS Response:

Section 3.4 of the updated validation report clarifies that Biofílica has right of use over the project activities and that right of use has been demonstrated in enforceable and irrevocable agreements with ASMOREX.

Considering the above, this finding is closed and no further responses are required.

Finding 2

Section 3.4.2 of the *VCS AFOLU Requirements, v3.4* states that the "project proponent shall demonstrate control over the entire project area with documentary evidence establishing conclusively one or more rights of use accorded to the project proponent", noting that for "non-grouped projects, the entire project area shall be under the control of the project proponent at the time of validation, or shall come to be under the control of the project proponent by the first verification event."

The VCS *Program Definitions, v3.5* defines right of use as the "unconditional, undisputed and unencumbered ability to claim that the relevant project… will or did generate or cause such reduction or removal."

Section 3.2.3 of the project description states that "the Agreement of Concession of Real Right of Use has not been signing yet and its formalization is very important to the project implementation…Both the rights of the community as the appropriate body to carry out its settlement are properly supported and safeguarded by law and only part of the formal procedures for its conclusion are pending."

Section 5.2 of validation report states that right of use is "supported by the legal opinion provided by specialized technical consultants", suggesting that the entire project area is legally considered under the control of the project proponent. However, this section continues to states that "the audit team understood that the right to the reserve natural resources belongs to the traditional populations that live within it, upon compliance with the rules laid down in legislation, in the protected area management plan and in a real right contract of use (in Portuguese, CDRU). However, the project proponent still hasn't [sic] a signed CDRU…Then, to ensure in an unequivocal way the statement of rights on carbon by the project's proponent association, audit team issued FAR 01/16."

Section 2.5 of the verification report refers to the "necessity of having a signed CDRU, in order to ensure in an unequivocal way the statement of rights over the carbon by the project's proponent association."

The above references in the project description, validation report and verification report strongly suggest that an Agreement of Concession of Real Right of Use, which has not been signed, is an integral part of establishing the project proponent's right of use over the project. It is therefore not clear whether the project proponent can claim unconditional, undisputed and unencumbered right of use over the entire project area in the absence of the signed agreement.

Considering the above, the VVB is requested to explain whether or how the entire project area is under control of the project proponent, with documented and established right of use, in the absence of a signed Agreement of Concession of Real Right of Use. The VVB is requested to update the project documents as may be necessary. Please also note that the reference to FAR 01/16 appears to pertain to the content of FAR 02/16, and should be adjusted accordingly.

VVB Response:

The traditional communities living inside the reserve are represented by ASMOREX. Their right of use arises from Brazilian Law and from the state decree No. 7,336 that creates the reserve, as it is discussed on the validation report, section 5.2 and the PD, section 3.2, thus being in conformance with the VCS standard v. 3.5, item 3.11.1, 1) and 2). According to the VCS standard, the right of use can be demonstrated by compliance with one or more of the "rights of use categories" cited as example in the standard criteria.

Still, the audit team and the project proponent recognize that one document is missing. That would be the CDRU, a contract with the state government that also proves right of use. This documentation is dependent on the existence of a management plan for the reserve, which is currently being constructed and should be ready in some point in the next monitoring period, before the next verification event. The audit team has raised a Forward Action Request (see FAR#02/16) in order to signalize to ASMOREX the necessity of having this document in hands, thus also stimulating transformations due to the management plan building process that is now happening. However, it is important to note that, by the reasons previously exposed, the lack of this document does not prevent the project proponent's right of use.

The erroneous reference to FAR 01/16 in section 5.2 has been corrected to reference FAR 02/16.

VCS Response:

Based on the VVB's response, it is understood that the entire project area is under control of the project proponent, with documented and established right of use in the form of evidences 1 and 2 listed in Section 3.11.1, in the absence of a signed Agreement of Concession of Real Right of Use.

The erroneous reference to FAR 01/16 in section 5.2 of the validation report has been corrected.

Considering the above, this finding is closed and no further responses are required.

Finding 3

Section 3.5.1 of the *VCS Standard, v3.5* states that 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)... Deviations relating to any other part of the methodology shall not be permitted."

Section 3.2.6 of the *VCS Validation and Verification Manual, v3.1* draws a distinction between the permissible deviations relating to monitoring and measuring procedures and changes to quantification equations, which are not suitable for deviation. The section provides the following example of an impermissible methodology deviation: "The project proponent also proposes a new quantification approach that alters the equation for calculating baseline emissions. The VVB rejects the proposed deviation to the quantification approach, citing the fact that the proposed deviation is not specific to the 'procedures relating to monitoring and measurement'."

Section 4.3 of the project description claims a methodology deviation to replace equation 3 of Step 4.1.2.1 of the methodology with a different equation, citing its conservativeness.

Section 6.3 of the validation report assesses that the methodology deviation is related to monitoring and measurement and that as such, the conservative approach is in conformance with the applicable VCS requirements.

Section 2.2 of the monitoring report claims this deviation under the project description deviations section, rather than the methodology deviations section.

Considering the above, the VVB is requested to reassess the conformance of the methodology deviation with Section 3.5.1 of the *VCS Standard, v3.5*, noting the guidance provided in Section 3.2.6 of the *VCS Validation and Verification Manual, v3.1*. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The proposed methodology deviation is related to **measurement and monitoring** of the historical deforestation rate and projection of the annual baseline deforestation in the reference region in the project lifetime, thus, by the VCS Standard v. 3.5 criteria, item 3.5.1, it can be considered as a possible deviation. Moreover, the proposed deviation makes the baseline deforestation at the reference region parameter accurate and conservative at the same time. The parameter becomes accurately calculated because the proposed equation comes from an exponential decay model while the equation 03 from VM0015 v.1.1 expresses a linear model. The conservativeness of this approach is demonstrated by the project proponent in its carbon calculation spreadsheet[1], in which it can be seen that using the proposed expression, the cumulative baseline deforestation in the reference region is lower than the value found for the same parameter using the VM0015 v1.1 equation 03. It is worth mentioning that the proposed equation comes from the same paper[2] referenced in the methodology as a source for the deforestation rate equation. This article was published in a very reputable source.

The VVB analysis is aligned with the VCS Validation and Verification Manual, v3.1, considering that it was ensured that the proposed methodology deviation did not negatively affect the conservativeness of the quantification of GHG emissions reductions and more, it resulted in greater accuracy. At no point,

[1] See Ref. 45: VM0015_planilha de calculo_Jacunda_2.3.xlsx

[2] See Puyravaud, J.-P., 2003. Standardizing the calculation of the annual rate of deforestation. Forest Ecology and Management, 177: 593-596

the manual explicitly forbids deviations around equations used at the projection of the annual areas of baseline deforestation in the reference region. In the same example mentioned above, the audit team decides to approve the methodology deviation considering that the parameter calculated is available at the project validation: “However, given that the default factor is a parameter available at validation, the VVB determines that the proposed deviation is allowed.”, which is the case of the methodology deviation proposed by the project proponent.

VCS Response:

The nature of the deviation is not allowable under Section 3.5.1 of the *VCS Standard, v3.5*. This is explained further in Section 3.2.6 of the *VCS Validation and Verification Manual, v3.1*. Please note that there are two examples of methodology deviations described in Section 3.2.6 of the VVB manual. The example which alters the equation for calculating baseline emissions (which is applicable to this finding) is rejected in that example.

Considering the above, the VVB is requested to reassess the conformance of the methodology deviation with Section 3.5.1 of the *VCS Standard, v3.5*, noting the non-compliance with VCS requirements. The VVB is requested to update the project documents as may be necessary in the removal of this ineligible deviation.

VVB Response:

The project proponent has adopted the linear equation proposed by the methodology, thus redefining the historical deforestation rate, deforestation modelling and the GHG emission reduction estimates. The PD, MR and the carbon calculation spreadsheet were updated to reflect these changes, which was verified by the VVB. VVB has updated the validation report and the verification report to reflect these changes.

VCS Response:

The project description, validation report, monitoring report and verification report have been updated to apply equation 3 of Step 4.1.2.1 of the methodology and emission reductions have been recalculated.

References to the methodology deviation have been removed from the project description, validation report and monitoring report, however the verification report still claims the ineligible deviation in Section 3.2. It therefore appears that this section of the verification report has not been updated as required.

With respect to the recalculation of emission reductions, Table 43 in Section 5.6 of the project description identifies the estimation of avoided emissions over the entire crediting period to be 12,428,713. Section 11 of the validation report validates that “The project estimates avoid the emission of 12,428,726 tCO2e over the 30 year project lifetime.” The validation report therefore validates a different estimated emission reduction total than what is represented in the project description.

Considering the above, the VVB is requested to address the discrepancy in emission reduction totals and the reporting of the methodology deviation in Section 3.2 of the verification report.

VVB Response:

The VVB has reviewed the verification report to address this VCS finding, thus erasing any reference from methodology deviations from the document. The VVB has also reviewed the validation report in order to show the correct value of the ex-ante estimates, which is the rounded value of 12,428,713.

VCS Response:

Section 3.2 of the updated verification report states that no methodology deviations have been applied during the verification period.

The validation report has been updated to revise the estimation of avoided emissions to 12,428,713. This value matches the value estimated in the project description.

Considering the above, this finding is closed and no further responses are required.

Finding 4

Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* states that deforestation agent groups expected to encroach into the project area must exist or have existed and caused deforestation elsewhere in the reference region during the historical reference period.

Section 4.4 of the project description states that illegal loggers, invaders, squatters, small and medium farmers make up the main group of drivers of deforestation occurring in the region.

Section 6.4 of the validation report states that the reference region had been demarcated according to a set of similarity criteria, but does not appear to include any assessment of whether the agent groups described in the project description has existed and caused deforestation elsewhere in the reference region during the historical reference period.

Considering the above, the VVB is requested to include an assessment of the agent groups criteria for the defined reference region. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The deforestation agent groups were identified by the project proponent, first through field interviews[3], consulting researchers from UNIR[4] and representatives of local institutions[5], which can be observed at the PD, section 4.5. After that, the project proponent has assessed the relative importance of each

[3] Data collected between July 27 to August 1, 2013 for the Socioeconomic Diagnosis conducted by Rioterra (2013)

[4] Federal University from the state of Rondônia.

[5] CDREX members: SEDAM from Machadinho D'Oeste, ASMOREX, ASM e OSR.

agent through an analysis of LU/LC-change matrix over the reference region, by overlaying land use and land cover change maps obtained in the historical reference period with a land tenure map, understanding that each agent usually converts forests for a specific purpose and following the VM0015 v. 1.1, section 3.1 criteria. This analysis results can be checked over the PD section 4.5. The project proponent is specific about the contribution of each deforestation agent group in deforestation, in the reference region, in the historical reference period. The VVB has assessed and testified the identified deforestation agents through direct field observations[6] and interviews with community representatives during the audit, but more than that, the agents, drivers and underlying causes of deforestation in Brazilian amazon are well studied, documented and well known. It is clear that the identified deforestation agents have existed and caused deforestation elsewhere in the reference region during the historical reference period.

The VVB has assessed the similarity criteria used by the project proponent to define the reference region and raised the NCR#04/16, which was properly addressed by the project proponent and closed by the VVB during the auditing process. The whole reference region was redefined to demonstrate that the conditions determining the likelihood of deforestation within the project area are similar to those found within the reference region.

VCS Response:

The VVB has confirmed that the identified deforestation agents expected to encroach into the project area have existed and caused deforestation elsewhere in the reference region during the historical reference period.

Considering the above, this finding is closed and no further action is required.

Finding 5

Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* requires that if new or improved infrastructure (such as hydroelectric reservoirs) is expected to develop near or inside the project area, the reference region must include a stratum where such infrastructure was built in the past and where the impact on forest cover was similar to the one expected from the new or improved infrastructure in the project area.

Section 4.4 of the project description states that "infrastructure vectors that can increase the risk of deforestation are the official and unofficial roads (extensions and carriers). The reference region is undergoing feasibility studies for a hydroelectric plant construction." Section 4.5 of the project description states that the "reference region does not have stratified limits, since the agents, vectors and causes of deforestation were considered equal in all its area."

Section 6.4 of the validation report states that the reference region had been demarcated according to a set of similarity criteria, but does not appear to include any assessment of the infrastructure drivers criteria.

[6] Ref. 10: Fotos de auditoria, equipe auditora, 23 e 27 de Novembro de 2015

Neither the project description nor the validation report appear to explain the appropriateness of not including a stratum in the reference region to account for the potential hydroelectric plant.

Considering the above, the VVB is requested to include an assessment of the infrastructure drivers criteria for the defined reference region, including whether the exclusion of a stratum for the potential hydroelectric plant is consistent with the methodology. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The project proponent has identified the hydroelectric plant government project only as a potential deforestation driver, because there are still undergoing feasibility studies for its implementation, which was corroborated by the federal public ministry representative in an interview with the VVB lead auditor and also through an analysis of the hydroelectric plant project dossier, that shows the preliminary status in which this project is found.

The VVB found the approach of not considering a stratum in the reference region to account for the potential hydroelectric plant implementation emissions in the baseline as appropriate and conservative, as seen that the methodology requirements orients project developers to account the emissions of the infrastructure implementation based on the impact on forest cover in a similar context, but in another place, in the past. It is also a good point to mention and a fortitude in the project design that the project proponent has identified infrastructure drivers such as the potential hydroelectric plant constructing, because it will reconsider how significant the effect of this driver can be by the time the baseline will be reset.

VCS Response:

Based on the VVB's response, it is understood that the preliminary nature of the potential hydroelectric plant makes the inclusion of a stratum for the plant unnecessary at this time.

Considering the above, this finding is closed and no further action is required.

Finding 6

Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* states that at least three of the four landscape configuration and ecological conditions listed in the methodology must be satisfied by the proposed reference region.

Section 4.4 of the project description appears to claim that the reference region meets such criteria, however the stated conditions in the project description do not match the requirements in the methodology. For example, the methodology requires that at least 90% of the project area must have forest classes or vegetation types that exist in at least 90% of the rest of the reference region. While the project description states that 100% of project area has the same vegetation types found in the reference region, it does not include any details with respect to what percent of the reference region this applies. These details are missing from all three conditions described, including forest/vegetation classes, elevation and slope.

Section 6.4 of the validation report states that the reference region had been demarcated according to

a set of similarity criteria, but does not appear to include an assessment of the landscape configuration and ecological conditions.

Considering the above, the VVB is requested to include an assessment of the landscape configuration and ecological conditions present in the project and reference region. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The VVB has assessed the similarity criteria used by the project proponent to define the reference region and raised the NCR#04/16, which was properly addressed by the project proponent and closed by the VVB during the auditing process. The whole reference region was redefined to demonstrate that the conditions determining the likelihood of deforestation within the project area are similar to those found within the reference region.

The project design states that 100% of project area has the same vegetation types found in the reference region; 100% of the project area is within the elevation range of the reference region; 100% of the average slope of the project area is within the range of the reference region slope, over the PD, section 4.4, which has been demonstrated by the project proponent to the VVB during the auditing process, though the usage of a GIS software. The results of the polygons interpolation showing 100% of overlapping at the landscape configuration and ecological conditions over the reference region and the project area are registered at the project documentation (ref. 44[7])

VCS Response:

As noted by VCS above, the stated conditions in Section 4.4 of the project description do not match the requirements in the methodology. The statements with respect to the landscape configuration and ecological conditions are therefore too ambiguous to definitively represent conformance to Section 1.1.1 of the methodology.

The VVB is requested to ensure that the requirements as provided in the methodology are accurately represented in the project description, updating the project documents as may be necessary. The VVB is also requested to include an assessment in the validation report of the landscape configuration and ecological conditions present in the project and reference region, noting that NCR#04/16 does not specifically assess these conditions. Further, the VVB's assessment of such is requested to be included in the appropriate section of the validation report (Section 6.4) rather than in the non-conformance reports and observations in Appendix 1.

VVB Response:

The project area is characterized by the occurrence of tree types of forest. Open Sub montane Ombrophilous forest, Open Lowland Ombrophilous forest and Dense Ombrophilous forest. These tree types together cover 98.5% of the project area. The same forest classes also exist in the reference region, corresponding to 98.8% of the territory. The same representativeness can be observed for other landscape configurations such as slope and elevation. The project area and the reference region are

[7] Ref. 44: Relatório de Projeção de Linha de Base - RESEX RPJ.pdf

located in a homogeneous, flat low elevation region, as is the bigger part of the Brazilian Amazon. 99.2% of the project area has 0 to 20% slope. The same slope classes can be observed at the reference region, where 95.3% of the area has 0 to 20% slope. 100% of the project area falls within areas with elevation less than 200m above sea level. The same elevation zones can be observed within the reference region, where 96.8% of the area is less than 200m height above sea level. The project proponent revised the project documentation in order to address this VCS finding, better demonstrating that the conditions determining the likelihood of deforestation within the project area are similar to those found within the reference region. The VVB has assessed the different types of forest and the different classes of slope and elevation independently, using open data sources of information from INPE and IBGE. It is the audit teams understanding that the conditions determining the likelihood of deforestation within the project area are similar to those found within the reference region and therefore the project is in conformance with the methodology requirements, step 1.1.1. Section 6.4 of the validation report has been modified to reflect our assessment of this issue.

VCS Response:

Section 4.4 of the updated project description details the landscape configuration and ecological conditions of the project area and reference region as required to demonstrate adherence to Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"*.

Section 6.4 of the updated verification report includes the VVB's positive assessment of the landscape configuration and ecological conditions described in the project description.

Considering the above, this finding is closed and no further action is required.

Finding 7

Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* states four socio-economic and cultural conditions must be met in the reference region, including conditions related to the legal status of the land, land tenure, land use and enforced policies and regulations.

Section 4.4 of the project description appears to confirm that those conditions described above are similar in both the project area and the reference region.

Section 6.4 of the validation report states that the reference region "had been demarcated according to a set of similarity criteria including socio-political aspects, such as the buffer zones of the set of extractive reserves of municipalities Machadinho D'Oeste and Vale do Anari", but does not appear to assess the descriptions provided in Section 4.4 of the project description, or the individual socio-economic and cultural conditions described in the methodology.

Considering the above, the VVB is requested to include an assessment of socio-economic and cultural conditions present in the project and reference region. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The VVB has assessed the similarity criteria used by the project proponent to define the reference region and raised the NCR#04/16, which was properly addressed by the project proponent and closed

by the VVB during the auditing process. The whole reference region was redefined to demonstrate that the conditions determining the likelihood of deforestation within the project area are similar to those found within the reference region. This was made by the project proponent by resetting the reference region in a way that encompasses other extractive reserves in the municipalities of Machadinho D'Oeste and Anari and their buffer zone. The VVB has determined that the land in the project area and in the reference region has the same legal status (conservation units), tenure (public), use (conservation) and polices/regulations (Brazilian federal and state law), thus being in conformance with the VM0015 v. 1.1 requirements.

VCS Response:

The VVB response above states that the project proponent's project area and reference region comparisons of legal status of the land, land tenure, land use and enforced policies and regulations is accurate and in conformance with the methodology. However, the project documents have not been updated to reflect this assessment.

The VVB is requested to include an assessment in the validation report of the socio-economic and cultural conditions present in the project and reference region, noting that NCR#04/16 does not specifically assess these conditions. Further, the VVB's assessment of such is requested to be included in the appropriate section of the validation report (Section 6.4) rather than in the non-conformance reports and observations in Appendix 1.

VVB Response:

VVB has complemented the validation report section 6.4, in order to address this finding, thus showing how, based on a specific set of criteria, the project area and the reference region can be considered as similar territories, with the same likelihood of deforestation.

VCS Response:

Section 6.4 of the updated validation report includes the VVB's positive assessment of the socio-economic and cultural conditions present in the project and reference region.

Considering the above, this finding is closed and no further action is required.

Finding 8

Section 1.1.3 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* describes the mobility analysis method of defining the leakage belt boundary. This method assesses the mobility of deforestation agents using a multi-criteria analysis, which requires the project proponent to list all relevant criteria that facilitate and constrain the mobility of the main deforestation agents. Such criteria should be obtained using verifiable sources of information.

Section 4.4 of the project description states that "Facilities criteria related to mobility of drivers of deforestation were areas of increased risk of deforestation and areas close to roads. The restriction criteria to mobility of drivers of deforestation was the selection of areas within extractive reserves with similar features to Resex Rio Preto Jacundá. Based on this approach, the leakage belt was allocated

in areas located in Resex Angelim, Resex Castanheira and Resex Aquariquara…" The project proponent appears to claim two criteria that facilitate the mobility of deforestation agents (areas of deforestation risk and areas close to roads) however it is unclear whether an area's deforestation risk is itself a sufficiently distinct facilitator of mobility, or whether there are criteria contributing to that deforestation risk that would be more appropriately described as mobility facilitators. For all facilitating and constraining criteria, the verifiable sources of the information do not appear to be referenced in the project description.

Section 6.4 of the validation report states that "the choice of option 2 - mobility analysis for allocation of the leakage belt was justified by the change analysis in land use and supported by expert opinion carried out by the CES Rio Terra, a partner organization of the project." The validation report does not appear to include an assessment of the mobility criteria, including the appropriateness of each facilitating and restrictive criterion. Further, it is unclear whether CES Rio Terra contributed to the choice of applying mobility analysis, or whether their support included the selection of criteria. If the opinion of the partner organization was used as a verifiable source to identify the mobility analysis criteria, the validation report does not appear to assess whether CES Rio Terra can be considered a verifiable source for these purposes.

Considering the above, the VVB is requested to include an assessment of the mobility criteria and whether such criteria were identified using verifiable sources per the requirements of the methodology. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The project proponent used the limits of the extractive reserves in the reference region and the deforestation risk map, produced based on the factor maps and the variables that explain deforestation, to define the leakage belt, as it can be seen in the PD, section 4.5. The project proponent considered 6 independent spatial variables (distance from roads, old deforestation areas, vegetation type, slope and legal status of the area) to elaborate the deforestation risk map. The calculated risk was used as a facilitation criterion, and the distance from roads, a spatial variable with high correlation with deforestation was used. All the spatial variables constitute verifiable sources of information, as such are the deforestation and factor maps, the DinamicaEGO files[8], etc. The restriction criterion was the limits of the other extractive reserves at the reference region. The logic behind the method proposed by the project proponent is that, finding difficulties to "explore" the RESEX Rio Preto Jacundá, the deforestation agents would look for other public lands at the same state, with less governance and transparency, such as Resex Angelim, Resex Castanheira and Resex Aquariquara, which doesn't have any additional protection initiative, such as the REDD+ project over the RRPJ. That is why the restriction criterion applied makes sense in VVBs opinion. CESRioTerra is a local partner with knowledge about forestry and deforestation dynamics. In that matter, they have helped to support the idea that the deforestation in the reference region was not profitable, allowing the project proponent to choose the option II – mobility analysis to delimitate the leakage belt. It is worth noting that the NCR#04/16 was raised exactly because the VVB found no evidence of any analysis to corroborate the choice for option 2 - mobility analysis at the expense of option 1 for allocation of the leakage belt. During the auditing process, the leakage belt was relocated, redefined, the choice of the mobility analysis approach was

[8] Software used for modelling the deforestation

clarified and corroborated, and the NCR#04/16 was closed. It is also worth noting that the delimitated leakage belt has 36,698.00 ha.

VCS Response:

The VVB response above has clarified that CES Rio Terra contributed to the choice of applying mobility analysis.

The VVB response above clarifies that the “areas of deforestation risk” facilitating criteria is composed of six independent spatial variables, listing five (distance from roads, old deforestation areas, vegetation type, slope and legal status of the area). The VVB response further appears to confirm that such criteria were identified using verifiable sources.

Considering that the project description lists two facilitating criteria, “areas of deforestation risk” and “areas close to roads”, the VVB is requested to clarify why the project description includes “areas close to roads” as a criterion if distance from roads is already accounted for as an independent spatial variable for “areas of deforestation risk”. If this is repetitive, VVB is requested to update the project documents as may be necessary.

The VVB response above also provides an assessment of the facilitating and restrictive mobility criteria. Please note however that such an assessment is required to be included in an updated version of the validation report. The VVB is therefore requested to revise the validations report to include these assessments.

VVB Response:

VVB has complemented the validation report section 6.4, in order to address this finding, thus showing how the project proponent used a multi-criteria analysis to corroborate its choice of option 2 – mobility analysis to allocate the leakage belt.

VCS Response:

Section 4.4 of the project description has been updated to clarify the facilitating criteria used in the mobility analysis, previously described as “areas of deforestation risk”.

Section 6.4 of the validation report has been updated to provide an assessment of the facilitating and restrictive mobility criteria. However, paragraph 5 of this section appears to start with an incomplete sentence and it is therefore unclear whether this section is missing information that was intended to be included in the assessment.

The VVB is requested to address the missing content of Section 6.4, paragraph 5 of the validation report.

VVB Response:

The VVB has reviewed the validation report in order to adress this VCS finding, thus improving the wording of the fifth paragraph of the section 6.4 and correcting the previous typo.

VCS Response:

Section 6.4 of the updated validation report has been amended to resolve the missing content in paragraph 5.

Considering the above, this finding is closed and no further action is required.

Finding 9

Section 6.6 of the *VCS CCB Validation Report Template, v3.0* states that the VVB must identify, discuss and justify conclusions regarding the demonstration on additionality.

Section 6.6 of the validation report summarizes the steps that the project proponent took to demonstrate additionality, and concludes this summary by stating that "based on the arguments set (Ref. 40) the audit team agrees with on the proponent the project's additionality." The VVB does not appear to discuss or justify its conclusions regarding the demonstration of additionality, including the details in Finding 10 below.

Considering the above, the VVB is requested to discuss and justify its conclusions regarding the project proponent's demonstration of additionality.

VVB Response:

The VVB has raised the NCR#01/16, on regards to project additionality, in which it discusses the non-conformances found due to a full analysis of the project documentation contents related to additionality demonstration. The project proponent has addressed the non-conformity report properly, reconsidering the alternative and credible land use scenarios and the barriers stated for the project implementation. Yet, the NCR#02/16 focuses on the discrepancies that originally existed between some barriers identify in the additionality and the non-permanence risk assessments, which were also properly addressed by the project proponent. The VVB determined that the remaining steps were sufficiently performed by the project proponent and that the validation report sufficiently describes how the conformance with the applicable tool can be demonstrated.

VCS Response:

The NCR#01/16 adds some context to the assessment of additionality, including the inclusion of SEDAM enforcement as an alternative approach and that the "audit team understands that the proponent has raised sufficient evidence in order to prove project's additionality, taking in consideration the VCS tool VT0001 v.3.0", however the VVB has not justified its conclusions regarding the project proponent's demonstration of additionality.

The VVB is requested to justify its conclusions of the project proponent's demonstration of additionality, including the identification of alternative land use scenarios, barriers and common practice analysis in a revised Section 6.6 of the validation report.

VVB Response:

VVB has complemented the validation report section 6.6, in order to address this finding, thus justifying its conclusions of the project proponent's demonstration of additionality.

VCS Response:

Section 6.6 of the updated validation report includes the VVB's positive assessment of the project proponent's demonstration of additionality.

Considering the above, this finding is closed and no further action is required.

Finding 10

Section 2.1.2 of *VT0001, v3.0 "Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities"* requires the project proponent to demonstrate that all land use scenarios identified in sub-step 1a of the tool are in compliance with enforced mandatory applicable laws and regulations. Section 2.1.2(a)(ii) requires that "if an alternative does not comply with all mandatory applicable legislation and regulations then show that, based on an examination of current practice in the region in which the mandatory law or regulation applies, those applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread, i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area."

Section 4.6 of the project description states that the continuation of the pre-project land use, identified as one of the land use scenarios, is not in compliance with applicable laws and regulations. The project description also describes how recent studies indicate non-compliance with those applicable laws and regulations, including that 26% of deforestation in the state of Rondônia occurred in protected extractive reserves. However, the project proponent does not explicitly demonstrate that non-compliance with those requirements is prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area, as is required in the methodology.

Section 6.6 of the validation report summarizes the steps that the project proponent took to demonstrate additionality, and concludes this summary by stating that "based on the arguments set (Ref. 40) the audit team agrees with the proponent on the project's additionality." The VVB does not appear to assess whether the project proponent has sufficiently addressed Section 2.1.2(a)(ii) of the methodology or otherwise justify their conclusion.

Considering the above, the VVB is requested to assess whether the project proponent has sufficiently addressed Section 2.1.2(a)(ii) of the methodology. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The extreme critical situation in which Brazilian Amazonian Rainforest are in, in terms of illegal deforestation and forest degradation are well known, as is the pressure over conservation units and the lack of law enforcement over this public lands. The project proponent presents data from literature coming from reputable sources[9] to corroborate its statement that the law is systematically not enforced

[9] http://imazon.org.br/PDFimazon/Portugues/livros/APsCriticas_2015.pdf

on the region and that non-compliance with its requirements is widespread. From 2012 to 2014, 1.5 million ha were deforested at the Brazilian Amazon. 10% of this deforestation has happened on conservation units, what can be understood as illegal deforestation and demonstrates lack of law enforcement. 39% of this amount happened on the state of Rondônia. In the same period, Machadinho do Oeste, which is the smallest administrative unit that encompasses the project area, figures as the seventh municipality with higher deforestation rates[10]. The VVB agrees with the argumentation presented by the project proponent and on the reliability of the sources provided.

The VCS tool, VT0001 VCS AFOLU Additionality Tool v3.0, points this 30% threshold for demonstration of occurrence of areas in which there is lack of law enforcement just as an example: "*i.e., prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area*", thus not configuring a specific mandatory requirement, but a directive. However, the audit team determined that there is no evidence of non-conformance with the applicable criteria in this case, as the VVB is aware, based on literature review and its own experience in Brazilian Amazon rainforest, that in reality the continuation of the pre-project land use, as an alternative and credible scenario, represents illegal activities being performed with insufficient law enforcement. The same reality is demonstrated for several other conservation units in the state of Rondônia[9]. In a general sense, the state agency that is responsible for surveillance activities over these conservation units does not have resources enough to prevent the deforestation agent's activity over all the reserves, effectively; not to mention the inherent corruption problem over Brazilian government institutions. Moreover, deforestation agents in Brazil can be very organized, influencing or even occupying, political positions, in a way of undermines the maintenance of this conservation units.

Taking all of this in consideration, the VVBs agree with the project additionality.

VCS Response:

Per Section 2.1.2(a)(ii), demonstration that non-compliance with the applicable requirements is prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area is indeed a mandatory requirement of the additionality tool.

The VVB is therefore requested to assess whether the project proponent has sufficiently addressed Section 2.1.2(a)(ii) of the additionality tool. The VVB is requested to update the project documents to reflect this assessment.

VVB Response:

The project proponent has revised the project design section 4.6, in order to address this finding, thus proving that applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread and prevalent on at least 30% of the area of the smallest administrative unit that encompasses the project area. In doing so, using open and verifiable data sources, the project proponent has compared forest suppression licenses given by the state government with the deforestation rate at the monitoring period. The comparisons made make it clear that the deforested area is much bigger than what could be considered as legal deforestation,

[10] http://www.imazon.org.br/PDFimazon/Portugues/transparencia_florestal/SADJaneiro2016_newsletter.pdf

thus revealing that the applicable mandatory legal or regulatory requirements are systematically not enforced and that non-compliance with those requirements is widespread.

VCS Response:

Section 4.6 of the project description has been updated to describe the project's adherence to Section 2.1.2(a)(ii) of the additionality tool.

Section 6.6 of the updated validation report includes the VVB's positive assessment of the project's adherence to Section 2.1.2(a)(ii) of the additionality tool.

Considering the above, this finding is closed and no further action is required.

Finding 11

Section 8.1 of the *VCS CCB Project Description Template, v3.0* and Section 3.3 of the *VCS Monitoring Report Template, v3.3* require that the project proponent identify the organizational structure, responsibilities and competencies of those engaged in monitoring of the project, and to describe the procedures for handling internal auditing and non-conformities.

Section 8.1 of the project description states that Biofílica Environmental Investments will coordinate the monitoring process for the duration of the project, however the organizational structure and competencies of the monitoring teams do not appear to be identified as required. The description of the procedures for internal auditing and handling non-conformities do not appear to be present in the project description. Section 3.3 of the monitoring report also appear to exclude the above information.

Considering the above, the VVB is requested to address the reporting's conformance to Section 8.1 of the *VCS CCB Project Description Template, v3.0* and Section 3.3 of the *VCS Monitoring Report Template, v3.3*. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The Project Proponent has reviewed the PD(section 8.1) and MR (section 3.3) to address this VCS finding, identifying the organizational structure, responsibilities and competencies of those engaged in monitoring of the project and also, describing the procedures for handling internal auditing and non-conformities.

VCS Response:

Section 8.1.1 of the revised project description identifies the organizational structure and competencies of the monitoring teams.

Section 8.1.2 of the revised project description includes the procedures for internal auditing and handling of non-conformities.

Section 3.3 of the revised monitoring report identifies the organizational structure and competencies of the monitoring teams and a description of the internal auditing performed per 8.1.2 of the project description.

Considering the above, this finding is closed and no further action is required.

Finding 12

Section 10.1 of the *VCS CCB Validation Report Template, v3.0* requires that the VVB identify, discuss and justify conclusions regarding data and parameters available at validation and monitored.

Section 10.1 of the validation report validates that the monitoring plan complies with the methodology, but does not identify, discuss and justify conclusions regarding the parameters set out in the project description.

Considering the above, the VVB is requested to identify, discuss and justify conclusions regarding data and parameters available at validation and monitored.

VVB Response:

The VVB has updated the validation report to address this VCS finding, identifying, discussing and justifying conclusions regarding the parameters set out in the project description.

VCS Response:

Section 10.1 of the updated validation report identifies, discusses and justifies conclusions regarding data and parameters available at validation and monitored. The VVB further concludes that the parameters are relevant and their usage accurately reflects the requirements in the methodology.

Considering the above, this finding is closed and no further action is required.

Finding 13

Footnote 5 of Section 1.1.1 of *VM0015, v1.1 "Methodology for Avoided Unplanned Deforestation"* states that the reference region should be "20-40 times the size of the project area" for projects below 100,000 hectares, noting that those figures are indicatives and that "the exact ratio between the two areas depends on the particular regional and project circumstances."

Section 4.4 of the project description states that the project area corresponds to an area of 94,289 hectares, while the reference area corresponds to an area of 734,158 hectares.

Section 6.4 of the validation report confirms the size of the reference region, stating that it "had been demarcated according to a set of similarity criteria."

Per the project description and the validation report, the reference region is less than 7 times larger than the size of the project area, rather than 20-40 times larger as recommended by the methodology.

Considering the above, the VVB is requested to include its assessment of the project proponent's approach with respect to reference region size. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The footnote 5 of the VM0015 v. 1.1 uses the wording “should”, not “shall”. It is the VVB understanding that this is more of a recommendation than a prescriptive rule of the methodology. Still, the audit team considered the area of the reference region in relation to the project area. The project is almost 100,000 ha in size, being considered big enough to fall under the category of projects for which is recommended to have a reference region 5-7 times larger than the project area.

VCS Response:

As noted by the VVB, footnote 5 of Section 1.1.1 describes the recommended size of the reference region and the exact ratio between the project area and the reference region depends on the particular regional and project circumstances. Nonetheless, the VVB is required to consider this guidance in the methodology and is therefore requested to include in the validation report its assessment of the project proponent’s approach with respect to reference region size. The VVB is requested to update the validation report to include this assessment.

VVB Response:

The VVB has updated the validation report to address this VCS finding, identifying, discussing and justifying conclusions regarding the parameters set out in the project description.

VCS Response:

Section 6.4 of the updated validation report includes the VVB’s positive assessment of the project proponent’s approach to an appropriate reference region size.

Considering the above, this finding is closed and no further action is required.

Finding 14

Section 1.1 of the *VCS Monitoring Report Template, v3.3* requires that the project proponent include the relevant implementation dates of the project in the summary description. Section 1.1 also requires that the project proponent include the total GHG emission reductions or removals generated during the monitoring period in the summary description.

Section 1.1 of the monitoring report includes the year of State Decree 7,336, but does not include any other relevant implementation dates. Section 1.1 does not include the total GHG emission reductions or removals generated during the monitoring period.

Considering the above, the VVB is requested to address the monitoring report’s conformance to Section 1.1 of the *VCS Monitoring Report Template, v3.3*. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The Project Proponent has updated the monitoring report to address this VCS finding, including the

relevant implementation dates of the project and the total GHG emission reductions generated during the monitoring period in the summary description.

VCS Response:

Section 1.1 of the revised monitoring report includes the relevant implementation dates of the project and the total GHG emission reductions or removals generated during the monitoring period in the summary description.

Considering the above, this finding is closed and no further action is required.

Finding 15

Section 1.8 of the project description states that the project crediting period is 1 October 2012 to 1 October 2042 and that the crediting period is 30 years in length. Section 3.7 of the validation report confirms both the dates and length of the crediting period.

Section 1.6 of the monitoring report states that the project crediting period is 1 October 2012 to 12 October 2012.

The VVB is requested to address the discrepancy between the crediting period in the project description and the monitoring report. Further, please note that the crediting period of 1 October 2012 and 1 October 2042 consists of a length of 30 years and 1 day if such dates are read as being inclusive (as would be consistent with the representation of the vintage periods). The VVB is therefore requested to also clarify the length of the crediting period, adjusting the dates as may be necessary.

VVB Response:

The project proponent has corrected the identified typo on the project description. The correction of this error was confirmed during review by the audit team. Markit has requested for the VVB and the project proponent to set all of the auditing documents, including the PD, MR, validation and verification reports, validation and verification statements, etc, to show the crediting and monitoring periods like this: from 01 October 2012 to 01 October 2015/2042.

VCS Response:

Section 1.6 of the revised monitoring report states that the project crediting period is 1 October 2012 to 1 October 2042, correcting the reference to 12 October 2012.

However, Section 1.8 of the project description and Section 3.7 of the validation report still claim a project crediting period of 1 October 2012 to 1 October 2042 for an incorrectly described period of 30 years in length. Per the statements by VCS above, a crediting period of 1 October 2012 and 1 October 2042 consists of a length of 30 years and 1 day. Please also note that the guidance provided by Markit pertained specifically to the verification period dates, which originally ended on 2 October 2015 prior to its revision.

The VVB is therefore requested to revise either the crediting period date range or the reference to its duration to correct the inconsistency.

VVB Response:

Project proponent and VVB have reviewed the project description and the validation report, respectively, to address this finding. The project lifetime was corrected to 1 October 2012 to 30 September 2042 in both documents.

VCS Response:

The project description, validation report and monitoring report have been updated to list the crediting period as 1 October 2012 to 30 September 2042.

Considering the above, this finding is closed and no further action is required.

Finding 16

Section 3.1 and Section 3.2 of the *VCS Monitoring Report Template, v3.3* states that the "purpose of the data" field for each parameter shall indicate whether the parameter contributes to the calculation of baseline emissions, project emissions or leakage. Section 3.2 of the template requires that the "value monitored" field for each parameter shall indicate an estimated value for the data/parameter.

Section 3.1 of the monitoring report contains the following "purpose of the data" fields that do not indicate whether the data and parameters contribute to the calculation of baseline emissions, project emissions or leakage:

Parameter	Purpose of the Data
Ctot	Above-ground biomass estimate was carried out using forest inventory data, allometric equations developed in areas similar to the project area (Silva, 2007).
DBH	VCS Methodology VM0015 requirement. Data from forest inventory collected less than 10 years ago from multiple plots at wide spatial distribution.
CF	Value found in scientific literature.
44/12	IPCC standard value
Open area for management infrastructure	*Blank*

Section 3.2 of the monitoring report excludes from the report the "purpose of the data" field for each data and parameter monitored.

Section 3.2 of the monitoring report lists "N/A" in the "value monitored" field for the parameter DBH.

Considering the above, the VVB is requested to address the monitoring report's conformance to Section 3.1 and Section 3.2 of the *VCS Monitoring Report Template, v3.3*. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The project proponent has corrected the identified errors on the project description, which was

confirmed by auditor review.

VCS Response:

Section 3.1 of the revised monitoring report contains the appropriate “purpose of the data” field designations.

Section 3.2 of the revised monitoring report now includes the “purpose of the data” field for each data and parameter monitored.

Section 3.2 of the revised monitoring report still lists “N/A” in the “value monitored” field for the parameter DBH. The VVB is therefore requested to include relevant “value monitored” information for this parameter. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The project proponent has updated the monitoring report to address this VCS finding indicating the inventory spreadsheet as a reference. The audit team agrees with this approach, understanding that there are many values monitored for this specific parameter.

VCS Response:

The monitoring report has been updated to include the relevant “value monitored” information for this parameter by identifying the appropriate resource for where this information is recorded.

Considering the above, this findings is closed and no further action is required.

Finding 17

Section 4.1, 4.2 and 4.3 of the *VCS Monitoring Report Template, v3.3* requires the project proponent to quantify the baseline emissions/removals, project emissions/removals and leakage emissions, respectively, while providing sufficient information to allow the reader to reproduce the calculation.

Section 4.1, 4.2 and 4.3 of the monitoring report summarizes the key results of the project calculations in tables, but do not contain any calculations. There therefore does not appear to be sufficient information in each section to allow the reader to reproduce the calculation of baseline emissions/removals, project emissions/removals and leakage emissions.

Considering the above, the VVB is requested to address the monitoring report’s conformance to Section 4.1, Section 4.2 and Section 4.3 of the *VCS Monitoring Report Template, v3.3*. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The Project Proponent has updated the monitoring report to address this VCS finding, providing sufficient information to allow the reader to reproduce the baseline, project and leakage emissions calculations in sections 4.1, 4.2 and 4.3.

The proponent has provided the electronic spreadsheet with the complete set of the quantification of

GHG emission reductions in a separate file.

VCS Response:

Section 4.1, 4.2 and 4.3 of the revised monitoring report contains sufficient information to allow the reader to reproduce the calculation of baseline emissions/removals, project emissions/removals and leakage emissions.

Considering the above, this finding is closed and no further action is required.

Finding 18

The VCS *Program Definitions, v3.5* defines a Verified Carbon Unit (VCU) as an amount of one metric tonne of CO_2 equivalent. Applying this definition, an emission reduction or removal equalling a fraction of one metric tonne of CO_2 is not a VCU.

Section 4.4 of the monitoring report represents the ex post net anthropogenic GHG emission reductions, ex post VCUs tradable and ex post buffer credits attributed to each vintage of the project's monitoring period in units of 1/10 of one metric tonne of CO_2.

Section 5 of the verification report represents net GHG emission reductions or removals, VCUs and each vintage's buffer account contribution in units of 1/10 of one metric tonne of CO_2.

Considering the above, the VVB is requested to represent VCU and buffer credit totals as whole numbers, which requires that the ex post net anthropogenic GHG emission reductions be rounded down to the nearest whole number, the subsequent buffer calculation be rounded up to the nearest whole number, and the subsequent VCU calculation be rounded down to the nearest whole number. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The Project Proponent has updated the MR to address this VCS finding, expressing whole numbers, instead of decimals. The VVB has updated the verification report, section 5 in this same regard.

VCS Response:

Section 4.4 of the revised monitoring report contains whole number amendments to the ex post net anthropogenic GHG emission reductions, ex post VCUs tradable and ex post buffer credits attributed to each vintage of the project's monitoring period. These amended totals are likewise reflected in Section 5 of the revised verification report. However, these amendments are not rounded correctly.

The ex post net anthropogenic GHG emission reductions and the subsequent ex post VCUs tradable must be rounded down to the nearest whole number. This means that any decimal value for those numbers must be rounded down (eg, 0.9 is rounded down to 0.0). The subsequent ex post buffer credits must be rounded up. This means that any decimal value for those numbers must be rounded up (eg, 0.1 is rounded up to 1.0).

The VVB is requested to update the project documents as necessary.

VVB Response:

Project proponent and VVB have revised the MR and verification report, respectively, to address this finding, following the specific VCS recommendations in regards to this matter, i.e. rounding up the ex post buffer credits and rounding down the ex post net anthropogenic GHG emission reductions and the subsequent ex post VCUs tradable to nearest whole numbers.

VCS Response:

Section 4.4 of the revised monitoring report contains whole number amendments to the ex post net anthropogenic GHG emission reductions, ex post VCUs tradable and ex post buffer credits attributed to each vintage of the project's monitoring period. These amended totals are likewise reflected in Section 5 of the revised verification report. However, the calculations for the vintage period of 01 October 2014 to 30 September 2015 incorrectly apply the non-permanence risk rating, in addition to containing what appear to be rounding errors.

The project proponent calculates 496,770 ex post net anthropogenic GHG emission reductions for the 01 October 2014 to 30 September 2015 vintage period. The project proponent then appears to apply the 10% non-permanence risk rating to this total to calculate the buffer withholding. Per Section 4.1.5(8)(b) of the VCS *Registration and Issuance Process, v3.5*, "the buffer withholding shall apply to the net change in carbon stocks for which credits are sought under the VCS Program." Applying this rule, the non-permanence risk rating should be applied to the net change in carbon stocks within the project area, and exclude ex post leakage carbon stock changes that contribute to the calculation of ex post net anthropogenic GHG emission reductions (an example of the correct approach is described in Table 4 of the *VCS AFOLU Requirements, v3.4*). The project proponent therefore appears to erroneously include the calculated leakage emissions in the buffer total calculations by applying the non-permanence risk rating to the ex post net anthropogenic GHG emission reductions.

In addition to the above, also note that the erroneous calculations also appear to include a rounding error. When the project proponent appears to apply the 10% non-permanence risk rating to the 496,770 ex post net anthropogenic GHG emission reductions, this should have resulted in a whole number (49,677) which cannot be rounded. Section 4.4 of the revised monitoring report calculates the buffer total as 49,678, which appears to be one unit higher than the expected total. Consequently, the ex post VCUs tradable total appears to be one unit lower than the expected total (not taking into account the buffer calculation error described above).

Section 5 of the verification report verifies the calculations in the monitoring report.

The VVB is requested to address the incorrect application of the non-permanence risk rating, also taking into accurate rounding methods.

VVB Response:

The project proponent has reviewed the monitoring report and the buffer calculation in order to address this VCS finding. These two evidences were analysed by the VVB in order to check its compliance with VCS requirements. The VVB has also checked the rounding numbers of the monitoring report and understands they are in conformance to VCS orientations.

VCS Response:

Section 4.4 of the revised monitoring report has been amended exclude ex post leakage carbon stock changes in the calculation of buffer credit contributions.

Section 5 of the revised verification report reflects the corrections made in the monitoring report.

Considering the above, this finding is closed and no further action is required.

Finding 19

Section 2.2.1 of the *VCS Standard, v3.5* states that the project and program description, validation report, monitoring report, verification report and all other documentation (including all and any appendices) required under the VCS Program shall be in English.

Section 2.4 of the *VCS Verification Report Template, v3.3* requires that the VVB describe the methods and objectives for any on-site inspections performed and include in the description details of all project activity locations visited, the physical and organisational aspects of the project inspected and the dates when such site inspections took place.

Section 2.4 of the verification report is not written in English and it is unclear whether the requirements in Section 2.4 of the *VCS Verification Report Template, v3.3* have been satisfied.

Considering the above, the VVB is requested to provide the information required in Section 2.4 of the *VCS Verification Report Template, v3.3* in English. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The VVB has translated section 2.4 on the verification report and add more details in the same section in a way to follow specific template orientations, explicit sites, dates and auditing purposes for each item are described.

VCS Response:

Section 2.4 of the revised verification report has been translated to English. Section 2.4 adheres to the instructions of the *VCS Verification Report Template, v3.3*.

Considering the above, this finding is closed and no further action is required.

Finding 20

Section 2.2 of the *VCS Verification Report Template, v3.3* requires that the VVB describe how the verification was performed as an audit where the project description, monitoring report and any supporting documents were reviewed.

Section 2.2 of the verification report states that “Monitoring Report v3.2” was viewed as part of the

field audit. The monitoring report provided to VCS is version 2.3.

Section 4.1 of the verification report states that no material discrepancies between project implementation and the project description were identified by the project team, suggesting that the project description was reviewed as part of the verification. However, the project description does not appear to be listed in section 2.2 of the verification report.

Considering the above, the VVB is requested to address the discrepancy in the monitoring report version listed in the verification report and clarify whether the project description was reviewed as part of the verification. The VVB is requested to update the project documents as may be necessary.

VVB Response:

The VVB have corrected the identified typo regarding the version number of the Monitong Report in section 2.2 of the verification report. The PD is referenced in the table within section 2.2 of the verification report (reference 1).

VCS Response:

Section 2.2 of the revised verification report has corrected the reference to the monitoring report version. The VVB has clarified that the project description is referenced in Section 2.2 (listed as "Projeto REDD+ Resex Rio Preto – Jacundá. Setembro de 2015, v1.0 – Biofílica Investimentos Ambientais S.A."), however, the reference to "v1.0" is not consistent with the (currently 2.2) version of the project description.

The VVB is requested to address the discrepancy in the project description version listed in the verification report, and continue to update such references as may be necessary as revised versions of those reports are produced as a result of this review.

VVB Response:

The VVB has updated the validation and the verification report to addressing this VCS finding.

VCS Response:

The verification report has been updated to address the discrepancy in the project description version listed in the verification report.

Considering the above, this finding is closed and no further action is required.

Finding 21

Section 4.2 of the *VCS Verification Report Template, v3.3* requires that the VVB identify the data and parameters used to calculate the GHG emission reductions and removals, and describe the steps taken to assess each of them. The template describes the specific details that the VVB is requested to include in such an assessment.

Section 4.2 of the verification report states that the "proponent has monitored deforestation, carbon

stocks, DBH, biomass, carbon fraction, carbon conversion factor, open area for management infrastructure", but the VVB does not appear to describe the steps taken to assess each of the data and parameters per the requirements of the template. Considering the above, the VVB is requested to describe the steps taken to assess each of the parameters used to calculate the GHG emission reductions and removals of the project. The VVB is requested to update the project documents as may be necessary.
VVB Response: The VVB has revised the verification report, section 4.2 in order to address this VCS finding.
VCS Response: Section 4.2 of the revised verification report includes the steps taken to assess the parameters used to calculate the GHG emission reductions and removals of the project. Considering the above, this finding is closed and no further action is required.

Finding 22 Section 4.2 of the *VCS Verification Report Template, v3.3* requires that the VVB describe the steps taken to assess whether manual transposition errors between data sets have occurred. Section 4.2 of the verification report does not appear to include an assessment of manual transposition errors. Considering the above, the VVB is requested to describe the steps taken to assess whether manual transposition errors between data sets have occurred. The VVB is requested to update the project documents as may be necessary.
VVB Response: The VVB has revised the verification report, section 4.2 in order to address this VCS finding.
VCS Response: Section 4.2 of the revised verification report includes the steps taken to assess whether manual transposition errors between data sets have occurred. Considering the above, this finding is closed and no further action is required.

Finding 23 Section 4.3 of the *VCS Verification Report Template, v3.3* requires that the VVB identify the evidence used to determine the GHG emission reductions and removals and describe the steps taken to

assess the sufficiency of quantity, and appropriateness of quality, of the evidence. The verification report appears to exclude Section 4.3 of the *VCS Verification Report Template, v3.3* from the verification report. Considering the above, the VVB is requested to include Section 4.3 of the *VCS Verification Report Template, v3.3* in the verification report, and identify the evidence used to determine the GHG emission reductions and removals and describe the steps taken to assess the sufficiency of quantity, and appropriateness of quality, of the evidence. The VVB is requested to update the project documents as may be necessary.
VVB Response: The VVB has revised the verification report, and added the previously missing section 4.3 in order to address this VCS finding.
VCS Response: The revised verification report has included the previously missing Section 4.3. Section 4.3 of the revised verification report identifies the evidence used to determine the GHG emission reductions and removals and describes the steps taken to assess the sufficiency of quantity, and appropriateness of quality, of the evidence. Considering the above, this finding is closed and no further action is required.

2 MINOR FINDINGS

Finding 1

Table 2 of the *AFOLU Non-Permanence Risk Tool, v3.2* states that the total financial viability rating may not be less than zero.

The summation row of the financial viability table in the AFOLU non-permanence risk report references "Total Project Management (PM)" rather than financial viability (FV), and also states that the total may be less than zero. Although the total appears to be accurate, the reference to project management and an allowable total of less than zero are inaccurate.

This finding need not be addressed during this review. Please note, however, that where VCS finds consistent minor findings in future reviews, minor findings shall be escalated to assessment findings.

Finding 2

The instructions for completing the monitoring report in the *VCS Monitoring Report Template, v3.3* state that where a section is not applicable, same must be stated under the section and that the section must not be deleted from the final document.

Section 2.2 of the monitoring report is missing a section (methodology deviations) that was likely deleted because it is not applicable, which is inconsistent with the template instructions.

This finding need not be addressed during this review. Please note, however, that where VCS finds consistent minor findings in future reviews, minor findings shall be escalated to assessment findings.

Finding 3

Section 4.4 of the *VCS Monitoring Report Template, v3.3* is titled "Net GHG Emission Reductions and Removals".

Section 4.4 of the monitoring report is titled "Summary of GHG Emission Reductions and Removals", which is inconsistent with the template instructions.

This finding need not be addressed during this review. Please note, however, that where VCS finds consistent minor findings in future reviews, minor findings shall be escalated to assessment findings.

Finding 4

Per APPENDIX X of the *VCS Monitoring Report Template, v3.3*, the project proponent shall use the appendices for supporting information.

The monitoring report contains supporting information, however such information is presented under

an additional section of the report rather than an appendix as required.

This finding need not be addressed during this review. Please note, however, that where VCS finds consistent minor findings in future reviews, minor findings shall be escalated to assessment findings.

Finding 5

Section 1.2 of the verification report lists "Verified Carbon Standard Program Guide 2011 v. 3.5" as an assessment criterion. Please note that the *VCS Program Guide, v3.5* was issued on 8 October 2013, not in 2011. However, considering that the VVB correctly references the version of the document, it is understood that the VVB has used the most recent version of the program guide in its assessment despite the inaccurate reference.

This finding need not be addressed during this review. Please note, however, that where VCS finds consistent minor findings in future reviews, minor findings shall be escalated to assessment findings.

4 ASSESSMENT CONCLUSION

On 21 July 2016, VCS issued the first round of findings to Rainforest Alliance.

On 2 August 2016, VCS received responses to the findings by Rainforest Alliance with an updated project description, validation report, monitoring report, verification report and non-permanence risk report. The updated documents did not address all of the findings issued by VCS.

On 16 August 2016, VCS issued the second round of findings to Rainforest Alliance.

On 30 August 2016, VCS received responses to the findings by Rainforest Alliance with an updated project description, validation report, monitoring report, verification report and non-permanence risk report. The updated documents did not address all of the findings issued by VCS.

On 7 September 2016, VCS issued the third round of findings to Rainforest Alliance.

On 19 September 2016, VCS received responses to the findings by Rainforest Alliance with an updated project description, validation report, monitoring report, verification report and non-permanence risk report. The updated documents address the findings as described by VCS above.

On 24 September 2016, VCS closed all findings and no further action was required from the VVB.