ENVIRA AMAZÔNIA PROJECT VCS VERIFICATION REPORT TO CARBON CO

Rainforest Alliance
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Summary:

This report shows Envira Amazonia Project VCS verification results. This is the project's second verification audit. Field activities were conducted to evaluate the project's activity implementation and project monitoring during the period of 01 January 2015 to 31 December 2015. This verification audit systematically assessed the conformity to indicators and requirements of the applicable standards and pointed out nonconformities through 'nonconformity reports' (NCRs), 'forward action requests' (FARs) and 'Observations' (OBS). The verification evaluation was conducted through interviews, documentation review and direct observation and measurements. Five people formed the audit team: three auditors participated in the field audit and two participated remotely through desk reviews. The field audit lasted seven days, with three days at the project area.

This REDD+ project aims to reduce GHG emission by avoiding planned deforestation over private lands occurring by conversion of forest land to a cattle ranching operation. The project was developed based on the VM0007 v.1.5 methodology and has estimated it will avoid the emission of 12,596,462 tCO2e until 2022, with 2,084,635 tCO2e emissions avoided over calendar year 2015, the last monitoring period. The audit team has raised 03 NCRs, 02 FARs and 05 OBSs. The identified NCRs are presented as closed in this FINAL report.

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1 INTRODUCTION

Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA. Rainforest Alliance is an ANSI ISO 14065:2013 accredited validation and verification body; additionally, Rainforest Alliance is a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards.

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The Instituto de Manejo e Certificação Florestal e Agrícola - IMAFLORA works in partnership with the Rainforest Alliance under its accreditation, delivering certification, validation and verification services of forest enterprises and carbon projects in Brazil.

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1.1 Objective

The purpose of this report is to document the conformance of Envira Amazonia project with the requirements of VCS Standard Version 3 and associated guidance and the VCS VM0007 methodology during the monitoring period from 01 January 2015 to 31 December 2015.

The three “project proponents” are CarbonCo, LLC (“CarbonCo”), Freitas International Group, LLC (“Freitas International Group or Carbon Securities”), and JR Agropecuária e Empreendimentos EIRELI. The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the project proponent’s systems and performance against the applicable standard(s). Rainforest Alliance was commissioned to conducted the second monitoring period verification of emissions reductions from this planned deforestation of the project.

1.2 Scope and Criteria

Scope: To assess project conformance with the VCS standards and VM0007 - REDD+ Methodology Framework (REDD-MF) v. 1.5. This conformance assessment will involve all relevant standards criteria and methodology steps and requirements. The audit team will have focus on the project activities implementation, the monitoring tasks and the non-permanence risk analysis elaborated for this monitoring period, among other relevant aspects for a verification.

The project covers an area of 39,300 ha. The land is private. The project has a lifetime of 30 years, has estimated it will avoid the emission of 12,596,462 tCO2e until 2022, and 2,084,635 tCO2e over calendar year 2015, the monitoring period evaluated as part of this verification. All material GHG sources and sinks as outlined were evaluated as per the project design following the VCS standard requirements, and all will be expressed in values of metric tons of CO_2e. The project was evaluated to a reasonable level of assurance.

Standard criteria: Criteria from the following documents were used to assess this project:

- Verified Carbon Standard Program Guide 2017 v.3.7;
- Verified Carbon Standard 2017 v.3.7;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2013 v.3.6;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2016 v.3.3;
- VM0007 REDD+ Methodology Framework (REDD-MF) v1.5

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 1% of the total GHG assertion unless otherwise defined by the standard criteria. The project can be considered as a VCS ‘large’ project because the avoided GHG emissions will exceed 300,000 t CO2 yr-1.

1.3 Level of Assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

1.4 Summary Description of the Project

The project proponents developed the Envira Amazônia project beginning on 02 August 2012 to protect and conserve an area of tropical forest in Acre, Brazil. The project area is 39,300 hectares, located on a private property of 200,000 hectares and is located in the municipally of Feijó, between the towns of Sena Madureira and Cruzeiro do Sul along the BR-364 highway. CarbonCo, the wholly-owned subsidiary of Carbonfund.org, is responsible for getting the Project certified and for early-stage Project finance. Carbon Securities acts as a liaison between CarbonCo and JR Agropecuária e Empreendimentos EIRELI, along with acting as a translator and assisting with logistics for site visits. JR Agropecuária e Empreendimentos EIRELI, which translates into JR Agriculture-Livestock and Ventures, is an Acre, Brazil-based company and is primarily responsible for day-to-day management of the Project and the implementation of activities to mitigate deforestation. The project proponents relies on the commercialization of Verified Carbon Units (VCUs) to sustain the project activities. The Envira Amazônia project is classified as a Reducing Emissions from Deforestation and forest Degradation (REDD) project based on avoided planned deforestation, where the baseline is based on the legal right to convert a forested area to a different land use. This project is currently validated and it was already verified for the first time under the VCS and the Climate, Community and Biodiversity Standard (CCBS) in 2014 and 2015, respectively. Project development involved engaging a large landowner willing to forgo conversion of forest land to a ranching operation. The project also aims to mitigate unplanned deforestation in its surrounding region through environmental and social programs intended to improve the livelihoods of local communities. The project proponent expects those programs to reduce illegal deforestation in the region and preserve biodiversity.

2 VERIFICATION PROCESS

The verification process was conducted at the Envira Amazonia Project (project area) under both the VCS and CCB standards. Hence, this represents the second project verification. In this regard, field activities and desk reviews were conducted to evaluate the accuracy of the net GHG reduction estimates, the compliance of remote sensing analysis and the overall carbon calculations. The verification process was also focused on the implementation of the monitoring activities described in the monitoring report (ref. 01).

Audit team

Auditor(s)	Qualifications
Bruno B. Souza – Lead auditor	Climate and Environmental Services Coordinator at Imaflora. Senior lead auditor. Forest Engineer graduated by Escola

	Superior de Agricultura "Luiz de Queiroz" (ESALQ). Biologist graduated by Universidade de São Paulo (USP). Bruno was empowered by the Instituto Floresta Tropical (IFT) and Imaflora through intensive evaluations in FSC Forest Certification and Reduced Impact Exploration. He was trained as lead auditor of management systems by ATSG (Lead Assessor ISO 14001:2004). He has six years of work experience in FSC, when he worked with forest management and chain of custody certification, which has included promotional statements and trademark approval processes. He was trained to be a carbon auditor by Rainforest Alliance and currently integrates Imaflora's climate team. He has technical expertise on VCS and CCB standards and is also experienced on the development of REDD+ policies social and environmental safeguards. He has three years of work experience with climate changes, payment for environmental services and environmental services certification schemes, when he had audited several projects in Brazil.
Isabel G. Drigo – Field auditor (Social specialist)	PhD in Environmental science by PROCAM/USP/AgroParisTech/França, with thesis about barriers on implantation of forest concessions in Latin America. Author of a dissertation about impacts of FSC forest certification over two communities in the state of Acre. She was trained to be an internal auditor of FM-06, April 19th, 2012 ISO 9001:2000. She has seven years of experience in audit team administration at organic certification processes. Since 2008 she executes audits over the social principle and criteria in community forest management and in forest management enterprises. She was also trained as lead auditor of management systems by ATSG (Lead Assessor ISO 14001:2004) and to be a carbon auditor by Imaflora.
Renan Kamimura – Field auditor (Geospatial specialist)	Forest Engineer graduated by Lavras Federal University (UFLA) in 2009. Renan has a strong working experience with environmental conservation and rural socioeconomic development projects. He is a specialist in GIS and forest

	biomass inventory, having worked on several REDD+ projects and PES initiatives as a consultant, developer and manager in Brazil. Renan has a comprehensive field experience in Amazon, Cerrado, Caatinga and Mata Altlântica biomes.
Luís Moura – Desk reviewer	Forest Engineer (ESALQ-USP), M.Sc. and Ph.D. in Wood Machining by the University of Laval (Quebec, Canada). He has attended postdoctoral fellow at ESALQ-USP, with researches on thermal treatment and industrialization of heat-treated wood. Currently, he organizes and prepares projects for inclusion in the Carbon Market, both in the compliance market (CDM - Clean Development Mechanism, Kyoto Protocol) and voluntary market (VCS - Verified Carbon Standard), in addition to conducting market research and feasibility studies for forestry projects. In eight years of experience in the carbon market, he had participation in seven carbon projects. He attended the training course for auditors offered by Imaflora in 2013, and also participated in trainings for auditors to Sustainable Forest Management certifications.
Thales West – Desk reviewer	Thales has a BA in forest engineering and a MSc in forest resources, both from the University of Sao Paulo. Thales started working with forest carbon projects in 2008, and since 2011 he works as a climate specialist auditor for the Rainforest Alliance. He is a PhD for the University of Florida, focused on land-use change decisions, remote sensing, and deforestation modelling under REDD+ initiatives.
Klaus Geiger - Senior Internal Reviewer (RRA Reviewer)	Klaus Geiger is a forester with professional experience in Latin America. As Carbon Services Staff Auditor with Rainforest Alliance Klaus conducts and leads carbon field audits for projects under six different carbon standards, including AFOLU, REDD+, and the VCS Double Approval Methodology. Prior to working with Rainforest Alliance, Klaus researched Sri Lankan non-timber forest products by documenting species composition and mapping spatial

	distribution in traditional agroforestry gardens, co-managed the 8,000 acre FSC-Certified Yale School Forest, promoted sustainable agriculture techniques for over three years with the Peace Corps in Panama, and, among other experiences, cruised timber with the U.S. Forest Service in Tahoe National Park. Klaus received his Masters of Forestry from the Yale University School of Forestry and Environmental Studies, and holds a Bachelors of Forestry from University of Missouri-Columbia. Klaus is fluent in Spanish and conversational in Sinhala.

2.1 Method and Criteria

This document is the FINAL Verification Audit Report conducted against the VCS Standards using a desk and field based audit. Five auditors from Imaflora, a Rainforest Alliance sub-contractor, were involved in the preliminary (desk) assessment of project's monitoring report and its annexes. Three of them conducted the on-site field auditing in the project area. The audit team reviewed several technical reports and legal documentation provided by the project proponent to conduct the verification process. The auditors crosschecked the deforested areas through an independent GIS analysis (Ref. 3) and reviewed assumptions, parameters and formulas used to determine the GHG reduction estimates. No inventory plots were re-measurement, because the carbon stocks were already validated and verified in previous audits. During the field audit, the audit team split in two groups to cover a larger proportion of the project area and the project zone. These two groups were focused on direct observations, "ground truthing" analysis and on interviews with riverine community representatives. In this sense, the audit team has checked eight different sites where unplanned deforestation has occurred during the last monitoring period and visited and interviewed seventeen local community representatives over two different regions (*seringais*). The team also contacted governmental agencies representatives in Rio Branco and organized a public meeting with members from the Feijó municipality community. Ten representatives of public agencies such as SEMA, INCRA, IMC, IMAC, CEVA, among other relevant stakeholders such as CEVA, GIZ and local unions were interviewed. Twelve stakeholders from eight local organizations attended the public meeting and discussed the project activities with the auditors.

2.2 Document Review

A detailed review of the project documentation was conducted to ensure conformance with the VCS requirements, VM0007, the validated and verified project description document and the

monitoring report. The documentation checked by the audit team is listed in the following table.

Ref.	Title, Author(s), Version, Date	Electronic Filename
1	Monitoring report 2015 - VCS	2015_EnviraMonitoring 2016.11.21.pdf
2	Monitoring report 2015 - CCB	CCB_IMP_REP_POR_DRAFT_1382_01JAN2015_31DEC2015_V1.pdf e Envira Amazonia Project Summary Document, Portuguese (11-22-16).pdf
3	Carbon calculation spreadsheet - 2015	2015_EnviraMonitoring 2016.11.09.xlsx
4	Relatório de Verificação VCS - 2012 - 2014 (ESI)	VERIF_REP_1382_02AUG2012_31DEC2014.pdf
5	Relatório de Validação VCS (ESI)	VALID_REP_1382_06APR2015.pdf
6	Envira Degradation reports_2016.11.09	2015_EnviraDegradation 2016.11.09.xlsx
7	Degradation Surveys at Envira Amazonia Project	2014 Degradation Surveys at Envira Amazonia Project.xlsx
8	Project area spatial data	EnviraPA_20140327.shp e descritores
9	Spacial data_deforestation monitoring	2015_PA_Monitoring_Envira.shp e descritores
10	“Arquivo espacial do Imóvel Rural inserido a Área do Projeto”	Seringal4_area.shp e descritores
11	“Arquivo espacial de monitoramento de desmatamento”. Série histórica 1988 - 2015 para o Estado do Acre. Fonte: UCEGEO	Desmate_TC_1988_2015.shp e descritores
12	“Arquivo espacial dos imóveis rurais administradas e monitorados pela JR Agropecuária e Empreendimentos, considerando o vazamento de desmatamento (expansão pecuária)”	LeakageArea_2014.10.06.shp e descritores
13	“Arquivo espacial dos estratos florestais na Área do Projeto”	EnviraStrata_20140327.shp e descritores
14	“Arquivo espacial das amostras alocadas do inventário florestal na Área do Projeto e diferentes estratos florestais”	EnviraInventory_20140331_completed.shp e descritores
15	“Certidão de Inteiro Teor - Gleba de Terras - Seringal Aliança”	Ajubim_0005.pdf
16	“Certidão de Inteiro Teor - Gleba de Terras - Seringal Iracema”	Iracema_0006.pdf
17	“Certidão de Inteiro Teor - Gleba de Terras - Seringal Novo Japão”	Novo Japão_0008.pdf
18	“Certidão de Inteiro Teor - Gleba de Terras - Seringais Moacir e Novo Pamir”	Novo Pamir_0009.pdf
19	“Certidão de Inteiro Teor - Gleba de Terras - Seringal Palmaripé”	Palmaripé I II e III.pdf
20	Surveillance Reports	Mazinho's Monitoring Reports.pdf

21	"Certidão de Cadastro de Imóvel Rural (CCIR) no INCRA"	Está evidência está com a Bel… por favor compartilhar…
22	Spatial data_I3GEO - INCRA	imoveis_certificados_privados_INCRA_2013.shp e descritores
23	Memorandum of Agreement	CarbonCo MOA with NatureBank-signed.pdf
24	CCB verification report 16, Imaflora	CarbonCo CCB verif 16.pdf
27	Base do CAR Estadual	imoveis_CAR_IMAC_Acre.shp e descritores
28	Project Descripton	
29	Financial spreadsheet	Pro Forma for Envira Amazonia Project (12-14-16).xls
30	LAW Nº 2.308 of October, 2010	Acre_Sistema_de_Incentivo_a_Servicos_Ambientais_SISA (1).pdf
31	JPD, Acre Government JPD	Jurisdictional_Program_Description_English.pdf
32	INSTRUÇÃO NORMATIVA IMC Nº 1, de 26/10/2015, Acre Government	IMC Legislação.pdf
33	Reviewed Financial spreadsheet from the institution's financial manager	Pro Forma for Envira Amazonia Project (12-14-16).xls
34	Triparty agreement for VER Credits_between JR and Carbon CO	Duarte Tri-Party Agreement English, Fully Signed and Certified.pdf
35	Journal_SustainableBrands Article April 10, 2015	JetBlue Press Release.pdf
36	Cochrane M.A.& Laurance W.F., 2002. Fire as a large-scale edge effect in Amazonian forests, Journal Of Tropical Ecology, 18:311-325	Cochrane, 2002_Fire_Amazon_JTE.pdf
37	Espírito-Santo, F.D.B.; Keller, M.; Braswell, B.; Nelson, B.W.; Frolking, S.; Vicente, G. 2010. Storm intensity and old-growth forest disturbances in the Amazon region. Geophysical Research Letters. 37, L11403, doi:10.1029/2010GL043146.	Espírito-Santo, 2010_Natural_dist_GRL.pdf
38	Reviewed financial spreadsheet_CarbonCO_26Jun17	Pro Forma for Envira Amazonia Project (6-26-17).xls
39	Sustainable Branches article_10April15	JetBlue Press Release.pdf
40	Finance Manager Letter_13July_17	Letter from CarbonCo's Finance Manager signed 7.13.17.pdf
41	Triparty agreement_CarbonCO_CASE_Duarte_	Duarte Tri-Party Agreement English, Fully Signed and Certified.pdf
42	CarbonCO_NCRs responses	Responses to IMAFLORA's Envira Amazonia Project VCS Findings (6-6-17).docx
43	Envira GIS Files_CarbonCO_23Jun17	Envira2015_Benchmark.zip
44	Envira GIS Files LK_CarbonCO_14	LeakageArea_2014.10.06.zip
45	Project proponent statement regarding leakage_JR_27Jan16	CARTAS ASSINADAS -PROPRIEDADES - DATA 27-01-2016.pdf

2.3 Interviews

The audit team conducted on-site interviews with local stakeholders, project staff and government representatives. Conducted interviews are listed in the following table:

Date	Name	Title/Organization
23-Jan-17	Tomaz Nascimento de Melo	Instituto Nacional de Pesquisas Amazônicas (INPA) (call via Skipe)
24-Jan-17	Antonio Willian Flores de Melo	Universidade Federal do Acre (UFAC)
24-Jan-17	Ivo	Instituto de Meio Ambiente do Estado Acre (IMAC)
24-Jan-17	Claudio Roberto da Silva Cavalcante	Coordenadoria do Cadastro Ambiental Rural do Estado do Acre (CAR-AC)
24-Jan-17	Stoney Nascimento	Instituto de Mudanças Climáticas do Estado do Acre (IMC)
24-Jan-17	Charles Henderson	Unidade Central de Geoprocessamento (UCEGEO)
23-Jan-17 to 30-Jan-17	Brian McFarland	CarbonCo, LLC
23-Jan-17 to 30-Jan-17	James Eaton	TerraCarbon
23-Jan-17 to 30-Jan-17	Mazinho	JR Agropecuárias e Empreendimentos EIRELLI
24/01/16	Marky Brito	Depto. de Florestas SEMA AC
24/01/16	Elson INCRA/Acre	Chefe da Divisão de Cartografia
24/01/16	Vicente Manuel Souza de Brito	Procurador Federal do INCRA no Acre
24/01/16	Alcione Costa	GIZ Acre
25/01/16	Sergionir Paiva Freitas	Ex-Presidente Sindicatos dos Trabalhadores Rurais e atual Vereador eleito da Câmara Municipio de Feijó
25/01/16	Antônio José	Sindicato
25/01/16	Aurelinda	Sindicato
26/01/16	José Sousa do Nascimento (“Zé Angu”)	Colocação Canadá
26/01/16	José Ferreira de Sousa (José “Mundico”)	Colocação Alto da Glória
26/01/16	Edineuma Ferreira de Souza	Colocação Alto da Glória
26/01/16	Raimundo Maurício do Nascimento (“Novo”)	Colocação Tracoá do Canadá

26/01/16	Isabel Pedrosa do Amorim	Colocação Tracoá do Canadá
26/01/16	João Nazário Rodrigues	Colocação Maitá
27/01/16	Raimundo Calisto da Silva	Colocação Lamparina I
27/01/16	Marisa	Colocação Lamparina I
27/01/16	Jorginaldo da Silva Pedrosa (Naldo)	Colocação Lamparina II
27/01/16	Luzia	Colocação Lamparina II
27/01/16	Francisco Circlandio Dimas de Souza	Colocação Pamaripé
27/01/16	Sueli	Colocação Pamaripé
27/01/16	Antônio Francisco Lopes da Silva	Colocação Pamaripé
27/01/16	Mariana (filha do Sr. Cazuza)	Colocação Pamaripé
27/01/16	José Gonçalves (pai da Sueli)	Colocação Santo Antônio – Seringal Antônio
27/01/16	Abdias (seringueiro)	Colocação Alto Bonito – Seringal Santo Antônio
30/01/16	Rege	Advogado JR Agropecuária

2.4 Site Inspections

The objective of the site inspections was to evaluate the implementation of project activities, in accordance to the monitoring report, during the second monitoring period. Inspections also served to understand the land-use/cover change dynamics in the region. Conducted site inspections are listed in the following table:

Location	**Date**
Instituto de Meio Ambiente do Estado Acre (IMAC)	23-Jan-17
Coordenadoria do Cadastro Ambiental Rural do Estado do Acre (CAR-AC)	23-Jan-17
CEVA	23-Jan-17
Órgãos Públicos de Terra em Rio Branco (INCRA e ITERPA)	24-Jan-17 and 30-Jan-17
Public meeting with local stakeholders in the municipality of Feijó, at the *Universidade Aberta do Brasil* (UAB)	25-Jan-17
GIZ – Colaboração Alemã na SEMA AC e Secretaria de Florestas	24-Jan-16

Public meeting with local stakeholders in the municipality of Feijó, at the Universidade Aberta do Brasil (UAB)	25-Jan-16
Evaluation of land use/cover in the project area and project region along the Jurupari river	26 to 27-Jan-16
Seringais Pamaripé e Gleba Canadá (within Project area)	26 to 27-Jan-16
Seringal Santo Antônio (Project Zone)	27-Jan-16
Alto da Gloria (community representatives and their families location: José; Novo; Zé Angu; and João)	27-Jan-16 to 28-Jan-16
Familiar crop fields and areas deforested between 2014 and 2015	27-Jan-16 to 28-Jan-16
Instituto de Mudanças Climáticas do Estado do Acre (IMC)	30-Jan-16

Figures 1 shows the areas visited by the audit team.

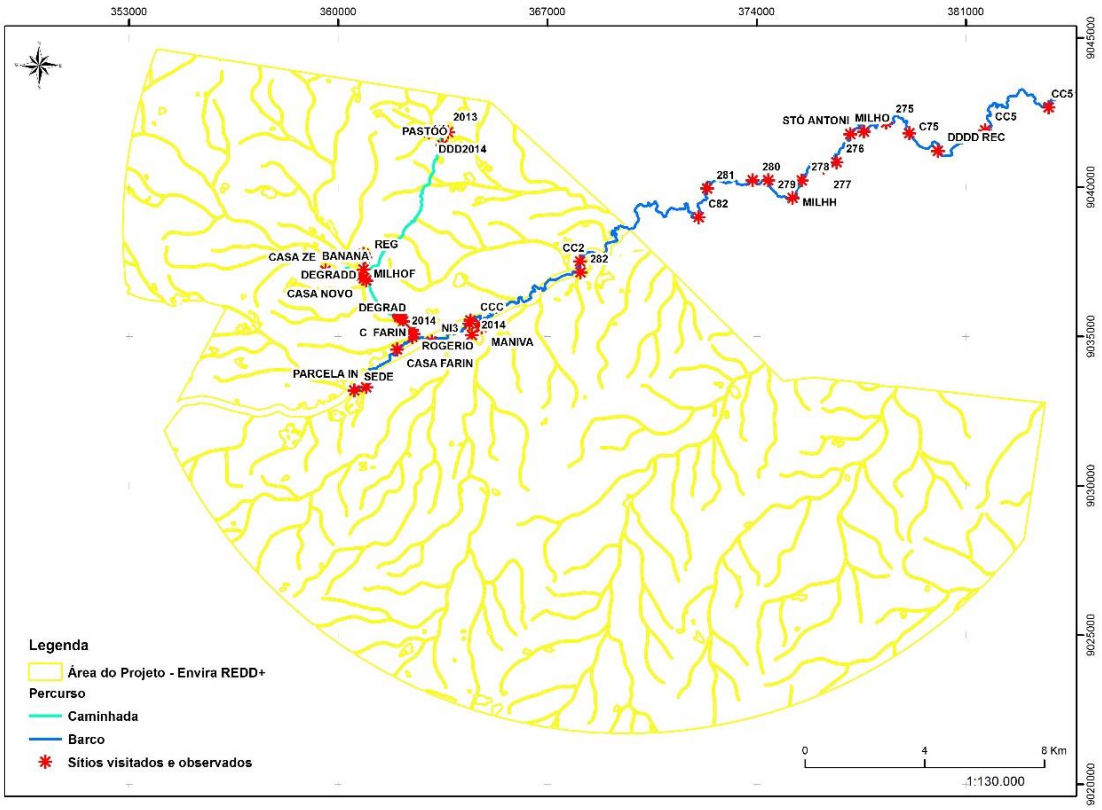


Figure 1 – Inspected sites.

2.5 Resolution of Findings

This final report communicates a positive verification conclusion. All Non-conformances related to the project activities were considered and resolved by the project proponent during the formal round of assessment and closed by the audit team. In sum, the proponent has re-evaluated the project non-permanence risk analysis, reconsidering risks related to property rights, and has

supported the project's non-permanence risk rating related to financial risk with sufficient evidence. Additionally, the project proponent has provided GIS files representing the forest cover benchmark map and the leakage areas, in order to allow the audit team to confirm the results of independent analysis performed to check unplanned deforestation at the project area and to verify that no leakage due to the displacement of the project activities implementation at the project area has occurred in other properties owned by the project proponent, following the principles of the adopted methodology.

A complete description of the NCRs raised by the audit team and the corrective actions taken by the project proponent to address them can be found in this report over the appendix 1.

2.5.1 Forward Action Requests

This final report raises two Forward Action Requests (FARs) to signalize the need of the project proponent to address specific issues over the project description and the project implementation in time. These FARs shall be observed by the next VVB during the next verification event, at which point unresolved FARs shall be turned into NCRs.

The audit team has raised a FAR to signalize the necessity of reviewing the baseline, considering a plausible baseline scenario. The project proponent shall take in consideration the true difficulties of having a forest suppression permit of 40,000 ha issued by the public authorities in the state of Acre and to be executing an enormous cattle ranching project in such a remote location. Specifically, the project proponent shall consider the steps needed to achieve a forest suppression permit of this magnitude according to Brazilian legislation. It is also relevant to consider the great amount of investments that would be necessary to clear the area for cattle (even considering that by the state legislation clearing the area using fire is not allowed), fees related to forest replacement as well as investments related to infrastructure, cattle transportation, etc. In other words, the project proponent shall prove the viability of his cattle ranching project, considering all relevant dimensions.

Another FAR was raised to signalize the necessity of patrolling and monitoring deforestation strategy reviewing and implementation.

A complete description of the FARs raised by the audit team can be found in this report over the appendix 1.

2.6 Eligibility for Validation Activities

Not applicable. No validation activities were conducted during this verification audit.

3 VALIDATION FINDINGS

The project was previously validated and verified by Environmental Services Inc. The validation process is described in the Validation Report, available on the VCS website[1]. No validation activities took place during the monitoring period covered by this verification event.

3.1 Participation under Other GHG Programs

Not applicable. The project proponent is not seeking registration under other GHG approved programs for Envira Amazônia project.

3.2 Methodology Deviations

In Section 1.12.1 of the monitoring report (Ref. 1, page 17), the project proponent describes seven adopted methodological deviations that had been previously validated and verified. Numbers 1 to 6 relates to the forest biomass inventory, carbon pools and uncertainty assessments. They were considered out of the scope of analysis of this verification as they are related to activities performed to set the baseline during the validation process or related to monitoring activities that were not yet performed again, considering each of the parameter monitoring frequency. Furthermore, these methodology deviations have been already analysed and approved in previous auditing events (ref. 4). Deviation n. 7 refers to the ex-post monitoring (increment) of carbon stocks, which was conservatively assumed to be zero by the project proponent (Ref. 1, page 18). The audit team hereby approves this particular methodology deviation, considering it an eligible - by VCS rules - and conservative deviation.

3.3 Project Description Deviations

As stated in Section 1.12.2 of the monitoring report (Ref. 1), there are no deviations to the project description.

3.4 Grouped Project

Not applicable. The project was not designed nor implemented as a grouped project.

[1] http://www.vcsprojectdatabase.org/#/project_details/1382

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

No material discrepancies between the project implementation and the project description were found. No material discrepancies between the actual monitoring system, and the monitoring plan set out in the project description and the applied methodology were found. The project has been implemented as described in the project description.

In the monitoring report (Ref. 1, page 15), subsection “Patrol and Monitor Deforestation,” the project proponent states that on-site patrols would monitor illegal deforestation in the project area every 60 days approximately. However, surveillance reports (Ref. 20) and interviews with the project staff revealed that only two patrols were conducted in 2015 (in May and November). In addition, the patrols were limited to the areas surrounding the Jurupari river and the Palmaripé community. This project proponent approach has limited its effectiveness once the location of mapped unplanned deforestation in 2015 was widespread across the project area (Figure 5). The audit team has raised FAR 02/17 to signalize the need for review the patrolling and monitoring deforestation strategy and to implement this reviewed strategy over the next monitoring period.

The project is not part of any other GHG emission trading program or any other mechanism that includes GHG allowance trading. Envira Amazonia project remains a stand-alone project in the state, despite of the existence of a REDD+ Jurisdictional program. The Acre state presents a jurisdictional REDD+ program called “ISA Carbono”, as constituent part of a public policy attested by law Nº 2.308 of October, 2010 (ref. 30). The jurisdictional REDD+ program is managed by IMC, Instituto de Mudanças Climáticas do Acre. The audit team interviewed IMC technicians, as well as project’s staff, to evaluate the project approval process and the status of its homologation in the jurisdiction program scope. It stayed characterized that the project proponent has started the homologation process, but IMC has not presented a definitive answer on this matter. Until the audit date, the project has not been rejected under the jurisdiction. The homologation processes are currently on hold. The GHG emission reductions or removals generated by the project have not become included in the Acre jurisdictional REDD+ program or any other emissions trading program and any other mechanism that includes GHG allowance trading. Also, according to the interviewed project staff, the project has not received or sought any other form of environmental credit nor intends to.

The project proponent also relates the project activities implementation to UN SDGs, regarding

reducing poverty and improving food security (SDG 1 and 2, respectively. i.e., via agricultural extension trainings and increased employment opportunities), improving health (SDG 3, via building a local health clinic), gender equality and reduced inequalities (SDG 5), reducing deforestation and promoting climate action (SDG 13, i.e., by voluntarily foregoing the conversion of primary forests to cattle pasture). The audit team understands that the project description was also verified against CCB standards and that, considering its current implementation status, it is bringing sustainable development contributions.

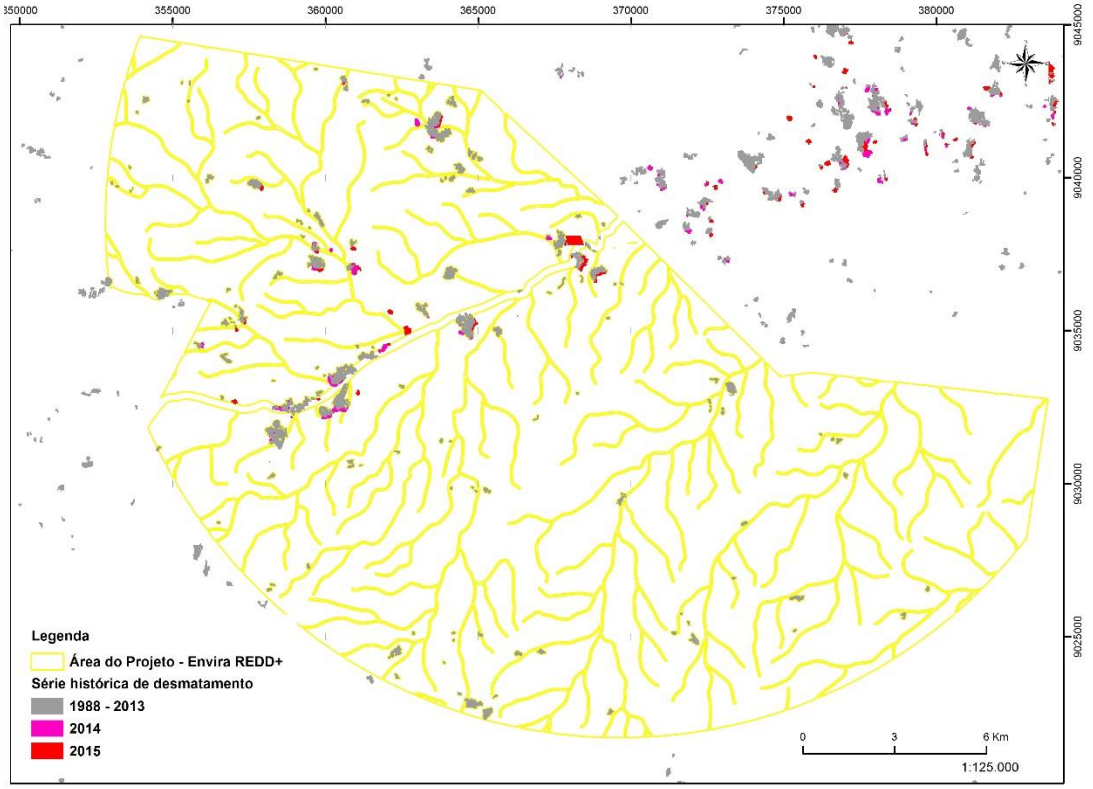


Figure 2 – Location of unplanned deforestation in the project area.

4.2 Accuracy of GHG Emission Reduction and Removal Calculations

The audit team evaluated the accuracy of the project's GHG emission reduction and removal calculations based on: (1) review of default parameters relevant to the verification process; (2) parameters monitored during the verification period; (3) re-measurement of spatial parameters through independent GIS analyses; and (4) review of the GHG calculation spreadsheet and calculation assumptions (Ref. 3).

The auditors found that the parameter values reported in the monitoring report (Ref. 1, page 20) were in conformance with the values used in the GHG calculation spreadsheet

(Ref. 3) and presented in the validated project description (Ref. 28). The auditors re-measured the spatial parameters presented in Tables 3.1 and 3.2 of the monitoring report (Ref. 1, pages 55 and 57). No inconsistences were found. The auditors also verified that the same parameters were properly used in the GHG calculation spreadsheet (Ref. 3).

VM0007 parameters ADefPA,u,i,t, ADistPA,q,i,t, and Aburn,q,i,t from VMD0006 were re-measured through GIS analyses based on References 8, 9, and 13 provided to the auditors. VM0007 parameters ADefLK,i,t and Ai were also GIS-verified based on References 11, 12, and 13. The auditors checked the calculation links across the GHG worksheets (Ref. 3) and the parameter values associated with parameters CBSL,I, ΔCP,Def,i,t, ΔCP,DistPA,i,t, ΔCP,DegW,i,t, Buffer e ΔCLK-REDD, CREDD,t, and VCUs from VM0007. No inconsistences were found, which leads to the conclusion that GHG emission reductions and removals have been quantified correctly in accordance with the project description and applied methodology. The table below shows the complete set of parameters considered;

Parameter	**Verification Findings**
ΔCP,Def,i,t Net carbon stock change as a result of deforestation in the project case in the project area in stratum i at time t (tCO2e)	This parameter has been appropriately calculated. The net carbon stock change as a result of deforestation in the project case in the project area has been calculated as a function of several other monitored parameters, which have been considerate appropriate.
ΔCP,DistPA,i,t Net carbon stock change as a result of natural disturbance in the project case in the project area in stratum i at time t (tCO2e)	This parameter has been appropriately considered as zero during the monitoring period. No areas of natural disturbance were reported by the project proponent during this monitoring period. All deforestation was considered as *ADefPA,u,i,t*

ADefPA,u,i,t Area of recorded deforestation in the project area stratum I converted to land use u at time t (ha)	The area of recorded deforestation in the project area has been considered appropriate. The verification of this parameter has been made independently by the audit team by means of geoprocessing assessment. Total recorded deforestation in the project area was 50.5 ha
ADefLK,,i,t The total area of deforestation by the baseline agent of the planned deforestation in stratum I at time, t (ha)	This parameter has been appropriately considered as zero during the monitoring period. The project proponent is considered as the deforestation agent because it is a APD REDD+ project. Leakage areas has been monitored independently by the audit team using PRODES data (ref. XX). No deforestation was observed.
ADistPA,q,i,t Area impacted by natural disturbance in post-natural disturbance stratum q in stratum i, at time t (ha)	This parameter has been appropriately considered as zero during the monitoring period. No areas of natural disturbance were reported by the project proponent during this monitoring period. All deforestation was considered as *ADefPA,u,i,t*
CBSL,i Carbon stock in all pools in the baseline case in stratum I (t CO2-e ha-1)	This parameter has been appropriately estimated from forest carbon inventory. Carbon inventory data has been previously assessed during validation process.
ADegW,i,t Area potentially impacted by degradation processes in stratum I (t CO2-e ha-1)	This parameter has been appropriately set as zero during the monitoring period. Forest degradation was calculated as insignificant by the project proponent as per T-SIG.
CDegW,i,t Biomass carbon of trees cut and removed through degradation process from plots measured in stratum i at time t (t CO2-e)	This parameter has been appropriately set as zero during the monitoring period. Forest degradation was calculated as insignificant by the project proponent as per T-SIG.

APi Total area of degradation sample plots in stratum I (ha)	This parameter has been appropriately set as zero during the monitoring period. Forest degradation was calculated as insignificant by the project proponent as per T-SIG.
ΔCP,Deg,i,t Net carbon stock changes as a result of degradation in stratum i in the project area at time t (t CO2-e)	This parameter has been appropriately set as zero during the monitoring period. Forest degradation was calculated as insignificant by the project proponent as per T-SIG.
Aburn,i,t Area burnt in post-natural disturbance stratum q in stratum i, at time t; (ha)	This parameter has been appropriately set as equal to the monitored parameter ADefLK,i,t (Area of recorded deforestation in the activity shifting leakage areas at time t; ha).
DBH diameter at breast height (cm)	This parameter was available and has been evaluated during validation process.
Dbasal Basal diameter (cm)	This parameter was available and has been evaluated during validation process.
H Height of tree (m)	This parameter was available and has been evaluated during validation process.
Dn Diameter of piece n of dead wood along the transect (cm)	This parameter was available and has been evaluated during validation process. This parameter is monitored during the course of each forest inventory.
N Total number of wood pieces intersecting the transect	This parameter was available and has been evaluated during validation process. This parameter is monitored during the course of each forest inventory.
L	This parameter was available and has been evaluated during validation process.

Length of the transect	
UP,SS,i,pool# Percentage uncertainty (expressed as 95% confidence interval as a percentage of the mean where appropriate) for carbon stocks and greenhouse gas sources in the with-project case (1,2…n represent different carbon pools and/or GHG sources) (%)	This parameter is obtained from calculations arising from field measurement data. This parameter has not been considered in this monitoring period, as it is monitored at least once every 10 years (on re-measurement of forest carbon stocks).
EBSL SS,i, pool# Carbon stock or GHG sources (e.g. trees, dead wood, soil organic carbon, emission from fertilizer addition, emission from biomass burning etc.) in the baseline case	This parameter has not been monitored during this monitoring period. This parameter was calculated rather than measured, and is monitored every 10 years.
UBSL,SS,i,pool# Percentage uncertainty (expressed as 95% confidence interval as a percentage of the mean where appropriate) for carbon stocks and greenhouse gas sources in the baseline case (1,2…n represent different carbon pools and/or GHG sources) (%)	This parameter has not been monitored during this monitoring period. This parameter is monitored every 10 years.
EBSL SS,i Sum of combined carbon stocks and GHG sources in stratum i multiplied by the area of stratum i (Ai) in the baseline case (tCO2e)	This parameter has not been monitored during this monitoring period. This parameter was calculated rather than measured, and is monitored every 10 years.
UBSL,SS,i Percentage uncertainty in the combined carbon stocks and greenhouse gas sources in stratum I in the baseline case (%)	This parameter has not been monitored during this monitoring period. This parameter is monitored every 10 years.

Bi,t Average aboveground biomass stock before burning stratum i, time t (tonnes d. m. ha-1)	This parameter was available during validation process, and was calculated using forest inventory data. Thus, this parameter has not been monitored during this monitoring period.
AGB Aboveground biomass density (tonnes d. m. ha-1)	This parameter was available during validation process, and was calculated using forest inventory data. Thus, this parameter has not been monitored during this monitoring period.
Asp Area of sample plots in há (há)	This parameter was available during validation process, and was determined from forest inventory methods. Thus, this parameter has not been monitored during this monitoring period.
Hsdw Height of standing dead tree in m	This parameter was available during validation process, and was calculated using forest inventory data. Thus, this parameter has not been monitored during this monitoring period.
DDWdc Mean wood density of dead wood in the density class (dc) – sound (1),intermediate (2), and rotten (3); (t d.m. m-3)	This parameter is only monitored during the course of each forest inventory. Thus, this parameter has not been monitored during this monitoring period.
CP,Dist,q,i Carbon stock in all pools in post-natural disturbance q in baseline stratum I (t CO2-e ha-1)	Rather than monitoring Cpost using modules CP-AB and CP-D as described in the MON modules, C(post) can conservatively be assumed to be zero in the project case, for natural disturbance. Thus, this parameter has been appropriately set as zero.
Ai Total area of stratum I (ha)	This parameter was available during validation process, and has not been monitored during this monitoring period.

AAplanned,i,t Annual area of baseline planned deforestation for stratum i at time t (ha)	This parameter has not been monitored during this monitoring period. It was available at validation process and will be monitored every 10 years during the project period.
Aplanned,i Total area of planned deforestation over the baseline period for stratum I (ha)	This parameter will be monitored every 10 years during the project period, and has not been monitored during this monitoring period. This parameter corresponds to the total area of the project property.
Pcomi Commercial volume as a percent of total aboveground volume in stratum i (dimensionless)	Calculation of this parameter is demonstrated in the Monitoring Report. This parameter will be monitored every 10 years during the project period.
CWP100,i Carbon stock entering the wood products pool at the time of deforestation that is expected to be emitted over 100-years from stratum i; (t CO2-e ha-1)	This parameter was available at validation process and has not been monitored during this monitoring period. Monitoring of this parameter is foreseen every 10 years.
CWP,i Carbon stock entering wood products pool at time of deforestation from stratum I (t CO2-e ha-1)	This parameter was available at validation process and has not been monitored during this monitoring period. Monitoring of this parameter is foreseen every 10 years.
NewRi,t New calculated forest clearance in stratum i at time t by the baseline agent of the planned deforestation where no leakage is occurring (ha)	According to the Monitoring Report, forest clearance is only foreseen starting from 2018. This parameter was available at validation process and has not been monitored during this monitoring period. Monitoring of this parameter is foreseen every 10 years.

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

During the audit process, the evidence provided by the project proponents was sufficient in quality and quantity for the audit team to evaluate the determination of the GHG Emissions Reductions reported. Project proponents used data from the State of Acre Central State Geoprocessing Unit (UCEGEO) to monitor and analyse changes in land use and coverage in the project boundaries and thereby determine the GHG emission reduction estimates. The audit team carried out an independent check on the occurrence of deforestation with the use of data from PRODES (Monitoring of the Brazilian Amazonian Forest by Satellite) provided by INPE (National Institute of Space Research). The audit team has assessed the information flow from data generation and aggregation, to recording, calculation and final transposition into the monitoring report. Therefore, the GHG calculation spreadsheet was found to be in conformance with VM0007, as well as all parameters and assumptions described in the project description (Ref. 28) and the monitoring report (Ref. 1). Monitoring reports do not specify the need for and frequency of calibration of the monitoring equipment used.

Using different data sources (Cartório de Ofícios de Imóveis Rurais da Comarca de Feijó – AC and Certificado de Cadastro de Imóvel Rural), the audit team has noted inconsistences between the seven properties that compound the “Gleba Canadá”, in which the project area is located, which can be observed in Table 1 and Figure 4, below. Considering that these discrepancies are related to the property total area, the audit team understands that there is a risk in place for these inconsistences to be reflected over the project area, what would potentially affect the net GHG reduction estimates for this monitoring period. This issue was not considered as a nonconformity because the project area is a subset of Gleba Canadá property. OBS#01/17.

Reference	Evidence	Total area (ha)	Partial areas (ha)
Ref. 1 e 3	PD (page 3) and GHG calculation spreadsheet	200,000	-
Ref. 10	Seringal4_area.shp	200,000	-
Ref. 15	Ajubim_0005	171,956	21,182
Ref. 16	Iracema_0006		41,077
Ref. 17	Novo Japão_0008		21,027
Ref. 18	Novo Pamir_0009		29,998
Ref. 19	Palmaripé I II e III		58,669

Ref. 21	I3GEO - INCRA[2] imoveis_certificados_privados_INCRA_2013.shp	215,472	-
Ref. 22	CCIR	224,092	-

Table 1 – Property area inconsistences between different governmental databases and project information.

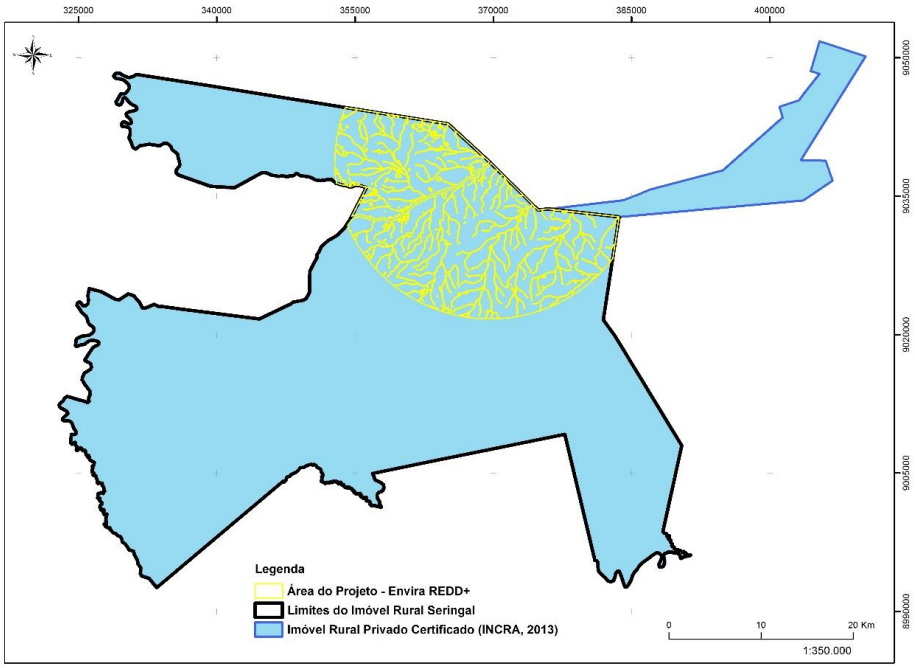


Figure 3 – Property areas evidenced by different governmental databases and the project information.

4.4 Non-Permanence Risk Analysis

Risk factor	Score	Findings	NCR/OBS
			Internal risks

[2] Available at: http://acervofundiario.incra.gov.br/i3geo

Project management	0	Reforestation activities are not part of the project scope; It is the audit team understanding that the project proponent conservatively adopts this risk fator, considering that deforestation monitored during the last monitoring period was low in comparison with the avoided planned deforestation and for that, the GHG credits have previously been issued. The project staff have great experience in AFOLU projects, what is evidenced by their portfolio; Project proponents have significant experience and regional knowledge since it has developed 03 other REDD+ projects in the State of Acre. The project also counts with the consultancy of TerraCarbon, which has recognized knowledge and experience on REDD+ project development.	
Financial viability	0	The audit team has reviewed the project documentation to assess the project financial viability. The project financial spreadsheet (ref. 29) indicates that the project will reach the breakeven point in 4 years from the project start date. The project proponent has revised its financial spreadsheet to evidence significant inputs in 2015, thus proving the low risk associated with the project's financial viability (ref.39). In addition, it shared an article published in a specialized journal, to prove the sale of carbon credits whose financial contribution made the project possible, as demonstrated in the revised worksheet (ref. 40). Furthermore, he presented a letter from the institution's financial manager attesting to the exact value of the sale in question, and more broadly, the total value of the contribution made by the proponent to this specific project so far (Ref. 34). The audit team performed an independent check on the volume of VCUs issued in each vintage by the tenderer on the VCS website project page. Although the volume of VCUs issued by the	

		Envira Amazônia project does not exceed 30,000 tons, the audit team understands it is plausible that the proponent organization appropriated funds from other verified projects that are under its control to this specific project in the period in question.	
Opportunity costs	6	The project proponent states that the NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities. However, its financial spreadsheets do not show NPV as a financial parameter, nor a comparison between baseline and project scenarios. Despite this, the project proponent has conservatively assumed the higher possible score related to this risk factor. The audit team has raised an OBS to signalize an opportunity for improvement to the project. The project financial spreadsheets could consider showing NPV as financial indicators and comparisons between different scenarios regardless of the fact that the higher possible score for this risk factor has been chosen by the project proponent. The main project proponent also shared the triparty agreement signed between all the proponents and the parties commit to the conservation of the project area through the implementation of their actions (ref. 35), based on the analysis of the document and specifically in its clauses 4. (d) and 4. (e) the audit team considers it relevant as a mitigation measure to the risk associated with opportunity costs.	OBS#02/17,
Project longevity	15	The main project proponent shared the triparty agreement signed between all the proponents and the parties commit to the conservation of the project area through the implementation of their actions (ref. 35), based on the analysis of the document and specifically in its clauses 4.	

		(d) and 4. (e) the audit team considers it relevant as proof of legal contractual agreement in place	
Total internal risk	21	The audit team agreed with the total internal risk score calculated by the project proponent	
Land Tenure and Resource Access/Impacts	6	The proponent has revised its risk analysis to reconsider the risk associated with land tenure and disputes, recognizing the overlap of polygons evidenced by analysis of the CAR database in an area greater than 5% of the project area and thus recognizing the existence of significant claims by land and resources in the project area by the communities. The main project proponent also shared the triparty agreement signed between all the proponents and the parties commit to the conservation of the project area through the implementation of their actions (ref. 42), based on the analysis of the document and specifically in its clauses 4. (d) and 4. (e) the audit team considers it relevant as a mitigation measure to the risk associated with land tenure. Furthermore, the project supports land regularization among the communities living inside the project area, what is understood by the audit team as proof of conformance and the existence of a mitigation measure g).	
Community Engagement	-5	Auditors found and interviewed newcomers in the project area living in the “Colocacão Jarina”. The PIR (Ref.02) had not documented the arrival of new families in the project area. Despite that, it was not characterized that the number of new comers could influence this risk factor, changing its score. The audit team has raised an observation to signalize an opportunity for improvement in the project design and a potential risk factor in the non-permanence risk analysis. The project is verifying against	OBS#03/17

		CCB standards, what, according to the VCS Non-permanence risk tool can be interpreted as a mitigation measure.	
Political Risk	0	The project proponent has followed the World Bank Institute's Worldwide Governance Indicators to rank Brazil and have also considered the state legal framework and participation over GCF as mitigation measures, adequately.	--
Total External risk	1	The audit team agreed with the total external risk score calculated by the project proponent	
			Natural risks
Natural risks	2	The evaluation of this topic was positive regarding the presentation of scientific evidence on potential risks of natural disturbances such as fires, pests and diseases, extreme climatic events and geological risks. According to Cochrane and Laurance (ref. 37) the project proponent has considered the risk of carbon losses due to natural fire events significance as minor (less than 25% of carbon losses) and its likelihood as probable (every 10 to 25 years). The occurrence of droughts, flooding and disturbance by wind (ref. 38) in the reference region was assessed and considered insignificant. Pest and disease outbreaks would unlikely affects carbon stocks in Amazon biome, due its intrinsic biodiversity. The audit team agreed with the score calculated by the project proponent, for natural risk.	
OVERALL NON-PERMANENCE RISK RATING AND BUFFER DETERMINATION: 24			

5 SAFEGUARDS

5.1 No Net Harm

The Envira Amazônia project is validated and verified on CCB standards 3rd. ed. (2013). This international standard has specific requirements focused on the avoidance of negative impacts caused by the project activities to the biodiversity and communities in the context. The project proponent highlights potential negative impacts such as increased costs of land, migration to the project zone, moral decay caused by increased wealth, deforestation caused by migration from the project area to surrounding areas, among others. The project design document also brings mitigation measures, such as the expansion of the project's social activities to the communities surrounding the project zone, political alignment with the state jurisdictional REDD+ project, in a way to access the benefits promoted by public policies as well as the engagement with neighboring land owners in way to enhance the conservation impacts of the project. To have a better sense of how the project addresses this, please refer to the CCB verification reports (ref. 24) and CCB related project documentation (ref. 02)

5.2 Local Stakeholder Consultation

The Envira Amazônia project is validated and verified on CCB standards 3rd. ed. (2013). This international standard has specific requirements focused on stakeholder engagement, access to information, consultation participation in decision-making processes, among others. Several stakeholder inputs where received by the audit team during the field audit. These were most significantly related to the grievance and complaints resolution procedure, consultation process and benefit sharing. To have a better sense of how the project addresses this, please refer to the CCB verification reports (ref. 24) and CCB related project documentation (ref. 02)

6 VERIFICATION CONCLUSION

This is the final report. Following the review of the monitoring report and supporting documents, the audit team has concluded with a reasonable level of assurance that the project is in full conformance with the VCS standard requirements, validated and verified project design document, and approved VCS methodology.

Verification period: From 01-01-2015 to 31-12-2015

Verified GHG emission reductions and removals in the above verification period:

Year	Baseline emissions or removals (tCO_2e)	Project emissions or removals (tCO_2e)	Leakage emissions (tCO_2e)	Deductions for AFOLU pooled buffer account (tCO_2e; Risk buffer = 24%)	Net GHG emission reductions or removals (tCO_2e)
2015	3,560,825	31,812	597,415	846,963	2,084,635
Total	3,560,825	31,812	597,415	846,963	2,084,635

APPENDIX 1: NON-CONFORMANCE REPORTS, FORWARD ACTION REQUESTS AND OBSERVATIONS

1.1. Non-conformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that probably materially affects carbon credit claims. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

NCR#:	01/17
Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v.3.3, items 2.2.2, 2.2.3 and 2.3.1
Report Section:	4.4
Description of Non-conformance and Related Evidence:	
Based on an independent analysis of the Cadastro Ambiental Rural database[3], the audit team identified 17 ownership claims of areas that overlap with the project area (Ref. 27; Fig. 3). Interviews made with the riverine community representatives during the field work has revealed that these claims were made by them and that they have traditional right of use of the land and its resources. Auditors verified through interviews with the representatives of the National Institute for Colonization and Agrarian Reform (INCRA) and with the Public Prosecutor of INCRA in the State of Acre that there is a dispute between this public authority and the landholder. There is an administrative process open to discuss a possible overlapping in the area with public lands, what may be significant and bigger than 5% of the project area. The audit team understands that a dispute between the Envira Project's area landowner and federal public authorities remained characterized. The audit team understands that the project proponent has underestimated the risk associated with land tenure and, more specifically, rights held by different entities and disputes. On regards to the project financial viability, the project financial spreadsheet (ref. 29) indicates that the project will reach the breakeven point after 4 years from the project start date, which is corroborated by project staff member interviews. The audit team assessed the project documentation (refs. 29 and 23) and found insufficient evidence that the necessary funds to	

[3] http://www.car.gov.br/

cover the total project cash out before the breakeven point are in place. The memorandum of agreement between the project proponent and a financial institution has a limited scope. The audit team understands that the project proponent has underestimated the risk associated with the project financial viability. Besides that, the audit team hasn't had access to the Tri-Party agreement signed between the project proponents. Thus, the audit team could not analyze this document contents and its suitability as a mitigation measure for risks related to opportunity costs.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to project verification
Evidence Provided by Organization:	Ref. 39: Reviewed financial spreadsheet. Ref. 40: Sustainable Branches article Ref. 41: Finance manager letter Ref. 42: Triparty agreement
Findings for Evaluation of Evidence:	The proponent has revised its risk analysis to reconsider the risk associated with land tenure and disputes, recognizing the overlap of polygons evidenced by analysis of the CAR database in an area greater than 5% of the project area and thus recognizing the existence of significant community claims by land and resources in the project area. The main project proponent also shared the triparty agreement signed between all the proponents, where the parties commit to the project area conservation through the project activity implementation (ref. 42). Based on the document analysis, specifically in its clauses 4. (d) and 4. (e), the audit team considers it relevant as a mitigation measure

	to the risk associated with opportunity costs. The project proponent has reviewed its financial spreadsheet to evidence significant inputs in 2015, thus proving the low risk associated with the project's financial viability (ref. 39). In addition, In addition, it shared an article published in a specialized journal, to prove the sale of carbon credits whose financial contribution made the project possible, as demonstrated in the revised worksheet (ref. 40). Furthermore, he presented a letter from the institution's financial manager attesting the sale's value and more broadly, the total value of the contribution made by the proponent to this specific project so far (ref. 41). The audit team performed an independent check on the volume of VCUs issued in each vintage by the proponent on the VCS website project page. Although the volume of VCUs issued by the Envira Amazônia project does not exceed 30,000 tons, the audit team considers it plausible that the proponent organization has appropriated funds from other verified projects that are under its control to this specific project in over the analysed period.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	02/17
Standard & Requirement:	VM0007 REDD-MF v1.5 – Item 9.3.2 (Task 1) VMD0015 M-MON, v2.1 – Items 6.2 e 6.3
Report Section:	4.3
Description of Non-conformance and Related Evidence:	
The project proponent didn't present the updated forest cover benchmark maps, covering the last monitoring period. (Ref. 1, page 56). Based on an independent analysis of References 08 and 09, the auditors notified that 50 ha were cleared in 2015 in the project area. As consequence, the auditors were not able to conduct a proper evaluation of the forest cover and forest-cover change in the project area during the monitoring period.	

Besides that, section 2 of the monitoring report (Ref. 1) describes the data and parameters monitored as well as its monitoring deforestation strategy, which is based on the acquisition and use of data from a UCEGEO/IMC, state governmental agency in charge of deforestation monitoring, among other subjects involving GIS (Refs. 9 and 11). During the field audit, UCEGEO staff informed the audit team that this land-use/cover classification data is not open to public. Thus, it is not clear which data source is being used by the project proponent to monitor deforestation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to project verification
Evidence Provided by Organization:	Ref. 44: Envira GIS Files
Findings for Evaluation of Evidence:	The project proponent shared his GIS file database, evidencing the "forest cover benchmark map" for the monitored period. The audit team understands that the information contained in the map presented corresponds to that found through its independent analysis of the deforestation observed in the project area during the monitoring period. The proponent did not provide evidence that the spatial database used in the project was made available by the UCEGEO team, as indicated in the project documentation. The audit team understands, however, that the methodology used to monitor deforestation in the state can be reproduced by the project consultants, who knowingly participated in the construction of the monitoring protocols. This understanding was corroborated by interviews with the former director of IMC, one of those responsible for creating the methodology

	and implementation of the State Monitoring System. In the same interview was characterized the former director's agreement regarding the fact that the data are public and even the past existence of a memorandum of understanding between state and project proponents to allow the use of data for deforestation monitoring purposes in private areas. Understanding that there are no material discrepancies between the deforestation monitored by the proponent and the deforestation monitored by the audit team independently using PRODES data and that the project aims to reduce emissions from planned deforestation, the audit team considers the issue as negligible to the project implementation and its compliance with the applicable requirements.
NCR Status:	CLOSED
Comments (optional):	It points out the lack of clarity about the origin of the data used to monitor deforestation in the project area, pointing out the revision of this aspect in the project description as an opportunity for improvement (OBS#05/17)

NCR#:	03/17
Standard & Requirement:	VM0007 REDD-MF v1.5 – Item 9.3.2 (Task 1) VMD0015 M-MON, v2.1 – Items 6.2 e 6.3 VMD0009 LK-ASP v1.2 – item 5.1
Report Section:	4.1
Description of Non-conformance and Related Evidence:	
The project proponent didn't present spatial data related to all lands managed by the land owner and project proponent, "JR Agropecuaria e Empreendimentos Eireli", which is relevant information in regards to leakage monitoring, according to the methodology used at the project description. The project proponent does present spatial data related to leakage area monitoring (refs. 11 & 12), but this area's location is restricted to the state of Acre. During the field audit, interviews with the project proponent staff revealed the existence of other properties owned by the project proponent in the state of Mato Grosso.	

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to project verification
Evidence Provided by Organization:	Ref. 45: Envira GIS Files LK_CarbonCO_14 Ref.46: Project proponent statement regarding leakage_JR_27Jan16
Findings for Evaluation of Evidence:	The proponent provided the georeferenced boundaries of their properties, allowing the audit team to perform an independent check on deforestation in the monitoring period in question. The deforestation observed in these properties was considered negligible and not related to an activity displacement from gleba Canada site, where the project area is located, in the municipality of Feijo (ref. 45). This analysis corroborates the declaration signed by the project proponent (ref. 46), where the latter commits to not carry out planned deforestation in other areas of his property. In addition to such evidence, the audit team acknowledges that the VMD0009 LK-ASP v1.2 tool recognizes the use of surveys to measure the occurrence of leakage and, therefore, the compliance of the project to the requirements of the methodology, as to its implementation.
NCR Status:	CLOSED
Comments (optional):	None

1.2 Forward Action Requests

Note: FARs (Forward Action Request) indicate critical points in the project that must be observed and addressed by the proponent to the next project verification or at a given specified date. The failure to solve

a problem or potential discrepancy of the project in relation to the reference standards result in the issuance of an NCR at the next verification event or at the specified date.

FARs identified in the Draft Report does not need to be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program.

FAR#:	01/17
Standard & Requirement:	VM0007 REDD-MF v1.5– Item 9.3.2 (Task 2) VMD0006 BL-PL v1.2 – part 4
Report Section:	3
Description of Non-conformance and Related Evidence:	
The project proponent did not present evidence of the existence of a legal deforestation permit, as required by the methodology adopted at the project description, to justify the proper selection of the project baseline scenario (i.e., legal planned deforestation). It was also not clear to the audit team which forested area would be cleared within the project area, in each monitoring period, during the project lifetime. In addition, an interview with a staff member from IMAC (governmental agency responsible for issuing deforestation permits in the State of Acre) revealed that there was no registry of any permit requested for the project area under the name of the project proponent. The audit team has raised this FAR to signalize the need of a plausible baseline scenario, by the time of the project baseline revalidation.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to project baseline revalidation
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
FAR Status:	OPEN
Comments (optional):	None

FAR#:	02/17
Standard & Requirement:	VM0007 REDD-MF v1.5 – Item 9.3.2 (Task 1) VMD0015 M-MON, v2.1 – Items 6.2 e 6.3
Report Section:	4.1
Description of Non-conformance and Related Evidence:	
In the monitoring report (Ref. 1, page 15), subsection "Patrol and Monitor Deforestation," the project proponent states that on-site patrols would monitor illegal deforestation in the project area approximately every 60 days. However, monitoring reports (Ref. 20) and interviews with the project staff revealed that only two patrols were conducted in 2015 (in May and November). In addition, the patrols were limited to the areas surrounding the Jurupari river and the Palmaripé community. This approach has limited effectiveness once the location of the mapped unplanned deforestation in 2015 was widespread across the project area (Fig. 5).	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Prior to project subsequent verification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
FAR Status:	OPEN
Comments (optional):	None

1.3. Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

OBS#:	01/17	Reference Standard & Requirement:	VM0007 REDD-MF v1.5 – Item 5.1.1 VCS AFOLU Requirements, v3.4 – Item 3.2.1
Description of findings leading to observation:	Using different data sources (Cartório de Ofícios de Imóveis Rurais da Comarca de Feijó – AC and Certificado de Cadastro de Imóvel Rural), the audit team has noted inconsistences between the seven properties that compound the "Gleba Canadá", the area of 200,000 hectares, in which the project area of 39,300 hecatres is located, which can be observed in Table 1 and Figure 4.		
Observation:	Considering that these discrepancies are related to the property's total area, the audit team understands that there is a risk that these inconsistences be reflected over the project area, which would potentially affect the net GHG reduction estimates for this monitoring period.		

OBS#:	02/17	Reference Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v.3.3 – Item 2.2.2
Description of findings leading to observation:	The project proponent states that the NPV from the most profitable alternative land use activity is expected to be at least 100% more than that associated with project activities. However, its financial spreadsheets do not show NPV as a financial parameter, nor a comparison between baseline and project scenarios. Despite this, the project proponent has conservatively assumed the higher possible score related to this risk factor. The audit team has raised an OBS to signalize an opportunity of improvement to the project.		
Observation:	The project financial spreadsheets could consider showing NPV as financial indicators and comparisons between different scenarios regardless of the fact that the higher possible score for this risk factor has been chosen by the project proponent.		

OBS#:	03/17	Reference Standard & Requirement:	VCS AFOLU Non-Permanence Risk Tool v.3.3 – Item 2.3.2
Description of findings leading to observation:	Auditors found and interviewed newcomers in the project area living in the "Colocacão Jarina". The PIR (Ref.02) had not documented the arrival of new families in the project area. Despite that, it was not characterized that the number of new comers could influence this risk factor, changing its score.		
Observation:	The audit team has raised an observation to signalize an opportunity of improvement in the project design and a potential risk factor in the non-permanence risk analysis.		

OBS#:	04/17	Reference Standard & Requirement:	VM0007 REDD-MF v1.5 – Items 9.1, 9.2 e 9.3.2 (Task 1) VMD0015 M-MON, v2.1 – Items 6.2 e 6.3
Description of findings leading to observation:	The audit team observed that the project proponent used different coordinate systems in the GIS data (i.e., shapefiles) used for the project monitoring. For instance, References 8 and 13 used the "South_America_Lambert_Conformal_Conic" projection, References 9 and 11 used "WGS_1984_UTM_zone_19S" projection, while References 10, 12, and 14 used the "SAD_1969_UTM_zone_19S projection."		
Observation:	The audit team understands that there is an opportunity of improvement of the project data base in regards of the usage of the same coordinate systems in the GIS data.		

OBS#:	05/17	Reference Standard & Requirement:	VM0007 REDD-MF v1.5 – Item 9.3.2 (Task 1) VMD0015 M-MON, v2.1 – Items 6.2 e 6.3
Description of findings leading to observation:	Section 2 of the monitoring report (Ref. 1) describes the data and parameters monitored as well as its monitoring deforestation strategy, which is based on the acquisition and use of data from a UCEGEO/IMC, state governmental agency in charge of deforestation monitoring, among other subjects involving GIS (Refs. 9 and 11). During the field audit, UCEGEO staff informed the audit team that this land-use/cover classification data is not open to public. Thus, it is not clear which data source is being used by the project proponent to monitor deforestation. The proponent did not provide evidence that the spatial database used in the project was made available by the UCEGEO team, as indicated in the project documentation. The audit team understands, however, that the methodology used to monitor deforestation in the state can be reproduced by the project consultants, who knowingly participated in the construction of the monitoring protocols. This understanding was corroborated by interviews with the former director of IMC, one of those responsible for creating the methodology and implementation of the State Monitoring System. In the same interview was characterized the former director's agreement regarding the fact that the data are public and even the past existence of a memorandum of understanding between state and project proponents to allow the use of data for deforestation monitoring purposes in private areas. Understanding that there are no material discrepancies between the deforestation monitored by the proponent and the deforestation monitored by the audit team independently using PRODES data and that the project aims to reduce emissions from planned deforestation, the audit team considers the issue as negligible to the project implementation and its compliance with the applicable requirements.		
Observation:	The audit team identifies a lack of clarity about the origin of the data used to monitor deforestation in the project area, pointing out the revision of this aspect in the project description as an opportunity for improvement.		