

VCS PROJECT REVIEW REPORT

Project ID	1542
Project Name	Yunnan Kunming Liangqu Improved Forest Management Project
Project Proponent	Kunming Yuming Investment Development Co., Ltd.
Methodology	<i>VM0010 Methodology for Improved Forest Management: Conversion from Logged to Protected Forest</i>
Sectoral Scope(s)	14: Agriculture, Forestry, and Other Land Use
Validation/Verification Body (VVB)	China Environmental United Certification Center Co., Ltd. (CEC)
Registry	Markit

Assessment Criteria	<i>VCS Standard, v3.5; VM0010 Methodology for Improved Forest Management: Conversion from Logged to Protected Forest, v1.2</i>
Date of First Issue	27 May 2016
Date of Second Issue	20 June 2016
Date of Final Issue	02 August 2016

Summary:

An accuracy review of the *Yunnan Kunming Liangqu Improved Forest Management Project* registration request has been conducted by VCS in accordance with Section 4.3 of the *Registration and Issuance Process*.

The accuracy review has raised two assessment findings and one minor finding, 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 two 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 5.3.6 of the *VCS Standard* requires that VVBs produce a validation report using the *VCS Validation Report Template* and adhere to all instructional text within the template.

Section 5.1.2 of the *VCS AFOLU Requirements* requires VVBs to conduct an assessment of the risk analysis produced by the project proponent in accordance with the *VCS AFOLU Non-Permanence Risk Tool*.

Section 3.3 of the *VCS Validation Report Template* requires VVBs to provide the following information for each risk factor included in the AFOLU Non-Permanence Risk Report: an assessment of all rationale, assumptions and justifications used to support the risk score; an assessment of any documentation and data provided to support the risk score; and, a conclusion regarding the appropriateness of the risk score.

Though Section 3.3 of the validation report includes a summary of the non-permanence risk assessment conducted, please update the validation report to include information on the assessment of each risk score in accordance with the VCS reporting requirements described above.

VVB Response:

The assessment of each risk score in accordance with the VCS reporting requirements have been complemented in section 3.3 of the validation report.

Through reviewing the documents provided by PP (e.g. the business license, the management regulation, development agreement signed between the farmers and PP, financial analysis calculation, etc.), and other public available information (e.g. WGI published by World Bank, etc.), CEC confirmed that the risk score of every risk factor is appropriate, the non-permanence risk analysis is correctly conducted according to the AFOLU Non-Permanence Risk Tool (version 3.2) based on the actual situation of the project.

VCS Response:

The updated validation report has been submitted and includes information on the assessment of each risk score in accordance with VCS requirements. No further action is required in respect of this finding.

Finding 2

Section 5.3.6 of the *VCS Standard* requires that VVBs produce a validation report using the *VCS Validation Report Template* and adhere to all instructional text within the template.

Section 3.2.8 of the *VCS Validation Report Template* requires VVBs to “Identify the parameters to be monitored and describe the steps taken to validate the suitability and eligibility of monitoring equipment and procedures”.

Though Section 3.2.8 of the validation report does identify the parameters to be monitored, it does not describe the steps taken to validate the suitability and eligibility of monitoring equipment and procedures. Please update the information included in Section 3.2.8 of the validation report in accordance with VCS reporting requirements described above.

VVB Response:

In section 3.2.8 of the validation report, CEC checked the China Forest Law against the actual implementation of the project forest and confirmed the suitability and eligibility of such parameters as 1) Illegal Logging PRA Results; 2) $A_{burn,i,t}$; 3) $A_{dist,i,t}$; 4) $A_{DIST_IL,i}$; 5) $C_{DIST_IL,i,t|PRJ}$; 6) AP_i ; 7) PMP_i ; 8) A_i ; 9) DBH.

For parameter Illegal Logging PRA Results, $A_{burn,i,t}$, $A_{dist,i,t}$, $A_{DIST_IL,i}$, $C_{DIST_IL,i,t|PRJ}$ and AP_i , the Chinese government has established a set of laws and regulations to protect the national Forest. In China Forest Law, it regulates that all the local government in China should set up the forest protection organizations. During the on-site inspection, CEC confirmed that the local forest authority has taken comprehensive forest protection measures to prevent the illegal logging, fire and other disease & insect pest. The measures include routine patrol conducted by the forest police, automatic monitoring system, etc.

For parameter PMP_i , CEC validated the exclusion of activity shifting leakage and market leakage, and confirmed that the calculation of PMP_i is not applicable.

For parameter A_i , CEC reviewed the National Forest Resource Continuous Investigation Technical Regulation, the local second class forest investigation, and the certification of Yunnan Institute of forest Inventory and Planning, and confirmed that the suitability and eligibility of the source of A_i is justified..

For parameter DBH, CEC reviewed the Forest Resource Continuous Investigation Technical Regulation and confirmed that the measurement method is in line with the national regulations.

VCS Response:

The updated verification report includes information about the monitoring equipment, monitoring procedures and validation conclusion for each parameter including in the monitoring plan. For five of the parameters to be monitored (2. $A_{burn,i,t}$; 3. $A_{dist,i,t}$; 4. $A_{DIST_IL,i}$; 5. $C_{DIST_IL,i,t|PRJ}$; and 6. AP_i), however, the monitoring equipment, monitoring procedures and CEC conclusion are listed as “Ditto”.

Please update the validation report to replace all instances of “Ditto” in section 3.2.8 with information about how the suitability and eligibility of monitoring equipment and procedures was validated, per section 3.2.8 of the validation report template.

VVB Response:

As in China, the prevention of illegal logging, fire and disease & insect pests are implemented by the forest authority, the prevention measures are mainly carried out by the routine patrol and automatic monitoring system. Therefore, Ditto is adopted to stand for the similar management system and validation procedure.

But the fire is more urgent and more dangerous, relatively, more efforts will be put on the fire

prevention and fighting, though the all-round protection measures are taken for the illegal logging, fire prevention and other disturbance.

Therefore, In section 3.2.8 of the validation report, the validation for the monitoring parameter (2. A_{burn,i,t}; 3. A_{dist,i,t}; 4. A_{DIST_IL,i}; 5. C_{DIST_IL,I,t|PRJ}; and 6. AP_i) has been complemented.

VCS Response:

The updated validation report has been submitted and includes information on the steps taken to assess the suitability and eligibility of each parameter to be monitored. No further action is required in respect of this finding.

2 MINOR FINDINGS

Finding 1

Section 5.2.3 of the *VCS Standard* requires projects to be listed on the project pipeline before the opening meeting between the VVB and project proponent and the beginning of the validation process.

The project was listed on the project pipeline on 11 May 2016; the date of issue of the validation report is listed as 22 March 2016 and per section 2.3 of the validation report the opening meeting was held on 25 August 2014. Please ensure that all projects are listed on the project pipeline before beginning the validation services going forward.

3 ASSESSMENT CONCLUSION

On 27 May 2016 VCS issued two assessment findings and one minor finding after its review of the registration request by the *Yunnan Kunming Liangqu Improved Forest Management Project*.

On 15 June 2016 VCS received responses and an updated validation report from China Environmental United Certification Center Co., Ltd. (CEC) to the two assessment findings. The updated validation report included an assessment of each risk score included in the non-permanence risk assessment and an assessment of some of the data and parameters to be monitored.

On 20 June 2016 VCS closed Finding 1 and requested that the validation report be updated to include assessments of the suitability and eligibility of all data and parameters to be monitored, in respect of Finding 2.

On 19 July 2016 VCS received a response and updated validation report from China Environmental United Certification Center Co., Ltd. (CEC). The updated validation report provided by the VVB addressed the

On 02 August 2016 VCS closed all remaining findings and no further action was required by the VVB.