MADRE DE DIOS AMAZON REDD PROJECT MADERACRE-MADERYJA-GREENOXX

VCS VERIF 14

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Summary:

The verification process started in April, 2014 when the project developer submitted the 2013 Monitoring Report and supporting project documents such as the calculation spread sheets and the risk assessment of non-permanence. The field visit took place on May 26-30, 2014. The audit team visited a sample of the project activities, interviewed key stakeholders, staff and other related experts; and also reviewed the monitoring report, and supporting documents. The purpose of the visit was to determine the conformance of the project with respect to the VCS Version 3 standard, the validated Monitoring Plan and the validated PD. The scope of the verification was to assess the conformance of Madre De Dios Amazon REDD Project (97,817.40 hectares) in Iñapari, Madre de Dios, Peru against the Verified Carbon Standard.

The audit team submitted to the project proponent a draft verification report on July 22th, 2014 in which four non-conformances (NCRs) were reported. Following revisions of the monitoring report by the project proponent, a draft final report was created in which the Rainforest Alliance auditors found that with reasonable level of assurance, the project is in conformance with the VCS v3 standard and verified that the project has generated a total of 816,269 tCO2e of emissions reductions during the monitoring period (01 January 2013 – 31 December 2013). VCUs to be issued after the buffer deduction are 719,252 tCO_2e.

For a complete summary of the audit process please refer to section 2 of this report and section 5 for complete verification field audit findings.

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1 INTRODUCTION

1.1 Objective

The purpose of this report is to document the conformance of the "Madre De Dios Amazon REDD project", with the requirements of the Verified Carbon Standard (VCS). The project was developed by Maderera Rio Acre S.A.C., Maderera Rio Yaverija S.A.C. and Grennoxx NGO, hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard.

1.2 Scope and Criteria

Scope: The scope of the audit is to assess the conformance of the Madre de Dios Amazon REDD project in Iñapari, Madre de Dios, Peru, against the Verified Carbon Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. The project covers an area of 97,817 hectares. The land is privately owned. The project has a lifetime of 38 years.

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

- Verified Carbon Standard Program Guide 2011 v3;
- Verified Carbon Standard 2011 v3;
- Verified Carbon Standard Agriculture, Forestry and Other Land Use (AFOLU) Requirements 2011 v3;
- Verified Carbon Standard AFOLU Non-Permanence Risk Tool 2011 v3;
- Verified Carbon Standard Program Updates (please see VCS website for the latest updates); and as applicable,
- The VCS VM0007 v1.0 methodology

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion for VCS projects (<300,000 tCO_2e/year). All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 1% of the total GHG assertion for VCS large projects (>300,000 tCO_2e/year). Materiality threshold: 5% ☐ or 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

From the Validated PD (Version 3):

"The proposed project activity consists of sustainable forest management in the certified timber concessions "Maderera Río Acre S.A.C. and Maderera Río Yaverija S.A.C." in Madre de Dios department, South East+6of Peru, in the Peruvian Amazon.

Both timber concessions have signed long term concession contracts with the Peruvian State in May 2002 for 40 years, renewable for 40 more years, totalling 80 years of contract, for an area of 98,932 hectares (49,376.0 hectares for Maderacre and 49,556.0 hectares for Maderyja).

The project area is located less than 30 km to the side of the new inter-oceanic road that will unite Brazil with the Peruvian ports, in the region that belongs to the Vilcabamba-Amboró Conservation Corridor in the Peruvian Amazon, one of the world biodiversity hotspots.

The area of influence of the Interoceanic road is characterized for still having areas of forests of great importance for their biodiversity and the environmental services they offer.

The area is different from other areas next to roads, where its presence has notoriously impacted in the landscape and natural resources.

However, the presence of the inter-oceanic road represents a great risk due to a major pressure of population from rural Andes regions that will migrate looking for lands, and the economic activities that will consequently be established. In this sense, it is relevant to consolidate the sustainable management of the area, as it is the case of forestry concessions with timber and non-timber destination, private areas and protected natural areas.

Another secondary source of risk for the future could come from illegal logging, which may affect in a much lower level of risk, the project area. Illegal loggers could be attracted in the future by the abundance of forestry species of high commercial value, as mahogany. Illegal logging, even though it does not necessarily deforest, if happens, could affect in the future value of the forest and open roads that make accessibility easier, creating the conditions for future deforestation. However, it is clear from different independent studies and from the Participatory Rural Appraisal diagnosis (PRA conducted for the project) that this risk is not significant and the main reason for land use change has been, and remains, the installation of crops and pastures.

The Madre de Dios Amazon REDD Project will dramatically reduce deforestation by increasing surveillance in the rainforest and benefiting local communities. The project was been validated on 2nd December 2009, according to the Climate, Community & Biodiversity Alliance (CCB Standards) by Scientific Certification Systems (SCS), which guarantees its social and environmental sustainability and validates that carbon calculations have been done following appropriate methodologies. This is furthermore enhanced by the fact that the project has obtained the maximum status within the CCB Standard: Gold."

2 VERIFICATION PROCESS

The Madre de Dios REDD project was validated on September 20, 2012 and verified once on May 21, 2013, both by SCS Global Services. The current audit corresponds to the second verification conducted in 2014 for the monitoring period of January 1, 2013 – December 31, 2013 against the VCS Standard and other program documents and related requirements.

The verification was conducted in five effective days in conjunction with the first CCBA verification of the project. The audit team reviewed the Monitoring Report 2012-2013 (Version 01), the Non-Permanence Risk Report 2012-2013 (Version 01, dated 14 April, 2014), carbon stocks calculations, and other supporting documents. Onsite, the audit team verified the implementation of the monitoring plan referenced in the Project Description (Version 03) and the correctness and appropriateness of the results. A sample of the project activities and the potential causes of degradation were evaluated in the fields. The audit team decided visiting one of the two points previously identified by the proponent, as one of the plots in the leakage belt which experienced change of land of use from secondary forest to cattle.

Close interactions with the project developer representatives took place during and after the audit. The preliminary findings were explained to them in a closing meeting.

Following the field audit, a second review of the Monitoring Report and supporting documents updated by the project proponent in response to the draft report were reviewed by the audit team. As a result, all the NCRs were closed and the auditors determined the project was in full conformance with the VCS standards. Final document versions approved included the Monitoring Report 2012-2013 (Version 02, dated 30 July, 2014) and Non-Permanence Risk Report 2012-2013 (Version 01, dated 14 April, 2014).

2.1 Method and Criteria

Auditors	Responsibilities							
	Lead	**Desk Review**	**On-site visit**	**Climate Specialist**	**Biodiversity Specialist**	**Social Specialist**	**Report**	**Senior Internal Review**
Campbell Moore	☐	☒	☐	☒	☐	☐	☒	☐
William Arreaga	☒	☒	☒	☐	☐	☐	☒	☐
Lawson Henderson	☐	☐	☐	☐	☐	☐	☐	☒
Other specialists								
Nicolas Wilson	☐	☒	☐	☐	☐	☐	☒	☐
Miriam Matorela	☐	☒	☒	☐	☐	☒	☒	☐

Auditor qualifications:

Auditor(s)	Qualifications
William Arreaga, *Lead auditor*	Guatemalan; Ing. Agr. RNR from San Carlos de Guatemala University, and M.Sc. from CATIE, Costa Rica. He is also involved in a MBA program on Financial Administration in Guatemala. William serves as lead auditor for FSC Forest Management, Chain-of-Custody, and legality services in Mesoamerica. His experience on carbon projects includes: the developing of two biomass allometric equations in Guatemala (natural forest and teak plantation); participation as a fellow at Winrock International (Norman Borlaug fellowship program) and as lead auditor in more than twenty validations and verifications (VCS, CFS, CCBA) in USA, México, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Ecuador and Uruguay. He had received formal training as carbon validator in Vermont, and as lead auditor against ISO 14001 in Guatemala. As Senior Associate of Verification Services (RA-Cert staff), he has been the point of contact of the carbon services in Mesoamerica Region Office, but also provides technical assistance to South America Region Office.
Campbell Moore *Carbon Specialist*	Campbell Moore, MF, Rainforest Alliance Carbon Specialist, Campbell is a tropical forestry and REDD+ expert with professional experience in Africa and Southeast Asia. He is Carbon Expert with Rainforest Alliance where he conducts audits against six forest carbon standards, supervises methodology assessments, and acts as technical

	expert on carbon for RA-Cert globally. Campbell has experience on both the technical and policy sides of REDD+. Previous professional experience includes consulting work for GIZ Philippines performing carbon stock assessments of different forest types including agroforestry and plantation systems, as well as work centered on reforestation in Sri Lanka for the Environmental Leadership and Training Initiative. He additionally has worked for Climate Focus on LULUCF policy issues. From 2009-2011 Campbell pursued his Master of Forestry from the Yale University School of Forestry and Environmental Studies. This period included a variety of forestry projects including developing a management plan for Connecticut forest preserve, planning timber sales in a New England hardwood forest, and designing and modeling carbon sequestration potential of agroforestry systems for the Nature Conservancy's Global Climate Team. Prior to his time at Yale, Campbell worked in The Gambia for over two years as a Peace Corps Volunteer designing and implementing a wide variety of forestry, agroforestry, and agricultural projects. In addition to his Master of Forestry degree, he holds a M.A. in Environmental Studies from St. Mary's College. Campbell is fluent in Pulaar and Wolof and has experience with Spanish and French.
Miriam Matorela *Social, Local Expert*	Sociocultural anthropologist with 12 years of professional experience in various areas of the Peruvian Amazon, working with various Indigenous Peoples: Matsiguenka, Isconahua, Piro, Yine, Harakmbut, Ese 'Eja, Awajun, Achuar, Candoshi, Islamists Quechua, Shipibo-Conibo and Ashaninka. As with mixed population settled in rural areas. She has extensive experience in the application of techniques to gather, systematize and analyze socioeconomic and cultural information as well as in rural development activities: community relations, development of educational packages and promotion materials for dissemination, community strategic planning. In addition to facilitating consultation and development processes by applying various participatory methodologies. In developing and implementing strategies for strengthening with emphasis on gender, participatory and intercultural. It has also led courses for environmental audits according to ISO 19011-2002 and ISO 14001-2004, and to the design, development and management of rural development projects and community to carry out audits on forest certification according to FSC
Nicolas Wilson *GIS Specialist*	Nick is a remote sensing and spatial analysis expert who has worked a range of domestic and international projects focused on land cover and land use change issues. He provides technical expertise to the Rainforest Alliance on REDD+ project conformance to VCS methodologies, accuracy assessment, and remote sensing. He is also a lead developer of the UrbanFootprint Scenario Planning Model, an open-source modelling platform for assessing the impact of future land use and policy decisions. As a lead analyst on the Vision California project he helped develop long range, high resolution land use scenarios for the State of California. Nick has also worked extensively with the Idrisi Land Change Modeler, a common land cover model used for assessing REDD+ baselines. His field experience includes nearly 3 years as a Peace Core Volunteer in the West African nation of The Gambia where he worked with the Gambian Forest Service and the National Beekeepers Association of the Gambia. He holds a Master's degree in Geography from Clark University and a Bachelor's degree in International Development and Anthropology from Dalhousie University.
Lawson Henderson *Senior Internal Reviewer*	Carbon Coordinator with Rainforest Alliance (2012 – current). Education: B.S.F. in forest management from University of New Hampshire, 2005. Experience, Forest Management Associate with Rainforest Alliance, US Region (2008 to 2012). Chain of Custody Associate with Rainforest Alliance, US Region (2007-2008). Forest Land Surveyor for a private forest/civil engineering firm in Western Oregon for two years. Auditor on more than 20 FSC forest management and chain of custody audits and assessments. Lead auditor or auditor on 16 forest carbon projects, including 14 IFM projects. Performed VCS audits of ARR, IFM, & REDD forest carbon projects. Project

	manager on over 250 forest management and chain-of-custody projects. Completed Rainforest Alliance CoC Auditor Training in April 2008, Rainforest Alliance Carbon Verification and Validation Audit Training in March 2009, and Rainforest Alliance Lead Forest Management Auditor Training in June 2009. Successfully completed the Climate Action Reserve Lead Verifier Training for the Forest Project, and Urban Forest Project Protocol in September 2010, CAR Lead Verifier credentials renewed in June 2014. Successfully completed the ISO Quality Management Systems Lead Auditor Training Course (ISO 9001) in December 2010. ARB Lead Verifier credentials obtained in October 2012. Member of the Society of American Foresters and the Forest Guild.

2.2 Document Review

The audit team reviewed a variety of documentation in advance such as the Project Description, the validation report, the monitoring report, the risk assessment, the carbon calculation worksheets and other supporting documents. In order to design the field visit, further clarifications from the proponent were necessary including through skype calls.

As a result, the sampling was design in order to verify boundaries of the project area and the leakage belt; “hitos”, posts, and signals; and verification of potential points of invasion and emissions. Through the documentation review, the audit team also decided to evaluate in the field, the potential drivers of degradation: fire, stumps transects, logging decks, natural disturbance, roads/trails. The audit team included in the sampling, consultation with local stakeholders.

The following documents were viewed as part of the field audit.

Ref	Title, Author(s), Version, Date	Electronic Filename
1	Madre de Dios Amazon REDD Project v3.0, prepared by Greenoxx NGO, issued on 11-09-2012	PROJ_DESC_844_11SEP2012.pdf
2	Madre de Dios Amazon REDD Project, Monitoring Report v1.0, prepared by Greenoxx NGO, issued on 14 April 2014	VCS Monitoring Report MDD 2012-2013 (FINAL 16 de abril).pdf
3	VMD00010 LK-ASU v1.0 Errata and Clarification, 8 July 2014	VMD0010 LK-ASU v1.0 Errata and Clarification 8th July 2014_final.docx
4	Cp Estimations in MDD 2012-2013	CP Estimation in MDD 2012-2013.xlsx
5	Leakage Estimations in MDD 2012-2013	Leakage Estimations in MDD 2012-2013.xlsx
6	Uncertainty Analysis MDD 2012-2013	Uncertainty Analysis MDD 2012-2013.xlsx
7	VCUs Estimation in MDD 2012-2013	VCUs Estimation in MDD 2012-2013.xlsx
8	PRA Diagnosis with respect to the Potential of Degradatoin in the area of the “Madre de Dios amazon REDD Project” 2011-2012	PRA 2011-2012 English.pdf
9	Maderacre Verif VCS CCBA ene 14	Maderacre Verif VCS CCBA ene 14.xlsx
10	Deforestacion por Tipo de Bosque M&M	Deforestacion por Tipo de Bosque M&M.xlsx
11	Multiple KMZ files	CCNN_Belgica.kmz ccpp.kmz ccpp_mdd.kmz deforestation_2018.kmz land_with_new_roads04_2012.kmz land_with_new_roads05_2013.kmz LeakageBelt_Area.kmz RRL.kmz
12	Madre de Dios Amazon REDD Project, Non-Permanence Risk Report v1.0, 14 April, 2014	VCS NonPermRisk (FINAL09 SET).pdf

2.3 Interviews

Different interviews were conducted prior, during and after the verification visit. The main target of the consultation was employees/consultants and also local institution representatives.
The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in some cases indirectly, involved and/or affected by the project activities.

Name	Title
Nelson Kroll Kohel	Forestry Manager
Jose Luis Canchaya	Comercial Manager
Natally Lombardy Flores	Social responsible - Maderacre
Ana Maria Quijada	Accountant Grupo Wong - Maderacre
Milagros Jàuregui	Forest Management Chain of Custody responsible
Tatiana Lapeyre	External consultant, responsable of carbón calculations
Lizardo Fachin Malaverry	External consultant, GIS expert
Samuel Parra	Evaluation and Monitoring - Maderacre
Maritza Ureta	Social responsable - Maderyja
David Ovalle	Forester, Maderyja
Erasmo Wong Kongfook	Administrative manager - Maderacre

2.4 Site Inspections

Location/Facility	Date(s)	Principal activities /Site Description	Auditor(s)
Maderacre administrative office	May 26, 2014	Opening meeting, presentation of the project, documentation review, stakeholder consultation	Miriam Matorela, William Arreaga
Municipalidad Provincial de Tahuamanu, Iñapari		Stakeholder consultation	William Arreaga, Miriam Matorela
ADECOMP office (Ambiente y Desarrollo de las Comunidades del Peru)			Miriam Matorela
Elementary school “Elena Bertha“			Miriam Matorela
Asociación de propietarios “Villa Primavera”			Miriam Matorela
Gobernacion de Tahuamanu, Iñapari			Miriam Matorela
Centro de Salud – Las Tres Fronteras, Iñapari			Miriam Matorela
Field visit Maderacre concession	May 27, 2014	Interview with the Maderacre checkpoint responsable. Meeting with employees at the base camp Maderacre. Visit to verification sites identified through GIS. Visit to boundaries, *hitos,* signal	William Arreaga, Miriam Matorela
Field visit Comunidad Nativa Bélgica (CN)	May 28, 2014	Interview with the Maderacre checkpoint responsable. Community meeting	Miriam Matorela, William Arreaga,
Maderacre administrative office	May 29, 2014	Review of documentation Interview with staff, environmental and social aspects Preliminary findings (closing meeting)	William Arreaga, Miriam Matorela
Iñapari – Puerto Maldonado-Lima	May 30, 2014	Stakeholder consultation	William Arreaga, Miriam Matorela

2.5 Resolution of Findings

Action Taken by Project Proponent following the issuance of the Draft Report		Date
Additional documents submitted to audit team (additional documents listed below)	☒ Yes ☐ No ☐ N/A	August 27, 2014
Additional stakeholder consultation conducted (evidence described below)	☐ Yes ☒ No ☐ N/A	N/A
Additional clarification provided	☐ Yes ☒ No ☐ N/A	N/A
Documents revised (document revision description noted below)	☒ Yes ☐ No ☐ N/A	August 27, 2014 September 3, 2014
GHG calculation revised (evidence described below)	☒ Yes ☐ No ☐ N/A	September 3, 2014

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

Ref	Title, Author(s), Version, Date	Electronic Filename
1a.	Contract with consultant, Maderacre 2014	contrato consultora REDD.pdf
2a.	Cp estimations in MDD, Maderacre 2014	Cp Estimations in MDD 2012-2013.xls
3a.	Leakage estimations in MDD, Maderacre 2014	Leakage Estimations in MDD 2012-2013.xls
4a.	Uncertainty Analysis MDD, Maderacre 2014	Uncertainty Analysis MDD 2012-2013.xls
5a.	VCS answers to NCR 1-4. Maderacre 2014	VCS Answers to NCR 1-4 (English).pdf
6a.	Monitoring report MDD post-auditoria, Maderacre 2014 (Version 02, dated 30 July, 2014)	VCS Monitoring Report MDD 2012-2013 Post-auditoria.doc
7a.	VCUs estimations in MDD, Maderacre 2014	VCUs Estimations in MDD 2012-2013.xls

2.5.1 Forward Action Requests

2.6 Eligibility for Validation Activities

The Rainforest Alliance audit team evaluated the conformance of the Madre de Dios REDD project against the updated version of the VCS Program documents. Rainforest Alliance is properly accredited to perform VCS Validations and Verifications for the AFOLU sector.

3 VALIDATION FINDINGS

The current audit only focuses on verification of the project during the time period of 1 January 2013 – 31 December 2013.

3.1 Participation under Other GHG Programs

The Madre de Dios REDD project was validated on September 20, 2012 and finally registered on October 5, 2012. The project has not previously or is currently involved in other GHG program or emission trading schemes.
The audit team reviewed the CDM projects listed at http://cdm.unfccc.int/Projects/projsearch.html to confirm the project is not registered as a CDM project.

3.2 Methodology Deviations

No methodology deviations were reported by the project proponent or identified by the audit team.

3.3 Project Description Deviations

No project description deviations were reported by the project proponent or identified by the audit team.

3.4 Grouped Project

The Madre de Dios REDD project is not a grouped project.

4 VERIFICATION FINDINGS

4.1 Project Implementation Status

According to the validated PD (Version 03) the project will achieve the expected GHG emission reductions through:

Outcome 1 - Contribute to the sustainable development of rural producers living in the buffer zone:
a. Socialization and dissemination of the project goals: the audit team verified through documentation and pictures that the project goals were presented in public events such as workshops, symposia, and press conferences
b. Identification and selection of proposals for the environmentally friendly productive projects, and
c. Development of the skills and capacities of the members of the associations linked to the selected projects, and

d. Design of the project profiles of the selected projects, and
e. Look for financing and/or co-financing for the approved profiles, and
f. Support on the implementation of the approved projects, and
g. Monitoring of the projects

(b – g) The audit team reviewed the document called "Programa-Proyectos amigables con el Medio Ambiente para Productores del Entorno del Proyecto REDD" which considers different activities to implement. The proponent explained that none of these activities have been implemented during the monitoring period. However, the determination was made that the failure to fully implement Outcome 1 of the monitoring report was an immaterial issue and does not represent a nonconformance to the VCS standards given that no deforestation was detected in both the Project Area and Leakage Belt during the monitoring period. Failure to fully implement Outcome 1 of the monitoring report has instead been identified as a nonconformance to the CCB Standards based on the concurrent CCB verification audit conducted with this VCS verification audit. Outcome 1 is related to sustainable development among communities participating in the project zone and is better suited to the CCB verification.

Outcome 2 - Reduce the vulnerability of the project area from external factors of deforestation and degradation

a. Review and update of the custody plan: The audit team confirmed the implementation of the custody plan. The Comunidad Nativa Belgica situated in the leakage belt, is by far the most important neighbour of the REDD Project. During the community meeting, it was evident that the members are informed about the plan and are aware of the impacts of the implementation. The audit team received evidence of, for instance, patrols conducted between the community and the proponent. It was confirmed that the plan was revised and updated taking inputs from the community representatives.

b. Installation of control posts PCA 5 Maderacre: Two checkpoints (control posts) were visited during the onsite visit: POA 01 in the Maderacre concession, and the PCA 5 (instead installed in the Comunidad Nativa Belgica) in the boundary with the Maderyja concession. The audit team interviewed the guards and confirmed there is presence in the area all the time in order to prevent illegal activities.

c. Delimitation of 100% of the concessions boundaries: The audit team confirmed through consultation that all the boundaries are clearly delineated in the field. The proponent also demonstrated this by showing photographs taken in key locations.

d. Installation of "Hitos" in the concessions vertexes: Some of the hitos were visited, and also photos were shown to demonstrate all of the hitos were properly installed.

e. Improve the signaling within the concessions:

During the field visit, two boundaries were reviewed and also the signals. A set of photos were also presented to show compliance of the installation of "hitos" in the vertexes of both concessions.

f. Periodic and annual patrolling within vulnerable sectors: There is a record system in place to show compliance about the patrolling in the boundaries and vertexes of the concessions. Both companies Maderacre and Maderyja work together with Comunidad Nativa Belgica to implement the patrolling in vulnerable sectors.

g. Annual monitoring of possible invasions using satellite images: The monitoring based on satellite images did not register illegal activities during the monitoring period. The GIS expert (consultant) explained in general terms the procedure taken to lead to this conclusion. One of the results of the analysis was the identification of two plots in which the land use had changed, from secondary forest to cattle (in the leakage belt). In order to confirm this, the audit team visited one of the plots and it was evident that the current land use was not cattle anymore. Instead, an early secondary forest was found.

h. In-field verification of sectors identified as potential points of invasion (due to deforestation): No deforestation was detected during the proponent in-field verification of both plots. The auditor confirmed this by doing a separate field verification.

i. Development and implementation of mechanisms for the dissemination of environmental education among children, adolescents and communities involved in the project: The audit team received formal confirmation from the stakeholder consultation, that a workshop about waste disposal and recycling was conducted by the proponent during the monitoring event.

In general, the project activities have been implemented as scheduled in the PD, except for the fact that the consultant has not been hired yet, and consequently the other activities were not implemented. As a result, the outcome 1 has not properly been achieved yet, while the outcome 2 has been achieved.

The audit team discussed the specifics about the process of monitoring and other aspects of the methodology such as leakage, potential emissions, etc. No material discrepancies were found during this step.

This monitoring event comprised basically gathering information, performing calculations and making estimations of GHG benefits. The audit team agrees that commonly established principles of forest inventory and management were put into practice during this monitoring event.

The monitoring event corresponds to the second VCS verification; as such the proponent has traded an amount of the credits earned during the first verification. The audit team confirmed the REDD project is not participating in other trading program or has been rejected under any other GHG program prior or since validation.

4.2 Accuracy of GHG Emission Reduction and Removal Calculations

Evaluation of Default Values and Parameters used in GHG Calculations

Parameter or Factor	Value	Auditor Findings
Forest Carbon stock	Ranges from 505-604 tCO2e depending on stratum	The carbon stock values reported in the monitoring report were validated by the validation audit. The values reported are well within the expected range for the Western Amazon.
Post-deforestation Carbon Stock	Ranges from 0 (infrastructure) to 31.75 (agriculture)	The post-deforestation carbon stock values were validated in the validation audit. The values reported are logical and were used appropriately in the carbon calculations. Their original sources were from published scientific literature demonstrating good practice and conformance with the VCS.
Emissions from Biomass	Multiple values	Values used are sourced from the IPCC 2006 Volume 4, Chapter 2 values recommended by E-BB module of VM0007. The audit team has confirmed these values were applied correctly throughout the

Burning		carbon calculations. As fire is the primary means of land conversion in the project area, the assumption of only 55% of the deforested land being burnt is conservative.
Degradation from the PRA	0 (no degradation)	The PRA conducted by the proponent indicates no evidence of degradation. A sociologist conducted the survey and the audit team evaluated the PRA and found it to be credible. Additional related parameters were not measured by the proponent (area degraded, dbh of stumps, etc.) for this monitoring period as there was no evidence of degradation during this verification period as confirmed by the PRA process, which is approved under VM0007.
Area deforested in project area	0 (no deforestation in the project area)	The analysis of satellite imagery concluded there was no deforested area during the monitoring period. A further analysis was necessary and close interactions of the audit team with the GIS expert confirmed this.
Area deforested in leakage belt	0 (no deforestation in the leakage belt)	The proponent analysis resulted in two plots in which there was a land use change (apparently deforestation) in the leakage bet from secondary forest to cattle land. However, the audit team confirmed in one of the plots that the cattle scenario is not present. This information helped the audit team to confirm that no deforestation activities took place in the leakage belt.
Area of logging decks	0 (no degradation)	According to field observations and professional judgement, the audit team confirmed that logging deck areas are conservative.
Area of logging roads	0 (no degradation)	The audit team actually re-measured the roads (width and length) and compare this with the monitoring event results. No major differences were identified.
Area of skid trails	0 (no degradation)	As it was evaluated with the logging roads, the audit team also re-measured the trails. It is evident that the proponent has implemented best practices (as per FSC certification requirements).
Carbon Fraction	0.49	The proponent has selected the appropriate carbon fraction for tropical wood (the proponent is not accounting for the small branch and leaf fraction of the aboveground carbon pool).
Wood density values for commercial species	Several values	The proponent has selected wood density values from reputable sources including national databases and published scientific literature in conformance with best practice and the VCS.
Allometric Equation	Chave Equation	The well-regarded, globally applicable Chave equations have been used to calculate forest carbon stocks at the validation stage. These forest carbon stocks are assumed to be held constant in the absence of deforestation or degradation and hence no remeasurement of forest carbon stocks was required for this verification. The selection

		of the Chave equations is in conformance with best practice and the VCS.
Logging Damage Factor	0.67	The suggested factor from VM0007 was appropriately used in the calculations.

Review of GHG Removals and Reductions Calculations

The proponent provided the audit team with four complete excel spreadsheets calculating the *ex post* project scenario emissions from the project area, project scenario emissions from the leakage belt and other leakage sources, uncertainty calculations, and final calculations of VCUs.

The audit team reviewed the spreadsheets in depth and identified no internal errors to the spreadsheets, which were quite simple given that no deforestation was detected in the project area and leakage belt during this monitoring period. Spreadsheets were developed in a transparent way with formulas intact for all possible values and calculations. Equations were transcribed from the methodology modules to spreadsheets allowing the audit team to clearly identify the application of the methodology to the spreadsheets. The audit team was able to trace the flow of information through the spreadsheets from project and leakage belt data through uncertainty analyses and to final VCU calculation.

Calculation	**Auditor Findings**
Emissions from Fossil Fuels (Project Emissions)	Appropriately omitted. Optional source of emissions if not included in the Baseline per Table 2 VM0007 v1.2
Emissions from biomass burning (Project Emissions)	Appropriately omitted this monitoring period. As no deforestation was detected in the project area or leakage belt during this monitoring period, no emissions from biomass burning have occurred.
Emissions removals from carbon stock enhancement	The proponent is not accounting for emissions removals from carbon stock enhancement. The project assumes a steady state forest carbon. Carbon stock enhancement is not accounted in both the baseline and project scenarios. The auditors agree with the appropriateness of this approach.
Change in carbon stocks from natural disturbance	No large scale or significant natural disturbance was identified during this monitoring period so this value was appropriately omitted.
Change in carbon stocks from harvesting in	The proponent is harvesting in both concessions in the project scenario. The proponent quantifies the change in carbon stocks from harvesting appropriately, incorporating the biomass removed and logging damage factor. Other sources of emissions from harvesting (roads, skid trails, logging decks) have been

the project scenario	calculated correctly with actual measurements of these areas in the field multiplied by the forest carbon stock value of the relevant stratum. The audit team sampled the data inputs and confirmed that they were either based on appropriate default values (for example Logging Damage Factor derived from VM0007 M-Mon) or directly measured by the proponent in the field. The audit team was able to clearly follow the logic of the calculations in the spreadsheet from the inputs (volume extracted, area of logging decks, etc.) to the summation of project emissions from harvesting. No nonconformances were identified. *Note the immaterial error in the calculation of carbon stored in long lived wood products, leading to an observation, does not apply to change in carbon stocks from harvesting as the wood density was applied for this value, per volume extracted, before summing the carbon extracted, thus incorporating the different quantities harvested per species.
Carbon stored in long lived wood products	An observation has been identified in the calculation of $C_{XB,ty,l}$ due to an immaterial error in the calculation of wood density for $V_{ex,ty,j,i}$..
Change in carbon stocks from deforestation in the project area	The analysis made use of Landsat 8 data and covered both the project area and the leakage belt. The analysis meets the minimum requirement for data processing, georeferencing, and cloud/shadow removal. M-Mon requires the following post processing for monitoring intervals (2012-2013): • Calculate the area of each category within the project area and, where required, the leakage belt. • Update the Forest Cover Benchmark Maps for the project area and leakage belt. • Update the remaining area of forest in RRL All of these requirements were met in the analysis. The overall classification accuracy was greater than 90%, meeting the requirements of the methodology. No deforestation was observed during the monitoring period in the project area. The audit team reviewed the remote sensing analysis conducted by the proponent to detect deforestation.
GHG emissions from Leakage Prevention activities	No GHG emissions from leakage prevention activities were reported as the proponent is not implementing any leakage prevention or mitigation activities. The audit team saw no evidence to contradict this during the field audit.
GHG emissions	The proponent correctly calculates this value in the relevant excel file. No deforestation was observed in the leakage belt during this verification period

from Leakage to the Leakage Belt	therefore no emissions are attributed to leakage within the leakage belt. The audit team reviewed the remote sensing analysis conducted by the proponent to detect deforestation. See additional details in section "Change in carbon stocks from deforestation in the project area" below.
GHG emissions from Leakage outside the Leakage Belt	The proponent has correctly calculated this value as 153,899.36tCO2e. As a result of this audit, the audit team identified an error in the VM0007 methodology which led to an incorrect calculation of the GHG emissions from outside the leakage belt. Subsequently the VCS released an Errata & Clarifications update correcting the methodology. The value above is calculated following the guidance of the VCS clarification.
Calculation of Uncertainty	The audit team has reviewed excel file "VCUs Estimations in MDD 2012-2013.xlsx." No errors or material discrepancies were identified and the proponent calculated the uncertainty following the X-UNC module correctly. The *ex post* precision target of less than 15% uncertainty at 95% confidence level has been met and hence no uncertainty deduction was required to be applied.
Calculation of Net GHG Reductions and VCUs	The excel file "VCUs Estimations in MDD 2012-2013.xlsx" was reviewed by the audit team. The input data was clear and understandable and consistent with output data calculated by other spreadsheets that calculated earlier steps of the *ex post* carbon calculations. The 10% risk factor justified by the AFOLU Non-Permanence Risk Buffer was applied correctly and the buffer credits were deducted.

4.3 Quality of Evidence to Determine GHG Emission Reductions and Removals

Key pieces of evidence used to determine emissions reductions and removals that were evaluated by the audit team include:

1. Participatory Rural Appraisal to detect evidence of degradation in the project area caused by fuelwood extraction and small-scale logging. This method is in conformance with the VM0007 M-Mon. The audit team was provided with the degradation PRA report. The PRA was conducted in March 2013 (valid for two years) and sampled 111 households including rural and urban households near the project area. The maximum distance community members travel to obtain firewood was reported as less than 500m, which would place the project area outside the reach of this activity. Most respondents sourced wood from their own property. The audit team observed no evidence in the field to suggest that degradation from the communities was occurring.

2. Review of default factors and parameters used in the calculation of emissions reductions.

Please see the table above "Evaluation of Default Factors and Parameters used in GHG Calculations".

3. Remote sensing imagery

The documentation was sufficient in detailing how the land cover maps were created. The processing was manual, using heads-up digitizing and reference data to produce the land cover maps.

The monitoring activities created consistent land cover maps utilizing the same data sources as the baseline land cover maps. This was confirmed and no justification for deviations is required.

4. Evaluation of field work to measure logging during verification period.

As a result of the satellite imagery analysis, the proponent identified two places in the leakage belt where there could probably register a land use change, from secondary forest to cattle. In order to verify this, the proponent conducted a monitoring visit and the findings were recorded in a technical report.

The audit team visited one of the two places and confirmed the current land use was not cattle. Instead, an early stage of a secondary forest was found.

4.4 Non-Permanence Risk Analysis

Risk Factor	Self Assessment Risk Rating	Findings (including description of any mitigation activities as required per VCS AFOLU Non-Permanence Risk Tool Section 2.1.2.2)	NCR/OBS
Internal Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.2):			
Project Management: Shall be assessed using Table 1 of VCS AFOLU Risk Tool.	- 4	a. Not applicable b. Score of 0 is taken as valid since no GHG credits have been previously issued. c. All project activities are implemented by the management team of Maderacre and/or Maderyja. The resume of key personnel were submitted to the audit team as evidence. Score of 0 is agreed by the audit team. d. The management team is based in Iñapari, a very close town to the project area. Both concession areas have permanent employees in different times of the year. Score of 0 is agreed by the audit team. e. Mitigation risk factor: The project proponent staff is compound of professionals with relevant experience in the development and implementation of REDD projects. They even participated in the designing and validation of	N/A

		the CCBA project and the last VCS verification. The proponent also has contracted consultants to help the project with the carbon calculations and the GIS. Score -2 is agreed by the audit team. f. The adaptive management plan was explained in detail to the audit team. The supporting documents were also reviewed during the field visit. Score of -2 is accepted.	
Financial viability: Shall be assessed using Table 2 of VCS AFOLU Risk Tool.	0	a. b. c. Not applicable. d. The proponent demonstrated through a financial analysis that the project`s breakeven point is reached in less than 4 years from the current risk assessment. Score of 0 is accepted. e. f. g. Not applicable. h. Initial investment of the project had been financed already. Therefore, around 23% of the needed funding is already secured, before the breakeven point is reached. Score of 0 is agreed. i. Mitigation risk factor: The proponent decided not to take the mitigation risk factor.	N/A

Opportunity cost: Shall be assessed using Table 3 of the VCS AFOLU Risk Tool.	0	a. b. c. d. e. Not applicable. f. The excel file shows that the REDD project is expected to be at least 39% more profitable than the most profitable alternative land use activity (cattle ranching). Score of 0 is not accepted since the risk tool assigns -2 for risk factor f. g. h. i. The proponent decided not to take the mitigation risk factor.	N/A
Project longevity: Shall be assessed using Table 4 of the VCS AFOLU Risk Tool.	10	a. Not applicable. b. Both companies have a concession contract for 40 years, renewable at least once. The audit team interviewed the forest service representative to confirm there are no complaints about the management performance of both companies. FSC certificates for both areas are still valid since it was demonstrated that best practices are implemented. Score of 10 is agreed by the audit team.	N/A
Total Internal Risk: Shall be calculated using Table 5 of the VCS Risk Tool.	6	The audit team agrees a total internal risk score of 6.	N/A
External risks (VCS AFOLU Non-Permanence Risk Tool Section 2.3):			
Land and resource tenure: Shall be assessed using Table 6 of the VCS Risk	0	a. Not applicable. b. Maderacre and Maderyja has signed	N/A

Tool.		concession contracts with the Peruvian State. Both contracts were ratified in May 2006 and a 40 year period is valid starting on 2002. Score of 2 is accepted. c. Not applicable. No dispute over land tenure or ownership is identified. Score of 0 is accepted. d. Not applicable. No conflicts over access/use rights were detected by the audit team. e. Not applicable. The REDD project is not categorized as WRC. f. As a usual scenario, the proponent has honoured the Law of Forestry and Wildlife (No. 27308) and also has maintained FSC certification; both, as a proof of long term commitment to manage the resources. g. The proponent decided not to take the mitigation risk factor g.	
Community engagement: Shall be assessed using Table 7 of the VCS Risk Tool.	0	a and b risk factors are not relevant to the project. There is no local population reliant on the project activity. c. The proponent decided not to take the mitigation risk factor.	N/A
Political risk: Shall be assessed using Table 8 of	0	a.b. Not applicable.	N/A

the VCS Risk Tool.		c. The proponent estimated the Governance score as -0.28 for the period of 2008-2012, and the verification audit team confirmed the score actually includes the available information of the last 5 years. Score of 2 is accepted. d. e. Not applicable. f. The proponent has demonstrated that Peru has one CDM reforestation project already registered; that there is a DNA already established; and that the jurisdiction is participating in the GCF taskforce in which the REDD project intends to participate. Score of -2 (mitigation) is accepted.	
Total external risks: Shall be calculated using Table 9 of the VCS Risk Tool.	0	The audit team agrees a total external risk score of 0	N/A
Natural Risks (VCS AFOLU Non-Permanence Risk Tool Section 2.4):			
Natural risks: Shall be assessed using Table 10 of the VCS Risk Tool.	0	Natural risk (fire). Score of 0 is accepted. Natural risk (pest disease). Score of 0 is accepted. Natural risk (extreme wether). Score of 0 is accepted. Natural risk (geological risk). Score of 0 is accepted.	N/A

		Natural risk (other). Score of 0 is accepted. The proponent conducted the risk analysis by using table 10 of the tool risk; no significant changes have been registered since the validation. The audit team agrees a total score of 0 after checking the correspondent analysis.	
Risk Factor	**Self Assessment Risk Rating**	**Findings**	**NCR/OBS**
Overall non-permanence risk rating as determined using Table 11 of the VCS Risk Tool.	10%	The audit team reviewed all the analysis done by the proponent and agrees on a total risk factor of non-permanence of 6%. However, as the proponent states, the minimum accepted by the tool are considered to allocate as buffer percentage (10%).	N/A

5 VERIFICATION CONCLUSION

See Section I above for the verification objectives, scope, criteria, and level of assurance.

After reviewing all the project documents submitted by the project proponent and discussions with the project management team, the Rainforest Alliance found the evidence sufficient to verify that the project proponent has implemented the monitoring activities according to the validated PD and also the validated Monitoring Plan. As a result, the project was found to be in conformance with the VCS Version 3 standard and also that the net GHG benefits caused by the project can be estimated with a reasonable level of assurance, as of 816,269.67 tCO2e.

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 project design document, and approved VCS methodology. Below is a description of the verified emission reductions as reviewed and approved by the audit team.

Verification period: From *[01-January-2013]* to *[31-December-2013]*

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)	Net GHG emission reductions or removals (tCO_2e)
Year A	1,190,498	220,328.96	153,899.36	816,269
Total	1,190,498	220,328.96	153,899.36	816,269

Based on Project's conformance with audit criteria, the auditor makes the following recommendation:		
Final Report Conclusions		
☒	Verification approved: *NCR(s) closed*	
☐	Verification not approved: *Conformance with NCR(s) required(See appendix I)*	
Draft Final Report Conclusions		
☒	Verification approved: *NCR(s) closed*	The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time.
☐	Verification not approved: *Conformance with NCR(s) required*	

Draft Report Conclusions		
☐	Verification approved: *No NCRs issued*	The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30 day deadline, or the new material was insufficient to close all open NCRs the report will be finalised with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalised and proceed towards issuance of a assessment statement.
☒	Verification not approved: *Conformance with NCR(s) required*	

APPENDIX I: NONCONFORMANCES AND OBSERVATIONS IDENTIFIED

Nonconformances

NCR#:	01/14
Standard & Requirement:	VCS Principle of Conservativeness
Report Section:	VCS Verification Report Section 4.2
Description of Non-conformance and Related Evidence:	
Section 3.1 of the Monitoring Report, *Data and Parameters Available at Validation,* identifies 0.49 as the value used for the carbon fraction and cites IPCC 2006 Vol 4 Chapter 4 Table 4.3 as the source. Table 4.3 actually identifies 0.49 as the default value for wood only for tropical ecosystems. 0.49 is also identified as the upper limit of the range of possible values for the entire tree for tropical ecosystems, with 0.47 identified as the mean value. The proponent has not justified the 0.49 carbon fraction value taking into account the VCS principle of Conservativeness. The proponent has either misapplied the wood carbon fraction value to the entire tree, or has selected the upper limit carbon fraction value for the entire tree rather than the mean value of 0.47	
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 Verification
Evidence Provided by Organization:	VCS Answers to NCR 1-4 (English).pdf
Findings for Evaluation of Evidence:	The proponent has clarified that the project is only accounting for carbon in the wood component of the aboveground tree carbon pool, and does not includes leaves and branches. As such, the 0.49 value is appropriate per Table 4.3 of IPCC 2006 Vol 4, Chapter 4. The nonconformance is therefore considered closed.
NCR Status:	CLOSED
Comments (optional):	The proponent notes in their response that this is not a monitored parameter. While this is true, per the guidance of the VCS and ISO 14065:2006, VVBs have a responsibility of reporting potential nonconformances when detected. In this case there is no nonconformance.

NCR#:	02/14
Standard & Requirement:	VCS Principle of Transparency; VCS Principle of Accuracy
Report Section:	VCS Verification Report Section 4.2
Description of Non-conformance and Related Evidence:	
The table in Section 3.2 (page 27) for the parameter $A_{DefLB,l,t}$ includes a table indicating several land use transitions indicating deforestation in the leakage belt. However, Section 2.1 of the Monitoring Report and Table 2.3 of the Monitoring Report claim no deforestation in the project area or leakage belt. The proponent shall resolve this	

contradiction and update the Monitoring Report.	
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 Verification
Evidence Provided by Organization:	VCS Monitoring Report MDD 2012-2013 Post-auditoria.docx VCS Answers to NCR 1-4 (English).pdf
Findings for Evaluation of Evidence:	The proponent has clarified that the table in Section 3.2 which indicated several land use transitions indicating deforestation in the leakage belt has been included in error. No deforestation occurred in the leakage belt during this time period (as was confirmed based on the Rainforest Alliance review of geospatial monitoring by the proponent) and the contradiction has been removed in the updated Monitoring Report. The nonconformance is therefore considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	03/14
Standard & Requirement:	VCS VM0007 module LK-ASU v1.0, Step 4(g), page 9; VCS Errata & Clarification, 8 July 2014
Report Section:	VCS Verification Report Section 4.2
Description of Non-conformance and Related Evidence:	
In calculating the value $\Delta CLK_{-ASU,OLB}$ ((file: Leakage Estimations in MDD 2012-2013.xlsx) the proponent has applied Eq 11 of VM0007 LK-ASU as it is written in the methodology. However, this equation is incorrect in the methodology itself as it does not apply any carbon stock value to the area of deforestation attributable to leakage outside the leakage belt. As it relates to this verification this leads to an underestimation of leakage by approximately 140,000tCO2e. The audit team notified the VCS of this error and received clarification in the VCS Errata & Clarification statement dated 8 July 2014, which has been posted to the VCS methodology webpage. The proponent shall refer to the 8 July 2014 correction to the LK-ASU module and recalculate leakage and resubmit relevant spreadsheets to the audit team.	
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 Verification
Evidence Provided by Organization:	Leakage Estimations in MDD 2012-2013.xlsx VCS Monitoring Report MDD 2012-2013 Post-auditoria.docx VCS Answers to NCR 1-4 (English).pdf
Findings for Evaluation of	The proponent has implemented sufficient corrective actions to close the

Evidence:	nonconformance per the guidance in the VCS Errata & Clarification statement from 8 July 2014. The audit team reviewed the updated spreadsheets and monitoring report and found the calculations to be correct and consistent throughout. This recalculation of leakage resulted in a reduction of the VCUs generated from 872,186 (872,185.94) to 719,253 (719,252.77) VCUs. The nonconformance is therefore considered closed.
NCR Status:	CLOSED
Comments (optional):	None

NCR#:	04/14
Standard & Requirement:	VCS Standard version 3
Report Section:	VCS Verification Report Section 4.1
Description of Non-conformance and Related Evidence:	
Outcome 1 of the monitoring plan has not been achieved yet, essentially because the first step (hiring a consultant) hast not been completed. Once this first step is done, the proponent must demonstrate the subsequent activities are implemented accordingly.	
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 Verification
Evidence Provided by Organization:	Contract with consultant
Findings for Evaluation of Evidence:	The proponent has submitted a contract called “Contrato de locación de servicios” signed by both parties (Maderacre/Maderyja and the consultant) on July 15th, 2014. This contract includes in general the terms of reference to conduct the identification and implementation of environmental projects within August 2014 and December 2015. A working plan is included as an annex. In general the activities correspond to what the PD and monitoring plan includes and therefore are approved during the validation, that is: 1. Identification and selection of projects. 2. Capacity development for stakeholders 3. Design of the identified projects 4. Fundraising 5. Support and coaching 6. Monitoring of the projects. The proponent has not yet fully achieved outcome 1. However, based on review of the NCR during the Rainforest Alliance Senior Internal Review, the determination was made that the failure to implement fully Outcome 1 of the monitoring report does not represent a nonconformance to the VCS standards given that no deforestation was detected in both the Project Area and Leakage Belt during the monitoring period. Failure to fully implement Outcome 1 of the

	monitoring report has instead been identified as a nonconformance to the CCB Standards based on the concurrent CCB verification conducted with this VCS verification audit. Since the project experienced zero deforestation in the project area and in the leakage area during this monitoring period, the failure to implement Outcome 1 clearly does not represent a material nonconformance to the VCS requirements or intent. Outcome 1 is related to sustainable development among communities participating in the project zone and is better suited to the CCB verification.
NCR Status:	CLOSED
Comments (optional):	NCR 04/14 retracted

Observations

OBS 01/14	Reference Standard & Requirement: VCS Principle of Accuracy
Description of findings leading to observation: In the excel file Cp Estimations in MDD 2012-2013.xlsx, the proponent has inappropriately calculated the $C_{XB,ty,l}$ value. Worksheet CLG-Extracted Timber is where the error occurs. The proponent has used the mean wood density for all commercial species in the project area, and applied this mean wood density to the sum volume of all extracted timber without regard to the species of extracted timber and differences in their contribution to the total volume extracted. The majority of commercial species in the project area were not harvested in this monitoring period, and they were not harvested in equal proportions, hence a simple mean is inaccurate. A weighted mean of the wood density is required to accurately represent the fact that some species were not harvested, and all species were harvested at different levels. Using the weighted mean for the Maderacre concession increases the mean wood density from 0.65 to 0.79, while the weighted mean for Maderiyja increases the mean wood density from 0.69 to 0.77.	
Observation: The proponent should correct the mean wood density value used. This error is issued as an observation, rather than a nonconformance as it reduces the VCUs the proponent can claim.	
Observation Status: The proponent has corrected the error and the observation is closed.	