



Final CCBA Project Validation Report

THE PURUS PROJECT

CARBONCo, LLC
16 JANUARY 2013

Validation Conducted by:

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1. Introduction

This report presents the findings of an audit conducted by Scientific Certification Systems (SCS), to validate the claim that the Purus Project conforms to the Climate, Community and Biodiversity Project Design Standards (Second Edition). SCS has been approved by the Climate, Community & Biodiversity Alliance (CCBA) to provide such assessment services.

1.1. Contact Information

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1.2. Objective

The validation audit is an independent assessment by SCS of the proposed project activity against the assessment criteria. Validation has resulted in a conclusion by SCS as to whether the project activity is compliant with the assessment criteria and whether the project should be considered approved to the CCB Standards.

1.3. Scope and Criteria

The scope of the audit consisted of the project, its activities, and its geographic extent, as described within the Project Design Documentation (PDD). The assessment was conducted against the criteria set out within the following guidance documents:

- Climate, Community and Biodiversity Project Design Standards, Second Edition (“CCB Standards”)
- Rules for the use of the Climate, Community & Biodiversity Standards, Version 21 June 2010 (“CCB Standards Rules”)

The project was assessed against all required criteria of the CCB Standards in order to determine whether the project could be validated at the “Approved” level. In addition, the project was assessed against at least one optional criterion, as set out by the CCB Standards, in order to determine whether the project could be validated at the “Gold” level.

1.4. Level of Assurance

The level of assurance of this report is reasonable.

1.5. Summary Description of the Project

As stated on page 5 of the Project Design Documentation (PDD), “The Purus Project (“Project”) is a payment for ecosystem services forest conservation project, otherwise known as a reduced emissions

from deforestation and degradation (REDD+) project, on 34,702 hectares (i.e., approximately 85,714 acres) of privately-owned land in Acre, Brazil.”

1.6. Summary of Validation Conclusion

The project has been validated against the CCB Standards at the Gold level.

2.0 Methodology

SCS began reviewing the project in late April 2012, beginning with a desk audit of the PDD and associated documentation. As part of this review, the audit team undertook a thorough review of the PDD against all indicators of the CCB Standards.

This review was continued during the site visit of June 2012. During this visit, the audit team interviewed representatives of the project proponents as well as the implementing partners TECMAN and TerraCarbon, LLC. The audit team conducted in-depth investigation into the project design and its conformance to the validation criteria, as well a risk-based assessment of the control systems of the project (particularly those related to the provision of quantitative information related to carbon stock changes and GHG emissions, as required by G1.4, G2.3, CL1 and CL3). The audit team also conducted interviews with representatives of 13 communities resident within the project zone in order to determine, in particular, the level of effectiveness of the project with respect to community engagement (G3.8, G3.9, G3.10). In addition, the audit team sought to understand the histories, livelihoods and goals of the communities visited, in order to confirm that the project will deliver net benefits to these communities (CM1.1).

As a result of some specific findings issued by the audit team at the completion of the audit, changes to the project design were implemented, and a second site visit to the project zone was undertaken, in December 2012 in order to assess the effectiveness of these changes in resolving the discrepancies that had been noted. During the site visit of December 2012, the audit team interviewed representatives of eight communities. The audit team also reviewed representatives of the project proponents, as well as Instituto de Mudanças Climáticas (IMC) and PAV Comércio e Serviços Ltda (“PAV”) to discuss the changes to the project design.

As described in Section 3.1 of this report, findings were issued prior and subsequent to both site visits. Following the closure of all findings, the audit team has been able to proceed with the issuance of the validation opinion described in Section 1.6 of this report.

3.0 Stakeholder Comments

The PDD was initially posted on the CCBA website for the period 2 May 2012 – 2 June 2012. In addition, a second public comment period was held during the period 20 October 2012 – 19 November 2012. In accordance with the CCB Standards Rules, a description of how each comment was addressed by the project proponents is included in Appendix B.

3.1. CCB Validation Findings

This report of our validation findings addresses each of the CCBA criteria and indicators. For each criterion, the CCBA indicators are listed along with a description of the evidence that was considered, and reference the findings from the audit when applicable. These findings can include Non-Conformity Reports (NCRs), Opportunities for Improvement (OFIs) and New Information Requests (NIRs), and are compiled in Section 5. In the case of non-conformance, a Non-Conformity Report stipulates the deficiency and its relation to the CCB protocol. NCRs indicate broad non-conformance at the criterion level that must be satisfied prior to project validation. An Opportunity for Improvement is issued when overall conformance with a criterion has been achieved but in instances where actions could be taken to further ensure compliance with an indicator. A New Information Request indicates when additional information is necessary to complete the validation. All NIRs must be received prior to project.

3.2. General Section

The General Section of the CCB Standards addresses original conditions in the project area baseline projections, project design and goals, management capacity and best practices, and legal status and property rights.

3.2.1. G1 – Original Conditions in the Project Area

The original conditions at the project area and the surrounding project zone before the project commences must be described. This description, along with baseline projections (see G2), will help to determine the likely impacts of the project.

G1 - Original Conditions in the Project Area

Indicator 1 - The location of the project and basic physical parameters (e.g., soil, geology, climate).	The required information has been appropriately provided within the PDD. The information provided within the PDD is consistent with the general knowledge of the audit team and the observations made by the audit team during on-site audit activities.
Conformance - Y	

Indicator 2 - The types and condition of vegetation within the project area.	The required information has been appropriately provided within the PDD, using a vegetation classification system that is generally accepted within the state of Acre.
Conformance - Y	

Indicator 3 - The boundaries of the project area and the project zone.	The boundaries of the project area and project zone, as confirmed by the audit team during on-site audit activities, have been appropriately communicated
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within the PDD.

The project area is the intersection of the area to which the project proponents hold legal title and the area that has been forested since at least 1988. This was done with an annual remotely sensed dataset that is available from the Unidade Central de Geoprocessamento e Sensoriamento Remoto do Estado do Acre (UCEGEO), which shows cumulative deforestation for each year. The audit team was able to see the replication of the analysis that was done to delineate the project area. The control which the project proponents hold over the project area is described more fully in Section 3.2.5 of this report. It is important to note that, although some maps (e.g., Map 4) depict the project area only in broad outline, the project area actually contains numerous “holes”, which correspond to areas that had been cleared prior to the acquisition of the most recent remote sensing imagery in 2010. Maps 5 and 11 most accurately depict the project area as not including these non-forested areas.

The project zone is made up of the project area and the “leakage belt”, which was established for purposes of greenhouse gas accounting. The leakage belt is essentially defined as the area to which deforestation activities can be reasonably assumed to be displaced due to the implementation of project activities. Therefore, within the context of the project, the project zone does include “the project area and the land within the boundaries of the adjacent communities potentially affected by the project”, as specified by the CCB Standards. Observations made by the audit team during the site visit confirmed that the project is not likely to have substantive impacts on communities beyond the boundaries of the leakage belt.

Conformance - Y

<p>Indicator 4 - Current carbon stocks within the project area(s), using stratification by land-use or vegetation type and methods of carbon calculation (such as biomass plots, formulae, default values) from the Intergovernmental Panel on Climate Change’s 2006 Guidelines for National GHG Inventories for Agriculture, Forestry, and Other Land Use or a more robust and detailed methodology.</p>	<p>Current carbon stocks within the project area have been estimated, on a per-hectare basis, using VCS methodology VM0007. The audit team affirms that this methodology is a more robust and detailed methodology than the IPCC 2006 GL for AFOLU, as it provides guidance that is specific to projects that reduce emissions from deforestation and forest degradation. Through a thorough review of relevant spreadsheets and all values therein, the audit team confirmed the accuracy of the values reported within the PDD as part of the validation audit for the project under the Verified Carbon Standard (VCS). While several variations (termed “methodology deviations” within the lexicon of the VCS) from the selected methodology were applied, all variations have been appropriately explained within the VCS project description that is referenced by the PDD. Further details regarding the work undertaken to confirm the carbon stock values reported in the PDD can be found within the VCS validation report for the project.</p>
<p>Conformance -Y</p>	

<p>Indicator 5 - A description of communities located in the project zone, including basic socio-economic and cultural information that describes the social, economic and cultural diversity within communities (wealth, gender, ethnicity, etc.), identifies specific groups such as Indigenous Peoples and describes any community characteristics.</p>	<p>An adequate description of communities located in the project zone has been provided in the PDD. Although a large amount of socio-economic and cultural information has been provided for the residents of the state of Acre as a whole, sufficient information has been provided regarding the specific status of communities within the project zone. The information provided is consistent with the observations made by the audit team during on-site audit activities. Please note that, for the purposes of this project, each individual family has been termed a “community”.</p>
<p>Conformance - Y</p>	

<p>Indicator 6- A description of current land use and customary and legal property rights including community property in the project zone, identifying any ongoing or unresolved conflicts or disputes and identifying and describing any disputes over land tenure that were resolved during the last ten years (see also G5).</p>	
<p>Conformance - Y</p>	<p>The PDD contains an appropriate description of current land use and customary and legal property rights in the project zone, and the information provided is consistent with the understanding of the audit team.</p>

<p>Indicator 7 - A description of current biodiversity within the project zone (diversity of species and ecosystems) and threats to that biodiversity, using appropriate methodologies, substantiated where possible with appropriate reference material.</p>	
<p>Conformance - Y</p>	<p>The PDD contains an adequate description of current biodiversity within the project zone. Although the meaning of the requirement to use “appropriate methodologies” is unclear, the description has been substantiated appropriately with references to third-party sources. The information provided is consistent with the general understanding of the audit team and the observations of the audit team during on-site audit activities.</p>

<p>Indicator 8 - An evaluation of whether the project zone includes any of the following High Conservation Values (HCVs) and a description of the qualifying attributes:</p>	
	<p>Keeping in mind that evaluation of whether the project zone includes any of the following High Conservation Values (HCVs) described in G1.8 are, necessarily, matters of professional judgment, the claims made by the PDD are reasonable and consistent with the observations made by the audit team during on-site audit activities.</p>

<p>Indicator 8.1 - Globally, regionally or nationally significant concentrations of biodiversity values;</p> <ul style="list-style-type: none"> a. protected areas b. threatened species c. endemic species d. areas that support significant concentrations of a species during any time in their lifecycle (e.g. migrations, feeding grounds, breeding areas). 	
<p>Conformance - Y</p>	<p>The audit team can confirm that the project zone does include threatened species, as described further in Section 3.6.3 of this report.</p>

<p>Indicator 8.2 - Globally, regionally or nationally significant large landscape-level areas where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance;</p>	
<p>Conformance - NA</p>	<p>Not applicable.</p>

<p>Indicator 8.3 - Threatened or rare ecosystems</p>	
<p>Conformance - Y</p>	<p>The audit team can confirm that the project zone contains tropical rainforest, and that this forest type is considered to be threatened on a global scale in general, and within the state of Acre in particular.</p>

<p>Indicator 8.4 - Areas that provide critical ecosystem services (e.g., hydrological services, erosion control, fire control);</p>	
<p>Conformance - Y</p>	<p>The PDD contains an appropriate description of the critical ecosystem services provided by the project zone. The information provided within the PDD is consistent with the observations made by the audit team during on-site audit activities.</p>

<p>Indicator 8.5 - Areas that are fundamental for meeting the basic needs of local communities (e.g., for essential food, fuel, fodder, medicines or building materials without readily available alternatives); and</p>	
	<p>The PDD contains an appropriate description of the ways in which the environment of the project zone is fundamental for meeting the basic needs of local communities provided by the project zone. The information provided within the PDD is consistent with the observations made by the audit team during on-site audit activities. In particular, the audit team can</p>

Conformance - Y	confirm that many of the communities located within the project zone survive on a subsistence level, and thus, are highly dependent on the environment of the project zone.
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<p>Indicator 8.6 -Areas that are critical for the traditional cultural identity of communities (e.g., areas of cultural, ecological, economic or religious significance identified in collaboration with the communities).</p>	<p>The information provided in the PDD is consistent with the observations made by the audit team during on-site audit activities.</p>
Conformance - Y	

3.2.2. G2 – Baseline Projections

A baseline projection is a description of expected conditions in the project zone in the absence of project activities. The project impacts will be measured against this ‘without-project’ reference scenario.

The project proponents must develop a defensible and well-documented ‘without-project’ reference scenario that must:

G2 - Baseline Projections

<p>Indicator 1 - Describe the most likely land-use scenario in the absence of the project following IPCC 2006 GL for AFOLU or a more robust and detailed methodology, describing the range of potential land use scenarios and the associated drivers of GHG emissions and justifying why the land-use scenario selected is most likely.</p>	<p>As described in the PDD, VCS methodology VM0007 was used to determine the baseline scenario. The audit team affirms that this methodology is a more robust and detailed methodology than the IPCC 2006 GL for AFOLU, as it provides guidance that is specific to projects that reduce emissions from deforestation and forest degradation. The audit team agrees that the scenario of “unplanned, frontier deforestation”, as set out in the PDD and described more fully in the VCS project description that is referenced by the PDD, corresponds to the most likely baseline scenario in the absence of the project. The observations of the audit team while traveling up the Purus River from the BR-364 highway indicate that the river is a major conduit for transportation in the region. Review of notes from the participatory rural appraisals that were conducted, indicate that it is common for individuals and families to</p>
Conformance - (Y/N/NA)	

	<p>travel up the river in search of available land. During the audit team’s travel to the project area up the Purus River, instances of conversion of land to agricultural uses along the river were commonly seen. These observations were later confirmed through observation of the project area through Google Earth, which reveals large areas of land that have been cleared along the banks of the river. Another access point for deforestation is the BR-364 highway, which has recently been paved. Small patches of deforestation are clearly evident, as seen through Google Earth, to the northeast of the project area in the vicinity of the BR-364 highway, and it is likely that the deforestation pressure adjacent to the BR-364 will intensify over time.</p>
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<p>Indicator 2 - Document that project benefits would not have occurred in the absence of the project, explaining how existing laws or regulations would likely affect land use and justifying that the benefits being claimed by the project are truly ‘additional’ and would be unlikely to occur without the project.</p>	<p>While the audit team cannot confirm the validity of the scenario, as described in the PDD, in which 20% of the project area is converted to livestock pasture, the audit team can affirm that it is unlikely that project benefits would have occurred in the absence of the project. As referenced by the PDD, the VCS project description more fully describes the additionality of the project. In accordance with VCS methodology VM0007, the “VT0001 Tool for the Demonstration and Assessment of Additionality in VCS Agriculture, Forestry and Other Land Use (AFOLU) Project Activities” was used to demonstrate the additionality of the project. The findings of the audit team with respect to that tool are described in detail within the VCS validation report. In summary, the tool has been appropriately used to demonstrate that the project is additional, considering the following factors:</p> <ul style="list-style-type: none"> • While the baseline scenario of unplanned deforestation does not comply with all applicable laws, adequate evidence was provided to show that non-compliance with such laws is widespread. • The project activity is unlikely to produce any financial benefits other than income related to carbon credits. • The other major instances of implementation of activities similar to the project activity have occurred on land that is either owned or administered by the government, and that there is no other known instance in which the proposed project activity is currently underway
<p>Conformance - Y</p>	

on private land within the state of Acre without the benefit of carbon finance

Indicator 3 - Calculate the estimated carbon stock changes associated with the ‘without project’ reference scenario described above. This requires estimation of carbon stocks for each of the land-use classes of concern and a definition of the carbon pools included, among the classes defined in the IPCC 2006 GL for AFOLU.¹⁹ The timeframe for this analysis can be either the project lifetime (see G3) or the project GHG accounting period, whichever is more appropriate. Estimate the net change in the emissions of non-CO₂ GHG emissions such as CH₄ and N₂O in the ‘without project’ scenario. Non-CO₂ gases must be included if they are likely to account for more than 5% (in terms of CO₂-equivalent) of the project’s overall GHG impact over each monitoring period.

Projects whose activities are designed to avoid GHG emissions (such as those reducing emissions from deforestation and forest degradation (REDD), avoiding conversion of non-forest land, or certain improved forest management projects) must include an analysis of the relevant drivers and rates of deforestation and/or degradation and a description and justification of the approaches, assumptions and data used to perform this analysis. Regional-level estimates can be used at the project’s planning stage as long as there is a commitment to evaluate locally-specific carbon stocks and to develop a project-specific spatial analysis of deforestation and/or degradation using an appropriately robust and detailed carbon accounting methodology before the start of the project.

The estimated carbon stock changes associated with the ‘without project’ scenario have been estimated, for the project GHG accounting period, using VCS methodology VM0007. The audit team affirms that this methodology is a more robust and detailed methodology than the IPCC 2006 GL for AFOLU, as it provides guidance that is specific to projects that reduce emissions from deforestation and forest degradation. Through a thorough review of relevant spreadsheets, remote sensing imagery and processes and other relevant information, the audit team confirmed the accuracy of the values reported within the PDD as part of the validation audit for the project under the VCS. While several variations (termed “methodology deviations” within the lexicon of the VCS) from the selected methodology were applied, all variations have been appropriately explained within the VCS project description that is referenced by the PDD. Further details regarding the work undertaken to confirm the carbon stock change values can be found within the VCS validation report for the project. The reader is appropriately directed to the VCS project description for a report of the actual values.

In addition, the net change in non-CO₂ GHG emissions in the ‘without project’ scenario have been estimated for the project GHG accounting period. Such emissions derive solely from the use of fire to clear land in the ‘without project’ scenario, and have been conservatively excluded from reporting under the VCS. As suggested by the CCB Standards, the tool “Tool for testing significance of GHG emissions in A/R CDM project activities” has been appropriately used to determine that avoided emissions due to burning are insignificant. The values reported in the PDD have been duly confirmed by the audit team, along with their sources.

Finally the reader is appropriately directed to the VCS project description for an analysis of the relevant drivers and rates of deforestation and a description and justification of the approaches, assumptions and data used to perform this analysis. The information provided within the VCS project description is consistent with the

	<p>observations of the audit team during on-site audit activities.</p>
Conformance - Y	

<p>Indicator 4 - Describe how the 'without project' reference scenario would affect communities in the project zone, including the impact of likely changes in water, soil and other locally important ecosystem services.</p>	<p>The PDD contains an adequate description of how the 'without project' reference scenario would affect communities in the project zone, which appropriately describes the positive and negative impacts of the without-project scenario with respect to the communities. The information provided is consistent with the observations made by the audit team during on-site audit activities.</p>
Conformance - Y	

<p>Indicator 5 - Describe how the 'without project' reference scenario would affect biodiversity in the project zone (e.g., habitat availability, landscape connectivity and threatened species).</p>	<p>The PDD contains an adequate description of how the 'without project' reference scenario would affect communities in the project zone. Given that the without-project scenario involves ongoing deforestation, the analysis provided by the PDD is relatively straightforward and the information provided is consistent with the observations made by the audit team during on-site audit activities.</p>
<p>Conformance - Y</p>	

3.2.3. G3 – Project Design and Goals

The project must be described in sufficient detail so that a third-party can adequately evaluate it. Projects must be designed to minimize risks to the expected climate, community and biodiversity benefits and to maintain those benefits beyond the life of the project. Effective local participation in project design and implementation is key to optimizing multiple benefits, equitably and sustainably. Projects that operate in a transparent manner build confidence with stakeholders and outside parties and enable them to contribute more effectively to the project.

The project proponents must:

G3 - Project Design and Goals

<p>Indicator 1 - Provide a summary of the project's major climate, community and biodiversity objectives.</p>	<p>The major climate, community and biodiversity objectives are appropriately summarized. The information provided is consistent with the details of the project design that have been documented within the PDD and that were conveyed to the audit team during on-site audit activities.</p>
<p>Conformance - Y</p>	

<p>Indicator 2 - Describe each project activity with expected climate, community and biodiversity impacts and its relevance to achieving the project's objectives.</p>	<p>Each project activity has been described in sufficient detail that a third-party can adequately evaluate ongoing implementation of the activities. The audit team can confirm that all activities described within the PDD can be implemented by the project proponents and implementing partners. The expected climate, community and biodiversity impacts of each project activity, and the relevance of each project activity to the project's objectives, has been appropriately specified. Specific observations regarding the project activities are as follows:</p> <ul style="list-style-type: none"> • <i>Forest Carbon Inventory</i>: The audit team can confirm, through review of the entire process used to quantify forest carbon stocks, that this
<p>Conformance - Y</p>	

activity has been fully implemented. It is expected that implementation of this activity will continue, on an ongoing basis, as needed in order to perform necessary monitoring tasks.

- *Regional Land-use and Deforestation Modeling:* The audit team can confirm, through interviews with Dr. Flores and other personnel involved, that this activity has been fully implemented to determine a performance baseline for the project.
- *Develop Climate Monitoring Plan and Monitor Deforestation:* As described in Section 3.3.3 of this report, a climate monitoring plan has been established.
- *Hire Project Manager:* The audit team can confirm that Sebastião Marques da Silva Maria Souza de Moura were employed as project managers during the site visit of June 2012.
- *Initiate Patrols of Deforestation:* As of the site visit of June 2012, this activity had not yet been implemented, but the description of the plan for patrols as set out within the PDD is consistent with the information provided to the audit team. On 19 June 2012, the audit team observed the trike, which is described in the PDD, in a warehouse in Rio Branco. It has recently been shipped in and therefore had not been unpacked yet, but it was clearly new and of the same type of machine that is depicted in the PDD.
- *Agricultural Extension Trainings:* On 19 June 2012, the audit team observed that the courses described within the PDD had been purchased. The courses consisted of videotapes and accompanying booklets.
- *Help Communities Obtain Land Rights / Delineate Family Areas:* The observations made by the audit team indicate that this activity is realistic and can be implemented within the framework of Brazilian law. The process of helping each community secure tenure to the quantity of land that they have already converted to agricultural use will reduce the potential for conflict and controversy.
- *Social Assistance:* During the site visit, it was explained that the state government of Acre has a program that assists with the removal of

trees from navigable rivers, but that the project will provide and food to assist with this effort.

- *Profit-Sharing of Carbon Credits:* The criteria for determination of the quantity of carbon revenue to be distributed to each community are adequately set out in the PDD. However, as the criteria are somewhat complex, there is a strong possibility for misunderstanding and confusion. While efforts have been made to convey these criteria to the communities in the past, continued efforts along these lines will assist in mitigating any misunderstanding that may occur in the future. It is important to note that, if the procedure described in the PDD is implemented, not all communities will necessarily receive a portion of carbon revenue. Those communities that have already deforested an area in excess of 100 hectares will not receive any revenue, as revenue is only provided for those communities that are able to protect the forest that is titled to them. In addition, those communities that occupy land that is not predicted to have been deforested, in the absence of the project, over the project GHG accounting period will not receive any revenue. However, the audit team affirms that the project, as described in the PDD, is likely to result in community benefits even for those communities that do not receive a portion of carbon revenue.
- *Reforestation Activities:* Although this activity had not yet commenced as of June 2012, the activity is certainly consistent with the overall objectives of the project.
- *Build an Office:* The project already has a headquarters, as observed by the audit team, and the audit team observed that infrastructure has been developed on an ongoing basis (e.g., a shower was installed during the few days that the audit team spent on-site in June 2012).
- *Improve School and Create a School Bus Boat:* Several of the public comments submitted to the CCBA indicate public support for these activities among the communities. The audit team was able to observe evidence that the school bus boat was already operational as of the site visit of June 2012.

	<ul style="list-style-type: none"> • <i>Build New Houses</i>: It was not necessarily clear to the audit team that new houses are desired by all community members. However, the audit team can confirm that at least some community members may desire new houses. • <i>Ecotourism</i>: The audit team did not observe evidence of any plans for an ecotourism enterprise in the near future. The project zone is in a remote location, being currently accessible only by river. However, the audit team can attest to the positive aesthetic qualities of the project zone. • <i>Develop Community Monitoring Plan and Monitor Community Impacts</i>: Community monitoring is described more fully in Section 3.4.3 of this report. • <i>Rapidly Assess Biodiversity on Project</i>: As described more fully in Section 3.6.3 of this report, the audit team was provided with evidence of the rapid biodiversity assessment described in the PDD. • <i>Develop Biodiversity Monitoring Plan and Monitor Biodiversity Impacts</i>: Biodiversity monitoring is described more fully in Section 3.5.3 of this report.
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<p>Indicator 3 - Provide a map identifying the project location and boundaries of the project area(s), where the project activities will occur, of the project zone and of additional surrounding locations that are predicted to be impacted by project activities (e.g. through leakage).</p>	<p>The PDD contains an adequate depiction of the required information. As outer boundary of the leakage belt is coincident with the boundary of the project zone, this information is identical to the information necessary to satisfy G1.3.</p>
<p>Conformance - Y</p>	

<p>Indicator 4 - Define the project lifetime and GHG accounting period and explain and justify any differences between them. Define an implementation schedule, indicating key dates and milestones in the project's development.</p>	<p>The project lifetime and GHG accounting period have been appropriately defined, and the differences between them explained. The implementation schedule that has been provided is realistic and is consistent with the description of project activities as required by G3.2.</p>
<p>Conformance - Y</p>	

<p>Indicator 5 - Identify likely natural and human-induced risks to the expected climate, community and biodiversity benefits during the project lifetime and outline measures adopted to mitigate these risks.</p>	<p>The PDD contains an extensive description of the likely risks to the expected benefits of the project. The information provided is consistent with the observations made by the audit team during on-site audit activities, and the mitigation measured outline within the PDD are appropriate to mitigate the risks</p>
<p>Conformance - Y</p>	

	that have been identified.
<p>Indicator 6 - Demonstrate that the project design includes specific measures to ensure the maintenance or enhancement of the high conservation value attributes identified in G1 consistent with the precautionary principle.</p>	<p>The PDD contains an appropriate description of the measures to ensure the maintenance or enhancement of the high conservation value attributes identified in G1. Given that the very nature of the project activity, as an avoided deforestation project, is consistent with the precautionary principle, the audit team agrees that the measures described will be sufficient to ensure the maintenance or enhancement of these high conservation value attributes.</p>
<p>Conformance - Y</p>	
<p>Indicator 7 - Describe the measures that will be taken to maintain and enhance the climate, community and biodiversity benefits beyond the project lifetime.</p>	<p>The PDD contains an adequate description of the measures to maintain and enhance the climate, community and biodiversity benefits beyond the project lifetime. The audit team agrees that the project activities, if implemented in accordance with the PDD, will certainly result in benefits beyond the project lifetime. For example, secure land title will provide a permanent benefit to the communities in the immediate vicinity of the project area.</p>
<p>Conformance - Y</p>	
<p>Indicator 8 - Document and defend how communities and other stakeholders potentially affected by the project activities have been identified and have been involved in project design through effective consultation, particularly with a view to optimizing community and stakeholder benefits, respecting local customs and values and maintaining high conservation values. Project developers must document stakeholder dialogues and indicate if and how the project proposal was revised based on such input. A plan must be developed to continue communication and consultation between project managers and all community groups about the project and its impacts to facilitate adaptive management throughout the life of the project.</p>	<p>As documented within the PDD, and as confirmed by the audit team during the site visit of December 2012, concrete steps have been undertaken to engage with a wide variety of stakeholders as part of the project design process. The audit team was able to confirm, during this visit, that Instituto de Mudanças Climáticas (IMC) have been effectively consulted with respect to project activities. In addition, the audit team was able to confirm, during the site visit of December 2012, that visits to the homes of communities were undertaken by the firm PAV Comércio e Serviços Ltda (“PAV”) from July to October 2012. The audit team affirms that, as many of the community members are illiterate, oral communication through household visits is a culturally appropriate method of dissemination of information. Through interviews with community members, the audit team confirmed the following:</p> <ul style="list-style-type: none"> • During these visits, communities were able to express themselves, assess the positive and negative impacts of the project on their way of life and express their expectations and their comments regarding the project. • The main principles of the project were explained clearly, comprehensively and in plain language.
<p>Conformance - Y</p>	

	<p>Therefore, the audit team has found that socially and culturally appropriate methods were used for community consultation. The audit team also affirms that a plan has been appropriately developed to continue communication and consultation between project managers and all community groups.</p>
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<p>Indicator 9 - Describe what specific steps have been taken, and communications methods used, to publicize the CCBA public comment period to communities and other stakeholders and to facilitate their submission of comments to CCBA. Project proponents must play an active role in distributing key project documents to affected communities and stakeholders and hold widely publicized information meetings in relevant local or regional languages.</p>	<p>As described in Section 3.0 of this report, two distinct CCBA public comment periods were implemented. The steps that have been taken to publicize the second CCBA public comment period to communities and other stakeholders and to facilitate the submission of comments to CCBA, as described within the PDD, are appropriate to the project circumstances. The audit team was able to confirm, during the site visit of December 2012, that the public comment period had been publicized to the communities within the project zone through announcements on the local radio station (Difusora Acreana) and home visits to the communities within the project area. A total of 13 comments were collected by the community by PAV during the second CCBA public comment period. Given that few, if any, members of the communities possess internet access, the audit team affirms that the use of a third party to collect comments for submission to CCBA is an appropriate means of facilitating the submission of comments.</p>
<p>Conformance - Y</p>	

<p>Indicator 10 - Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation. The project design must include a process for hearing, responding to and resolving community and other stakeholder grievances within a reasonable time period. This grievance process must be publicized to communities and other stakeholders and must be managed by a third party or mediator to prevent any conflict of interest. Project management must attempt to resolve all reasonable grievances raised, and provide a written response to grievances within 30 days. Grievances and project responses must be documented.</p>	<p>The process for handling unresolved conflicts and grievances, as set out in the PDD, is appropriate to project circumstances. IMC, the party assigned for handling conflicts, is a government entity and should therefore be capable of appropriate mediation. The role of IMC in this process was confirmed by the audit team during the site visit of December 2012. During that visit, the audit team also confirmed, through interviews with community members, that the procedure set out in the PDD was appropriately communicated to the communities.</p>
<p>Conformance - Y</p>	

<p>Indicator 11 - Demonstrate that financial mechanisms adopted, including projected revenues from emissions reductions and other sources, are likely to provide an adequate flow of funds for project implementation and to achieve the anticipated climate, community and biodiversity benefits.</p>	<p>The audit team was provided with a detailed pro forma that itemized the likely costs project implementation. The audit team was also provided with bank statements documenting the financial health of CarbonCo, LLC. In addition, the audit team was provided with a “Financial Letter of Support for CarbonCo, LLC”, issued by the Chief Financial Officer of that organization, attesting to the availability of funds as needed to cover the total cash out before the project reaches breakeven.</p>
<p>Conformance - Y</p>	

3.2.4. G4 – Management Capacity and Best Practices

The success of a project depends upon the competence of the implementing management team. Projects that include a significant capacity-building (training, skill building, etc.) component are more likely to sustain the positive outcomes generated by the project and have them replicated elsewhere.

Best practices for project management include: local stakeholder employment, worker rights, worker safety and a clear process for handling grievances.

The project proponents must:

G4 - Management Capacity and Best Practices

<p>Indicator 1 -Identify a single project proponent which is responsible for the project’s design and implementation. If multiple organizations or individuals are involved in the project’s development and implementation the governance structure, roles and responsibilities of each of the organizations or individuals involved must also be described.</p>	<p>During the site visit, the audit team was provided with the “Tri-Party Agreement for Verified Emission Reduction Credits” that set out a legal agreement between three entities: Carbonfund.org Foundation, Inc. (“Carbonfund”), Freitas International Group, LLC and Moura e Rosa Empreendimentos Imobiliários LTDA (“Moura & Rosa”). The audit team was later provided with an “Agreement” that indicated that “Foundation [i.e., Carbonfund.org Foundation, Inc.] hereby contributes, assigns and transfers all of its rights, interests and obligations in and to the existing signed agreements for projects in Brazil, to CarbonCo [i.e., CarbonCo, LLC] and CarbonCo hereby accepts all rights, interests and obligations in such agreements”. The documents provided to the audit team adequately substantiated that the project proponents are the entities that, together, have control over the project area, as required by the CCB Standards. The governance structure, roles and responsibilities of each organization are appropriately described within the PDD.</p>
<p>Conformance – Y</p>	

<p>Indicator 2 - Document key technical skills that will be required to implement the project successfully, including community engagement, biodiversity assessment and carbon measurement and monitoring skills. Document the management team’s expertise and prior experience implementing land management projects at the scale of this project. If relevant experience is lacking, the proponents must either demonstrate how other organizations will be partnered with to support the project or have a recruitment strategy to fill the gaps.</p>	<p>The key technical skills required for project implementation are appropriately documented within the PDD. The audit team agrees that, as documented within the PDD, the experience of the project proponents and other implementing partners (e.g., TerraCarbon LLC, PAV, TECMAN LTDA) is sufficient to cover all necessary technical skills.</p>
<p>Conformance - Y</p>	

<p>Indicator 3 - Include a plan to provide orientation and training for the project’s employees and relevant people from the communities with an objective of building locally useful skills and knowledge to increase local participation in project implementation. These capacity building efforts should target a wide range of people in the communities, including minority and underrepresented groups. Identify how training will be passed on to new workers when there is staff turnover, so that local capacity will not be lost.</p>	<p>The PDD contains an appropriate plan to provide orientation and training for the project’s employees and relevant people from the communities. The training that has already been provided to the individuals engaged in the forest carbon inventory work suggests such training efforts have been successful, as such work was executed to a high degree of accuracy. In the near-term, it is not anticipated that a great number of employees will be needed to conduct project activities, and therefore few individuals have been hired for project activities on a permanent basis. However, the audit team hopes that ongoing efforts will be undertaken to ensure that those new workers that are hired are effectively trained.</p>
<p>Conformance - Y</p>	

<p>Indicator 4 - Show that people from the communities will be given an equal opportunity to fill all employment positions (including management) if the job requirements are met. Project proponents must explain how employees will be selected for positions and where relevant, must indicate how local community members, including women and other potentially underrepresented groups, will be given a fair chance to fill positions for which they can be trained.</p>	
<p>Conformance - Y</p>	<p>Although, as previously stated, the project is not likely to hire very many permanent employees in the near future, the PDD does contain an appropriate plan to provide equal opportunity for employment to all people from the communities.</p>

<p>Indicator 5 - Submit a list of all relevant laws and regulations covering worker's rights in the host country.</p> <p>Describe how the project will inform workers about their rights. Provide assurance that the project meets or exceeds all applicable laws and/or regulations covering worker rights and, where relevant, demonstrate how compliance is achieved</p>	<p>A thorough list of relevant laws and regulation covering worker's rights in Brazil has been included in the PDD. On 16 January 2013, the audit team compared this list with information available on two websites (http://www.v-brazil.com/government/laws/labor.html and http://www.tlnt.com/2012/07/20/labor-laws-in-south-america-going-global-in-brazil/) and confirmed that it is comprehensive. The mechanisms for informing workers about their rights and complying with labor laws, as described in the PDD, are appropriate to the project circumstances (considering, as previously mentioned, that the project is not likely to hire many permanent employees in the near future). It will be important for future verification audit teams to confirm that the project's workers are informed about their rights via the mechanisms described in the PDD.</p>
<p>Conformance - Y</p>	

<p>Indicator 6 - Comprehensively assess situations and occupations that pose a substantial risk to worker safety. A plan must be in place to inform workers of risks and to explain how to minimize such risks. Where worker safety cannot be guaranteed, project proponents must show how the risks will be minimized using best work practices.</p>	<p>The PDD contains an appropriate summary of those situations and occupations that pose a substantial risk to worker safety, focusing most specifically on river transport, woods work (e.g., measurement of inventory plots), and removal of trees from the Purus River. All three activities carry some inherent level of danger, and thus worker safety cannot be guaranteed. The PDD contains an appropriate description of mechanisms that will minimize the risks inherent to such activities.</p>
<p>Conformance - Y</p>	

<p>Indicator 7 - Document the financial health of the implementing organization(s) to demonstrate that financial resources budgeted will be adequate to implement the project.</p>	<p>As previously stated, the audit team was provided with bank statements documenting the financial health of CarbonCo, LLC. In addition, the audit team was provided with a “Financial Letter of Support for CarbonCo, LLC”, issued by the Chief Financial Officer of that organization, attesting to the availability of funds as needed to cover the total cash out before the project reaches breakeven.</p>
<p>Conformance - (Y/N/NA)</p>	

3.2.5. G5 – Legal Status and Property Rights

The project must be based on a solid legal framework (e.g., appropriate contracts are in place) and the project must satisfy applicable planning and regulatory requirements.

During the project design phase, the project proponents should communicate early on with relevant local, regional and national authorities in order to allow adequate time to earn necessary approvals. The project design should be sufficiently flexible to accommodate potential modifications that may arise as a result of this process.

In the event of unresolved disputes over tenure or use rights to land or resources in the project zone, the project should demonstrate how it will help to bring them to resolution so that there are no unresolved disputes by the start of the project.

Based on information about current property rights provided in **G1**, the project proponents must:

G5 - Legal Status and Property Rights

<p>Indicator 1 - Submit a list of all relevant national and local laws and regulations in the host country and all applicable international treaties and agreements. Provide assurance that the project will comply with these and, where relevant, demonstrate how compliance is achieved.</p>	<p>A thorough treatment of all forestry and environmental regulations is provided within the PDD in response to this indicator. In addition, a thorough treatment of laws pertaining to private property rights has been provided in response to G1.6. An appropriate description of how compliance will be achieved has been provided with respect to each regulation. The information provided within the PDD is consistent with the understanding of the audit team.</p>
<p>Conformance - Y</p>	

<p>Indicator 2 - Document that the project has approval from the appropriate authorities, including the established formal and/or traditional authorities customarily required by the communities.</p>	<p>As there are no indigenous communities within the project zone, there are no “established formal and/or traditional authorities” that are distinct from those authorities that hold government offices. The approval of the project from the appropriate authorities is appropriately documented within the PDD. During the site visit of June 2012, the audit team reviewed the letter of support from the Vice-Governor of the State of Acre. Through conversations with personnel from IMC during the site visit of December 2012, the audit team confirmed the support of IMC for the project.</p>
<p>Conformance – Y</p>	

<p>Indicator 3 - Demonstrate with documented consultations and agreements that the project will not encroach uninvited on private property, community property, or government property and has obtained the free, prior, and informed consent of those whose rights will be affected by the project.</p>	<p>The PDD contains an appropriate demonstration that the project will not encroach uninvited on private property, community property, or government property. As is described within the PDD in response to G1.6, Brazilian law provides for the legal acquisition of land through possession of that land for a specific period of time. Many of the communities have been in possession of cleared land for a sufficient period of time as to be legally entitled to at least some of the land that they currently occupy. In response to this reality, the project will recognize all area that has historically been deforested by a given community as belonging to that community, and will assist the community in securing title to the land (this project activity is described further in Section 3.2.3 of the PDD). Thus, the audit team affirms that, if implemented as described in the PDD, the project will not encroach on private property. Given that there are no indigenous communities within the project zone, and that no communities have been resident there for a period of</p>
<p>Conformance – Y</p>	

	longer than approximately 50 years, there is no “community property” (as defined by the CCB Standards) within the project zone. There is also no government property within the project zone.
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<p>Indicator 4 - Demonstrate that the project does not require the involuntary relocation of people or of the activities important for the livelihoods and culture of the communities. If any relocation of habitation or activities is undertaken within the terms of an agreement, the project proponents must demonstrate that the agreement was made with the free, prior, and informed consent of those concerned and includes provisions for just and fair compensation.</p>	<p>The audit team affirms that the project, as described in the PDD, does not require the involuntary relocation of people. As described previously, the project will recognize the land that has already been cleared by each community, and will not interfere with the use of that land. The project may require the relocation of some activities important for the livelihoods of the communities, as the communities are largely dependent on agricultural production for subsistence, and such production has historically frequently involved the clearing of forest for new agricultural plots. As described in the PDD, such activity is expected to be restricted to the project. However, such activity is also illegal, as it involves the clearing forest on land not owned by the communities (as described in discussion of G5.6 in this section, the project proponents hold legal ownership over all land within the Seringal Itatinga and Seringal Porto Central parcels that is currently forested). Therefore, such activity need not be considered in the evaluation of involuntary relocation of livelihoods, in accordance with the CCB Standards. The audit team affirms that the project, as described in the PDD, will not require the relocation of any activities that are important for the livelihoods and culture of the communities and that are also legal.</p>
<p>Conformance - Y</p>	

<p>Indicator 5 - Identify any illegal activities that could affect the project’s climate, community or biodiversity impacts (e.g., logging) taking place in the project zone and describe how the project will help to reduce these activities so that project benefits are not derived from illegal activities.</p>	<p>The PDD contains an appropriate description of potential illegal activities that could affect the project’s climate, community or biodiversity impacts. The audit team affirms that, given the circumstances surrounding the project, the likelihood that project benefits could be derived from illegal activities is very low.</p>
<p>Conformance - Y</p>	

<p>Indicator 6 - Demonstrate that the project proponents have clear, uncontested title to the carbon rights, or provide legal documentation demonstrating that the project is undertaken on behalf of the carbon owners with their full consent. Where local or national conditions preclude clear title to the carbon rights at the time of validation against the Standards, the project proponents must provide evidence that their ownership of carbon rights is likely to be established before they enter into any transactions concerning the project's carbon assets.</p>	<p>As described in the PDD, the project proponents hold legal title to the project area and also hold legal title to the carbon rights. As explained to the audit team during the site visit of June 2012, the project area is a subset of the cumulative area of two parcels, "Seringal Porto Central" and "Seringal Itatinga".</p> <p>The Seringal Porto Central parcel was purchased by Normando Rodrigues Sales (managing director of Moura & Rosa) circa 1991. The purchase of the Seringal Porto Central parcel by Mr. Sales was substantiated by a "certidão", provided by the project proponents, that was issued by the "extrajudicial branch" of the County of Sena Madureira, State of Acre, Republic of Brazil. Ownership of the Seringal Porto Central parcel was then transferred to Paulo Silva Cesário Rosa and Felipe Moura Sales on 15 December 2006, as attested by two documents certifying the ownership transfer.</p>
<p>Conformance - Y</p>	<p>Ownership of the Seringal Porto Central parcel by Paulo Silva Cesário Rosa and Felipe Moura Sales is attested to in the "Memorial Descritivo" for the parcel. Paulo Silva Cesário Rosa and Felipe Moura Sales are the two owners of Moura & Rosa, as documented in the "contrato social". Thus, the ownership of the Seringal Porto Central parcel by Paulo Silva Cesário Rosa and Felipe Moura Sales effectively constitutes ownership of the Seringal Porto Central by Moura & Rosa.</p> <p>The Seringal Itatinga parcel was purchased by Moura & Rosa in 2009, as documented through the "Contrato de Compra e Venda". Although the "Memorial Descritivo" for the Seringal Itatinga parcel indicates that the parcel was owned by Rafaele Farris at the time that the geo-reference was conducted, the Seringal Itatinga parcel was purchased by Moura & Rosa in 2009, as documented through the "Contrato de Compra e Venda".</p> <p>The "memorial descritivo" process provided information on the property boundaries of the Seringal Itatinga and Seringal Porto Central parcels that is of sufficient quality to justify the use of such information for purposes of delineating the project area. The audit team confirmed that the number of hectares enclosed within the area described within the "memorial descritivo" for each parcel is equivalent to the number of hectares that can be calculated from the</p>

shapefiles that were the basis for the delineation of the project area.

As stated in the discussion of G5.3 within this section, the project proponents do not have fee ownership of that area within the Seringal Itatinga and Seringal Porto Central parcels that has been occupied and in use by other individuals for at least 10 years. However, as the predominant settlement pattern in the region involves the clearing of land for dwellings and agricultural uses, and as the project area is specifically defined so as to exclude all areas that have been historically deforested prior to the project start date (see Section 3.2.1 of this report), the project proponents do have fee ownership over the entire project area.

3.3. Climate Section

3.3.1. CL1 – Net Positive Climate Impacts

The project must generate net positive impacts on atmospheric concentrations of greenhouse gases (GHGs) over the project lifetime from land use changes within the project boundaries.

The project proponents must:

CL1 - Net Positive Climate Impacts

<p>Indicator 1 - Estimate the net change in carbon stocks due to the project activities using the methods of calculation, formulae and default values of the IPCC 2006 GL for AFOLU or using a more robust and detailed methodology. The net change is equal to carbon stock changes with the project minus carbon stock changes without the project (the latter having been estimated in G2). This estimate must be based on clearly defined and defensible assumptions about how project activities will alter GHG emissions or carbon stocks over the duration of the project or the project GHG accounting period.</p>	<p>The estimated net change in carbon stocks due to project activities have been estimated, for the project GHG accounting period, using VCS methodology VM0007. The audit team affirms that this methodology is a more robust and detailed methodology than the IPCC 2006 GL for AFOLU, as it provides guidance that is specific to projects that reduce emissions from deforestation and forest degradation. In addition, the methodology is sufficiently rigorous to require clearly defined and defensible assumptions about how project activities will alter GHG emissions or carbon stocks over the duration of the project GHG accounting period.</p> <p>Through a thorough review of relevant spreadsheets, remote sensing imagery and processes and other relevant information, the audit team confirmed the accuracy of the values reported within the PDD as part of the validation audit for the project under the VCS. While several variations (termed “methodology deviations” within the lexicon of the VCS) from the</p>
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	<p>selected methodology were applied, all variations have been appropriately explained within the VCS project description that is referenced by the PDD. Further details regarding the work undertaken to confirm the carbon stock change values reported in the PDD can be found within the VCS validation report for the project. The reader is appropriately directed to the VCS project description for a report of the actual values.</p>
Conformance - Y	

<p>Indicator 2 - Estimate the net change in the emissions of non-CO2 GHG emissions such as CH4 and N2O in the with and without project scenarios if those gases are likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the project's overall GHG emissions reductions or removals over each monitoring period.</p>	<p>The net change in non-CO2 GHG emissions in the with and without project scenarios have been estimated for the project GHG accounting period. Such emissions derive from the use of fire to clear land in the 'without project' and 'with project' scenarios, as well as burning of fossil fuels for project activities in the 'with project' scenario. As suggested by the CCB Standards in footnote 21, the tool "Tool for testing significance of GHG emissions in A/R CDM project activities" has been appropriately used to determine that avoided emissions due to burning are insignificant. The values reported in the PDD have been duly confirmed by the audit team, along with their sources.</p>
Conformance - Y	

<p>Indicator 3 - Estimate any other GHG emissions resulting from project activities. Emissions sources include, but are not limited to, emissions from biomass burning during site preparation, emissions from fossil fuel combustion, direct emissions from the use of synthetic fertilizers, and emissions from the decomposition of N-fixing species.</p>	<p>The audit team affirms that the project activities, as described in the PDD, will not require GHG emissions from other sources.</p>
Conformance Y	

<p>Indicator 4 - Demonstrate that the net climate impact of the project is positive. The net climate impact of the project is the net change in carbon stocks plus net change in non-CO2 GHGs where appropriate minus any other GHG emissions resulting from project activities minus any likely project-related unmitigated negative offsite climate impacts (see CL2.3).</p>	<p>The project proponents have adequately demonstrated that the net climate impact of the project is positive. This demonstration has been undertaken in conformance with VCS methodology VM0007 and is appropriately documented in the VCS project description. Through a thorough review of relevant spreadsheets, remote sensing imagery and processes and other relevant information, the audit team confirmed the accuracy of the values reported within the VCS project description as part of the validation audit for the project under the VCS. Further details regarding the work undertaken to confirm the net climate impact of the project can be found within</p>
Conformance Y	

	the VCS validation report for the project.
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<p>Indicator 5 - Specify how double counting of GHG emissions reductions or removals will be avoided, particularly for offsets sold on the voluntary market and generated in a country with an emissions cap.</p>	<p>The PDD contains an appropriate plan for avoiding double counting of GHG emission reductions. The audit team agrees that registration of the project under the VCS Program is an appropriate way to avoid such double counting, as the VCS is the predominant crediting program for avoided deforestation projects, and as that program itself has implemented specific safeguards (such as the requirement to upload a KML file delineating the project area to the VCS website) that mitigate the potential for double-counting.</p>
<p>Conformance Y</p>	

3.3.2. CL2 – Offsite Climate Impacts (‘Leakage’)

The project proponents must quantify and mitigate increased GHG emissions that occur beyond the project area and are caused by project activities (commonly referred to as ‘leakage’).

The project proponents must:

CL2 - Offsite Climate Impacts (Leakage)

<p>Indicator 1 - Determine the types of leakage that are expected and estimate potential offsite increases in GHGs (increases in emissions or decreases in sequestration) due to project activities. Where relevant, define and justify where leakage is most likely to take place.</p>	<p>As referenced within the PDD, a full discussion of the types of leakage that are expected, as well as any leakage emissions, is provided within the VCS project description. The information provided with respect to leakage in the VCS project description is consistent with the observations made by the audit team during on-site audit activities.</p>
<p>Conformance Y</p>	

<p>Indicator 2 - Document how any leakage will be mitigated and estimate the extent to which such impacts will be reduced by these mitigation activities.</p>	<p>The PDD contains an appropriate summary of the strategies for leakage mitigation. Some of these strategies are actual project activities, while some (such as “The Purus Project landowners purchasing an additional, adjacent parcel of land”) are options for the future. In addition, under the heading “Determine the Types of Leakage that are Expected and Estimate Potential Offsite Increase in GHGs”, the PDD contains an estimation of the extent to which leakage emissions will be reduced by mitigation activities.</p>
<p>Conformance Y</p>	

<p>Indicator 3 - Subtract any likely project-related unmitigated negative offsite climate impacts from the climate benefits being claimed by the project and demonstrate that this has been included in the evaluation of net climate impact of the project (as calculated in CL1.4).</p>	<p>The quantification of expected leakage emissions has been undertaken in accordance with VCS methodology VM0007, and such emissions have been duly accounted for in the quantification of the project’s expected GHG emission reductions, as reported in the VCS project description. Through a thorough review of relevant spreadsheets, remote sensing imagery and processes and other relevant information, the audit team confirmed the accuracy of the values reported within the VCS project description (including those values that are specific to leakage emissions) as part of the validation audit for the project under the VCS.</p>
<p>Conformance Y</p>	

<p>Indicator 4 - Non-CO2 gases must be included if they are likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the net change calculations (above) of the project’s overall off-site GHG emissions reductions or removals over each monitoring period.</p>	<p>Non-CO2 emissions attributable to leakage activities have been estimated for the project GHG accounting period. Such emissions derive from the use of fire to clear land. As suggested by the CCB Standards in footnote 21, the tool “Tool for testing significance of GHG emissions in A/R CDM project activities” has been appropriately used to determine that avoided emissions due to burning are insignificant. The values reported in the PDD have been duly confirmed by the audit team, along with their sources.</p>
<p>Conformance Y</p>	

3.3.3. CL3 – Climate Impact Monitoring

Before a project begins, the project proponents must have an initial monitoring plan in place to quantify and document changes (within and outside the project boundaries) in project-related carbon pools, project emissions, and non-CO2 GHG emissions if appropriate. The monitoring plan must identify the types of measurements, the sampling method, and the frequency of measurement.

Since developing a full monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being validated against the Standards. This is acceptable as long as there is an explicit commitment to develop and implement a monitoring plan.

The project proponents must:

CL3 - Climate Impact Monitoring

<p>Indicator 1 - Develop an initial plan for selecting carbon pools and non-CO2 GHGs to be monitored, and determine the frequency of monitoring. Potential pools include aboveground biomass, litter, dead wood, belowground biomass, wood products, soil carbon and peat. Pools to monitor must include any pools expected to decrease as a result of project activities, including those in the region outside the project boundaries resulting from all types of leakage identified in CL2. A plan must be in place to continue leakage monitoring for at least five years after all activity displacement or other leakage causing activity has taken place. Individual GHG sources may be considered 'insignificant' and do not have to be accounted for if together such omitted decreases in carbon pools and increases in GHG emissions amount to less than 5% of the total CO2-equivalent benefits generated by the project. Non-CO2 gases must be included if they are likely to account for more than 5% (in terms of CO2-equivalent) of the project's overall GHG impact over each monitoring period. Direct field measurements using scientifically robust sampling must be used to measure more significant elements of the project's carbon stocks. Other data must be suitable to the project site and specific forest type.</p>	<p>The audit team affirms that a full monitoring plan for monitoring of carbon stock changes and GHG emissions within the project area and leakage belt, which meets with all of the requirements of CL3.1, has been set out in the VCS project description. This monitoring plan involves direct field measurements that use scientifically robust sampling, as confirmed during the VCS validation audit. Further discussion regarding the monitoring plan can be found in the VCS validation report. In addition, the PDD contains a plan to continue leakage monitoring for at least five years after all activity displacement or other leakage causing activity has taken place.</p>
<p>Conformance Y</p>	

<p>Indicator 2 - Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.</p> <p>CBB_CarbonCo_Purus_ValidationReport_011613.docx</p>	<p>As indicated above, a full monitoring plan has already been developed. The PDD contains an appropriate commitment to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.</p>
<p>Conformance Y</p>	

3.4. Community Section

3.4.1. CM1 – Net Positive Community Impacts

The project must generate net positive impacts on the social and economic well-being of communities and ensure that costs and benefits are equitably shared among community members and constituent groups during the project lifetime.

Projects must maintain or enhance the High Conservation Values (identified in **G1**) in the project zone that are of particular importance to the communities’ well-being.

The project proponents must:

CM1 - Net Community Impacts

<p>Indicator 1 - Use appropriate methodologies to estimate the impacts on communities, including all constituent socio-economic or cultural groups such as indigenous peoples (defined in G1), resulting from planned project activities. A credible estimate of impacts must include changes in community well-being due to project activities and an evaluation of the impacts by the affected groups. This estimate must be based on clearly defined and defensible assumptions about how project activities will alter social and economic well-being, including potential impacts of changes in natural resources and ecosystem services identified as important by the communities (including water and soil resources), over the duration of the project. The ‘with project’ scenario must then be compared with the ‘without project’ scenario of social and economic well-being in the absence of the project (completed in G2). The difference (i.e., the community benefit) must be positive for all community groups.</p>	<p>Although the CCB Standards require that “appropriate methodologies” be used to estimate the impacts on communities resulting from planned project activities, the CCB Standards are not prescriptive with respect to the actual methodology used. The audit team considers the methodology that was used in this context to be appropriate to the project circumstances. The PDD contains an appropriate discussion on the changes in community well-being attributable to the project. This discussion is rooted in clearly defined and defensible assumptions about how project activities will alter social and economic well-being. The audit team can confirm that the ‘without-project’ scenario does provide benefits for the communities that are not being provided in the ‘with-project’ scenario, as the ‘without-project’ scenario (which is also the scenario that had been in place prior to the start of the project) involves no restrictions on illegal conversion of forest to agricultural land for the use of the individual community. However, as described in Section 3.2.5 of this report, such conversion activities are illegal and therefore need not be considering the net community impact of the project, in accordance with footnote 41 of the CCB Standards.</p> <p>Through interviews with community members, the audit team can confirm that the project activities will result in net positive impacts on the quality of live for each community within the project zone. This interest in the project and its activities is indicated in many of the comments that were received through</p>
<p>Conformance Y</p>	

the CCBA public comment period.

Indicator 2 - Demonstrate that no High Conservation Values identified in G1.8.4-642 will be negatively affected by the project.	The PDD contains an appropriate demonstration that no High Conservation Values will be negatively affected by the project. The audit team agrees that, as an avoided deforestation project, the project is extremely unlikely to harm any High Conservation Values.
Conformance Y	

3.4.2. CM2 – Offsite Stakeholder Impacts

The project proponents must evaluate and mitigate any possible social and economic impacts that could result in the decreased social and economic well-being of the main stakeholders living outside the project zone resulting from project activities. Project activities should at least ‘do no harm’ to the well-being of offsite stakeholders.

The project proponents must:

CM2 - Offsite Stakeholder Impacts

Indicator 1 - Identify any potential negative offsite stakeholder impacts that the project activities are likely to cause.	The PDD appropriately identifies several potential negative offsite stakeholder impacts that the project activities may cause. The audit team has been unable to identify any potential negative offsite stakeholder impacts that have not been identified in the PDD.
Conformance Y	

Indicator 2 - Describe how the project plans to mitigate these negative offsite social and economic impacts.	The PDD contains an adequate plan for mitigation of each impact that has been identified. The audit team affirms that the plans contained within the PDD are appropriate, considering (in particular) the relatively low risk of negative offsite stakeholder impacts.
Conformance Y	

Indicator 3 - Demonstrate that the project is not likely to result in net negative impacts on the well-being of other stakeholder groups.	It is the opinion of the audit team that the impact of the project on the well-being of other stakeholder groups, as defined by the CCB Standards, is likely to be minimal. However, the PDD contains an appropriate discussion of the net positive impacts that the project

Conformance Y	is likely to have. The audit team agrees that, as the first reduced emissions project within the state of Acre to be validated under the VCS Program, the project may well be of great value to other private landowners in the region, through the dissemination of lessons learned. The audit team has observed a commitment on the part of the project proponents to sharing knowledge about the carbon crediting process with others, and hopefully this commitment will continue into the future.
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3.4.3. CM3 – Community Impact Monitoring

The project proponents must have an initial monitoring plan to quantify and document changes in social and economic well-being resulting from the project activities (for communities and other stakeholders). The monitoring plan must indicate which communities and other stakeholders will be monitored, and identify the types of measurements, the sampling method, and the frequency of measurement.

Since developing a full community monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being validated against the Standards. This is acceptable as long as there is an explicit commitment to develop and implement a monitoring plan.

The project proponents must:

CM3 - Community Impact Monitoring

<p>Indicator 1 - Develop an initial plan for selecting community variables to be monitored and the frequency of monitoring and reporting to ensure that monitoring variables are directly linked to the project’s community development objectives and to anticipated impacts (positive and negative).</p>	<p>As reported in the PDD, an initial plan has been established for selecting variables to be monitored, along with the frequency of monitoring and reporting. The audit team looks forward to hearing of the development of a full monitoring plan that contains a greater level of specificity regarding the monitoring that will take place with respect to the communities within the project zone. However, the audit team agrees that the basic framework for monitoring has been appropriately set out, in accordance with the CCB Standards, within the PDD.</p>
Conformance Y	

<p>Indicator 2 - Develop an initial plan for how they will assess the effectiveness of measures used to maintain or enhance High Conservation Values related to community well-being (G1.8.4-6) present in the project zone.</p>	<p>The audit team agrees that the full community impact monitoring plan, once eventually developed, will be adequate for monitoring the effectiveness of measures used to maintain or enhance High Conservation Values related to community well-being. Many of these Values pertain to the direct provision of livelihood and quality of life, and the full monitoring plan should certainly be capable of monitoring such High Conservation Values.</p>
<p>Conformance Y</p>	

<p>Indicator 3 - Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.</p>	
<p>Conformance (Y/N/NA)</p>	<p>The PDD contains a commitment to develop a full monitoring plan and to disseminate the plan and the results of monitoring in the manner required by the CCB Standards.</p>

3.5. Biodiversity Section

3.5.1. B1 – Net Positive Biodiversity Impacts

The project must generate net positive impacts on biodiversity within the project zone and within the project lifetime, measured against the baseline conditions.

The project should maintain or enhance any High Conservation Values (identified in **G1**) present in the project zone that are of importance in conserving globally, regionally or nationally significant biodiversity.

Invasive species populations must not increase as a result of the project, either through direct use or indirectly as a result of project activities.

Projects may not use genetically modified organisms (GMOs) to generate GHG emissions reductions or removals. GMOs raise unresolved ethical, scientific and socio-economic issues. For example, some GMO attributes may result in invasive genes or species.

The project proponents must:

B1 - Net Positive biodiversity Impacts

<p>Indicator 1 -Use appropriate methodologies to estimate changes in biodiversity as a result of the project in the project zone and in the project lifetime. This estimate must be based on clearly defined and defensible assumptions. The ‘with project’ scenario should then be compared with the baseline ‘without project’ biodiversity scenario completed in G2. The difference (i.e., the net biodiversity benefit) must be positive.</p>	<p>The project proponents have opted to use changes in forest cover as a surrogate for changes in biodiversity. This decision has been justified within the PDD through references to the scientific literature. In addition, it is consistent with the general body of knowledge concerning the benefit of intact tropical rainforests for provision of wildlife habitat. Therefore, the estimation of changes in biodiversity is based on clearly defined and defensible assumptions. The procedure to predict the area to be deforested in the ‘without project’ scenario was reviewed by the audit team as part of the VCS validation audit and found to comply with the guidance of VCS methodology VM0007. As little deforestation is predicted to occur in the ‘with project’ scenario, it is not surprising that the net biodiversity benefit of the project has been determined to be positive.</p>
<p>Conformance Y</p>	

<p>Indicator 2 -Demonstrate that no High Conservation Values identified in G1.8.1-348 will be negatively affected by the project.</p>	<p>The PDD contains an adequate demonstration that none of the biodiversity-related High Conservation Values will be negatively affected by the project. The audit team agrees that, given the nature of the project as an avoided deforestation project, such negative impacts are highly unlikely.</p>
<p>Conformance Y</p>	

<p>Indicator 3 - Identify all species to be used by the project and show that no known invasive species will be introduced into any area affected by the project and that the population of any invasive species will not increase as a result of the project.</p>	<p>The audit team agrees that none of the species listed by the PDD are known to be invasive species. The audit team cannot conceive of a likely scenario in which the population of any invasive species could increase as a result of the project. So far as the audit team is aware, invasive species do not pose a major problem for intact natural forests in the state of Acre, and therefore the audit team agrees that it is unlikely that any invasive species could increase as a result of the project.</p>
<p>Conformance Y</p>	

<p>Indicator 4 - Describe possible adverse effects of non-native species used by the project on the region's environment, including impacts on native species and disease introduction or facilitation. Project proponents must justify any use of non-native species over native species.</p>	
<p>Conformance Y</p>	<p>The audit team agrees that none of the species to be used by the project is known to be non-native.</p>

<p>Indicator 5 - Guarantee that no GMOs will be used to generate GHG emissions reductions or removals.</p>	
<p>Conformance Y</p>	<p>The PDD contains an appropriate guarantee that no GMOs will be used to generate GHG emissions reductions or removals.</p>

3.5.2. B2 – Offsite Biodiversity Impacts

The project proponents must evaluate and mitigate likely negative impacts on biodiversity outside the project zone resulting from project activities.

The project proponents must:

B2 - Offsite Biodiversity Impacts

<p>Indicator 1 - Identify potential negative offsite biodiversity impacts that the project is likely to cause.</p>	<p>The audit team agrees that some negative offsite biodiversity impacts could occur as a result of leakage. The main impacts could be due to leakage that stems from the prevention of in-migration to the project zone by agents of deforestation. As most of the communities within the project zone have been resident there for over five years (as documented in Section 3.3 of the VCS project description), it is the opinion of the audit team that the impact of such leakage is likely to be relatively low.</p>
<p>Conformance Y</p>	

<p>Indicator 2 - Document how the project plans to mitigate these negative offsite biodiversity impacts.</p>	<p>As referenced within the PDD, the mitigation plan within the VCS project description and the mitigation plan for offsite stakeholder impacts within the PDD constitute an appropriate plan to mitigate leakage impacts that occur outside of the project zone. It should be noted that such impacts are inherently difficult to mitigate, as they are most likely to be caused by individuals who have been deterred from immigrating into the project zone and who may decide, instead, to immigrate to other areas within the country. The audit team believes that, as the first reduced emissions project within the state of Acre to be validated under the VCS Program, the project will provide value by serving as an example and inspiration to other groups to develop projects within the state, thus serving to mitigate any biodiversity impacts outside the project zone.</p>
<p>Conformance Y</p>	

<p>Indicator 3 - Evaluate likely unmitigated negative offsite biodiversity impacts against the biodiversity benefits of the project within the project boundaries. Justify and demonstrate that the net effect of the project on biodiversity is positive.</p>	<p>The PDD contains an evaluation of the overall biodiversity impact of the project, as required by the CCB Standards. The audit team agrees that the positive impacts of the project on biodiversity within the project boundaries should greatly outweigh any diffuse leakage impacts on biodiversity that may occur outside of the project zone.</p>
<p>Conformance Y</p>	

3.5.3. B3 – Biodiversity Impact Monitoring

The project proponents must have an initial monitoring plan to quantify and document the changes in biodiversity resulting from the project activities (within and outside the project boundaries). The monitoring plan must identify the types of measurements, the sampling method, and the frequency of measurement.

Since developing a full biodiversity-monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being validated against the Standards. This is acceptable as long as there is an explicit commitment to develop and implement a monitoring plan.

The project proponents must:

B3 - Biodiversity Impact Monitoring

<p>Indicator 1 - Develop an initial plan for selecting biodiversity variables to be monitored and the frequency of monitoring and reporting to ensure that monitoring variables are directly linked to the project’s biodiversity objectives and to anticipated impacts (positive and negative).</p>	<p>Proceeding under the assumption, as with B1.1, that forest cover is an appropriate surrogate for biodiversity, the initial biodiversity monitoring plan is appropriate for detecting coarse changes in biodiversity within and outside the project area. It is anticipated that, as part of the development of a full monitoring plan, this plan will be supplemented by procedures to directly monitor wildlife movements and other biodiversity factors, as described in the PDD.</p>
<p>Conformance Y</p>	

<p>Indicator 2 - Develop an initial plan for assessing the effectiveness of measures used to maintain or enhance High Conservation Values related to globally, regionally or nationally significant biodiversity (G1.8.1-3) present in the project zone.</p>	<p>The PDD contains an appropriate initial plan for monitoring the High Conservation Values related to biodiversity. The audit team agrees that the full monitoring plan, following on the framework of this initial plan, will adequately monitor the threatened ecosystems and threatened and endangered species that exist within the project area.</p>
<p>Conformance Y</p>	

<p>Indicator 3 - Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.</p>	<p>The PDD contains a commitment to develop a full monitoring plan and to disseminate the plan and the results of monitoring in the manner required by the CCB Standards.</p>
<p>Conformance Y</p>	

3.6. Gold Level Section

3.6.1. GL1 – Climate Change Adaptation Benefits

This Gold Level Climate Change Adaptation Benefits criterion identifies projects that will provide significant support to assist communities and/or biodiversity in adapting to the impacts of climate change. Anticipated local climate change and climate variability within the project zone could potentially affect communities and biodiversity during the life of the project and beyond. Communities and biodiversity in some areas of the world will be more vulnerable to the negative impacts of these changes due to: vulnerability of key crops or production systems to climatic changes; lack of diversity of livelihood resources and inadequate resources, institutions and capacity to develop new livelihood strategies; and high levels of threat to species survival from habitat fragmentation. Land-based carbon projects have the potential to help local communities and biodiversity adapt to climate change by: diversifying revenues and livelihood strategies; maintaining valuable ecosystem services such as hydrological regulation, pollination, pest control and soil fertility; and increasing habitat connectivity across a range of habitat and climate types.

The project proponents must:

GL1 - Climate Change Adaptation Benefits

<p>Indicator 1 -Identify likely regional climate change and climate variability scenarios and impacts, using available studies, and identify potential changes in the local land-use scenario due to these climate change scenarios in the absence of the project.</p>	<p>Not applicable, as the project was not assessed against GL1.</p>
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Conformance NA	
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Indicator 2 - Identify any risks to the project's climate, community and biodiversity benefits resulting from likely climate change and climate variability impacts and explain how these risks will be mitigated.	Not applicable, as the project was not assessed against GL1.
Conformance NA	

Indicator 3 - Demonstrate that current or anticipated climate changes are having or are likely to have an impact on the well-being of communities ⁵¹ and/or the conservation status of biodiversity ⁵² in the project zone and surrounding regions.	Not applicable, as the project was not assessed against GL1.
Conformance NA	

Indicator 4 - Demonstrate that the project activities will assist communities ⁵³ and/or biodiversity to adapt to the probable impacts of climate change.	Not applicable, as the project was not assessed against GL1.
Conformance NA	

3.6.2. GL2 – Exceptional Community Benefits

This Gold Level Exceptional Community Benefits criterion recognizes project approaches that are explicitly pro-poor in terms of targeting benefits to globally poorer communities **and** the poorer, more vulnerable households and individuals within them. In so doing, land-based carbon projects can make a significant contribution to reducing the poverty and enhancing the sustainable livelihoods of these groups. Given that poorer people typically have less access to land and other natural assets, this optional criterion requires innovative approaches that enable poorer households to participate effectively in land-based carbon activities. Furthermore, this criterion requires that the project will 'do no harm' to poorer and more vulnerable members of the communities, by establishing that no member of a poorer or more vulnerable social group will experience a net negative impact on their well-being or rights.

Project proponents must:

GL2 - Exceptional Community Benefits

Indicator 1 - Demonstrate that the project zone is in a low human development country OR in an administrative area of a medium or high human development55 country in which at least 50% of the population of that area is below the national poverty line.	Not applicable, as the project was not assessed against GL2.
Conformance NA	

Indicator 2 - Demonstrate that at least 50% of households within the lowest category of well-being (e.g., poorest quartile) of the community are likely to benefit substantially from the project.	Not applicable, as the project was not assessed against GL2.
Conformance NA	

Indicator 3 - Demonstrate that any barriers or risks that might prevent benefits going to poorer households have been identified and addressed in order to increase the probable flow of benefits to poorer households.	Not applicable, as the project was not assessed against GL2.
Conformance NA	

Indicator 4 - Demonstrate that measures have been taken to identify any poorer and more vulnerable households and individuals whose well-being or poverty may be negatively affected by the project, and that the project design includes measures to avoid any such impacts. Where negative impacts are unavoidable, demonstrate that they will be effectively mitigated.	Not applicable, as the project was not assessed against GL2.
Conformance NA	

Indicator 5 - Demonstrate that community impact monitoring will be able to identify positive and negative impacts on poorer and more vulnerable groups. The social impact monitoring must take a differentiated approach that can identify positive and negative impacts on poorer households and individuals and other disadvantaged groups, including women.	Not applicable, as the project was not assessed against GL2.
Conformance NA	

3.6.3. GL3 – Exceptional Biodiversity Benefits

All projects conforming to the Standards must demonstrate net positive impacts on biodiversity within their project zone. This Gold Level Exceptional Biodiversity Benefits criterion identifies projects that conserve biodiversity at sites of global significance for biodiversity conservation. Sites meeting this optional criterion must be based on the Key Biodiversity Area (KBA) framework of vulnerability and irreplaceability. These criteria are defined in terms of species and population threat levels, since these are the most clearly defined elements of biodiversity. These scientifically based criteria are drawn from existing best practices that have been used, to date, to identify important sites for biodiversity in over 173 countries.

Project proponents must demonstrate that the project zone includes a site of high biodiversity conservation priority by meeting either the vulnerability *or* irreplaceability criteria defined below:

GL3 - Exceptional Biodiversity Benefits

<p>Indicator 1 - Vulnerability - Regular occurrence of a globally threatened species (according to the IUCN Red List) at the site:</p>	
<p>Conformance Y</p>	<p>See below.</p>

<p>Indicator 1.1 - Critically Endangered (CR) and Endangered (EN) species - presence of at least a single individual; or</p>	<p>The audit team was provided with a report from the rapid biodiversity assessment, as described in the PDD, which was undertaken by Tenório Dias and Alternativa Ambiental. The report documents the biodiversity assessment that was undertaken, and it appears to be an authentic and valid document (Tenório Dias and Alternativa Ambiental are two associated environmental consulting firms, as confirmed through a visit to the following web site: http://www.tdambiental.com.br/). The audit team was able to confirm that the project zone contains two species, <i>Aniba rosaeodora</i> and <i>Virola surinamensis</i>, that have been assigned a status of endangered (EN) by the IUCN Red List (the status of these species on the IUCN Red List was verified on 20 November 2012). As both species are floral species, they are unable to travel, and thus each individual identified within the project zone can be considered to regularly occur within that area. Therefore, it is the opinion of the audit team that the project complies with GL3.</p>
<p>Conformance Y</p>	

Indicator 1.2 - Vulnerable species (VU) - presence of at least 30 individuals or 10 pairs.	
Conformance NA	The project was not assessed against GL3.1.2.

4.0 CCB Validation Conclusion

Following completion of SCS’s duly-accredited validation process, it is our opinion that the Purus Project conforms to the CCBA Climate, Community and Biodiversity Project Design Standards (Second Edition) at the Gold Level(see Appendix A).

5.0 Findings Issued in the Course of Audit Activities

Please see Section 3.1 of this report for descriptions of the types of findings.

NCR 2012.1 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 11

Finding: The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: Current carbon stocks within the project area(s), using stratification by land-use or vegetation type and methods of carbon calculation (such as biomass plots, formulae, default values) from the Intergovernmental Panel on Climate Change’s 2006 Guidelines for National GHG Inventories for Agriculture, Forestry and Other Land Use (IPCC 2006 GL for AFOLU) or a more robust and detailed methodology."

The project design document does not describe current carbon stocks within the project area in accordance with indicator G1.4. While it is noted that the PDD does state "The Purus Project’s carbon stocks were determined via an onsite forest carbon inventory that was conducted by TECMAN, LTDA and overseen by TerraCarbon and CarbonCo. For more information, please refer to the VCS Project Description", the CCB Standards require this information to be provided within a single "description of the project zone".

Client Response: The CCBS PDD has been updated with a description of the current carbon stocks within the Project Area.

Please see pages 10-11.

Auditor Response: As indicated within the Client Response, information on current carbon stocks within the project area has been added to the PDD. The Verified Carbon Standard VM0007 methodology, which has been used for the purpose of estimating carbon stocks within the project area, is considered by the audit team to be a "more robust and detailed methodology" than the Intergovernmental Panel on Climate Change’s 2006 Guidelines for National GHG Inventories for Agriculture, Forestry and Other Land Use (IPCC 2006 GL for AFOLU). Therefore, the non-conformity has been resolved.

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

NCR 2012.2 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.5 and Appendix B, definition of "communities"

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 11-12

Finding: The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: A description of communities located in the project zone, including basic socio-economic and cultural information that describes the social, economic and cultural diversity within communities (wealth, gender, age, ethnicity etc.), identifies specific groups such as Indigenous Peoples and describes any community characteristics". The CCB Standards defines "communities" as "all groups of people including Indigenous Peoples, mobile peoples and other local communities, who live within or adjacent to the project area as well as any groups that regularly visit the area and derive income, livelihood or cultural values from the area."

The supplied PDD does not contain a description of communities located in the project zone that is consistent with the CCB Standards definition of communities and the requirements of indicator G1.5.

Client Response: The CCBS PDD has been updated to include a description of the communities living within the Project Zone and not just a description of communities living within the Project Area.

Please see pages 12-13 and 16-17.

Auditor Response: The PDD now contains sufficient documentation regarding the communities that are located within the project zone. The description that is provided within the PDD is consistent with the observations made by the audit team during the site visit. Therefore, the non-conformity has been resolved.

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

NCR 2012.3 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.6

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 12-15

Finding: The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: A description of current land use and customary and legal property rights including community property in the project zone, identifying any ongoing or unresolved conflicts or disputes and identifying and describing any disputes over land tenure that were resolved during the last ten years".

The PDD contains information in conformance with the above requirement for the project area, and also contains some information for the state of Acre as a whole. However, the PDD does not provide a description of current land use and customary and legal property rights in the project zone, as required.

Client Response: The CCBS PDD has been updated to include a description of customary and legal property rights in the Project Zone.

A more detailed description of the current land-use in the Project Zone has also been added.

Please see pages 14-17.

Auditor Response: The PDD now contains sufficient information regarding legal and customary property rights within the project zone to satisfy the requirement. Therefore, the non-conformity has been resolved.

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

NCR 2012.4 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.8.1c, footnote 15

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 21

Finding: Footnote 15 defines endemic species as "Species for which the entire global range is restricted to the site, the region or the country (the level of endemicity must be defined)." The level of endemicity has not been defined for the species listed on page 21 of the PDD. In addition, page 21 refers broadly to

"Southwest Amazon" rather than containing "An evaluation of whether the project zone" includes endemic species, as required by indicator G1.8.1c.

Client Response: The CCBS PDD has been revised to note that no endemic species have yet been found within the Purus Project. The page on endemic species in the Southwestern Amazon was left for informational purposes. Please see page 24.

Auditor Response: As discussed, the claim regarding presence of endemic species within the Purus Project was removed from the PDD. Furthermore, the PDD now contains an evaluation of whether the project zone includes endemic species. Therefore, the non-conformity has been resolved.

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

NCR 2012.5 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.8.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 22

Finding: The CCB Standards require "An evaluation of whether the project zone includes... Threatened or rare ecosystems". The PDD provides a discussion of the threatened nature of rainforests in general but does not provide a specific evaluation of whether the project zone includes threatened or rare ecosystems.

Client Response: The CCBS PDD has been updated with additional information to specify that the Purus Project contains tropical rainforests and thus, is preserving a threatened and rare ecosystem. See page 25.

Auditor Response: The PDD now contains a substantiation of the claim that the Purus Project contains threatened or rare ecosystems. Therefore, the non-conformity has been resolved.

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

NCR 2012.6 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G2.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 27

Finding: The CCB Standards state that "The project proponents must develop a defensible and well-documented 'without-project' reference scenario that must: Describe how the 'without project' reference scenario would affect communities in the project zone, including the impact of likely changes in water, soil and other locally important ecosystem services". Although an explicit 'without project' reference scenario has not yet been defined, as the audit team is awaiting receipt of the VCS PD containing this information as of the issuance of this finding, from the documentation provided in response to indicator G2.2 it appears that the 'without project' scenario involves the large-scale conversion of land to cattle pasture. It can be reasonably anticipated that the establishment of a large livestock enterprise would involve the creation of employment opportunities for communities within the project zone. However, the PDD does not consider the impact that such opportunities may have on communities within the project zone.

Client Response: [No response was provided to this finding.]

Auditor Response: This NCR was written under the impression that the claimed 'without-project' (i.e. baseline) scenario was the conversion of 20% of the project area to livestock production. From review of the VCS project description that describes the claimed baseline scenario, this is not the case. Therefore, this NCR is no longer relevant and can be withdrawn. However, NCR 2012.32 has been opened up with respect to the community impacts of the baseline scenario.

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

NCR 2012.7 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G1.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 9-10

Finding: The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: The boundaries of the project area and the project zone". The PDD states that "The Project Area and Project Zone consist of the Purus Project property (i.e., the Project Area), along with the Project's leakage belt and the reference region for both deforestation location and deforestation rate." This does not unambiguously define the boundaries of the project area and the project zone, as it implies that the project area and project zone are the same area while simultaneously implying that the project area is a subset of the project zone. While the application of logic in this case may allow the reader to determine the intent of the language, the project area and project zone are not defined in a way that is completely unambiguous.

In addition, Map 5 of the PDD appears to depict the boundaries of the project zone. However, the map does not allow the reader to determine the extent of "Reference Region Rate D3", which apparently comprises the northwest and southeast portions of the project zone. For example, it appears that Reference Region D3 may exclude all of the noted cities (e.g. Sena Madureira, Bujan), but the map does not allow the reader to easily and unambiguously determine this.

While the CCB Standards does not mandate a particular method for providing a description of the project zone, the project zone must be defined in such a way as to be completely unambiguous.

Client Response: The CCBS PDD and relevant maps have been updated. To clarify, the Project Area consists of the privately-owned Moura & Rosa property, known as the Purus Project. The Project Zone consists of the Project Area and the leakage belt. The reference region for deforestation location and deforestation rate is more relevant to the VCS and thus, has been excluded from the CCBS's discussion of Project Area and Project Zone.

Please see pages 9-10.

Auditor Response: As indicated in the Client Response section, the boundaries of the project zone were revised in response to this finding. Map 5 of the PD now indicates the boundaries of the project area and leakage belt, while the text immediately above states "The Purus Project's Project Area is on forested, privately-owned land by Moura & Rosa, while the Project Zone consists of the Purus Project property (i.e., the Project Area) along with the Project's leakage belt." Thus, the careful reader will be able to unambiguously determine the boundaries of the project zone, and therefore the non-conformity has been resolved.

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

NCR 2012.8 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 30-41

Finding: The CCB Standards state that "The project proponents must: Describe each project activity with expected climate, community and biodiversity impacts and its relevance to achieving the project's objectives." The relevance to achieving the project's objectives has not been described for the following project activities:

"Address Underlying Deforestation Drivers to Mitigate Release of GHGs"

"Develop Climate Monitoring Plan"

"Monitor Deforestation"

"Initiate Patrols of Deforestation"

"Agricultural Extension Trainings"

"Help Communities Obtain Land Rights / Delineate Family Areas"

"Social Assistance"

"Profit-Sharing of Carbon Credits"

"Reforestation Activities"

"Build an Office"

"Improve School and Create a School Bus Boat"

"Build a Health Center and Dental Clinic"

"Build New Houses"

"Ecotourism"

Client Response: THE CCBS PDD's following project activities have been updated to include their relevance to achieving the project's objectives (Please see pages 33-46):

"Addressing Underlying Deforestation Drivers to Mitigate Release of GHGs"

"Develop Climate Monitoring Plan"

"Monitor Deforestation"

"Initiate Patrols of Deforestation"

"Agricultural Extension Trainings"

"Help Communities Obtain Land Rights / Delineate Family Areas"

"Social Assistance"

"Profit-Sharing of Carbon Credits"

"Reforestation Activities"

"Build an Office"

"Improve School and Create a School Bus Boat"

"Build a Health Center and Dental Clinic"

"Build New House"

"Ecotourism"

Auditor Response: The PDD has been revised to contain the required information with respect to each of the project activities listed in the finding. Therefore, the non-conformity has been resolved.

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

NCR 2012.9 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 42

Finding: The CCB Standards state that "The project proponents must: Provide a map identifying the project location and boundaries of the project area(s), where the project activities will occur, of the project zone and of additional surrounding locations that are predicted to be impacted by project activities (e.g. through leakage)." Map 12 does not clearly identify the project zone. The map does not allow the reader to determine the extent of "Reference Region Rate D3", which apparently comprises the northwest and southeast portions of the project zone. For example, it appears that Reference Region D3 may exclude all of the noted cities (e.g. Sena Madureira, Bujan), but the map does not allow the reader to easily and unambiguously determine this. In addition, the map does not clearly identify the additional surrounding locations that are predicted to be impacted by project activities. While a "leakage area" does appear on the map, it is not clear that the leakage area is equal to the surrounding area that is predicted to be impacted by project activities. In addition, the map does not clearly identify the extent of the leakage area.

Client Response: A new map which clearly identifies the Project Area and Project Zone has been provided. Similar to Finding 2012.7, the reference region for rate and location of deforestation have been removed. An additional explanation of the location of the project activities has been provided, along with an explanation that the leakage belt is equal to the surrounding area that is predicted to be impacted by project activities.

Please see pages 48-49.

Auditor Response: The action taken to resolve the non-conformity identified in NCR 2012.7 has been sufficient to resolve the non-conformity identified here as well. In summary, the project zone has been substantially revised, and is now clearly delineated within the PDD.

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

NCR 2012.10 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 43

Finding: The CCB Standards state that "The project proponents must: Define the project lifetime and GHG accounting period and explain and justify any differences between them." The PDD states that "the initial Project Crediting Period – otherwise known as the GHG Accounting Period - will be for 30 years which started on May 23, 2011 and ends on May 22, 2040". A 30-year crediting period starting on May 23, 2011 would end on May 22, 2041 rather than on May 22, 2040 as suggested. Therefore, the length of the GHG accounting period is not clearly defined.

Client Response: The two occurrences of GHG accounting period from May 23, 2011 to May 23, 2040 has been changed to a revised GHG accounting period of May 23, 2011 to May 23, 2041.

Please see pages 49 and 55.

Auditor Response: As indicated in the Client Response section, the duration of the GHG accounting period is now consistently defined throughout the PDD. Therefore, the non-conformity has been resolved.

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

NCR 2012.11 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.6

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 47-48

Finding: The CCB Standards state that "The project proponents must: Demonstrate that the project design includes specific measures to ensure the maintenance or enhancement of the high conservation value attributes identified in G1 consistent with the precautionary principle". The PDD affirms the support of the project proponents for the precautionary principle, but does not demonstrate that the project design includes specific measures to ensure the maintenance or enhancement of the high conservation value attributes identified in G1 consistent with the precautionary principle, as required.

Client Response: Specific measures to ensure the maintenance or enhancement of the high conservation value attributes identified in G1 have been added to the CCBS PDD.

Please see pages 54-55.

Auditor Response: The PDD now contains a demonstration in accordance with the cited requirement. Therefore, the non-conformity has been resolved.

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

NCR 2012.12 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 43 and 48

Finding: The CCB Standards state that "The project proponents must: Define the project lifetime and GHG accounting period and explain and justify any differences between them." The PDD states on page 43 that "The Tri-Party Agreement between Carbonfund.org, Carbon Securities and Moura & Rosa

stipulates a minimum 30-year Project Lifetime, followed by two renewable terms of 40-years each." The PDD states on page 48 that "Tri-Party Agreement between Carbonfund.org, Carbon Securities and Moura & Rosa stipulates a minimum 30-year Project lifetime, followed by two renewable terms of 40-years each... the Project lifetime will extend beyond the Project Crediting Period as the Project Proponents are committed to maintaining forest cover within the Purus Project for the entire 110 years." It is unclear from this description whether the project lifetime is 30 years, 110 years or some other length of time.

Client Response: The CCBS PDD has been revised to clarify that the Project Crediting Period for the Purus Project is 30 years and the Project Lifetime is 60 years. The reason for a difference between the Project Crediting Period and the Project Lifetime is because the Project Proponents are committed to maintaining forest cover within the Purus Project beyond the Project Crediting Period.

Auditor Response: The revised PDD clarifies the length of time that constitutes the project crediting period, and therefore the non-conformity has been resolved.

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

NCR 2012.13 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.8

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 49-54

Finding: The CCB Standards state that "The project proponents must: Document and defend how communities and other stakeholders potentially affected by the project activities have been identified and have been involved in project design through effective consultation, particularly with a view to optimizing community and stakeholder benefits, respecting local customs and values and maintaining high conservation values. Project developers must document stakeholder dialogues and indicate if and how the project proposal was revised based on such input. A plan must be developed to continue communication and consultation between project managers and all community groups about the project and its impacts to facilitate adaptive management throughout the life of the project."

The PDD documents stakeholder dialogues, but does not indicate if and how the project proposal was revised based on the input received.

Client Response: The CCBS PDD has been modified to indicate how the Purus Project was revised based on the input received by communities and other stakeholders.

Please see pages 58-62.

Auditor Response: As indicated in the Client Response section, the PDD now contains an indication of whether and how the project proposal was revised based on input received through stakeholder dialogues. Therefore, the non-conformity has been resolved. However, it is important to note that NCRs 2012.34 and 2012.35, which were also written with respect to indicator G3.8, remained open as of the closure of this finding.

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

NCR 2012.14 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.9

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 54

Finding: The CCB Standards state that "The project proponents must: Describe what specific steps have been taken, and communications methods used, to publicize the CCBA public comment period to communities and other stakeholders and to facilitate their submission of comments to CCBA." The PDD describes the specific steps to be taken to publicize the CCBA public comment period to communities and other stakeholders, but does not describe the specific steps to be taken to facilitate their submission of comments to CCBA.

Client Response: The CCBS PDD was revised to incorporate how comments from the communities and other stakeholders will be facilitated during the CCBS public comment period.

Please see pages 63.

Auditor Response: The PDD has been revised to indicate the process by which the submission of comments will be facilitated. Therefore, the non-conformity has been resolved.

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

NCR 2012.15 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G3.10

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 55

Finding: The CCB Standards state that "The project proponents must: Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation. The project design must include a process for hearing, responding to and resolving community and other stakeholder grievances within a reasonable time period. This grievance process must be publicized to communities and other stakeholders and must be managed by a third party or mediator to prevent any conflict of interest. Project management must attempt to resolve all reasonable grievances raised, and provide a written response to grievances within 30 days. Grievances and project responses must be documented." The PDD does not include a process for hearing, responding to and resolving community and other stakeholder grievances in conformance with the above. While the PDD states that "the Project Proponents have formalized a clear process for handling unresolved conflicts and grievances throughout Project implementation", the PDD does not describe the process that has been formalized.

Client Response: The CCBS PDD has been revised by describing the process that has been formalized to hear, respond to, and resolve all reasonable grievances. This process was provided by the Climate Change Institute of the State of Acre.

Please see pages 63-64.

Auditor Response: The PDD now contains a clear process for hearing, responding to and resolving community and other stakeholder grievances within a reasonable time period. Therefore, the specific non-conformity relating to formalization of a grievance process can be closed. However, it is important to note that NCR 2012.37, which was also written with respect to indicator G3.10, remained open as of the closure of this finding.

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

NCR 2012.16 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G4.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 69-70

Finding: The CCB Standards state that "The project proponents must: Include a plan to provide orientation and training for the project's employees and relevant people from the communities with an objective of building locally useful skills and knowledge to increase local participation in project implementation. These capacity building efforts should target a wide range of people in the communities, including minority and underrepresented groups. Identify how training will be passed on to new workers when there is staff turnover, so that local capacity will not be lost."

The PDD does not identify how training will be passed on to new workers when there is staff turnover.

Client Response: SENAR is an Acre-based organization which shall assist Moura & Rosa with passing on training to new workers when there is staff turnover. This has been incorporated into the CCBS PDD.

Please see page 81.

Auditor Response: The PDD now identifies how training will be passed on to new workers when there is staff turnover. Therefore, the non-conformity has been resolved.

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

NCR 2012.17 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G4.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 70-71

Finding: The CCB Standards state that "Show that people from the communities will be given an equal opportunity to fill all employment positions (including management) if the job requirements are met. Project proponents must explain how employees will be selected for positions and where relevant, must indicate how local community members, including women and other potentially underrepresented groups, will be given a fair chance to fill positions for which they can be trained." The PDD does not explain how employees will be selected for positions. In addition, although the PDD does state "Economic opportunities and participation in social projects will be offered regardless of race, religion, sexual orientation, or gender", it does not indicate how local community members, including women and other potentially underrepresented groups, will be given a fair chance to fill positions for which they can be trained.

Client Response: The CCBS PDD has been updated to explain how employees will be selected for positions and how potentially underrepresented groups will be given a fair chance to fill all positions for which they can be trained.

Please see page 82.

Auditor Response: Further information has been added to the PDD to explain how employees will be selected for positions. In addition, the PDD indicates how local community members, including women and other potentially underrepresented groups, will be given a fair chance to fill positions for which they can be trained. Therefore, the non-conformity has been resolved.

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

NCR 2012.18 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G4.5

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 771-72

Finding: The CCB Standards state that "The project proponents must: Submit a list of all relevant laws and regulations covering worker's rights in the host country. Describe how the project will inform workers about their rights. Provide assurance that the project meets or exceeds all applicable laws and/or regulations covering worker rights and, where relevant, demonstrate how compliance is achieved."

The PDD does not describe how the project will inform workers about their rights.

Client Response: The CCBS PDD has been modified to state that, "Moura & Rosa also have an explanatory letter on labor rights that will be presented to all of their employees to ensure workers are informed about their rights."

Please see page 83 of the CCBS PDD.

Auditor Response: The PDD now provides a statement that "Moura & Rosa have an explanatory letter on labor rights that will be presented to all of their employees to ensure workers are informed about their rights", and this is considered sufficient to fulfill the stated requirement. Therefore, the non-conformity has been resolved.

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

NCR 2012.19 dated 05/02/2012

Standard Reference: CCB Standards, Indicator G5.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 74-78

Finding: The CCB Standards state that "The project proponents must: Submit a list of all relevant national and local laws and regulations in the host country and all applicable international treaties and agreements. Provide assurance that the project will comply with these and, where relevant, demonstrate how compliance is achieved." The PDD has submitted a list of national and local laws and regulations in the host country and all applicable international treaties and agreements. Furthermore, the PDD has provided assurance that the project will comply with all laws. However, the PDD does not contain a demonstration of how compliance with relevant laws is achieved.

Client Response: The CCBS PDD has been revised to demonstrate compliance with relevant laws.

Please see pages 87 to 91.

Auditor Response: The PDD contains additional information to demonstrate how the project will comply with relevant laws, which has been considered by the audit team to be sufficient to resolve the non-conformity.

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

NCR 2012.20 dated 05/02/2012

Standard Reference: CCB Standards, Indicator CM1.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 82-91

Finding: The CCB Standards state that "The project proponents must: Use appropriate methodologies to estimate the impacts on communities, including all constituent socio-economic or cultural groups such as indigenous peoples (defined in G1), resulting from planned project activities. A credible estimate of impacts must include changes in community well-being due to project activities and an evaluation of the impacts by the affected groups. This estimate must be based on clearly defined and defensible assumptions about how project activities will alter social and economic well-being, including potential impacts of changes in natural resources and ecosystem services identified as important by the communities (including water and soil resources), over the duration of the project. The 'with project' scenario must then be compared with the 'without project' scenario of social and economic well-being in the absence of the project (completed in G2). The difference (i.e., the community benefit) must be positive for all community groups."

The PDD states that "Participatory Rural Assessment (PRA, also known as a Participatory Rural Appraisal) was conducted by CarbonCo, Carbon Securities, and Moura & Rosa from March 10-12, 2012. The Project Proponents attempted to sample each community living within the Purus Project, along with all adjacent communities living along the Purus River and within the Project's leakage belt. A total of sixteen communities - thirteen communities within the Purus Project and three communities living alongside the Purus River and outside the Purus Project - were interviewed as part of the PRA". As the project zone (as depicted in Map 5) encompasses a large area outside of the project area, it is not sufficient to restrict the analysis required by indicator CM1.1 to the communities living within the project area and leakage belt. The analysis required by CM1.1 must consider impacts on all communities located within the project zone.

Client Response: Similar to Findings 2012.7 and 2012.9, the Project Area and Project Zone have been modified and thus, the Participatory Rural Assessment, Basic Necessities Survey, and the Agricultural Surveys were administered throughout the Project Zone.

Please see page 97.

Auditor Response: As has been addressed earlier, the boundaries of the project zone were modified. The audit team agrees that the analysis currently reported under CM1.1 is now applicable to the project zone as a whole. Therefore, the non-conformity has been resolved.

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

NCR 2012.21 dated 05/02/2012

Standard Reference: CCB Standards, Indicator CM1.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 82-91

Finding: The CCB Standards state that "The project proponents must: Use appropriate methodologies to estimate the impacts on communities, including all constituent socio-economic or cultural groups such as indigenous peoples (defined in G1), resulting from planned project activities. A credible estimate of impacts must include changes in community well-being due to project activities and an evaluation of the impacts by the affected groups. This estimate must be based on clearly defined and defensible assumptions about how project activities will alter social and economic well-being, including potential impacts of changes in natural resources and ecosystem services identified as important by the communities (including water and soil resources), over the duration of the project. The 'with project' scenario must then be compared with the 'without project' scenario of social and economic well-being in the absence of the project (completed in G2). The difference (i.e., the community benefit) must be positive for all community groups."

The PDD does not include a comparison of the 'with project' scenario and the 'without project' scenario. The PDD does not include a demonstration that the difference between the community benefits of the 'with project' and 'without project' scenarios is positive in accordance with the requirements of indicator CM1.1.

Client Response: The CCBS PDD has been revised to demonstrate that the difference between the community benefits of the 'with project' and 'without project' scenarios is positive.

Please see page 107.

Auditor Response: The PDD now contains a demonstration that the community benefit of the project is likely to be positive for all groups. Although some communities would conceivably benefit greatly from the ability to clear land for agricultural use in the without-project scenario, footnote 41 of the CCB Standards indicates that the evaluation must be restricted "to well-being based on activities that comply with statutory laws or conform to customary rights". As the land clearing activities in the without-project scenario are not legal, the beneficial results of these activities need not be considered in the analysis of CM1.1. On this basis, the analysis provided in the PDD is consistent with observations made on-site by the audit team. Therefore, the non-conformity has been resolved.

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

NCR 2012.22 dated 05/02/2012

Standard Reference: CCB Standards, Criterion CM2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 92-93

Finding: The CCB Standards state that "The project proponents must evaluate and mitigate any possible social and economic impacts that could result in the decreased social and economic well-being of the main stakeholders living outside the project zone resulting from project activities." Impacts within the project zone are referred to in multiple locations within the section "CM2. Offsite Stakeholder Impacts" of the PDD (e.g. "In-migration to the Project Zone (i.e., no necessarily into the Purus Project property)" on page 93), which indicates that, while criteria CM2 requires an evaluation of impacts to the main stakeholders living outside the project zone, the project has sought to satisfy criteria CM2 by evaluating impacts to the main stakeholders living inside the project zone (but outside the project area) instead.

Client Response: The CCBS PDD has been revised to focus the evaluation on main stakeholders living outside the Project Zone instead of main stakeholders living inside the Project Zone.

Please see pages 108-109.

Auditor Response: The PDD has been revised to focus the discussion of CM2 on areas outside the project zone, in accordance with the requirements of the CCB Standards. Therefore, the non-conformity has been resolved.

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

NCR 2012.23 dated 05/02/2012

Standard Reference: CCB Standards, Criterion CM3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 94

Finding: The CCB Standards state that "The project proponents must have an initial monitoring plan to quantify and document changes in social and economic well-being resulting from the project activities (for communities and other stakeholders)." The initial monitoring plan included in the PDD considers changes in social and economic well-being for communities, but does not consider changes in social and economic well-being for other stakeholders.

Client Response: The initial monitoring plan has been revised in the CCBS PDD to consider changes in social-economic well-being for other stakeholders.

Please see pages 109.

Auditor Response: The PDD now contains an initial plan to address how impacts with respect to offsite stakeholders can be monitored. However, the variables to be monitored do not appear to be adequate to "quantify and document changes in social and economic well-being resulting from project activities". It does not appear that a review of the Brazilian National Census every four years to determine "whether socio-economic variables in the municipalities of Sena Madureira and Manoel Urbano are being negatively impacted due to the Project" will provide meaningful information regarding the impacts of the project on other stakeholders (other stakeholders is defined by the CCB Standards as "The main groups potentially affected by the project activities that are not living on or adjacent to the project site"). In addition, it is not clear how the expansion of the Basic Necessities Survey "to focus on both communities in the Project Zone, along with communities living adjacent to the Project Zone" will help to fulfill this requirement, as the outcome of the Basic Necessities Survey (as reported by the PDD) is "the top 25 assets or services which were believed to be basic necessities or things that no one should have to live without", which does not directly relate to changes in social and economic well-being resulting from project activities. Therefore, the finding remains open.

Client Response 2: The PDD has been revised to more accurately describe how the Brazilian National Census will be used to quantify and document changes in the social and economic well-being resulting from project activities, in addition to surveying outside stakeholders living adjacent to the Project Zone.

Please see pages 109 - 112.

Auditor Response 2: Although it is understood that some of the details regarding monitoring may not be fully defined at the design stage (as set out by the CCB Standards CM3), the revised PDD contains a more substantial overview of how impacts with respect to other stakeholders will be monitored. The level of detail provided is sufficient to fulfill the requirement of the CCB Standards to "Develop an initial plan for selecting community variables to be monitored and the frequency of monitoring and reporting", and therefore the non-conformity has been resolved.

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

NCR 2012.24 dated 05/02/2012

Standard Reference: CCB Standards, Indicator CM3.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 94

Finding: The CCB Standards state that "The project proponents must: Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders." The PDD does not contain a commitment to disseminate the monitoring plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.

Client Response: The CCBS PDD has been updated with the following statement: "The Project Proponents will disseminate this full community impact monitoring plan and the results of the monitoring plan specifically to the local communities and other stakeholders, along with making the plan and results publicly available to the general public."

See page 110.

Auditor Response: As indicated in the Client Response section, the PDD now contains a commitment to "disseminate this full community impact monitoring plan and the results of the monitoring plan specifically to the local communities and other stakeholders, along with making the plan and results publicly available to the general public". However, the PDD continues to lack a specific commitment to make the plan and the results of monitoring publicly available on the internet. Therefore, the finding remains open.

Client Response 2: The PDD now specifically commits to making the plan and the results of the monitoring publicly available on the internet.

See page 108.

Auditor Response 2: As the PDD now contains a specific commitment to make the plan and the results of monitoring available via the internet, the non-conformity has been entirely resolved.

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

NCR 2012.25 dated 05/02/2012

Standard Reference: CCB Standards, Indicator B1.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 96

Finding: The CCB Standards state that "The project proponents must: Use appropriate methodologies to estimate changes in biodiversity as a result of the project in the project zone and in the project lifetime. This estimate must be based on clearly defined and defensible assumptions. The 'with project' scenario should then be compared with the baseline 'without project' biodiversity scenario completed in G2. The difference (i.e., the net biodiversity benefit) must be positive."

The PDD does not use an appropriate methodology to estimate changes in biodiversity as a result of the project in the project zone and in the project lifetime. The Avoided Deforestation Partners VCS REDD Methodology does not estimate changes in biodiversity. In addition, the PDD does not contain a comparison of the 'with project' scenario with the baseline 'without project' biodiversity scenario completed in G2.

Client Response: The CCBS PDD has been revised to include a more-appropriate methodology to estimate changes in biodiversity, along with a comparison of the 'with project' scenario and the 'without project' scenario.

Please see pages 112-113.

Auditor Response: The PDD now contains a description of a methodology (which the audit team considers to be appropriate) for estimating changes in biodiversity as a result of the project in the project zone and in the project lifetime. Given the flexibility allowed by the B1.1 and the information provided, it is considered acceptable to use forest cover as a proxy measurement for biodiversity.

However, the PDD does not contain estimates of changes in forest cover in the without-project scenario, and therefore lacks a compelling demonstration of the net biodiversity benefit of the project. Therefore, the finding remains open.

Client Response 2: The PDD has been updated to estimate the change in forest cover in the without-project scenario.

Please see page 113.

Auditor Response 2: The updated PDD contains estimates of changes in forest cover in the without-project scenario. The information provided is sufficient to appropriately confirm the expected net positive biodiversity impact of the project within the project zone, and therefore the non-conformity has been resolved.

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

NCR 2012.26 dated 05/02/2012

Standard Reference: CCB Standards, Indicator B1.2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 96

Finding: The CCB Standards state that "The project proponents must: Demonstrate that no High Conservation Values identified in G1.8.1-3 will be negatively affected by the project."

The PDD does not contain a demonstration of the above. While the PDD does state "No high conservation values – whether with respect to communities or biodiversity – will be negatively affected by the Purus Project", this does not constitute a demonstration that no High Conservation Values identified in G1.8.1-3 will be negatively affected by the project.

Client Response: The CCBS PDD has been revised to include a demonstration that no High Conservation Values will be negatively affected by the project.

Please see pages 113.

Auditor Response: The PDD has been appropriately revised to contain a demonstration that no High Conservation Values will be negatively affected by the project. Therefore, the non-conformity has been resolved.

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

NCR 2012.27 dated 05/02/2012

Standard Reference: CCB Standards, Criterion B2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 9 and 97-98

Finding: The CCB Standards state that "The project proponents must evaluate and mitigate likely negative impacts on biodiversity outside the project zone resulting from project activities".

The PDD contains a discussion of negative impacts on biodiversity within the leakage belt. However, the project area and leakage belt are both within the project zone, as defined on page 9 of the PDD. The requirement of criterion B2 is that negative impacts on biodiversity outside the project zone are evaluated and mitigated, and therefore the information regarding the leakage belt is not applicable to criterion B2.

Client Response: The CCBS PDD has been revised throughout to more clearly define the Project Zone and thus, what constitutes as outside the project zone.

Please see page 114.

Auditor Response: The PDD has been appropriately revised to refer to areas outside the project zone in discussion of B2. Therefore, the non-conformity has been resolved.

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

NCR 2012.28 dated 05/02/2012

Standard Reference: CCB Standards, Indicator B3.2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 19-22 and 98

Finding: The CCB Standards state that "The project proponents must: Develop an initial plan for assessing the effectiveness of measures used to maintain or enhance High Conservation Values related to globally, regionally or nationally significant biodiversity (G1.8.1-3) present in the project zone."

The PDD does not contain an initial plan for assessing the effectiveness of measures used to maintain or enhance the High Conservation Values related to globally, regionally or nationally significant biodiversity are discussed in pages 19-22 of the PDD.

Client Response: The CCBS PDD has been revised with an initial plan to assess the effectiveness of measures used to maintain or enhance HCVs related to biodiversity.

Please see page 115.

Auditor Response: The PDD now contains a list of variables to be measured for assessing the effectiveness of measures used to maintain or enhance High Conservation Values. Therefore, the non-conformity has been resolved.

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

NCR 2012.29 dated 05/02/2012

Standard Reference: CCB Standards, Indicator B3.3

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 98-100

Finding: The CCB Standards state that "The project proponents must: Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders."

The PDD does not contain a commitment to disseminate the monitoring plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.

Client Response: The CCBS PDD has been updated with the following statement: "The Project Proponents will disseminate this full biodiversity impact monitoring plan and the results of the monitoring plan specifically to the local communities and other stakeholders, along with making the plan and results publicly available to the general public."

Please see page 115.

See page XYZ.

Auditor Response: As indicated in the Client Response section, the PDD now contains a commitment to "disseminate this full biodiversity impact monitoring plan and the results of the monitoring plan specifically to the local communities and other stakeholders, along with making the plan and results publicly available to the general public". However, the PDD continues to lack a specific commitment to make the plan and the results of monitoring publicly available on the internet. Therefore, the finding

remains open.

Client Response 2: The PDD now specifically commits to making the plan and the results of the monitoring publicly available on the internet.

See page 113.

Auditor Response 2: As the PDD now contains a specific commitment to make the plan and the results of monitoring available via the internet, the non-conformity has been entirely resolved.

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

NIR 2012.30 dated 05/02/2012

Standard Reference: CCB Standards, Indicator GL3.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 102

Finding: For those projects seeking to meet the requirements of criterion GL3 through the criterion of vulnerability, the CCB Standards require the following: "Regular occurrence of a globally threatened species (according to the IUCN Red List) at the site: Critically Endangered (CR) and Endangered (EN) species - presence of at least a single individual; or Vulnerable species (VU) - presence of at least 30 individuals or 10 pairs." The PDD claims that the above requirement is met; however, the specific critically endangered and endangered species that allow the project to meet the requirement are not specifically identified. Please provide the full scientific (genus and species) name of these species so that the audit team can verify conformance through an appropriate search of the IUCN Red List website.

Client Response: The full scientific names of the IUCN endangered and critically endangered species have been provided.

Please see page 119.

Auditor Response: While a list of species identified as endangered or critically threatened within the state of Acre has been provided, none of the species listed necessarily occurs within the project zone itself. While the project zone is located within the state of Acre, such a location does not necessarily guarantee that species that exist within the state of Acre necessarily exist within the project zone. Therefore, the PDD continues to not contain a list of the species that satisfy the requirement of vulnerability, and the finding must remain open.

Client Response 2: The PDD has been updated to include endangered species (including their scientific names) that were specifically identified on the Purus Project site via a rapid biodiversity assessment.

Please see page 21 and 121.

Auditor Response 2: Subsequent to the issuance of this finding, the PDD was significantly revised. The updated PDD contains claims regarding two flora species that were identified within the project area as part of a rapid biodiversity assessment. The audit team was able to verify that the two identified species are listed as "endangered" on the IUCN website, and also that the two identified species were listed within the report that is cited by the PDD. Therefore, all requested information has been provided.

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

NCR 2012.31 dated 05/30/2012

Standard Reference: CCB Standards, Indicator G2.2

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 25-26; Purus Project VCS PD (Final Draft Version, 5-17-12).pdf, page 37

Finding: The PDD states "To develop a defensible and well-documented baseline projection with respect to the 'without project' [sic] reference scenario, the Purus Project utilized the Avoided Deforestation Partners' VCS REDD Methodology, entitled, "VM0007: REDD Methodology Modules (REDD -MF), v1.1."

Ultimately, the Purus Project – without the Project – would continue to experience unplanned, frontier deforestation. For a more detailed explanation of the regional land-use and deforestation patterns in the 'without project scenario,' please see the VCS Project Description."

The VCS project description reinforces the claim made by the PDD, stating "The most likely baseline scenario is continued conversion of moist tropical forest to pasture and cropland by small scale farmers."

However, in response to the requirement of G2.2 to "Document that project benefits would not have occurred in the absence of the project", the PDD does not reference the claimed baseline scenario but instead references an alternative scenario, involving conversion of 20% of the project area to livestock production, that was not selected as the most likely baseline scenario. As the livestock scenario has not been selected as the most likely without-project scenario, the benefits accrued by the absence of this scenario are not relevant. The PDD does not contain a description of how project benefits would not have occurred in the absence of the project.

Client Response: The CCBS PDD has been revised to clearly specify the 'without project scenario' is unplanned, frontier deforestation by local communities and not the conversion of 20% of the project area to livestock production by the landowners.

Please see pages 29-32.

Auditor Response: The PDD has been revised as indicated in the Client Response section. The claims made in the PDD are consistent with the observations of the audit team during the site visit. Therefore, the non-conformity has been resolved.

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

NCR 2012.32 dated 05/30/2012

Standard Reference: CCB Standards, Indicator G2.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 25-26; Purus Project VCS PD (Final Draft Version, 5-17-12).pdf, page 37

Finding: The PDD states "To develop a defensible and well-documented baseline projection with respect to the 'without project' [sic] reference scenario, the Purus Project utilized the Avoided Deforestation Partners' VCS REDD Methodology, entitled, "VM0007: REDD Methodology Modules (REDD -MF), v1.1." Ultimately, the Purus Project – without the Project – would continue to experience unplanned, frontier deforestation. For a more detailed explanation of the regional land-use and deforestation patterns in the 'without project scenario,' please see the VCS Project Description."

The VCS project description reinforces the claim made by the PDD, stating "The most likely baseline scenario is continued conversion of moist tropical forest to pasture and cropland by small scale farmers."

In the baseline scenario that is described by the PDD, the "18 small scale and subsistence farming communities living on the project property" would be permitted to conduct small-scale deforestation in the pursuit of agricultural activities without hindrance. Clearly such agricultural activities are a means of benefit for these communities, or else there would be no incentive to undertake them. However, the PDD does not consider the benefit that the communities accrue through the baseline activities that are described on page 37 of the VCS project description. Therefore, the PDD does not fully describe how the baseline scenario would affect communities in the project zone.

Client Response: The CCBS PDD has been revised to acknowledge the benefits received by the community in the 'without project' scenario.

Please see page 30.

Auditor Response: The additional information provided in the G2.4 and CM1.1 sections of the PDD has

been sufficient to resolve the non-conformity, as the PDD now addresses the benefits of the without-project scenario for communities.

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

NCR 2012.33 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G1.6

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 12-15

Finding: This follow-up to NCR 2012.3 was issued following the site visit.

The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: A description of current land use and customary and legal property rights including community property in the project zone, identifying any ongoing or unresolved conflicts or disputes and identifying and describing any disputes over land tenure that were resolved during the last ten years".

It was communicated to the audit team during the site visit that, under Brazilian law, individuals are legally entitled to any land that they occupy for ten years. As the majority of communities within the Seringal Porto Central and Seringal Itatinga parcels have been present in the area for more than ten years, the majority of said communities are entitled to at least some of the land that they occupy.

A full description of legal property rights within the project zone must include a description of the legal rights of the communities to land within the Seringal Porto Central and Seringal Itatinga parcels.

Client Response: Similar to Finding 2012.3, the CCBS PDD has been updated to include a description of customary and legal property rights in the Project Zone, along with specifically the legal rights of the communities to land within the Seringal Porto Central and Seringal Itatinga parcels.

Please see pages 14-16.

Auditor Response: As indicated within the Client Response section, the PDD now contains a thorough description of the various means by which land may be acquired under Brazilian law, and appropriately indicates that "community members that have been living on the land and who made the land productive (e.g., by growing agriculture or raising animals) for ten years, have the right to be entitled". Therefore, the non-conformity has been resolved.

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

NCR 2012.34 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.8

Document Reference: NA

Finding: The CCB Standards require that the project "Document and defend how communities and other stakeholders potentially affected by the project activities have been identified and have been involved in project design through effective consultation, particularly with a view to optimizing community and stakeholder benefits, respecting local customs and values and maintaining high conservation values." Footnote 26 of the CCB Standards states that "Effective consultation requires project proponents to inform and engage broadly with all community groups and other stakeholders using socially and culturally appropriate methods. Consultations must be gender and intergenerationally inclusive and must be conducted at mutually agreed locations and through representatives who are designated by the communities themselves in accordance with their own procedures. Stakeholders affected by the project must have an opportunity to evaluate impacts and raise concerns about potential negative impacts, express desired outcomes and provide input on the project design, both before the project design is finalized and during implementation."

During visits with the communities, the audit team found no evidence that consultations were conducted through representatives who were designated by the communities themselves in accordance

with their own procedures.

Client Response: This finding is closed per conversation with Zane on 10/12/2012.

Auditor Response: This NCR was mistakenly issued due to a misinterpretation of the CCB Standards. Each community, as identified by the project proponents, is a discrete family unit. The audit team did collect evidence during the site visit indicating that, to the extent that consultations were conducted with communities, such consultations were conducted through representatives who were designated by the communities themselves in accordance with their own procedures. In most cases, these representatives were among those community members who held the role of "head(s) of household" within the communities. Such individuals can be considered to be designated by the communities themselves as authority figures, in accordance with the procedures of said communities. As the NCR was inappropriately issued, it can be withdrawn.

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

NCR 2012.35 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.8

Document Reference: NA

Finding: The CCB Standards require that the project "Document and defend how communities and other stakeholders potentially affected by the project activities have been identified and have been involved in project design through effective consultation, particularly with a view to optimizing community and stakeholder benefits, respecting local customs and values and maintaining high conservation values." Footnote 26 of the CCB Standards states that "Effective consultation requires project proponents to inform and engage broadly with all community groups and other stakeholders using socially and culturally appropriate methods. Consultations must be gender and intergenerationally inclusive and must be conducted at mutually agreed locations and through representatives who are designated by the communities themselves in accordance with their own procedures. Stakeholders affected by the project must have an opportunity to evaluate impacts and raise concerns about potential negative impacts, express desired outcomes and provide input on the project design, both before the project design is finalized and during implementation."

During visits with the communities, the audit team found no evidence that the communities were involved in project design in accordance with the above requirements. While the Participatory Rural Appraisal and Basic Necessities Survey were undoubtedly helpful in informing the design of the project, they do not constitute the effective consultation described above. Although the communities were consulted on some aspects of project design in a very limited fashion (for example, being able to select the agricultural courses to be taught), they were not provided the opportunity to fully "evaluate impacts and raise concerns about potential negative impacts, express desired outcomes and provide input on the project design", as required. In addition, the audit team was told by Normando Sales on June 14, 2012 that the amount of land to be deeded to each community as part of the "Help Communities Obtain Land Rights / Delineate Family Areas" activity was deliberately withheld from the communities, in non-conformance with the above. Although communities were provided with some information about planned project activities, they were not able to fully describe all aspects of the project.

In addition, some of the communities outside of the Seringal Porto Central and Seringal Itatinga parcels, but within the boundaries of the project zone, were not provided with any information about the project.

Client Response: CarbonCo hired the independent community engagement and Acre REDD+ specialist organization called PAV to meet with the local communities of the Purus Project in October 2012.

PAV met with as many communities within the Project Zone as possible to ensure effective consultation, to enable the communities to contribute to the Purus Project design, and to raise concerns and to

express desired outcomes.

Further, the communities will be given a minimum of 100 hectares and land rights will not be withheld.

Auditor Response: The audit team conducted an additional visit to the project zone, during 3-7 December 2012, in order to determine whether this and other findings could be closed. The audit team found that, over the course of two different visits (during 1-4 October 2012 and 22-25 October 2012), the communities had been able to provide feedback with respect to the project. In particular, during the second visit, communities were able to express themselves, assess the positive and negative impacts of the project on their way of life and express their expectations and their comments regarding the project. Through communication with community members, it was found that the main principles of the project were explained clearly, comprehensively and in plain language. Therefore, it is the opinion of the audit team that socially and culturally appropriate methods were used for community consultation. On the basis of the above, it is the opinion of the audit team that the identified non-conformities have been resolved.

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

NCR 2012.36 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.9

Document Reference: NA

Finding: The CCB Standards require that the project proponents "publicize the CCBA public comment period to communities and other stakeholders and...facilitate their submission of comments to CCBA".

Of the 13 communities visited by the audit team, only one individual interviewed could recall being told of the public comment period. Therefore, the project proponents did not adequately publicize the CCBA comment period to the communities within the project zone.

Client Response: CarbonCo hired the independent community engagement and Acre REDD+ specialist organization called PAV to meet with the local communities of the Purus Project in October 2012 to publicize the CCBA public comment period.

Auditor Response: The audit team conducted an additional visit to the project zone, during 3-7 December 2012, in order to determine whether this and other findings could be closed. During that visit, it was confirmed that the public comment period had been publicized to the communities within the project zone through announcements on the local radio station (Difusora Acreana) and home visits to the communities within the project area. In addition, 13 comments were collected from the community by PAV during the public comment period. Therefore, the identified discrepancy has been resolved.

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

NCR 2012.37 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.10

Document Reference: NA

Finding: This follow-up to NCR 2012.15 was issued following the site visit.

The CCB Standards require that the project proponents "Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation. The project design must include a process for hearing, responding to and resolving community and other stakeholder grievances within a reasonable time period. This grievance process must be publicized to communities and other stakeholders and must be managed by a third party or mediator to prevent any conflict of interest. Project management must attempt to resolve all reasonable grievances raised, and provide a written response to grievances within 30 days. Grievances and project responses must be documented."

The project proponents have not formalized a clear process for handling unresolved conflicts and

grievances that arise during project planning and implementation, in accordance with the above. Furthermore, the project proponents have not publicized any process to communities and other stakeholders.

Client Response: CarbonCo has developed a clear process of handling unresolved conflicts and grievances and NCR 2012.15 has been closed.

CarbonCo hired the independent community engagement and Acre REDD+ specialist organization called PAV to meet with the local communities of the Purus Project in October 2012 to explain the formalized process of handling unresolved conflicts and grievances.

Auditor Response: The audit team conducted an additional visit to the project zone, during 3-7 December 2012, in order to determine whether this and other findings could be closed. Through interviews with community members, it was found that the procedure set out within the PDD is appropriate to project circumstances and was appropriately communicated to the communities. Therefore, the identified nonconformity has been resolved.

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

NCR 2012.38 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G4.6

Document Reference: NA

Finding: The CCB Standards require that the project proponent "Comprehensively assess situations and occupations that pose a substantial risk to worker safety. A plan must be in place to inform workers of risks and to explain how to minimize such risks. Where worker safety cannot be guaranteed, project proponents must show how the risks will be minimized using best work practices."

During an on-site meeting with the project proponents on May 15, 2012, it was indicated to the audit team that workers from the project will be used to help clear trees from the Purus River. The above constitutes a situation that poses a substantial risk to worker safety. However, the PDD does not contain a plan to inform workers of risks and minimize such risks.

Client Response: The community will only provide assistance with activities related to the social assistance of removing trees from the Purus River that pose no substantial risk to their safety such as transportation and food. An explanation of this is provided on page 85.

Auditor Response: The revised PDD indicates that community members will not be engaged for the purpose of removing trees from the Purus River, but rather that " However, according to footnote 29, "workers" are defined within the CCB Standards as "people directly working on project activities in return for compensation (financial or otherwise), including employees, contracted workers, subcontracted workers and community members that are paid to carry out project-related work". As the removal of trees from the Purus River has been proposed as a project activity, any and all personnel carrying out tasks related to the removal of trees from the Purus River would fall under the definition of "workers". Therefore, although the finding specifically mentioned community members, the finding remains relevant even when employees of the State of Acre perform the work of clearing the river. As the finding has not been resolved, it remains open.

Client Response 2: The CCBS PDD has been revised to demonstrate that even employees of the State of Acre will be informed of the potential risks and such risks will be mitigated due to the firefighters' specialized training in removing trees from the bed of rivers throughout the State of Acre.

Please see page 84.

Auditor Response 2: The PDD now contains a plan, where worker safety cannot be guaranteed, to inform workers of risks and minimize risks using best work practices. Therefore, the non-conformity has been resolved.

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

NIR 2012.39 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G5.1

Document Reference: NA

Finding: The CCB Standards require that the project proponents "Provide assurance that the project will comply with [applicable national and local laws] and, where relevant, demonstrate how compliance is achieved."

It was communicated to the audit team during the site visit that, under Brazilian law, individuals are legally entitled to any land that they occupy for ten years. As the majority of communities within the Seringal Porto Central and Seringal Itatinga parcels have been present in the area for more than ten years, the majority of said communities are entitled to at least some of the land that they occupy.

During visits with the communities located within the above parcels, the audit team was told of numerous instances in which the private property rights of the communities were systematically disregarded by project personnel, through actions such as the following:

- 1) Trespassing on land within the possession of the communities while members of the communities are not physically present
- 2) Failing to request permission to enter land within the possession of the communities while members of the communities are physically present
- 2) Appearing on land within the possession of the communities with large groups of personnel and acting in an intimidating manner towards members of said communities

The audit team has no doubt that the above would be seen to be legal violations in a Brazilian court of law. As the project has already violated applicable laws, it is difficult at this time for the audit team to have reasonable assurance that said laws will be respected in the future. Therefore, in order to provide the audit team with the required reasonable assurance, the project proponents must demonstrate how private property rights will be respected by providing a written procedure for the conduct of community visits in a manner compliant with all applicable laws. This written procedure must be incorporated into the PDD so that future verification teams may verify successful implementation of the procedure.

Client Response: A written procedure regarding community visits (i.e., and which future verification teams may verify the successful implementation of this procedure) has been provided in the CCBS PDD.

Please see pages 83.

Auditor Response: As indicated in the Client Response section, a written procedure has been added to the PDD. It is the opinion of the audit team that, of the written procedure set out in the PDD had been followed previously, issues identified within the text of the finding would not have occurred. Furthermore, it is hoped that, if the written procedure set out in the PDD is followed in the future, the issues identified within the text of the finding will not come up in the future. Therefore, the information request has been satisfied.

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

NIR 2012.40 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G5.1

Document Reference:

Finding: The CCB Standards require that the project "Demonstrate with documented consultations and agreements that the project will not encroach uninvited on private property, community property, or government property and has obtained the free, prior, and informed consent of those whose rights will be affected by the project." The project has already encroached uninvited on community property (see NIR 2012.39), and the audit team envisions a strong potential for conflict if it is known that the project

will restrict the land base of individual communities to 100 hectares, as described in the PDD. Therefore, so that the audit team can be reasonably assured that the project will not encroach uninvited on private property, the audit team requests that the project proponents provide evidence that a negotiated agreement, mediated through a trusted third party, has been secured with each community.

Client Response: The CCBS PDD has been revised as the Landowners have agreed to title a minimum of 100 hectares to each community. Communities with more than 100 hectares under productive use will be granted the full land area. This will reduce the potential for conflict. The third party firm PAV has been hired to explain this to the local community members. Furthermore, during the project activity of titling land to the communities, a trusted third party (PAV, FETACRE, or the State Department of Acre) will also help out with the process between the Landowners and each local community.

Auditor Response: The audit team conducted an additional visit to the project zone, during 3-7 December 2012, in order to determine whether this and other findings be closed. Although the finding has not been adequately responded to as written, the audit team found that a transparent procedure is in place for the titling of land to communities once that project activity is implemented. This procedure will be mediated through FETACRE and other appropriate organizations. Through interviews with community members, the audit team was able to confirm that the procedure was appropriately communicated to the communities. In addition, some of the circumstances that necessitated the issuance of this finding have changed, as the number of hectares to be titled to each community has changed from that initially conveyed to the audit team during the first site visit of June 2012. Therefore, it is the opinion of the audit team that the finding can be closed.

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

NCR 2012.41 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.8

Document Reference: "Declaracão de Entendimento", provided for audit team review during the site visit; Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 25-26

Finding: The CCB Standards require that the project "Document and defend how communities and other stakeholders potentially affected by the project activities have been identified and have been involved in project design through effective consultation, particularly with a view to optimizing community and stakeholder benefits, respecting local customs and values and maintaining high conservation values." Footnote 26 of the CCB Standards states that "Effective consultation requires project proponents to inform and engage broadly with all community groups and other stakeholders using socially and culturally appropriate methods."

It was communicated to the audit team during the site visit, and documented in the PDD (for example, on page 33) that the Memorandum of Understanding ("Declaracão de Entendimento") was a mechanism that was used to ask communities to express their wish to "join" the project. However, the Memorandum of Understanding is not a culturally appropriate method for community engagement, given the fact (communicated to the audit team during the site visit), that the members of the communities are illiterate. It is not appropriate to ask people to sign a document that they cannot read. In addition, the Memorandum of Understanding indicates in several locations that the land on which the residents are living belongs to Moura & Rosa, and that assertion is not true for many of the communities within the project zone (see NCR 2012.33). It is not appropriate to ask the communities to sign a document that they know to contain false statements.

Client Response: Some of the communities are literate so an MOU is culturally appropriate in some instances and the Project Area land is owned by Moura & Rosa but is being used by the local communities.

However, to ensure the local communities were fully aware of the Purus Project, understood the issues surrounding landownership and the landowners' desire to title the communities land, and were able to

voluntarily give free, prior and informed consent (i.e., a written MOU is not always culturally appropriate because some community members are illiterate), CarbonCo hired the independent group PAV to visit the communities in October 2012. Many of the communities expressed a verbal desire to PAV to join the Purus Project, once more project activities are underway.

Auditor Response: The audit team conducted an additional visit to the project zone, during 3-7 December 2012, in order to determine whether this and other findings be closed. Through interviews with community members, the audit team confirmed that the signing the Memorandum of Understanding ("Declaração de Entendimento") is no longer a pre-condition to joining the project. Communities can now join the project by verbally expressing such a desire. Therefore, a culturally appropriate mechanism is open to all communities that wish to join the project, and the nonconformity has been resolved.

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

NIR 2012.42 dated 06/29/2012

Standard Reference: CCB Standards, Indicator CM1.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 38

Finding: In order for the audit team to have reasonable assurance that the project will have net community benefits for each community within the project zone, additional information must be provided regarding the activity "Profit-Sharing of Carbon Credits". The PDD states "The amount of this payment will be tied to the preservation of forests within the communities' one hundred hectares" but does not provide any further information. While it is understood that the exact amount of payment cannot be known at this time, the audit team requests that the following information be provided and memorialized in the PDD:

- The total proportion of carbon profits to be given to the communities
- Transparent criteria for allocating the carbon profits among communities
- Transparent criteria that identify exactly which communities within the project zone will be eligible for carbon credits

Client Response: The CCBS PDD has been updated to include detailed information on the total proportion of carbon revenue and transparent criteria for carbon revenue sharing.

Please see pages 43-44.

Auditor Response: The third information request of the New Information Request has been adequately responded to. However, the first two information requests have not been adequately responded to.

The PDD now indicates that "If a total of 250 hectares were predicted to be deforested throughout the Purus Project (i.e., and the deforestation of this 250 hectares was successfully avoided), then the particular community would be granted 4% (i.e., 250 hectares / 10 hectares = 4%) of Moura & Rosa's carbon revenue." However, the following aspects remain unclear:

- It is unclear how the number of hectares that were predicted to be deforested is to be determined (both in terms of the total area to be deforested within the project area and the total area of a given community's land that is predicted to be deforested).
- It is unclear how the number of hectares on which deforestation is successfully avoided is to be determined.
- It is unclear exactly how the percentage of revenue is to be calculated (in the provided example, 4% is the calculated percentage, but when the provided equation is implemented the result is 2500%).
- It is unclear whether "Moura & Rosa's carbon revenue" refers to gross carbon revenue or net carbon revenue. If the phrase refers to net carbon revenue, it is unclear how such is to be calculated.
- It is unclear how often carbon revenue is to be disbursed to the communities.

Therefore, the New Information Request remains open.

Client Response 2: The CCBS PDD has been updated to correct the calculation error, to specify how the number of hectares to be deforested are predicted, to specify how the avoidance of deforestation will be verified, to clarify the share of community carbon revenue will be a portion of Moura & Rosa's gross carbon revenue, and to state how often carbon revenue will be disbursed to the communities.

Please see pages 42-43.

Auditor Response 2: The updated PDD contains a detailed description of the procedure for allocating carbon revenue to the communities, sufficient to ensure an appropriate level of transparency in how the procedure is carried out. Therefore, the finding can be closed.

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

NCR 2012.43 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G3.4

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 38 and 43

Finding: The CCB Standards require that the project proponents "Define an implementation schedule, indicating key dates and milestones in the project's development." Page 38 of the PDD indicates that the activity "Profit-Sharing of Carbon Credits" will begin "at the end of the fifth year". However, the implementation schedule on page 43 of the PDD indicates that the activity will occur in "years 3 to 5". The two timelines for implementation of the activity do not concur.

Client Response: The CCBS PDD's implementation schedule has been corrected to include the "Profit-Sharing of Carbon Credits" under the appropriate timeline of "Post-Validation: Years 5 to 10." See page 50.

Auditor Response: The discrepancy identified in the finding has been corrected, so that the timelines set out in the PDD are appropriately concurrent. Therefore, the non-conformity has been resolved.

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

NCR 2012.44 dated 06/29/2012

Standard Reference: NA

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, page 35

Finding: The PDD states that aerial deforestation monitoring will occur on a weekly basis. However, interviews with the project proponents on June 15, 2012 revealed that deforestation monitoring is planned to be conducted less frequently than on a weekly basis during the wet season. The PDD must be modified to accurately reflect the planned project activity.

Client Response: The CCBS PDD has been modified to state that, "Aerial monitoring will take place on a semimonthly basis during Acre's rainy season when deforestation is less likely to occur and such monitoring will take place on a weekly basis during Acre's dry season when deforestation is more likely to occur." See pages 38, 50, and 114.

Auditor Response: The PDD has been appropriately modified to accurately reflect the project design as communicated to the audit team during the site visit. Therefore, the non-conformity has been resolved.

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

NCR 2012.45 dated 06/29/2012

Standard Reference: CCB Standards, Indicator G5.1

Document Reference: Purus Project CCBS PDD (Final Draft Version) - English (4-30-12).pdf, pages 56 and 58

Finding: The CCB Standards require that the PDD must "provide assurance that the project will comply

with [relevant national and local laws] and, where relevant, describe how compliance is achieved". In describing procedures to be implemented in the case that unauthorized deforestation is identified, the PDD states that "the Project Manager should go to the site, accompanied by more people and residents (if possible) and look to surprise the agent of deforestation, trapping and leading him to the presence of the Police Authority". In describing procedures to be implemented in the case that unauthorized in-migration is identified, the PDD states "Trigger field team to conduct an immediate inspection of the site by land or by air via trike) in order to identify its agent... using the means necessary to stop the in-migration; for example, to arrest in the act of deforesting".

The audit team does not have reasonable assurance that the vigilante activity described above is in conformance with Brazilian law. Furthermore, the PDD lacks a description of how the above activity is compliant with Brazilian law.

Client Response: The CCBS PDD has been revised so that the Project Manager will only arrest a violator in extreme cases. The inclusion of arresting a violator as a common approach has been removed. This arrest by a civilian is allowable under the Brazilian Civil Code.

Please see pages 64-68.

Auditor Response: Further review by the audit team (including review of page 219 of "Introduction to Brazilian Law", 2011, edited by Fabiano Deffenti and Welber Barral, published by Kluwer Law International, ISBN 978-9041125064) indicates that the Brazilian legal system does permit preventive imprisonment in "flagrante delicto" (where the defendant is caught committing the crime), and that this procedure is permitted under Articles 301 to 310 of the Code of Criminal Procedure. However, the above source also indicates that "Due to the fact that it is not subject to a court order, this type of imprisonment is conditioned to the strict compliance of certain formal requirements listed in the Code of Criminal Procedure". Review of the Code of Criminal Procedure, 1941 (accessed through <http://www.oas.org/juridico/mla/en/bra/index.html>), as translated (albeit roughly) through Google Translate, indicates that Articles 304 to 310 do in fact contain formal requirements for a lawful civilian arrest under Articles 301 to 310 of the Code of Criminal Procedure.

The PDD does not contain a procedure to ensure conformance with the Code of Criminal Procedure in the event that a civilian arrest is made. Therefore, the audit team continues to lack reasonable assurance that adequate systems are in place to ensure conformance with Brazilian law under such a situation. Therefore, the finding remains open.

Client Response 2: The CCBS PDD has been revised so that the Project Manager will not arrest a violator even in extreme cases. The Project Proponents have decided it will be best to have the Project Manager inform local authorities instead of engaging in a civilian arrest as allowable under the Brazilian Civil Code.

Auditor Response 2: As the PDD has been revised to remove all mention of an arrest conducted by the project manager, the non-conformity noted in this NCR is no longer relevant and the finding may closed.

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

NCR 2012.46 dated 10/10/2012

Standard Reference: CCB Standards, Indicator B2.3

Document Reference: Purus Project CCBS PDD (Tracked Changes) - English (10-01-12).docx, pages 113-114

Finding: The CCB Standards require that the PDD must "Evaluate likely unmitigated negative offsite biodiversity impacts against the biodiversity benefits of the project within the project boundaries" and "Justify and demonstrate that the net effect of the project on biodiversity is positive". The PDD indicates that "The major negative offsite biodiversity impacts would be a result of leakage", and the audit team agrees that the potential for leakage exists.

However, the PDD does not contain a demonstration that the net effect of the project on biodiversity is positive, given the potential for offsite leakage that has been identified. While it is understood that the PDD states "The overall effect of the Purus Project on both offsite and onsite (i.e., within the Purus Project Zone and outside the Project Zone) biodiversity is expected to be overwhelmingly positive", such an assertion is not equivalent to a justification and demonstration of such.

Client Response: The PDD has been updated to demonstrate the net effect of the Purus Project on biodiversity is positive due to the mitigation of deforestation within the Project Area and minimal deforestation predicted as a result of the Project outside the Project Zone.

Please see page 115-116.

Auditor Response: The revised PDD contains a justification for why the net impact of the project on biodiversity is likely to be positive, and the audit team agrees with the stated conclusion. Therefore, the non-conformity has been resolved.

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

NIR 2012.47 dated 10/25/2012

Standard Reference: CCB Standards, Indicator GL3.1

Document Reference: RESPOSTAS DO QUESTION_RIO SOBRE A _REA DOS SERINGAIS PORTO CENTRAL E ITATINGA.pdf, Tabela 04; Purus Project Final Draft CCBS PDD - English (10-15-12).pdf, page 119

Finding: For those projects seeking to meet the requirements of criterion GL3 through the criterion of vulnerability, the CCB Standards require the following: "Regular occurrence of a globally threatened species (according to the IUCN Red List) at the site: Critically Endangered (CR) and Endangered (EN) species - presence of at least a single individual; or Vulnerable species (VU) - presence of at least 30 individuals or 10 pairs." The PDD states that "a rapid assessment of the Purus Project's flora and fauna diversity was conducted by Maria José Miranda de Souza Noquelli of Tenório Dias and Alternativa Ambiental from August to September 2009. The vegetation sampling recorded one critically endangered species, while the rapid assessment also identified or detected (for example, through footprints) five endangered fauna species."

Review of Tabela 04 of the rapid biodiversity assessment documentation provided indicates that one species is identified as "Críticamente em Perigo" (critically endangered). That species is identified as "Andira sp". However, review of the IUCN website on 25 October 2012 indicated that, of the two Andira sp. listed on that website, Andira fraxinifolia has a status of "Least Concern" and Andira galeottiana has a status of "Vulnerable". Therefore, it does not appear that Andira sp. meets the criteria for Critically Endangered and Endangered species according to the IUCN website.

Several of the species identified as "Vulnerável" were given a status of "Vulnerable" on the IUCN website. However, it is unclear from reviewing the report that such species necessarily meet the criteria of "presence of at least 30 individuals or 10 pairs" as required by the CCB Standards. Please provide further evidence that species exist within the project zone sufficient to satisfy the requirement of indicator GL3.1. If attempting to demonstrate that fauna species meet the above criteria, please provide evidence of regular occurrence of such species within the project zone.

Client Response: The PDD has been updated to include endangered species (including their scientific names) that were specifically identified on the Purus Project site via a rapid biodiversity assessment. The full report of the rapid biodiversity assessment has also been provided to the auditor.

Please see pages 21 and 121.

Auditor Response: Subsequent to the issuance of this finding, the PDD was significantly revised. The updated PDD contains claims regarding two flora species that were identified within the project area as part of a rapid biodiversity assessment. The audit team was able to verify that the two identified species

are listed as "endangered" on the IUCN website, and also that the two identified species were listed within the report that is cited by the PDD. Therefore, all requested information has been provided.

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

NCR 2012.48 dated 01/02/2013

Standard Reference: CCB Standards, Indicator G1.4

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, pages 10-11

Finding: The CCB Standards state that "The project proponents must provide a description of the project zone, containing all the following information: Current carbon stocks within the project area(s), using stratification by land-use or vegetation type and methods of carbon calculation (such as biomass plots, formulae, default values) from the Intergovernmental Panel on Climate Change's 2006 Guidelines for National GHG Inventories for Agriculture, Forestry and Other Land Use (IPCC 2006 GL for AFOLU) or a more robust and detailed methodology."

The project design document does not clearly describe current carbon stocks within the project area in accordance with indicator G1.4. While it is understood that this information is contained within the VCS project description that is appended to the PDD, said information is not likely to be easily retrievable by readers who lack intimate familiarity with the methodology applied.

Client Response: The PDD has been updated to include the estimated carbon stocks, has been updated to be more specific regarding where in the VCS PD the carbon stock calculations can be found, and the PDD has also been updated with the full reference to the VCS VM0007 methodology.

Auditor Response: As indicated, the revised PDD now contains an accurate report of the current carbon stocks within the project area. Therefore, the nonconformity has been resolved.

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

NCR 2012.49 dated 01/02/2013

Standard Reference: CCB Standards, Indicator G1.4

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, pages 10-11

Finding: Footnote 6 within the CCB Standards require that "In cases where a published methodology is used [to estimate current carbon stocks within the project area(s)], the full reference must be given and any variations from the published methodology must be explained."

While a reference to the methodology used is provided, the reference is not sufficient to ensure that an interested party, unfamiliar with the Verified Carbon Standard, can locate the methodology used. Therefore, the reference cannot be considered a "full reference". In addition, the audit team is aware of multiple variations from the methodology that was used. While it is understood that the variations are described within the VCS project description that is appended to the PDD, information about these variations is not likely to be easily retrievable by readers who lack familiarity with the methodology applied. Therefore, the variations from the methodology have not been appropriately explained.

Client Response: The PDD has been updated to be more specific regarding where in the VCS PD the methodology deviations can be found.

Auditor Response: As indicated, the revised PDD now contains a full reference for the methodology applied. However, the PDD does not contain an explanation of "any variations from the published methodology"; nor does it contain a clear indication of where that information may be found. As the PDD is "a detailed description of the project and the ways in which it meets the required and optional criteria of the CCB Standards", it is important that information sufficient to satisfy each indicator be either provided within the PDD or clearly referenced within the PDD.

Client Response 2: Page 11 of the CCBS PDD now states. "For more information on the forest carbon inventory, please refer to the VCS Project Description, particularly section 3.1.4.2 Estimation of Carbon Stocks and Carbon Stock Changes per Stratum, and section 2.6 Methodology Deviations, and Appendix B

of the VCS Project Description, entitled, Forest Carbon Inventory Standard Operating Procedures.

Auditor Response 2: The PDD now contains a clear reference to the section of the project description wherein methodology deviations are explained, and also contains other supporting references regarding the inventory procedures employed. Therefore, the non-conformity has been resolved.

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

NCR 2012.50 dated 01/02/2013

Standard Reference: CCB Standards, Indicator G2.3

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 29

Finding: The CCB Standards require that the estimated carbon stock changes associated with the 'without project' reference scenario be calculated. The CCB Standards state that "The timeframe for this analysis can be either the project lifetime (see G3) or the project GHG accounting period, whichever is more appropriate." The estimated carbon stock changes associated with the 'without project' reference scenario have been calculated for the first 10 years of the project. However, they have not been calculated for either the project lifetime or the project GHG accounting period, as required by the CCB Standards.

Client Response: The PDD has been updated to specify the initial project crediting period is 10 years and thus, the estimated carbon stock changes have been provided for this initial 10 year period.

Auditor Response: As indicated, the project GHG accounting period (also known as the project crediting period in the terminology of the PDD) has been revised to be 10 years in length, and thus the estimated carbon stock changes associated with the 'without project' reference scenario have been calculated for the project GHG accounting period. Therefore, the observed discrepancy has been resolved.

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

NIR 2012.51 dated 01/02/2013

Standard Reference: CCB Standards, Indicator G2.3

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 29; Purus Project VCS PD 2012.12.28-2, VCS project description, Section 3.1.4.4

Finding: The CCB Standards require that the estimated net change in the emissions of non-CO2 GHG emissions such as CH4 and N2O in the 'without project' reference scenario be calculated. The CCB Standards state that "Non-CO2 gases must be included if they are likely to account for more than 5% (in terms of CO2-equivalent) of the project's overall GHG impact over each monitoring period".

The PDD states that "For the estimated carbon stock changes associated with the 'without project' reference scenario and specifically the estimation of carbon stocks and the specific carbon pools included in the forest carbon inventory, please see the VCS Project Description. A discussion of the net change in the emissions of non-CO2 GHG emissions is also included." While Section 3.1.4.4 of the VCS project description does include a discussion of the net change in non-CO2 GHG emissions, said discussion indicates that non-CO2 emissions from biomass burning and fossil fuel usage have been conservatively excluded. The audit team has not been provided with a demonstration that these emissions are not likely to account for more than 5% (in terms of CO2-equivalent) of the project's overall GHG impact over each monitoring period, and can therefore be neglected in accordance with the CCB Standards. Please provide this analysis.

Client Response: A workbook with the detailed calculations has been provided to SCS. In addition, a summary table was added to the CCBS PDD, along with the following statement: "In all cases, non-CO2 emissions from methane and nitrous oxides as a result of biomass burning, fossil fuel combustion (e.g., due to airplane flights, as well as vehicle and boat usage to access the Project), and leakage are less than 5% of the Purus Project's overall GHG emissions reductions and removals."

Auditor Response: In response to this finding, a workbook ("CCBA nonCO2 GHGs 2013.01.07.xls") was

provided as evidence that non-CO2 GHG emissions in the without-project scenario are likely to account for less than 5% of the project's overall GHG impact over the project GHG accounting period. However, an error that was identified within this workbook necessitated the issuance of an additional finding, NCR 2012.59.

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

NCR 2012.52 dated 01/02/2013

Standard Reference: CCB Standards, Indicator CL1.1

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 93

Finding: Footnote 35 within the CCB Standards requires that "In cases where a published methodology is used [to estimate the net change in carbon stocks due to the project activities], the full reference must be given and any variations from the published methodology must be explained."

A reference to the methodology used has not been provided. In addition, the audit team is aware of multiple variations from the methodology that was used. While it is understood that the variations are described within the VCS project description that is appended to the PDD, information about these variations is not likely to be easily retrievable by readers who lack familiarity with the methodology applied. Therefore, the variations from the methodology have not been appropriately explained.

Client Response: The PDD has been updated with the full reference to the VCS VM0007 methodology and has been updated to be more specific regarding where in the VCS PD the methodology deviations can be found.

Auditor Response: As indicated, the revised PDD now contains a full reference for the methodology applied. In addition, the revised PDD now contains an indication of where a description of methodology deviations (referred to as "variations" within the CCB Standards) may be found within the Verified Carbon Standard project description. Therefore, the non-conformity has been resolved.

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

NIR 2012.53 dated 01/02/2013

Standard Reference: CCB Standards, Indicator CL1.2

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 93

Finding: The CCB Standards require that the user "Estimate the net change in the emissions of non-CO2 GHG emissions such as CH4 and N2O in the with and without project scenarios if those gases are likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the project's overall GHG emissions reductions or removals over each monitoring period."

The PDD states "Please see the VCS Project Description section 3 Quantification of GHG Emission Reductions and Removals for an estimate of the net change in non-CO2 GHG emissions." The VCS project description does state that "No GHG project emissions are expected". However, the audit team has not been provided with a demonstration that the net change in the emissions of non-CO2 GHG emissions in the with and without project scenarios are not likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the project's overall GHG emissions reductions or removals over each monitoring period, and can therefore be neglected in accordance with the CCB Standards. Please provide this analysis.

Client Response: A workbook with the detailed calculations has been provided to SCS. In addition, a summary table was added to the CCBS PDD, along with the following statement: "In all cases, non-CO2 emissions from methane and nitrous oxides as a result of biomass burning, fossil fuel combustion (e.g., due to airplane flights, as well as vehicle and boat usage to access the Project), and leakage are less than 5% of the Purus Project's overall GHG emissions reductions and removals."

Auditor Response: In response to this finding, a workbook ("CCBA nonCO2 GHGs 2013.01.07.xls") was provided as evidence that non-CO2 GHG emissions, in both the with- and without-project scenarios, are

likely to account for far less than a 5% change to the project's overall GHG emissions reductions or removals over the project GHG accounting period. However, an error that was identified within this workbook necessitated the issuance of an additional finding, NCR 2012.60.

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

NCR 2012.54 dated 01/02/2013

Standard Reference: CCB Standards, Indicator CL2.2

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 94

Finding: The CCB Standards require that the user "Document how any leakage will be mitigated and estimate the extent to which such impacts will be reduced by these mitigation activities". While the PDD does contain a description of how leakage will be mitigated, it does not provide an estimation of the extent to which leakage impacts will be reduced by mitigation activities.

Client Response: An estimation of the extent to which leakage will be reduced due to mitigation activities has been added to the PDD.

Auditor Response: As indicated, the PDD now contains an estimation of the extent to which leakage impacts will be reduced by mitigation activities.

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

NIR 2012.55 dated 01/02/2013

Standard Reference: CCB Standards, Indicator CL2.4

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 94

Finding: The CCB Standards require that, with respect to quantification of the emissions from leakage, "Non-CO2 gases must be included if they are likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the net change calculations (above) of the project's overall off-site GHG emissions reductions or removals over each monitoring period." The audit team has not been provided with a demonstration that emissions change of non-CO2 GHG emissions due to leakage is not likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the project's overall GHG emissions reductions or removals over each monitoring period, and can therefore be neglected in accordance with the CCB Standards. Please provide this analysis.

Client Response: A workbook with the detailed calculations has been provided to SCS. In addition, a summary table was added to the CCBS PDD, along with the following statement: "In all cases, non-CO2 emissions from methane and nitrous oxides as a result of biomass burning, fossil fuel combustion (e.g., due to airplane flights, as well as vehicle and boat usage to access the Project), and leakage are less than 5% of the Purus Project's overall GHG emissions reductions and removals."

Auditor Response: The PDD now contains a demonstration that non-CO2 GHG emissions, in both the with- and without-project scenarios, are likely to account for less than a 5% change to the project's overall GHG emissions reductions or removals over the project GHG accounting period. This demonstration has been accompanied by the workbook "CCBA nonCO2 GHGs 2013.01.07.xls", which has been provided to the audit team. Some errors have been found in the underlying calculations (specifically, cells J17 and J18 within the workbook contain formulas that sum several input values rather than multiplying them). When corrected, it has been found that the project will result in an estimated 18,511.5 t CO2e in leakage emissions over the project GHG accounting period. When divided by the project's estimated GHG emission reductions, which are defined as the carbon stock change in the baseline scenario over the project GHG accounting period (1,709,253 t CO2e), minus the carbon stock change in the project area in the project scenario over the project GHG accounting period (368,048 t CO2e), minus the carbon stock attributable to leakage in the project scenario over the project GHG accounting period (308,406 t CO2e), the result is 2.06%. Therefore, the non-CO2 emissions attributable

to leakage are likely to account for less than a 5% change to the project's overall GHG emission reductions, and they need not be estimated.

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

NCR 2012.56 dated 01/02/2013

Standard Reference: CCB Standards, Indicator CL3.1

Document Reference: Purus Project Final CCB PDD (English, 12-15-12).pdf, page 95

Finding: The CCB Standards require that the user "Develop an initial plan for selecting carbon pools and non-CO2 GHGs to be monitored, and determine the frequency of monitoring." The CCB Standards states that "A plan must be in place to continue leakage monitoring for at least five years after all activity displacement or other leakage causing activity has taken place." While a plan (as referenced within the PDD) does exist for selecting carbon pools to be monitored, a specific plan is not in place to continue leakage monitoring for at least five years after all activity displacement or other leakage causing activity has taken place.

Client Response: The PDD has been updated to state that, "Leakage monitoring, which will be done via aerial monitoring from a trike, participatory rural assessments, as well as from reviewing satellite imagery, will continue for at least five years after all activity displacement or other leakage causing activity has taken place."

Auditor Response: The PDD now contains a plan to continue leakage monitoring for at least five years after all activity displacement or other leakage causing activity has taken place. Therefore, the identified nonconformity has been resolved.

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

OFI 2012.57 dated 01/08/2013

Standard Reference: CCB Standards, Indicator G3.8

Document Reference: Purus Project Final CCBS PDD - English, 1-3-13.docx, pages 41-43

Finding: The CCB Standards require that "A plan must be developed to continue communication and consultation between project managers and all community groups about the project and its impacts to facilitate adaptive management throughout the life of the project."

In a comment that was submitted to CCBA through the public comment process, José Mariano Nunes Frota stated that "O projeto precisa definir e especificar a porcentagem da participação das famílias no resultado dos créditos de carbono." In a follow-up interview held by the audit team on 5 December 2012, Sr. José Mariano conveyed to the audit team that, as he has already deforested a large (> 100 hectares) area, he is concerned that the project will require him to pay compensation for the area that he has already deforested. While such a scenario is not consistent with the project design as set out in the PDD, the fact that Sr. José Mariano has such concerns is indicative of a need for ongoing communication with the communities regarding the specific procedures through which the project activity "Profit-Sharing of Carbon Credits" will be accomplished.

Client Response: Duly noted.

Auditor Response: Responses to Opportunities for Improvement are not required by SCS' quality system, but it is hoped that the audit team will take the opportunity into consideration in future project implementation.

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

NCR 2012.58 dated 01/08/2013

Standard Reference: CCB Standards, Indicator G3.2

Document Reference: Purus Project Final CCBS PDD - English, 1-3-13.docx, pages 41-43

Finding: The CCB Standards require a description of each project activity. The following inconsistency remains with respect to the description of the project activity "Profit-Sharing of Carbon Credits".

The PDD states that "the total proportion of carbon revenues to be given to the communities will be tied to the preservation of forests within the communities' one hundred hectares", and the entire discussion of the profit-sharing arrangement, as set out in the PDD, assumes the situation in which a community has received title to 100 hectares. However, the project activity "Help Communities Obtain Land Rights / Delineate Family Areas" indicates communities may be granted more than 100 hectares under certain circumstances. It is not clear whether any carbon revenue will be distributed to communities that have been granted more than 100 hectares, and if so, how the quantity of revenue to be distributed to such communities will be calculated.

Client Response: The following statement has been added to the CCBS PDD: "It is important to note that if a community is granted more than 100 hectares, the community will be eligible for carbon revenue on their entire share of granted property. This eligibility for carbon revenue assumes the community has met the criteria below for allocating carbon revenue. In addition, the quantity of carbon revenue to be distributed to a community granted over 100 hectares will be calculated in the same manner as for communities granted 100 hectares."

Auditor Response: The PDD now contains appropriate clarification with respect to the situation in which a community may receive title to an area larger than 100 hectares. Therefore, the observed discrepancy has been resolved.

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

NCR 2012.59 dated 01/09/2013

Standard Reference: CCB Standards, Indicator G2.3; Approved VCS Module VMD0013, Equation 1

Document Reference: CCBA nonCO2 GHGs 2013.01.07.xls

Finding: The CCB Standards require that the estimated net change in the emissions of non-CO2 GHG emissions such as CH4 and N2O in the 'without project' reference scenario be calculated. The CCB Standards state that "Non-CO2 gases must be included if they are likely to account for more than 5% (in terms of CO2-equivalent) of the project's overall GHG impact over each monitoring period". A workbook ("CCBA nonCO2 GHGs 2013.01.07.xls") was provided as evidence that non-CO2 GHG emissions in the without-project scenario are likely to account for less than 5% of the project's overall GHG impact over the project GHG accounting period. However, an error was identified in the formulas within cells J5 and J6 of worksheet "E-BB" within this workbook. The values of parameters A(burn,i,t), B(i,t), COMF(i) and G(g,i) are added together, whereas Equation 1 from Approved VCS Module VMD0013, which is used by the project for quantification of non-CO2 GHG emissions, requires the multiplication of the above values. With the correction of that error, the emissions from non-CO2 gases in the baseline scenario are greater than 5% of the estimated overall GHG emission reductions over the project GHG accounting period. However, emissions of these gases have not been included in the reporting of the GHG emissions in the without-project scenario, as required by Indicator G2.3.

Client Response: As suggested in Section G2.3 of the CCB Standard the CDM "Tool for testing significance of GHG emissions in A/R CDM project activities" can be used to test the significance of nonCO2 emission sources. We tested the significance of emissions of CH4 and N2O from the following sources: fossil fuel combustion and biomass burning.

As the relative contributions of emissions from biomass burning and fossil fuel combustion are less than 5% of the project's GHG emissions reductions and removals, these sources can be considered insignificant and excluded from the project boundary.

A summary chart was also added to the CCBS PDD.

Auditor Response: As is indicated in the Client Response, the “Tool for testing significance of GHG emissions in A/R CDM project activities” has been appropriately used to determine that avoided emissions due to burning are insignificant. The values reported in the updated PDD have been duly confirmed by the audit team, along with their sources. In contrast to the information previously provided to the audit team, the new GHG calculation workbook contains a lower estimate of burning in the without-project scenario, owing to a smaller value of the combustion factor COMF(i) as used within Approved VCS Module VMD0013. The updated combustion factor is 0.293, rather than the originally proposed value of 0.50. The audit team provided evidence that this value was appropriately sourced from a report, authored by Fearnside et al. (1993) and entitled "Rainforest Burning and the Global Carbon Budget: Biomass, Combustion Efficiency, and Charcoal Formation in the Brazilian Amazon". As the value is specific to an area of the state of Amazonas, a state that is adjacent to the state of Acre, it is considered more accurate and appropriate than the IPCC default value that was originally used. The new calculations show that all non-CO2 emissions sources can be appropriately considered insignificant in accordance with the “Tool for testing significance of GHG emissions in A/R CDM project activities” . Therefore, the observed non-conformity has been resolved.

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

NCR 2012.60 dated 01/09/2013

Standard Reference: CCB Standards, Indicator CL2.1; Approved VCS Module VMD0013, Equation 1

Document Reference: CCBA nonCO2 GHGs 2013.01.07.xls

Finding: The CCB Standards require that the user "Estimate the net change in the emissions of non-CO2 GHG emissions such as CH4 and N2O in the with and without project scenarios if those gases are likely to account for more than a 5% increase or decrease (in terms of CO2-equivalent) of the project’s overall GHG emissions reductions or removals over each monitoring period." A workbook ("CCBA nonCO2 GHGs 2013.01.07.xls") was provided as evidence that non-CO2 GHG emissions in the without-project scenario are likely to account for less than 5% of the project’s overall GHG impact over the project GHG accounting period. However, an error was identified in the formulas within cells J5, J6, J11 and J12 of worksheet "E-BB" within this workbook. The values of parameters A(burn,i,t), B(i,t), COMF(i) and G(g,i) are added together, whereas Equation 1 from Approved VCS Module VMD0013, which is used by the project for quantification of non-CO2 GHG emissions, requires the multiplication of the above values. With the correction of that error, the net change in non-CO2 GHG emissions in the with and without project scenarios are greater than 5% of the estimated overall GHG emission reductions over the project GHG accounting period. However, emissions of these gases have not been included in the reporting of the net climate impact of the project, as required by Indicator CL1.2.

Client Response: As suggested in Section G2.3 of the CCB Standard the CDM "Tool for testing significance of GHG emissions in A/R CDM project activities" can be used to test the significance of nonCO2 emission sources. We tested the significance of emissions of CH4 and N2O from the following sources: fossil fuel combustion and biomass burning.

As the relative contributions of emissions from biomass burning and fossil fuel combustion are less than 5% of the project’s GHG emissions reductions and removals, these sources can be considered insignificant and excluded from the project boundary.

A summary chart was also added to the CCBS PDD.

Auditor Response: This finding was mistakenly issued against indicator CL2.1; it should have been issued against indicator CL1.2.

As is indicated in the Client Response, the “Tool for testing significance of GHG emissions in A/R CDM project activities” has been appropriately used to determine that avoided emissions due to burning are

insignificant. This tool is suggested for use by the CCB Standards within footnote 21; although the tool is not directly suggested with respect to indicator CL1.2, the context in which it suggested under indicator G2.3 is directly analogous to that of indicator CL1.2, and therefore the tool is considered by the audit team to be appropriate for the purposes of indicator CL1.2. The values reported in the updated PDD have been duly confirmed by the audit team, along with their sources. In contrast to the information previously provided to the audit team, the new GHG calculation workbook contains a lower estimate of burning in the without-project scenario, owing to a smaller value of the combustion factor COMF(i) as used within Approved VCS Module VMD0013. The updated combustion factor is 0.293, rather than the originally proposed value of 0.50. The audit team provided evidence that this value was appropriately sourced from a report, authored by Fearnside et al. (1993) and entitled "Rainforest Burning and the Global Carbon Budget: Biomass, Combustion Efficiency, and Charcoal Formation in the Brazilian Amazon". As the value is specific to an area of the state of Amazonas, a state that is adjacent to the state of Acre, it is considered more accurate and appropriate than the IPCC default value that was originally used. The new calculations show that all non-CO2 emissions sources can be appropriately considered insignificant in accordance with the "Tool for testing significance of GHG emissions in A/R CDM project activities". Therefore, the observed non-conformity has been resolved.

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

NCR 2012.61 dated 01/10/2013

Standard Reference: CCB Standards, Indicator CL3.2

Document Reference: Final Purus Project CCBS PDD (English).pdf, pages 96-97

Finding: The CCB Standards state that "The project proponents must: Commit to developing a full monitoring plan within six months of the project start date or within twelve months of validation against the Standards and to disseminate this plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders." The PDD does not contain a commitment to disseminate the monitoring plan and the results of monitoring, ensuring that they are made publicly available on the internet and are communicated to the communities and other stakeholders.

Client Response: The CCBS PDD has been updated with the following text on page 97: "This full climate impact monitoring plan, and its ongoing monitoring results, will be made publicly available on the internet and will also be made available to the communities and the Purus Project's other stakeholders."

Auditor Response: The text that has been added to the PDD has been sufficient to resolve the identified discrepancy.

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

General Section

Conformance

G1.	Original Conditions in the Project Area (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
G2.	Baseline Projections (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
G3.	Project Design and Goals (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
G4.	Management Capacity and Best Practices (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
G5.	Legal Status and Property Rights (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Climate Section

CL1.	Net Positive Climate Impacts (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
CL2.	Offsite Climate Impacts (“Leakage”) (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
CL3.	Climate Impact Monitoring (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Community Section

CM1.	Net Positive Community Impacts (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
CM2.	Offsite Community Impacts (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
CM3.	Community Impact Monitoring (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Biodiversity Section

B1.	Net Positive Biodiversity Impacts (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
B2.	Offsite Biodiversity Impacts (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
B3.	Biodiversity Impact Monitoring (Required)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

Gold Section

GL1.	Climate Change Adaptation Benefits (Optional)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
GL2.	Exceptional Community Benefits (Optional)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
GL3.	Exceptional Biodiversity Benefits (Optional)	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>

CCBA Validation Level Attained:

APPROVED (all requirements met)	<input type="checkbox"/>
GOLD (all requirements and also at least one optional Gold Level criterion met)	<input checked="" type="checkbox"/>

The following table provides the audit team’s response to each comment submitted as part of the first public comment period:

Commenter	Comment	Auditor Notes
Rui Moreira de Oliveira	<i>We need project like Purus Project. It is very important for our future.</i>	Noted.
Walter Oze	<p>Portuguese: <i>O Projeto Purus será de grande impacto para toda a região norte do Brasil. Uma projeto de conservação da natureza, da fauna e flora da região é de suma importância para o desenvolvimento sustentável da região. Sua localização é privilegiada e a abundância de espécies, tando animais como vegetais, proporciona uma gama de possibilidades. Não sou da região e estive visitando o local em Junho de 2011 e fiquei impressionado com a natureza ali presente, com a população da região e com o entusiasmo das pessoas que estão envolvidas com o projeto.</i></p> <p>English (translation from Google Translator): The Purus Project is of great impact for the entire northern region of Brazil. A project for the conservation of nature, flora and fauna of the region is of paramount importance to the region's sustainable development. Its location is privileged and abundance of species, animal and plant ing, provides a range of possibilities. I'm not in the area and was visiting the site in June 2011 and was impressed by the nature here present, with the population of the region and with the enthusiasm of the people who are involved with the project.</p>	Noted.
Periclys Pedro	<p>Portuguese: <i>Eu apoio e ratifico. é de total importancia ao meio ambiente!</i></p> <p>English (translation from Google Translator): I support and ratify. is the total importance to the environment!</p>	Noted.
Amilar Sales Alves, Técnico de Informática do Tribunal de Justiça do Estado do	<p>Portuguese: <i>Após leitura do referido projeto, venho dar meu apoio por conhecer a situação daqueles ribeirinhos e principalmente daquele município que precisam de ajuda, pois agora com a estrada aberta o ano inteiro, terá maior destaque por ser area "virgem", e por a</i></p>	Although Google Translator did a poor job with the translation, the positive comment is noted.

<p>Acre</p>	<p><i>população ser desprovida de conhecimentos e recursos se torna muito vulneravel aos interesses capitalistas.</i></p> <p>English (translation from Google Translator): After reading the above project, come to give my support to know the situation and especially those bordering that county who need help, because now with the road open all year round, will be a greater emphasis area "virgin", and the population is devoid of knowledge and resources becomes very vulneravel to capitalist interests.</p>	
<p>Bruno Sales Menezes, Student</p>	<p>Portuguese: <i>Brilhante projeto! Sem atitudes como essa, a Amazônia em breve será devastada e quem perderá com isso será a humanidade.</i></p> <p>English (translation from Google Translator): Brilliant project! Without such attitudes, the Amazon will soon be devastated and who will lose with that humanity.</p>	
<p>Aymar Roger</p>	<p>Portuguese: <i>Será sempre um prazer poder comentar algo sobre um projeto como este. Nós estamos acostumados a ver famílias sendo abandonadas, terras sendo tomadas, e parte da natureza sendo devastada por entidades que pensam apenas no seu benestar, onde a criação de Deus não é levada em consideração.</i></p> <p><i>Meus parabens a cada um que faz parte de uma iniciativa semelhante. preservar o que Deus nos entregou é provar que existe uma fidelidade para com o Criador e que desta forma, muitas especies serão salvas, inclusive a nossa.</i></p> <p><i>Independente da nossa localidade, estaremos dispostos a ajudar no que for preciso, para que projetos como este sejam aprovados e valorizados, não somente no Brasil, no mundo inteiro.</i></p> <p><i>Que Deus continue capacitando pessoas... Assim teremos sempre bons resultados!</i></p> <p>English (translation from Google Translator): It will always be a pleasure to say something about a project like this. We're used to seeing families being abandoned land being taken, and part of nature being destroyed by entities who think only in its benestar, where the big</p>	<p>Although Google Translator did a poor job with the translation, the commenter's unconditional support of the project is clearly evident, and is noted.</p>

	<p>baby of God is not taken into consideration. My congratulations to everyone who is part of a similar initiative. preserve what God has given us is to prove that there is a loyalty to the Creator and thus saved many species, including our own. Regardless of our location, we are willing to help in whatever is needed so that projects like this are approved and valued, not only in Brazil, the world inteiro. May God continue to empower people ... So we always have good results!</p>	
<p>Rômulo Eugênio S. de Souza, Eng. Agrônomo do Instituto de Meio Ambiente do Acre</p>	<p>Portuguese: <i>Caros, após tomar conhecimento sobre essa iniciativa, especialmente por se tratar de questão que remete ao uso sustentável da floresta a partir de procedimentos novos e que parecem demonstrar eficiência quanto ao uso racional, bem como, à conservação dos recursos naturais, aliados à inclusão social das comunidades, tenho a expressar o anseio de ver a realização desse projeto, pois imagino que fortalecerá os rumos daquilo que tem sido alvo de política governamental, mas que por se tratar de um grande desafio, necessita de apoio de uma sociedade interessada e, além disso, de pessoas que contribuam efetivamente para estes estudos, cujas práticas sejam consolidadoras de uma visão que depende do meio ambiente, mas que o utiliza de forma devida.</i></p> <p>English (translation from Google Translator): Dear, after learning about this initiative, especially because it is concerned that refers to the sustainable use of forests from new procedures that appear to demonstrate efficient and rational use, as well as the conservation of natural resources, coupled with social inclusion communities, have expressed a desire to see the realization of this project, because I imagine that will strengthen the direction of what has been the target of government policy, but because it is a great challenge, needs the support of a company concerned, and in addition, people who contribute</p>	<p>The commenter's support for the project is noted.</p>

	effectively to these studies, whose practices are consolidators of a vision depends on the environment, but who uses impaired.	
Sara Rodrigues Sales Zaire, Servidora Pública Federal, Superior Tribunal de Justiça	<p>Portuguese: <i>Que privilégio é a criação e a execução desse projeto no meu Estado!</i> <i>Com uma proposta ousada em todos os aspectos, o Projeto Purus é uma demonstração de que é possível conjugar desenvolvimento econômico e preservação ambiental. Um exemplo claro da chamada Economia Verde!</i> <i>A grandeza do programa está não apenas na redução de emissão de CO2, que vem à tona num momento crucial para o Planeta (fato que, creio, será um estímulo aos demais proprietários de áreas semelhantes), mas também, no envolvimento das comunidades da área, as quais serão beneficiadas com moradia, trabalho e educação.</i> <i>Parabéns ao grupo pela excelente iniciativa!</i></p> <p>English (translation from Google Translator): That privilege is the creation and execution of this project in my state! With a bold proposal in all respects, the Purus Project is a demonstration that it is possible to combine economic development and environmental preservation. A clear example of the so-called Green Economy! The magnitude of the program is not only in reducing CO2 emissions, which comes out at a crucial time for the planet (actually, which I believe will be an encouragement to the other owners of similar areas) but also the involvement of communities in the area , which will benefit from housing, work and education. Congratulations to the group for the excellent initiative!</p>	The commenter’s strong support for the project is noted.
Lara Oze, Arquiteta e Urbanista, Brasília-DF	<p>Portuguese: <i>O Projeto Purus será uma quebra de paradigma para muitos empresários brasileiros, principalmente os da região</i></p>	The commenter’s support for the project is noted.

	<p><i>Amazônica. Um Projeto que proporciona LUCRO sendo ECOLOGICAMENTE CORRETO e com um plus SOCIAL.</i></p> <p><i>A visão social do Projeto Purus contempla uma significativa mudança na qualidade de vida da comunidade ribeirinha. Acredito no sucesso desta intervenção social, pois os diretores da Moura & Rosa conhecem muito bem e de perto a realidade e os problemas locais.</i></p> <p>English (translation from Google Translator): The Purus Project is a paradigm shift for many Brazilian entrepreneurs, especially in the Amazon region. A project that provides PROFIT being environmentally friendly and with a plus SOCIAL. The social vision of the Purus Project contemplates a significant change in quality of life of the riverside community. I believe the success of this social intervention, as the directors of the Moura & Rosa know very well and closely the reality and local problems.</p>	
<p>Helena Sales Menezes</p>	<p>Portuguese: <i>O projeto Purus Project é interessantíssimo para o Brasil.</i> <i>A conservação biodiversidade existente na Amazônia é de valor inestimável para nossa sociedade.</i> <i>O foco na sustentabilidade e a preocupação com a população ribeirinha descritos revelam o comprometimento e seriedade do planejamento.</i></p> <p>English (translation from Google Translator): The project Purus Project is interesting for Brazil. Conserving biodiversity in the Amazonian is invaluable to our society. The focus on sustainability and concern for the local population described reveal the seriousness of the commitment and planning.</p>	<p>The commenter’s support for the project is noted.</p>
<p>Cristina Borges</p>	<p><i>I read the Purus Project Design Document and I was very impressed with the project, specially because the combination of forest preservation and social evolution that will guarantee the preservation in the future. All the positive impacts are very important, but</i></p>	<p>The commenter’s support for the project is noted.</p>

	<p><i>the change of thinking, working, living and seeing the nature that this project will cause to the 20 families involved is an example to all of us and to be followed by many other projects in the future.</i></p> <p><i>Good work!! I hope I will be able to follow up the successful execution of this project over the internet.</i></p>	
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The following table provides the audit team’s response to each comment submitted as part of the second public comment period:

Commenter	Comment	Auditor Notes
<p>Pedro Narciso da Silva</p>	<p>Portuguese: <i>O projeto deve ser executado beneficiando à comunidade local, ou seja, trazendo benefícios aos responsáveis por ele, mas também à comunidade.</i></p> <p>English (translation from Google Translator): The project should run benefiting the local community, ie, bringing benefits to account for him, but also to the community.</p>	<p>This comment is noted, and it is hoped that the project will benefit the community.</p>
<p>Agnelo Nunes da Silva</p>	<p>Portuguese: <i>É importante diminuir as queimadas, porque não tem necessidade de “brocar” (queimar para preparar a terra) muito, acima da necessidade de cada família. A demarcação da área de posse de 100 hectares deve seguir ou estar combinada com o ITR. Ressaltou ainda que o documento “Terra Legal” foi assinado no nome da irmã dele.</i></p> <p>English (translation from Google Translator): It is important to reduce the burning, because it has no need to "drill" (burn to prepare the land) far above the needs of each family. The demarcation of the area in possession of 100 acres must follow or be combined with the ITR. He also stressed that the document "Legal Land" was signed on behalf of his sister.</p>	<p>The need to reduce burning is noted, and it is hoped that the project will provide agricultural training that will reduce the quantity of burning that is necessary. However, it is the opinion of the audit team that the demarcation of the 100 hectares, through the “Terra Legal” process, cannot be combined with the Imposto Territorial Rural (ITR) process, because the two processes are two distinct steps in the legal recognition of land tenure.</p>
<p>José Mariano Nunes Frota</p>	<p>Portuguese: <i>O projeto precisa definir e especificar a porcentagem da participação das famílias no resultado dos créditos de carbono.</i></p> <p>English (translation from Google Translator): The project needs to define and specify the percentage of participation of households in income from carbon credits.</p>	<p>In a follow-up interview, Sr. José Mariano conveyed to the audit team that, as he has already deforested a large (> 100 hectares) area, he is concerned that the project will require him to pay compensation for the area that he has already deforested. While such a scenario is not consistent with</p>

		the project design as set out in the PDD, the fact that Sr. José Mariano has such concerns is indicative of a need for ongoing communication with the communities regarding the specific procedures through which the project activity "Profit-Sharing of Carbon Credits" will be accomplished. However, this has been identified by the audit team as a need that can be satisfied through ongoing communication as part of project implementation.
Anonymous	<p>Portuguese: <i>O projeto precisa iniciar suas ações e atividades urgentemente e sem mudanças significativas de estratégias para garantir a participação das famílias que ainda acreditam neste projeto. Neste sentido, os cursos precisam ser ministrados o quanto antes para que as famílias possam aplicar os conhecimentos adquiridos e aumentar suas rendas.</i></p> <p>English (translation from Google Translator): The project needs to start its actions and activities urgently and without significant changes of strategies to ensure the participation of families who still believe in this project. In this sense, the courses must be taught as early as possible so that families can apply their knowledge and increase their incomes.</p>	Noted.
Benedito Nunes da Silva	<p>Portuguese: <i>Aguarda o início da execução do projeto com grande expectativa pela melhoria da escola, pois as crianças têm poucas aulas e não estão aprendendo da forma mais adequada. Já assinou memorando de entendimento para participar deste projeto, portanto, tem interesse em participar dos cursos e aplicar os novos conhecimentos na sua área de posse. Comentou também que o posto de saúde previsto nos benefícios sociais do projeto é fundamental para a região.</i></p> <p>English (translation from Google Translator): Wait for the start of project execution with great anticipation for school improvement, because children have fewer classes and are</p>	Noted.

	<p>not learning as appropriate. Already signed memorandum of understanding to participate in this project, therefore, has an interest in attending the courses and apply new knowledge in their area of ownership. He also commented that the clinic provided social benefits of the project is critical to the region.</p>	
Anonymous	<p>Portuguese: <i>Existem três ou quatro famílias que querem participar do projeto, as demais famílias não querem participar. As ações deste projeto precisam começar imediatamente para garantir a participação destas três ou quatro famílias posseiras, caso contrário, até tais famílias perderão a vontade de participar do projeto.</i></p> <p>English (translation from Google Translator): There are three or four families who want to participate in the project, other families do not want to participate. The actions of this project must begin immediately to ensure the participation of three or four families posseiras otherwise, until such families will lose their willingness to participate in the project.</p>	Noted.
Anonymous	<p>Portuguese: <i>Não quer saber e nem participar do Projeto Purus, pois pretende continuar na sua área de posse, podendo até negociar o recebimento de indenização para sua saída desta área.</i></p> <p>English (translation from Google Translator): Do not want to know and not participate Project Purus because you want to continue in possession of their area and can even negotiate to receive compensation for his departure from this area.</p>	The negative comment is noted, but unfortunately the anonymous nature of the comment made it impossible for the audit team to contact the commenter and ascertain their specific reasons for not wishing to participate.
Anonymous	<p>Portuguese: <i>Não aceita o Projeto Purus e não quer se envolver, pois já foi enganado em um projeto chamado “Bicho da Mata do Purus”.</i></p> <p>English (translation from Google Translator): Do not accept the Project Purus and do not want to get involved, because I was fooled on a project called "Bicho do Purus Forest."</p>	The negative comment is noted, but unfortunately the anonymous nature of the comment made it impossible for the audit team to contact the commenter and determine whether there is any specific connection between the Purus Project and the “Bicho da Mata do Purus” project. It does not appear, at this time,

		that any such connection exists.
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