VERIFICATION REPORT FOR THE REDD+ PROJECT FOR CARIBBEAN GUATEMALA: THE CONSERVATION COAST (MP2)

Document Prepared By: S&A Carbon

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Summary

This report presents the results of the project's second VCS and CCBS verification. The scope of the verification included the concurrent VCS/CCBS verification of the project's latest monitoring period (01 January 2017 to 31 December 2018), as well as the validation of 77 new project instances, to determine the project's conformance with the VCS Standard version 3.7, the CCB Project Design Standards Third Edition, and the previously validated VCS Project Description (VCS-PD) and CCB Project Design Document (CCB-PDD).

The verification was performed through a combination of document review, interviews and communications with relevant personnel, as well as on-site inspections. The site visit to the project was conducted from 29 April 2019 to 5 May 2019, in the Izabal department of Guatemala. The verification process included several official and documented exchanges between the verifier team and the project proponents in order to gather additional information for review and for examination of compliance with all applicable criteria. These exchanges included 3 rounds of an Issues Log produced by S&A to which the project proponents were required to respond, and for which 13 Non-Conformances, 2 Clarification requests, and 1 Forward Action Request were identified. Verifiers confirmed in an email to the project proponents dated 10 July, 2019 that all remaining issues were satisfied in the responses provided in the Issues Log.

Once all identified issues were adequately resolved, S&A Carbon drafted this final verification report and deems, with a reasonable level of assurance, that the project is in compliance with all of the requirements in the Verified Carbon Standard version 3.7 and the CCB Standards Third Edition, without qualifications or limitations. The project has been implemented in accordance with the validated project description, and all of its variations from this description and/or from the VCS methodology have been found to be appropriate. Furthermore, S&A carbon has also reached a reasonable level of assurance that all of the 77 new project activity instances added during this monitoring period meet the validation criteria based on the information reported in the monitoring report and in supporting evidence provided by the project proponents.

S&A Carbon is thus able to issue a positive verification opinion for the 1,975,402 tonnes CO2e of verified emissions reductions, as reported in the Monitoring & Implementation Report version 1.17, dated 10 July 2019. The verification assessment covered the monitoring period from 01 January 2017 to 31 December 2018 and verified that calculated emission reductions and/or removals were achieved during the monitoring period with a reasonable level of assurance. The overall risk rating was 10 %. Therefore, the total number of credits to be deposited in the buffer account is 197,540 VCUs and the total VCUs to be issued are 1,777,862 tCO2e.

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1 INTRODUCTION

1.1 Objective

The objective of this offset validation/verification is to provide offset verification services as defined in the criteria documents mentioned below and to issue an offset verification statement on the reported emission reductions and other related project benefits reported for the project.

1.2 Scope and Criteria

This is the Project's second VCS and CCBS verification. The scope of work includes two activities; the concurrent VCS/CCBS verification of the project's latest monitoring period, and the validation of new project instances added to the project's scope since the time of validation. This will be a full verification (including a site visit) to assess the Project's conformance with the VCS and CCBS criteria outlined below, corresponding to the second monitoring period (01/01/2017 – 12/31/2018).

The criteria for the offset verification services are:

- VCS Standard, version 3.7, June 2017 and associated documents and templates
- VCS Agriculture, Forestry and Other Land Use (AFOLU) Requirements, version 3.6, June 2017
- VCS Program Guide, version 3.7, 21 June 2017
- AFOLU Non-Permanence Risk Tool, version 3.3, 19 October 2016
- VCS Errata and Clarifications as may be applicable
- The approved VCS methodology VM0015 Version 1.1, December 2012
- CCBA Standard, Third Edition, December 2013
- Rules for the Use of the CCB Standards, 21 June 2017
- ISO Standards 14064-2 and 14064-3

1.3 Level of Assurance

S&A Carbon provides reasonable assurance that the Project meets the required VCS and CCBS criteria.

1.4 Summary Description of the Project

The REDD+ PROJECT FOR CARIBBEAN GUATEMALA: THE CONSERVATION COAST (henceforth referred to as simply "The Project") focuses on three main objectives: (i) to mitigate climate change by reducing deforestation; (ii) to contribute to biodiversity conservation including High Conservation Values, and, (iii) to foster sustainable development in local communities. The project area is located in Department of Izabal in the Caribbean coast region of Guatemala in the Sarstun-Motagua reference region. Belonging to the biologically diverse Mesoamerican Biological Corridor, forests in the project area are important nationally and internationally for the ecosystem services they provide. The project area forests, however, have experienced a continued reduction in biomass in recent years due largely to small-scale farmers and to medium to large scale cattle ranchers that have sought to expand their activities or have been displaced by agro- industrial expansion.

According to the validated Project Description, the project aims to protect roughly 128,000 hectares of forest over its lifetime, providing numerous climate and biodiversity benefits. It is estimated that the project will protect areas that span 11 different water basins, covering an area of 145,000 ha, which also provides drinking water to roughly 80,000 people. Ongoing and planned activities related to the project's livelihoods impacts include agroforestry programs, ecotourism, and women's health clinics that will provide communities with improved and diversified economic opportunities, as well as access to vital reproductive health access and reproductive rights education. Collectively, these services would be available to 111 communities within the project zone and are estimated to be utilized by at least 20,000 people annually. A Grouped Project design was utilized by the project's main proponent and implementing partner,

FUNDAECO, so as to be able to represent small landowners and to manage the development of a REDD+ project on their behalf through legal contracts that transfer Rights of Use to FUNDAECO.

Specific to this latest monitoring period, the project claims to have continued to implement project activities that contribute to the creation of GHG emissions reductions, and which have also brought about community and biodiversity benefits. According to the latest monitoring report, the project's main goals during this monitoring period have been to improve forest protection through forest patrols and law enforcement, but also through the strengthening of protected area governance and by supporting forest owners to access the Guatemalan Government's forest incentive programs, PROBOSQUE and PINPEP.

As lack of economic and employment opportunities were identified as the strongest factors contributing to deforestation in the region, the project's proponents have been addressing these underlying drivers by trying to improve two basic conditions that they hope will then trigger positive long-term impacts: a) Access to Resources and Economic Opportunities, and b) Education. The project is thus supporting local producers with access to technical assistance and training for agroforestry value crops such as black pepper, rambutan and cardamom; as well as access to improved health services, most notably for women. FUNDAECO has also created 6 agroforestry production centers, or "bio-centers", which hope to generate revenue from the sale of crops and are also being used as training centers for local producers. Finally, FUNDAECO has continued the creation and improvement of ecotourism sites that can help generate revenues for local communities, while at the same time also create biodiversity and community benefits by increasing the local, regional, and international awareness of biodiversity values unique to the Guatemalan Caribbean coast.

2 VERIFICATION PROCESS

This is the Project's second VCS and CCBS verification. The scope of work includes two activities; the concurrent VCS/CCBS verification of the project's latest monitoring period, and the validation of new project instances added to the project's scope since the time of validation. This will be a full verification (including a site visit) to assess the Project's conformance with the VCS and CCBS criteria outlined below, corresponding to the second monitoring period 01 January 2017 to 31 December 2018.

Specific verification tasks include:

- Verifying that actual monitoring systems and procedures are in compliance with the applicable standards, methodology and tools, considering their application conditions, against the reality found in the field;
- Verifying that the implementation of the monitoring plan is in accordance with the validated Project Description Document (PDD).
- Validate new instances according to the appropriate eligibility criteria, considering the right of use for carbon, eligibility of areas, plausibility of the baseline scenario, additionality argument, project activities, monitoring plan, all relevant sinks, sources and reservoirs, emission factors, rates and modelling of deforestation, ex-ante estimates and risk analysis, in other aspects relevant to standard compliance;
- Evaluating the GHG emission reduction/enhancement data and express a conclusion with a reasonable level of assurance about whether the reported GHG emissions reduction/enhancement data is free from offset material misstatement of asserted emission reductions/enhancements;
- Verifying that reported GHG emissions data is sufficiently supported by evidence.

2.1 Audit Team Composition (*Rules* 4.3.1)

Name and Role	Qualifications/Experience
Pablo Reed - Lead Verifier/Site Visit Leader	Pablo Reed is a Senior Associate at S&A Carbon, and a member of the forestry verification team. He is an ARB approved forestry project specialist and ARB lead verifier, and generally acts as a sector expert supporting internal reviews of verification documents. Prior to joining S&A, Pablo spent five years working at Det Norske Veritas (DNV), an international certification company, leading forestry validations and verifications across all major GHG programs. He is accredited as a lead validator/verifier of forestry projects submitted to the Climate Action Reserve, American Carbon Standard, and Verified Carbon Standard. He has extensive experience in MRVS systems, forestry inventories and logging operations, and with the development of environmental and social safeguards. Pablo also has extensive experience working with conservation and development projects in various countries in Latin America. He served as country director for a joint USAID/Idaho State University community conservation project in the Alta Verapaz region of Guatemala and spent time in Panama working as an environmental and GIS consultant. He also worked with the Peace Corps in Ecuador as a program manager for the posts' natural resource conservation program. Pablo received a Masters of Environmental Management degree from the Yale School of Forestry & Environmental Studies, and holds a Bachelor of Science degree in Forest and Ecological Engineering, and a minor in Latin American Studies from the University of Washington in Seattle. His research centered on the development of REDD (Reducing Emissions from Deforestation and Degradation) policy frameworks, especially as they pertain to the inclusion of communal Indigenous territories and lands under tropical forestry conservation projects.
Lawson Henderson - Internal Reviewer	Lawson joined S&A Carbon as a Senior Associate in 2016, and expands the existing capacity of the forest carbon offset verification team. He is acts as an ARB Verifer on forest carbon offset projects, and is qualified as a Lead Offset Verifier under the ARB regulation. Lawson currently supports the S&A team with reviews of verification documents, field verifications of ARB forest carbon offset projects, and S&A's actions to become accredited under the American National Standards Institute - ANSI). Lawson brings nearly a decade of experience in forest certification through his prior employment with Rainforest Alliance, where he acted as a project manager and lead auditor of forest carbon offset projects against the major voluntary GHG programs, and FSC Forest Management & Chain of Custody Certifications. Lawson is qualified as a Lead Verifier under the Climate Action Reserve (CAR), and is also qualified as a AFOLU IFM Expert under the Verified Carbon Standard (VCS) program. He has led the validation and verification of IFM, AR & REDD forest carbon offset projects against the major voluntary GHG programs globally. He is a member of both the Gold Standard Foundation (GSF) Land Use and Forestry (LUF) and Oversight and Assurance (OA) Technical Advisory Committees (TAC). Lawson holds a B.S.F in forest management from the University of New Hampshire (2005).
Kyle Silon - Approver	Kyle Silon holds an M.S. in Energy and Environmental Economics. He has ten years' experience in climate change mitigation strategies and carbon reduction projects. Prior to founding S&A, he worked for a leading international certification company, specializing in validation and verification of small-scale household energy demand projects (such as cook stove and water filter projects), primarily located in South America, Asia, and Africa. He has participated in numerous verifications of forestry, landfill, and livestock projects, and has worked across all major GHG programs, including the Air Resources Board, Verified Carbon Standard, Climate Action Reserve, American Carbon Registry, Gold Standard, and Clean Development Mechanism (CDM).

Alexa Kandaris - Project Manager/Verification Support	Alexa Kandaris holds a Bachelor of Arts in Economics with a minor in Business Administration from Humboldt State University. Her focus of study was centered around natural resource and environmental economics as well as renewable energy and carbon finance. She has conducted extensive research on emissions leakage in addition to authoring work pertaining to the structure of California Assembly Bill 32. She has most recently been conducting data analysis and carbon documentation as well as developing tracking systems for a program registered under the Clean Development Mechanism as a Program of Activities. Alexa has also been involved in the process of registering this program of activities with the Gold Standard. In addition to this, she has field experience with forestry verification projects and is currently managing several forestry and livestock verifications for S&A Carbon through various GHG programs, including Air Resources Board, Climate Action Reserve, and American Carbon Registry.

2.2 Method and Criteria

S&A submitted a proposal to FUNDAECO for the verification of the Project on March 15, 2019. Upon contract execution, S&A was selected as the Verification Body. A kickoff call agenda and document request list were sent to the project proponents on April 8, 2019. A kickoff call was held on April 9, 2019. The project team and verifiers discussed initial findings from a desk review of submitted documents, targeting aspects of the documentation that might affect the site visit. Site visit logistics were also discussed. The project proponents provided additional supporting project documents on several occasions throughout the verification.

A sampling plan was prepared based on information available from the project proponents. The sampling plan considers the requirements of all the criteria documents listed in section 1.2 of this report and evaluates the credibility and rigor of all methodology and standard items in question. A risk evaluation was conducted assessing the size (both in area and carbon storage) and accessibility of all of the GHG reservoirs involved in the project, as well as an evaluation of all of the different climate change, community, and biodiversity benefits claimed by the project during the monitoring period. Finally, the plan outlined a sampling scheme, based on a risk assessment and on further documentation review, to validate the addition of 77 new project instances. Since it was not feasible nor cost-effective for the verifier team to visit all of these instances during the field visit, a representative sample was chosen. A representative sample was devised using the equation utilized by the Forest Stewardship Council (FSC) in the Certification of the Forest Management Systems, and as was used during the project's validation and initial reporting period verification. This scheme uses the formula: 0.8*(n)^1/2, where "n" is the number of instances to be validated (n=77 instances). Thus, a minimum of 12 instances to visit were selected based on time and cost considerations, but also considering the three different municipalities involved in the project (Morales, Puerto Barrios and Livingston), and the variety of the land tenure systems in place. The revised final Sampling Plan summarizes the results of the sampling and the data checks performed on the sampled data. The Sampling Plan will be retained by S&A for a period of not less than 15 years following submission to the standard. All material received, reviewed, and generated by the provision of Offset Verification Services will be retained by S&A for the same period.

The verification was performed through a combination of document review, interviews and communications with relevant personnel and on-site inspections. The project was assessed for conformance to all criteria described in Section 1.2 of this report. As discussed in this report, findings were issued to ensure that the project was in full conformance to all requirements.

The site visit to the project was conducted from 29 April 2019 to 5 May 2019. After traveling from Guatemala City to the project's main office near Puerto Barrios, the verification team conducted an opening meeting on the morning of Tuesday, 30th of April, and discussed a variety of verification issues and site visit logistics. The meeting was attended by the main project proponents and a large contingent of all relevant project personnel. During the opening meeting, such matters as the scope, criteria, methodology, level of

assurance, materiality thresholds, and activity plan for the site visit and verification services were reviewed. A review of the relevant sampling approaches and schedule of activities for the visit and verification were also confirmed. Finally, there were some requests for the transfer of additional / still missing information and underlying activity data.

All of the days out in the field involved two different types of verification checks and activities: those centered on the appropriate implementation and monitoring of claimed project activities, leakage, evaluation of project benefits, and socio-environmental safeguards adopted during project implementation; and the other a thorough review of a representative sample of new project instances to be added to the grouped project during this monitoring period, for which all corresponding eligibility criteria was scrutinized. Both approaches used interviews and consultations with relevant stakeholders and project beneficiaries to confirm the information presented. All of the main distinct political and geographical locations of the project area were visited, which included visits to 14 of the newly added PAIs for eligibility criteria review and for interviews with the respective land owners/project beneficiaries; as well as visits to other crucial project infrastructure and facilities put to use during the reporting period, which included visits to local schools enrolled in environmental education activities, health centers and clinics providing health services, agroforestry production and capacity building centers, and ecotourism sites.

In addition, the lead verifier held both a conference call, on June 4, 2019, as well as a visit to project's technical consultants' office in Berkeley, California on May 17 in order to review the project's accounting model code and calibration, as well as to dissect exactly just how the baseline and project emissions are impacted as a result of changes in the project and leakage areas stemming from the inclusion of the new PAIs.

The verification process included several other exchanges between the verifier team and the project proponents in order to gather additional information for review and for examination. These exchanges included 3 rounds of an Issues Log produced by S&A to which the project proponents were required to respond. The project proponents were able to bring all outstanding issues to a close on 10 July 2019. Verifiers confirmed this in an email dated 10 July that all remaining issues were satisfied in the responses to the final Issues Log. S&A auditors drafted the Verification Statement and Verification Report and presented it for Independent Review, which determined the Verification Statement to be justified based on the project documentation and verification assessment. The Verification Report and Verification Statement were provided to the project proponents for review and comment on July 19, 2019. Upon approval from the project proponents, the documents were submitted to the registry.

2.3 Document Review

The monitoring report, project description, and all other supporting documentation were carefully reviewed for conformance to the verification criteria and consistency with the Project Description. Appendix 1 to this report details the list of documents provided by project proponents and reviewed during the audit process.

2.4 Interviews

Please refer to the following table for a complete list of all the people interviewed as part of this audit.

Person Interviewed	Role / Affiliation / Institution	Date Interviewed
Ingrid Pelico	FUNDAECO Project Staff – Regional Coordinator	29 April – 03 May, 2019
Elder Perez	FUNDAECO Project Staff - Regional Coordinator	29 April – 03 May, 2019
Emilio Pitan Che	FUNDAECO Project Staff - Regional Coordinator	29 April – 03 May, 2019
Eddy Palencia	FUNDAECO Project Staff – Regional Sub-Director	29 April – 03 May, 2019
Iris Rodriguez	FUNDAECO Project Staff – Forest Technician	29 April – 03 May, 2019

Sandra Portela	FUNDAECO Project Staff - Regional Coordinator	29 April – 03 May, 2019
Eber Lopez	FUNDAECO Project Staff - Regional Coordinator	29 April – 03 May, 2019
Azucena Mejia	FUNDAECO Project Staff – Administrative Office	29 April – 03 May, 2019
Karen Dubois	FUNDAECO Project Staff – Health Initiative Director	29 April – 03 May, 2019
Guillermo Galvez	FUNDAECO Project Staff – Sub-coordinator of Mares Vivo Program	29 April – 03 May, 2019
Byron Samayca	FUNDAECO Project Staff – Subdirector of Regional office	29 April – 03 May, 2019
Gilver Cabier	FUNDAECO Project Staff - Technician	29 April – 03 May, 2019
Clara Marroquin	FUNDAECO Project Staff – Agroforestry Secretariat	29 April – 03 May, 2019
Juan Eduardo James	FUNDAECO Project Staff - Agroforestry Secretariat	29 April – 03 May, 2019
Elizar Isaac Che	FUNDAECO Project Staff – Technician	29 April – 03 May, 2019
Oswaldo Calderón	FUNDAECO Project Staff – Regional Director of REDD Project	29 April – 03 May, 2019
Karen Aguilar	FUNDAECO Project Staff – Main Point of Contact for Verification Team	29 April – 03 May, 2019
Roberto Espana	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Felipe Sola	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Francisco Camacho	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Paula Lorena Estrada	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Isamel Estrada	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Geiser Chacon	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Daly Marilys Gomez	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Wilverson Chacon	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Esau Hernandez	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Mendez Lopes	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Jose Victor Giron	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Floridalma Flores	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Sergio Alvburez	PAI Landowner/Project Beneficiary	29 April – 03 May, 2019
Erick Martinez	Governor of the Department of Izabal	29 April – 03 May, 2019
David	Representative of the Municipality of Livingston	29 April – 03 May, 2019
Paz Lozano	Project Technical Consultants	17 May, 2019
Kyle Holland	Project Technical Consultants	4 June, 2019
Joel DeBoer	Project Technical Consultants	17 May, 2019; 4 June 2019
Kevin Quiej	Sectretaria de Asuntos Agrarios	29 April – 03 May, 2019
Gustavo Hernandez	Sectretaria de Asuntos Agrarios	29 April – 03 May, 2019
Mario Martinez Enamorado	Sectretaria de Asuntos Agrarios	29 April – 03 May, 2019
Augusto Bautista Lazaro	Teacher at Local School Visited	29 April – 03 May, 2019
Paula Estrada	Local Health Promoter	29 April – 03 May, 2019

2.5 Site Inspections

The site visit to the project was conducted from 29 April 2019 to 5 May 2019. After traveling from Guatemala City to the project's main office near Puerto Barrios, the verification team conducted an opening meeting

on the morning of Tuesday, 30th of April, and discussed a variety of verification issues and site visit logistics. The meeting was attended by the main project proponents and a large contingent of all relevant project personnel. During the opening meeting, such matters as the scope, criteria, methodology, level of assurance, materiality thresholds, and activity plan for the site visit and verification services were reviewed. A review of the relevant sampling approaches and schedule of activities for the visit and verification were also confirmed. Finally, there were some requests for the transfer of additional / still missing information and underlying activity data.

All of the days out in the field involved two different types of verification checks and activities: those centered on the appropriate implementation and monitoring of claimed project activities, leakage, evaluation of project benefits, and socio-environmental safeguards adopted during project implementation; and the other a thorough review of a representative sample of new project instances to be added to the grouped project during this monitoring period, for which all corresponding eligibility criteria were scrutinized. Both approaches used interviews and consultations with relevant stakeholders and project beneficiaries to confirm the information presented. All of the main distinct political and geographical locations of the project area were visited, which included visits to 14 of the newly added PAIs for eligibility criteria review and for interviews with the respective land owners/project beneficiaries; as well as visits to other crucial project infrastructure and facilities put to use during the reporting period, which included visits to local schools enrolled in environmental education activities, health centers and clinics providing health services, agroforestry production and capacity building centers, and ecotourism sites.

In addition, the lead verifier held both a conference call, on 4 June, 2019, as well as a visit to project's technical consultants' office in Berkeley, California on 17 May, 2019 in order to review the project's accounting model code and calibration, as well as to dissect exactly just how the baseline and project emissions are impacted as a result of changes in the project and leakage areas stemming from the inclusion of the new PAIs.

2.6 Resolution of Findings

The verification process included several official and documented exchanges between the verifier team and the project proponents in order to gather additional information for review and for examination of compliance with all applicable criteria. These exchanges included 3 rounds of an Issues Log produced by S&A to which the project proponents were required to respond, and for which 13 Non-Conformances, 2 Clarification requests, and 1 Forward Action Request were identified. Verifiers confirmed in an email to the project proponents dated 10 July, 2019 that all remaining issues were satisfied in the responses provided in the Issues Log. This final issues log, which contains details on all the findings issued during the audit process, as well as the responses and evidence provided by the project proponents for their closure, is provided as a separate Appendix (2) to this report.

2.6.1 Forward Action Requests

One Forward Action Request (FAR) was issued as a result of this audit, which specifies that the proponents will need to show and prove through their future and routine monitoring activities that certain trigger species remain in the project area.

A report used as evidence to corroborate the monitoring of trigger species in the project area only covered the monitoring results of 2017 and not those of 2018. The project proponents stated that this was due to the fact that the bridge that provides access to the Sierra Caral Reserve was inaccessible during 2018, thereby prohibiting their routine monitoring activities in the area.

While the maintenance of forest cover and the periodic patrols of the areas inhabited by these trigger species give reasonable assurance to the verification team that the project activities most probably only continued to contribute to their protection, this finding becomes a **FAR** that will need to be addressed during

the next verification until the proponents are able to effectively prove, through their future and regular monitoring activities and results, that these trigger species effectively remain in the specific project areas.

Please refer to Appendix 2 of this report for more details regarding the issuance of this FAR, which will need to be resolved at the time of the project's next verification.

2.7 Eligibility for Validation Activities

S&A holds accreditation for validation for the relevant sectoral scope 14 under which this project activity is classified.

3 VALIDATION FINDINGS

3.1 Participation under Other GHG Programs

The verifier team found no evidence that this project is listed or has been validated or verified under another GHG program; therefore, there are no Gap Validation findings to this report. In addition, the Project Description has been subject to a validation and to an initial verification under the VCS/CCB Standards and was already found to be in conformance to all these standards' requirements. The project does not seek other forms of environmental credit and does not make part of other GHG programs, as was also confirmed with regional environmental authorities in the department of Izabal during the site visit.

3.2 Methodology Deviations

At the time of the project's validation, there were two methodological deviations that were applied, and which were ultimately determined to meet the criteria and specifications for permitted deviations under the standards, as well as to not negatively impact the conservativeness of the quantification of GHG emission reductions. These two deviations have been applied once more during this monitoring period, and the verifier team has found that the conditions and reasoning for their application have not changed since validation, hence the determination to deem these deviations as still applicable for the reporting period. Verifiers also checked that these deviations have been applied appropriately.

Information regarding the details of the two deviations applied can be found in the following tables, which were also provided for by the project proponents in the monitoring report. No new deviations were presented during the monitoring period.

First Deviation	
Source:	VM0015 v1.1 Section 6.1.1 and Appendix III – Estimate of carbon stocks in the harvest wood products carbon pool
Criteria and Procedures:	The criteria and procedures described in Appendix III for the Estimation of carbon stocks in the harvest of wood products under Method 2: Commercial inventory estimation.
Relation to Monitoring or Measurement:	This procedure is related to measurement. To estimate the wood products at the time of deforestation an estimate of extracted biomass using an indirect measure of commercial volume, medium-term wood products, and long-term wood products are required following VM0015 v1.1.
Requested Deviation:	A modified version of the VM0003 Methodology for Improved Forest Management Through Extension Rotation Age (IFM ERA), v1.2 was

	applied for the estimation of wood products only if it provides a conservative and/or more accurate estimate of wood products.
Justification:	The modified version of the VM0003 Methodology for Improved Forest Management Through Extension Rotation Age (IFM ERA), v1.2 is provided in section 5.3.6.1 of the Project Description. The estimate for extracted biomass carbon in VM0003 (EXCWP) is more accurate than the estimate in VM0015 (CXBicl). This latter estimate of extracted biomass carbon uses an indirect measurement of commercial volume relying on multiple estimators including above-ground biomass and commercial volume regressions. Whereas the estimate of EXCWP relies only upon volume regressions for commercial species to estimate extracted biomass carbon reducing the uncertainty. Additionally, the modified version of the VM0003 v1.2 omits medium-term wood products. This leads to a more conservative estimate of wood products in the baseline as the release of emissions to the atmosphere as a result of wood products decay over the specified 20-year decay period are not accounted for.
Quantification Impact:	This methodology deviation meets the VCS Standard v3 principles of accuracy and conservativeness. Because the medium-term wood products are omitted from the overall wood products estimate resulting in a lower estimate of the forest carbon stocks, the impact on GHG emissions reductions and removals is conservative.

Second Deviation	
Source:	VM0015 v1.1 Section 6.1.1(e)
Criteria and Procedures:	Calculate the long-term (20 years) average carbon stocks of post deforestation classes.
Relation to Monitoring or Measurement:	This procedure is related to measurement and conflicts with the measurement methods for the decay of below-ground and deadwood biomass in Section 6.1.2.
Requested Deviation:	The project proponent has randomly sampled initial and final LULC classes to arrive unbiased estimates of carbon stocks. The project proponent applies the unbiased estimates of carbon stocks in accounting and uses a linear decay model per the requirement of Section 6.1.2 rather than a 20-year average.
Justification:	The carbon stocks estimates for each selected carbon pool are unbiased because the carbon stock samples for each LULC classes were randomly selected. The project proponent conservatively accounts for the uncertainty in the carbon stock estimates according to the requirements of Section 6.1.1(f). Because the deviation is unbiased, it is more accurate than using (potentially) bias models to predict the flux within each carbon pools over a twenty-year prediction period.

	Relative to the VCS AFLOU Requirements for the decay of carbon over time, it is more accurate to account for the decay of biomass in below-ground and deadwood using a linear 10-year decay model rather than a 20-year average. By taking an average over time, the methodology allows for non-conservative "forward crediting" in the baseline scenario where emissions reductions for decay are accounted for before they otherwise would have occurred. This deviation is more accurate and conservative than the prescribed methodology methods.
Quantification Impact:	This methodology deviation meets the VCS Standard v3 principles of accuracy and conservativeness. Because the deviation avoids instances of forward crediting, emissions in the baseline are conservatively estimated and meet the AFOLU Requirements.

3.3 Project Description Deviations (*Rules* 3.5.7 – 3.5.10)

During the project's previous verification, three project deviations were presented and validated. All three deviations were found to be appropriately described and justified and found not to affect the applicability of the methodology, additionality, or the appropriateness of the baseline/without-project scenario. These same deviations have been applied once more during this monitoring period, and the verifier team has found that the conditions and reasoning for their application have not changed since the previous verification, hence the determination to deem these deviations as still applicable for the reporting period.

Information regarding the details of these deviations applied can be found in the following tables, which were also provided for by the project proponents in the monitoring report.

First Deviation	
Source:	Project Description Section 4.4.1 and 8.1.2.1
Criteria and Procedures:	The inclusion of the litter pool as part of the project boundary of the proposed AUD project activity
Relation to Monitoring or Measurement:	This procedure is related to monitoring. The inclusion of the litter carbon pool in the project boundary is recommended only when significant, and is to be decided (TBD) by the project proponent (VM0015 Section 4.4.1).
Requested Deviation:	Originally the litter carbon pool was included as part of the carbon pools included in the project boundary as part of the Project Description. The requested Project Description deviation would be the exclusion of the litter pool as part of the project boundary.
Justification:	The project proponent determined that the litter carbon pool was not a significant pool, and that the exclusion of this pool would be conservative in the estimate of baseline emissions, as the carbon stocks in the baseline scenario are lower than those in the project scenario.

	The average carbon stocks in the forest classes were determined to be 2.86 tC/ha as compared to 0.81 tC/ha in the non-forest classes. The litter carbon pool is not a required pool under VM0015, and the exclusion of this pool would be conservative. The exclusion of the litter carbon pool does not impact the applicability of the methodology, additionality, or the appropriateness of the baseline scenario. The baseline scenario for the project is the conversion of primary forest to subsistence agriculture and pastureland. The inclusion of the litter carbon pool is not required by the methodology, and it is lower in the baseline scenario than the project scenario, so its exclusion is conservative.
Quantification Impact:	This Project Description deviation meets the VCS Standard v3 principle of conservativeness. Because the carbon stocks in the litter pool are expected to decrease in the baseline case, the impact of dropping the litter carbon pool on GHG emissions reductions and removals is conservative.

Second Deviation	
Source:	Project Description Section 5.3.6
Criteria and Procedures:	Adding new plots to improve the precision of carbon stock estimates.
Relation to Monitoring or Measurement:	This procedure is related to measurement and monitoring. Increasing the precision of carbon stock estimates is analogous to improving the measurement of carbon stocks. Additional plots relates to monitoring of carbon stocks during the reporting period.
Requested Deviation:	The requested Project Description deviation would be to add 35 plots allocated in non-forest classes and 6 plots allocated in the Humid forest class in order to reduce measurement uncertainty. Improved estimates of carbon stocks would be used symmetrically in the baseline and project scenarios.
Justification:	The addition of plots reduces uncertainty and therefore should be allowed.
Quantification Impact:	The carbon stock estimate for above-ground non-tree in Humid forest decreases from 128.7 to 126.26 tC/ha while in Non forest classes zero.

Third Deviation

Source:	Project Description Section 7.3
Criteria and Procedures:	Updating the Project Description to qualify the project as providing Exceptional Biodiversity Benefits.
Relation to Monitoring or Measurement:	This procedure is related to biodiversity monitoring. Indicators were established for the monitoring of biodiversity, which have been added to the Project Description. These indicators were monitored during this monitoring period and results can be found in Section 5.4
Requested Deviation:	Originally this project was not validated for providing Exceptional Biodiversity Benefits. However, since many endangered species are present within the project area, project activities were implemented to provide these biodiversity benefits within the project area. Therefore, this project is seeking verification for providing Exceptional Community Benefits under CCB Standards V3.1.
Justification:	The project area qualifies as a 'Key Biodiversity Area' according to the CCB Standards v3.1, under the vulnerability criteria, which requires the occurrence of at least a single individual critically endangered or endangered species. Part of the project area is a known habitat for 6 such species, mostly amphibians. Since the project has implemented activities such as the establishment of an amphibian preserve and educational programs to protect these species from disease, this is an acceptable deviation under Section 3.5.7, Rule 3 of CCB Program Rules v3.1, since this is a substantial change in the positive biodiversity impacts. Section 7.3 of the Project Description and relevant supporting sections and tables have been updated to account for these changes, as required by these rules.
Quantification Impact:	This deviation has no impact on carbon quantification since it relates to biodiversity monitoring, not forest and carbon monitoring.

A fourth project description deviation was presented for the first time during this monitoring period, that of additional research and analysis showcasing that the perceived market leakage of the project can in fact be showed to be *de minimis* in comparison to previous monitoring periods, where the project accepted a default market leakage reduction of 20%.

Fourth Deviation	
Source:	Project Description Section 5.5.3
Criteria and Procedures:	Updating Market Leakage deduction to more accurately reflect actual market leakage effects by eliminating this deduction

Relation to Monitoring or Measurement:	While market leakage is not monitored it is accounted for each monitoring period.
Requested Deviation:	This project was validated with the default market leakage deduction of 20%. Additional research in the region and a new analysis of the market impacts of the baseline scenario has demonstrated that the market leakage impact of the project is in fact *de minimis*. Therefore the project is adjusting the calculation of NERs to no longer include this deduction.
Justification:	In section 5.5.3 of the PD it is written, "While it is expected that these (market leakage) impacts will be small, it is very difficult to estimate the significance of the potential for market impacts as a result of restrictions on this market commodity due to a lack of literature on the supply chains and markets for timber in Izabal." However, since project validation, additional documentation and research has been identified within Guatemala that demonstrates that project impacts on commodities associated with logging and cattle ranching are very unlikely to result in significant deforestation or emissions elsewhere in Guatemala. Section 3.2.3.2 provides further justification for this deviation.
Quantification Impact:	The leakage deduction when calculating final VCUs will only include activity shifting leakage and the market leakage deduction will be reduced from 20% of NERs to 0%.

The project had initially claimed a conservative market leakage deduction of 20% during the first monitoring period due to a lack of information regarding the potential of market leakage stemming from cattle ranching and illegal logging in the project area. Since then however, the project has gathered what the verifier team has considered sufficient evidence /R14/, that has now also been corroborated via interviews with relevant stakeholders during the site visit, to support the notion that market leakage from this project can be determined *de minimis* or likely nonexistent, both in terms of timber extraction and cattle ranching as commodities tied to deforestation or degradation.

As far as timber extraction is concerned, the project proponents were able to show that illegal timber extraction within the project region or project area is de-minimis in comparison to the estimated baseline emissions, as there is no evidence to support that the prevention of illegal timber extraction from the project area has had or will have any kind of market leakage impact. This was proven in discussions with project beneficiaries and with local and regional environmental authorities during the site visit, as well as through the review of a log of incidents of where forest clearing or illegal logging was found during the monitoring period that is kept by the project proponents through their surveillance patrol teams that also work alongside other local law and environmental enforcement officers. Furthermore, timber extraction has not been a major driver of deforestation in the region for decades, and the logging that does occur is more a result of small-scale selective logging for certain sought after commercial tropical species.

On the other hand, and even though cattle ranching and subsistence agriculture were found to be primary drivers of deforestation in the project area, the verifier team agrees with the conclusion that there is now no evidence to support any potential market leakage impacts from the prevention of the expansion of cattle ranching within the project area. As expressed in the MIR, this conclusion was derived based on the following information:

1. Encroachment from cattle ranching in the project area is primarily driven by subsistence farmers and small-scale cattle ranchers who are using livestock as a way to secure and claim land. The average size of properties with pasture areas in the project region surveyed in 2006 was 0.21 hectares. (IndicadoresSocioeconomicos_Linea base.pdf)
2. Cattle production has been declining on a national level in Guatemala since 2012 (see Datos de Destace de Ganado Bovino.xlsx). This means that any small reduction in potential cattle expansion due to project activities would not be restricting supply in a strong market.
3. The predicted annual increase in pasturelands in project area in the baseline scenario would comprise on average about 0.3% of the total pasture land for the Sarstun Motagua reference region, totaling a combined 10% of the pastureland in the region after 30 years. (see FUNDAECO Cattle Market Impact Analysis.xlsx)
4. The Izabal department as a whole provides about 9.8% of cattle derived products nationally, as compared to Petén's 19.5% (El Agro en Cifras 2015 - MAGA Guatemala.pdf). If the impact of the expansion of cattle ranching in the project area is conservatively estimated based on its overall area of impact in Sarstun Motagua (Izabal department), then the total impact of the project area on the national cattle industry over 30 years could be calculated at roughly 1% (see FUNDAECO Cattle Market Impact Analysis.xlsx). A conservative estimate of the annual impact of the project's forest protection activities on a national scale was calculated at 0.03%. Realistically, this impact would be even smaller due to the fact that the majority of agents would be small-scale ranchers with little access to national level markets.
5. As the agents of deforestation are primarily practicing small-scale livestock farming, the economic benefit of this practice has been shown to be marginal at best, likely with small net losses in profit of 350Q per month per hectare of area grazed (see Cattle Ranching in Guatemala_Markus_Zander_and_Jochen_Durr 2011.pdf).

The verifier team found that the information presented above was found to be complete and reliable, as well as corroborated by all of the stakeholders, authorities, and beneficiaries interviewed during the site visit. As a result, the verifier team deems this deviation as appropriately described, justified, and valid. Furthermore, the verifier team feels like the deviations does not call into question the applicability of the methodology, the additionality conditions of the project, nor does it interfere with the appropriateness of the baseline or without-project scenario.

3.4 Minor Changes to Project Description (*Rules* 3.5.6)

During the monitoring period, there was only one enacted minor change to the validated project description. The project originally presented a series of indicators that were suitable for the first monitoring period and included a set of "first stage activities" in the route to reaching their ultimate community impact goals. This included the establishment of community nurseries to supply community plantations. As the project's activities no longer required the establishment of new nurseries during this second monitoring period, the decision was made to eliminate this particular indicator for future reporting periods. The verifier team can confirm that this change has no impact on the carbon quantification of the project, that it has correctly been labeled as a minor project deviation, and that the change is warranted and justified given the current conditions of the project. No other minor changes to the project description were put forth or applied during this monitoring period.

3.5 Grouped Project (G1.13 – G1.15, G4.1)

As mentioned in the beginning of this report, the scope of work for this audit involves the concurrent VCS/CCBS verification of the project's latest monitoring period, as well as the validation of new project instances to be added to the project area. 77 new project activity instances (PAIs) were incorporated into the project for quantification of GHG emissions credits during this monitoring period. Verifiers took various steps in order to validate the inclusion of the new project areas by making sure all of the new parcels are located within the validated grouped project area, and that they all meet the eligibility criteria outlined in

section 2.1.8 of the Project Description, per VCS Standard v3.7, as well as the VM0015 Methodology v1.1 applicability conditions (Part 1 Section 2). This section demonstrates the findings and determinations of the eligibility of the new PAIs.

The verification team was able to reach a reasonable level of assurance that all of the new project activity instances added during this monitoring period meet the validation criteria based on the information reported in the monitoring report and in supporting evidence provided by the project proponents, which corresponded directly to the all the applicable set of eligibility criteria in question. After checking various documents and records (KMZ files, GIS packages, contracts, technologies, start dates, etc) the verifier team also visited and a representative sample of new PAIs during the site visit. As it was not feasible nor cost-effective for the verifier team to visit all of these instances during the field visit, a representative sample was chosen. A representative sample was devised using the equation utilized by the Forest Stewardship Council (FSC) in the Certification of the Forest Management Systems, and as was used during the project's validation and initial reporting period verification. This scheme uses the formula: 0.8*(n)^1/2, where "n" is the number of instances to be validated (n=77 instances). Thus, a minimum of 12 instances to visit were selected based on time and cost considerations, but also considering the three different municipalities involved in the project (Morales, Puerto Barrios and Livingston), and the variety of the land tenure systems in place.

During the desk review and site visit, it became clear to the verifier team that several of the PAIs sampled did not completely comply with all of the eligibility requirements for validation. As a result, a number of non-conformities, or corrective action requests, were issued as part of the issues log (Appendix 2). The issues were successfully brought to a close after a new sampling of PAI information revealed that all non-conformities had been adhered to and adjusted accordingly. In this way, the verifier team reached a reasonable level of assurance that all of the new project activity instances added during this monitoring period meet the validation criteria.

The precise list of PAIs sampled and the dates they were reviewed were the following:

Instance / Parcel #	Initial Desk Review of Eligibility Criteria	Physically Visited During the Site Visit	Secondary Desk Review After Issues Log
932	4 April – 26 April 2019		
950	4 April – 26 April 2019		
921	4 April – 26 April 2019		
884	4 April – 26 April 2019	30 April – 3 May 2019	21 June – 5 July 2019
883	4 April – 26 April 2019		
939	4 April – 26 April 2019		
604	4 April – 26 April 2019		
906	4 April – 26 April 2019	30 April – 3 May 2019	21 June – 5 July 2019
903	4 April – 26 April 2019		
698	4 April – 26 April 2019		
674	4 April – 26 April 2019		
692	4 April – 26 April 2019		
926		30 April – 3 May 2019	21 June – 5 July 2019
901		30 April – 3 May 2019	21 June – 5 July 2019
900		30 April – 3 May 2019	21 June – 5 July 2019
894		30 April – 3 May 2019	21 June – 5 July 2019
895		30 April – 3 May 2019	21 June – 5 July 2019
892		30 April – 3 May 2019	21 June – 5 July 2019
862		30 April – 3 May 2019	
861		30 April – 3 May 2019	
604		30 April – 3 May 2019	
867		30 April – 3 May 2019	
868		30 April – 3 May 2019	
936		30 April – 3 May 2019	

911			21 June – 5 July 2019
860			21 June – 5 July 2019
888			21 June – 5 July 2019
944			21 June – 5 July 2019
604			21 June – 5 July 2019
891			21 June – 5 July 2019
898			21 June – 5 July 2019
949			21 June – 5 July 2019
922			21 June – 5 July 2019
921			21 June – 5 July 2019
912			21 June – 5 July 2019
874			21 June – 5 July 2019

For each of the new instances to be validated, section 2.2.5 and table 13 of the monitoring report provide a summary of how these new PAIs each comply with the eligibility requirements for a grouped project under the VCS standard rules and the methodology.

Eligibility criteria assessed:

1. The new instances shall occur within the designated grouped project area.

The monitoring report provides a map showcasing the exact locations of the new PAIs within the validated grouped project area. This information is also well supported with the pack of GIS and KMZ files received /R11/, which were also reviewed and verified in the field as part of the site visit.

As the Grouped Project Area was originally delineated to meet the similarity criteria of the Reference Region described in Section 1.1.1 of the VM0015 Methodology v1.1 and Section 5.3.1 of the PD, all of the new instances reviewed clearly fall within the grouped project area, thereby meeting the geographic criteria outlined in the PD and methodology.

2**. The new instances shall comply with at least one complete set of eligibility criteria for the inclusion of new project activity instances. Partial compliance with multiple sets of eligibility criteria is insufficient.**

All parcels to be validated ultimately fulfilled all eligibility criteria, as is demonstrated in this section of the verification report. Once all of the non-compliance and clarification requests identified were adequately attended to, no partial or incomplete compliance was identified.

3. The new instances shall be included in the monitoring report with sufficient technical, financial, geographic and other relevant information to demonstrate compliance with the applicable set of eligibility criteria and enable sampling by the validation/verification body.

All suitable information to make the aforementioned determinations were provided to the verifier team by the project proponents. The verifier team confirms that sufficient evidence regarding the PAIs was also made available in order to check their compliance with the set of eligibility criteria.

4. The new instances shall be validated at the time of verification against the applicable set of eligibility criteria.

The verification team is carrying out the validation of these new instances concurrently with the verification the project's second monitoring period. The validation is undertaken against the applicable set of eligibility criteria and is detailed in this section of the report.

5. The new instances shall have evidence of project ownership, in respect of each project activity instance, held by the project proponent from the respective start date of each project activity instance (i.e., the date upon which the project activity instance began reducing or removing GHG emissions).

The project proponents provided to the verifier team a complete set of files for each new instance to be sampled at validation, which included copies of the original contracts referenced in the monitoring report and in this verification report, which were also verified in the field during the site visit, clearly showing that either complete ownership of lands, or in some cases, carbon rights, had been legally transferred to FUNDAECO from the instance project start date or sooner. This is appropriately gathered in the 10th clause of the contracts provided, where in some cases retroactive clauses were added to the contracts in order to cover the ownership of the carbon credits generated on dates prior to the signing of the contract.

6. The new instances shall have a start date that is the same as or later than the grouped project start date.

The grouped project start date as indicated in validated PDD is that of 1 April 2012. The new instances to be validated all provided start dates after this date. While several issues were identified with regards to the start dates of several of the new PAIs, these were ultimately resolved (please see issues log for details) and the project proponents were ultimately able to provide the appropriate evidence to ensure that the appropriate project technologies implemented happened when they did, and that these are consistent with ones listed in the PDD.

7. The new instances shall be eligible for crediting from the start date of the instance through to the end of the project crediting period (only).

The verifier team found that all new instances to be validated have been accounted for since their project activity start dates to the end of the crediting period, 31 March 2042, and not beyond. On the other hand, while several PAIs showed project start dates prior to the end of the previous monitoring period, the verifiers were ensured that no credits are claimed for those parcels prior to January 1, 2017. Any start dates retroactive to the current monitoring period were adjusted in the accounting model REDD+ Database tab using an “if-statement” to ensure that the crediting period for a parcel did not start prior to the monitoring period. A column was added to table 13 in section 2.2.5 of the monitoring report for the PAI “Crediting Period Start Date,” to clarify that no credits were retroactively claimed. This column shows that no credits have been claimed prior to January 1, 2017, even though certain project activities may have started prior to that date.

8. Communities or private landowners for new project activity instances must have been engaged in the FPIC process according to section 3.7.1 of the PD.

The column labeled “Socialization and Engagement” in Table 13 of the monitoring report lists the type of engagement that was completed with each forest owner of every parcel prior to their decision to join the project and to sign the respective contract. Every owner was met either individually, in a group, or both, several times by the project proponents to be informed of the project and to then sign the appropriate documents that confirmed their engagement in the FPIC process and their voluntary participation in the project. All landowners interviewed during the site visit confirmed their participation in these engagements and also communicated that they entered the project of their own free will, and that a proper free, prior and informed consent process was being carried out by the project’s main implementing partner.

9. Baseline activities may include planned or unplanned logging for timber, fuel-wood collection, charcoal production, agricultural and grazing activities as long as the category is unplanned deforestation according to the most recent VCS AFOLU requirements.

New instances included within the defined grouped project area claim the same baseline activities as those listed in the PDD at the time of validation, those of conversion of forest land to annual agriculture, permanent

agriculture, and to pasture by small-scale farmers and large to medium scale cattle ranchers displaced due to agro-industrial development in the reference region. This baseline scenario is that of a mosaic configuration and was clearly visible in the grouped project area during the site visit.

10. Project activities may include one or a combination of the eligible categories defined in the description of the scope of the VM0015 methodology;

The project activities identified for all of the new instances were either forest patrols that were carried out by the project proponents and their partners, or assistance with the establishment and implementation of the government's forest incentives programs (PINFOR/PINPEP). These activities are clearly listed within the monitoring report and can be clearly be considered as protection of forest without logging activities, and thus meets eligible category A as defined by the scope of the VM0015 Methodology, v1.1.

11. The project area can include different types of forest, such as, but not limited to, old-growth forest, degraded forest, secondary forests, planted forests and agro-forestry systems meeting the national definition of "forest".

The verifier team ensured that all new project areas include only two types of forest, Very Humid Forest and Humid Forest, and which also meet the official Guatemalan government's definition of forest. This newly added project areas lie completely within the validated grouped project area, and thereby also meet the definition of forest for a minimum of 10 years prior to the start date, as the GIS files and onsite observations also evidence.

12. The project area shall only include land qualifying as "forest" for a minimum of 10 years prior to the project start date.

The project proponents provided a set of GIS files for all of the new instances which allowed the verifier team to review and ensure that all of the new parcels to be included qualified as forest for a minimum of 10 years prior to the start date.

13. Area doesn't include any forested area grown on peat soils as per VM0015 definitions.

At the time of the project's validation, all mangrove forests on soil with organic matter exceeding 65% were removed from the Grouped Project Area and the Reference Region. The verifier team made sure that none of the parcels added to the project overlapped with these or other questionable areas.

14. New project activity instances use technologies specified below and in section 2.2.1 of the Project Description, and applies these technologies in the same manner as is described in section 2.2.1 of the Project Description. Project technologies will be enabled by the financial or technical assistance of the project proponent.

The monitoring report provided lists all of the implemented project activities for the new instances, which were either the implementation of forest patrols and/or technical assistance to implement the Guatemalan government forest incentives programs (PINFOR/PINPEP). Both of these options are pre- defined project technologies in section 2.2.1 of the Project Description. While several issues were identified with regards to the start dates and choice of activities for several of the new PAIs, these were ultimately resolved (please see issues log for details) and the project proponents were ultimately able to provide the appropriate evidence to ensure that the appropriate project technologies implemented happened when they did, and that these are consistent with ones listed in the PDD.

15. All new project activity instances are subject to the baseline determined in the PDD for the specified project activity and geographic area.

All new instances are confirmed to be within the validated grouped project area, thereby automatically sharing the same baseline scenario as that approved at time of validation (unplanned deforestation by known agents and drivers of deforestation).

16. New project activity instances must have characteristics with respect to additionality that are consistent with those demonstrated in Section 4.6 for the specified project activity (AUD) within the Grouped Project Area.

New instances are confirmed to be located within the validated grouped project area, thus sharing the same baseline scenario as those originally validated, as well as facing the same barriers as those presented during the additionality assessment. The verifier team can thus confirm that all the new project activity instances have characteristics with respect to additionality that are consistent with those demonstrated in Section 4.6 for the specified project activity (AUD) and which lie within the Grouped Project Area.

According to the PDD, the new instances must also demonstrate that they received financial or technical support from the project proponents that resulted in emission reductions. While several issues were identified with regards to the start dates and choice of activities for several of the new PAIs, these were ultimately resolved (please see issues log for details) and the project proponents were able to provide the appropriate evidence to ensure that the appropriate project technologies implemented happened when they did, and that these are consistent with ones listed in the PDD.

4 VERIFICATION FINDINGS

4.1 Public Comments (*Rules* 4.6)

Verifiers can confirm that no comments were received during the public comment period.

4.2 Summary of Project Benefits

Section 1 of the monitoring report provides complete information about the project's benefits, and also provides reference links to other sections of the monitoring report that describe these benefits in more detail. Achievements for the current monitoring period and for the project lifetime are detailed within their specific data categories columns. Data are sufficiently supported with evidence and records /R7/, which were verified during the on-site visit as well as the desk review conducted. In the opinion of the verifier team, the project benefits are credible based on the supporting documents provided by the project proponents and evidence gathered and received during the on-site visit.

4.3 General

4.3.1 Implementation Status (G1.9)

Throughout this monitoring period, the project has continued to implement project activities that contribute to the creation of GHG emissions reductions. The project's main goals during this monitoring period have been to continue to improve upon forest protection through forest patrols and law enforcement, but also through the strengthening of protected area governance via support for forest owners and possessors to access two particular government forest incentive programs, that of PROBOSQUE and PINPEP. Promoting greater access to resources and services, economic opportunities, and education, have also been a strong focus during the monitoring period, as is evidenced by the technical assistance and training that has been conducted for agroforestry value crops such as black pepper, rambutan and cardamom; as well as increasing access to improved health services geared towards women, and environmental education geared towards youth.

The main project proponents, FUNDAECO, have continued to appropriately implement the specific and previously validated methodologies and/or protocols to be able to monitor the project's Climate, Community and biodiversity impacts throughout this monitoring period. The project has also once more appropriately

defined its leakage belt and FUNDAECO has continued to implement project activities within the project zone and this leakage belt in order to mitigate potential leakage. Both the project area and leakage belt have been monitored using remote sensing, and no leakage has been reported for this monitoring period. Verifiers found that the project proponents continue to mitigate internal and external risks by continuing to maintain strong relationships with communities, government officials, and other organizations within the project zone, as was verified during the site visit.

Also of note during the reporting period, and as mentioned in the beginning of this report, is the inclusion of new project instances to the project area. 77 new project activity instances (PAIs) were incorporated into the project for quantification of GHG emissions credits during this monitoring period. Verifiers took various steps in order to validate the inclusion of the new project areas by making sure all of the new parcels are located within the validated grouped project area, and that they all meet the eligibility criteria outlined in section 2.1.8 of the Project Description, per VCS Standard v3.7, as well as the VM0015 Methodology v1.1 applicability conditions (Part 1 Section 2).

The verifier team was able to conclude through internet searches, document review, and in interviews with local environmental authorities, that the project has not received or sought any other form of environmental credit, nor has become eligible to do so since validation or previous verification. Furthermore, the project has also never participated or been rejected under any other GHG programs since the previous verification. The project's contributions to sustainable development are described in section 2.1.10 of the MIR and have not changed since the previous verification. Verifiers can confirm that these conditions and contributions are still applicable for the monitoring period in question.

At the time of the project's validation, there were two methodological deviations that were applied, and which were ultimately determined to meet the criteria and specifications for permitted deviations under the standards, as well as to not negatively impact the conservativeness of the quantification of GHG emission reductions. These two deviations (please refer to section 3 of this report for more details) have been applied once more during this monitoring period, and the verifier team has found that the conditions and reasoning for their application have not changed since validation, hence the determination to deem these deviations as still applicable for the reporting period. Verifiers also checked that these deviations have been applied appropriately.

During the project's previous verification, three project deviations were presented and validated. All three deviations were found to be appropriately described and justified and found not to affect the applicability of the methodology, additionality, or the appropriateness of the baseline/without-project scenario. These same deviations have been applied once more during this monitoring period, and the verifier team has found that the conditions and reasoning for their application have not changed since the previous verification, hence the determination to deem these deviations as still applicable for the reporting period. A fourth project description deviation was also presented for the first time during this monitoring period; that of additional research and analysis showcasing that the perceived market leakage of the project can in fact be showed to be *de minimis* in comparison to previous monitoring periods where the project accepted a default market leakage reduction of 20%. The verifier team deemed this deviation as appropriately described, justified, and valid (please section 3 of this report for more details of this determination).

During the monitoring period, there was only one enacted minor change to the validated project description. The project originally presented a series of indicators that were suitable for the first monitoring period and included a set of "first stage activities" in the route to reaching their ultimate community impact goals. This included the establishment of community nurseries to supply community plantations. As the project's activities no longer required the establishment of new nurseries during this second monitoring period, the decision was made to eliminate this particular indicator for future reporting periods. The verifier team can confirm that this change has no impact on the carbon quantification of the project, that it has correctly been labeled as a minor project deviation, and that the change is warranted and justified given the current conditions of the project. No other minor changes to the project description were put forth or applied during this monitoring period.

It is the verifier team's overall conclusion that the project activities carried throughout this monitoring period have been implemented in accordance with the validated project description.

4.3.2 Risks to the Community and Biodiversity Benefits (G1.10)

Section 2.2.6 of the MIR addresses risks to the project benefits, which have not changed since the previous verification. In addition, the project proponents have once more developed Non-Permanence Risk Reports to estimate the risks on the climate and other benefits claimed by the project, per the VCS standard rules.

One of the most relevant risks to the implementation of a REDD project like this one is often the lack of institutional strength and organization in and around the project area. The lack of presence of the Guatemalan state in the project area, and the lack of resources and public services derived from that presence, often results in slow, non-existent, and/or interrupted implementation of larger public policies and strategies. The project proponents rightfully note that this can affect project coordination with authorities in charge of law enforcement and of other basic services to local communities. To diminish this risk, FUNDAECO continues to be part of national and local working groups and associations that favor the implementation of the project and that work with other official and non-governmental institutions to try to minimize the effect of that the lack of support and resources. Similarly, a lack of governance capacity in the project zone and surrounding areas is also still appropriately identified as a risk to the project's activities. The project proponents continue to mitigate against these risks by engaging local technicians and working with local community members and promotors so as to keep constant and close communication with all communities and landowners, and so as to attend to their concerns and preoccupations in a timely fashion, as well as ensure that the free prior and informed consent process has continued through this monitoring period.

Risks specific to the project's biodiversity benefits have also not changed since the previous verification and include continued habitat degradation outside of the project area, as well as the fragility of Guatemala's socio-political stability, which could impact economic drivers of deforestation as well as FUNDAECO's influence over the project area. While the majority of these risks are out of the direct control of FUNDAECO and its partners, they nevertheless have continued to work to minimize these risks through project activities geared at empowering communities and providing formalized land tenure access to vulnerable populations. In addition, threats caused by the degradation or fragmentation of forest outside of the current project area have also tried to be minimized through the proponent's educational initiatives, which are extensive, and also through the incorporation of more and more properties into the project area over time.

Finally, the lack of available finance to continue implementing all respective project activities has and continues to be counteracted by FUNDAECO by always searching and obtaining additional funding sources, such as through the initial support of the Althelia fund, as well as the most recent support of other funding partners, such as FUNDAECO's relationship with ACF, and its continued effort to market and sell VCUs generated by the project.

It is the verifier team's opinion that FUNDAECO has continued to conduct reasonable steps towards mitigating these identified risks to the project benefits throughout this monitoring period. Despite the fact that the project lifetime spans only 30 years, the project is designed and has continued to create benefits and impacts that are expected to last far beyond this time frame. Activities such as support for formal land titling, ensuring community rights, facilitating access to additional projects and funding, providing technical assistance for productive alternatives, and facilitating access to education continue to contribute to the permanence of the project benefits. It is the verifier's opinion that these are reasonable measures to enhance the project benefits beyond the project's lifetime, and that these are in accordance to what was originally stipulated in the project description document.

4.3.3 Stakeholder Access to Information (G3.1- G3.3)

The verifier team was able to confirm through interviews and site visit observations that all relevant stakeholders continue to have access to all pertinent project information and project documents through several means, including the project's main web site, through email communication with project personnel, through social media, and primordially through numerous meetings and workshops with community associations and other groups. This active engagement and participation with relevant stakeholders has been continuous throughout the monitoring period and has included the communication of relevant and adequate information about the project's current and potential costs, risks and benefits to communities in order to inform and facilitate project logistics, priorities, and decisions.

In accordance with the PDD, FUNDAECO has and continues to organize engagement avenues and events for all community groups and project stakeholders, including meetings in the local Q'eqchi' language in order to reach all community members, even those that don't speak Spanish. This continuous process of engagement has been documented in submitted documents /R9/ and the details found therein were corroborated via interviews with project beneficiaries during the site visit.

Additionally, the verifier team found that local communities were adequately informed about the verification and audit process, and that summaries of the MIR were also made available through the CCB website as well as the project area regional offices.

In conclusion, it is the verifier team's opinion that the project proponents have provided adequate and appropriate access to all relevant project information to communities and other stakeholders throughout the monitoring period.

4.3.4 Stakeholder Consultation (G3.4 – G3.5)

As mentioned in the previous report section, the verifier team was able to confirm through interviews and site visit observations that all relevant stakeholders continue to have access to all pertinent project information and project documents through several means, including the project's main web site, through email communication with project personnel, through social media, and primordially through numerous meetings and workshops with community associations and other groups. This active engagement and participation with relevant stakeholders has been continuous throughout the monitoring period and has included the communication of relevant and adequate information about the project's current and potential costs, risks and benefits to communities in order to inform and facilitate project logistics, priorities, and decisions.

In accordance with the PDD, FUNDAECO has and continues to organize engagement avenues and events for all community groups and project stakeholders, including meetings in the local Q'eqchi' language in order to reach all community members, even those that don't speak Spanish. This continuous process of engagement has been documented in the submitted document /R9/ the details found therein were collaborated via interviews with project beneficiaries during the site visit. This FPIC process has been appropriately carried out not only with the relevant and legitimate representatives of the communities involved, but also with a wide array of local producer associations, women associations, and other locally organized groups. These different participatory governance structures and groups have been contentiously engaged during the monitoring period by a dedicated team of FUNDAECO's local field technicians, which are strategically deployed across the project area in five field offices and three field stations. In each office, a technical coordinator and a team of environmental educators, social workers, agronomists, naturalists, and field extensionists ensure a continuous and active engagement with communities, forest owners, agroforestry producers, women and youth; also gathering their concerns and input to then shape future project implementation.

It is the verifier team's conclusion that the project has continued to carry out effective and appropriate community consultation throughout the monitoring period.

4.3.5 Stakeholder Participation in Decision-making and Implementation (G3.6)

As mentioned in the previous report section, the verifier team was able to confirm through interviews and site visit observations that all relevant stakeholders continue to have access to all pertinent project information and project documents through several means, including the project's main web site, through email communication with project personnel, through social media, and primordially through numerous meetings and workshops with community associations and other groups. This active engagement and participation with relevant stakeholders has been continuous throughout the monitoring period and has included the communication of relevant and adequate information about the project's current and potential costs, risks and benefits to communities in order to inform and facilitate project logistics, priorities, and decisions.

In accordance with the PDD, FUNDAECO has and continues to organize engagement avenues and events for all community groups and project stakeholders, including meetings in the local Q'eqchi' language in order to reach all community members, even those that don't speak Spanish. This continuous process of engagement has been documented in the submitted document /R9/ and the details found therein were collaborated via interviews with project beneficiaries during the site visit. This FPIC process has been appropriately carried out not only with the relevant and legitimate representatives of the communities involved, but also with a wide array of local producer associations, women associations, and other locally organized groups. These different participatory governance structures and groups have been contentiously engaged during the monitoring period by a dedicated team of FUNDAECO's local field technicians, which are strategically deployed across the project area in five field offices and three field stations. In each office, a technical coordinator and a team of environmental educators, social workers, agronomists, naturalists, and field extensionists ensure a continuous and active engagement with communities, forest owners, agroforestry producers, women and youth; also gathering their concerns and input to then shape future project implementation.

It is the verifier team's conclusion that the project has continued to enabled community participation in project implementation throughout the monitoring period.

4.3.6 Anti-discrimination (G3.7)

In accordance with section 2.3 of the monitoring report, the verifier team is reasonably assured that FUNDAECO has continued to implement its code of ethics, gender, and non-discrimination policies throughout the monitoring period. According to these policies, all project employees and beneficiaries have the right to not be discriminated against directly or indirectly for employment, or once employed, for reasons of gender, marital status, age within the law limits, racial or ethnic origin, social status, religion or belief, political ideas, sexual orientation, and membership or not to a labor union. Interviews conducted with project personnel and with project beneficiaries during the site visit confirmed that FUNDAECO continues to enact these policies and that no project employee or beneficiary has ever felt discriminated against during the most recent reporting period, or at any time during the project's history.

4.3.7 Stakeholder Feedback and Grievance Redress Procedure (G3.8)

The PDD and monitoring report describe the implemented project grievance redress procedure, which has not changed since the initial validation and the first verification of the project.

The reception, registration, response, resolution and/or referral of grievances continues to be executed at different geographical and organizational levels, according to their gravity and urgency of the grievance presented. As witnessed during the site visit, different channels of communication for complaints and grievances are being used by the project proponents in order to ensure that all stakeholders, particularly vulnerable populations – such as indigenous women-, have rapid access to complaints and grievance redress.

A review of the registry of complaints, responses, and referrals kept at the regional and national offices of the project proponents revealed that three grievances were received during this monitoring period, and that all of them were resolved to the satisfaction of the person putting forth the complaint, and in a reasonable amount of time since the complaints were filed. None of the grievances and complaints filed during this monitoring period were of major concern for project operations and were more concerned with project logistics and timely responses to requests, more than anything. All grievances and resolutions are compiled in a database managed by the Social and Gender National Coordinator and the REDD+ Manager, which was also verified during the site visit. The verifier team can also confirm that all grievances were adequately addressed.

4.3.8 Worker Relations (G3.9 – G3.12)

In order to build upon the skills and knowledge of the project's personnel and its beneficiaries, a significant amount of training and capacity building has been implemented by FUNDAECO since the project's inception, which has continued during this latest monitoring period. Table 15 of the MIR provides a list of the training activities that have been implemented with project personnel and with local communities during the monitoring period and the verifier team was able to confirm their execution through a review of the project's database during the site visit, as well as through direct interviews with the personnel and stakeholders that received this training, which spanned to include the vast array of topics and activities implemented by the project.

In addition, the verifier team was also able to confirm that the project actively gives equal opportunity to local technicians and community members through a number of different mechanisms, which include direct hiring, support for productive projects with individuals and/or groups of entrepreneurs or producers, or through the support of community-wide productive projects, such as agroforestry endeavors. Table 16 provided in section 2.3.13 of the MIR shows that most of the employees currently hired by the project are from the immediate project area and that are also Queqchi speakers. The verifier team was able to corroborate this information during the site visit when it was able to meet with the majority of the project personnel.

The verifier team was also able to confirm that the project continues to consider and respect the rights and obligations of all its workers, and that this was and continues to be enforced in accordance with the greater Labor Code of Guatemala. All these provisions were developed in FUNDAECOs manual of Internal Working Regulations and Procedures which was found to still be applicable and enacted during the monitoring period. This was confirmed via interviews with project personnel during the site visit, where folks interviewed were well aware of their rights, as well as of the major laws and regulations governing their working arrangements with the project.

Finally, the MIR establishes that the body responsible for ensuring compliance with all laws and regulations within FUNDAECO is its Operations Directive Committee or CDO, which at the same time operates as the Health and Safety Committee, which also supplies all of the respective security protocols and training for all project personnel, and which also informs workers of the risks involved in their work and how to minimize them, as well best practices in each of the activities they carry out. All project personnel interviewed during the site visit were able to corroborate that the relationship between all personnel and the project upper management (including the CDO) upholds the intent and design presented in the validated project description, and that the project has continued to fulfill all of the worker relation requirements and compliance with relevant laws and regulations during the monito0ng period.

4.3.9 Management Capacity (G4.2 – G4.3)

FUNDAECO continues to be the main project proponent and is solely responsible for all aspects of project design, implementation, and management. As stated in section 2.4.1 of the monitoring report, the project's governance structures, and roles and responsibilities of all the entities involved in project design and implementation, are described properly in the project's implementation plan, and have not changed since

the project's previous verification. It is the verifier's opinion that the project and its personnel continue to possess the key technical and management skills required to implement the project successfully, as was also evidenced via interviews with project personnel during the site visit.

According to the monitoring report, and since this is a grouped project, the budget and financial cashflow were designed to be scaled up in surface and activities, which has been evidenced by the most recent project financial information made available by the project proponents as part of their non-permanence risk assessments. According to this evidence provided, the project's finances have recently undergone significant changes since validation and the first verification due to a revised financial and implementation strategy.

- FUNDAECO has entered into a new Loan and arrangement fee agreement with a climate fund (ACF). Both the Loan and the arrangement fee were renegotiated after the validation and first verification, affecting the cashflow and the risk analysis in a positive way.
    - First, the initial loan was reduced in more than 300,000 USD dollars due to a reduction of the project surface; meaning a reduction in the project costs. This is reflected in the annual investment dropping from the planned budget presented in the validation and used in the first risk analysis, to actual the cashflow and last risk analysis.
    - Second, the arrangement fee and the loan payment were reduced due to an early sale of VCUs and an early payment.
- The projected costs of project implementation were projected to be much higher due to the projected adoption rate of the project. However, the project area has not been able to grow as substantially as was originally predicted, therefore, adjustments have been made to the projected program costs in order to reflect the reality of the existing project area and a slower adoption rate.
- Overall, the payment of the arrangement fee and loan were able to be dramatically reduced through the sale of existing credits and forward sale of several years of future credit generation. This has substantially reduced the anticipated costs of the project.

None of the recent financial changes have affected the implementation organization in a negative way, and FUNDAECO remains committed to covering all project operation costs and scaling-up activities until 2021, while also committed to continue selling carbon credits with the support or several donor and collaborative institutions. Even so, FUNDAECO will continue to work with and seek the help of recognized sustainable development agencies and conservation funds in order to continue guaranteeing a solid project cashflow for the project moving forward.

Finally, the verifier team is also reasonably assured that FUNDAECO is not involved in, or is not complicit, in any form of corruption such as bribery, embezzlement, fraud, favoritism, cronyism, nepotism, extortion, and collusion. FUNDAECO's Policy, Standards and Procedures Manual, which contains the premises adopted by the organization for the administration and management of Human Capital, the acquisition of goods and services, and the safeguarding of assets, has not changed since the previous verification and no evidence of violations of this policy were encountered during the desk review and in interviews with stakeholders during the site visit.

It is the verifier team's overall conclusion that the project continues to have the required capacity to implement the project in accordance with the validated project description.

4.3.10 Commercially Sensitive Information (*Rules* 3.5.13 – 3.5.14)

According to the project proponents the following documents and information are commercially sensitive and were thus not made publicly available.

- Project budget

- Financial projections
- FUNDAECO Manuals, Policies and regulations
- Contracts between FUNDAECO and forest owners
- Any other agreements or contacts related to the project

This information was however presented to the audit team, so no comments regarding the exclusion of any sensitive information is applicable for the purposes of this verification.

4.3.11 Rights Protection and Free, Prior and Informed Consent (G5.1-G5.5)

The way the FUNDAECO project approaches and upholds the protection of land rights and that of access to free, prior and informed consent is specified in section 2.5 of the MIR, which the verifier team found to be in complete accordance with the approach described in the PDD.

As a grouped project, the project has a number of different landholders with different types of land tenure arrangements on which project activities are being implemented and emission reductions are being generated. The different type of tenure arrangements include private property, private property holders *without* formal titles (labeled as “poseedores” in Spanish), collectively owned communal lands, lands belonging to the State but administered by CONAP (protected area agency of the government), and State lands given as concessions to communities, industries, and/or other users. With the exception of “poseedores” all of the tenure arrangements present in the grouped project area arise from either formal titles or from formal management agreements with the State. In the case of “poseedores”, land titles are recognized by the State through municipal certificates. A poseedor is defined as a land holder who without being land owner exercises some or all of the usual property rights over a piece of land.

Under all of these different land tenure arrangements, the project proponents have been able to secure ownership of the emissions reductions generated through individual contracts with each type of landowner, which specifies the transfer of carbon rights to FUNDAECO for a minimum of 30 years, with a possibility to renew for another 10 years after that. The verifier team was able to review these confidential contracts both during the desk review as well as during the site visit, and were also able to interview a representative sample of the new landowners included in the validation of the new project activity instances. Through these means of verification, the team is reasonably assured that the project has continued to NOT encroach on any private, community, or government property during the monitoring period and that it has continued to recognize, respect, and support all existing property rights in the project area.

Furthermore, and as alluded to earlier in sections 4.3.4-6 of this report, the verifiers have found that FUNDAECO has and continues to organize engagement avenues and events for all community groups and project stakeholders, including meetings in the local Q’eqchi’ language in order to reach all community members, even those that don’t speak Spanish. This continuous process of engagement has been documented in the submitted document (Informe de Proceso FPIC 2017-2018.docx.) and the details found therein were collaborated via interviews with project beneficiaries during the site visit. This FPIC process has been appropriately carried out not only with the relevant and legitimate representatives of the communities involved, but also with a wide array of local producer associations, women associations, and other locally organized groups. These different participatory governance structures and groups have been contentiously engaged during the monitoring period by a dedicated team of FUNDAECO’s local field technicians, which are strategically deployed across the project area in five field offices and three field stations. In each office, a technical coordinator and a team of environmental educators, social workers, agronomists, naturalists, and field extensionists ensure a continuous and active engagement with communities, forest owners, agroforestry producers, women and youth; also gathering their concerns and input to then shape future project implementation. The verifiers found no need to provide restitution or compensation to any parties whose lands have been or will be affected by the project, and they were also able to confirm during the site visit that none of the project activities have lead to the involuntary removal or relocation of property rights holders from their lands or territories, nor has it forced anyone to relocate activities important to their culture or livelihood.

PDD section 3.9 and table 18 in the MIR list the identified illegal activities that the project proponents have identified that could affect the project impacts, as well as the measures taken to reduce those illegal activities. The illegal activities listed have not changed since the previous verification and still include illegal logging and deforestation. The verification team was able to confirm that all of the actions mentioned in this table were actively being carried out by the project proponent in order to limit these illegal activities and thus minimize their effect on the project's impacts. This was done through on-site observation and through interviews with local project beneficiaries.

Section 2.5.5 of the MIR states that if any disputes over lands and resources are identified, FUNDAECO informs an Interinstitutional Group for Land Conflict Resolution Izabal -MICAI-, in order to aid in finding a peaceful and positive resolution for all parts involved. The verifier team was able to confirm during the site visit that FUNDAECO actively participates in MICAI, and while it actively tries to aid in the resolution of conflicts in this round table, they never prejudice the outcome of a conflict that is directly related to the project's implementation, as all formal mediation/resolution of conflicts of this kind are resolved via the coordination of this interinstitutional roundtable, but ultimately through and by the appropriate local, regional, and national Guatemalan authorities. These characteristics and procedures were able to be verified during the site visit, when the lead auditor was able to visit and interview this interinstitutional roundtable.

In conclusion, it is the verifier team's opinion that the project has systems and procedures in place that still protect the rights of Indigenous Peoples, communities and other stakeholders in accordance to the third edition of the *Climate, Community & Biodiversity Standards* and the validated project description.

4.3.12 Legal Status (G5.6)

Section 2.5.6 of the MIR describes how FUNDAECO and the project have remained compliant with all valid relevant local and national laws, which the project proponents have included in table **Error! Reference source not found.** of that section. The verifiers can confirm that no new regulations have been approved or have come into application during this monitoring period and since the previous verification. This was also confirmed in interviews with local and regional environmental authorities during the site visit.

4.4 Climate

4.4.1 Accuracy of GHG Emission Reduction and Removal Calculations

The verifier team has assessed the accuracy of GHG emission reductions and removals reported, including accuracy of spreadsheet formulae, conversions and defaults used, and the consistent use of previously validated data and parameters.

The data and parameters to be monitored and used to calculate the GHG emission reductions ware identified, described and analyzed in the table below.

Parameter	Verification Findings
Deforestation in the project area and leakage belt: Forest cover areas converted into non-forest areas inside the Project Area and Leakage Belt (monitored)	The monitoring of the forest cover in the Project Area and Leakage Belt was done through remote sensing and satellite image analysis, where a 2019 LULC map was created (as described in section 3.1.3.2 of the MIR). Sentinel-2 data was pre-processed for use in the 2019 LULC map, which the verifier team confirmed was classified using the same classes as those used in the 2001-2010 LULC maps, as was done in the prior monitoring period. The LULC transitions that occurred within this time period were assumed to be distributed linearly from 2017-2019 and were interpolated based off of each Project Activity Instance

	start date to the end of the first monitoring period so as to accurately account for the project's emissions reductions. The monitoring results of activity data in the project area are summarized for this time period and are calculated in the project's accounting model /R13/. As is shown in table **Error! Reference source not found.** of the MIR, the total amount of forest converted to pasture and cropland in the project area adjusted by the PAI start dates during the monitoring period was 475 hectares, for a total of 2,813 hectares across both monitoring periods. Verifiers confirmed that there were no emissions associated with any of the implemented project activities. Verifiers reviewed the list of raw satellite imagery utilized for the analysis and were assured that the Sentinel-2 satellite imagery complied with all of the requirements set out in the VCS methodology. Likewise, a cursory review of the pre-processing and processing intermediate steps used to arrive at the final 2019 LULC classification map (classification, pre-processing, processing, training, implementation, and post-processing) revealed that these were carried out in conformance to the methodology and in accordance with other relevant best practices as they pertain to using remote sensing accuracy assessments used for land-use change. These procedures have also remained unchanged since the previous verification. Finally, the verifier team also reviewed the results of the technical consultant's thematic accuracy assessment of the final 2019 LULC classification map to ensure that it complied with the accuracy thresholds of VM0015. The overall accuracy achieved across the map was 87%, with each class achieving greater than 80% accuracy, thereby exceeding the requirements of the VM0015 methodology.
APDPAicl,t Areas of planned deforestation in forest class icl at year t in the project area	This parameter was found to be not applicable during the reporting period as there was no carbon stock decrease due to planned deforestation in the project area. Verifiers were able to corroborate this claim via review of aerial imagery and through observations and interviews conducted during site visit.
APFPA icl,t Annual area of planned fuel-wood and charcoal activities in forest class icl at year t in the project area	This parameter was found to be not applicable during the reporting period as there was no planned fuel-wood and charcoal activities in the project area during the monitoring period. Verifiers were able to corroborate this claim via observations and interviews conducted during site visit.
APLPAicl,t Areas of planned logging activities in forest class icl at year t in the project area	This parameter was found to be not applicable during the reporting period as there was no planned logging in the project area during the monitoring period. Verifiers were able to corroborate this claim via review of aerial imagery and through observations and interviews conducted during site visit.
CUCdPAt Total decrease in carbon stock due to catastrophic events at year t in the project area	This parameter was found to be not applicable during the reporting period as there was no carbon stock decrease due to catastrophic events in the project area during the monitoring period. Verifiers were able to corroborate this

	claim via review of aerial imagery and through observations and interviews conducted during site visit.
EADLK **EADLKt** Cumulative and Total ex ante increase in GHG emissions due to displaced forest fires at year t	Values applied for this parameter (0) were consistent with the fire risk determination arrived at by the project proponents in the Non permanence risk reports reviewed by the verifier team. The verifiers are thereby reasonably assured that there were no emissions due to displaced forest fires form the project during the monitoring period.
ΔCFCdPA **ΔCFCdPAt** **ΔCFCiPA** **ΔCFCiPAt** Cumulative and total decrease in carbon stock due to forest fires and catastrophic events at year t in the project area Cumulative and total increase in carbon stock due to forest fires and catastrophic events at year t in the project area	These parameters were found to be not applicable as there were no changes in carbon stock due to fires and/or catastrophic events in the project area during the monitoring period. Verifiers were able to corroborate this claim via review of aerial imagery and through observations and interviews conducted during site visit.
EBBBSLtoticl Sum of (or total) actual non-CO2 emissions from forest fire at year t in strata i in forest class icl	This parameter was found to be not applicable during the reporting period as there was no emissions from fire reported in the project area during the monitoring period. Verifiers were able to corroborate this claim via review of aerial imagery and through observations and interviews conducted during site visit.
ΔCLPMLK **ΔCLPMLKt** Cumulative and total carbon stock decrease due to leakage prevention measures.	Per the VCS methodology, If the cumulative value of the carbon stock change within a Fixed Baseline Period is > 0, CLPMLKt shall be set to zero. Verifiers can confirm this value was correctly applied.
ΔCPAdPA **ΔCPAdPAt** **ΔCPAiPA** **ΔCPAiPAt** Cumulative and total change in carbon stock due to all planned activities at year t in the project area	These specific parameters can clearly be traced back to the proponent's main and manual accounting models /R13/R15/. The verifier team has independently assessed and attests to the accuracy of the spreadsheet formulae, conversions and aggregations used and thereby is reasonably assured of the accuracy of GHG emission reductions reported. As this parameter depends of the ΔCPFdPAt, ΔCPLdPAt and ΔCPDdPAt, the verifier team was able to attest that no evidence of the occurrence of planned deforestation nor of fuel wood/charcoal activity was present during monitoring period. In this respect, the verifier team agrees with the project proponent's approach in reporting these parameters.
ΔCPDdPA **ΔCPDdPAt**	These parameters were found to be not applicable as there were no planned deforestation, fuelwood and charcoal, or logging activities reported during the monitoring period. Verifiers were able to corroborate this claim via review of aerial imagery and through observations and interviews conducted during site visit.

Cumulative and total decrease in carbon stock due to planned deforestation at year t in the project area **ΔCPFdPA** **ΔCPFdPAt** **ΔCPFiPA** **ΔCPFiPAt** Cumulative and total changes in carbon stock due to planned fuel-wood and charcoal activities at year t in the project area **ΔCPLdPA** **ΔCPLdPAt** **ΔCPLiPA** **ΔCPLiPAt** Cumulative and total increase in carbon stock due to planned logging activities at year t in the project area	
ΔCUDdPA **ΔCUDdPAt** Cumulative and total actual carbon stock change due to unavoided unplanned deforestation at year t in the project area	These parameters are easily identifiable in table BH of the proponent's accounting model /R13/. Using the manual version of this accounting model /R15/, the verifier team can attest to the accuracy of the spreadsheet formulae, conversions and aggregations utilized to arrive at their respective calendar year values, and therefore, to the general accuracy of GHG emission reductions reported for these parameters.
ΔCUFdPA **ΔCUFdPAt** **ΔCUFiPA** **ΔCUFiPA t** Cumulative and total carbon stock changes due to forest fires in the project area.	These parameters were found to be not applicable as there were no forest fires in the project area reported during the monitoring period. Verifiers were able to corroborate this claim via review of aerial imagery, through evidence presented by the proponents for the non-permanence risk determinations /R6/, and through observations and interviews conducted during site visit.
ΔREDD **ΔREDDt** Ex post cumulative and net anthropogenic GHG emission reductions	These parameters are easily identifiable in table BG of the proponent's accounting model /R13/. Using the manual version of this accounting model /R15/, the verifier team can attest to the accuracy of the spreadsheet formulae, conversions and aggregations utilized to arrive at their respective calendar year values, and therefore, to the general accuracy of GHG emission reductions reported for these parameters.

Besides these monitored parameters, the verifiers were also able to review other aspects of the project proponent's determinations to arrive to a final opinion as to the accuracy of their final GHG emission reductions and calculations.

Verifiers found that the procedures for quantifying the baseline emissions from unplanned deforestation were conducted in complete accordance with the methodology VM0015 version 1.1. The verification team performed a review of all input data, parameters, formulas, calculations, conversions, and output data to ensure consistency with the VCS documentation, methodology and associated tools, as well as the validated project description. Verifiers were able to also confirm that baseline emissions changed slightly from the previous monitoring period for the project and leakage areas due to the addition of the new PAIs during the monitoring period. Verifiers were able to confirm that the validated spatial model itself remained unchanged since the project's validation. Ex-post baseline estimates of activity data within the project and leakage areas were calculated by applying the baseline model estimates of end land use to the defined boundaries for the project and leakage areas.

Emissions from the project area were confirmed to be quantified using the LULC transitions between the 2019 and 2017 LULC maps. The LULC transitions that occurred within this time period were assumed to be distributed linearly from 2017-2019 and were interpolated based off of each Project Activity Instance start date to the end of the first monitoring period so as to accurately account for the project's emissions reductions. A similar approach was used to arrive at estimations from activity shifting leakage, as ex-post emissions were quantified using the LULC transitions in the respective leakage area, for the 2019 LULC map relative to the 2017 benchmark map. The LULC transitions that occurred within this time period were again assumed to be distributed linearly from 2017-2019 and were interpolated based off of the end of the previous monitoring period to the end of this second monitoring period so as to accurately account for activity-shifting leakage emissions. The boundaries of the leakage belt area in the project were found to be correctly determined using the same mobility analysis as that presented at time of validation, where the forest areas falling within the 2.6 kilometer buffer outside of the project area boundaries were uniquely exported and designated as the "Leakage Area".

Per the requirements of the methodology employed, any ex-post emissions in the leakage belt that were found to exceed the baseline estimate were considered to be a result of leakage due to activity displacement. The results of carbon stock and emissions monitoring within the leakage belt were correctly summarized in section 3 of the MIR. However, since there was less deforestation than estimated in the baseline scenario in these areas, the total emissions due to activity-shifting leakage were determined to be zero.

As far as market leakage effects are concerned, the project had initially claimed a conservative market leakage deduction of 20% during the first monitoring period due to small-scale illegal logging occurring within the project zone, as well as an unknown potential of market leakage due to cattle ranching. However, for this monitoring period, and as was already mentioned and discussed in section 3.3 of this report, the project has gathered sufficient evidence to support the fact that market leakage from this project should be considered de minimis or likely nonexistent both in terms of timber extraction and cattle ranching as commodities tied to deforestation or degradation. Please refer to section 3.3 for details as to how the verifier team reached a reasonable assurance that this determination was made correctly.

4.4.2 Quality of Evidence to Determine GHG Emission Reductions and Removals

The data and parameters used to determine greenhouse gas emission reductions and removals are listed in section 3 of the monitoring report. Verifiers determined that these were all listed in accordance with the validated project description and applied methodology.

Carbon stocks/ha in the different forest strata were determined to be fixed at validation, so only a cursory evaluation of their determination was done, while their correct employment in the final emission reduction

estimates and calculations was confirmed. Furthermore, there was no evidence uncovered to suggest the project proponents had not implemented their standard operative procedures to monitoring degradation, deforestation, fires and to store information as they have in previous monitoring periods.

FUNDAECO was found to keep safe and accurate maintenance of their GIS database, where also remeasurements using GPS receivers are carried out so as to ensure the accuracy of the boundaries of the new PAIs added to the project area. S&A found all of the project personnel and the technical consultants highly skilled in their activities, as well as highly versed as to their standard operating procedures for all aspects of project activities (training, measuring, archiving, reporting, quality control, etc). QA/QC procedures were considered appropriate and sufficient for identifying, reviewing, and handling inconsistencies found during the monitoring of project activities and forest cover. All the appropriate roles and responsibilities of project personnel, as well as data management and archival systems, were found to be consistent with the validated project description and with what was encountered during the site visit.

Interviews with the project proponent and inspection of data and results demonstrated that the project proponents possess all of the competencies required for reporting of GHG emissions reductions in an accurate and efficient manner. Some of the data originally presented to the verifier team /R13/ lacked the transparency and traceability required under the VCS standard, however a manual accounting model /R15/ was produced as a result of the issues identified, and this workbook allowed the verifiers to have a clear and coherent way to trace processing steps and parameters to their corresponding descriptions and sections of the methodology and monitoring plan. The monitoring plans all adequately provide the means for internal data reviews and quality control measures, and the data presented by the project proponent included the results of these internal assessments, when applicable. The verifier team thereby considers that the information provided by the project proponents is sufficient and of the quality necessary in order to appropriately determine the GHG removals and other climate benefits of the project.

4.4.3 Non-Permanence Risk Analysis

FUNDAECO carried out two separate risk analysis based on the different modes of land ownership present in the project area, and as occurred at validation and during the previous verification. These risk analyses resulted in the elaboration of the submitted VCS Non permanence Risk Reports for the monitoring period, which were appropriately completed according to the AFOLU Non Permanence Risk Tool v.3.3.

The verifier team's assessment of the non-permanence risk ratings determined by the project participant can be found in the following tables below, which utilized the reports submitted for project areas A and B, which are differentiated by properties directly owned by FUNDAECO (Risk Area A) and properties that are owned by national entities, municipal entities, private owners, and by "possedores" (Risk Area B). Issues raised with regards to these determinations are detailed in the issues log for this verification.All issues identified were successfully brought to a close, and the verifier team was able to confirm that the respective overall risk scores determined for both areas of the project, that of 10, was appropriately arrived at and that sufficient evidence was provided in order to justify those conclusions.

Risk Area A

Risk factor	Score	Findings

Project management	-4	a) Not applicable as this is not a reforestation project, but a REDD+ project. Risk rating of 0 is justified. b) Not applicable as the project has not previously issued any GHG credit. Risk rating of 0 is justified. c) In accordance with the evidence provided, management team includes individuals with significant experience in sustainable forestry and VCS projects. This was checked during site visit. Risk rating of 0 is justified. d) Manager team maintains a presence in the country. The PP has people in the Izabal Region. This was checked during site visit. Risk rating of 0 is justified. e) The project has a multidisciplinary team with considerable experience in REDD projects, especially through the experience of the technical consultants (EcoPartners). Risk rating of -2 in this instance is justified. f) The project was found to have an adequate adaptive management plan in place as described in FUNDAECO's Implementation Plan (see Plan de Implementación REDD V7.docx). Risk rating of -2 is justified.
Financial viability	0	The project financial worksheets submitted /R3/ show that the project has already reached its breakeven point. The score of this risk component was correctly applied by the project proponent.
Opportunity costs	-8	The project proponent considers NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity, as evidence by the financial information provided, which the verifier team found to be in order after clarifications submitted via the issues log /R3/ were adequately resolved. A risk rating of -4 for this element is justified. FUNDAECO is a non-profit organization, thus a mitigation risk rating of -2 for this element is justified. FUNDAECO's land holdings are protected by a legally binding agreement that covers the length of the project crediting period, as confirmed by the verifier team. A mitigation risk rating of -2 for this element is justified.
Project longevity	15	The proponents claim that the document titled "ACTA NOTARIAL PUNTO DE ACTA REDD+.pdf" legally designates all FUNDAECO owned lands as part of

		the REDD+ project, and it further stipulates that the management of these lands will be carried out in accordance with the REDD+ project goals and will continue for a total of 60 years. This constitutes a legally binding contract. The previous project area size was 54,441.8 ha, with 899.4 ha added during this monitoring period. Of the 55,341.2 hectares of the Project Area, the land area in Risk Area A totals roughly 11,668 hectares. The REDD+ Database presented in the FUNDAECO VM00015 Accounting Model details which properties are directly owned by FUNDAECO and are part of Risk Area A. Although FUNDAECO is legally committed to protecting their lands for a period of 60 years, the Implementation Plan and Financial Model only cover a 30 year project lifetime, thus the overall project lifetime is set at 30 years. Verifiers found no issue with this determination and with the evidence presented. Option b is thus applicable, and the risk rating arrived at was found to be appropriate.
Total internal risk	3	The score associated with the project internal risk was evaluated by the verification team and considered to be correct according to the VCS tool utilized.
Land Tenure and Resource Access/Impacts	0	a-b) Option a is applicable in area A as all properties belong to FUNDAECO. A rating of 0 is justified. c)-d) Land tenure was found to be well-defined in the project area and there are no known disputes over land ownership or tenure in the project area. Furthermore, no disputes over access rights inside the project area were found by the verifier team during the site visit and desk review. Furthermore, FUNDAECO's right of use is firmly established within its landholdings. A rating of 0 is justified. As was determined in Project Longevity (above), FUNDAECO's land holdings are confirmed to be protected by a legally binding agreement. A mitigation risk rating of -2 is justified. Total may not be less than 0.
Community Engagement	-5	a) According to the project proponents, FUNDAECO has consulted with 2,101 of the 2,800 families living within the Grouped Project Area. This means that at least 75% of the families living within the Project Area have been consulted

		as part of the FPIC process. Verifiers were able to confirm this during the site visit. A risk rating of 0 is justified. b) A mobility analysis of agents within the project area found that the longest distance someone is willing to travel to collect timber, firewood, or clear an area for cultivation was 2.6 km. In order to conservatively estimate the number of households surveyed by FUNDAECO, all households within the project zone were considered for this analysis. Of those roughly 5,000 households within the project zone, FUNDAECO has consulted with 2,101 of those households that may be dependent on the project area. This means that FUNDAECO has consulted with roughly 42% of the households that may be dependent on the project area within the surrounding region, which is well above the 20% threshold. These findings were confirmed by the verifiers during the site visit. A risk rating of 0 in this category is justified. c) Mitigation: The project was found to generate net positive impacts for the social and economic well-being of the local communities who derive livelihoods from the project area. A mitigation risk determination of -5 is justified.
Political Risk	2	The VVB team assessed the country's political risk independently using the World Bank tool and agrees with the score assigned by the project proponent, which is -0.59. A risk score determination of 4 is justified. Verifiers found evidence to determine that Guatemala is implementing REDD+ Readiness or other activities during the site visit, and as described by the project proponents. A risk score determination of -2 is thus justified.
Total External risk	0	Due to the above, the verifier team finds that the risk of loss in carbon stocks associated with aspects external to the project has been correctly considered by the proponent.
Natural risks	0	Verifiers found that Significance (S) for this risk is “insignificant” and likelihood is “once every 100 years or more”. Then LS=0. The project does not consider mitigation actions, then, risk is penalized with a M=1. Data from INAB and different studies and reports about fires in tropical rainforests confirm a very unlikelihood of this risk in the project area. Sources presented in the PD and risk reports were found to still be valid. Fire risk score of 0 is justified.

		Significance and Likelihood (LS): A value of "insignificant" has been reported due to the project area's wet tropical climate, high biodiversity levels, and natural distribution of native species, which make it highly resilient to extensive pest outbreaks. Furthermore, verifiers can confirm that no evidence of pest or disease outbreaks have occurred in the project area. The likelihood selected is that of "every 50-100 years" (LS=0), and verifiers agree with this determination. Mitigation (M) measures are not claimed, then a rating 1 is applied. Significance has been rated as "insignificant" for extreme weather occurrences; and likelihood has been qualified as "not applicable". According to reports and sources cited and presented in the PDD and risk reports, either no events have been reported, or just one event has been recorded in the last 100 years. While the project area does suffer from periodic flooding or drought, damages on the forest are minimal, and any adverse effects are mostly focused on agriculture and deforested areas. Stakeholder confirmed these tendencies in interviews during the site visit, so verifiers find this risk determination appropriate. No Mitigation (M) measures were addressed in this category, so a rating of 1 is appropriate. According to studies by the Coordination Centre for the prevention of Natural disasters in Central America (CEPREDENEC) and the United Nation Office to reduce risks from disasters (UNIDSR) the Izabal Region is not at significant risk for a major earthquake and, likelihood is appropriately identified at once every 100 years. A LS determination of 0 was found to be appropriate. No Mitigation (M) measures were addressed, then, a mitigation rating of 1 is appropriate.
Final Overall Risk Score	10	Calculated accordingly, as specified above.

Risk Area B

Risk factor	Score	Findings
Project management	-4	a) Not applicable as this is not a reforestation project, but a REDD+ project. Risk rating of 0 is justified. b) Not applicable as the project has not previously issued any GHG credit. Risk rating of 0 is justified. c) In accordance with the evidence provided, management team includes individuals with significant experience in sustainable forestry and VCS projects. This was checked during site visit. Risk rating of 0 is justified. d) Manager team maintains a presence in the country. The PP has people in the Izabal Region. This was checked during site visit. Risk rating of 0 is justified. e) The project has a multidisciplinary team with considerable experience in REDD projects, especially through the experience of the technical consultants (EcoPartners). Risk rating of -2 in this instance is justified. f) The project was found to have an adequate adaptive management plan in place as described in FUNDAECO's Implementation Plan (see Plan de Implementación REDD V7.docx). Risk rating of -2 is justified.
Financial viability	0	The project financial worksheets submitted /R3/ show that the project has already reached its breakeven point. The score of this risk component was correctly applied by the project proponent.
Opportunity costs	-8	The project proponent considers NPV from project activities is expected to be at least 50% more profitable than the most profitable alternative land use activity, as evidence by the. Financial information provided, which the verifier team found to be in order after clarifications submitted via the issues log /R3/ were adequately resolved. A risk rating of -4 for this element is justified. FUNDAECO is a non-profit organization, thus a mitigation risk rating of -2 for this element is justified.

		FUNDAECO's land holdings are protected by a legally binding agreement that covers the length of the project crediting period, as confirmed by the verifier team. A mitigation risk rating of -2 for this element is justified.
Project longevity	15	The proponents claim that the document titled "ACTA NOTARIAL PUNTO DE ACTA REDD+.pdf" legally designates all FUNDAECO owned lands as part of the REDD+ project, and it further stipulates that the management of these lands will be carried out in accordance with the REDD+ project goals and will continue for a total of 60 years. This constitutes a legally binding contract. The previous project area size was 54,441.8 ha, with 899.4 ha added during this monitoring period. Of the 55,341.2 hectares of the Project Area, the land area in Risk Area B totals roughly 43,673 hectares. The REDD+ Database presented in the FUNDAECO VM00015 Accounting Model details which properties are owned by national, municipal, private, or *poseedor* entities that have transferred their rights of use to FUNDAECO under a legal agreement that also requires prevention of deforestation and land use change, and are thus part of Risk Area B. Clauses within these executed contracts establish that the landowners are to avoid deforestation on their property and willfully comply with the terms of the contract. The contract establishes a legally binding commitment by the landowner for a minimum period of 30 years. Verifiers found no issue with this determination and with the evidence presented, and the risk rating arrived at was found to be appropriate.
Total internal risk	3	The score associated with the project internal risk was evaluated by the verification team and considered to be correct according to the VCS tool utilized.
Land Tenure and Resource Access/Impacts	0	a-b) Option b is applicable in area B as all properties belong to other entities different than FUNDAECO, but carbon rights have been appropriately transferred to FUNDAECO. A risk rating of 2 has been applied correctly. c)-d) Land tenure was found to be well-defined in the project area and there are no known disputes over land ownership or tenure in the project area. e) is not applicable. Project area b is protected by legal contracts between FUNDAECO and different landowners to continue management practices over 30 years. A

		mitigation risk determination of -2 is appropriate.
Community Engagement	-5	a) According to the project proponents, FUNDAECO has consulted with 2101 of the 2800 families living within the Grouped Project Area. This means that at least 75% of the families living within the Project Area have been consulted as part of the FPIC process. Verifiers were able to confirm this during the site visit. A risk rating of 0 is justified. b) A mobility analysis of agents within the project area found that the longest distance someone is willing to travel to collect timber, firewood, or clear an area for cultivation was 2.6 km. In order to conservatively estimate the number of households surveyed by FUNDAECO, all households within the project zone were considered for this analysis. Of those roughly 5,000 households within the project zone, FUNDAECO has consulted with 2101 of those households that may be dependent on the project area. This means that FUNDAECO has consulted with roughly 42% of the households that may be dependent on the project area within the surrounding region, which is well above the 20% threshold. These findings were confirmed by the verifiers during the site visit. A risk rating of 0 in this category is justified. c) Mitigation: The project was found to generate net positive impacts for the social and economic well-being of the local communities who derive livelihoods from the project area. A mitigation risk determination of -5 is justified.
Political Risk	2	The VVB team assessed the country's political risk independently using the World Bank tool and agrees with the score assigned by the project proponent, which is -0.59. A risk score determination of 4 is justified. Verifiers found evidence to determine that Guatemala is implementing REDD+ Readiness or other activities during the site visit, and as described by the project proponents. A risk score determination of -2 is thus justified.
Total External risk	0	Due to the above, the verifier team finds that the risk of loss in carbon stocks associated with aspects external to the project has been correctly considered by the proponent.
Natural risks	0	Verifiers found that Significance (S) for this risk is “insignificant” and likelihood is “once every 100 years or more”. Then LS=0. The project does not consider

		mitigation actions, then, risk is penalized with a M=1. Data from INAB and different studies and reports about fires in tropical rainforests confirm a very unlikelihood of this risk in the project area. Sources presented in the PD and risk reports were found to still be valid. Fire risk score of 0 is justified. Significance and Likelihood (LS): A value of "insignificant" has been reported due to the project area's wet tropical climate, high biodiversity levels, and natural distribution of native species, which make it highly resilient to extensive pest outbreaks. Furthermore, verifiers can confirm that no evidence of pest or disease outbreaks have occurred in the project area. The likelihood selected is that of "every 50-100 years" (LS=0), and verifiers agree with this determination. Mitigation (M) measures are not claimed, then a rating 1 is applied. Significance has been rated as "insignificant" for extreme weather occurrences; and likelihood has been qualified as "not applicable". According to reports and sources cited and presented in the PDD and risk reports, either no events have been reported, or just one event has been recorded in the last 100 years. While the project area does suffer from periodic flooding or drought, damages on the forest are minimal, and any adverse effects are mostly focused on agriculture and deforested areas. Stakeholder confirmed these tendencies in interviews during the site visit, so verifiers find this risk determination appropriate. No Mitigation (M) measures were addressed in this category, so a rating of 1 is appropriate. According to studies by the Coordination Centre for the prevention of Natural disasters in Central America (CEPREDENEC) and the United Nation Office to reduce risks from disasters (UNIDSR) the Izabal Region is not at significant risk for a major earthquake and, likelihood is appropriately identified at once every 100 years. An LS determination of 0 was found to be appropriate. No Mitigation (M) measures were addressed, then, a mitigation rating of 1 is appropriate.
Final Overall Risk Score	10	Calculated accordingly, as specified above.

4.4.4 Dissemination of Monitoring Plan and Results (CL4.2)

During the site visit, the verifier team was able to confirm that the project proponents have disseminated the results of the climate monitoring plan with all relevant stakeholders and in accordance with the validated project description. Through interviews with project beneficiaries, it was confirmed that FUNDAECO has and continues to hold numerous periodic meetings with individuals, communities, and other relevant stakeholders so as to inform on the progress and implementation of the project and other relevant topics. Furthermore, summaries of the monitoring reports are disseminated during these meetings and are also made available upon request and at the various project regional offices. Also, in accordance with the project description, the results of the climate monitoring plan were made will publicly available and published on the internet.

4.4.5 Optional Gold Level: Climate Change Adaptation Measures (GL1.3)

This project is not seeking Gold Level verification for climate change adaption benefits this monitoring period; hence this report section is not applicable.

4.4.6 Optional Gold Level: Climate Change Adaptation Benefits (GL1.4)

This project is not seeking Gold Level verification for climate change adaption benefits this monitoring period; hence this report section is not applicable.

4.5 Community

4.5.1 Community Impacts (CM2.1)

The demonstration of a net-positive community impact over the project implementation period was done by adhering to the indicators and parameters to measure such impacts through the validated community impact monitoring plan and its results, which compares the community level baseline scenario with the project's current benefits and conditions in communities. The verifiers were able to prove the proper implementation and monitoring of all the appropriate parameters through document review /R7/, direct observations, and through interviews with relevant stakeholders during the site visit. Verifiers encountered no evidence during the desk review or site visit that would question the accurateness of the parameters and results reviewed.

4.5.2 Negative Community Impact Mitigation (CM2.2)

While its evident to the verifier team that the project has had an overall positive impact on communities and stakeholders within the project area, some potential negative impacts were identified during the FPIC process at time of validation. These included concerns over whether the project could impact the ownership rights of participant's lands; that without proper monitoring considerable leakage could occur, either through project members cutting down trees outside the project area or by non-participating community members logging within the project area; and finally, that community members would have considerably reduced access to timber and firewood.

The project proponents, however, have actively engaged in mitigating actions to address these risks directly since the project's inception and during the latest monitoring period, and as was verified by the verifier team through onsite observations and conducted interviews with stakeholders during the site visit. Concerns over property rights have been dispelled via a strong and transparent FPIC process (see section 4.3.12 of this report) and through legally recognized and review contracts that were entered into voluntarily by the landowners in the project area. Leakage has been mitigated through the successful implementation of a sound monitoring and surveillance plan and through educational outreach that reinforced penalties for such actions. Finally, concerns over reduced access to timber and firewood were dispelled by the project strengthening educational and awareness programs that promote setting areas outside of the primary

project areas for these purposes, the planting of fast-growing trees in such areas specifically for fuelwood use, as well as the adoption of alternative cooking methods. While some folks interviewed did recognize that there has been a reduction in the area from which they are able to extract wood, none of them identified this a negative consequence of the project.

4.5.3 Net Positive Community Well-being (CM2.3)

In accordance with the information provided in the MIR, the community benefits claimed by the project are derived from numerous project activities detailed in the Theory of Change Matrix (see TOC Activity Matrix v1.14.xlsm), and which fall into the following categories: Resource Protection; Sustainable Enterprise; Empowerment and Inclusiveness; Education, and Access to Resources. In this respect, the verified monitoring results stemming from these activities have resulted in positive effects on the net well-being of the communities as was witnessed and verified by the audit team during the site visit, through direct observations and interviews with project beneficiaries.

4.5.4 Protection of High Conservation Values (CM2.4)

Section 4.1.4 of the MIR describes the measures applied by the project proponents to maintain areas of high conservation value for either critical ecosystem services or of great cultural importance to local communities during the monitoring period. The primary and most obvious measure taken to maintain these HCVs is the reduction of deforestation within the sites identified as HCVs, through the voluntary integration of some of these forests into the project area and through the implementation of the protection/surveillance activities. By reducing deforestation and degradation, the project hopes to avoid threats to the environmental services and cultural uses these special areas provide. Through the surveillance patrols realized in and around these areas, the network of sacred sites where Queqchi and Garifuna communities' practice religious rituals, and the network of watersheds that provide important sources of drinking and water for agriculture and other uses, have continued to be protected during the monitoring period. Via on site observations and interviews with relevant stakeholders, the verifier team is able to ensure that no negative impacts on High Conservation Values due to project activities have been detected during the monitoring period.

4.5.5 Other Stakeholder Impacts (CM3.2-CM3.3)

During the project validation, only cattle ranchers were identified as a group of stakeholders who were perhaps at risk of being negatively impacted by the project due to reduced land for expansion of their operations. However, and as the verifier team was able to confirm during the site visit, most of the existing cattle ranchers in the project area are small producers, and the particular characteristics of this economic activity in the project area show that demand for increased land for cattle is currently not present in the project area. According to information presented in the MIR by the project proponents, patrol reports and denunciations presented during this monitoring period were not in relation to these specific stakeholders and risks. Furthermore, no other plausible risks to other stakeholder were perceived and/or witnessed during the site visit, thus giving the verifier team a reasonable level of assurance that no other noticeable impacts stemming from the project was affecting other stakeholders in the area.

4.5.6 Community Monitoring Plan (CM4.1, CM4.2, GL2.2, GL2.3, GL2.5)

Section 4 of the MIR describes the maintenance and execution of the project's community monitoring plan. Verifiers found that community impacts have monitored according to the SOPs presented and described in the original project description. Verifiers also determined that this section of the MIR and that the monitoring plan itself includes all the appropriate and required details concerning community variables, such as frequency, data sources and linked project activities. It is the verifier team's opinion that the presented community monitoring plan and results for the monitoring period were carried out in accordance with the validated project description.

4.5.7 Community Monitoring Plan Dissemination (CM4.3)

During the site visit, the verifier team was able to confirm that the project proponents have disseminated the results of the community monitoring plan with all relevant stakeholders and in accordance with the validated project description. Through interviews with project beneficiaries, it was confirmed that FUNDAECO has and continues to hold numerous periodic meetings with individuals, communities, and other relevant stakeholders so as to inform on the progress and implementation of the project and other relevant topics. Furthermore, summaries of the monitoring reports are disseminated during these meetings and are also made available upon request and at the various project regional offices. Also in accordance with the project description, the results of the community monitoring plan were made will publicly available and published on the internet.

4.5.8 Optional Gold Level: Short-term and Long-term Community Benefits (GL2.2)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.9 Optional Gold Level: Smallholder/community member Risks (GL2.3)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.10 Optional Gold Level: Marginalized and/or Vulnerable Community Groups (GL2.4)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.11 Optional Gold Level: Net Impacts on Women (GL2.5)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.12 Optional Gold Level: Benefit Sharing Mechanisms (GL2.6)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.13 Optional Gold Level: Governance and Implementation Structures (GL2.8)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.5.14 Optional Gold Level: Smallholders/Community Members Capacity Development (GL2.9)

The project is not seeking Gold Level verification for exceptional community benefits during this monitoring period; hence this report section is not applicable.

4.6 Biodiversity

4.6.1 Biodiversity Changes (B2.1)

The way to adequately monitor and detect biodiversity changes in the project area is addressed in the PDD and in section 5 of the MIR. As the project area is considered one of the country´s biodiversity hotspots, various different research censuses and studies have been conducted by various organizations, thereby

being able to establish a robust baseline scenario of biodiversity in the area, where an avian diversity of 426 species, 145 mammals, 55 amphibian, and 106 six reptilian species were reported at time of validation.

From that base, FUNDAECO has utilized a validated theory of change matrix that incorporates problem flow analysis and impact assessment, together with remote LULC change detection analysis and modeling, to evaluate the net benefits to biodiversity that have occurred as a result of project activities. Since the majority of threats to biodiversity in the Project Zone are directly tied to the drivers of deforestation and forest degradation, the prevention of these activities serves as the primary mode by which the project proponents are able to establish the net positive effects that the project is having on the area's biodiversity. Such indicators are then also complimented by direct periodic monitoring activities that help substantiate the number of indicative species of birds, mammals, amphibians, and reptiles in the project area, as well as the number of globally critically endangered species within those groups benefiting from reduced threats as a result of the project activities measured against the without-project scenario /R10/.

While some observations and a FAR have been issued in relation the biodiversity monitoring activities reported by the project for the monitoring period (please refer to the issues log for more details), the verifier team is reasonably assured that the project's assessment of changes in biodiversity resulting from project activities in the project zone during the monitoring period are complete, accurate, and in accordance to what was stipulated in the original project description.

4.6.2 Mitigation Actions (B2.3)

Negative biodiversity impacts for REDD+ projects such as this one are usually associated with deforestation-related activities being displaced to areas outside the project area. Other possible negative impacts identified at the time of the project's validation stem from the misuse of pesticides and fertilizers, as well as the use of GMO's and invasive species as part of their project activities.

The verifier team can confirm that FUNDAECO has taken active steps to mitigate all potential harmful impacts on biodiversity benefits as a direct and indirect result of project activities during this monitoring period. This was confirmed through their continued support in registering and implementing forest protection measures through the deployment of forest patrols and through the enrollment of landowners in the government's PINFOR and PINPEP programs, conservation education initiatives, and through their agroforestry programs and workshops. Verifiers were able to verify the implementation of these measures during the site visit and were also able to interview project beneficiaries and staff about them. FUNDAECO also confirms that all agroforestry project activities adhere to standard USAID protocols on the safe and judicious use and disposal of pesticides and fertilizers, in addition to banning the use of GMO's and invasive species as part of their project activities. Due to existing agricultural markets and increased economic incentives for small-scale farmers, FUNDAECO does use several non-native species in its agroforestry programs, including rubber, cardamom, rambutan, and pepper. However, these species are non-invasive and were introduced into Guatemala as agricultural species over 50 years ago. Verifiers found no evidence during the site visit to contradicts these statements.

It is the verifier's opinion that the mitigation actions taken by the project proponents during the monitoring period are appropriate and in accordance with the validated project description, and that they span the full array of possible negative impacts on biodiversity as a result of the project activities.

4.6.3 Net Positive Biodiversity Impacts (B2.2)

The project proponent's methods to track the project's net impacts on biodiversity is adequately addressed in both the validated project description as well as the most recent MIR. The Theory of Change approach Richards and Panfil (2011) was used to design project activities in order to address threats to biodiversity and achieve the desired project objectives. This process has helped to identify both the positive and potentially negative impacts of the project's activities, thus enabling the project proponent to implement preventative measures to minimize risks, and to evaluate the effectiveness of each activity in achieving predicted biodiversity benefits over time. Section 5 of the MIR describes the measures applied during this

period, and the verifier team found these to be accurate and appropriate, as was evidences with project documentation and confirmed via interviews with stakeholders during the site visit. Biodiversity benefits are derived from numerous project activities detailed in the project's Theory of Change Matrix and fall into the following program areas:

- Resource Protection.
- Sustainable Enterprise
- Empowerment and Inclusiveness
- Education
- Access to Resources.

It is the verifier's opinion that through the demonstration of activities in these key areas during the monitoring period that the project has had a net-positive biodiversity impact, which has also been corroborated by comparing the biodiversity baseline scenario with the project's current biodiversity conditions.

4.6.4 High Conservation Values Protected (B2.4)

The primary measures taken to maintain biodiversity HCVs have been the reduction of deforestation within the project area. Just as is discussed throughout the project description, biodiversity is highly correlated with forest cover (Richards and Panfil, 2011), and vast majority of the identified biodiversity HCVs consist of forested areas within the project area and project zone, including protected areas, migratory corridors, landscape level ecosystems, and threatened ecosystems. By reducing deforestation and degradation threats within these areas, it is understood that both the ecosystems and the threatened species within those ecosystems will be protected and maintained. The verifiers can confirm that FUNDAECO has continued to implement these forest protection measures during the latest monitoring period through the deployment of forest patrols, the enrollment of landowners in the PINFOR and PINPEP programs, through conservation education initiatives, and through implementation of their agroforestry workshops and systems.

4.6.5 Invasive Species (B2.5)

The verifier team was able to reach a reasonable level of assurance during the site visit that FUNDAECO has taken steps to mitigate all potential harmful impacts on biodiversity benefits as a direct and indirect result of project activities. All agroforestry project activities have to adhere to standard USAID protocols on the safe and judicious use and disposal of pesticides and fertilizers in addition to banning the use of GMO's and invasive species as part of project activities, and as evidence through Plan General de BPA 2016.docx, EG-PERSUAP-Final_Oct2012.docx, Consultoria Estudio Viabilidad agroforesteria 10062014.docx).

4.6.6 Impacts of Non-native Species (B2.6)

In the MIR, the project proponents claim that due to existing agricultural markets and increased economic incentives for small-scale farmers, that FUNDAECO does use several non-native species in its agroforestry programs, including rubber, cardamom, rambutan, and pepper. However, the verifier team was able to confirm with local environmental authorities that these species are non-invasive and were introduced into Guatemala as agricultural species over 50 years ago. According to the Guatemalan government, these species are considered to be "naturalized" and thus pose minimal to no threats to biodiversity within the country. Verifiers did not find evidence to the contrary during the site visit, and thus can conclude that the use of these mentioned species will not pose harm to the region's environment.

4.6.7 GMO Exclusion (B2.7)

The use of GMOs and invasive species are prohibited. Agroforestry project activities adhere to standard USAID protocols on the safe and judicious use and disposal of pesticides and fertilizers in addition to

banning the use of GMO's and invasive species as part of project activities (see Plan General de BPA 2016.docx, and EG-PERSUAP-Final_Oct2012.docx).

4.6.8 Inputs Justification (B2.8)

The project uses a series of fertilizers, herbicides, and fungicides as described in section 5.1.8 of the MIR. However, FUNDAECO has justified their use and have also taken steps to mitigate all the potential harmful impacts on biodiversity benefits as a result of these inputs. In accordance with the validated project description, all agroforestry and sustainable agricultural programs implemented by FUNDAECO also abide by USAID guidelines for safe pesticide use (Plan General de BPA 2016.docx), and an internal best agricultural practices policy that outlines and justifies safe and appropriate pesticide and fertilizer use (Plan General de BPA 2016.docx). Verifiers were able to witness that these guidelines are strictly adhered to during on site observations during the site visit.

4.6.9 Negative Offsite Biodiversity Impacts (B3.1) and Mitigation Actions (B3.2)

Possible negative offsite biodiversity impacts have been directly addressed by the project proponents in the validated project description as well as in the most recent MIR. The original assessment of potential negative impacts on biodiversity outside the project area have been considered once more during this latest monitoring period. The potential displacement of hunting, mining, and of deforestation and degradation to other areas as a result of the activities has been adequately monitored, per the requirement of the VCS methodology in use. As a result of the project proponent's assessment, they have concluded that it is highly unlikely that these kinds of activities would have noticeable negative offsite impacts as a result of project activities. It is the verifiers team's opinion to agree with this statement after interviewing relevant stakeholders on the topic during the site visit, as well as by the plethora of evidence provided by the project proponents to substantiate this claim.

4.6.10 Net Offsite Biodiversity Benefits (B3.3)

The verifier team is able to confirm that any potential indirect negative impacts on biodiversity caused by project activities were and continue to be minimized and mitigated through FUNDAECO's project management during the monitoring period. In order to avoid possible activity-shifting deforestation from the project area into the project zone as a result of project activities, FUNDAECO is continuing to engage with other landowners throughout the project zone to support land legalization efforts, enroll landowners into PINFOR and PINPEP programs, and eventually incorporate additional landowners with forest area into the grouped project over time. This serves and will continue to serve to minimize deforestation pressures that could result in further biodiversity loss. By preventing deforestation within the project area, FUNDAECO is effectively protecting the majority of biodiversity HCVs identified. Through these actions, it is the verifier team's opinion that the net effect of the project on biodiversity including outside of the project area is clearly positive.

4.6.11 Biodiversity Monitoring Plan (B4.1, B4.2, GL3.4)

Section 5 of the MIR describes the maintenance and execution of the project's biodiversity monitoring plan. Verifiers found that biodiversity impacts have been monitored according to the SOPs and parameters presented and described in the original project description. Verifiers also determined that this section of the MIR and that the monitoring plan itself includes all the appropriate and required details concerning biodiversity variables, such as frequency, data sources and linked project activities.

To promote the conservation of certain amphibians and their habitat, FUNDAECO has deployed a series of promotion and education activities using education materials for adults and children that are distributed during environmental talks and fairs, and which was corroborated for the verifier team through interviews conducted during the site visit. The project proponent provided reports for this latest monitoring period which describe the activities implemented specifically related to protecting and monitoring of these

amphibian trigger species in the project zone, and shows that the project has successfully maintained the population of this species throughout this monitoring period. One Forward Action Request (FAR) was issued as part of the review of these biodiversity monitoring activities, which specifies that the proponents will need to show and prove through their future and routine monitoring activities that certain trigger species remain in the project area, as conditions on the ground did not allow for certain areas to be monitored during the 2018 calendar year. Please refer to Appendix 2 of this report for more details regarding the issuance of this FAR. Despite this observation however, it is expected that the maintenance of forest cover has only benefited the continued presence of certain trigger species in the project area. In conclusion, it is the verifier team's opinion that the presented biodiversity monitoring plan and the results for the monitoring period were carried out in accordance with the validated project description to the extent possible.

4.6.12 Biodiversity Monitoring Plan Dissemination (B4.3)

During the site visit, the verifier team was able to confirm that the project proponents have disseminated the results of the biodiversity monitoring plan with all relevant stakeholders and in accordance with the validated project description. Through interviews with project beneficiaries, it was confirmed that FUNDAECO has and continues to hold numerous periodic meetings with individuals, communities, and other relevant stakeholders so as to inform on the progress and implementation of the project and other relevant topics. Furthermore, summaries of the monitoring reports are disseminated during these meetings and are also made available upon request and at the various project regional offices. Also in accordance with the project description, the results of the biodiversity monitoring plan were made will publicly available and published on the internet for a public comment period.

4.6.13 Optional Gold Level: Trigger Species Population Trends (GL3.3)

Apart from preventing deforestation and loss of habitat for trigger population species in the project area FUNDAECO has also continued to deploy a series of promotional and educational activities using culturally appropriate materials for adults and children, distributing them during environmental talks and fairs during the monitoring period. The project proponents also provided a series of reports /R10/. which describe in more detail the activities implemented and related to protecting and monitoring the amphibian trigger species in the project area. As mentioned earlier, One Forward Action Request (FAR) was issued as part of the review of these biodiversity monitoring activities, which specifies that the proponents will need to show and prove through their future and routine monitoring activities that certain trigger species remain in the project area, as conditions on the ground did not allow for certain areas to be monitored during the 2018 calendar year. Please refer to Appendix 2 of this report for more details regarding the issuance of this FAR. Despite this observation however, it is expected that the maintenance of forest cover has only benefited the continued presence of certain trigger species in the project area. In conclusion, it is the verifier team's opinion that the presented biodiversity monitoring plan and the results for the monitoring period were carried out in accordance with the validated project description to the extent possible.

4.6.14 Optional Gold Level: Effectiveness of Threat Reduction Actions (GL3.4)

As mentioned earlier, in order to promote the conservation of certain trigger amphibian species and their habitat, FUNDAECO has continued to deploy a series of promotional and educational activities using culturally appropriate materials for adults and children, distributing them during environmental talks and fairs during the monitoring period. The project proponents also provided a series of reports /R10/ which describe in more detail the activities implemented and related to protecting and monitoring the amphibian trigger species in the project area. As mentioned earlier, One Forward Action Request (FAR) was issued as part of the review of these biodiversity monitoring activities, which specifies that the proponents will need to show and prove through their future and routine monitoring activities that certain trigger species remain in the project area, as conditions on the ground did not allow for certain areas to be monitored during the 2018 calendar year. Please refer to Appendix 2 of this report for more details regarding the issuance of this FAR. Despite this observation however, it is expected that the maintenance of forest cover has only benefited the continued presence of certain trigger species in the project area. In

conclusion, it is the verifier team's opinion that the presented biodiversity monitoring plan and the results for the monitoring period were carried out in accordance with the validated project description to the extent possible.

4.7 Additional Project Implementation Information

Not applicable.

4.8 Additional Project Impact Information

Not applicable

5 VERIFICATION CONCLUSION

S&A Carbon has verified that the project is in compliance with all of the requirements in the Verified Carbon Standard version 3.7 and the CCB Standards Third Edition, without qualifications or limitations.

The project has been implemented in accordance with the validated project description, and all of its variations from this description and/or from the VCS methodology have been found to be appropriate and within the rules each standard establishes for such variations.

Furthermore, S&A carbon has also reached a reasonable level of assurance that all of the 77 new project activity instances added during this monitoring period meet the validation criteria based on the information reported in the monitoring report and in supporting evidence provided by the project proponents, which corresponded directly to the all the applicable set of eligibility criteria in question.

The project proponents opted not to try and achieve conformance with gold level community and gold level climate benefits; hence these were deemed not applicable for the monitoring period. The proponents did however, provide sufficient evidence to prove that the project has satisfactorily reached conformance with gold level achievement for its biodiversity benefits.

S&A Carbon is able to issue a positive verification opinion for the 1,975,402 tonnes CO2e of verified emissions reductions, as reported in the Monitoring & Implementation Report version 1.17, dated 10 July 2019. The verification assessment covered the monitoring period from 01 January 2017 to 31 December 2018 and verified that calculated emission reductions and/or removals were achieved during the monitoring period with a reasonable level of assurance. Since no material errors, omissions or misstatements were identified during the verification, the materiality check conducted by the verifier team can be effectively considered zero, and thus meets the requirement at least reaching a 1% materiality threshold. The overall risk rating was 10 %. Therefore, the total number of credits to be deposited in the buffer account is 197,540 VCUs and the total VCUs to be issued are 1,777,862 tCO2e.

Monitoring period: 01 January 2017 to 31 December 2018

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

Year	Baseline emissions or removals (tCO_2e)	Project emissions or removals (tCO_2e)	Leakage emissions (tCO_2e)	Buffer Allocation	Net GHG emission reductions or removals (tCO_2e)
2017	1,099,539	132,937	0	96,660	966,602
2018	1,137,860	129,059	0	100,880	1,008,800

Total	2,237,399	261,996	0	197,540	1,975,402

APPENDIX 1: LIST OF REFERENCES

Ref #	Document Description		Filename (Final Version of Documents Submitted)
/R1/	VCS CCB Monitoring and Implementation Report		FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.17.doc
/R2/	VCS Non-Permanence Risk Reports		FUNDAECO REDD+ Non-Permanence Risk Report_Risk Area A v3.3.doc FUNDAECO REDD+ Non-Permanence Risk Report_Risk Area B v3.3.doc
/R3/	Financial Workbooks	Budget and Cashflow Analysis	FUNDAECO Budget and Cashflow Analysis 2012-2041 M2 2016-2018V2.xlsx
		NPV Analysis	NPV Analysis v2.5.xlsx
/R4/	Secured Funding Evidence		4140 NMBCA CONVENIO.pdf 4160 LIVELIHOODS CONVENIO.pdf 4240 SUMMIT CONVENIO.pdf 4320 SUMMIT ACCESO A SSYR CONVENIO.pdf 4380 PPFA Salud Sexual y Reproductiva J CONVENIO.pdf 4420 LIVELIHOODS CONVENIO.pdf 4460 WWF CONVENIO.pdf 4480 ABC 1975A COVENIO.pdf
/R5/	REDD+ Implementation Plan		Plan de Implementación REDD V7.docx
/R6/	Non Permanence Risk Evidence – Other than Financial		1887 - Unnamed - Cat1 Hurricane.JPG 1934 - Unnamed - Tropical Storm.JPG 1971 - Laura - Tropical Storm.JPG 2012- Helene -Tropical Depression.JPG Historical Hurricane Tracks.JPG reporte_depresion 12E.pdf WGI_Governance Score.xlsx
/R7/	Community Impact Monitoring	Theory of Change Matrix, Indicator Tracking, and Baseline Results	IndicadoresSocioeconomicos_Linea base.pdf Monitoring indicator and results Matrix v1.2 2012-2016.xlsx Base socioeconómica - Altelia.pdf Plan de Socialización, CPLI y Comunicacion.docx Procedimiento para el Monitoreo Socioeconomico y Comunitario.docx

			Monitoring Indicator and Results Matrix2017-2018_V1.2.xlsx TOC Activity Matrix v1.14.xlsm
/R8/	Agro-Forestry Standard Operating Procedures		02 buenas practicas agricolas CARDAMOMO.docx 03 buenas practicas agricolas PIMIENTA NEGRA.docx 03 buenas practicas agricolas RAMBUTAN.docx 04 Formulario evaluacion AGEXPORT.docx
/R9/	Stakeholder Engagement and Free Prior and Informed Consent	FPIC Process Reports Grievance Logbook Socialization Plan MIR Summaries in Spanish	Grievance Logbook.xlsx Informe de Proceso FPIC 2015-2016.docx Informe de Proceso FPIC 2017-2018.docx Plan de Socialización, CPLI y Comunicacion.docx Resumen MIR 2017_2018V1.doc Resumen MIR 2017_2018V1.pdf
/R10/	Biodiversity Monitoring Evidence		Amphibian Monitoring Report 2017-2018.doc Binational Jaguar Conectivity Preliminary.pptx BIRD_MONITORING_PROGRAM-2017-2018-final.pdf Jaguar connectivity report.pdf Proyecto monitoreo binacional jaguar.pdf
/R11/	Project Area GIS Package/Shapefiles		MP2_Geospatial_20190402.zip ProjectArea_MIR_YMD20171122.kmz
/R12/	PAI Eligibility Evidence	Legal Start Dates	Informe enero 2017 Oscar Carranza (604).pdf oscar carranza enero 2017.jpg Monitoreo Terracería (860).pdf recorrido.jpg elias tiul enero.jpg Informe Elias Tiul Enero 2017 (874).pdf patrullaje interinstitucional 4 dias.pdf 888.jpg Inspeccion Las Pacayas (888).pdf Informe Taller Programa de Proteccion del Bosque 25 Enero 2017-Tamagas Creek.pdf Informe Taller Programa de Proteccion del Bosque 10 Abril 2017-Montañas R-B-.pdf Informe Taller Programa de Proteccion del Bosque 10 Abril 2017-Montañas R-B-.pdf Informe Taller Programa de Proteccion del Bosque 10 Abril 2017-Montañas R-B-.pdf Patrullaje 4 de febrero de 2017.pdf recorrido.jpg 900_901.jpg INFORMES GUARDAS MARZO 2017 (900, 901).pdf 900_901.jpg INFORMES GUARDAS MARZO 2017 (900, 901).pdf humberto garcia 3 enero.jpg Informe Humberto Garcia Enero-1.pdf Inspección 04 de julio de 2017.pdf 912.jpg Monitoreo Terracería (860, 912).pdf

			Informe Taller Programa de Proteccion del Bosque 10 Abril 2017-Montañas R-B-.pdf VERIFICADOR PAI PATRULLAJE 4 POLIGONOSREDD PEÑITAS.pdf VERIFICADOR PAI PATRULLAJE 4 POLIGONOS REDD PEÑITAS.pdf Informe Taller Programa de Proteccion del Bosque 20 Mayo 2018-Rubel Ho.pdf Informe Taller Programa de Proteccion del Bosque 15 Mayo 2017- Jalaute-.pdf
/R13/	Climate Benefit / Carbon Quantification Information	Accounting Models and Calculations	FUNDAECO Leakage Data.docx FUNDAECO VM0015 Accounting Model v2.6.xlsm Leakage - Agents Mobility v1.1.xlsx
/R14/	Market Leakage Literary Evidence	Used to justify de-minims market leakage effects	Cattle Ranching in Guatemala_Markus_Zander_and_Jochen_Durr.pdf datos de destace de ganado bovino.xlsx datos de ilicitos denunciados periodo 2017-2018.xlsx El Agro en Cifras 2015 - MAGA Guatemala.pdf FUNDAECO Cattle Market Impact Analysis.xlsx
/R15/	Manual Accounting Model	Manual Accounting Model, provided in response to issue 19-14.	FUNDAECO_Manual Accounting Model_v1.5.xlsx

APPENDIX 2: ISSUES LOG

Verifier Issue	Issue ID:	19-1	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBA Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
General	All	Possible non conformance. *May impact OMM or conformance.*	The Verifier team notes that the Monitoring Report and its respective attachments will need to be updated to reflect any modified calculations or descriptions as of the date of this issues log and subsequently, as well as for any other changes that result from the issues identified below.				
			Verifier Response 07/10/19 Verifiers note that all the appropriate changes to the project documentation have been made in response to the issues identified below. As a result, this issue can now also be brought to a close.				

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
1-July-19	The Monitoring Report and supporting documents have been updated as needed to respond to the following issues.	
8-July-19	The Monitoring Report and supporting documents have been updated as needed to respond to the following issue.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv 3.4_v1.17*

Verifier Issue	Issue ID:	19-2	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBA Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
1.1 Unique Project Benefits	1.1 Unique Project Benefits	Clarification.	The Verifier team seeks clarification with regards to the unique project benefits claimed in section 1.1 of the MR. Regarding the increased awareness of ecosystem and habitat importance for native species, it not clear whether the project was able to enroll 29 additional schools to participate in their environmental education program during the monitoring period or does this number represent the cumulative numbers of schools enrolled in the program since the project's beginning?				
			Verifier Response 06/17/19				

			Despite the adjustments made in response to this issue, the project proponents have still failed to comply with the requirements of the MIR template for this unique project benefits section. The column on the right-hand side of table 1 should list the cumulative achievements reached under this category during the project's entire lifetime; while the column on the left-hand side should list only the achievements reached during the monitoring period in question. The latest version of the MIR lists the same numbers for both columns under this category (increased awareness of ecosystem and habitat importance for native species). In addition, the figures presented in table 1 for this category (increased awareness of ecosystem and habitat importance for native species) mentions that 2,692 students have participated in environmental education programs during the monitoring period. These figures, however, do not coincide with the figures provided in section 4.1.1 of the MIR. This issue remains open.	
			Verifier Response 07/03/19 While table 1 has now been amended accordingly, the verifier team notes that in section 4.1.1 of the MIR that there are two separate entries for "students participated in environmental education talks", one listing 987 participants (which coincides with the results presented in table 1), and another listing 1818 students. The verifier team seeks further clarification with regards to the second entry, and whether this has been included in error, or if the 1818 students this entry describes are in addition to the 987 already reported? This issue remains open.	
			Verifier Response 07/10/19 Verifiers are now satisfied with the response and updates to the project documentation as a result of resolving this issue. It can thus be brought to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	Section 1.1 has been updated by adding the cumulative data for schools and students that have been enrolled in environmental education activities since the project start date.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15*

27-Jun-19	The data was mistaken having the same data as the project lifetime for the Column **Achievements during the Monitoring period**. This information has been corrected in table 1 and coincides now with information presented in table 4.1.1	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.16*
08-Jul-19	Data presented in both columns Achievements during the Monitoring period and Achievement during Project Lifetime were corrected including students that visit FUNDAECO Ecotourism sites and learn about the importance of the Conservation Coast for Biodiversity and Communities. This data is reflected in section 4.1.1, where the text was corrected in order to differentiate two different impacts (page 215 and 216: • 987 students participated in environmental education talks • 1818 students visited FUNDAECO Ecotourism sites and learned about the Conservation Coast importance for Biodiversity and Communities The use of these two impacts allows The Project to measure different type of activities and public, both related to Education.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.17*

Verifier Issue	Issue ID:	19-3	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Standardized Project Benefits	1.2 Standardized Benefits Metrics	Non conformance.	The Verifier team seeks several clarifications with regards to the standardized project benefits claimed in section 1.2 of the MR: 1. Regarding the total number of community members who have improved skills and/or knowledge resulting from training provided as part of project activities, it is unclear to the audit team how the achievements during the monitoring period for this benefit (2179) could be that much more than those achieved during the project's lifetime (457)? 2. The same situation as presented above applies to the total number of people employed in project activities, as the number is 97 for achievements during monitoring period, but 90 during project lifetime. 3. The same situation as presented above applies to the number of women for whom health services were improved as a result of project activities, as the number is 8,303 for achievements during monitoring period, but 6,026 during project lifetime. 4. The same situation as presented above applies to both categories of education benefits reached, where the numbers for "achieved during the monitoring period" again outweigh those presented for "achieved during project lifetime".				

			Verifier Response 06/17/19 The verifier team notes that the discrepancies between project achievements reached during the monitoring period vs those reached during the project's entire lifetime have now been resolved for table 2 in section 1.2 of the MIR. However, the verifier team seeks further information regarding the total number of people and women for whom education was improved as a result of project activities. It is not clear where the figures presented in this table under this category stem from, as none of the community impacts listed in section 4.1.1 correlate with the figures provided in table 2, and students having participated in environmental education talks were not included in the totals provided under this category in table 2. The verifier team thus seeks clarification as to what exact project activities contributed to improvements in access to, or quality of, education and what exactly the proponents consider these improvements to be. This issue remains open.	
			Verifier Response 07/03/19 Verifiers are satisfied with the latest response provided and can now bring this issue to a close.	
			Verifier Response 07/19/19 The verification's internal review revealed some lingering inconsistencies regarding the reported parameters for environmental education between the answers provided in this issues log and the final figures of the monitoring report. The proponents have provided an additional response that now clarifies the inconsistencies, and the verifier team can confirm the figures provide in the MIR are correct. This issue can thus now be brought to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	Section 1.2 was updated by adding the cumulative results for all standardized benefits: 1. Regarding the total number of community members who have improved skills and/or knowledge resulting from training provided as part of project activities: achievement during the monitoring period is 2179, achievement during the project's lifetime is 2636 2. Total number of people employed in project activities: achievement during the monitoring period is 97, achievement during the project's lifetime is 97. Number of women employed in project activities: achievement during the monitoring period is 26, achievement during the project's lifetime is 26.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15*

	3. Total number of people for whom health services were improved as a result of project activities: achievement during the monitoring period is 12,022, achievement during the project's lifetime is 44,363. Number of women for whom health services were improved as a result of project activities: achievement during the monitoring period is 8,303, achievement during the project's lifetime is 14,329 4. Total number of people whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 97, achievement during the project's lifetime is 120. Number of women whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 62, achievement during the project's lifetime is 100.	
27-Jun-19	The project considers as improved access or improved access to, or improved quality of, education, actions that support the continuation of formal education and actions that support education and training to acquire or improve skills. In this sense the metric presented in table 2 does not include environmental education as they are usually "talks" that do not follow a complete training or education program. The information was corrected in table 1.2 and a small description on what is considered in this metric was added. The impact was also added in section 4.1.1 page 214.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.16*
Jul 19	To explain data changes in the Proponent Response and in the Monitoring Report, we confirm that: - Number of people whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 97, achievement during the project's lifetime is 134. - Number of women whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 62, achievement during the project's lifetime is 100. This data is presented in section 1.2 and 4.1 page 214 of the Fundaeco CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.17	

Verifier Issue	Issue ID:	19-4	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Standardized Project Benefits	1.2 Standardized Benefits Metrics	Possible non conformance.	The Verifier team seeks clarifications with regards to the reported standardized project benefits claimed in section 1.2 of the MR for both the Livelihoods and Education categories. According to certain parameters and indicators presented in other sections of the monitoring report (for example, 1,705 students having participated in environmental education activities under unique benefits) together with what was observed and gathered during stakeholder interviews during the site visit,				

			the numbers reported for these categories seems to be considerably low, underreported, and/or inconsistent with other sections of the report and with what was witnessed during the site visit.	
			Verifier Response 06/17/19 While the verifier team is now satisfied that the figures provided for livelihood and well-being benefits are now more in tune with what was witnessed and verified during the site visit, just as with the previous issue, it still seeks further clarification with regards to what exact project activities contributed to improvements in access to, or quality of, education and what exactly the proponents consider these improvements to be, as the figures presented also don't line up with any of the community impacts listed in section 4.1.1 This issue remains open.	
			Verifier Response 07/03/19 Verifiers are satisfied with the latest response provided and can now bring this issue to a close.	
			Verifier Response 07/19/19 The verification's internal review revealed some lingering inconsistencies regarding the reported parameters for environmental education between the answers provided in this issues log and the final figures of the monitoring report. The proponents have provided an additional response that now clarifies the inconsistencies, and the verifier team can confirm the figures provide in the MIR are correct. This issue can thus now be brought to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	Section 1.2 was updated with revised numbers both for Education, Livelihoods and well-being. 1. Total number of people whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 73, achievement during the project's lifetime is 120. Number of women whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 62, achievement during the project's lifetime is 100. 2. Total number of people with improved livelihoods or income generated as a result of project activities: achievement during the monitoring period is 171, achievement during the project's lifetime is 778. Number of women with improved livelihoods or income generated as a result of project activities: achievement during the monitoring period is 60, achievement during the project's lifetime is 224.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15*

	3. Total number of community members whose well-being was improved as a result of project activities: achievement during the monitoring period is 14,952, achievement during the project's lifetime is 48,529. Number of women whose well-being was improved as a result of project activities: achievement during the monitoring period is 9014, achievement during the project's lifetime is 24,000.	
01-Jul-19	The project considers as improved access or improved access to, or improved quality of, education, actions that support the continuation of formal education and actions that support education and training to acquire or improve skills. In this sense the metric presented in table 2 does not include environmental education as they are usually "talks" that do not follow a complete training or education program. The information was corrected in table 1.2 and a small description on what is considered in this metric was added. The impact was also added in section 4.1.1 page 214.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.16*
19-Jul -19	To explain data changes in the Proponent Response and in the Monitoring Report, we confirm that: - Number of people whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 97, achievement during the project's lifetime is 134. - Number of women whom access to, or quality of, education was improved as a result of project activities: achievement during the monitoring period is 62, achievement during the project's lifetime is 100. This data is presented in section 1.2 and 4.1 page 214 of the Fundaeco CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.17	

Verifier Issue	Issue ID:	19-5	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Implementation Description	1.2 Standardized Benefits Metrics	Non conformance.	The Verifier team notes that in section 2.1.1 of the monitoring report (implementation description), the proponents have failed to comply with all of the template instructions of the joint VCS/CCBA report template. The VCS/CCBA template instructions dictate that the implementation description in the monitoring report "describe how leakage and non-				

			permanence risk factors are being monitored and managed" and that the "total GHG emission reductions or removals generated in this monitoring period" be reported. These items have not been included in the description; hence this is identified as a non-conformance until they are included.	
			Verifier Response 06/17/19 The verifier team is satisfied with the response and notes that the missing descriptions in question have now been appropriately included in section 2.1.1 of the MIR. This issue can thus be brought to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	Section 2.1.1 was updated to include additional information on the monitoring and maintenance of leakage and non-permanence risk factors as well as the total GHG emissions reductions/removals generated during the monitoring period.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15*

Verifier Issue	Issue ID:	19-6	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Implementation Description	2.1.1 Implementation Description	Possible non conformance.	A description of the project is provided in section 1.1 of the Monitoring Implementation Report. However, the summary description is not in accordance with the validated PDD: the estimated amount of VCUs over 30 years varies considerably from the amount estimated in the PDD, from 17,921,895 in the PDD, to 24,445,681 in the current MR. While it is understood that sometimes ex ante estimations may differ as updates are made to carbon stock estimates and their impact on the baseline and project emissions scenarios, the audit team notes that the grouped project area and modeled baseline have remained more or less the same since the last monitoring period (with the exception of the inclusion of new project instances), and are thus seeking further explanations as to how the expected ERs to be generated by the project increased by approximately 36% since the previous monitoring period.				
			Verifier Response 06/17/19 The verifier team is satisfied with the response and can now close out this issue.				

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	During the previous verification, the project proponent sampled additional plots in the humid forest class in order to reduce uncertainty and increase the overall precision of the carbon stock estimate. The addition of these plots reduced the uncertainty in the humid forest class to below 10% at a 90% confidence interval. This allowed the project to bypass the uncertainty deduction required by the VM00015 methodology for any class with uncertainty over 10%, and resulted in an overall increase in estimated ex-ante net emissions reductions as compared to the NERs reported in the Project Description. Please see previous monitoring report for the 2012-2016 monitoring period, "FUNDAECO VCS CCB Monitoring & Implementation Report v2.54", as the estimation of net emissions reductions during this monitoring period has remained unchanged from the previous verification.	*FUNDAECO VCS CCB Monitoring & Implementation Report v2.54*

Verifier Issue	Issue ID:	19-7	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Project Location	2.1.7 Project location	Clarification.	While the description of the project location has been provided and has not changed since the last verification (with the expectation of new project instances to the project area), the audit team requests further information from the project proponents with regards to how individual parcel boundaries are established, identified, mapped, geo-referenced, and maintained.				
			05/17/2019 This information was provided to the verifier team during the site visit, during when the project proponents confirmed that all new project instance parcels boundaries are identified and mapped directly by project personnel using GPS. In cases where project forest parcels are entered into the central government incentives programs, these are also measured and mapped in collaboration with the respective authorities and incentives managers. As a result, this issue can be brought to a close.				

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
Click here to enter a date.		

Verifier Issue	Issue ID:	19-8	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Grouped Project Eligibility Criteria	Section 2.2.5: Grouped Project Eligibility Criteria	Possible non conformance.	Section 2.2.5 of the monitoring report claims that all new parcels to be included in the project and to be validated during this audit "comply with the eligibility criteria in section 4.2.4 of the PDD" and that "every new PAI meets all 16 eligibility requirements required by the VCS standard and VM0015 methodology". However, the verifier team uncovered evidence contrary to these claims during the site visit. Eligibility criteria V. dictates that "All new PAIs will have evidence of project ownership for each project activity instance starting at least at the respective start date of each project activity instance provided". In the monitoring report, the project proponents claim that "The documentation listed in the Rights and Project Ownership column of Table 13 provides documentation for each parcel demonstrating the transfer of carbon rights for each parcel to FUNDAECO before the PAI start date." However, of the new PAIs sampled during the site visit, the majority of the signed contracts provided as evidence of this requirement were signed at a date later than the specified PAI start date.		
			Verifier Response 06/17/19 The verifier team is satisfied with the response and can now bring this issue to a close.				

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	The carbon contract signed with each of the forest owners or possessors for each PAI included in the project area; estates in its clause Ten: *"This ownership and transfer of rights can be retroactive, comprising also the (carbon) rights over the certificates that could have been generated in accordance to a date prior to the contract date and signature, accepting that date as the project initiation date (in relation to the owner) in regard to the duration (term) of the contract.* *In the present case (contract), the date taken as the initiation date -thus of the rights and obligations of this contract- is _____; execution date of all actions oriented towards avoiding deforestation. FUNDAECO will transfer to the "owner" any benefit resulting from a recognition of retroactive reduced emissions of the project, based on what is established in this contract"* This clause was incorporated to the contract precisely to cover the ownership of the carbon credits generated on a date prior to the contract. The effect of this clause is that the contract has validity and is applicable to the rights generated before it´s signing. That is why the word retroactive was	

	used. In this case the owner who is transferring the carbon rights is accepting that the transfer also applies retroactively. Meaning the carbon rights are guaranteed even if the project date is prior to the contract date.	

Verifier Issue	Issue ID:	19-9	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Grouped Project Eligibility Criteria	Section 2.2.5: Grouped Project Eligibility Criteria	Non conformance.	Section 2.2.5 of the monitoring report claims that all new parcels to be included in the project and to be validated during this audit "comply with the eligibility criteria in section 4.2.4 of the PDD" and that "every new PAI meets all 16 eligibility requirements required by the VCS standard and VM0015 methodology". However, the verifier team uncovered evidence contrary to these claims during the site visit. Eligibility criteria XIV dictates that "New project activity instances use technologies specified below and in section 2.2.1 of the Project Description and applies these technologies in the same manner as is described in section 2.2.1 of the Project Description. Project technologies will be enabled by the financial or technical assistance of the project proponent." Eligibility criteria XVI dictates that "New project activity instances must have characteristics with respect to additionality that are consistent with those demonstrated in Section 4.6 of the PD for the specified project activity (AUD) within the Grouped Project Area. As a result, new PAIs must demonstrate that they received financial or technical support from the project proponent that resulted in emission reductions. Project activities can be those described in Section 2.2 of the PD. In the monitoring report, the project proponents claim that for all new PAIs, that "the technologies provided were increased forest patrols and the establishment of PINFOR/PINPEP programs, which are both pre-defined project technologies in section 2.2.1 of the Project Description." While the verifier team agrees that these mentioned technologies are appropriate pre-defined technologies that could in fact signal the official start dates of the new PAIs, most of the proof provided for these new PAI start dates refer to a "ficha" document (table 13 in MIR), where the verifier team notes that, for the majority of new PAIs sampled				

			during the site visit, this document did not adhere to the requirements described above. In various cases, this "ficha" document allowed the proponents to identify certain activities as start dates activities that do **NOT** fall under the requirements listed above. For example, several PAIs visited had documentation establishing start dates when the landowner *themselves* have claimed to have begun conducting patrols and/or surveillance of their forested lands and/or clearing/maintenance of their property boundaries (items 6 and 7 in the ficha document, for example). The dates of these activities cannot constitute appropriate start dates for the PAIs in question, as they are unable to show that they "received financial or technical support from the main project proponent" that resulted in emission reductions. Start dates for new PAIs will thus need to be reviewed to ensure that appropriate start dates are first identified appropriately and that the corresponding evidence is also provided to justify each new parcel start date.	
			Verifier Response 06/14/19 To ensure all of the project's new PAIs are now in compliance with the eligibility requirements in question, the verifier team requests to see the pertinent PAI start date documentation (ficha and corresponding evidence demonstrating the date the project beneficiary first received financial or technical support from the main implementing partner) for the following groups of parcels. The first group of parcels for which the above-mentioned documentation is requested are for particular parcels that were visited during the site visit; these are parcels numbers: 906; 884; 926; 900; 901; 894; 892; and 895. The second group of parcels for which the above-mentioned documentation is requested constitutes a new randomly chosen representative sample of all the PAIs to be validated under this audit. These parcel numbers are as follows: 911; 860; 888; 944; 604; 891; 898; 949; 922; 921; 912; 874.	
			Verifier Response 07/03/19 Upon review of the additional information and evidence requested, the verifier team now has reasonable assurance that all new PAIs to be validated during this audit now have appropriate start dates that comply with all the criteria and eligibility requirements, and that these are corroborated by sufficient and appropriate evidence. All PAI start dates, which listed activities that did NOT demonstrate that they had received financial or technical support from the project proponents, were reviewed and appropriately updated to include either evidence that corroborated that the landowners began receiving support from the project	

			proponents in order to enlist their properties in either of the Government's incentives programs, or evidence that showed that the project proponents routine surveillance and monitoring patrols began including these parcels in their surveillance route. Once these revised start dates were established, verifiers also ensured the adjusted dates were appropriately included and used in the accounting model in order to arrive to the revised GHG reduction estimates reported. This issue can now be brought to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	From the 77 New instances, 21 used as start activities, activities that do **NOT** fall under the requirements of criteria XVI. FUNDAECO has revised Table 13 of the *FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15* to show an updated list with new PAI start dates for those 21 instances. FUNDAECO is able to provide PAI start date evidence to the verifier that fulfill the indicated criteria; showing that the project provided financial and/or technical support for these start date activities. The new start dates have been incorporated into the REDD+ Database tab of the accounting model and the project accounting has been updated accordingly.	*FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15* FUNDAECO VM0015 v2.5.xlsm
1-Jul-19	Documentation for the selected PAIs was provided directly to the auditor showing evidence of technical support from FUNDAECO for the activity, which supports the new	"Sample Verifiers" folder submitted to audit team

Verifier Issue	Issue ID:	19-10	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Grouped Project Eligibility Criteria	Section 2.2.5: Grouped Project Eligibility Criteria	Non conformance.	According to the VCS standard Version 3.7, with regards to grouped projects, the documents states that new project instances are, "eligible for crediting from the start date of the instance through to the end of the project crediting period (only). Note that where a new project activity instance starts in a previous verification period, no credit may be claimed for GHG emission reductions or removals generated during a previous verification period (as set out in Section 3.16.7) and new instances are eligible for crediting from the start of the next verification period." Despite this requirement, the monitoring report currently shows that the project is seeking claim for credits from new validated PAIs that were supposedly generated for portions of a previous verification period.				

			Verifier Response 06/14/19 Verifiers are satisfied with the response and are now reasonably assured that no new PAIs to be validated during this audit are generating and claiming credits generated during a previous monitoring period. This issue is now closed.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	Although there are several PAIs that show project start dates prior to the end of the previous monitoring period, no credits have been claimed for those parcels prior to January 1, 2017. Any start dates retroactive to the current monitoring period were adjusted in the accounting model REDD+ Database tab (see FUNDAECO VM0015 v2.5, column Z, "Crediting Period Start Date") using an "if-statement" to ensure that the crediting period for a parcel did not start prior to the monitoring period. A column has been added to table 13 in section 2.2.5 of the monitoring report for the PAI "Crediting Period Start Date," to clarify that no credits were retroactively claimed. This column shows that no credits have been claimed prior to January 1, 2017, even though certain project activities may have started prior to that date.	FUNDAECO VM0015 v2.5.xlsm *FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.15*

Verifier Issue	Issue ID:	19-11	Status: Closed, FAR	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Biodiversity Monitoring	Section 5: Biodiversity	Non conformance, changed to a FAR.	The documents submitted as evidence of biodiversity monitoring do not cover or present monitoring results through the end of the reporting period (calendar year 2018). With the exception of the report highlighting the results of bird monitoring through 2018, all of the other reports and documentation provided only cover results through the end of calendar year 2017 or earlier.				
			Verifier Response 06/14/19 Verifiers are satisfied with the response, though note that inability to present biodiversity monitoring results for trigger species populations in 2018 other than birds should be stated more clearly, not just in this issues log and in the documentary evidence provided, but also in the MIR itself, and in particular in section 5.4.1.				

			While the maintenance of forest cover and the periodic patrols of the areas inhabited by these trigger species give reasonable assurance that the project activities most probably only contributed to their protection, this finding becomes a **FAR** that needs to be addressed during the next verification until the proponents are able to effectively prove through their future and normal monitoring activities and results that these trigger species remain in the specific project areas.	

Project Proponent Response		
Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	The report only covers 2017 monitoring due to the fact that the bridge that provides access to Sierra Caral Reserve was inaccessible during the dates that the monitoring team arrived to the site. Due to these road conditions, the project team wasn´t able to execute the monitoring in the usual transects. Access conditions were just improved at the end of the rainy season of 2018, thus not allowing the project team to follow the protocol on monitoring year 2018. A clarification note was included in the document *Amphibian Monitoring Report 2017*.	*Amphibian Monitoring Report 2017*.

Verifier Issue	Issue ID:	19-12	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Non Permanence Risk	Section 2.2.6: Risks to the Project	Possible non conformance.	The verifier team seek further information regarding the evidence submitted to determine the risk factor for the financial viability of the project in the non-permanence risk reports: • At the time of the project's validation and initial verification, the project submitted a cash flow analysis that determined that the breakeven point for the project would be reached at year 8. For the current verification, the cash flow analysis shows that the project has not only already reached its breakeven point, but that it did so as early as 2012, which is the year of the start date of the project. The verifier team seeks further clarification/explanation as to this notable change in cashflow, and requests a "roadmap", or a narrative description, identifying the new				

			changes in the project costs and/or revenues that have allowed for this considerable change to the project's financial operations and forecasts, and where these items can be identified within the cash flow spreadsheet submitted. ● There are numerous broken references in the "FUNDAECO Budget and Cashflow Analysis 2012-2041 M2 2016-2018" spreadsheet. The verifier team requests that these be fixed in order to determine if the analysis carried out was done according to the criteria documents and that the appropriate evidence to help corroborate some of these new costs and revenues be included.	
			Verifier Response 06/20/19 Verifiers are satisfied with the response, though still note the following discrepancy and also have one other minor information request: ● Discrepancy: The revenues/costs presented don't match between the budget spreadsheet & the NPV spreadsheet. See Project Scenario tab in the NPV Analysis sheet, Row 66, vs. FUNDAECO Budget spreadsheet, Cashflow tab, row 72 ● Information request: a 6.5 % rate was used in the analysis provided. The verifier team requests additional information as to the source and/or justification of this rate. This issue remains open.	
			Verifier Response 07/03/19 Verifiers are satisfied with the response and note that the NPV Analysis 2.5.xlsx has now been appropriately updated to include revenues/costs that match those provided in the latest Budget and Cashflow Analysis. In addition, via email on July 1st, 2019, the project proponents have clarified that the 6.5 % rate used in the Budget and Cashflow analysis corresponds to the interest rate of the loan received from the Althali Climate Fund (ACF). Verifiers found this interest rate reasonable and in accordance with other types of loans that are typically made available for REDD projects through other climate funds, such as the Althelia fund, as well as the CAF (a development bank of Latin America. This issue is now closed.	

Project Proponent Response		
Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***

5-Jun-19	As requested by the audit team, the broken references are now repaired on the project cashflow. It is important to note that the project cashflow has undergone significant changes since validation and the first verification due to the revised financial and implementation strategy. Additionally, some of these changes, specifically the arrangement fee, were not correctly reflected in the cashflow projection initially provided to the auditor, so we are requesting that the audit team consider this new version *FUNDAECO Budget and Cashflow Analysis 2012-2041 M2 2016-2018V2* as well as explanations for the major changes in the project's finances below: ● FUNDAECO has entered into a Loan and arrangement fee agreement with a climate fund (ACF). Both the Loan and the arrangement fee were renegotiated after the validation and first verification, affecting the cashflow and the risk analysis in a positive way. ○ First, the initial loan was reduced in more than 300,000 USD dollars due to a reduction of the project surface; meaning a reduction in the project costs. This is reflected in the annual investment dropping from the planned budget presented in the validation and used in the first risk analysis, to actual the cashflow and last risk analysis. ○ Second, the arrangement fee and the loan payment were reduced due to an early sale of VCUs and an early payment. ● The projected costs of project implementation were projected to be much higher due to the projected adoption rate of the project. However, the project area has not been able to grow as substantially as was originally predicted, therefore, adjustments have been made to the projected program costs in order to reflect the reality of the existing project area and a slower adoption rate. ● Overall, the payment of the arrangement fee and loan were able to be dramatically reduced through the sale of existing credits and forward sale of several years of future credit generation. This has substantially reduced the anticipated costs of the project.	*FUNDAECO Budget and Cashflow Analysis 2012-2041 M2 2016-2018V2*
28-Jun-19	The audit team has correctly identified that there was a mismatch in the data provided in the NPV Analysis and the Budget and Cashflow spreadsheet as it was referencing an older version of the cashflow model. The document "NPV Analysis 2.5.xlsx" has been updated to include revenues/costs that match those provided in the latest budget spreadsheet, FUNDAECO Budget and Cashflow Analysis 2012-2041 M2 2016-2018V2.xlsx. Additional information regarding the discount rate of 6.5% was shared directly with the audit team by e-mail.	*NPV Analysis 2.5.xlsx*

Verifier Issue	Issue ID:	19-13	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	

Non Permanence Risk	Section 2.2.6: Risks to the Project	Possible non conformance.	The verifier team notes that as evidence of the project's opportunity cost risk determination that the project proponents have made reference to a document entitled "NPV Analysisv2.4" in each of the risk reports submitted. However, this document has not been made available to the verifier team.	
			Verifier Response 06/20/19 As was noted in the previous issue, the revenues/costs presented don't match between the budget spreadsheet & the NPV spreadsheet. See Project Scenario tab in the NPV Analysis sheet, Row 66, vs. FUNDAECO Budget spreadsheet, Cashflow tab, row 72. This issue remains open.	
			Verifier Response 07/03/19 Verifiers are satisfied with the response and can now bring this issue to a close.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5-Jun-19	The document "NPV Analysis 2.4" has been provided to auditors for review.	*NPV Analysis 2.4.xlsx*
28-Jun-19	See response to issue 19-12 above. This error has been corrected and the latest version of the NPV Analysis aligns with the Budget and Cashflow document.	*NPV Analysis 2.5.xlsx*

Verifier Issue	Issue ID:	19-14	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Monitoring GHG Emission Reductions and Removals	Section 3.1.1 and 3.1.2 Data and Parameters Available at Validation and Monitored	Possible non conformance.	The verifier team seeks further information with regards to all of the applicable data and parameters to be monitored during this reporting period. While the tables in section 3.1.2 of the monitoring report make reference to particular tables in the "MR Template" tab of the "FUNDAECO VM0015 Accounting Model v3.4", the verifier team is unable to trace the actual references for these parameters within these tables, and thus can't trace and/or crosscheck the resulting figures to their original inputs and calculations. Further information and/or explanations of how individual parameters are incorporated into the accounting model are necessary in order for the verifier team to be able to check the appropriateness, consistency and accuracy of all the parameters used to arrive at the emissions reductions results.			
			S&A Response 05/20/2019				

			As of the date of issuance of this issues log, the verifier team has received the spreadsheet demo provided by the project proponents and is still reviewing this material in order to make a determination. Any additional information that could help trace back the results reported in the tables presented in the "MR Template" tab of the accounting model spreadsheet back to the original parameters required by the methodology would be most appreciated, as further evidence and/or explanations may be warranted, even after review of the demo document provided. This issue remains open.	
			S&A Response 06/20/2019 While the visit to the TC offices and the demo presented have both aided and clarified for the verifier team how the methodology's required parameters are utilized in order to arrive at the final emissions reductions; the verifier team still considers that the accounting model spreadsheet provided falls short of complying with the transparency principal of the VCS standard, as it doesn't disclose a clear and easily discernable approach for a third-party to independently asses and determine the accuracy of all the conversion factors, formulas, and calculations involved and required by the methodology. In particular, the verifier team requests further information that could help corroborate the appropriate use and determination of the following monitored parameters: EBBBSLPAt; ΔCPAdPA; ΔCPAdPAt; ΔCPAiPA; ΔCPAiPAt; ΔCPSPA; ΔCPSPAt In order to do so, the verifier team requests either a narrative step by step description, or a summary that can illustrate the particular inputs, spreadsheet formulae, and or code utilized, to arrive at the results presented in columns DZ and ED of table BH in the MR table tab of the Accounting Model spreadsheet.	
			Verifier Response 07/05/19 Upon review of the additional information and evidence presented, and in particular the manual accounting model now included in the project documentation, the verifier team can now confirm that they are able to corroborate the appropriate use and determination of the required monitored parameters by being able to trace back the particular inputs, spreadsheet formulae, and/or code utilized, to arrive at the results presented in the MR table tab of the Accounting Model spreadsheet. As a result, this issue can be brought to a close.	

Project Proponent Response		
Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***

20-May-19	On May 17, 2019, the lead auditor visited the offices of the project's technical consultants in Berkeley in order to better understand how these parameters are used and calculated in order to arrive at the final emissions reductions for the monitoring period. In addition, on May 19, 2019, the consultants provided the lead verifier with a spreadsheet demo which shows how some of the calculations are carried out in a manual manner.	*"Ex-Post Demo v2.2.xlsx"*
28-Jun-19	The TC team has provided the audit team with an additional spreadsheet recreating the calculations made in the VM0015 Accounting Model. Through the generation of the "FUNDAECO Manual Accounting Model v1.5" for audit transparency, a small error was noted in the number of days being used for the interpolation/calculation of emissions. This mistake was corrected across both accounting models and the updated accounting models and supporting documentation are provided to the auditors for reference. Emissions calculations results are the same as those reported in the MR template tab of the VM0015 Accounting Model. All formulas and calculations are easily traceable and additional context is provided within this model where needed, meeting the transparency principles of VCS.	*"FUNDAECO_Manual Accounting Model_v1.5"* Documents with slight changes due to update: *"FUNDAECO VM0015 Accounting Model v2.6"* *"FUNDAECO REDD+ Non-Permanence Risk Report_Risk Area A v3.3"* *"FUNDAECO REDD+ Non-Permanence Risk Report_Risk Area B v3.3"* *"Resumen MIR 2017_2018V1.2"* *"FUNDAECO CCB_VCS_Monitoring_Report_CCBv3.0 _VCSv3.4_v1.16"*

Verifier Issue	Issue ID:	19-15	Status: Closed	Checked by: PER		Date Identified	17-May-19
VCS/CCBS Rule/Procedure	**MR Section**	**Significance**	**Issue Description**			**Comments**	
Monitoring GHG Emission Reductions and Removals	Section 3.1.1 and 3.1.2 Data and Parameters Available at Validation and Monitored	Possible non conformance.	The verifier team seeks further information with regards to how changes in baseline emissions for the project and leakage areas have been determined/incorporated into the model as a result of the addition of the new project instances during this reporting period.				
			S&A Response 06/17/2019 The verifier team was able to review with the technical consultants exactly how changes to the project area, leakage, and other pertinent areas of the project are incorporated into the accounting model as a result of the newly added PAIs. This was done during both a conference call, on June 4, 2019, as well as a visit to project's technical consultants' office in Berkeley, California on May 17 in order to review the project's entire accounting model code and calibration.				

			After this review, the verifier team is now reasonably assured that the validated accounting model used at validation has not changed, but that changes to the project and leakage areas as a result of the new PAIs are incorporated correctly as new inputs at the onset of the model, and that it considers changes to the baseline and project emissions estimates appropriately and in accordance with the methodology. This issue is now closed.	

Project Proponent Response

Date	***Project Proponent Comment/Response***	***Additional evidence submitted for review by Project Proponents***
5/17/2019	The project's technical consultants met with the verification team in order to review the accounting model code to show how and where the baseline emissions are being impacted by changes in the project and leakage area sizes at verification.	