

VALIDATION AND VERIFICATION REPORT

American Carbon Registry

The Nature Conservancy Washington Rainforest Renewal Project

Reporting Period:

05 June 2020 to 30 November 2020

Prepared for:

Spatial Informatics Group

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AMERICAN CARBON REGISTRY

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Executive Summary

This report describes the validation and initial verification services provided for The Nature Conservancy Washington Rainforest Renewal Project (“the project”), an improved forest management project located along the western Washington coastline, that was conducted by SCS Global Services. The overall goal of the validation engagement was to review impartially and objectively the GHG project plan against the requirements laid out in the ACR Standard and relevant methodology. The overall goal of the verification engagement was to review impartially objectively the claimed GHG emission reductions/removal enhancements for the reporting period from 05 June 2020 to 30 November 2020 against relevant ACR standards and the approved methodology. The crediting period for the project, 05 June 2020 to 04 June 2040, was validated under this engagement. The validation and verification engagements were carried out through a combination of document review, interviews with relevant personnel and on-site inspections. As part of the validation and verification engagements 19 findings were raised: 12 Non-Conformity Reports, 5 New Information Requests and 2 Observations. These findings are described in Appendix A of this report. The project complies with the validation and verification criteria, and SCS holds no restrictions or uncertainties with respect to the compliance of the project with the validation and verification criteria.

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1 Introduction

1.1 About SCS Global Services

SCS Global Services (SCS) is a global leader in third-party certification, auditing, testing services, and standards. Established as an independent third-party certification firm in 1984, our goal is to recognize the highest levels of performance in environmental protection and social responsibility in the private and public sectors, and to stimulate continuous improvement in sustainable development. In 2012, Scientific Certification Systems, Inc. began doing business as SCS Global Services, communicating its global position with offices and representatives in over 20 countries.

SCS' Greenhouse Gas (GHG) Verification Program has been verifying carbon offsets since 2008 and to date has verified over 250 million tonnes of CO₂e, providing GHG verification services to a wide array of industries including manufacturing, transportation, municipalities, and non-profit organizations. The GHG Verification Program draws upon SCS's established expertise to serve the global carbon market.

1.2 Objectives

1.2.1 Validation Objectives

The overall goal of third-party validation was to review impartially and objectively the GHG project plan against the requirements laid out in the ACR Standard and relevant methodology. SCS independently evaluated the project design and planning information, based on supporting documentation and GHG validation best practices.

The objectives of validation were to evaluate

- Conformance to the ACR Standard.
- GHG emissions reduction project planning information and documentation in accordance with the applicable ACR-approved methodology, including the project description, baseline, eligibility criteria, monitoring and reporting procedures, and quality assurance/quality control (QA/QC) procedures.
- Reported GHG baseline, ex ante estimated project emissions and emission reductions/removal enhancements, leakage assessment, and impermanence risk assessment and mitigation (if applicable).

SCS reviewed any relevant additional documentation provided by the project proponent to confirm the project's eligibility for registration on ACR.

1.2.2 Verification Objectives

The overall goal of third-party verification was to review impartially and objectively the claimed GHG emission reductions/removal enhancements against relevant ACR standards and the approved

methodology. SCS independently evaluated the GHG assertion, based on supporting evidence and GHG verification best practice. The objectives of verification were to evaluate

- Reported GHG baseline, project emissions and emission reductions/removal enhancements, leakage assessment, and impermanence risk assessment and mitigation (if applicable).
- Any significant changes to the project procedures or criteria since the last verification.
- Any significant changes in the GHG project's baseline emissions and emission reductions/removal enhancements since the last verification.

SCS reviewed the GHG project plan, GHG assertion, and any additional relevant documentation provided by the client to determine

- That the reported emissions reductions and/or removal enhancements are real.
- Degree of confidence in and completeness of the GHG assertion.
- That project implementation was consistent with the GHG project plan.
- Eligibility for registration on ACR.
- Sources and magnitude of potential errors, omissions, and misrepresentations, including the
 - Inherent risk of material misstatement.
 - Risk that the existing controls of the GHG project would not have prevented or detected a material misstatement.

1.3 Scope

1.3.1 Scope of Validation

The validation included examination of all of the following elements of the GHG project plan:

- Project boundary and procedures for establishing the project boundary
- Physical infrastructure, activities, technologies, and processes of the project
- GHGs, sources, and sinks within the project boundary
- Temporal boundary
- Description of and justification for the baseline scenario
- Methodologies, algorithms, and calculations that will be used to generate estimates of emissions and emission reductions/removal enhancements
- Process information, source identification/counts, and operational details
- Data management systems
- QA/QC procedures
- Processes for uncertainty assessments
- Project-specific conformance to ACR eligibility criteria

1.3.2 Scope of Verification

Verification included examination of some or all of the following elements of the GHG project plan:

- Physical infrastructure, activities, technologies, and processes of the GHG project
- GHG SSRs within the project boundary
- Temporal boundary
- Baseline scenarios
- Methods and calculations used to generate estimates of emissions and emission reductions/removal enhancements
- Original underlying data and documentation as relevant and required to evaluate the GHG assertion
- Process information, source identification/counts, and operational details
- Data management systems
- Roles and responsibilities of project participants or client staff
- QA/QC procedures and results
- Processes for and results from uncertainty assessments
- Project-specific conformance to ACR eligibility criteria

SCS examined the reported data, quantification methodologies, calculation spread-sheets or databases, source data, project data management systems, data quality controls in place, measurement and monitoring systems, and records pertaining to emissions quantification. Calculation and error checks, site inspections, interviews with project participants, an iterative risk assessment, sampling plan, and audit checklist were performed to the extent necessary for SCS to develop an understanding of how data are collected, handled, and stored for a specific project.

Finally, as a full verification, the verification services included a field visit to the project site and

- Such carbon stock measurements as SCS required to provide a reasonable level of assurance that the GHG assertion is without material discrepancy (per ACR's materiality threshold of $\pm 5\%$).
- Updated assessment of the risk of reversal and an updated buffer contribution.

1.4 Validation and Verification Criteria

The validation and verification criteria were comprised of the following:

- ACR Standard, Version 6.0
- Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands, Version 1.3 ("the methodology")
- ACR Tool for Risk Analysis and Buffer Determination, Version 1.0

1.5 Level of Assurance

The level of assurance was reasonable.

1.6 Treatment of Materiality

For validation purposes, a material misstatement was declared if any of the following circumstances were detected:

- The physical or geographic boundary of the GHG project plan was not reasonably accurate.
- In respect of the project baseline,
 - The procedures for determining baseline emissions were not technically sound.
 - Data representative of the operations and activities had not been used, either from a single year or a multi-year average.
 - The baseline scenario chosen was not one for which verifiable data are available.
- In respect of the quantification methodology,
 - The quantification method for each data type was not clearly defined, and/or the degree of supporting documentation provided was inadequate to support a reasonable level of assurance.
 - Methods were not appropriate for accurately quantifying each data type:
 - Activity data had not been correctly applied from the original documentation.
 - The most accurate activity data readily available had not been used.
 - The quantification methodology did not account for all variations in activity data over the relevant crediting period.
 - Any emission factors used did not meet the requirements of the approved methodology and/or are not appropriate to the activity.
 - Any emission factors used had not been correctly applied from the original documentation to the relevant activity data.
 - The most appropriate factors readily available had not been selected.
 - Where there was a choice among equally defensible emission factors, the principle of conservativeness had not informed the choice of emission factors.
 - Methods were not applied consistently to develop estimates of emission reductions and removal enhancements.
 - The ISO principle of conservativeness was not applied; i.e., the choice of assumptions, calculation methods, parameters, data sources, and emission factors was not more likely to lead to an underestimation than overestimation of net GHG emission reductions and removal enhancements.

For verification purposes, it was required that discrepancies between the emission reductions/removal enhancements claimed by the project proponent and estimated by SCS be immaterial, i.e. be less than ACR's materiality threshold of $\pm 5\%$, as calculated according to the equation in the ACR Standard.

1.7 Summary Description of the Project

The project is located in western Washington state and is aimed at improved forest management, with a significant improvement in carbon storage and conservation value. Forest management decisions focus on sustainable, natural forest growth, and a range of commercial thinning intensities, small patch clear-cuts, and non-commercial forest maintenance for essential activities and forest health. The aim of the project is to ensure long term continuance of all environmental benefits provided by the conservation of the forestlands.

2 Assessment Process

2.1 Method and Criteria

The validation and verification services were provided through a combination of document review, interviews with relevant personnel and on-site inspections, as discussed in Sections 2.2 through 2.4 of this report. At all times, an assessment was made for conformance to the criteria described in Section 1.2 of this report. As discussed in Section 2.5 of this report, findings were issued to ensure conformance to all requirements.

The audit team created a sampling plan following a proprietary sampling plan template developed by SCS. The audit team identified areas of "residual risk"—those areas where there existed risk of a material misstatement (see Section 1.6 above) that was not prevented or detected by the controls of the project. Sampling and data testing activities were planned to address areas of residual risk. The audit team then created a validation and verification plan that took the sampling plan into account.

2.2 Document Review

The GHG project plan (WRRP_GHGPlan_20210706.docx; "PP") and monitoring report (WRRP_ACR574_MonitoringReport_20210421.docx; "MR") were carefully reviewed for conformance to the validation and verification criteria. The following provides a list of additional documentation, provided by project personnel in support of the aforementioned documents, that was reviewed by the audit team.

Documentation Reviewed During the Course of Validation and Verification Activities		
Document	File Name	Ref.
Raw forest inventory cruise data	TNC_RF00_DATA_090220_Master.xlsx	1
Raw cruise summary metrics	TNC_RF01_Inventory_Raw_Data_JulyAug2020_20200921.xlsx	2
Site Index calcs and FVS tables	TNC_RF02_SiteIndexforPlots_20200921.xlsx	3

FVS Key File (cruise data)	TNC_RF03_FVS.key	4
FVS Out File (cruise data)	TNC_RF03_FVS.out	5
Cruise data grown forward	TNC_RF03_FVS_Aug2020_20201108.accdb	6
Average % sound defect	TNC_RF04_FVS_Aug2020_AvgDefect_20200914.xlsx	7
FVS tables for cruise data	TNC_RF05_FVS_Aug2020_PlotAvg_20200921.xlsx	8
Tables of GIS attributes and acres	TNC_RF06_PlotStratum_Aug2020_20201123.xlsx	9
Raw Cruise data degrown	TNC_RF07_Degrowth_June5th_20201108.xlsx	10
FVS key file (Start Date)	TNC_RF08_FVS.key	11
FVS out file (Start Date)	TNC_RF08_FVS.out	12
Cruise data grown to June 5 th	TNC_RF08_FVS_June5th2020_20201108.accdb	13
June 5 th plot biometrics	TNC_RF09_FVS_June2020_PlotAvg_20210430.xlsx	14
Stumpage values per MBF	TNC_RF10_Stumpage_20201112.xlsx	15
Bd ft FIA data	TNC_RF11_FIA_DATA_DEFECT_PCT_20200912.xlsx	16
Baseline scenario data	TNC_RF12_LP_NPVBaseline_20201124v.xlsx	17
Project scenario data	TNC_RF13_LP_NPVProject_20201124v.xlsx	18
No Cut harvest scenario	TNC_RF14_LP_NPVNoCut_20201124v.xlsx	19
ERT calculation spreadsheet	TNC_RF15_IFM_ERT_NPVSchedule_20210816.xlsx	20
Rx parameters and key files	TNC_RF16_FVS_Rxs_20201110.xlsx	21
FVS key file (all simulations)	TNC_RF17_FVS_Rxs_20201110.key	22
All growth and yield simulations	TNC_RF18_FVS_Rxs_20201110.accdb	23
Adjacency Grid	TNC_RF19_AdjacencyGrid_50pct_20201130.xlsx	24
Project files walkthrough	TNC-RF20_Quant_Files_20201125.docx	25
Monitoring Report	WRRP_ACR574_MonitoringReport_20210421.docx	26
Greenhouse Gas Plan	WRRP_GHGPlan_20210706.docx	27
Forest Inventory Manual	SIG_TNC_WA_Carbon inventory manual_ 8.23.20_Final.pdf	28
GIS data	TNC_WA_RR_Data_for_Verifiers.gdb	29
GIS data	TNC_WA_RR_Strata.shp	30
GIS data	HydroRestrictionData_20210304.gdb	31
FSC Certification	22 - Clearwater Forest Reserve-The Nature Conservancy of Washington.pdf	32
FSC Certification	29 - Ellsworth Creek Preserve-The Nature Conservancy of Washington.odf	33
Ellsworth Creek Preserve Management Plan	South Willapa Bay Conservation Area Forest Landscape Restoration Plan.pdf	34
Clearwater Management Plan	cwr_fmp_v2.pdf	35
Start Date Document	Spatial Informatics Group Inc_WA-C-200413-052_Signed.pdf	36

Index of Deeds	Deed Index - WA Rainforest Renewal.docx	37
Clearwater Tract	Clearwater Tracts_labeled.jpg	38
Ellsworth Tract	Ellsworth Tracts_labeled.jpg	39
Hoh Tract	Hoh Tracts_labeled.jpg	40
Ellsworth Deeds Reviewed	3089970.pdf, 3114743.pdf	41
Clearwater Deeds Reviewed	587808.pdf, 558204.pdf,	42
Hoh Deeds Reviewed	590335.pdf, 608699.pdf, 608700.pdf, 608701.pdf	43
Ellsworth Flowchart	Ellsworth Restrictions Flowchart (Draft).pdf	44
Clearwater/Hoh Flowchart	Clearwater & Hoh Restrictions Flowchart (Draft).pdf	45
Regional Forestry Doc	58_Worthington1961a.pdf	46
Regional Forestry Doc	wa_timber_harvest_2017_final3.pdf	47
Regional Forestry Doc	pnw_gtr598_ClrCut_Dfir.pdf	48
Regional Forestry Doc	WA-forestfacts-and-figures.pdf	49
Regional Forestry Doc	WRRP - Mill Capacity and Common Rx	50
ACR Reversal Risk Mitigation Agreement	ACR574_ACR AFOLU Carbon Project Reversal Risk Mitigation Agreement V5-0_August 2020 (003).pdf	51
Annual Attestation	ACR574_RP1_annual-project-attestation_20210430 (002).pdf	52

2.3 Interviews

2.3.1 Interviews of Project Personnel

The process used in interviewing project personnel was a process wherein the audit team elicited information from project personnel regarding (1) the work products provided to the audit team in support of the PD and MR; (2) actions undertaken to ensure conformance with various requirements and (3) implementation status of the project activities. The following provides a list of personnel associated with the project proponent who were interviewed.

Interview Log: Individuals Associated with Project Proponent			
Individual	Affiliation	Role	Date(s) Interviewed
Tim Kramer	SIG	Carbon Operations Manager	Throughout Audit
Kyle Smith	The Nature Conservancy	Washington Forest Manager	Site Visit
Nick Dolecek	Dolecek Enterprises Inc.	Inventory Specialist	Site Visit

2.3.2 Interviews of Other Individuals

The process used in interviewing individuals other than project personnel was a process wherein the audit team made inquiries to confirm the validity of the information provided to the audit team. The

following personnel not associated with the project proponent. The following provides a list of individuals not associated with the project proponent who were interviewed.

Interview Log: Individuals Not Associated with Project Proponent			
Individual	Affiliation	Role	Date(s) Interviewed
Bryan Suslick	Washington DNR	Fire District Manager	April 27, 2021
Bruce Hazen	Washington DNR	Forester	April 29, 2021
Dan Omdal	Washington DNR	Forest Pathologist	04/27/21

2.4 Site Inspections

The objectives of the on-site inspections were as follows:

- Ensure that data collection for sequential sampling purposes (t-test) was carried out to the highest possible quality standards and that our client was comfortable with the work being performed
- Perform field reconnaissance to independently confirm:
 - That the project area has more than 10% canopy cover (or equivalent stocking)
 - Absence of any unreported disturbance or timber harvest
 - Ground-truth stratification of project area
- Independently check the accuracy of spatial information on ownership, as used in delineation of the project area, by visiting a sample of corners or other ownership monuments and comparing actual locations to mapped locations.

In support of the above objectives, the audit team performed an on-site inspection of the project area on the dates 10 January 2021 through 15 January 2021. The main activities undertaken by the audit team were as follows:

- Interviewed project personnel (see Section 2.3.1 of this report) to gather information regarding the monitoring procedures and project implementation
- Carried out on-site inspections of the project's measurement and/or monitoring methodologies through the following activities:
 - Inspected the project areas, visually observing past management types, and taking GPS coordinates at survey markers throughout each major tract in the project area.
 - Selected a sample of inventory data using simple random selection methods.
 - At each selected sample location, took on the ground measurements.
 - Verified the sample by running a paired sample t-test on the independently calculated Mt CO₂e/acre on each plot.
- Review of management's commitment to the carbon project.
- Assessment of project during the reporting period to confirm that the project scenario consists of maintaining above baseline carbon stocks through carbon sequestration.

2.5 Resolution of Findings

Any potential or actual discrepancies identified during the audit process were resolved through the issuance of findings. The types of findings typically issued by SCS during this type of validation and verification engagement are characterized as follows:

- **Non-Conformity Report (NCR):** An NCR signified a discrepancy with respect to a specific requirement. This type of finding could only be closed upon receipt by SCS of evidence indicating that the identified discrepancy had been corrected. Resolution of all open NCRs was a prerequisite for issuance of a validation and/or verification statement.
- **New Information Request (NIR):** An NIR signified a need for supplementary information in order to determine whether a material discrepancy existed with respect to a specific requirement. Receipt of an NIR did not necessarily indicate that the project was not in compliance with a specific requirement. However, resolution of all open NIRs was a prerequisite for issuance of a validation and/or verification statement.
- **Observation (OBS):** An OBS indicates an area where immaterial discrepancies exist between the observations, data testing results or professional judgment of the audit team and the information reported or utilized (or the methods used to acquire such information) within the GHG assertion. A root cause analysis and corrective action plan are not required, but highly recommended. Observations are considered by the audit team to be closed upon issuance, and a response to this type of finding is not necessary.

As part of the audit process, 12 NCRs, 5 NIRs and 2 OBS were issued. All findings issued by the audit team during the audit process have been closed. All findings issued during the audit process, and the impetus for the closure of each such finding, are described in Appendix A of this report.

2.6 Techniques and Processes Used to Test the GHG Information and GHG Assertion

The audit team applied various techniques and processes to test the GHG information and the GHG assertion over the course of the audit, listed below:

- Review of project documentation including the MR, ownership documentation (Refs. 26,37), attestations (Refs. 51-52), spatial information (Refs. 29-31), modeling files (Refs. 4,5,6,11,12,13,22,23), certifications (Refs.32,33) referenced management plans (Ref. 34,35), and calculation workbooks (Refs. 17-20) to check for project-specific conformance to ACR standard and methodology, appropriateness of methodologies and tools applied, accuracy of GHG information and assertion.
- Assessment of any disturbances or forest management activities that took place in the project area during the reporting period.

- Review of project scenarios.
- Review of the sources, sinks and reservoirs of GHG emissions within the project boundary (Refs. 26,27).
- Assessment of eligibility, additionality, GHG emission reduction assertion and underlying monitoring data to determine if either contained material or immaterial misstatements.
- Assessment of the emission reduction calculation inputs and procedures was performed to review the quantitative analyses undertaken by SIG to convert the raw inventory data into emission reduction estimates during the reporting period. This included a re-calculation of project emissions, ERTs, and uncertainty using inventory data as described below in section 3.1 and 3.2 (Refs. 17-20).
- Communicate with project personnel and project proponent via interviews, emails, and meetings to gain a better understanding of the project team's methodologies.
- Examine the data management and quality control processes and its controls for sources of potential errors and omissions.
- Review of project documentation including risk assessment and regulatory compliance.

3 Validation Findings

3.1 Project Boundary and Activities

3.1.1 Project Boundary and Procedures for Establishment

A description of the physical boundary of the project was provided, which is located on 21,471 acres of coastal conifer forests in western Washington. The project land consists of three main units (Hoh, Clearwater, and Ellsworth), which follow the Olympic coast of western Washington. The Hoh and Clearwater units are located near the Olympic National Park while the Ellsworth unit is located adjacent to the Willapa National Wildlife Refuge in southwestern Washington. The land is owned and managed by The Nature Conservancy. All parcels within the project will become certified by Forest Stewardship Council (FSC) within one year of project implementation, with the Clearwater and Ellsworth already holding their FSC certification (Ref. 32, 33). The audit team confirmed that the boundaries were well documented throughout both the document review and site visit activities. During the site visit the audit team independently checked the accuracy of spatial information on ownership, as used in delineation of the project area, by visiting a sample of corners or other ownership monuments and comparing actual locations to mapped locations. Likewise, during document review the audit team inspected project shapefiles (Refs. 29) to confirm project boundaries are accurately represented as compared to boundaries mapped during the site visit, maps provided in the PP, and available satellite imagery.

3.1.2 Physical Infrastructure, Activities, Technologies and Processes

The audit team reviewed the PP and project documentation (Refs. 26-27) which indicate potential infrastructure, activities, and technologies used within the project area. The project activity consists of

natural forest management focusing on sustainable forest growth and a range of commercial thinning intensities, small patch clear-cuts, and non-commercial forest maintenance for essential activities and forest health. The audit team concluded that project activities, infrastructure and technologies will be an improvement in the carbon storage and sustainable forest practices of the area.

3.1.3 GHGs, Sources, and Sinks within the Project Boundary

The GHG sources, sinks and/or reservoirs that are applicable to the Project were confirmed. The sources, sinks, and reservoirs of GHG emissions within the project boundary are listed in the table below. This is the case for both the baseline and project scenarios.

Description	Included / Excluded	Gas	Justification
Above-ground biomass carbon	Included	CO ₂	Major carbon pool subjected to the project activity.
Below-ground biomass carbon	Included	CO ₂	Major carbon pool subjected to the project activity.
Standing dead wood	Included	CO ₂	Major carbon pool in unmanaged stands subjected to the project activity.
Harvested wood product	Included	CO ₂	Major carbon pool subjected to the project activity.
Burning of biomass	Included	CH ₄	Non-CO ₂ gas emitted from biomass burning. Please note, no burning is planned in the project.

3.1.4 Temporal Boundary

The ACR Standard indicates that the project must have a validated/verified Start Date of January 1, 2000 or after. Also, in accordance with Chapter 3 of the ACR Standard, the start date is defined as the date that the Project Proponent entered into a contractual relationship to implement a carbon project. SCS was able to review the PP, MR, and relevant contractual documents (Ref. 36) for authenticity and to confirm that each document consummated "a contractual relationship to implement a carbon project." SCS concluded that the documents provided indicate the project start date is eligible.

In ACR the minimum project term is 40 years and the eligible crediting period for this type of project is also listed as 40 years. SCS confirmed that the PP included a timeline with a first crediting period of 20 years and a minimum project term of 40 years.

3.2 Description of and Justification for the Baseline Scenario

The methodology defines the baseline scenario as an estimation of the GHG emissions or removals that would have occurred if the Project Proponent did not implement the project. The PP indicates that “The Baseline Scenario represents harvest levels that maximize the net present value (NPV) at a 4% discount rate (for non-governmental organizations) subject to TNC’s existing harvest constraints, which limits harvest regimes to be more conservative than typical practices in the project region on privately owned lands.” The audit team confirmed that the prescriptions are common in the area on private lands as well as recommended under published sources (Refs. 34,35,44,45,46,47,48,49,50).

During the site visit and through interviews with local managers the audit team verified that aggressive industrial timber harvesting is common practice in the region. The audit team also conducted a financial feasibility assessment of the baseline scenario by obtaining regional stumpage rates and tax rates to independently verify NPV. SCS determined that the harvesting rate indicated in the baseline scenario would be feasible.

3.3 Project-Specific Conformance to ACR Eligibility Criteria

The audit team reviewed the demonstration of conformance, as set out in the PP, to each of the relevant eligibility criteria listed in the ACR Standard. The audit team confirmed the full conformance of the project with the relevant eligibility criteria. A more detailed assessment of the audit team’s findings is provided below.

Actions Undertaken to Confirm Conformance to Eligibility Criteria		
Criterion	ACR Requirement	Validation Activities
Start Date, All Projects	Non-AFOLU Projects must be validated within 2 years of the project Start Date. AFOLU Projects must be validated within 3 years of the project Start Date.	Confirmation that this report was issued less than 3 years after 5 June 2020, the start date of the project according to the PP.
Start Date Definition, Non-AFOLU Projects	ACR defines the Start Date for all projects other than AFOLU as the date on which the project began to reduce GHG emissions against its baseline.	Not applicable; this project is an AFOLU project.
Start Date Definition, AR or Wetland Projects	For AR or Wetland restoration/revegetation projects, the Start Date is when the Project Proponent began planting or site preparation.	Not applicable; the project is not an AR or wetland project.

Start Date Definition, IFM Projects	<p>For IFM, the Start Date may be denoted by one of the following:</p> <ol style="list-style-type: none"> 1. The date that the Project Proponent began to apply the land management regime to increase carbon stocks and/or reduce emissions relative to the baseline. 2. The date that the Project Proponent initiated a forest carbon inventory. 3. The date that the Project Proponent entered into a contractual relationship to implement a carbon project. 4. The date the project was submitted to ACR for listing review. <p>Other dates may be approved by ACR on a case by case basis.</p>	SCS was able to review the PP, MR, and relevant contractual documents (Ref. 36) for authenticity and to confirm that each document consummated "a contractual relationship to implement a carbon project."
Start Date Definition, Avoided Conversion Projects	For Avoided Conversion of non-forest, the Start Date is when the Project Proponent implemented the project action physically and/or legally, such as securing a concession or placing a land conservation agreement on the project land.	Not applicable; the project is not an avoided conversion project.
Start Date Definition, Other Agricultural Land-based Projects	For other Agricultural Land-based projects, the Start Date is the date by which the Project Proponent began the Project Activity on project lands, or the start of the cultivation year during which the Project Activity began.	Not applicable; the project is not an other agriculture land-based project.
Minimum Project Term (AFOLU Projects Only)	Project Proponents of AFOLU projects with a risk of reversal shall commit to a Minimum Project Term of 40 years. The minimum term begins on the Start Date, not the first or last year of crediting. This requirement applies only to AFOLU projects that have had ERTs issued that are associated with GHG removals (sequestration). AFOLU projects that have claimed only avoided emissions are not subject to this requirement.	Review of the PP to confirm that the minimum term is 40 years, as required.
Crediting Period	<p>The Crediting Period for non-AFOLU projects shall be 10 years.</p> <p>All AR projects shall have a Crediting Period of 40 years.</p> <p>All IFM projects shall have a Crediting Period of 20 years.</p> <p>Avoided Conversion projects on both forest and non-forest land with land conservation agreements in place shall have a Crediting Period</p>	Review of the PP to confirm that the crediting period is 20 years, as required given the project type.

	<p>of 40 years, unless otherwise specified in chosen methodologies.</p> <p>Wetland Restoration/Revegetation projects shall have a Crediting Period of 40 years.</p> <p>The Crediting Periods for agriculture projects that avoid emissions by changing to lower GHG practices and those that include a soil sequestration component will be specified in the applicable methodology.</p>	
Real	<p>GHG reductions and/or removals shall result from an emission mitigation activity that has been conducted in accordance with an approved ACR Methodology and is verifiable.</p> <p>ACR will not credit a projected stream of offsets on an ex-ante basis.</p>	<p>Review of the emission mitigation activity, as described in the PP, to confirm that it conforms to the requirements of the methodology and will be verifiable if implemented as described.</p>
Emission or Removal Origin (Direct Emissions)	<p>The Project Proponent shall own, have control over, or document effective control over the GHG sources/sinks from which the emissions reductions or removals originate. If the Project Proponent does not own or control the GHG sources or sinks, it shall document that effective control exists over the GHG sources and/or sinks from which the reductions/ removals originate.</p>	<p>Reviewed the supporting documentation, as described in the PP, and a sample of the ownership documentation provided (Refs 37-43) to confirm that Project Proponent have control over the GHG sources/sinks from which the emissions reductions or removals originate on their respective properties. Evidence of land title for each parcel in the project area was provided and confirmed (Refs.37-43).</p>
Emission or Removal Origin (Indirect Emissions)	<p>For projects reducing or removing non-energy indirect emissions, the following requirement applies:</p> <p>The Project Proponent shall document that no other entity may claim GHG emission reductions or removals from the Project Activity (i.e., that no other entity may make an ownership claim to the emission reductions or removals for which credits are sought).</p>	<p>Not applicable; the project is not reducing or removing non-energy indirect emissions.</p>
Offset Title (All Projects)	<p>The Project Proponent shall provide documentation and attestation of undisputed title to all offsets prior to registration. Title to offsets shall be clear, unique, and uncontested.</p>	<p>Confirmed by reviewing attestation that no offsets exist or were sold prior to registration of the project (Refs. 51-52).</p>
Land Title (AFOLU Projects Only)	<p>For U.S. projects with GHG emissions reductions resulting from terrestrial sequestration, Project Proponents shall provide documentation of clear, unique, and uncontested land title. For international projects, Project Proponents shall provide documentation and/or attestation of land title; ACR may require a legal review by an expert in local law.</p> <p>Land title may be held by a person or entity other than the Project Proponent, provided the</p>	<p>Reviewed land title documents (Refs. 37-43) along with an independent review of ownership using the county's tax assessor maps database which included property data, county assessor data, and up to date maps. Additionally, on site, various property survey markers were confirmed the accuracy of the associated boundary claimed. Both Jefferson county and Pacific county tax assessor data databases were utilized.</p>

	<p>Project Proponent can show clear, unique, and uncontested offsets title.</p> <p>AFOLU projects that result only in the crediting of avoided emissions with no risk of reversal may not require demonstration of land title.</p>	
Additional	<p>Every project shall use either an ACR-approved performance standard and pass a regulatory surplus test, or pass a three-pronged test of additionality in which the project must:</p> <ol style="list-style-type: none"> 1. Exceed regulatory/legal requirements; 2. Go beyond common practice; and 3. Overcome at least one of three implementation barriers: institutional, financial, or technical. 	Confirmation that the project meets all relevant additionality requirements (see Section 3.4 below for more details).
Regulatory Compliance	<p>Projects must maintain material regulatory compliance. To do this, a regulatory body/bodies must deem that a project is not out of compliance at any point during a reporting period. Projects deemed to be out of compliance with regulatory requirements are not eligible to earn ERTs during the period of non-compliance. Regulatory compliance violations related to administrative processes (e.g., missed application or reporting deadlines) or for issues unrelated to integrity of the GHG emissions reductions shall be treated on a case-by-case basis and may not disqualify a project from ERT issuance. Project Proponents are required to provide a regulatory compliance attestation to a verification body at each verification. This attestation must disclose all violations or other instances of non-compliance with laws, regulations, or other legally binding mandates directly related to Project Activities.</p>	<p>After performing extensive regulatory compliance checks during this reporting period, the audit team found no indication of any violations regarding regulatory compliance. EPA and ECHO were checked, no violations observed. OSHA records were also check during the reporting period and no violations observed that pertained to the project. Correspondence with area foresters from the Washington DNR indicated that no violations were observed during the reporting period within the project area. Interviews with Bruce Hazen and Bryan Suslick from the Washington DNR resulted in no known violations on the project area. The audit team also reviewed the regulatory compliance section of the MR submitted (Ref. 26).</p>
Permanence (All AFOLU Projects)	<p>AFOLU Project Proponents shall assess reversal risk using ACR's Tool for Risk Analysis and Buffer Determination, and shall enter into a legally binding Reversal Risk Mitigation Agreement with ACR/Winrock that details the risk mitigation option selected and the requirements for reporting and compensating reversals.</p>	<p>Confirmed a total risk percentage of 18% using the ACR Tool for Risk Analysis and Buffer Determination as required by the ACR methodology.</p>
Permanence (Terrestrial Sequestration, Avoided Conversion Projects)	<p>Proponents of terrestrial sequestration or avoided conversion projects shall mitigate reversal risk by contributing ERTs to the ACR Buffer Pool or using another ACR-approved insurance or risk mitigation mechanism.</p>	<p>Confirmed a total risk percentage of 18% using the ACR Tool for Risk Analysis and Buffer Determination as required by the ACR methodology.</p>

Permanence (Geologic Sequestration Projects)	Proponents of geologic sequestration projects shall mitigate reversal risk during the project term by contributing ERTs to the ACR Reserve Account and post-project term by filing a Risk Mitigation Covenant, which prohibits any intentional reversal unless there is advance compensation to ACR, or by using another ACR-approved insurance or risk mitigation mechanism.	Not applicable; the project is not a geologic sequestration project.
Permanence (All Projects)	All projects must adhere to ongoing monitoring, reversal reporting, and compensation requirements as detailed in relevant methodologies and legally binding agreements (e.g., the ACR Reversal Risk Mitigation Agreement).	Confirmed that section D of the PP includes a detailed Monitoring Plan relevant to the methodology.
Net of Leakage	ACR requires Project Proponents to address, account for, and mitigate certain types of leakage, according to the relevant sector requirements and methodology conditions. Project Proponents must deduct leakage that reduces the GHG emissions reduction and/or removal benefit of a project in excess of any applicable threshold specified in the methodology.	Confirmed that a 40% leakage deduction, was applied which is consistent with market-leakage per the methodology. The PP indicates that “Quantification of leakage is limited to market leakage, as no activity-shifting leakage is allowed by the methodology beyond de minimis levels. All parcels within the project will become certified by Forest Stewardship Council (FSC) within one year of project implementation, therefore there is no activity-shifting leakage.” The audit team verified the FSC certifications (Refs 32,33). A finding was issued on this topic, as the language in the Standard requires more than just an FSC certification on the project. See Finding #19 for details. It has been closed as all of project proponent’s land with harvesting in Washington state are certified under FSC.
Independently Validated	ACR requires third-party validation of the GHG Project Plan by an accredited, ACR-approved VVB once during each Crediting Period and prior to issuance of ERTs.	The PP has been independently validated by SCS, an accredited, ACR-approved validation/verification body.
Independently Verified	Verification must be conducted by an accredited, ACR-approved VVB prior to any issuance of ERTs and at minimum specified intervals.	The PP has been independently verified by SCS, an accredited, ACR-approved validation/verification body.
Environmental And Community Assessments	ACR requires that all projects develop and disclose an impact assessment to ensure compliance with environmental and community safeguards best practices. Environmental and community impacts should be net positive, and projects must “do no harm” in terms of violating	Confirmed by reviewing the PP, the annual attestation (Ref. 52), and management plans (Refs. 34,35) indicate that the project has no anticipated negative community or environmental impacts.

	<p>local, national, or international laws or regulations.</p> <p>Project Proponents must identify in the GHG Project Plan community and environmental impacts of their project(s). Projects shall also disclose and describe positive contributions as aligned with applicable sustainable development goals. Projects must describe the safeguard measures in place to avoid, mitigate, or compensate for potential negative impacts, and how such measures will be monitored, managed, and enforced.</p> <p>Project Proponents shall disclose in their Annual Attestations any negative environmental or community impacts or claims thereof and the appropriate mitigation measure.</p>	
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3.4 Demonstration of Additionality

The audit team reviewed the demonstration of additionality, as set out in the PP, and confirmed that the additionality requirements set out in the ACR Standard have been met. A more detailed assessment of the audit team’s findings is provided below.

3.4.1 Regulatory Surplus Test

A regulatory review of the Project was conducted by the audit team. There are no laws, statutes, regulations, court orders, environmental mitigation agreements, permitting conditions, or other legally binding mandates requiring the project activities.

3.4.2 Common Practice Test

The Project showed that similarities exist with the project and nearby private industrial forestland in the region. During the site visit through interviews with local managers and review of published data (Refs. 46-50) for the region, the audit team verified that aggressive timber harvesting practices involving the silvicultural prescriptions claimed in the baseline scenario are common practice in the region.

3.4.3 Implementation Barriers Test

The “financial barrier” option was chosen by the project proponent as an implementation barrier. SCS Global Services received guidance from ACR personnel, in an email dated 6 June 2019, stating the following:

The intent of the financial implementation barrier test encompasses the interpretation and wording in Table 2, in which “carbon funding is reasonably expected to incentivize the implementation of the project scenario”, yielding increased carbon stocks compared to the baseline. A quantitative assessment demonstrating forgone profit as a result of employing the project scenario suffices for passing this test.

Given this guidance, a financial barrier was demonstrated through a quantitative assessment demonstrating foregone profit as a result of employing the project scenario (i.e., demonstrating that the net present value of the baseline scenario was higher than the project net present value of the project scenario). The audit team’s findings regarding this assessment are provided below.

The PP indicates that “Carbon funding is reasonably expected to incentivize the project’s implementation. The implementation of the carbon project represents an opportunity cost to lost revenue associated with the potential timber harvesting that could legally and feasibly occur on the property in the lifetime of the carbon project.”

The audit team independently conducted a financial feasibility assessment by using local stumpage prices to verify that the baseline scenario could feasibly occur in the project area in the lifetime of the carbon project if the project was not implemented.

3.5 Processes for Emission Reductions/Removal Enhancements Quantification

3.5.1 Methods, Algorithms, and Calculations To Be Used to Generate Estimates of Emissions and Emission Reductions/Removal Enhancements

The audit team validated the methodologies applied to quantify GHG emissions and emission reductions in the baseline and project scenarios. The objective was to determine whether the methods are clearly defined with supporting documentation, appropriate for accurately quantifying each data parameter, applied consistently, and result in a conservative estimate of GHG emissions reductions and removal enhancements.

Section 4.2 provides further detail on the methods, algorithms, and calculations used to generate and validate emissions reductions estimates.

3.5.2 Process Information, Source Identification/Counts, and Operational Details

The forest inventory serves as the primary source of data and information used to quantify emissions reductions. The PP and inventory methodology (Ref. 28) describe the process including sample size, determination of plot numbers, plot layout, data collected, and measurement techniques. Through site visit and document review (Refs. 28,1-3), the audit team verified the forest inventory methodologies and application.

The inventory data was then run within the Forest Vegetation Simulator with baseline prescriptions to project the baseline condition, project prescriptions to project the project condition, and a “no-cut” scenario was also run. The audit team confirmed that the baseline prescriptions were feasible and representative of common practice conditions in the region (see section 3.4.2).

3.5.3 Data Management Systems

SCS verified the data management systems put in place by the project personnel as described in the PP. It states that “Manually and electronically filed data are stored and archived. Backup copies of all electronically stored data are maintained in a separate data center with scheduled archiving to assure data protection. Future revisions to project documents after initial verification and registration will be clearly identified by saving them as separate files and including the date of revision in any modified documents. All data will be stored on Dropbox or similar online cloud storage service and kept by SIG for a minimum of 15 years.”

3.5.4 QA/QC Procedures

Section D of the PP identifies field and desk QA/QC procedures. The field QA/QC procedures include senior forester review of field collected data and remeasurement of any plots that cannot be reconciled. Further the PP states that “At least 5% of the plots are checked by a different forester than cruised the plot, specifically by someone senior to the field crew. This involves full plot measurement to identify any problems with determining in/out trees, species calls, defect measurements, DBH measurements, and height measurements. Any errors noted during the check cruise are used to update the master spreadsheet file. Any consistent height, species, DBH, or defect errors are resolved by talking with the foresters and removing crew members as needed.” These field QA/QC procedures were confirmed on-site and during interviews.

The PP identifies three stages of desk QA/QC procedures including an independent forester review, a technical review, and a senior management review. These include independent checks on the inventory data, model runs, carbon calculations, and document text and formatting.

The QA/QC procedures and the quantification approach employed by the project team conform to the parameters and quantification methods required by the Methodology. SCS determined that the Project Proponent sufficiently documented and quantified each parameter. Section D of the PP also provides in detail a monitoring and data management plan for each parameter throughout the reporting period.

3.5.5 Processes for Uncertainty Assessments

The PP describes how baseline and project uncertainty were calculated. The PP states that uncertainty in the combined carbon stocks in the baseline is quantified using equation 10 of the methodology (Refs. 20, 27). The percentage uncertainty in the combined carbon stocks in the project during the reporting period is calculated using equation 18 of the methodology (Ref. 20). The total project uncertainty (percentage) during the reporting period is quantified using equation 19 of the methodology (Refs. 20, 27). SCS confirmed that the approaches for assessing uncertainty that are identified in the PP are in conformance with the quantification methods required by the Methodology.

Further detail on uncertainty quantification is in sections 4.1.

4 Verification Findings

4.1 Results of Quantitative Uncertainty Assessment

SCS devoted a portion of the verification assessment to the review of the manner and propriety by which the project personnel quantified uncertainty associated with the individual GHGs in the project, in addition to the uncertainty of the calculation of GHG emission reductions and removals. The project uncertainty of 5.83% (Ref. 20) was verified within independent re-quantification. The audit team also calculated the total materiality of the GHG reduction and removal assertion. See below.

4.2 Analysis of the Quantification Methodologies and Applicable Data Sets and Sources

The audit team re-quantified baseline and project emissions, emissions reductions, and baseline and project uncertainty from the raw inventory data provided by the client. This process entailed verifying that the methods detailed in the PP and MR were applied as indicated. The team confirmed the emissions reduction by conducting the following analysis:

- Recalculate the live aboveground, live belowground, and standing dead carbon pools using Jenkins equations and decay class information using the inventory data provided by the client (Refs. 1-2, 6)
- Recalculate tree and plot-level live aboveground and standing dead tree defect (Refs. 7, 10)
- Randomly select a sample of plot(s) and prescription(s) from the baseline scenario. Run the selected sample in FVS and follow methodologies specified in the PP to calculate carbon stocks. Compare to the client's calculations for the selected plot to derive a correction factor to apply the population baseline for the reporting period and ex-ante (Refs. 17, 20).
- Randomly select a sample of plot(s) and the grow prescription from the project scenario. Run the selected sample in FVS and follow methodologies specified in the PP to calculate carbon stocks. Compare to the client's calculations for the selected plot to derive a correction factor to apply the population project for the reporting period and ex-ante (Refs. 18, 20)
- Calculate the change in the baseline carbon stock stored in live trees and standing dead trees using equations 1 and 2 of the methodology. Calculate the 20-year average value of carbon remaining stored in wood products 100 years after harvest using equation 3 (Ref. 20).
- With the outputs from equations 1, 2 and 3, calculate the long-term average baseline stocking level for the crediting period using equation 5 of the methodology. Use equation 6 to calculate the annual change in the baseline carbon stock (Ref. 20).
- Calculate the baseline uncertainty in the combined carbon stocks in the baseline using equation 10 (Refs. 20).

- Calculate the change in project carbon stock stored in live trees using equations 11 and 12 (Refs. 20).
- Calculate the change in the project carbon stock and GHG emissions during the reporting period using equation 14 (Ref. 20).
- Calculate the percentage uncertainty in the combined carbon stocks in the project during the reporting period using equation 18 (Ref. 20).
- Calculate the total project uncertainty (percentage) during the reporting period using equation 19 (Ref. 20).
- Calculate the net greenhouse gas emission reductions (in metric tons CO₂e) during the reporting period and during each annual vintage using equation 20 in the methodology (Ref. 20).

Emission Reductions

The audit team verified that the project personnel used the appropriate emissions factors and GWP's to calculate total emission reductions, which is adherent to the ACR Methodology. The team recalculated the final emission reductions and confirmed that they are without material discrepancy.

The ERT's associated with the first reporting period are reported in the MR and ERT workbook (Ref. 20) and are verified by the verification team are as follows:

- 18,944 tCO₂e (Emissions reductions at the end of the current reporting period without risk buffer deductions)
- 15,534 tCO₂e (Emissions reductions at the end of the current reporting period including risk buffer deductions)
- 3,410 tCO₂e Risk buffer contribution
- 12,629 t CO₂e Leakage deduction

Variances or Deviations

For this reporting period, there were no variances or deviations.

Uncertainty

See section 3.1.1 above.

4.3 Basis of Data and Information Supporting the GHG Assertion

The following table indicates whether the data and information supporting the GHG assertion were based on assumptions and industry defaults, future projections, and/or actual historical records.

Assumptions and Industry Defaults	<input checked="" type="checkbox"/>
Future Projections	<input checked="" type="checkbox"/>
Actual Historical Records	<input checked="" type="checkbox"/>

4.4 Leakage Assessment

Section E3 of the PP states: “All parcels within the project will become certified by Forest Stewardship Council (FSC) within one year of project implementation, therefore there is no activity-shifting leakage.” The audit team verified this certification with FSC’s database search. There are two Group certificates provided for verification (Ref. 32-33). A third certificate will need verified during the next review.

SCS confirmed that the applicable market leakage factor of 0.4 was applied.

4.5 Risk Assessment

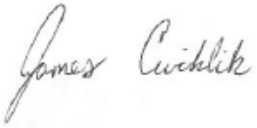

The reported value of the total risk score, as determined based on the risk analysis documented in the PP and MR, was 18%. The audit team performed a complete review of the risk assessment against the requirements of the ACR Tool for Risk Analysis and Buffer Determination. The audit team concludes that the assignment of risk scores is appropriate and in conformance to the ACR Tool for Risk Analysis and Buffer Determination. A more detailed review of the audit team’s conclusions may be found below.

Actions Undertaken to Evaluate Whether the Risk Assessment Has Been Conducted Correctly		
Risk Category	Value Selected	Verification Activities
A	4%	Confirmation, through site inspections, that project is not located on public or tribal lands
B	4%	Confirmation, through site inspections, that project is not located on public or tribal lands
C	2%	Confirmation, through site inspections, that the project is not located outside the United States
D	0%	Confirmation, through independent review of documentation, that conservation easement does not cover entire project area
E	2%	Confirmation, through independent review of documentation, that project is located in a low risk fire region
F	4%	Confirmation, through independent review of documentation, that epidemic disease or infestation is not present within project area, or within 30 mile radius of project area
G	0%	Confirmation, through site inspections, that project is not a wetland project or a forest project where more than 60% of the project area is not a forested wetland
H	2%	Confirmation that default value has been applied in the risk assessment calculation

5 Conclusion

The audit team asserts, with no qualifications or limitations, that

- The PP conforms, in full, to the validation criteria.
- The quantification of GHG emission reductions and/or removal enhancements, as reported in the MR, conforms to the verification criteria and is without material discrepancy.

Lead Auditor Approval	 James Cwiklik, 21 September 2021
Internal Reviewer Approval	 Alexa Dugan, 21 September 2021

Appendix A: List of Findings

Please see Section 2.5 above for a description of the findings issuance process and the categories of findings issued. It should be noted that all language under “Project Personnel Response” is a verbatim transcription of responses provided to the findings by project personnel.

5.1 Reporting Period: RP1

NIR 1 Dated 6 Feb 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: WRRP_GHGPlan_20201207.docx

Finding: The methodology states "The IFM baseline is the legally permissible harvest scenario that would maximize NPV of perpetual wood products harvests. The baseline management scenario shall be based on silvicultural prescriptions recommended by published state or federal agencies to perpetuate existing onsite timber producing species while fully utilizing available growing space. Where the baseline management scenario involves replacement of existing onsite timber producing species (e.g. where forest is converted to plantations, replacing existing onsite timber-producing species), the management regime should similarly be based on silvicultural prescriptions recommended by published state or federal agencies, and must adhere to all applicable laws and regulations."

The GHG plan states "Baseline silviculture includes clearcutting, thinning from below, and precommercial thinning as allowed under the Washington State Forest Practice Laws. Derivation and justification for the baseline is detailed in Section E. Quantification."

Please provide evidence from published state or federal agencies with which these prescriptions were based on. This includes specific references to which sections of the publications are being referenced for the baseline silvicultural prescriptions.

Project Personnel Response: 1a) Regarding commercial thinning, the publication "WorthingtonStabler1961_Thin_DF.pdf" is a highly referenced. Stabler states "A commercial thinning should be carried out if it can be done at a profit and is silviculturally desirable." (page 2 highlight) The conclusion on page 3 states that without thinning, stand growth can suffer. Based on this, thinning is an appropriate silviculture in the baseline. WorthingtonStabler1961_Thin_DF.pdf is located in the shared folder here: SCS_Shared_WRRP\12_Findings Responses.

1b) Regarding clearcutting, publication "pnw_gtr598_ClrCut_DFir.pdf" is an operation-scale study comparing a number of widely different silvicultural regimes applied to young-growth Douglas-fir stands in western Washington. The publication reports (page 76) "As expected, the clearcut regime has the highest NPV. The clearcut regime also has the lowest harvesting costs." The lower cost can also be seen in the stumpage calculation publication InstrSVtables2020_2ndHalf.pdf, on page 10 a \$100 cost is associated with thinning. pnw_gtr598_ClrCut_DFir.pdf is located in the shared folder here: SCS_Shared_WRRP\12_Findings Responses

Auditor Response: The audit team reviewed the referenced publications as well as performed additional research to find additional sources of information on the topics of these silvicultural prescriptions. The result of which is a confirmation of the information provided and referenced for the baseline scenario. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NIR 2 Dated 6 Feb 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: WRRP_GHGPlan_20201207.docx

Finding: The methodology states "The common practice test requires Project Proponents to evaluate the predominant forest industry technologies and practices in the project's geographic region. The Project Proponent shall demonstrate that the proposed project activity exceeds the common practice of similar landowners managing similar forests in the region."

The GHG plan states "The project activity is Improved Forest Management, with TNC's forest management practices representing a significant improvement in the carbon storage and conservation value than higher return, more aggressive management regimes of industrial private lands in the region, which are characterized by shorter, even-aged rotations...The project ensures long-term sustainable management of the forests, which could otherwise undergo significant commercial timber harvesting."

During the site visit, the lead auditor inquired as to if the owner had the capability to harvest as claimed across so many different parcels and areas. The response was a resounding yes as the baseline scenario doesn't represent the most aggressive scenario.

The GHG plan backs up this assertion stating, "The Baseline Scenario represents harvest levels that maximize the net present value (NPV) at a 4% discount rate (for non-governmental organizations) subject to TNC's existing harvest constraints, which limits harvest regimes to be more conservative than typical practices in the project region on privately owned lands. "

Please provide a reference such as mill quotas or some other timber harvest data for verification purposes to confirm the claimed harvests would be realistic with the mills in the region. Additional information such as DNR stumpage reports and/or interviews with local foresters should be available for review as well.

Secondly, please demonstrate that the proposed project activity exceeds the common practice of similar landowners managing similar forests in the region. Please provide examples and data of similar landowners (i.e. with widely spaced parcels of private timber land) managing similar forests in the region.

Project Personnel Response: Response 1a) The baseline scenario harvests less than 15 million board feet per year. The document "WA-forestfacts-and-figures.pdf", on page 9 shows WA state processes about 2,500 million board feet per year, or 167 times the baseline cut. The 2 northern blocks are in Jefferson County. According to data in "wa_timber_harvest_2017_final3.pdf", Jefferson County harvested about 134 million feet, and the baseline cuts about 11.5, or about 8.5%. The adjacent county of Gray's Harbor is within reasonable hauling distance for large logs. This county cut about 312 million feet in 2017. About 214 million of that is from large private and industrial lands. The TNC baseline would only contribute 5.4%. The Ellsworth block cuts about 3.5 million board feet in Pacific County, which is 7% of the county's 2017 total cut of 176 million feet. WA-forestfacts-and-figures.pdf and wa_timber_harvest_2017_final3.pdf are located in the shared folder here:

SCS_Shared_WRRP\12_Findings Responses.

Response 1b) TNC forester Kyle Smith has attested to local mills having sufficient capacity to process the full 15 MMBF of baseline harvest. Attestation "WRRP - Mill Capacity and Common Rx" is located in the shared folder here: SCS_Shared_WRRP\12_Findings Responses

Response 2a) TNC forester Kyle Smith can attest that the Baseline clearcutting Rxs are the most common type of silviculture practiced in the region by large private landowners. Attestation "WRRP - Mill Capacity and Common Rx" is located in the shared folder here: SCS_Shared_WRRP\12_Findings Responses

Auditor Response: The audit team reviewed the referenced publications, emails, documents, and performed their own research to confirm the claims of the common practice in the region. The mills in the region have more than enough capacity to handle the increase in harvested wood. This was also confirmed by interviewing local foresters in the region not affiliated with the project.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 3 Dated 16 Apr 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF09_FVS_June2020_PlotAvg_20200921.xlsx
WRRP_GHGPlan_20201207.docx

Finding: Referencing TNC_RF09_FVS_June2020_PlotAvg_20200921.xlsx, the CO2Stats tab, the Live and Dead stocks don't incorporate every strata into the uncertainty calculation, however it does use total CO2 from every strata. Cell V16 highlights that only about half of the project is being summed for the equation. The same with the Dead CO2 strata in cell V37. These values are out of conformance and will need to properly calculated per the methodology.

Additionally, the count of the plots per strata differs between live and dead trees. This is also present in the GHG plan on page 46, where it states the counts of plots per strata. Note "Table E1.4 De-grown results for above and belowground (live and dead) tree biomass" highlights this same error, where, for example, strata Old Growth-CC-75+ has 21 plots in the live CO2e stocks but 22 plots in the dead CO2e stocks. This impacts the uncertainty calculation, which is out of conformance.

Project Personnel Response: The CO2 stats file has been corrected and saved to the shared drive as "TNC_RF09_FVS_June2020_PlotAvg_20210426" and is located here: SCS_Shared_WRRP\10_Quant

Auditor Response: The errors have not all been addressed in this workbook. The first half of the original finding that read "the Live and Dead stocks don't incorporate every strata into the uncertainty calculation, however it does use total CO2 from every strata. Cell V16 highlights that only about half of the project is being summed for the equation. The same with the Dead CO2 strata in cell V37." This is still the case in the updated workbook. These values are out of conformance and will need to properly calculated per the methodology.

NOTE: This will affect multiple other documents because the uncertainty values are reported in multiple places including; the GHG plan, monitoring report, and ERT workbook.

Project Personnel Response 2: The CO2 stats file has been corrected and saved to the shared drive as "TNC_RF09_FVS_June2020_PlotAvg_20210430" and is located here: SCS_Shared_WRRP\10_Quant. \

The uncertainty calculations in the ERT workbook "TNC_RF15_IFM_ERT_NPVSchedule_20210430" has also been updated and is located here: SCS_Shared_WRRP\10_Quant. \

Old files have been moved the "Archive" folder

Auditor Response 2: The uncertainty values have been updated for both live and dead stocks. The ERT workbook has also been updated. However, the current GHG plan still needs to be updated to reflect these changes.

Project Personnel Response 3: The current GHG plan (WRRP_GHGPlan_20210706) has been updated with the correct uncertainty values. The GHG plan is located here: SCS_Shared_WRRP\9_GHG Plan

Auditor Response 3: The uncertainty values have been updated in the GHG plan. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): M/C

OBS 4 Dated 19 Apr 2021**Standard Reference:** N/A**Document Reference:** TNC_WA_RR_Data_for_Verifiers.gdb

Finding: This observational finding is to communicate that the verification team noticed a slight difference in the reported project acreage - 21,471. While the audit team had a total of 21,467 acres. A small difference likely due to rounding in the calculation process. The same was found when recalculating the strata acreages, a total difference of 4 acres. This is not material and is likely due to different versions of ArcGIS, however the audit team felt it was necessary to communicate the difference.

Project Personnel Response: SIG has reviewed the project area acreage and have similarly determined the identified difference is likely due to rounding or different version of ArcGIS as our software is providing 21,471 acreage. Since this is not material, no changes have been made.

Auditor Response:**Bearing on Material Misstatement or Conformance (M/C/NA):** NA

NIR 5 Dated 19 Apr 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_WA_RR_Data_for_Verifiers.gdb

Finding: This finding is related to what appears to be non project area still being included in the project area. These areas are very small, not likely to be more than a couple acres in total size, however they seem out of place and likely a mistake. An example is a small strip in the western portion of Clearwater, where a long skinny strip was included. Both the strata and project area layers contain these small little areas, many around the rivers that were buffered for Hoe and Clearwater.

The referenced methodology applicability conditions states "This methodology applies to lands that can be legally harvested by entities owning or controlling timber rights on forestland." If these areas are not part of the ownership that can be legally harvested they must be removed.

Please provide clarification if these areas were meant to be included in the project and/or if the project proponent owns these blocks.

Project Personnel Response: The project geodatabase has been updated to remove the small strip in the western portion of the Clearwater, which was relec of another parcel removed from the project area. However, the multiple small areas around the rivers have been retained. The official ownership boundaries for TNC lands adjacent to the river follow an historic river channel - not the current river channel. Forested lands within the official ownership boundaries have been included in the project area as they can be legally harvested, which has resulted in many small areas around the rivers due to the historic channel boundaries and the current channel boundaries. The new geodatabase titled "TNCWA_RR_GIS_20210427" can be found here: SCS_Shared_WRRP\7_GIS

Auditor Response: Thank you for the updated GIS file and explanation. This finding is now closed considering the long strip was not meant to be included in the project area at all while the smaller strips around the river are meant to be included. It is worth noting the potions around the Clearwater and Hoh rivers are very small.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 6 Dated 19 Apr 2021

Standard Reference: acr-monitoring-report-template_version-3.docx

Document Reference: WRRP_ACR574_MonitoringReport_20210104.docx

Finding: The monitoring report used is an out-of-date template. Please update to the current version to be in conformance.

Project Personnel Response: The monitoring report now uses the current template and is located here: SCS_Shared_WRRP\11_Monitoring Report

Auditor Response: The monitoring report has been updated to the proper template. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 7 Dated 19 Apr 2021

Standard Reference: ACR Standard v6.0, section 2.B.6

Document Reference: WRRP_ACR574_MonitoringReport_20210104.docx

Finding: The provided monitoring report currently states "Total project GHG removals is 137,837 mtCO₂e (without deductions) over the first reporting period." This does not match what has been calculated or reported later in the monitoring report. Please update to be accurate as the standard requires.

Project Personnel Response: The monitoring report has been updated and is located here:
SCS_Shared_WRRP\11_Monitoring Report

Auditor Response: The value referenced of 137,837 is still present and incorrect. This finding is still open.

Project Personnel Response 2: The value reference has been updated in the monitoring report "WRRP_ACR574_MonitoringReport_20210421" located here: SCS_Shared_WRRP\11_Monitoring Report

Auditor Response 2: The value has been correctly updated. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): M/C

NIR 8 Dated 19 Apr 2021

Standard Reference: N/A

Document Reference: TNC_RF12_LP_NPVBaseline_20201124v.xlsx

TNC_RF13_LP_NPVProject_20201124v.xlsx

Finding: The audit team would like to request more information pertaining to the workbooks referenced for both the project and baseline scenarios. Specifically, the tab "FVS_C_HRV" has values reported per plot and prescription. The audit team would like to know if these values are indeed Carbon or CO₂e? Have these values been expanded by acres?

An explanation would be most helpful to understand the process that was used to calculate harvested wood products. How do these values relate to the "TNC_RF18_FVS_Rxs_20201110" database?

Project Personnel Response: FVS generates the table FVS_Hrv_Carbon. Along with the plot and Rx identifiers, this table has a field called "Merch_Carbon_Removed", which posts the accumulated total of merch C harvested at every time interval. These values are multiplied by 3.664 to get CO₂ harvested/acre. The CO₂ records are copied over to the LP model onto the FVS_C_HRV tab. Only the first 2 columns of CO₂, representing the first 2 decades of the project, are required by the protocol. These values are multiplied by acres on the MODEL tab of the Excel file, in columns GP and GQ.

Auditor Response: Thank you for the explanation and email responses. The audit team has no more questions regarding this information request. It is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): NA

NCR 9 Dated 29 Apr 2021

Standard Reference: ACR Standard v6.0, 10A.

Document Reference: N/A

Finding: The ACR standard states "To prevent double use, ACR requires execution of ACR's legal Terms of Use (ToU) Agreement by authorized account representatives, clear proof of ownership upon registration, tracking of ownership of credits within the registry by serial number and account, and an annual attestation of unique, uncontested ownership and legal rights to the emissions reductions as well as that no emissions reductions issued by and registered on ACR have been serialized, registered, retired or otherwise transacted on another registry and/or by another standard nor have they been transferred, retired or otherwise used or disposed of other than as duly recorded on the ACR registry."

Please provide this attestation for review.

Project Personnel Response: Attestation "ACR574_ACR AFOLU Carbon Project Reversal Risk Mitigation Agreement V5-0_August 2020 (003)" has been provided and is found here:
SCS_Shared_WRRP\5_Attestation

Auditor Response: Both the annual attestation and Risk Mitigation agreement have been provided. The Risk Mitigation Agreement will still need signed by Winrock upon their review. The finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 10 Dated 29 Apr 2021

Standard Reference: ACR Standard v6.0, Table 2.

Document Reference: WRRP_ACR574_MonitoringReport_20210421.docx

Finding: The ACR Standard states "Project Proponents are required to provide a regulatory compliance attestation to a verification body at each verification. This attestation must disclose all violations or other instances of non-compliance with laws, regulations, or other legally binding mandates directly related to Project Activities."

The monitoring report template states "Projects must maintain material regulatory compliance. In order to maintain material regulatory compliance, a project must complete all regulatory requirements at required intervals...Please provide the required regulatory compliance attestation below."

Currently the monitoring report simply states "N/A: The project has no deviations."

Please provide the required information per the ACR Standard and Monitoring report template to be in compliance.

Project Personnel Response: Attestation "ACR574_RP1_annual-project-attestation_20210430" has been provided and is found here: SCS_Shared_WRRP\5_Attestation

Monitoring report has been updated to "Attestation provided. The project has no violations"

Auditor Response: The project does not have any violations and has removed the N/A from this section. The document needs to be signed and this finding will be closed.

Project Personnel Response 2: Attestation "ACR574_RP1_annual-project-attestation_20210430 (002)" has been signed and provided and is found here: SCS_Shared_WRRP\5_Attestation

Auditor Response 2: The project has stated that there are no regulatory violations. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 11 Dated 29 Apr 2021

Standard Reference: ACR Standard v6.0, Table 2.

Document Reference: WRRP_ACR574_MonitoringReport_20210421.docx

Finding: This finding is to point out that Section II: Project Information #9 in the monitoring report lists the ACR Forest Carbon Project Standard v2.1 as a "Relevant ACR Sector Standard." However, the project is being validated/verified under the ACR Standard v6.0 and the IFM Methodology for Quantifying Removals and Emissions Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands, Version 1.3. The ACR Forest Carbon Project Standard v2.1 is no longer relevant under the updated standard and methodology. Please update this section to the accurate relevant standard.

Project Personnel Response: The monitoring report has been updated and is located here: SCS_Shared_WRRP\11_Monitoring Report

Auditor Response: Due to their being no additional ACR Standard to list other than the V6.0, this finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 12 Dated 6 May 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF15_IFM_ERT_NPVSchedule_20210430.xlsx

Finding: Equation 6 of the methodology states "Prior to year T (T= year projected stocking reaches the long-term baseline average) the value of ΔC BSL, t will most likely be negative for projects with initial stocking levels higher than C BSL, AVE or positive for projects with initial stocking levels lower than C BSL AVE. If years elapsed since the start of the IFM project activity (t) is = or > T compute long-term average stock change use: ΔC BSL, t = 0."

When reviewing the ERT workbook, TabE5.1,.2, the audit team notices that this equation is not being followed. All years for the crediting period have a ΔC BSL, AVE of 0. This is not correct as years have not elapsed since the start of the IFM project. Please update to properly follow the methodology.

Project Personnel Response: The file "TNC_RF15_IFM_ERT_NPVSchedule_20210510" has been updated

Auditor Response: The equation properly accounts for years prior to year T, when projected stocking reaches the long-term baseline average. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): M/C

NCR 13 Dated 6 May 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF15_IFM_ERT_NPVSchedule_20210430.xlsx

Finding: Equation 5 of the methodology is used to calculate long-term average baseline stocking level for the Crediting Period use. The equation requires the use of the Baseline value of carbon stored in above and below ground live trees, standing dead trees, and the twenty year average value of annual carbon remaining stored in wood products.

However, the equation used in the referenced workbook, tab - E5.1,.2, cell D15, uses cell D14, which is not the twenty year average value of annual carbon remaining stored in wood products 100 years after harvest.

Please update to conform with the methodology.

Project Personnel Response: The file "TNC_RF15_IFM_ERT_NPVSchedule_20210510" has been updated (Cell D15). The file is located here: SCS_Shared_WRRP\10_Quant

Auditor Response: This equation now properly incorporates the twenty-year average value of annual carbon remaining stored in wood products 100 years after harvest. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 14 Dated 6 May 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF13_LP_NPVProject_20201124v.xlsx

TNC_RF14_LP_NPVNoCut_20201124v.xlsx

WRRP_GHGPlan_20201207.docx

Finding: Referencing both TNC_RF13 and TNC_14 workbooks, the CO2Stats tab, the Live and Dead stocks don't incorporate every strata into the uncertainty calculation, however it does use total CO2 from every strata. Cell U16 highlights that only about half of the project is being summed for the equation. The same with the Dead CO2 strata in cell U37. These values are out of conformance and will need to properly calculated per the methodology.

Project Personnel Response: Those tabs were information only and have been deleted from those files, see TNC_RF13_LP_NPVProject_20210506v.xlsm and TNC_RF14_LP_NPVNoCut_20210506v.xlsm . The statistics used in the ERT workbook is from file TNC_RF09. The files are located here:

SCS_Shared_WRRP\10_Quant

Auditor Response: The incorrect tables have been removed; this finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 15 Dated 6 May 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF15_IFM_ERT_NPVSchedule_20210430.xlsx

Finding: Equation 10 of the methodology states "The uncertainty in the baseline scenario should be defined as the square root of the summed errors in each of the measurement pools." While it uses the carbon stocks for above and below ground live trees and dead trees in year 1, it uses the twenty-year baseline average value of annual carbon remaining in stored wood products 100 years after harvest.

When reviewing the Baseline uncertainty calculation, it was noticed that the twenty-year baseline average value is not being used. This is out of conformance with the requirements of the methodology. Please update.

Project Personnel Response: File TNC_RF15_IFM_ERT_NPVSchedule_20210510.xlsx has been updated. Cell C39 has been corrected to use the twenty-year HWP average. The file is located here: SCS_Shared_WRRP\10_Quant

Auditor Response: The uncertainty is now using the twenty-year baseline average value of annual carbon remaining in stored wood products 100 years after harvest. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 16 Dated 6 May 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF15_IFM_ERT_NPVSchedule_20210430.xlsx

Finding: Equation 20 describes the process of determining additional annual net greenhouse gas emission reductions and Emission Reduction Tons (ERTs). This equation is not being utilized in the referenced ERT workbook. Instead, it appears that cell D35 in tab E5.1,.2 is calculating the ERT in different steps which result in a lower buffer contribution than the intended equation.

Please update the buffer deduction and overall ERTs following equation 20 to be in conformance with the methodology.

Project Personnel Response: File TNC_RF15_IFM_ERT_NPVSchedule_20210510.xlsx has been updated. Row 34 is equation 20 (per recent errata), and row 35 is now equation 22 from the errata. The file is located here: SCS_Shared_WRRP\10_Quant

Auditor Response: Equation 20 correctly calculates the "net post leakage and uncertainty." Equation 22 correctly calculates the buffer deduction following the Errata and Clarification for the methodology (V1.3). This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): M/C

OBS 17 Dated 13 Aug 2021

Standard Reference: ACR Standard v6.0, section A.3.3

Document Reference: Spatial Informatics Group Inc_WA-C-200413-052_Signed.pdf

Finding: This observational finding is related to the start date of June 5th.

Table 4 in section A.3.3 of the ACR Standard indicates that "For IFM, the Start Date may be denoted by one of the following:

1. The date that the Project Proponent began to apply the land management regime to increase carbon stocks and/or reduce emissions relative to the baseline;
2. The date that the Project Proponent initiated a forest carbon inventory;
3. The date that the Project Proponent entered into a contractual relationship to implement a carbon project.
4. The date the project was submitted to ACR for listing review. Other dates may be approved by ACR on a case by case basis."

Section H1. of the GHG Project Plan indicates that "Project start date is June 5, 2020, which is the date of the contractual signing agreement between the Project Proponent and the Offset Developer." The start date of the project, June 5th, is backed up by the document "Spatial Informatics Group Inc_WA-C-200413-052_Signed." However, both parties involved in the agreement did not sign until June 15th. This observational finding is to communicate that this could be problematic if ACR determines that the document can't take affect until June 15th.

Project Personnel Response: Noted. We will wait for ACR's determination on this item before making any adjustments.

Auditor Response:

Bearing on Material Misstatement or Conformance (M/C/NA): C

NCR 18 Dated 13 Aug 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Document Reference: TNC_RF15_IFM_ERT_NPVSchedule_20210510.xlsx

Finding: In Section E4 of the GHG Project Plan, it indicates that "Overall Total uncertainty = 7.93%." Likewise, in the ERT workbook (TNC_RF15_IFM_ERT_NPVSchedule_20210510.xlsx), Tab E5.1,.2, cell D26, the calculation of the total uncertainty (equation 19) is carried out.

Equation 19 in the IFM methodology involves multiplying the change in baseline carbon stock by the baseline uncertainty and squaring it (first component of the numerator). However, it appears that the equation is only squaring the baseline uncertainty. Likewise, the second component of the numerator involves multiplying the change in project carbon stocks by the project uncertainty and squaring the product. Again, the current equation is only squaring the project uncertainty parameter.

While this does not result in a material error for this reporting period, because the value of equation 19 is <10% and thus the total project uncertainty is then counted as zero when calculating equation 20, it is out of conformance with the methodology. Please update to the proper equation.

Project Personnel Response: Equation 19 has been updated in TNC_RF15_IFM_ERT_Submitted_20210816v.xlsx as well as the GHG Project Plan (WRRP_GHGPlan_20210816)

Auditor Response: The uncertainty calcs have been updated and properly follow the methodology. This finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C

NIR 19 Dated 13 Aug 2021

Standard Reference: Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands Version 1.3

Errata and Clarifications

Document Reference: WRRP_GHGPlan_20210706.docx

Finding: Page 7 of the ACR IFM, v1.3 Errata and Clarifications documents updates the Activity Shifting leakage requirements to state

"If the project decreases wood product production by >5% relative to the baseline then the Project Proponent and all associated land owners must demonstrate that there is no leakage within their operations – i.e., on other lands they manage/operate outside the bounds of the ACR carbon project. This demonstration is not applicable if Project Proponent and associated landowners enroll all of their forested landholdings, owned and under management control, within the ACR carbon project.

Such a demonstration must include one or more of the following:

- Entity-wide management certification that requires sustainable practices (programs can include FSC, SFI, or ATFS). Management certification must cover all entity owned lands with active timber management programs;
- Adherence to an ACR approved long-term forest management plan or program as specified in section A.2;
- Forest management plans prepared ≥ 24 months prior to the start of the project showing harvest plans on all owned/managed lands paired with records from the with- project time period showing no deviation from management plans; or
- Historical records covering all Project Proponent ownership trends in harvest volumes paired with records from the with- project time period showing no deviation from historical trends over most recent 10-year average."

Section E3 of the GHG Project Plan states that "Quantification of leakage is limited to market leakage, as no activity-shifting leakage is allowed by the methodology beyond de minimis levels. All parcels within the project will become certified by Forest Stewardship Council (FSC) within one year of project implementation, therefore there is no activity-shifting leakage. Proof of certification for each parcel have been provided to the verifiers."

FSC certification within 1 year for all lands within the project area does not constitute one of the valid demonstrations of a lack of activity shifting leakage. It appears that there is confusion with the Applicability condition requirement stated in section A2 of the IFM methodology ("Private or non-governmental organization ownerships subject to commercial timber harvesting at the project Start Date in the with-project scenario must be certified by FSC, SFI, or ATFS or become certified within one year of the project Start Date.")

Thus it does not appear that the project proponent has demonstrated that there is no activity shifting leakage. Given that TNC is the project proponent, or the "entity", to use the FSC certification as a means of demonstration would require the management certification (SFI, FSC, ATFS) must cover all TNC-owned lands with active timber management programs. Please provide evidence that their certification covers entity wide owned lands, or demonstrate with a different option.

Project Personnel Response: All lands owned by TNC in the region have a FSC certification and have been provided in the folder: SCS_Shared_WRRP\6_FSC Certification. The last FSC certification was finalized during the verification process so the language in the GHG Plan as been updated, located: SCS_Shared_WRRP\9_GHG Plan (WRRP_GHGPlan_20210816).

Auditor Response: An email correspondence has been provided, between SIG, TNC, and ACR which attests that the TNC policy of having FSC requirements on all TNC owned land that involve timber harvesting in the west is sufficient to meet this requirement. The finding is now closed.

Bearing on Material Misstatement or Conformance (M/C/NA): C