

VALIDATION AND VERIFICATION REPORT

American Carbon Registry

ACR 753: Green Diamond Resource Company Lost Trail IFM

Reporting Period:

10 February 2021 to 31 March 2022

Prepared for:

Green Diamond Resource Company

18 December 2023



AMERICAN CARBON REGISTRY

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Executive Summary

This report describes the verification services provided for the Green Diamond Resource Company Lost Trail IFM project (“the project”), an Improved Forest Management (IFM) project located in western Montana, that was conducted by SCS Global Services. The project proponent is Green Diamond Resource Company. 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 and objectively the claimed GHG emission reductions/removal enhancements for the reporting period from 10 February 2021 to 31 March 2022 against relevant ACR standards and the approved methodology. The verification engagement began on 29 April 2022, it was carried out through a combination of document review, interviews with relevant personnel and on-site inspections. As part of the verification engagement 18 findings were raised: 8 Non-Conformity Reports, 9 New Information Requests and 1 Observations. These findings are described in Appendix A of this report. The project complies with the verification criteria, and SCS holds no restrictions or uncertainties with respect to the compliance of the project with the 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 290 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).
- Common practice claims, silvicultural prescriptions used in the baseline/project scenarios, and local mill capacities and wood product market trends.
- Ownership documentation, regulatory compliance requirements, and project boundaries.

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 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 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 spreadsheets 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 8.0
- Improved Forest Management (IFM) on Non-Federal U.S. Forestlands, Version 2.0 ("the methodology")
- ACR Tool for Risk Analysis and Buffer Determination, Version 1.0
- ACR Validation and Verification Standard, Version 1.1

- Aggregation and Programmatic Development Approach Guidance for Improved Forest Management, 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 a programmatic development approach (PDA) project. As such, the project has been designed to allow for flexibility in scaling up the project to incorporate additional sites. Currently the project consists of a single site (Site 1). Site 1 is located on 6,551 acres in Flathead County of western Montana adjacent to the Lost Trail National Wildlife Refuge and approximately 25 miles west of Kalispell Montana. The project area is owned by the Green Diamond Resource Company and is certified by the Sustainable Forestry Initiative (SFI) standard. The improved forest management practices of this project focus on sustainable management practices to encourage improvements in forest health and restoration, while achieving GHG reductions and/or removals.

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 (dated 14 December 2023; "PP") and monitoring report (dated 11 December 2023; "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.
GHG Plan	LT_RP1_GHG-Project-Plan_V1-6_20231211_signed.pdf	1
Monitoring Report	LT_RP1_MonitoringRpt_V1-4_20231207_signed.pdf	2

Deed of Conservation Easement	Recorded_ConsevationEasement_Lost_Trail_2021.pdf	3
GIS database	GDRC_Carbon_1214_2021.gdb	4
Inventory Carbon Calculations	LT_RP1_CarbonInventoryCompile_20220801.R	5
Mill Capacity Evidence	LT_RP1_MillCapacityEvidence_V1-0_20220520.docx	6
Stream Buffer Description	MTT_StreamClassBuff_V2-0_20210923.docx	7
Baseline Cost Assumptions	RE_ Cost assumptions for Montana carbon project baseline modeling.pdf	8
Silviculture Prescription Justification	RE_ Questions regarding harvest modeling (updated!).pdf	9
Baseline Modeling Workflow	LT_RP1_ModelingScript_Stage1_20220727.R	10
Baseline Modeling Workflow	LT_RP1_ModelingScriptStage2_20220727.R	11
Baseline Modeling Workflow	LT_RP1_ModelingScriptStage4_20220524.R	12
ERT Calculations	LT_RP2_Project_Monitoring_and_Calc_Workbook_External_20230907.xlsx	13
Ex-Ante Projections	LT_RP1_ERT_ExAnteProjection_20220820.xlsx	14
Sustainable Forest Management Plan Evidence	1-10-089 MEN Option A.pdf	15
SFI Evidence	2021 certificate 7.23.pdf	16
SFI Evidence	Certificate US009084 # Item 1-7MIX6ZM.pdf	17
FSC Evidence	FSC_Certification_Evidence.png	18
Inventory Design	MTT_LT_RP1_COMMERCIALY_SENSITIVE_Appendix_I_V1-4_20230818.pdf	19
Inventory SOPs	MTT_LT_RP1_COMMERCIALY_SENSITIVE_Appendix_J_V2-5_20231108.pdf	20
Modeling Plan	MTT_LT_RP1_COMMERCIALY_SENSITIVE_Appendix_H_V1-0_20210604.pdf	21
Stream Layer	LT1C_TRC_Hydro_Buff_Rev072222.shp	22
SSURGO Data	gSSURGO_MT.gdb	23
Risk Analysis	MTT_LT_RP1_Appendix_E_V1-0_20230711.pdf	24
Multi-Site Design Document	MTT_LT_RP1_Appendix_D_V1-0_20230818.pdf	25
Evidence of Ownership Interest	MTT_LT_RP1_Appendix_C_V1-4_20230821.pdf	26

SDGs Contribution Report	MTT_LT_RP1_Appendix_B_V1-0_20230720.pdf	27
Environmental And Social Impacts Assessment Report	MTT_LT_RP1_Appendix_A_V1-0_20230821.pdf	28

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 PP 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
Zane Haxtema	Green Diamond Resource Company	Senior Analyst, Sustainability & Climate Solutions	Throughout Audit
Brian Hobday	Green Diamond Resource Company	Montana Area Manager	Throughout Audit
Kiersten Dallstream	Green Diamond Resource Company	Natural Resource Analyst	Throughout Audit
John Davis	Green Diamond Resource Company	Vice President and General Manager Mountain West	29 April 2022, 15 June 2022
Brett Johnson	Green Diamond Resource Company	Inventory & GIS Forester	29 April 2022

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
Nathan Cole	Montana DNRC	Service Forester (Sanders County)	26 July 2022
Holly McKenzie	Montana DNRC	Service Forester (Flathead County)	26 July 2022

2.4 Site Inspections

The objectives of the on-site inspections 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 from the project start date
- Any significant changes in the GHG project's baseline emissions and emission reductions/removal enhancements since the project start date.

In support of the above objectives, the audit team performed an on-site inspection of the project area on 6 July 2022. 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:
 - Toured the project area, visually observing the canopy cover, forest health issues, and assessed accuracy of provided maps
 - Selected samples 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 plot¹.
- Review of management's commitment to the carbon project.
- Discussed operating methods and restrictions relating to baseline harvesting.
- Assessment of project during the reporting period to confirm that the project scenario consists of maintaining above baseline carbon stocks through carbon sequestration.

¹ IFM Methodology v 2.0 § 7.4.1 – which was released in its final form on 22 July 2022 – requires “The minimum number of resampling plots shall be determined by calculating the square root of the most recent forest inventory's plot count”. However, the peer draft version of V 2.0 available at the time of the site visit – held on 6 July 2022 – required “For paired tests, a minimum of 5% of the original forest inventory must be sampled.” During the site visit, 10% of the plots (0.1*40=4) were remeasured. This is less than the number that is required under the finalized methodology. A methodology deviation was approved by ACR on 29 September 2022 allowing the verification team to rely on the smaller sample for this site visit (LT_RP1_MethodologyDeviationRequest_20220929 Approved).

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, 8 NCRs, 9 NIRs and 1 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 GHG Plan (Ref. 1), MR (Ref. 2), spatial information (Refs. 4, 22-23), and calculation workbooks (Refs. 10-12, 13-14) 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, including a discussion with project personnel on any harvest activities.
- Review of sources, sinks and reservoirs of GHG emissions within the project boundary.
- 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 Green Diamond Resource Company to convert the raw inventory data into emission reduction estimates during the reporting period (Ref. 5). This included a re-calculation of project emissions, ERTs, and uncertainty using inventory data as described below in section 3.1 and 3.2.
- Baseline scenario modeling and ex ante estimates were also reviewed, recalculated, and remodeled. This included a look at the feasibility financially and physically to accomplish the claims made in the baseline scenario.
- 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 (section IX of the monitoring report).
- Attention is paid to the common practice assessment as well.

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 6,551 forested acres in western Montana. The forests are younger and mixed age class of mixed conifer including ponderosa pine, western larch, and Douglas-fir. The project is located in western Flathead County, approximately 25 miles west of Kalispell MT. The project land is owned and managed by the project proponent, Green Diamond Resource Company. 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 reviewing ownership deeds, shapefiles, and ground truthing project boundaries when possible. Likewise, during document review the audit team inspected project shapefiles (Ref. 7) 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. 1-2) which indicate potential infrastructure, activities, and technologies used within the project area. The project activity consists of reducing timber harvest levels to encourage forest health, timber value, and carbon storage. The project area is used for recreational opportunities and is an important ecological habitat for wildlife. 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	Excluded	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	CO ₂	Non-CO ₂ gas emitted from biomass burning.

3.1.4 Temporal Boundary

The ACR Standard indicates that the project must have a validated/verified Start Date of 01 January 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 began to apply the land management regime to increase carbon stocks and/or reduce emissions relative to the baseline. SCS was able to review the PP, and MR for authenticity and to confirm that the management regime has been put in place since the start of the project. SCS concluded that the project start date is eligible (February 10, 2021).

In ACR the minimum project term is 40 years and the eligible crediting period for this type of project is also listed as 20 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 is the continuation of pre-project management practice within the project area, in which silvicultural investments (e.g., planting, precommercial thinning) are minimized in order to maximize NPV. The baseline scenario is specific to the real property described in the above Section A6, though it is also broadly similar to regional common practice on industrial timberland, as described in the below Section C4, with relatively low onsite carbon stocks being the common denominator.” The audit team confirmed that the claims related to annual acreage restrictions, silvicultural prescriptions, and general mill capacity are common in the area as well as recommended under published sources.

During the site visit and through interviews with local managers the audit team verified the harvesting practices of owners managing similar forest types with comparable species and wood product types. The audit team reviewed the justification of the baseline scenario with attention to detail to confirm the claims made regarding harvest types, volume of sawlogs, as well as the capacity of local mills to accept the wood. The audit team also conducted a review of the financial feasibility assessment of the baseline scenario. SCS determined that the harvesting rate indicated in the baseline scenario would be feasible and is comparable to the common practice in the region.

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
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 10 February 2021, 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>	The start date is 10 February 2021, the date by which Green Diamond Resource Company acquired land comprising the project area and “began to apply the land management regime to increase carbon stocks and/or reduce emissions relative to the baseline.” This was verified by reviewing the evidence of ownership (Ref. 24).
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 another 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>	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.
Emission or Removal Origin (Direct Emissions)	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.	Reviewed the supporting documentation, as described in the PP, the project area was confirmed to be owned by the Project Proponent, which indicated they have control over the GHG sources/sinks from which the emissions reductions or removals originate on their respective properties.
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>	Not applicable; the project is not reducing or removing non-energy indirect emissions.
Offset Title (All Projects)	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>Confirmed by reviewing that no offsets exist or were sold prior to registration of the project (Ref. 2).</p> <p>Performed an independent review of ownership using the Montana Cadastral spatial data (CadNSDI_Montana.gdb) accessed through the Bureau of Land Management.</p>
Land Title (AFOLU Projects Only)	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	

	<p>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 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 violations on file with EPA, ECHO, or OSHA. In addition, local foresters were interviewed about any regulatory compliance issues on the project area, forestry practices, and a discussion of the regional forestry trends and activity. The audit team also reviewed the regulatory compliance section of the MR submitted (Ref. 2).</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>	Confirmed a total risk percentage of 20% using the ACR Tool for Risk Analysis and Buffer Determination as required by the ACR methodology.

Permanence (Terrestrial Sequestration, Avoided Conversion Projects)	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.	Confirmed a total risk percentage of 20% using the ACR Tool for Risk Analysis and Buffer Determination as required by the ACR methodology.
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 30% leakage deduction was applied which is consistent with market-leakage per the methodology. Confirmed that all project proponent owned lands have a valid entity wide management certification that requires sustainable practices.
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 local, national, or international laws or regulations. Project Proponents must identify in the GHG Project Plan community and environmental impacts of their project(s). Projects shall also	Confirmed by reviewing the GHG plan and monitoring report (Refs. 1-2) which indicate that the project has no anticipated negative community or environmental impacts.

	<p>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 Performance Standard Test

Not applicable.

3.4.3 Common Practice Test

The Project demonstrated that the predominant forest industry technologies and practices that exist within the project's geographic region are similar in comparison to forest type, ecological condition, and species or forest product type.

Through interviews with local managers and a detailed review of published data for the region, the audit team verified the timber harvesting practices involving the silvicultural prescriptions claimed in the baseline scenario are common practice in the region. Additionally, the audit team verified the feasibility of the local mill capacity to accept the different wood products created in the baseline scenario.

3.4.4 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 06 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 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. The audit team also verified the physical feasibility of the harvests proposed as well as verified that the silvicultural in the baseline scenario is from published state and federal sources.

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 (Refs. 19-20) describe the process including sample size, determination of plot numbers, plot layout, data collected, and measurement techniques. Through site visit and document review (Refs. 1, 19-20), the audit team verified the forest inventory methodologies and application.

The inventory data was then run within the Forest Vegetation Simulator with various prescriptions to simulate the baseline and project scenarios. 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 through review of the PP and the datasets submitted that the data management systems are in place as described.

3.5.4 QA/QC Procedures

Section D of the PP identifies field and desk QA/QC procedures which are explicitly stated in the Inventory Design Description (Ref. 19). The field QA/QC procedures include an internal audit of the field data by a check cruiser. The audit intensity is reflective of cost/practicality concerns and perceived risk of failure to meeting Green Diamond's quality standards. The Inventory SOPs (Ref. 20) describe in detail Green Diamond's quality standards.

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 12 of the methodology (Ref. 1). The percentage uncertainty in the combined carbon stocks in the project during the reporting period is calculated using equation 20 of the methodology (Ref. 1). The total project uncertainty (percentage) during the reporting period is quantified using equation 22 of the methodology (Ref. 1). 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 proponent 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 audit team also calculated the total materiality of the GHG reduction and removal assertion.

4.1.1 Project Uncertainty

The total Project Uncertainty (UNC_t) value of 15.25% reported by the client was independently re-quantified by SCS using equation 22 in the methodology. The audit team found this difference reasonable and immaterial.

Year	UNC _t Client Values	UNC _t SCS Values	Difference
2021	15.25%	15.87%	0.62%

Note: final numbers are rounded for simplicity.

4.1.2 Materiality

The total materiality of the GHG reduction and removal assertion was also calculated for the reporting period.

$$\% \text{ Error} = \frac{(\text{Project Emission Reduction Assertion} - \text{Verifier Emission Reduction Recalculation})}{\text{Verifier Emission Reduction Recalculation}} * 100$$

$$\% \text{ Error} = \frac{(5052 - 5052)}{5052} * 100 = \frac{0}{5052} * 100 = 0.0\%$$

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

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

- Calculate the end of reporting period diameter and heights of individual trees.
- Recalculate the live aboveground, live belowground, and standing dead carbon pools using Woodall equations and decay class information.
- Calculate the change in project carbon stock stored in above and below ground live trees using equation 13 in the methodology
- Calculate the change in project carbon stock stored in above ground dead trees using equation 14 in the methodology
- Calculate the change in the project carbon stock and GHG emissions during the reporting period using equation 15 in the methodology.
- Calculate the percentage uncertainty in the combined carbon stocks in the project during the reporting period using equation 20 in the methodology
- Calculate the total greenhouse gas emission reductions (in metric tons CO₂e) during the reporting period and during each annual vintage using equation 24 in the methodology.
- Independently run and verify growth and yield projection outputs from the Forest Vegetation Simulator (FVS).
- Additional checks included, among other things, a review of site productivity estimates, harvest parameters, NPV values, interpolation methods, defect calculations, and any assumptions used.

4.3 Basis of Data and Information Supporting the GHG Assertion

The data and information supporting the GHG assertion were based on industry defaults, future projections, and actual historical records. The future projections are a result of a combination of tree inventory data, site productivity estimates, and other data modelled over time. Industry defaults are used in the harvested wood products as well as growth rates for the region. Actual historical records are used to assess stumpage prices, common practice, and boundary assessment.

4.4 Leakage Assessment

A finding was issued regarding the leakage assessment of the project. The audit team confirmed that project activities decrease total wood products produced by the project relative to the baseline by 25% or more over the Crediting Period. The audit team also reviewed the provided entity-wide management certification that requires sustainable practices.

SCS confirmed that the applicable market leakage factor of 0.3 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 and verifying ownership documents, that project is not located on public or tribal lands
B	4%	Confirmation, through site inspections and verifying ownership documents, 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%	The project has not entered a conservation easement
E	4%	Confirmation, through interviews with local personnel and/or foresters and review of fire maps, that the project has a low fire risk
F	4%	Confirmation, through research of local forest health publications, that the project is not within a 30-mile radius of an epidemic disease or pest infestation
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
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5 Conclusion

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

The following provides a summary of the annual emission reductions and removals issuance for the current Reporting Period with the Leakage deduction included and the Buffer deductions excluded (Gross ERTs):

GHG STATEMENT (APPLICABLE FOR VERIFICATION OPINIONS)*Omit or provide additional rows for Vintages as needed*

ALL GHG PROJECTS		AFOLU & GEOLOGIC SEQUESTRATION PROJECTS ONLY ³			
VINTAGE	TOTAL EMISSION REDUCTIONS / REMOVALS	BUFFER POOL / RESERVE ACCOUNT CONTRIBUTI ON	NET EMISSION REDUCTIONS / REMOVALS	REMOVALS SUBSET (IF APPLICABLE)	EMISSION REDUCTIONS SUBSET (IF APPLICABLE)
2021	3,956	792	3,164	3,139	25
2022	1,095	220	875	868	7
TOTALS*	5,051	1,012	4,039	4,007	32
*Totals may not sum due to rounding					

Lead Auditor Approval	 Alexander Pancoast, 18 December 2023
Internal Reviewer Approval	 Michael Hoe, 18 December 2023

² Omit or provide additional rows for Vintages as needed. The reported units must be metric tons CO₂e.

³ If calculating Removals according to an approved Methodology, report the Removals and Emissions Reductions subsets of the Net Emission Reductions and Removals for the Reporting Period, allocated by Vintage.

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.

NIR 1 Dated 15 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 2.2

Document Reference: LT_RP1_GHG-Project-Plan_V1-0_20220604 p. 40

Finding: IFM Methodology v 2.0 § 2.2 requires "The Project Proponent must provide a detailed description of the geographic boundary of project activities." While not explicitly stated on LT_RP1_GHG-Project-Plan_V1-0_20220604 p. 39, based on conversations with project personnel, it is the understanding of the verification team that the intended geographic scope for Site 1 of the Lost Trail project includes the forested area included in the Lost Trail Conservation Easement (Recorded_ConsevationEasement_Lost_Trail_2021). Per the easement, Tract 1 is "The East Half of the Southeast Quarter (E½SE¼) of Section 25, Township 28 North, Range 27 West, M.P.M., Flathead County, Montana." During the site visit, a representative of the verification team and project personnel located a survey monument and survey line on the western edge of Tract 1. The audit team found that the survey line observed in the field closely follows the line depicted in cadastral data downloaded from the BLM's website. However, this line is well to the west of the project boundary as depicted on the map on p. 40 of LT_RP1_GHG-Project-Plan_V1-0_20220604 and in GIS files provided to the verification team. Please clarify why this strip of land has been omitted from the project area.

Project Personnel Response: We suspect that the line depicted in the prior version of the Site 1 boundary had been based on earlier data and not duly updated to reflect the new survey line identified in the field. We agree that the prior version of the project area boundary is now out-of-date. The boundary line has been revised to reflect data collected by project personnel in the shapefile entitled "LostTrail_Area_Revised" on the Sharepoint folder in \03_GIS\LostTrailSite1_Area. A ZIP file of the shapefile has also been uploaded to the project's APX webpage (the upload time is 04 Aug 2022 07:20 PM).

Auditor Response: The requested information has been provided. The verification team reviewed the revised shapefile (LostTrail_Area_Revised as uploaded to the APX webpage) and observed that the strip of land referenced in the finding has not been included within the project area. The finding is closed.

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

NCR 2 Dated 15 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 2.2

Document Reference: LT_RP1_GHG-Project-Plan_V1-0_20220604 p. 39

Finding: IFM Methodology v 2.0 § 2.2 requires "The Project Proponent must provide a detailed description of the geographic boundary of project activities. ... Information to delineate the project boundary must include the following: * Project area map, delineated on a geographic information system;" LT_RP1_GHG-Project-Plan_V1-0_20220604 p. 39, indicates "The shapefile "LostTrail_Area_Site1", allowing for the unique identification and delineation of the specific extent of the project, accompanies and is incorporated by reference into this Addendum." No file named "LostTrail_Area_Site1" was available on the registry site. Nor has such a file been provided to the verification team directly. However, a file entitled "LostTrailSite1_Area" is available on the registry site. There is an error in the Project Plan reference.

Project Personnel Response: The filename reference has been corrected in the updated version of the GHG project plan with the filename date-coded 20220820.

Auditor Response: The erroneous file name has been corrected in the updated version of the GHG project plan. The finding is closed.

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

NIR 3 Dated 15 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 2.2

Document Reference: LostTrailSite1_Area

Finding: IFM Methodology v 2.0 § 2.2 requires "The Project Proponent must provide a detailed description of the geographic boundary of project activities. ... Information to delineate the project boundary must include the following: * Project area map, delineated on a geographic information system;" "LostTrailSite1_Area" as uploaded to the registry site is understood to represent the project area as delineated on a geographic information system. Please clarify whether the sliver extending from the southeast corner of the project area was intentionally included.

Project Personnel Response: The sliver in question was not intentionally included. This and a handful of other miniscule spatial artifacts have been cleaned up in the updated version of the Site 1 boundary shapefile that is referenced in the response to NIR 1.

Auditor Response: The requested information has been provided. The verification team reviewed the revised shapefile (LostTrail_Area_Revised as uploaded to the APX webpage) and observed that several spatial artifacts have been removed. The finding is closed.

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

NCR 4 Dated 15 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 3

Document Reference: LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604 section 3.2.1

Finding: IFM Methodology v 2.0 § 3 states "If the project activity area is not homogeneous, stratification may be used to improve the modeling of management scenarios and precision of carbon stock estimates. If stratification is used, a stratification standard operating procedures (SOP) document detailing relevant design, inputs, parameters, rules, and techniques must be provided as an attachment to the initial GHG Project Plan for validation."

LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604 section 3.2.1 indicates that "The width of the traveled surface of the road was measured at a sample of points using the Measure tool in ArcMap, with aerial imagery and LiDAR data being the data sources."

TR_RP1_COMMERCIALY_SENSITIVE_Attachment_C_20210607 section 4 indicates "The following are termed "non-sampled areas" and shall not be sampled as part of the forest carbon inventory:

1. Areas within the traveled surface of a mapped road1 (excluding ditches, fill, turnouts or other areas that a vehicle would not typically drive on in the course of normal transportation)." During the site visit, Zane Haxtema identified the file "Montana_Road_Diameters" as the source for the road diameters used for the carbon inventory. This document assigns road types a buffer distance that is applied from the centerline of the road.

The verification team measured a small sample of road widths in the field. Based on this sample and discussion with project personnel during the site visit, it appears that the buffer distances applied to roads are too wide. For example, the travel surface of woods roads were measured as ~12' in the field. This distance was consistent with what B. Hobday expected based on the width of equipment traveling the roads. However, the project uses a buffer distance on 12' from the centerline (i.e., 24' total width) for these roads. This practice will cause the area of roads as used in calculations of EORP carbon stocks and baseline modeling to be greater than the area of roads accounted for in the field inventory procedures. The method used to derive the width of the traveled surface of the road has resulted in an overestimate of the area of the project in the Roads stratum. Thus, the project does not conform with the requirements of the methodology.

Project Personnel Response: We agree with the finding, and have revised the road buffer widths accordingly. Road buffers were re-done following the document entitled "MTT_RoadBuff_V1-0_20220726" (on the Sharepoint folder in \04_Inventory\Design&SOPs), in order to more closely match the traveled surface for various classes of roads. The updated calculation of gross and net acreage is provided in the workbook "Net Acres Revised LT" (in \04_Inventory\Data). In the updated calculation, approximately 6,484.55 acres are in the FOREST stratum and approximately 66.60 acres are in the ROAD stratum. The updated area calculations are used in all downstream work.

Auditor Response: Through a review of revised shapefiles and the documents referenced in the finding response, the audit team has confirmed that the revised buffer widths are consistent with field observations. The finding is closed.

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

NIR 5 Dated 28 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 2.1

Document Reference: LT_RP1_AttachmentA_V1-0_20210604

Finding: IFM Methodology v 2.0 § 2.1 states "This methodology applies to non-federally owned or managed U.S. forestlands that are able to document 1) clear land title or timber rights ..." Evidence of ownership interest has been provided in "LT_RP1_AttachmentA_V1-0_20210604". The audit team reviewed this document and did not find evidence of ownership for Section 31 in Township 28 North, Range 25 West. Please provide evidence of ownership of this section.

Project Personnel Response: Evidence of ownership interest for the section in question was indeed missing from the prior version of Attachment A. The grant deed conveying ownership interest for this section is included in the updated version of Attachment A with the filename date-coded 20220820.

Auditor Response: The verification team reviewed "LT_RP1_Attachment_A_V1-1_20220820". Evidence of ownership of Section 31 in Township 28 North, Range 25 West has been provided on pg. 40 of the pdf. The finding is closed.

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

NCR 6 Dated 28 Jul 2022

Standard Reference: ACR Standard V 7.0 Chapter 3

Document Reference: LT_RP1_MonitoringRpt_V1-0_20220605.docx Section II(10)

Finding: ACR Standard V 7.0 Chapter 3 indicates that "Governing documents for validation are the ACR Standard, including sector-specific requirements, the relevant methodology, and the ACR Validation and Verification Standard."

LT_RP1_MonitoringRpt_V1-0_20220605.docx Section II(10) indicates that the ACR-Approved Methodology title and version applied at validation is "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. However, the project proponent has requested that Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands", Version 2.0 be applied instead. The methodology listed in the monitoring report has not been updated.

Project Personnel Response: The version of the monitoring report date-coded 20220812 has been updated to state, in Section II, that the "ACR-Approved Methodology... version applied at validation" is Version 2.0. The same correction has been made in Section B1 of the version of the GHG project plan with the filename date-coded 20220820.

Auditor Response: The verification team reviewed "LT_RP1_GHG-Project-Plan_V1-1_20220820" and "LT_RP1_MonitoringRpt_V1-1_20220820". Both documents now reference "Improved Forest Management Methodology for Quantifying GHG Removals and Emission Reductions through Increased Forest Carbon Sequestration on Non-Federal U.S. Forestlands", Version 2.0". The non-conformity has been resolved. The finding is closed.

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

NIR 7 Dated 28 Jul 2022**Standard Reference:** IFM Methodology v 2.0 § 4.1.1**Document Reference:** LT_RP1_GHG-Project-Plan_V1-0_20220604**Finding:** IFM Methodology v 2.0 § 4.1.1 indicates "The GHG Project Plan must include the following baseline metrics: A general description of the baseline management scenario over the crediting period, including how the baseline scenario compares to regional common practice." Please indicate where the project plan describes how the baseline scenario compares to regional common practice.**Project Personnel Response:** A description of how the baseline scenario compares to regional common practice has been added to Section B5 of the version of the GHG project plan with the filename date-coded 20220820.**Auditor Response:** The verification team confirmed that a description of how the baseline scenario compares to regional common practice has been added to Section B5 of the version of the GHG project plan. The requested information has been provided. The finding is closed.**Bearing on Material Misstatement or Conformance (M/C/NA):** C**NCR 8 Dated 28 Jul 2022****Standard Reference:** IFM Methodology v 2.0 § 4.1.2**Document Reference:** n/a**Finding:** IFM Methodology v 2.0 § 4.1.2 states, "While it remains in the interest of the general public for Project Proponents to be as transparent as possible regarding carbon projects, the Project Proponent may choose at their own option to designate proprietary financial information as confidential. If the Project Proponent chooses to identify information related to financial performance as confidential, the Project Proponent must submit the confidential baseline and with-project documentation in a separate file marked "Confidential" to ACR and this information shall not be made available to the public." Baseline and with-project documentation of financial performance has not been uploaded to the registry site.**Project Personnel Response:** We understood, based on conversation with the auditor on 8/10/22, that this finding will be withdrawn.**Auditor Response:** On further deliberation, the verification team concluded that the cited provision of the methodology does not require uploading baseline and with-project documentation to the registry. Instead, it provides guidance on how to keep such information confidential if the project proponent opts to provide such information to the registry. The finding is withdrawn.**Bearing on Material Misstatement or Conformance (M/C/NA):** C

NCR 9 Dated 28 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 4.2.2

Document Reference: LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604
LT_RP1_COMMERCIALY_SENSITIVE_AttachmentD_V1-0_20210604

Finding: IFM Methodology v 2.0 § 4.2.2 requires "An inventory SOP document must be developed and attached to the GHG Project Plan for validation that describes the inventory process, including the following: sample size". Neither of the inventory documents ("LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604", "LT_RP1_COMMERCIALY_SENSITIVE_AttachmentD_V1-0_20210604") explicitly state the sample size.

Project Personnel Response: A description of sample size is provided in Section 3.3.2 of the version of Attachment C with the filename date-coded 20220820. Please note that Section 4.2.2 of the Methodology does not appear to require explicit statement of sample size in absolute terms.

Auditor Response: The verification team concurs that an explicit statement of sample size is not required by the methodology. Section 3.3.2 of

LT_RP1_COMMERCIALY_SENSITIVE_Attachment_C_V1-1_20220820 provides a description of sample size which is adequate to meet the requirements of the methodology. The non-conformity has been resolved. The finding is closed.

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

OBS 10 Dated 28 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 4.2.2

Document Reference: LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604
LT_RP1_COMMERCIALY_SENSITIVE_AttachmentD_V1-0_20210604

Finding: IFM Methodology v 2.0 § 4.2.2 requires "An inventory SOP document must be developed and attached to the GHG Project Plan for validation that describes the inventory process, including the following: Whether plots are permanent or temporary". While the inventory documents ("LT_RP1_COMMERCIALY_SENSITIVE_AttachmentC_V1-0_20210604", "LT_RP1_COMMERCIALY_SENSITIVE_AttachmentD_V1-0_20210604"), are highly suggestive that the plots are intended to be permanent, neither document clearly states whether the SPs are temporary or permanent. Including an explicit statement of whether the plots are temporary or permanent is seen as an Opportunity For Improvement. The finding is closed on issuance.

Project Personnel Response: We appreciate being provided the opportunity to improve in this manner. In order to address this opportunity, language has been added to Section 3.3.2 of the version of Attachment C with the filename date-coded 20220820.

Auditor Response: Section 3.3.1 LT_RP1_COMMERCIALY_SENSITIVE_Attachment_C_V1-1_20220820 states "The forest carbon inventory is intended to be a continuous forest inventory of permanent SPs, such that each SP may be periodically re-located on, or re-established near, its original location with a high degree of accuracy." The Inventory Design Description explicitly states that the plots are permanent.

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

NCR 11 Dated 28 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 5.5

Document Reference: LT_RP1_GHG-Project-Plan_V1-0_20220604 E3

Finding: IFM Methodology v 2.0 § 5.5 requires "Where project activities decrease total wood products produced by the project relative to the baseline by 25% or more over the crediting period, the market leakage deduction is 30%." LT_RP1_GHG-Project-Plan_V1-0_20220604 E3 states "Because we cannot provide verifiable evidence that project activities will not decrease total wood products produced by the project relative to the baseline by 25% or more over the crediting period, market leakage is conservatively set at 40%." While conservative, use of a 40% market leakage rate is not consistent with the requirements of V 2.0 of the methodology.

Project Personnel Response: The version of the GHG project plan with the filename date-coded 20220812 has been revised to indicate a market leakage deduction of 30%, and this change has also been implemented elsewhere as necessary.

Auditor Response: LT_RP1_GHG-Project-Plan_V1-1_20220820 indicates that market leakage has been set at 30%. This market leakage rate is consistent with the requirements of the methodology. The finding is closed.

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

NIR 12 Dated 28 Jul 2022

Standard Reference: IFM Methodology v 2.0 § 6

Document Reference: LT_RP1_GHG-Project-Plan_V1-0_20220604 E6

Finding: IFM Methodology v 2.0 § 6 states "The Project Proponent must make an ex ante calculation of GHG removals and emissions for all included sinks and sources for the entire crediting period." LT_RP1_GHG-Project-Plan_V1-0_20220604 E6 states "Describe the methods that are to be used to create the ex ante projection of net GHG emissions reductions and removals." This statement is followed by a blank page. Please clarify whether this section was intentionally left blank.

Project Personnel Response: This section was not intentionally left blank. It has been populated in the updated version of the GHG project plan with the filename date-coded 20220820.

Auditor Response: The requested information has been provided. Additionally, the project plan has been revised to include a description of the ex ante estimation methods. The finding is closed.

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

NCR 13 Dated 28 Jul 2022**Standard Reference:** IFM Methodology v 2.0 § 4.2.2**Document Reference:** BigGreenMachineUsage.R

Finding: IFM Methodology v 2.0 § 4.2.2 states "Determine total project carbon (in metric tons CO₂) by summing the biomass of each stratum for the project area and converting biomass to carbon by multiplying by 0.5, kilograms to metric tons by dividing by 1000, and finally carbon to CO₂ by multiplying by 3.664." BigGreenMachineUsage.R Step 1 (as provided in the BaselineStage2 folder associated with this project) indicates "protocol <- '2015_JUN'". This variable is used to set the C to CO₂e conversion factor. Inasmuch as ARB's 2015 Forest Offset Protocol requires the use of 3.667 conversion factor, the project does not use the conversion factor (3.664) required by the ACR methodology.

Project Personnel Response: It is true that the variable factor.CToCO₂e is set equal to 3.667 where the variable protocol is set equal to '2015_JUN'. However, the variable factor.CToCO₂e is not used in downstream processing. The output from our biomass calculation tool is biomass, in units of kilograms of biomass per tree. The factor 3.664, as required by the Methodology, is used to convert from metric tons of carbon to metric tons of CO₂-equivalent in other locations.

Auditor Response: The verification team was under the erroneous impression that the 3.667 conversion factor, which is set in BigGreenMachineUsage.R, was used in downstream calculations of carbon. In fact, as described by project personnel during a meeting on 4 August 2022, the conversion from biomass to CO₂e occurs elsewhere in the scripts (e.g., LT_RP1_ModelingScriptStage4_20220524). The finding is closed.

Bearing on Material Misstatement or Conformance (M/C/NA): M/C**NIR 14 Dated 28 Jul 2022****Standard Reference:** ACR Standard V 7.0 Chapter 3**Document Reference:** n/a

Finding: ACR standard 7.0 chapter 3 requires that the PP "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." Please provide evidence that a legally binding Reversal Risk Mitigation Agreement has been entered.

Project Personnel Response: While we agree that we are required to enter into a Reversal Risk Mitigation Agreement as stated, we received guidance on 08/04/22 to the effect that we are not required to enter into such an agreement before conclusion of the validation/verification audit.

Auditor Response: Evidence that a Reversal Risk Mitigation Agreement has been entered has not been provided to the verification team. However, the verification team has been provided with an email from Andrew Taylor at Winrock which states, in part "[I]f you'd rather wait to sign the RMA until after the GHG Plan has been submitted, you can (and feel free to tell the validators of ACR's approval of this decision). It is simply due before the project's first issuance." Given that ACR is aware of the issue and has provided guidance that the agreement does not need to be submitted at this time, the finding is closed.

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

NIR 15 Dated 28 Jul 2022**Standard Reference:** IFM Methodology v 2.0 § 2.1**Document Reference:** n/a**Finding:** IFM Methodology v 2.0 § 2.1 requires "Project Proponents must demonstrate that the project area, in aggregate, meets the methodology definition of forestland." Please clarify where it has been demonstrated that the project area meets the methodology definition of forestland.**Project Personnel Response:** In the version of the GHG project plan with the filename date-coded 20220812, Section A4 has been revised to reflect the requirement that any sites included in the project area meet the definition of "forestland" in aggregate. In addition, the PDA Project Design Document included in the GHG project plan has been amended to reflect this change and to demonstrate that Site 1 met the definition of "forestland" as of its implementation date.**Auditor Response:** A demonstration of how "Site 1" of the Lost Trail project meets the definition of "forestland" has been provided in Section I of LT_RP1_GHG-Project-Plan_V1-1_20220820. The requested information has been provided. The finding is closed.**Bearing on Material Misstatement or Conformance (M/C/NA):** C**NCR 16 Dated 28 Jul 2022****Standard Reference:** IFM Methodology v 2.0 § 1.4**Document Reference:** LT_RP1_GHG-Project-Plan_V1-0_20220604 B4**Finding:** IFM Methodology v 2.0 § 1.4 indicates that CO₂ from burning of biomass is excluded because "Carbon stock decreases due to burning are accounted as carbon stock change. CH₄ from burning of biomass is excluded because "Potential emissions are negligible." LT_RP1_GHG-Project-Plan_V1-0_20220604 B4 states "Carbon dioxide and methane emissions from burning of biomass have been excluded as de minimis. Below is a justification that these sources are de minimis, ..." The rationale given for excluding these emissions appears to be designed to meet the requirements of IFM Methodology v 1.3 rather than IFM Methodology 2.0. While IFM Methodology v 2.0 § 7.2 does indicate, "Any exclusion using the de minimis principle shall be justified using fully documented ex ante calculations.", the reason for excluding carbon dioxide and methane emissions from burning of biomass under IFM Methodology 2.0 is not that they are de minimis. The project does not conform to the requirements of IFM Methodology 2.0.**Project Personnel Response:** The updated version of the GHG project plan with the filename date-coded 20220820 has been revised to remove the demonstration that emissions from biomass burning are excluded as de minimis.**Auditor Response:** The verification team reviewed LT_RP1_GHG-Project-Plan_V1-1_20220820 and confirmed that the demonstration has been removed. The non-conformity has been resolved. The finding is closed.**Bearing on Material Misstatement or Conformance (M/C/NA):** C

NIR 17 Dated 7 Nov 2022**Standard Reference:** IFM Methodology v 2.0 section 5.4**Document Reference:** n/a

Finding: IFM v 2.0 section 5.4 requires "Entity-wide adherence to the sustainable management requirements specified in section 1.3, covering all entity owned lands subject to commercial harvesting, including one or more of the following ..." On 19 October 2022 Zane Haxtema disclosed to the audit team that "Green Diamond Resource Company closed on a property in Mendocino County, CA colloquially known as "Willits Woods" late last month. We are still evaluating whether (and on what timeline) to add this property to our FSC certificate. Therefore, for completeness purposes, I wanted to provide you with the Option (a) document for Willits Woods. This document is a "renewable long-term management plan that demonstrates harvest levels which can be permanently sustained over time and that is sanctioned and monitored by a state or federal agency" and therefore meets the requirements of option 2 under Section 3.1(a)(2)(C) [of ARB's FOP]." In response to an email request from the audit team for more information on this issue as it related to the ACR project currently under review, Mr. Haxtema sought guidance from ACR. He subsequently forwarded the following guidance from Gabriel Burns of ACR (email dated 1 November 2022): "A Cal Fire sanctioned FMP would satisfy the requirements in section 1.3 of the IFM methodology (V2.0). If for example, the "option A document" would be submitted to meet section requirements 1.3 and 5.4 of the methodology (monitoring of activity shifting leakage), then you would need to demonstrate that the FMP covers all lands on the property that are subject to commercial harvesting, and clearly demonstrate that the (option A) document has been endorsed by the state of CA (Cal Fire)." The audit team independently acquired a copy of "1-10-089 MEN Option A" from the CalTrees website. The team found: 1) the option A appears to cover all lands on the property that are subject to commercial harvesting, 2) inasmuch as the plan is listed as approved by CalFire on the CalTrees website, it appears to have been sanctioned/endorsed by the agency. The verification team concluded, with reasonable assurance, that the requirement for entity-wide adherence to the sustainable management requirements specified in section 1.3 was met with respect to this new acquisition.

As this issue was addressed via email, no additional response from the client is necessary. The findings is closed on issuance.

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

NIR 18 Dated 14 Nov 2022**Standard Reference:** IFM Methodology v 2.0 § 4.2.2**Document Reference:** LT_RP1_COMMERCIALY_SENSITIVE_Attachment_C_V1-2_20221104

Finding: Per IFM Methodology v 2.0 § 4.2.2, "An inventory SOP document must be developed and attached to the GHG Project Plan for validation that describes the inventory process, including the following: ...Data management systems and processes" Per an email from Zane Haxtema on 9 November 2022 "There is very minor change to the submitted documentation that I would like to make. I would like to replace the word "stand" with the word "polygon" throughout the Inventory Design Description (for both projects). While these terms are often treated as synonymous from a forest inventory perspective, the term "stand" has forest management connotations that could be a source of confusion in the future. "Polygon" is a more neutral term, and seems clearer in an inventory context."

The verification team appreciates the desire on the part of project personnel to minimize confusion in the future by using words without unintended connotations. Please provide an updated Inventory Design Document which reflects the change described.

Project Personnel Response: We have made this change and uploaded the revised documentation to the APX site with a filename date-coded 20221115.

Auditor Response: The verification team has reviewed the revised document and confirmed that the change has been made. The finding is closed.

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