

IBOPE

**VERIFICATION REPORT
SOCIALCARBON® Standard**

**Nova Dutra, São Silvestre and Vila Nova Fuel Switching
Project
Vila Nova Ceramic**

05/12/2012

IBOPE

PROJECT GENERAL INFORMATION

Project Title: Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic

Project Address: Rodovia BR 492, SN, Km 6, Itambi, ZIP CODE: 24800-000, Itaboraí, Rio de Janeiro, Brazil

Project Point: point 3 (three)

Verification Period:

Audit Verification Period from 01/17/2012 to 05/12/2012

On Site Visit Date: from 04/12/2012 to 04/12/2012

Draft Verification Report Issuance: 04/18/2012

Final Verification Report Issuance: 05/12/2012

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1. INTRODUCTION

The present document, SOCIALCARBON®'s Verification Report, aims at providing assessment of the conformities, findings and resolutions regarding the SOCIALCARBON®'s Report of Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic in agreement with the criteria of the SOCIALCARBON® Standard.

2. OBJECTIVE

The purpose of this verification report is to perform an audit by an independent third party to analyze the accomplishment of SOCIALCARBON® Standard criteria's and evaluate the accuracy, veracity and consistency of the information given in the SOCIALCARBON® Report and the application of the Standard of the Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic based on Rodovia BR 492, SN, Km 6, Itambi, ZIP CODE: 24800-000, Itaboraí, Rio de Janeiro, Brazil.

As one of the audit objectives, IBOPE aims to obtain verifiable evidences, preferred tangible or physical evidences. However, it is acceptable evidence based on testimony.¹

3. VERIFICATION METHODS

3.1. Scope and Criteria

The criteria defined for this verification are disposed at the SOCIALCARBON® Standard, Version 4.2, June 2011² document.

3.2. Verification Procedure

The verification process occurs according with the following schedule:

- I. Audit planning and team selection, document review, and check-list elaboration;
- II. On site visit and data/evidence collection;
- III. Evidences evaluation and draft elaboration;
- IV. Resolution of findings and final verification report issuance;

I. Audit planning and team selection, document review, and check-list elaboration

According to the SOCIALCARBON® Report submitted for verification, IBOPE will send to the client a work plan and information regarding the team that will be responsible for the SOCIALCARBON® Report auditing. The documentation is analyzed and reviewed, and then the check-list is prepared for the collection of the data and evidences necessary at the on-site visit.

¹ This verification does not have the purpose to evaluate the compliance of legal or fiscal conformity, unless such information is required by the verification criteria. Verification is limited to written/required information by the SOCIALCARBON® Standard criteria.

² Disposable at: (http://www.socialcarbon.org/uploadDocs/SOCIALCARBON_STANDARD_v.4.2.pdf)

On-site visit, and data/evidence collection

At the on-site visit, it will be realized data and evidences' collection.

The data and evidence's collection methods are based on completing the check-list and the search of the possible evidences necessities to prove the facts at the SOCIALCARBON® Report, which can be documents, photos, and interviews, preferred physical evidences.

II. Evidences evaluation and draft elaboration

The collected evidences and data are analyzed for the verification of the SOCIALCARBON® Report regarding to the veracity, accuracy and consistency of the attestations made.

The Draft Verification is issued with all the findings raised by the verification process and then is sent to the project proponent. The findings at the Draft Verification are defined as:

Correction Action Request (CAR) – It shall be raised if one of the following occurs:

- The SOCIALCARBON® Standard requirements have not been met;
- Mistaken have been made in assumptions or evaluations or documentation which directly influence the project indicators and/or results.

Clarification Request (CL) – It shall be raised if information is insufficient or not clear enough to determine whether the applicable SOCIALCARBON® Standard requirements have been met.

III. Resolution of findings and final verification report issuance

After the resolution of the findings of Cerâmica Vila Nova Ltda. EPP, the Final Verification Report is issued by IBOPE and the services are concluded.

4. SOCIALCARBON® STANDARD CRITERIA VERIFICATION

This section shows the ways to prove the compliance with the SOCIALCARBON® Standard criteria.

4.1. Standard Criteria

SOCIALCARBON® Standard requires the following criteria for certifying carbon offset projects:

- I. Offset Project Eligibility;
- II. Use of SOCIALCARBON methodology;
- III. Monitoring;
- IV. Continual improvement of Project performance;
- V. Independent auditing conducted through SOCIALCARBON Reports by a Certifying Entity;

I. Offset Project Eligibility

The Cerâmica Vila Nova Ltda. EPP complies with the following carbon accounting: Verified Carbon Standard (VCS). The project is located at Rodovia BR 492, SN, Km 6, Itambi, ZIP CODE: 24800-000, Itaboraí, Rio de Janeiro, Brazil. Its crediting period covers from 04/01/2006 to 03/31/2016 and the project was already validated by a third independent party. It's a small scale project and the methodology used is Category AMS-I.C: Thermal energy for the user with or without electricity – Version 13 from March 14th 2008.

II. Use of SOCIALCARBON® methodology

Sustainable Carbon - Projetos Ambientais Ltda. is the approved organization responsible for the SOCIALCARBON® Methodology application.

The resources evaluated by Sustainable Carbon - Projetos Ambientais Ltda. in this report were Social, Human, Financial, Natural, Technology and Carbon. All the indicators used in each resource are authorized by *Instituto Ecológica*.

The indicators used are from SOCIALCARBON® Methodology Indicators for industries of the ceramic sector, Version 8.2, June 2011.

III. Monitoring

The point 0 (zero), 1 (one) and 2 (two) were validated and indicate sustainability performance as satisfactory. This report is related to point 3 (three) and covers the periodical evaluation required by the criteria.

IV. Continuous improvement of project performance

The Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic applied the SOCIALCARBON® and have decreased in the following resources compared to the point 2: human, financial and technology.

The following improvements and perspectives are being developed by Cerâmica Vila Nova Ltda. EPP:

Indicator: 15. Production

Description: The entrepreneur intends to build new kilns to increase the production.

Actions: According to the ceramic representative, he stated that the kilns will be constructed however the deadline for the construction will be until the end of 2016. This perspective/improvement will be maintained in the SOCIALCARBON Point 3 (three).

Results: On hold

Indicator: 16. Expectative

Description: The entrepreneur intends to build new kilns to increase the production.

Actions: According to the ceramic representative, he stated that the kilns will be constructed however the deadline for the construction will be until the end of 2016. This perspective/improvement will be maintained in the SOCIALCARBON Point 3 (three).

Results: On hold

Indicator: 31. Devices drying (before the fire)

Description: The ceramic is building a system that captures the heat emitted by the fire in the kilns, canalizing the warm air to the area where the pieces are dried.

Actions: According to the on-site visit, it was evidenced that the drying system is being implemented, also the ceramic representative stated that the kilns will be concluded until the end of 2013. This perspective/improvement will be maintained in the SOCIALCARBON Point 3 (three).

Results: On hold

Indicator: 38. Emission Reductions Calculations and Monitoring

Description: The responsibility of the monitoring will be of the entrepreneur and a full verification of the data will be done annually by a designated operational entity, accredited by the CDM EB.

Actions: The monitoring was the responsibility of the ceramic and it was accomplished.

Results: Accomplished

For this SOCIALCARBON Report point 3 (three), the following perspectives and improvements are being planned:

- 5. Satisfaction: The entrepreneur intends to use a suggestion box to evaluate the workers opinion until the end of 2012.
- 6. Relation with the community: The entrepreneur will study the necessity of some organizations to develop projects helping them with donations. The organizations are: a Rehabilitation Center to teach music to children and a Convent which provides classes for children until the end of 2013.
- 15. Production and 16. Expectative: The entrepreneur intends to build new kilns to increase the production until 2016.
- 20. Sustainability Principles: To disclose the carbon project the entrepreneur intends to install a sign at Vila Nova ceramic until the end of 2013.
- 31. Devices drying (before the firing): The ceramic factory is building a system that captures the heat emitted by the fire in the kilns, canalizing the warm air to the area where the pieces are dried until the end of 2013.

The Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic has already commercialized its carbon credits.

V. Independent auditing conducted through SOCIALCARBON® Reports by a Certifying Entity

The responsible to verify the SOCIALCARBON® Report from Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic is IBOPE, an accredited organization authorized by *Instituto Ecológica* and the requirements and criteria are based on the SOCIALCARBON® Standard.

The on-site visit was necessary to collect data and evidences.

4.2. Indicators

1. TURNOVER

The turnover can be obtained by the fraction of the average dismissal numbers, and the employees working at the project developer in a given moment. $TR = (\text{dismissed workers} + \text{hired workers}) / (\text{number of workers employed in the project develop} \times 2)$.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: <i>Relação anual de informações sociais (RAIS)</i> - Annual relation of social information and <i>Cadastro geral de empregados e desempregados (CAGED)</i> - Employed and unemployed general registry.
Index after validation	Grade 4 (four)
Index status	Decreased

2. SYNDICAL RELATIONS

Evaluates the involvement of the entrepreneur and the workers in the syndicate.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: labor union's agreement and meeting minutes, payment slip of the employees, statement and on-site interview.
Index after validation	Grade 3 (three)
Index status	Appropriate

3. BENEFITS

Evaluate the benefits offered by the entrepreneur to the workers in addition to the obligatory benefits.

Index before validation	Grade 5 (five)
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Evaluation	Indicator's data verified and confirmed through the following documents: Payment proof of the life insurance and food basket, photos, receipt list of the food basket, invoices and on-site interview.
Index after validation	Grade 5 (five)
Index status	Appropriate

4. SOCIAL INCLUSION

Evaluates the existence of effective programs giving priorities for hiring local manpower and social inclusion, without any prejudice against gender, handicaps, or other minority groups.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: <i>Relação anual de informações sociais (RAIS)</i> - Annual relation of social information and <i>Cadastro geral de empregados e desempregados (CAGED)</i> - Employed and unemployed general registry.
Index after validation	Grade 3 (three)
Index status	Appropriate

5. SATISFACTION

Intends to identify the satisfaction of the employees as well as the demands related to the improvement of working conditions.

Index before validation	Grade 1 (one)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview
Index after validation	Grade 1 (one)
Index status	Appropriate

6. RELATION WITH THE COMMUNITY

Evaluates the relationship among the entrepreneur and the community as well as his contribution in social events and activities.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: Donations receipts, donations statements and internal registries.

Index after validation	Grade 4 (four)
Index status	Appropriate

7. SOCIAL BENEFITS

Evaluate the benefits reverted to the stakeholders, when they are measurable or evidenced.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: Donation statements, receipts, on-site visit and interview.
Index after validation	Grade 4 (four)
Index status	Appropriate

8. SCHOLARSHIP

Evaluates the scholarship level of the employees and the contribution of the entrepreneur for the promotion of education among the workers.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: <i>Relação anual de informações sociais (RAIS)</i> - Annual relation of social information and <i>Cadastro geral de empregados e desempregados (CAGED)</i> - Employed and unemployed general registry.
Index after validation	Grade 3 (three)
Index status	Appropriate

9. PROFESSIONAL QUALIFICATION

Evaluates the level of Professional qualification of the workers.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: Receipt and on-site interview
Index after validation	Grade 3 (three)
Index status	Appropriate

10. BUILDING CAPACITY PLAN

Evaluates the initiatives of the enterprise in regard with capacitating plans and programs, including, if they exist, their approach, strategies, frequency and the satisfaction of the employees.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: Receipts and on-site interview.
Index after validation	Grade 3 (three)
Index status	Appropriate

11. WORKING CONDITIONS

Evaluates the improvements in relation with environmental work condition to which the employees are submitted, considering salubrious, sanitary and ergonomic situations.

Index before validation	Grade 2 (two)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview and photos
Index after validation	Grade 2 (two)
Index status	Appropriate

12. IPE USE

Evaluates the workers and entrepreneur conduct regarding the equipments use and the security procedures.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: PPEs registry control.
Index after validation	Grade 3 (three)
Index status	Appropriate

13. ACTIONS OF HEALTH AND SECURITY

Evaluates the existence and performance of campaigns, leisure and goal and plans regarding to health and security.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following

	documents: ASOs, PCMSO, PPRA and lecture receipt.
Index after validation	Grade 3 (three)
Index status	Appropriate

14. FINANCING

Evaluates the project developer's ability to obtain credit from financial institutions and the accomplishment of the commitments/deadlines assumed.

Index before validation	Grade 6 (six)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 6 (six)
Index status	Appropriate

15. PRODUCTION

Evaluates the evolution of the production's capacity in the last year and the relation between this rise and the diversification of products or significant events that can affect the production.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: VCS Monitoring Report and on-site interview.
Index after validation	Grade 4 (four)
Index status	Appropriate

16. EXPECTATIVE

Evaluates the existence of the entrepreneur's expectations concerning the business in the next few years.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 3 (three)
Index status	Decreased

17. RENEWABLE BIOMASS SUPPLY

Evaluates the availability and diversity of biomasses and suppliers, considering the guarantee of fuel supplying.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and biomasses purchase invoices.
Index after validation	Grade 3 (three)
Index status	Decreased

18. CARBON MARKET

Evaluates the situation of commercialization of the carbon credits' of the period, considering its chronological valorization.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: Statement.
Index after validation	Grade 3 (three)
Index status	Decreased

19. FINANCIAL PLANNING OF THE EMISSION REDUCTION PROJECT

Evaluates the existence of financial controlling for the project activity's implantation and operation.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview, receipts, invoices and internal registry control.
Index after validation	Grade 3 (three)
Index status	Appropriate

20. SUSTAINABILITY PRINCIPLES

Evaluates the existence of specific policies and programs geared towards the enterprise sustainability and the applicability of the principles, values and objectives regarding sustainability.

Index before validation	Grade 3 (three)
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Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview and environmental policy.
Index after validation	Grade 3 (three)
Index status	Appropriate

21. ENVIRONMENTAL MANAGEMENT

Evaluates the environmental management procedures adopted by the entrepreneur, including the organization and coordination of actions and documentation such as impacts identification, monitoring and emissions of periodic report as well as the existence of a regular certification.

Index before validation	Grade 2 (two)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.
Index after validation	Grade 2 (two)
Index status	Appropriate

22. ENVIRONMENTAL LEGISLATION

Evaluates the accordance of the project developer with environmental laws and norms, including agreements with public authorities, such as environmental licenses and requested authorizations for installation and occupation of your project developer.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: Operating license.
Index after validation	Grade 4 (four)
Index status	Increased

23. LAWSUIT PROCEDURES

Evaluates if the entrepreneur was involved with any lawsuit or administrative sanctions executed by public organs, person or people, aiming the environment and human health protection or repair.

Index before validation	Grade 6 (six)
Evaluation	Indicator's data verified and confirmed through the following documents: Statement.
Index after validation	Grade 6 (six)

Index status	Appropriate
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24. ENERGY

Evaluates the fuel applied to fire the ceramic devices, just as the origin and control of the biomass.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and renewable biomass purchase receipts and invoices.
Index after validation	Grade 5 (five)
Index status	Appropriate

25. CLAY

Evaluates the conformity with the environmental laws for the exploitation of mineral clay and the existence of environmental control plan concerning the clay extraction.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview, City Hall operating license and <i>Plano de Recuperação de Área Degradada (PRAD)</i> - Degraded area recuperation plan.
Index after validation	Grade 1 (one)
Index status	Decreased

26. WATER

Evaluate the origin of the water used in the productive process, besides the legal and sustainable aspects of its exploitation.

Index before validation	Grade 1 (one)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 1 (one)
Index status	Appropriate

27. EMISSIONS TO THE ATMOSPHERE

Evaluates the control over the atmospheric emissions involving the gases emitted during

the productive process, except the greenhouse gases.

Index before validation	Grade 1 (one)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 1 (one)
Index status	Appropriate

28. RESIDUES FROM THE PRODUCTIVE PROCESS

Evaluates the treatment and destination dispended to the industrial residues generated in the productive process, as well as the incorporation of external industries residues and existence of a residues management plan.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview, donation receipt and photos.
Index after validation	Grade 3 (three)
Index status	Appropriate

29. ASHES

Evaluates the procedures adopted by the entrepreneur in order to control the ashes and its destination.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.
Index after validation	Grade 3 (three)
Index status	Appropriate

30. KILNS BURNING EFFICIENCY

Evaluates the efficiency level and the kind of the kilns used to fire the devices in the ceramic productive process.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.

Index after validation	Grade 5 (five)
Index status	Appropriate

31. DEVICES DRYING (BEFORE THE FIRE)

Evaluates the efficiency of the methods executed to dry the devices, stage before the fire and after the extrusion, the existence of artificial dryers (avoiding fissures in the final product) and also considers the employment of a system able transfer the heat provided by the kiln to the devices drying.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.
Index after validation	Grade 3 (three)
Index status	Appropriate

32. DEVICES FIRING

Evaluates the existence and the automation of the fire monitoring system as well as the construction of the fire curve graphic.

Index before validation	Grade 1 (one)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.
Index after validation	Grade 1 (one)
Index status	Appropriate

33. KILNS ALIMENTATION

Evaluates the existence and the automation of the procedures used for the kilns alimentation.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 2 (two)
Index status	Decreased

34. MACHINERY

Evaluates the existence and conservation of machineries that helps the workers, seeking

the reduction of risks and improvement of the productive process. The factors considered as in bad conditions of conservation are: leakage, excessive noise, loose or lack of components, among others.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site visit and interview.
Index after validation	Grade 5 (five)
Index status	Appropriate

35. PRODUCTS VARIETY

Evaluates the products variety, the kind of products, including the existence of personalized products or with high value in the consumer market.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: Purchase/services order, internal registries and on-site interview.
Index after validation	Grade 5 (five)
Index status	Appropriate

36. QUALITY CONTROL

Evaluates the procedures adopted by the entrepreneur, during the productive process, aiming to ensure the quality of the devices. It also verifies the existence of a quality certification.

Index before validation	Grade 4 (four)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 3 (three)
Index status	Decreased

37. ADDITIONALITY

Evaluate if the reduced greenhouse gases emissions were additional.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: VCS Project Description, VCS Final Validation Report and VCS Final Verification Report.

Index after validation	Grade 5 (five)
Index status	Appropriate

38. EMISSIONS REDUCTIONS CALCULATION AND MONITORING

Evaluates the methodologies used to calculate the emission reductions, the monitoring and if it is suitable to the national and international standard.

Index before validation	Grade 6 (six)
Evaluation	Indicator's data verified and confirmed through the following documents: VCS Project Description, VCS Monitoring Report and VCS Final Verification Report.
Index after validation	Grade 6 (six)
Index status	Appropriate

39. VALIDATION AND VERIFICATION

Evaluates the existence of partial or total validation/verification of the project by a third part, and if it is accredited by UNFCCC, and if the validation and verification procedures are according to national and international standards.

Index before validation	Grade 6 (six)
Evaluation	Indicator's data verified and confirmed through the following documents: VCS Final Validation Report and VCS Final Verification Report.
Index after validation	Grade 6 (six)
Index status	Appropriate

40. PROJECT PERFORMANCE

Evaluates the project performance in comparison to the emission reductions estimated in the Project Design Document.

Index before validation	Grade 5 (five)
Evaluation	Indicator's data verified and confirmed through the following documents: VCS Project Description, VCS Monitoring Report and VCS Final Verification Report.
Index after validation	Grade 5 (five)
Index status	Appropriate

41. INVOLVEMENT OF THE EMPLOYEES IN THE PROJECT

Evaluates the internal communication related to the emissions reduction project.

Index before validation	Grade 3 (three)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 3 (three)
Index status	Appropriate

42. INVOLVEMENT OF THE STAKEHOLDERS

Evaluates the communication and acceptance of the project by the communities, environmental agency and public authorities among others social actors.

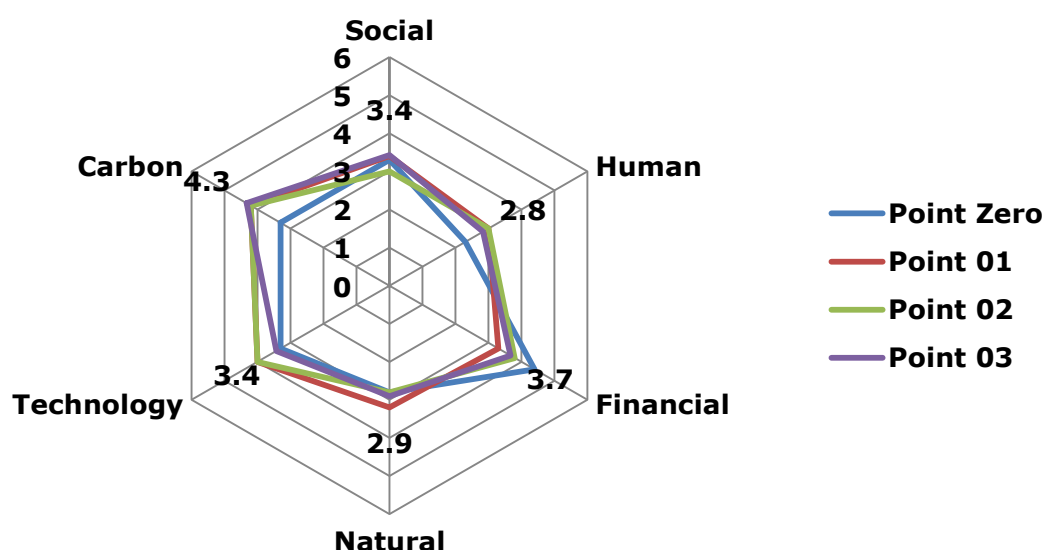
Index before validation	Grade 1 (one)
Evaluation	Indicator's data verified and confirmed through the following documents: On-site interview.
Index after validation	Grade 1 (one)
Index status	Appropriate

5. VERIFICATION STATEMENT

The SOCIALCARBON® Report of Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project – Vila Nova Ceramic submitted for verification is in compliance with all SOCIALCARBON® Standard criteria as well as could be verified the accuracy, veracity and consistency of the data provided in the SOCIALCARBON® Report.

Based on the indicators analysis, Vila Nova ceramic presents a satisfactory result in the SOCIALCARBON® standard, obtaining an overall performance of 3.4.

Resources	Critical	Satisfactory	Sustainable	Average Score	General Performance
Social	14.3%	71.4%	14.3%	3.4	Satisfactory
Human	16.7%	83.3%	0.0%	2.8	Satisfactory
Financial	0.0%	83.3%	16.7%	3.7	Satisfactory
Natural	40.0%	40.0%	20.0%	2.9	Satisfactory
Technology	28.6%	28.6%	42.9%	3.4	Satisfactory
Carbon	16.7%	16.7%	66.7%	4.3	Satisfactory
Overall Assessment	19%	54%	27%	3.4	Satisfactory



São Paulo, May 12, 2012

Shiguelo Watanabe
Director

ANNEX

Non-Conformities

ITEM 1	CAR 1
REFERENCE	Section 1. Identifying the Project - Basic information
CAR/CL	According to the on-site interview, it was verified that the monitoring period of the SOCIALCARBON Report shall be considered from January 2011 to February 2012. Please correct.
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 1. Identifying the Project - Basic information
CONCLUSION	Ok. CAR closed.

ITEM 2	CAR 2
REFERENCE	Section 4. Results – Indicator 1. Turnover
CAR/CL	Through the RAIS (2011) and CAGED (2012) received, it was evidenced that the total existing employees are 75 (seventy-five), recruited workers during the period were 14 (fourteen) and the dismissed workers were 23 (twenty-three) resulting in an index of 25% (twenty-five per cent). Please correct this indicator and reduce index to 4 (four).
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 1. Turnover; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 3	CAR 3
REFERENCE	Section 4. Results – Indicator 4. Social inclusion
CAR/CL	Through the RAIS (2011) and CAGED (2012) received, it was evidenced that the total existing women employees are 2 (two), however in the period analyzed it was evidenced 3 (three) women employed by Vila Nova Ceramic, and they represent respectively 2.7% (two point seven percent) and 4% (four percent). Please correct this indicator and the index shall be maintained.
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 4. Social inclusion
CONCLUSION	Ok. CAR closed.

ITEM 4	CL 1
REFERENCE	Section 4. Results – Indicator 7. Social benefits
CAR/CL	Although the social benefits provided by Vila Nova ceramic are available to the society, there is no evidence that these benefits are measured. Please clarify how these benefits are measured and provide evidence.
ROUND	1 st
CLIENT ANSWER	The benefits are measured through the number of families' benefited in the community. The evidences are receipts and statements which were already provided to the validation team.
REVISED SECTION	Section 4. Results – Indicator 7. Social benefits
CONCLUSION	Ok. CL closed.

ITEM 5	CAR 4		
REFERENCE	Section 4. Results – Indicator 8. Scholarship		
CAR/CL	Through the RAIS (2011) and CAGED (2012) received, it was evidenced that Vila Nova Ceramic has:		
	<table border="1"> <tr> <td>3</td><td>Illiterate</td></tr> </table>	3	Illiterate
3	Illiterate		

	69	Up to grade 9 – incomplete
	0	Grade 9 – complete
	0	High school – incomplete
	1	High school – complete
	2	Technical/Third Grade
	Please correct and the index shall be maintained.	
ROUND	1 st	
CLIENT ANSWER	Ok, it was corrected.	
REVISED SECTION	Section 4. Results – Indicator 8. Scholarship	
CONCLUSION	Ok. CAR closed.	

ITEM 6	CL 2
REFERENCE	Section 4. Results – Indicator 9. Professional qualification
CAR/CL	No evidence related to Vera Lúcia Moreira Ramos in business administration received. Please clarify.
ROUND	1 st
CLIENT ANSWER	The evidence will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 9. Professional qualification
CONCLUSION	Ok. Evidence received. CL closed.

ITEM 7	CL 3
REFERENCE	Section 4. Results – Indicator 15. Production
CAR/CL	This indicator can't be analyzed because the final monitoring report and final verification report were not received. Please clarify.
ROUND	1 st

CLIENT ANSWER	The evidences will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 15. Production
CAR/CL	According to the SOCIALCARBON report, Vila Nova’s ceramic production has increased 1.7% compared to 2010. However, according to the evidence received the production increased 2.2%. Please correct.
ROUND	2 nd
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 15. Production
CONCLUSION	Ok. CAR closed.

ITEM 8	CAR 5
REFERENCE	Section 4. Results – Indicator 16. Expectative
CAR/CL	According to the on-site interview, the ceramic’s representative stated that the drying process has no formal schedule to conclude it due to lack of manpower and it was confirmed that he expects business stability. Please correct and reduce index to 3 (three).
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 16. Expectative; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 9	CAR 6
REFERENCE	Section 4. Results – Indicator 17. Renewable biomass supply
CAR/CL	According to the on-site visit and interview, the biomasses used by Vila Nova ceramic are eucalyptus wood and sawdust. Please correct and reduce index to 3 (three).
ROUND	1 st

CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 17. Renewable biomass supply; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 10	CL 4
REFERENCE	Section 4. Results – Indicator 18. Carbon market
CAR/CL	Information related to carbon credit prices and status of their commercialization was not provided yet. Please clarify.
ROUND	1 st
CLIENT ANSWER	The evidence will be sent to the validation team, alterations on the SOCIALCARBON Report were needed.
REVISED SECTION	Section 4. Results – Indicator 18. Carbon market; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CL closed.

ITEM 11	CL 5
REFERENCE	Section 4. Results – Indicator 21. Environmental management
CAR/CL	According to the SOCIALCARBON Report, Vila Nova ceramic has punctual approaches of environmental matters. Please clarify which approaches.
ROUND	1 st
CLIENT ANSWER	There are some approaches such as an environmental police in the ceramic factory and reuse of rainwater to humidify the clay.
REVISED SECTION	Section 4. Results – Indicator 21. Environmental management
CONCLUSION	Ok. CL closed.

ITEM 12	CAR 7
REFERENCE	Section 4. Results – Indicator 22. Environmental legislation
CAR/CL	According to the CONAMA Resolution number 237, the renewal of the operating license is automatically extended until the ultimate manifestation of the competent environmental agency. In this specific case, INEA. Therefore, the index appropriate to this indicator is 4 (four). Please correct and increase index to 4 (four).
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 22. Environmental legislation; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 13	CL 6
REFERENCE	Section 4. Results – Indicator 25. Clay
CAR/CL	According to the on-site interview, the clay extraction of the mentioned operating license is concluded. Vila Nova ceramic is buying the clay from supplier(s). No evidence, such as Operating license, <i>PCA</i> and/or <i>PRAD</i> of the supplier(s) were provided. Please clarify.
ROUND	1 st
CLIENT ANSWER	The evidences will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 25. Clay
CAR/CL	Evidences not received. CL remains open.
ROUND	2 nd
CLIENT ANSWER	The Vila Nova Ceramic has the SS Sales company as clay supplier. During the period analyzed, the Vila Nova Ceramic did not have access to the State License for Clay extraction. Thus, the index will be reduced.
REVISED SECTION	Section 4. Results – Indicator 25. Clay
CONCLUSION	Ok. Evidences were not accepted and index was reduced to 1 (one). CL closed.

ITEM 14	CAR 8
REFERENCE	Section 4. Results – Indicator 33. Kilns alimentation
CAR/CL	According to the on-site visit, it was evidenced that the sawdust has a semi-automatic process, however the eucalyptus wood is fed manually into the kilns. Please correct this indicator and decrease index to 2 (two).
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 33. Kilns alimentation; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 15	CAR 9
REFERENCE	Section 4. Results – Indicator 35. Products variety
CAR/CL	According to the on-site interview, the ceramic representative stated that the 9x19x39 brick is not a personalized item and it doesn't have a high market value. He stated that the ceramic does not produce this item, however sporadically he meets the client's demand. Please correct and decrease index to 4 (four).
ROUND	1 st
CLIENT ANSWER	Considering that the 9X19X39 brick is produced only with client's demand and its price is 33% more expensive than the other bricks produced by the ceramic factory, we consider the 9x19x39 personalized.
REVISED SECTION	Section 4. Results – Indicator 35. Products variety
CAR/CL	Answer is acceptable, however no evidence was received proving that the prices of this brick has a high market value. CAR remains open.
ROUND	2 nd
CLIENT ANSWER	The evidence will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 35. Products variety
CONCLUSION	Ok. Evidence accepted. CAR closed.

ITEM 16	CAR 10
REFERENCE	Section 4. Results – Indicator 36. Quality control
CAR/CL	According to the evidences received, Vila Nova ceramic has periodic evaluation of quality control in 2 (two) products only, 9x19x19 and 9x19x29. Please correct and reduce index to 3 (three).
ROUND	1 st
CLIENT ANSWER	Ok, it was corrected.
REVISED SECTION	Section 4. Results – Indicator 36. Quality control; 5.1 General Performance; 5.2 Performance by resource; 5.3 Historic performance and comparative analysis; Annex 1- Results Sheet related to the period of January to March of 2012.
CONCLUSION	Ok. CAR closed.

ITEM 17	CL 7
REFERENCE	Section 4. Results – Indicator 39. Validation and verification
CAR/CL	VCS Final Verification Report was not provided yet. Please clarify.
ROUND	1 st
CLIENT ANSWER	The evidence will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 39. Validation and verification
CONCLUSION	Ok. CL closed.

ITEM 18	CL 8
REFERENCE	Section 4. Results – Indicator 40. Project performance
CAR/CL	VCS Final Monitoring and Verification Report were not provided yet. Please clarify.
ROUND	1 st
CLIENT ANSWER	The evidences will be sent to the validation team.
REVISED SECTION	Section 4. Results – Indicator 40. Project performance

CONCLUSION	Ok. CAR closed.
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ITEM 19	CAR 11
REFERENCE	Section 5.1 – General performance Section 5.2 – Performance by resource Section 5.3 – Historic performance and comparative analysis Annex – Excel Spreadsheet
CAR/CL	These sections shall be updated according to the new analysis and indexes. Please correct.
ROUND	1 st
CLIENT ANSWER	The sections were updated.
REVISED SECTION	Section 5.1 – General performance Section 5.2 – Performance by resource Section 5.3 – Historic performance and comparative analysis Annex – Excel Spreadsheet
CONCLUSION	Ok. CAR closed.

References

REFERENCE	DOCUMENTS	VERSION	ISSUANCE DATE
SC S	SOCIALCARBON Standard	4.2	June 2011
SCM IICS	SOCIALCARBON Standard Indicators for industries of the ceramic sector	8.2	June 2011
SCRT	SOCIALCARBON Report Template	3.2	April 2011
SC G	Guide for completing SOCIALCARBON® Reports	3.1	September 2010
SCR 2	SOCIALCARBON Report Point 2	3.0	March 16 th , 2011
SCR 3	SOCIALCARBON Report Point 3	4.0	May 11 th , 2012
SC FVERR 2	SOCIALCARBON Final Verification Report Point 2	2.0	May 30 th , 2011
VCS PD	Nova Dutra, São Silvestre and Vila Nova Fuel Switching Project	5.0	September 29 th , 2010
FValR	Final Validation Report	-	September 29 th , 2009
MR 3	Monitoring Report	2.0	April 16 th , 2012
FVerR 3	Final Verification Report	1.0	May 11 th , 2012