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Carbon Forestry Project Audit
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Verification Assessment Report for:

The Clinton Foundation
in
Lilongwe, Malawi

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| Report Finalized: | July 26, 2017 |
| Audit Dates: | April 4th - April 8th, 2016 |
| Lead Auditor: | Klaus Geiger |
| Audit Team Member(s): | Ustanzious Martin Nthenda |
| Audit Standard: | <i>Plan Vivo Standards 2008</i> |
| Verification Code(s): | RA- PV-021711 |
| Project Latitude/Longitude: | Lat: -13.6515; Lon: 33.936 |
| PD Version: | December 2015 |
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Table of Contents

| | | |
|-----|--|----|
| 1 | Introduction..... | 3 |
| 1.1 | Objective | 3 |
| 1.2 | Scope and Criteria..... | 3 |
| 1.3 | Project Description..... | 3 |
| 1.4 | Level of assurance..... | 3 |
| 2 | Audit Overview | 4 |
| 2.1 | Audit Conclusions..... | 4 |
| 2.2 | Nonconformance evaluation | 4 |
| 2.3 | Forward Action Requests (FARs)..... | 11 |
| 2.4 | Observations..... | 12 |
| 2.5 | Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy) | 14 |
| 3 | Audit Methodology..... | 16 |
| 3.1 | Audit Team | 16 |
| 3.2 | Description of the Audit Process | 17 |
| 3.3 | Review of Documents..... | 17 |
| 3.4 | Interviews..... | 18 |
| | APPENDIX A: Field Audit Findings | 20 |
| | APPENDIX B: Organization Details..... | 35 |
| | Contacts | 35 |

1 Introduction

The Rainforest Alliance's auditing program was founded in 1989 to certify forestry practices conforming to Forest Stewardship Council (FSC) standards and now focuses on providing a variety of forest auditing services. In addition to being an ANSI ISO 14065:2013 accredited validation and verification body, Rainforest Alliance RA-Cert program is also a member of the Climate, Community, and Biodiversity Alliance (CCBA) standards, and an approved verification body with a number of other forest carbon project standards. For a complete list of the services provided by Rainforest Alliance see http://www.rainforest-alliance.org/climate.cfm?id=international_standards.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / RA-Cert and our services, these parties are strongly encouraged to contact the RA-Cert program headquarters directly.

1.1 Objective

The purpose of this report is to document the conformance of the Trees of Hope project with the requirements of the Plan Vivo Standard. The project was developed by the Clinton Foundation, hereafter referred to as "Project Proponent". The report presents the findings of qualified Rainforest Alliance auditors who have evaluated the Project Proponent's systems and performance against the applicable standard(s).

1.2 Scope and Criteria

Scope: The scope of the audit is to assess the conformance of the Trees of Hope Reforestation project in Malawi against the Plan Vivo Standard. The objectives of this audit included an assessment of the project's conformance with the standard criteria. In addition, the audit assessed the project with respect to the baseline scenarios presented in the project design document. As of March 2016, the project covers an area of 271.85 hectares. The land is communally owned. The project has a lifetime of 50 years, and has calculated a GHG reduction and/or removal of 84,307.7 ex-post tCO₂e (pre-buffer) over the course of the January 1, 2007 to March 31, 2016 monitoring period.

Standard criteria: Criteria from the following documents were used to assess this project:

- Plan Vivo Standard 2008

Materiality: All GHG sinks, sources and/or reservoirs (SSRs) and GHG emissions equal to or greater than 5% of the total GHG assertion unless otherwise defined by the standard criteria.

1.3 Project Description

The Clinton Development Initiative established the Trees of Hope Project in 2007 in the Dowa and Neno districts of Malawi to reverse deforestation, mitigate the harmful effects of climate change, and bolster a self-sustaining marketplace by making tree farming profitable and attractive for smallholder farmers. The Trees of Hope project helps decrease the community's vulnerability to climate change by implementing tree-based land use systems, while also providing farmers with increased income from the sale of Plan Vivo certified carbon credits. Plan Vivo supports communities in managing their natural resources by quantifying ecosystem services. Through the Trees of Hope project, approximately 3,100 rural subsistence farmers in Malawi are addressing threats to their local ecosystems by choosing one of five land-use systems (technical specifications). These systems are intended to represent responsible land management strategies.

1.4 Level of assurance

The assessment was conducted to provide a reasonable level of assurance of conformance against the defined audit criteria and materiality thresholds within the audit scope. Based on the audit findings, a positive evaluation statement reasonably assures that the project GHG assertion is materially correct and is a fair representation of the GHG data and information.

2 Audit Overview

| Based on Project's conformance with audit criteria, the auditor makes the following recommendation: | | |
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| Final Report Conclusions | | |
| <input checked="" type="checkbox"/> | Verification approved: <i>NCRs closed, FARs 01/17 and 02/17 issued.</i> | |
| <input type="checkbox"/> | Verification not approved: <i>Conformance with NCR(s) required</i> | |
| Draft Final Report Conclusions | | |
| <input type="checkbox"/> | Verification approved: <i>No NCRs issued</i> | The Project Proponent has 7 days from the date of this report to submit any comments related to the factual accuracy of the report or the correctness of decisions reached. The auditors will not review any new material submitted at this time. |
| <input checked="" type="checkbox"/> | Verification not approved: <i>Conformance with NCR(s) required</i> | |
| Draft Report Conclusions | | |
| <input type="checkbox"/> | Verification approved: <i>No NCRs issued</i> | The Project Proponent has 30 days from the date of this report to revise documentation and provide any additional evidence necessary to close the open non-conformances (NCRs). If new material is submitted the auditor will review the material and add updated findings to this report and close NCRs appropriately. If no new material is received before the 30-day deadline, or the new material was insufficient to close all open NCRs the report will be finalized with the NCRs open, and validation and/or verification will not be achieved. If all NCRs are successfully addressed, the report will be finalized and proceed towards issuance of a assessment statement. |
| <input checked="" type="checkbox"/> | Verification not approved: <i>Conformance with NCR(s) required</i> | |

2.1 Audit Conclusions

Summary of conformance with Plan Vivo Standard Principles:

| Plan Vivo Principles | Draft Report Conformance | | Final Report Conformance | |
|---|---|--|---|-----------------------------|
| <i>1 Effective and transparent project governance</i> | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <i>2 Carbon benefits</i> | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <i>3 Ecosystem benefits</i> | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| <i>4 Livelihood benefits</i> | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

Rainforest Alliance has reached a positive verification conclusion on the Trees of Hope project's conformance to the Plan Vivo 2008 Standard based on the project's Project Design Document Version December 2015, Displaced Systematic Interplanting Technical Specification (December 2015), Boundary Planting Technical Specification (December 2015), Mango Orchard Technical Specification (December 2015) and Citrus Orchard Technical Specification (December 2015), carbon quantification spreadsheets for each of the technical specifications, Plan Vivo Annual Reports, among other supporting documents, field observations and interviews with project stakeholders. The project has generated a total ex-post net GHG reduction of 84,307.7 pre-buffer tCO₂e during the monitoring period of 01 January 2007 – 31 March 2016. The post-buffer contribution total is 70,256 tCO₂e. Although all NCRs identified have been closed, two Forward Action Requests (FARs) have been issued, and are detailed in Section 2.3 of this report.

2.2 Nonconformance evaluation

Note: A non-conformance is defined in this report as a deficiency, discrepancy or misrepresentation that in all probability materially affects carbon credit claims. Non-conformance Request (NCR) language uses "shall" to suggest its necessity but is not prescriptive in terms of mechanisms to mitigate the NCR. Each NCR is brief and refers to a more detailed finding in the appendices.

NCRs identified in the Draft Report must be closed through submission of additional evidence by the Project Proponents before Rainforest Alliance can submit an unqualified statement of conformance to the GHG program. Findings from additional evidence reviewed after the issuance of the draft report are presented in the NCR tables below.

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| NCR#: | 01/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.4 |
| Report Section: | Indicator 1.1.4 |
| Description of Non-conformance and Related Evidence: | |
| A combination of inadequate equipment and lack of oversight has led to deviations in project implementation from the technical specifications. | |
| Corrective Action Request: | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |
| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | <p>The Trees of Hope project has outlined four action items that will aid in the identification of deviations from the technical specifications, correction of identified deviations from the technical specifications, and prevention of further deviations from the technical specifications. These action items are:</p> <ol style="list-style-type: none"> 1. "Action Item 1: gather evidence of wrongly executed planting for land use systems via-sampling of data from farmers in Dowa, Upper Neno and Lower Neno to verify findings in audit/from the auditor. Page 28 of the report states "There were instances...where the trees were not planted with adequate space between them." 2. Action Item 2: Determine, if evidence is procured, what the appropriate steps will be for providing refresher trainings on the following; <ol style="list-style-type: none"> a. How to properly execute planting of tree-based land use systems, including spacing verification and rationale behind why this is important (crowding can lead to tree death); b. Review of each technical specification so FOs, LPMs and M&E team understand the most important aspects of adhering to project guidelines (August training); c. How to improvise in the field with locally procured tools; d. Review procurement request protocol in instances where theft of breaking of tools given to the community have occurred. There is a clear procedure for procurement of materials within CDI that all staff are aware of and must abide by. Justification for such procurement needs to take place. If 1,000 polyurethane bags are requested, the head office needs to know why and for what. Communication can be improved with the documents that M&E is using for feedback from the FOs and LPMs. e. Review feedback protocol between FOs and Management to best meet the needs of the field teams in impactfully and effectively doing their job f. CDI has in place reporting templates for the Field officers to fill out monthly. g. CDI relies on the FOs to accurately and thoroughly input information into those forms to best help support the field staff. In addition to this form, CDI HQ staff in Lilongwe regularly talk to the FOs and LPMs on the phone as other comments or things of significance arise. 3. Action Item 3: Schedule an unplanned field visit by management to the FOs once a month to check in on progress and corrective actions that need to be taken where necessary starting in August. <ol style="list-style-type: none"> a. 1st week of the month: random visit to Dowa farmer b. 2nd week of the month: random visit to Upper Neno and Lower Neno farmers 4. Action Item 4: If corrective action needs to be taken – and is able to be taken to fix the planting scheme – or make sure that ongoing maintenance is occurring – ensure that this is done so in a scheduled manner. Documentation of this will be forthcoming." |

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| Findings for Evaluation of Evidence: | The PP indicates that more oversight will be provided in order to identify, fix, and prevent deviations from the technical specifications. Some of this oversight will be reinforcing systems or practices that are already in place. These action items demonstrate significant and meaningful steps the project proponent will take to better align the project with the approved technical specifications. As the action items and thereby the results of them are prospective in nature, the effect of the actions should be evaluated at a later time by either the Plan Vivo Foundation or the following audit team. The NCR has been converted in to a Forward Action Request (FAR 01/17). |
| NCR Status: | CLOSED |
| Comments (optional): | The NCR 01/16 has been converted to FAR 01/17. FAR 01/17 The Plan Vivo Foundation or the audit team of the 2 nd verification audit should evaluate the results of the action plan described by the project to verify whether issues in implementation according to the technical specifications have been identified, fixed, and/or prevented. |

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| NCR#: | 02/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.8 |
| Report Section: | Indicator 1.1.8 |
| Description of Non-conformance and Related Evidence: | |
| The project's 2015 annual report is not available on the Plan Vivo Foundation website and other details on the website for the project are out of date or inaccessible, and thus has not demonstrated to the auditors timely submission of annual reports to the PVF. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | The Trees of Hope 2015 Annual Report is in the final stages of being updated. Plan Vivo has a new template that will need to be filled in and Trees of Hope is working to input the information. The PP provided a new document labelled "ToH AR 2015 – Final" as evidence for the most up to date annual report. |
| Findings for Evaluation of Evidence: | PP has provided the 2015 annual report to the auditors, who have found it to be complete and contain detailed discussions on the project's relevant indicators. The auditors spoke with the Project Proponent and the Plan Vivo Foundation who were able to confirm that steps that will be taken to ensure that the remaining documentation on the PV website that was either missing or faulty will be uploaded or fixed. The NCR is therefore closed. |
| NCR Status: | CLOSED |
| Comments (optional): | None. |

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| NCR#: | 03/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.1 |
| Report Section: | Indicator 2.1.1 |
| Description of Non-conformance and Related Evidence: | |
| The project has not submitted their calculation of carbon benefits for the auditors to review. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |

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| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | <p>Trees of Hope did not have access to the excel files describing the original carbon potentials of each land use system, which the PP states went missing in the transition to current staff and were not recovered from the original ToH Director. The PP states that it obtained the files from the original organization, CAMCO, that computed the carbon benefits and potentials. Those documents have now been shared with the Trees of Hope team. Clinton Foundation and Plan Vivo met with CAMCO, the original agency contracted to calculate the carbon potentials of the land use systems being implemented by the Trees of Hope project, on June 7th and June 16th. These calls provided CDI with an opportunity to learn more about the original framework of the project and insight into how the carbon was calculated and how the 50-year monitoring period was set.</p> <p>The Project Proponent undertook a thorough review of both the baseline data and calculated carbon potentials to ensure that the carbon potentials are measured against a clear and credible baseline. The project elaborates:</p> <p>RE the project Baseline - “The expansion values (0.5, 1.2, 1.25) relate:</p> <ol style="list-style-type: none"> 1) dry weight of biomass to carbon, 2) Bole to Above Ground Biomass (AGB), and 3) AGB to Below Ground Biomass (BGB). Since AGB includes the branches, it is correct to follow the logic of multiplying the 1.2 by 1.25. This was not an error and a multiple is the correct way to do this. <p>The summary report they produced by Camco refers to these assumptions. However, the IPCC values shown here show the different factors that can be selected, which is based on the most accurate description: http://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/4_Volume4/V4_04_Ch4_Forest_Land.pdf</p> <ul style="list-style-type: none"> • Carbon content was determined by selecting the appropriate values from Table 4.3 of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The default value to use is 0.47, and the project used 0.5; there are other values that can be used according to the table up to 0.49 for tropical areas. • Ratio of below ground biomass to above ground biomass: Table 4.4 in the IPCC Guidelines provides the range of values, and the project used 0.25. There are a wide range of values that can be used for tropical trees according to Table 4.4 ranging from 0.2 to 0.56 but mostly in the 0.2 – 0.3 range. The most suitable value to use would be tropical dry forest biomass above 20 t/ha with value of 0.28, but 0.25 is a reasonable average to derive from this table. • Branches – refer to Table 4.5 in the IPCC Guidelines which has biomass conversion and expansion factors for growing stock (i.e. stem) to above ground biomass. Also, refer to: http://www.fao.org/docrep/w4095e/w4095e00.HTM This report is widely referenced in this context. The default value they propose is 1.74 whereas the project used 1.2. This is a very significant difference justified on the basis of (1) expert opinion with the view that branches will be pruned to be used as firewood therefore the lower value that we use and (2) it is a very conservative approach. <p>The methodology used for the ‘neglected land’ analysis is different (discussed in the Camco summary document). It already captures the area component of the denominator in the sampling methodology and calculation of the mean. It is based on nested sample plots:</p> <ul style="list-style-type: none"> • Smallest circle of 0.01ha, tree data for all trees 7cm-20cm • Medium circle of 0.05ha, tree data for all trees 20-50cm • Large circle of 0.1ha, tree data for all trees >50cm |

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| | <p>RE the Carbon Potentials -</p> <p>The spreadsheet that was originally submitted to the audit team was a draft version, derived from a request from PVF that the project re-check the baseline and sink values being applied prior to the verification. At the time, the sink and baseline values were inconsistent in the 2011 version of the Technical Specification, and elements had been rounded to integers or to one decimal place - introducing errors of the order of a percentage point or so.</p> <p>This was not the product of a new Camco revision. The Camco revision had been done in May-June 2011 by Will Garrett and colleagues, who were asked to redo the analysis (and update the reports) to revise down what were 100-year carbon potentials in the pilot phase of the project to 50-year carbon potentials, which were deemed by the PV Technical Advisory Committee to be more appropriate.</p> <p>Given the errors identified with respect to the baseline and inconsistencies mentioned above (using gross sink values prior to subtraction of the baseline), the carbon potentials spreadsheet has been reformulated. The result is the spreadsheet named "Carbon Potentials Feb 2017" for what are considered to be the correct values. The corrected baseline has been incorporated for agricultural land (affecting all TS except woodlot which is planted on neglected land).</p> <p>In regard to resulting changes in carbon estimates for individual plots/farmers, where the carbon sequestered on their land will have gone up or down slightly according to changes to the carbon potential for that TS, in an ideal world this would also be protected under their PES contracts. If carbon potentials go down slightly there is no major issue, since farmers will essentially have been overpaid. If they go up, however, then there would need to be a retrospective adjustment to the final payments to farmers to take this into account. It appears the values have gone down slightly on average according to calculations.</p> |
| <p>Findings for Evaluation of Evidence:</p> | <p>The project proponent has submitted several documents evidencing the process, results, and analysis conducted to determine the project's carbon baseline. The documents (Documents #15 and 20-22) in question are as follows:</p> <ul style="list-style-type: none"> • Trees of Hope Farmer List March 2016 • Baseline survey for agroforestry projects • Estimating growth characteristics of agroforestry trees • Carbon modelling for afforestation and reforestation projects <p>These documents are rigorous protocols, and outline standard sampling techniques for determining the baseline carbon stocks in the project area.</p> <p>The quantification of carbon sink is defined individually in each of the project's technical specifications and are based on two other documents. These documents are Mohren et. Al 2004—which describes the CO2FIX-V3 model—and “<i>Assessment of Net Carbon Benefit of CDI Land Use Activities</i> (Camco, 2011)”. The project has submitted these documents and their analysis of their calculations of carbon benefits for the auditors to review. There are other supporting documents cited in the technical specifications (e.g. W.S. Braunworth Jr. 1992). Horticulture Crop Production Recommendations. Malawi Agricultural Research and Extension Project) which have not been provided to the audit team. Nevertheless, the carbon potentials spreadsheets contain the assumptions and their justifications and apply allometric equations to determine the biomass for the species selected, which is then applied across the whole area for each of the technical specifications implemented by registered farmers who have met their monitoring targets. As the project has a backlog of farmers for whom monitoring against the specified targets must be conducted, the estimated net carbon benefit the project calculates is actually lower than in reality. In other words, the 70,256 tCO₂e that the project has estimated as the total saleable (post-buffer) credits between the January 1st, 2007 project start and March 31st, 2016 (just prior to the verification audit field visit) would be higher if all monitoring had been completed. Additionally, given that the project will be revising the PDD and Technical</p> |

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| | Specifications based on new modelling data (see NCR 03/16), the calculated carbon potentials will be slightly modified, further changing the net carbon benefit beyond the new data from complete monitoring. In sum, the validated carbon potentials will be the subject of evaluation in the project's second verification event, or possibly sooner by the Plan Vivo Foundation. The NCR is closed. |
| NCR Status: | CLOSED |
| Comments (optional): | Upon revision of the PDD and technical specifications by the project, it will be highly illustrative for the Plan Vivo Foundation and the subsequent audit team to have a side-by-side comparison of the changes made to the calculation of carbon potentials (e.g. which values have been changed/updated and their overall effect on the estimated net carbon benefit). |

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| NCR#: | 04/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.3 and 2.1.8 |
| Report Section: | Indicator 2.1.3 and 2.1.8 |
| Description of Non-conformance and Related Evidence: | |
| The project shows a clear need to improve marketing and sale of CO2 certificates generated by the project. The lack of funding and consistent payments to farmers undermines the project's management and guaranteed participation of the producers. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | The Project Proponent states: "Trees of Hope has worked over the last year and a half to aggressively increase their sale of carbon certificates. In 2015, Trees of Hope – through their resellers ZeroMission and COTAP – sold more than 42,000 tons of carbon certificates. Trees of Hope is in the process of identifying an additional reseller based in the US, Cool Effect. The Clinton Foundation is currently vetting the organization. CDI has also had conversations with ZeroMission about the importance of establishing long-term buying commitment from companies and will in the future use CDI staff to help support the sales of certificates for clients if need be." The PP has provided a sales audit from Plan Vivo for 2015, demonstrating the project's transacted credits since 2013. In addition, the PP has submitted a letter from the Clinton Foundation Country Director for the Clinton Development Initiative in Malawi, stating a commitment to ensure continued support the Trees of Hope farmers through their PES agreements in accordance with the project, and that CDI has the means to do so. |
| Findings for Evaluation of Evidence: | In response to this NCR the PP has revealed stronger credit sales in 2015 than had previously been demonstrated to the auditors. This is a positive development for the project, as it has been in need of an injection of credit sale generated funds to support successful implementation. To illustrate, proceeds from the sale of carbon certificates covered about half of the project's operating costs in 2013 and 2014, where in 2015 the proceeds slightly surpassed project expenses. Approximately four fifths of the revenue gained from certificate sales in 2015 came from a single purchase through a reseller—ZeroMissionAB. Such large purchases are infrequent and cannot be relied upon to consistently keep a project financially viable each fiscal year. Acknowledging this, the project proponent detailed that the project's permanence is not at risk because of depressed credit sales, and, in particular, that the project will continue as planned despite these revenue setbacks as evidenced by a letter from the Clinton Development Initiative's Malawi Country Director. The NCR has been closed. |
| NCR Status: | CLOSED |
| Comments (optional): | None. |

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| NCR#: | 05/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.7 and 4.1.4 |
| Report Section: | Indicator 2.1.7 and 4.1.4 |
| Description of Non-conformance and Related Evidence: | |
| The project proponent has not demonstrated to the auditors that carbon sales are traceable and recorded in a database. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | The PP states: "Trees of Hope manages its own sales database. Plan Vivo also manages a database of its own for each of their projects. Markit also keeps track of carbon transfers and retired carbon. At this point, this process of sales is managed from the New York office. Historically this work was managed from Malawi but due to the nature of the work – corresponding with the Clinton Foundation's legal and contracts teams, and also the resellers – the bulk of the sales work was moved to New York. CDI contracts with ZeroMission and COTAP to sell carbon certificates generated by the project. All documentation relating to these sales are in New York and with the resellers. See the sales audit spreadsheet or any other information on Markit relating to transparency in sales." |
| Findings for Evaluation of Evidence: | The Project Proponent has provided evidence of the database within which ToH carbon sales are traced and recorded (i.e. a copy of the database itself). Also, the PP has also provided evidence of sales contracts with ZeroMission and COTAP. The NCR has been closed. |
| NCR Status: | CLOSED |
| Comments (optional): | None. |

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| NCR#: | 06/16 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.8 and 4.1.4 |
| Report Section: | Indicator 2.1.8 and 4.1.4 |
| Description of Non-conformance and Related Evidence: | |
| The project has not followed the monitoring schedule, and monitoring of tree growth has not occurred. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to verification |
| Evidence Provided by Organization: | The Trees of Hope project has outlined four action items that will bring the monitoring and evaluation in line with the defined monitoring plan. These action items are: <ol style="list-style-type: none"> 1. "Action Item 1: Distill the larger farmers database by year to understand how many farmers are in each planting year, and thus better understand who should be monitored for what target, in what year. <ul style="list-style-type: none"> • For example: in our database we can now see that we have 49 farmers that planted trees in 2007, meaning that this year, they would need to adhere to the monitoring target for year 7 of planting, which is DBH needs to be at least |

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| | <p>8cm. Based on the numbers of farmers in each year of monitoring – we will determine whether or not to take a sampling or collect data from all farmers.</p> <ul style="list-style-type: none"> • Due: August 28th; point person: Ariana Constant <p>2. Action Item 2: Execute plan to visit all communities, explain what had happened, and begin verifying monitoring:</p> <ul style="list-style-type: none"> • The individual or party responsible for monitoring - M&E Team will work with Trees of Hope Management and the CDI Country Director to lay out point person and support staff for each area including need for use of vehicles and possible hiring individuals to assist in swift execution of work. • Define the area to be monitored • Sample plots are taken • The tools used: <ul style="list-style-type: none"> i. Tools for farmers in Years 1 through 4 of monitoring will be: GPS units and sample from within the plot to determine tree density; tablets to record data and other relevant information about farmers and plots they are collecting data from ii. Tools for Years 5, 7 and 10 of monitoring: metric tape; tablets to input data and other relevant information about farmers and plots they are collecting data from <p>3. Action Item 3: Once monitoring has been conducted throughout the end of this year, disburse payments immediately if the target has been met.</p> <p>4. Action Item 4: Re-enforce monitoring strategy and plan moving forward.</p> <ul style="list-style-type: none"> • Based on Action Item 1 – Field officers from within Trees of Hope, and those in the general CDI program, will band together to help accomplish monitoring requirements. These non-Trees of Hope FOs have all already been trained on the Trees of Hope scope of work and requirements earlier in the year – facilitated by the Director of Community Impact for CDI and one of the top-performing Field Officers for Trees of Hope. • For example, for years with no monitoring to report on per-Plan Vivo PDD, staff resources, including Trees of Hope Field officers, should be used to re-enforce trainings where needed, but also support other farmers in CDI's broader network on general tree topics, but also help farmers with Trees of Hope on capitalizing on market opportunities for their tree products, as the mango and citrus farmers now have fruit that is saleable.” |
| Findings for Evaluation of Evidence: | The PP has developed an action plan in order to identify farmers whose performance targets have been met, disburse payment for those whose performance targets have been met, and reinforce the monitoring strategy amongst Field Officers. Some of this oversight will be reinforcing systems or practices that are already in place. Similar to the response for NCR 01/16, these action items demonstrate significant and meaningful steps the project proponent will take to better align the project with the approved technical specifications. As the action items and thereby the results of them are prospective in nature, the effect of the actions should be evaluated at a later time by either the Plan Vivo Foundation or the following audit team. The NCR has been converted in to a Forward Action Request (FAR 02/17). |
| NCR Status: | CLOSED |
| Comments (optional): | NCR 06/16 has been converted to FAR 02/17 |

2.3 Forward Action Requests (FARs)

Note: With a Forward Action Request (FAR), the audit team or the Plan Vivo Foundation requests appropriate action be taken to become fully compliant with a requirement. Actions taken by the Project Proponent to become fully compliant with the Standard Requirement shall be evaluated either by the Plan Vivo Foundation outside the scope of a certification audit, or the subsequent audit team during the project's next certification audit.

| | |
|------------------------------------|---|
| FAR#: | 01/17 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.4 |

| | |
|---|---|
| Report Section: | Indicator 1.1.4 |
| Description of Forward Action Request and Related Evidence: | |
| NCR 01/16 identified that “A combination of inadequate equipment and lack of oversight has led to deviations in project implementation from the technical specifications.” The Plan Vivo Foundation or the audit team of the project’s 2 nd verification audit should evaluate the results of the action plan described by the project to verify whether issues in implementation according to the technical specifications have been identified, fixed, and/or prevented. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to next verification |
| Evidence Provided by Organization: | PENDING |
| Findings for Evaluation of Evidence: | PENDING |
| FAR Status: | OPEN |
| Comments (optional): | FAR 01/17 was issued upon closure and conversion of NCR 01/16. |

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| FAR#: | 02/17 |
| Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.8 and 4.1.4 |
| Report Section: | Indicator 2.1.8 and 4.1.4 |
| Description of Forward Action Request and Related Evidence: | |
| NCR 06/16 identified that “The project has not followed the monitoring schedule, and monitoring of tree growth has not occurred.” The Plan Vivo Foundation or the audit team of the project’s 2 nd verification audit should evaluate the results of the action plan described by the project to verify whether the backlog of project monitoring has been completed according to the approved monitoring schedule. | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| Timeline for Conformance: | Prior to next verification |
| Evidence Provided by Organization: | PENDING |
| Findings for Evaluation of Evidence: | PENDING |
| FAR Status: | OPEN |
| Comments (optional): | FAR 02/17 was issued upon closure and conversion of NCR 06/16. |

2.4 Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed. Unlike NCRs, observations are not formally closed. Findings from the field audit related to observations are discussed in Appendix A below.

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|---|---|-----------------------------------|---|
| OBS | 01/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.3 |
| Description of findings leading to observation: | Project participants are able to discuss the project with their peers and with project staff. However, the participants clearly have insights as to how the project could improve. | | |
| Observation: | The project proponent should consider recurring meetings, workshops, or other forums for participants to share their experiences and establish a support network larger than the sum of their individual communities. | | |

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| OBS | 02/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.4 |
| Description of findings leading to observation: | LPMs interviewed identified techniques that they have requested that could enhance the project's achievements. Also, the LPMs noted a lack of incentives to continue serving the project at the high level of commitment currently demanded. | | |
| Observation: | The project should consider surveying LPMs and participating community members to gauge whether such trainings are desired, applicable, practical, and feasible. The project may risk losing the valuable resource that are the LPMs if it does not devise a way to keep them satisfied with what the project demands of them. | | |

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| OBS | 03/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.3 |
| Description of findings leading to observation: | The project proponent was not fully prepared to handle emergency situations. CDI vehicles are not equipped with first aid kits, nor are staff trained to perform first aid in situations of dire need. | | |
| Observation: | The project proponent should thoroughly consider equipping CDI vehicles and offices with first aid kits and provide training to personnel should the need arise. | | |

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| OBS | 04/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.3 |
| Description of findings leading to observation: | A fair share of producers visited by the auditors were elderly, some of whom were infirm, and some without a clear 'successor' to manage the land should they die or otherwise become unable or unwilling to continue their own participation in the project. The next of kin identified by the participant may be relatively geographically remote or potentially uninterested or unable to take over the management of their relative's Plan Vivo if needed. | | |
| Observation: | The project should modify its requirement that participants list their next of kin in the event that their Plan Vivo's management must be transferred such that the person listed is both willing and able to accept the responsibility, where one's ability to perform the duties necessary to participate in the project may be determined by past or current activity with the project. | | |

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| OBS | 05/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.7 |
| Description of findings leading to observation: | The PP maintains hard-copy tables detailing the generation and balance of emissions reductions certificates generated by each producer's Plan Vivo. These tables specify different currencies depending on the parameter being described—euros are used for price per tCO ₂ e; euro and Malawian Kwacha are used to describe the total amount to be paid to the producer for carbon sold over a 10-year period. In both of these boxes, the PP does not specify which currency is actually being referred to, and actually places a (US) dollar sign in front of the given quantity. This inconsistency can easily produce a misleading interpretation as to how much money the producer should expect to receive and has received to date. | | |
| Observation: | The project proponent should either standardize or be more specific when describing amounts of money disbursed or to be disbursed to the producer by the project. | | |

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|---|--|-----------------------------------|---|
| OBS | 06/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 2.1.8 |
| Description of findings leading to observation: | The Monthly Report Forms the LPMs are obliged to use does not include a standard comment sheet for LPMs to annotate observations, anomalies, recommendations, requests or complaints originating from participating producers or themselves. | | |

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| Observation: | The project stands to benefit from seeking more and regular feedback from LPMs and project participants and could easily take a step to doing so by creating such a comment sheet. |
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| OBS | 07/16 | Reference Standard & Requirement: | Plan Vivo Standard 2008 Indicator 1.1.8 |
| Description of findings leading to observation: | The project proponent broadly identifies expected environmental impacts of the project activities. The list of expected impacts on the environment as a result of project activities are by now widely known and generally accepted. However, the project does not identify any threatened or endangered species native to the region that could serve to bolster such claims as well as strengthen its own marketing appeal for potential offset buyers. | | |
| Observation: | The project is already struggling to sell what tCO2e offsets it already has and by opting not to describe in more detail the expected or actual ecological impacts (e.g. the project increases potential habitat for X charismatic species which is currently threatened) the project is missing an opportunity to improve its image and appeal to potential offset buyers. | | |

2.5 Actions taken by the Project Proponent address NCRs (including any resolution of material discrepancy)

| Action Taken by Project Proponent following the issuance of the Draft Report | Date |
|--|---|
| Additional documents submitted to audit team (additional documents listed below) | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A June 22, 2017 |
| Additional stakeholder consultation conducted (evidence described below) | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A |
| Additional clarification provided | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A July 21, 2017 |
| Documents revised (document revision description noted below) | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A |
| GHG calculation revised (evidence described below) | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A |

The project proponent took actions to address the NCRs raised during the field audit and in the draft report. These actions are detailed in the Non-Conformity Reports found in Section 2.2 of this report, as well as in the body of the report's text. In sum, the project has created action plans to resolve issues identified in the NCRs, which have resulted in their being converted to FARs. The project has also provided new evidence to demonstrate credit sales and tracking, as well as commitments to continue the project's implementation according to the approved project design and the Plan Vivo Standard.

Included in the actions taken by the Project Proponent to address NCRs was the submission of the following revised files:

| Ref | Title, Author(s), Version, Date | Electronic Filename |
|-------|---|---|
| 1a. | 2016 Verification Audit NCR/OBS Response Form, Ariana Constant, June 10 2016 | NCR Response Form.doc |
| 2a. | Carbon Potential, June 13 2016 | Carbon Potentials June 2016.xls |
| 3a. | Copy of Farmer Payments, June 13 2016 | Copy of Farmer Payments_final2016-03-16.xls |
| 4a. | Invoice for PPE and First Aid Kits, June 16 2016 | First Aid Kits.pdf |
| 5a. | First Merchant Bank Farmers Payments, June 13 2016 | First Merchant Bank_farmers Payments.pdf |
| 6a. | First Merchant Bank Farmers Payments EUR 22,706, June 13 2016 | FMB_Trees Farmer payment - 22,706.pdf |
| 7a. | First Merchant Bank Farmers Payments EUR 78,056, June 13 2016 | FMB_Trees Farmer payment - 78,056.pdf |
| 8a. | Malawi Baseline Data WIP, June 16 2016 | Malawi Baseline Data WIP.xls |
| 9 a. | Malawi growth rate data analysis document, June 16 2016 | Malawi growth rate data analysis doc.xls |
| 10 a. | Plan Vivo Trees of Hope Sales Audit, June 13 2016 | Sales Audit_TOH_2016_06_10.xls |
| 11 a. | Trees of Hope Plan Vivo Annual Report, June 13 2016 | Toh AR 2015- Final.doc |
| 12 a. | ToH Boundary Planting Technical Specification Carbon Benefit June 13 2016 | CHDI_MLW_BND.xls |
| 13 a. | ToH Dispersed Interplanting Technical Specification Carbon Benefit June 13 2016 | CHDI_MLW_DIP_Falbida.xls |

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|-------|--|--|
| 14 a. | ToH Citrus Technical Specification Carbon Benefit June 13 2016 | CHDI_MLW_FRO_Citrus.xls |
| 15 a. | ToH Mango Technical Specification Carbon Benefit June 13 2016 | CHDI_MLW_FRO_Mango.xls |
| 16 a. | ToH Woodlot Technical Specification Carbon Benefit June 13 2016 | CHDI_MLW_WDL.xls |
| 17 a | Letter of CDI commitment to the Plan Vivo ToH Project; Bill Rustrick; May 30, 2017 | RFA CDI Confirmation Memo.pdf |
| 18 a | Sales and Carbon Summary for ToH Malawi; June 9 2017 | Sales and Carbon Summary.xls |
| 19 a | Detailed responses to NCRs 01/16 and 06/16; Ariana Constant; July 21, 2017 | NCR Detailed Response 1 & 6.doc |
| 20 a | Trees of Hope Forestry Officer Monthly Reporting Template; July 21, 2017 | ToH FO monthly reporting Template.xls |
| 21 a | 2006 IPCC Guidelines for National Greenhouse Gas Inventories; 2006 | V4_04_Ch4_Forest_Land.pdf |
| 22 a | Sourcebook for Land Use, Land-Use Change and Forestry Projects; Winrock International; 2005 | Winrock-BioCarbon_Fund_Sourcebook-compressed.pdf |
| 23 a | Carbon Potentials; Ariana Constant; June 2016 | Carbon Potentials June 2016.xls |
| 24 a | Trees of Hope Carbon Sales Audit; June 22, 2016 | Sales Audit_TOH_2016_06_22.xls |
| 25 a | Trees of Hope Bank Balance Report; Clinton Foundation; November 29, 2016 | toh trial balance.pdf |
| 26 a | Preliminary DBH Monitoring; Ariana Constant; November 29, 2016 | DBH_xls_Calcul.xls |
| 27 a | NCR Response Form; Ariana Constant; November 29, 2016 | NCR Response Form_updated.doc |
| 28 a | Assessment of Net Carbon Benefit of CDI Malawi Land Use Activities; Emmanuel Ekakoro; May 2011 | CHDI Malawi carbon modelling summary report.doc |
| 29 a | Assessment of Net Carbon Benefit of CDI Malawi Land Use Activities; Emmanuel Ekakoro; May 2011 | CHDI Malawi carbon modelling summary report_checkedCSFEB2017.doc |
| 30 a | Boundary Planting Technical Specification; Joan Sang and Emmanuel Ekakoro; May 2011 | MW CHDI boundary planting_checkedCSFEB2017.doc |
| 31 a | Revised Carbon Potentials; February 27, 2017 | Revised carbon potentials_Feb 2017.xls |
| 32 a | Summary of new Baseline Calculations; February 27, 2017 | 2017_02_27 Summary of new Baseline Calculations.xls |
| 33 a | Malawi Baseline Data Work in Progress; February 27, 2017 | Malawi Baseline Data WIP_CS Working Versioncs.xls |
| 34 a | Carbon Sales Agreement / Order | Order 149 Sales Agreement.pdf |
| 35 a | Carbon Sales Agreement / Order | Order62_130618_Malawi (U&We June 2013).pdf |
| 36 a | Carbon Sales Agreement / Order | Order73_Malawi_130923 (ZeroMission Sept 2013) .pdf |
| 37 a | Carbon Sales Agreement / Order | Order96_Malawi_140430 (ZeroMission April 30 2014) .pdf |
| 38 a | Carbon Sales Agreement / Order | Order133_Malawi_150430.pdf |
| 39 a | Carbon Sales Agreement / Order | Order158.pdf |
| 40 a | Carbon Sales Agreement / Order | order160.pdf |
| 41 a | Carbon Sales Agreement / Order | Order160_Malawi 160229 (002) .pdf |
| 42 a | Carbon Sales Agreement / Order | ZeroMission CDI Sales Agreement Order 175.doc |
| 43 a | Carbon Sales Agreement / Order | ZeroMission CDI Sales Agreement Order 176.doc |
| 44 a | Carbon Sales Agreement / Order | ZeroMission Sales Agreement Oct 2012 order.pdf |
| 45 a | Carbon Sales Agreement / Order | ZeroMissionSalesAgreement_Order158.doc |
| 46 a | Carbon Sales Agreement / Order | ZeroMissionSalesAgreement_Order160.doc |
| 47 a | Carbon Sales Agreement / Order | ZM Sales Agreement Order 175.pdf |

3 Audit Methodology

3.1 Audit Team

Overview of roles and responsibilities:

| Auditor(s) | Responsibilities | | | | | | | |
|---------------------------|------------------|-------------|---------------|--------------------|-------------------------|-------------------|--------|------------------------|
| | Lead | Desk Review | On-site visit | Climate Specialist | Biodiversity Specialist | Social Specialist | Report | Senior Internal Review |
| Klaus Geiger | X | X | X | X | X | X | X | |
| Ustanzious Martin Nthenda | | | X | X | X | X | | |
| Lawson Henderson | | | | | | | | X |

Auditor qualifications:

| Auditor(s) | Qualifications |
|--|--|
| Klaus Geiger, Lead Auditor | Klaus Geiger is a forester with professional experience in Latin America. As Carbon Services Staff Auditor with Rainforest Alliance Klaus conducts and leads carbon field audits for AFOLU projects under six different carbon standards. Prior to working with Rainforest Alliance, Klaus researched Sri Lankan non-timber forest products by documenting species composition and mapping spatial distribution in traditional agroforestry gardens, co-managed the 8,000 acre FSC-Certified Yale School Forest, promoted sustainable agriculture techniques for 3.3 years with the Peace Corps in Panama, and, among other experiences, cruised timber with the U.S. Forest Service in Tahoe National Park. Klaus received his Masters of Forestry from the Yale University School of Forestry and Environmental Studies, and holds a Bachelors of Forestry from University of Missouri-Columbia. Klaus is fluent in Spanish and conversational in Sinhala. |
| Ustanzious Martin Nthenda, Local Expert | Ustanzious Martin Nthenda is a forester with professional experience in Malawi. As Forestry Research Officer with Forestry Research Institute of Malawi, Ustanzious conducts Forestry inventories/mensuration for forest Research Institute of Malawi and other forest related activities for the department of forestry and other forest stakeholders. Ustanzious has worked with the Forestry Research Institute of Malawi in various capacities since the beginning of his career. Ustanzious has researched in societal benefits and tradeoffs of tobacco in the Miombo woodlands of Malawi. Conducts evaluation of Eucalyptus plantations for Dwangwa cane growers LTD since 3 years ago, Participated in the Malawi national wide country forest survey Under JICA, researched on the awareness at community level on climate change and its related risks on the people of the lake Chilwa basin in Malawi, Conducted the Miombo/HIV interface survey, co-managed the 251 hectare, Viphya forest industries trials in Nkhatabay, Malawi for 6 years, conducted the Carbon survey for Kasungu National Park, under GTZ trans-border project. Among the many engagements and experiences, Ustanzious holds a Bachelors of Social Science Degree from Blantyre International University, a Diploma in Forestry from Malawi College of Forestry and Wildlife, and a certificate of forestry from the same college. Ustanzious is a Fellow of Earthwatch Institute. Ustanzious is Fluent in English, Chichewa, Yao, Tonga and Tumbuka. |
| Lawson Henderson, Senior Internal Reviewer | Carbon Specialist with Rainforest Alliance (2012 – current). Education: B.S.F. in forest management from University of New Hampshire, 2005. Experience, Forest Management Associate with Rainforest Alliance, US Region (2008 to 2012). Chain of Custody Associate with Rainforest Alliance, US Region (2007-2008). Forest Land Surveyor for a private forest/civil engineering firm in Western Oregon for two years. Auditor on more than 20 FSC forest management and chain of custody audits and assessments. Lead auditor or auditor on 18 forest carbon projects, including 14 IFM projects. Performed VCS audits of ARR, IFM, & REDD forest carbon projects. Project manager on over 250 FSC forest management and chain-of-custody projects. Completed Rainforest Alliance CoC Auditor Training in April 2008, Rainforest Alliance Carbon Verification and Validation Audit Training in March 2009, and Rainforest Alliance Lead Forest Management Auditor Training in June 2009. Successfully completed the Climate Action Reserve Lead Verifier Training for the Forest Project, and Urban Forest Project Protocol in September 2010, CAR Lead Verifier credentials renewed in June 2014. Successfully completed |

the ISO Quality Management Systems Lead Auditor Training Course (ISO 9001) in December 2010. ARB Lead Verifier credentials obtained in October 2012. Member of the Society of American Foresters and the Forest Guild.

3.2 Description of the Audit Process

Rainforest Alliance conducted the field audit for the verification of the William J. Clinton Foundation's Clinton Development Initiative "Trees of Hope" reforestation project in Malawi on April 4th through April 8th, 2016. The audit began in the project's main offices in Lilongwe, Malawi where the auditors met with project staff to conduct an opening meeting, discuss the inception of the project, its design and implementation. The auditors also reviewed the technical specifications with project staff. The auditors met with Field Officers, community-based Local Program Monitors in their sub-offices and respective communities. The auditors met with several Traditional Authorities, Village Headmen, and Group Village Headmen, as well as participating communities and participating producers between April 5th and April 8th. During these visits, the auditors conducted interviews with project stakeholder communities as well as with individuals totaling more than 130 people, and visited at least three of each technical specification, totaling 14 Plan Vivos.

| Location/Facility | Date(s) | Length of Audit | Auditor(s) |
|---|--|-----------------|--|
| Clinton Foundation Malawi Head Offices | Monday April 4 th , 2016 | 9 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Mponela Community Based Organization Compound | Tuesday April 5 th , 2016 | 3.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Zambani Village, Group Village Kalongola | Tuesday April 5 th , 2016 | 4 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Chetanga Village | Tuesday April 5 th , 2016 | 1 hour | Klaus Geiger, Ustanzius Martin Nthenda |
| Kaponya Village | Tuesday April 5 th , 2016 | 1 hour | Klaus Geiger, Ustanzius Martin Nthenda |
| Mponela Village | Wednesday April 6 th , 2016 | 2 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Chingoma Village | Wednesday April 6 th , 2016 | 2 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Kapelula Village | Wednesday April 6 th , 2016 | 2.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Interviews en route to Neno | Wednesday April 6 th , 2016 | 4 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Donda and Wilisoni Villages | Thursday April 7 th , 2016 | 7.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Lower Neno Sub-office | Friday April 8 th , 2016 | 1.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Manyenje Village | Friday April 8 th , 2016 | 1.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Lembani Village | Friday April 8 th , 2016 | 2.5 hours | Klaus Geiger, Ustanzius Martin Nthenda |
| Interviews en route to Lilongwe | Friday April 8 th , 2016 | 4 hours | Klaus Geiger, Ustanzius Martin Nthenda |

3.3 Review of Documents

The following documents were viewed as a part of the field audit:

| Ref | Title, Author(s), Version, Date | Electronic Filename |
|-----|---|--|
| 1 | Project Design Document for the Trees of Hope Project; Commodious Nyirenda; December 2015 | Trees of Hope PDD final_upload.pdf |
| 2 | Boundary Planting (BP) Technical Specification – Trees of Hope Project; December 2015 | CDI BP technical specification_final.pdf |
| 3 | Citrus Orchard Technical Specification – Trees of Hope Project; December 2015 | CDI citrus orchard technical specification_final.pdf |
| 4 | Displaced Systematic Interplanting Technical Specification – Trees of Hope Project; December 2015 | CDI DSI technical specification_final.pdf |
| 5 | Assessment of Net Carbon Benefit for Trees of Hope project; December 2015 | CDI Malawi carbon modelling summary report_final.pdf |
| 6 | Mango Orchard Technical Specification – Trees of Hope | CDI mango orchard technical specification_final.pdf |

| | | |
|----|---|--|
| | Project; December 2015 | |
| 7 | Woodlot Technical Specification – Trees of Hope Project; December 2015 | CDI woodlot technical specification_final.pdf |
| 8 | Baseline Survey Final Report; Lameck Gondwe; March 31 st 2016 | 2015 Baseline Survey Final Report.doc |
| 9 | Malawi Trees 2016 Budget; Kettie Msiska; April 4 th 2016 | CFMALATTPM 2016 budget.xls |
| 10 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Daison Josiya; January 21 st 2016 | Daison Josiya - PES Agreements.pdf |
| 11 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Mayeso Malovu; January 21 st 2016 | Mayeso Malovu- PES Agreement.pdf |
| 12 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Medson Scort; December 29 th 2015 | Medson Scort _ PES agreement.pdf |
| 13 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Moses Mwale; December 28 th 2015 | Moses Mwale PES Agreement.pdf |
| 14 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Samson Loti; December 28 th 2015 | Samson Loti -PES Agreement.pdf |
| 15 | Trees of Hope Farmer List; Ariana Constant; March 18, 2016 | ToH Farmer List for RA March 2016.xls |
| 16 | Clinton Development Initiative Trees of Hope Project Payment for Ecological Services Agreement Violet Biriwiti; January 19 th 2016 | Violet Biriwiti- PES Agreement.pdf |
| 17 | Non-Governmental Organisations Board of Malawi Certificate of Registration; 28 January 2015 | 2015 NGO Board Certificate (1) .pdf |
| 18 | Memorandum of Understanding with Malawian Government; William J. Clinton; 25 October 2012 | CDI Malawi MOU recd 10 25 12.pdf |
| 19 | Memorandum of Understanding with Government of Malawi; 14 July 2006 | MoU between CF n GoM.pdf |
| 20 | Baseline survey for agroforestry projects; Nicholas Berry; 12 May 2008 | Berry_2008_Agroforestry-baseline-protocol.pdf |
| 21 | Carbon modelling for afforestation and reforestation projects; Nicholas Berry; 12 May 2008 | Berry_2008_Carbon-modelling for Afforestation and Reforestation Projects.pdf |
| 22 | Estimating growth characteristics of agroforestry trees; Nicholas Berry; 12 May 2008 | Berry_2008_Estimating-tree-growth-protocol.pdf |
| 23 | Non-Governmental Organisations Board of Malawi Certificate of Registration; 29 February, 2016 | NGO Board 2016.pdf |
| 24 | List of Farmers Dowa District; 25 April 2016 | Farmers on waiting list- Dowa.xls |
| | | |

3.4 Interviews

The following is a list of the people interviewed as part of the audit. The interviewees included those people directly, and in some cases indirectly, involved and/or affected by the project activities.

| Audit Date | Name | Title |
|------------------------------|---------------------------|---|
| April 4 th , 2015 | Bill Rustrick | Country Director, CDI Malawi |
| April 4 th , 2015 | Austin Ngwira | Director of Community Impact, CDI Malawi |
| April 4 th , 2015 | Sibusisiwe Caroline Limwa | Project Manager – Trees of Hope, CDI Malawi |
| April 4 th , 2015 | Dyna | Programs Coordinator, CDI Malawi |
| April 4 th , 2015 | Commodious Nyirenda | Former Project Coordinator, CDI Malawi |
| April 4 th , 2015 | Lameck Gondwe | Monitoring and Evaluation Manager, CDI Malawi |
| April 4 th , 2015 | Kettie Msiska | Director of Finance, CDI Malawi |
| April 4 th , 2015 | Towela Chozenga | Procurement Officer, CDI Malawi |

| | | |
|--|--|---|
| April 4 th - 6 th , 2015 | Esmay Kamowa | Field Officer, CDI Malawi |
| April 5 th , 2015 | Group Village Headman Soko | Advisor to the TA Chief Dzoole |
| April 5 th , 2015 | Medison Chisale | Advisor to the TA Chief Dzoole |
| April 5 th , 2015 | John Masanda | Assistant District Forestry Officer |
| April 5 th , 2015 | Thandie Kamanga | Agricultural Extension Department Coordinator |
| April 5 th , 2015 | Samson Loti | Project Participating Farmer – Zambani Village |
| April 5 th , 2015 | Zambani Village (40 adults; 15 women, 25 men) | Project Participating Community - Zambani |
| April 5 th , 2015 | Builayimu Kalonga | Project Participating Farmer - Zambani Village |
| April 5 th , 2015 | Kadaya Jazdiel | Project Participating Farmer - Zambani Village |
| April 5 th , 2015 | Moses Mwale | Project Participating Farmer - Chatanga Village |
| April 5 th , 2015 | Sadalaki James | Village Headman, Kaponya |
| April 5 th , 2015 | Lameck Kaponya | Group Village Headman |
| April 5 th , 2015 | Moses Esau | Kaponya Village Chairman |
| April 5 th , 2015 | Felix Chikombole | Local Program Monitor, Kaponya, CDI Malawi |
| April 6 th , 2016 | Chief Chakhaza | Traditional Authority of Dowa |
| April 6 th , 2016 | Chingoma Village (60 adults; 15 women, 45 men) | Project Participating Community – Chingoma |
| April 6 th , 2016 | Jeremiah James | Project Participating Farmer – Chingoma |
| April 6 th , 2016 | Violet Biliwita | Project Participating Farmer – Kaperula |
| April 6 th , 2016 | Fyson Mphanda | Local Program Monitor Kaperula |
| April 6 th , 2016 | Amon Levison | Local Program Monitor Kaperula |
| April 6 th , 2016 | Medson Scott | Project Participating Farmer – Kaperula |
| April 6 th , 2016 | Iris Chaola Jackson | Project Participating Farmer |
| April 7 th , 2016 | Rodrick Kanzondeni | CDI Malawi Field Officer – Upper Neno |
| April 7 th , 2016 | Bizret Chinkwita | CDI Malawi Field Officer – Upper Neno |
| April 7 th , 2016 | Donda Village (16 adults; 9 women, 7 men) | Project Participating Village – Donda |
| April 7 th , 2016 | Matalia Chigona | Project Participating Farmer – Donda |
| April 7 th , 2016 | Petro Pero | Local Program Monitor Donda |
| April 7 th , 2016 | Edines Kafumbi | Project Participating Farmer – Wilisoni |
| April 7 th , 2016 | Frendi Loti | Local Program Monitor Wilisoni |
| April 7 th , 2016 | Benito Kamoto | Project Participating Farmer – Kamoto |
| April 8 th , 2016 | Wilson Chigwiya | CDI Malawi Field Officer – Lower Neno |
| April 8 th , 2016 | Henry Maulidi | CDI Malawi Field Officer – Lower Neno |
| April 8 th , 2016 | Ines Sosola | CDI Malawi Field Officer – Lower Neno |
| April 8 th , 2016 | Boniface Chisanu Somesome | Group Village Headman – Somesome |
| April 8 th , 2016 | Rhoda James Khamula | Project Participating Farmer – Manyenje |
| April 8 th , 2016 | Lembani Village (15 adults; 8 women, 7 men) | Project Participating Community - Lembani |
| April 8 th , 2016 | Charles Chabuka | Local Program Monitor - Lembani |

APPENDIX A: Field Audit Findings

Note: Findings presented in this section are specific to the findings resulting from the field audit as presented in the Draft Audit Report. Any non-conformances or observations identified during the field audit are noted in this section, and specific NCR and OBS tables are included in section 2 of this report for each identified non-conformance and observations. All findings related to audit team review of additional evidence submitted by the Project Proponent following the issuance of the Draft Audit Report by Rainforest Alliance, is included within section 2 of this report.

Principle: **Effective and Transparent Project Governance**

Criteria: Project has established an effective governance structure. Roles and lines of accountability are clear. The project coordinator has necessary core capabilities.

Indicator 1.1.1 **Producers**

Must be small-scale farmers and land-users in developing countries with recognized land tenure or user rights.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

Participants in the Clinton Foundation (CF) Clinton Development Initiative (CDI) Trees of Hope (ToH) reforestation project in Malawi are unanimously small-scale farmers. Activities range from subsistence farming, tobacco production, and goat herding. The ToH Project Design Document (PDD) describes the socio-economic situation in both Dowa and Neno, the two districts in Malawi where the ToH project currently takes place. The program document “2015 Baseline Survey Final Report” (Document #8) describes in detail the socio economic context of Malawi’s rural populations that the project is targeting, the information for which comes from reports and primary data gathered and analyzed by the project. The auditors are able to confirm that the producers participating in the project are indeed small-scale farmers through documentation review, discussions with project staff, and direct observation.

The project proponent (PP) describes in the PDD the three land tenure systems in Malawi: customary, private, and public. Customary land is technically owned by the presiding Traditional Authority (TA) in the area, and is administered by the Village Headman (VH) and Group Village Headman (GVH). The PP claims that customary land is by far the most common form of tenure in Malawi. During the April 2016 verification audit, the auditors interviewed TAs, GVHs, VHs, participating farmers, and project staff. Auditors interviewed the TAs and determined that the project had the TAs’ permissions to implement the project on the land that corresponded with their authority. GVHs and VHs each testified to the auditors that the land on which the project was being implemented had been granted to the participating farmers, and that all the participating farmers had received approval from their respective VH to implement the project. Farmers confirmed to the auditors that they had sought permission from their VHs to participate in the project, which they obtained, and that they were not coerced in to doing so. Project staff provided auditors with documentation showing a standard template for confirmation of land ownership, detailing the participating farmer, the VH, Field Officer (FO), and signatures of each.

The project demonstrates conformance.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 1.1.2 **Producers**

Must have a registered Plan Vivo for their own piece of land or be part of a group with a Plan Vivo for a piece of community-owned or managed land. Producers should not be structurally dependent on permanent hired labor, and should manage their land mainly with their own and their family’s labor force.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

As described under Indicator 1.1.1 of this report, the producers participating in the Trees of Hope Plan Vivo project are implementing one or more of five technical specifications to reforest communally owned land for which their respective Village Headmen give permission to do so. The producers are largely subsistence farmers and do not depend on permanent hired labor, which was confirmed by the auditors through interviews with project staff, various local authorities and the producers themselves. The project conforms to the standard.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 1.1.3

Administrative:

Legal and organizational framework with the ability and capacity to aggregate carbon from multiple land-owners and transact to purchasers, and monitor progress across all project operations. This must include:

- A legal entity (project coordinator) able to enter into sale agreements with multiple producers or producer groups for carbon services;
- Standard sale agreement templates for the provision of carbon services;
- Transparent and audited financial accounts able to the secure receipt, holding and disbursement of payments to producers;
- All necessary legal permissions to carry out the intended activities;
- Mechanisms for participants to discuss issues associated with the design and running of the project.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

Legal entity

The Clinton Foundation is a 501(c)(3) nonprofit organization based in the United States, with international offices and operations. CF has Memorandums of Understanding (Documents #18 & 19) with the Government of Malawi—dated 2006 and 2012 with no expiration—each declaring commitments to mutually support each other as implementing partners in their respective activities where institutional goals and operational timelines align. The MOU from 2012 was signed by William J. Clinton (founder of the Clinton Foundation) and Joyce Banda, then President of the Republic of Malawi.

The Clinton Foundation was a member of the Council for Non-Governmental Organisations in Malawi (CONGOMA) from February 7th 2012 until December of that year (evidence provided during field audit). The CF was also registered to the Non-Governmental Organisations Board of Malawi from January through December 2015, which certifies that CF complies with the country’s Non-Governmental Organisations act and was registered to operate in Malawi between 2007 through 2015 (Document #17). The PP has also provided the auditors with evidence demonstrating compliance with the Malawian NGO act for the year of 2016 (Document #23).

Standard agreements

The PP provided scanned copies of ‘Payment for Ecological Services’ (PES) agreements (Documents #10-14) that participating producers and the CDI engage in. The PES agreements is between the CDI and individual participating producers, and identifies or establishes the following: relevant VH, GVH and TA; requires the producer to meet monitoring targets, maintain the land use system, and address problem areas; requires CDI to pay an agreed purchase price for the CO2 certificates generated by the project on the producer’s land, pay in installments, and contribute 20% of all CO2 certificates to the PV risk buffer. The agreement also profiles the producer’s commitment in terms of land area, the technical specification used, and other relevant information.

Financial accounts

During the April 2016 verification audit the auditors met with the Clinton Foundation Malawi office Director of Finance. The Director of Finance described to the auditors the organization’s financial structure, including that all finances are controlled by CF’s Head Office in New York, and that all budgets are done in a standard CF budget template. The Director of Finance shared the 2015 and 2016 Trees of Hope budgets with the auditors; the budgets are organized, and account for ongoing and individual expenses, as well as provide an estimate of yearly revenue from the sales of CO2 certificates. This estimate also accounts for the 55% of certificate proceeds that will go to the participating producers. The sale of CO2 certificates is recorded by CDI in several ways. The PP maintains records of requests for funds transfers from CF bank accounts to producers’ accounts, which were opened in conjunction with the project. This is followed by a “Acknowledgement of Receipt of Payment of Ecosystem Services (PES)”, which includes a producer profile and description of the extent of their participation, along with bank information and signatures from the Local Program Monitors (LPM) and the Field Officers.

Legal permissions

By all accounts the project proponent has obtained the necessary legal permissions to carry out the Trees of Hope reforestation project in Malawi. As discussed previously in this report, the Clinton Foundation is a registered nonprofit organization from the US and is also registered as such in Malawi. The auditors met with the Assistant District Forestry Officer and the Agricultural

Extension Department Coordinator for Dowa District who confirmed that, to their knowledge, the Clinton Foundation and the Trees of Hope project are 100% compliant with local and national laws and regulations. Each of the TAs, GVHs and VHs the auditors met with also declared that the PP sought their permission and input prior to implementing the project. The project also has active MOUs in place with the Malawian government.

Mechanisms for participants to discuss the project

Project participants' most common contact with CDI ToH staff are through visits by Field Officers. Producers are regularly visited by FOs and LPMs (the latter of whom are technically volunteers, not CDI staff) to monitor progress toward project indicators, field questions and troubleshoot any issues the producer is having with their plantings. LPMs are community members (and frequently participants in the ToH project itself) selected by TAs, VHs, or by community nomination who receive advanced trainings on best management practice agricultural techniques, which they then pass on via training to fellow community members for them to implement on their farms, and specifically parcels incorporated in to the ToH project. LPMs interviewed by the auditors confirmed receiving such trainings, and generally felt that they had received sufficient training in order to effectively teach and lead their peers. During these trainings LPMs are able voice their opinions, thoughts or concerns about the project. Community members interviewed by the auditors confirmed that when they have a question, comment or concern, that they feel comfortable discussing it with their respective LPMs or FOs. The communities appear to organize themselves in ways that bring them together outside of the ToH project, as evidenced by, among other things, a "Community Based Organization" building that hosted the auditors and community members interviewed during one field visit. When asked whether the project proponent schedules regular community meetings or provides a forum for producers and other community members to exchange ideas or share experiences from the project, the producers and PP responded that this does not exist nor has it been implemented in the past. It was evident during the verification audit that project stakeholders, namely the participating producers in particular, have gained knowledge from the project and from experiences outside it that could serve as a valuable resource for both the PP and other producers were such a forum or mechanism to exist. For example, there was a farmer who was using a green manure technique other than what he claims CDI promoted because he believed it was more effective; a common complaint of producers was that their mango fruits were subject to pests, rendering the ripened fruits less valuable when taken to market for sale, to which one woman in a meeting gave a tip to her fellow participants of how she avoids this issue; one producer evidently had extensive knowledge on the cultivation of citrus trees, second only perhaps to the CDI Field Officers, whose time and resources are already in high demand. These producers and others interviewed by the auditors expressed a willingness and interest in sharing their knowledge on these matters or any other with their peers. OBS 01/16

| | | | |
|-------------|--|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | OBS 01/16 Project participants are able to discuss the project with their peers and with project staff. However, the participants clearly have insights as to how the project could improve. The project proponent should consider recurring meetings, workshops, or other forums for participants to share their experiences and establish a support network larger than the sum of their individual communities. | | |

Indicator 1.1.4

Technical:

Able to assist producers in planning and implementing productive, sustainable and economically viable forestry and agroforestry systems, and provide support for silvicultural and other management operations.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

The Clinton Foundation has created for the Trees of Hope project a program structure where its Field Officers and the community-based Local Program Monitors provide the most technical assistance to participating producers. The auditors met with 6 of the 7 Field Officers employed by the project and interviewed them as part of the ToH 2016 verification audit. There is one Field Officer for the District of Dowa, three FOs for Upper Neno and three more FOs for Lower Neno. Neno District has more designated FOs than Dowa District because the terrain is significantly more rugged, adding to the amount of time necessary to visit participating communities and landowners. Additionally, the population density in these Districts is lower, and consequently there is greater distance in between participating communities and producers.

The FOs were able to describe to the auditors in detail the technical specifications, steps to implement each tech spec, and generally outline their roles and responsibilities. The FOs each have significant experience, several of whom had worked for the Malawian government as agriculture and forestry extension officers for more than 30 years before beginning employment with the Clinton Foundation. Community members reported to the 2016 verification auditors that they received regular visits by ToH Field Officers. The FOs were described as knowledgeable by project participants.

Field Officers are largely responsible for assisting participating producers in implementing the Trees of Hope project. The FOs sensitize the communities to the project, recruit producers to participate, train community members, help establish tree

nurseries, approve participating producers' Plan Vivo designs, oversee planting of trees according to the selected technical specification, monitor producer achievement of implementation indicators, and facilitate the disbursement of payments. These responsibilities fell primarily with the FOs during the first years of project implementation, at which time there were fewer participants and the level of effort required per FO was more manageable.

Participating communities and producers have the most contact with the Local Program Monitors. LPMs are selected by the communities to serve as in-house trainers and technical specialists for their respective communities. As the LPMs are based in the communities where they volunteer, they have daily contact with community members and significantly greater ease of access to the project's Plan Vivos and familiarity with the participating community members as compared with the FOs.

The PDD states that each LPM is responsible for an average of 60 producers per LPM, and receive additional training in order to enhance their capacity to lead the program at the community level. In reality, for the 1,569 producers in Dowa, the 15 LPMs manage ~105 participants each; in Upper Neno, there are 314 producers and 15 LPMs, making the average ~21 participants per LPM; in Lower Neno, there are 1217 farmers and 15 LPMs, averaging ~81/LPM. For the whole of the project, this means that the 3,100 participants are attended to by 45 LPMs, making the total average ~69 farmers per LPM.

LPMs work as volunteers and are given a bicycle and bicycle maintenance allowance so they are better able to visit participating farmers in their area for which they are responsible. LPMs interviewed during the 2016 verification audit confirmed that they had received bicycles, the maintenance allowance, and trainings additional to those given for all participating community members. The Project Proponent has generally demonstrated its ability to assist communities in planning and implementing the forestry and agroforestry systems as described in the project's technical specifications. The LPMs asserted that they received adequate training, though one LPM did note that a scheduled training on grafting never occurred, and that he and his fellow LPMs would still like to receive it. Further, though LPMs were pleased with the knowledge they were gaining and the opportunity to serve their communities and neighbors in a unique way, the LPMs also noted a lack of incentives for continuing supporting the project activities with the same level of commitment required to attend to so many participants. OBS 02/16

The auditors visited a sample of 14 Plan Vivos, where they observed each type of technical specification: dispersed systematic inter-planting (DSI), barrier plantings (BP; e.g. live fences), woodlots, mango orchards and citrus orchards. The auditors witnessed these Plan Vivos in various stages of implementation, from the recently planted trees some communities to other Plan Vivos that were already bearing fruit or firewood. In general, the tree plantings were established as intended by the technical specifications. There were instances, though, where the trees were not planted with adequate space between them. Specifically, the community woodlot in Kaponya was planted too densely, resulting in trees that were not receiving enough sunlight and have begun to bow towards the ground. This is a sign of tree failure and, possibly, imminent mortality. The issue may be rectified by a well-calibrated pruning regime, but can be avoided altogether by planting trees with proper spacing. FOs and LPMs interviewed described how LPMs—who are the primary individuals providing technical support to the participating producers in planting and generally implementing the project—are not given any equipment and must improvise in the field (e.g. pacing planting distance or using ropes with knots, leading to incorrect planting distances such as described above in Kaponya). In theory the knotted rope could work just fine, but perhaps has failed in some instances due to lack of oversight from FOs. Currently, human resources in Dowa district are constrained by the availability of a single FO attending to more than 1,500 producers—a massive amount of work for a single individual with limited access to transportation not to mention time. The Project Proponent made it known to the auditors during the 2016 verification audit that it is actively considering hiring additional Field Officers and shifting project support to a greater number of LPMs in Dowa District, but this has not formally been planned or executed.

A common complaint by FOs and LPMs was the need for more nursery supplies, such as wheelbarrows, polyurethane bags, and tools. FOs in Neno also complained of inadequate facilities for completing their duties. Specifically, they had no computer with which to record data or facilitate completion of monthly reports, and no desks or furniture fit for a work space other than the building within which their offices were located. Additionally, the Field Officers noted that the main project office in Malawi had stated an intention to improve the conditions of the sub-office, as the ceiling was partially fallen, the windows either broken or generally incapable of being closed to secure valuables within the building, and the latrines in disrepair.

Lastly, it became apparent during the 2016 verification audit that the project proponent was not fully prepared to handle emergency situations. CDI vehicles are not equipped with first aid kits, nor are staff trained to perform first aid in situations of dire need. OBS 03/16

To remedy the issues described above, the Trees of Hope project has outlined four action items that will aid in the identification of deviations from the technical specifications, correction of identified deviations from the technical specifications, and

prevention of further deviations from the technical specifications. These action items are

1. Action Item 1: gather evidence of wrongly executed planting for land use systems via- sampling of data from farmers in Dowa, Upper Neno and Lower Neno to verify findings in audit/from the auditor. Page 28 of the report states “There were instances...where the trees were not planted with adequate space between them.”
2. Action Item 2: Determine, if evidence is procured, what the appropriate steps will be for providing refresher trainings on the following;
 - a. How to properly execute planting of tree-based land use systems, including spacing verification and rationale behind why this is important (crowding can lead to tree death);
 - b. Review of each technical specification so FOs, LPMs and M&E team understand the most important aspects of adhering to project guidelines (August training);
 - c. How to improvise in the field with locally procured tools;
 - d. Review procurement request protocol in instances where theft of breaking of tools given to the community have occurred. There is a clear procedure for procurement of materials within CDI that all staff are aware of and must abide by. Justification for such procurement needs to take place. If 1,000 polyurethane bags are requested, the head office needs to know why and for what. Communication can be improved with the documents that M&E is using for feedback from the FOs and LPMs.
 - e. Review feedback protocol between FOs and Management to best meet the needs of the field teams in impactfully and effectively doing their job
 - f. CDI has in place reporting templates for the Field officers to fill out monthly.
 - g. CDI relies on the FOs to accurately and thoroughly input information into those forms to best help support the field staff. In addition to this form, CDI HQ staff in Lilongwe regularly talk to the FOs and LPMs on the phone as other comments or things of significance arise.
3. Action Item 3: Schedule an unplanned field visit by management to the FOs once a month to check in on progress and corrective actions that need to be taken where necessary starting in August.
 - a. 1st week of the month: random visit to Dowa farmer
 - b. 2nd week of the month: random visit to Upper Neno and Lower Neno farmers
4. Action Item 4: If corrective action needs to be taken – and is able to be taken to fix the planting scheme – or make sure that ongoing maintenance is occurring – ensure that this is done so in a scheduled manner. Documentation of this will be forthcoming.

Thus, the PP indicates that more oversight will be provided in order to identify, fix, and prevent deviations from the technical specifications. Some of this oversight will be reinforcing systems or practices that are already in place. These action items demonstrate significant and meaningful steps the project proponent will take to better align the project with the approved technical specifications. As the action items and thereby the results of them are prospective in nature, the effect of the actions should be evaluated at a later time by either the Plan Vivo Foundation or the following audit team. FAR 01/17

| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
|-------------|---|-----------------------------|------------------------------|
| NCR/OBS | <p>OBS 02/16 LPMs interviewed identified techniques that they have requested that could enhance the project’s achievements. The project should consider surveying LPMs and participating community members to gauge whether such trainings are desired, applicable, practical, and feasible. Also, the LPMs noted a lack of incentives to continue serving the project at the high level of commitment currently demanded. The project may risk losing the valuable resource that are the LPMs if it does not devise a way to keep them satisfied with what the project demands of them.</p> <p>FAR 01/17 The Plan Vivo Foundation or the audit team of the 2nd verification audit should evaluate the results of the action plan described by the project to verify whether issues in implementation according to the technical specifications have been identified, fixed, and/or prevented.</p> <p>OBS 03/16 The project proponent should thoroughly consider equipping CDI vehicles and offices with first aid kits and provide training to personnel should the need arise.</p> | | |

Indicator 1.1.5

Social:

Able to select appropriate target groups, inform groups about the Plan Vivo System and the nature of carbon and ecosystem services and establish effective participatory relationships with producers

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

The project identified the appropriate target groups in the 2015 Baseline Survey Final Report (Document #8), and subsequently

selected project participants from this pool. The project has thoroughly established their ability establish participatory relationships with these appropriate target groups, and inform them about the Plan Vivo system and the nature of carbon and ecosystem services. During the 2016 verification audit the auditors visited 14 Plan Vivos and interviewed participating community members from more than 11 villages. All together, the auditors interviewed or met with more than 131 community members and participating farmers. These participants and their corresponding communities were unanimously rural subsistence farming communities without significant pre-existing experience designing or incorporating forestry elements in their communally-owned agriculture parcels. Respondents during the 2016 verification audit asserted that they had been trained and felt they sufficiently understood the nature and intent of the project. When asked why the project was important for them, participants' answers were typically three-fold: they appreciated the benefits of having forest resources such as firewood or poles; the payments for ecosystem services would help them support their family or community in any number of ways; and that they saw climate change as a threat to their livelihoods and wished to mitigate its impacts however they could. This last point should be emphasized, as it seems that the project was particularly successful on impressing the urgency of climate change and the ecosystem services provided by trees on the project's participants.

The project has also established effective participatory relationships with producers since the beginning of the project. Though the Clinton Foundation had developed the project's concept and drafted a list of suitable trees for the project, the producers who demonstrated interest in the project during the community sensitization process were integrated in the project and allowed to select which system and which species they wanted to utilize, and how much land and where they would like to implement the selected technical specifications. Community members were trained and took part in managing nurseries when they were moved from central locations to being community-based. As the project grew, the communities and their respective Traditional Authorities nominated particularly apt producers to become Local Program Monitors, who would receive additional trainings and then proceed to impart this knowledge to their peers and assist in implementation.

Thus, the project has largely demonstrated conformance to the standard, with the exception of the previously discussed issue of providing a forum for the community members to share experiences and ideas related to the project's design and implementation. See OBS 01/16

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | See OBS 01/16 | | |

Indicator 1.1.6 Social:

Able to establish land-tenure rights through engaging with producers and other relevant organizations

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

As discussed under Indicator 1.1.1 Producers of this report, producers participating in the Trees of Hope Plan Vivo reforestation project are implementing the project on communally owned land after obtaining permission to do so from their Traditional Authority, and that their Village Headman confirms to the TA and CDI that the land in question does pertain to the producer. As customary land tenure in Malawi has not yet been formalized, this system of confirmation and approvals is the acceptable form of demonstrating tenure for the project's participants. See Section 1.1.1 of this report for more details.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 1.1.7 Social:

Able to consult producers effectively on a sustained basis

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

As noted under Indicator 1.1.3 above, the Project Proponent executes initial consultations with potential participants, then orients and trains the newly-integrated smallholders. There are also periodic trainings for participants, such as construction of tree nurseries, pruning trees, and other matters at various stages of the trees' growth. CDI FOs regularly visit project participants to monitor progress, assist in tasks, troubleshoot issues, and consult with project participants, though this responsibility is largely relegated to Local Program Monitors due to their proximity to and daily interaction with participating communities. See OBS 01/16.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | See OBS 01/16 | | |

Indicator 1.1.8 Reporting:

Projects must on an annual basis, according to the reporting schedule agreed with the Plan Vivo

Foundation:

- Accurately report progress, achievements and problems experienced;
- Transparently report sales figures and demonstrate resource allocation in the interest of target groups.

| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
|--|---|-----------------------------|------------------------------|
| <p>The project proponent has submitted annual reports detailing progress, achievements, challenges, and sales figures to the Plan Vivo Foundation since 2010. These reports are available on the PVF website. However, the 2015 report was not been posted on the Plan Vivo website, and there were numerous other details (e.g. number of project participants) that are not up to date. Further, at least one annual report (e.g. 2010-2011) on the Plan Vivo website fails to download, regardless of internet browser used. In response to these findings, PP has provided the 2015 annual report to the auditors, who have found it to be complete and contain detailed discussions on the project's relevant indicators. The auditors spoke with the Project Proponent and the Plan Vivo Foundation who were able to confirm that steps that will be taken to ensure that the remaining documentation on the PV website that was either missing or faulty will be uploaded or fixed.</p> | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Principle: Carbon Benefits

Criteria: Carbon benefits are calculated using recognised carbon accounting methodologies and conservative estimates of carbon uptake/storage that take into account risks of leakage and reversibility.

Indicator 2.1.1 Carbon benefits are measured against a clear and credible **carbon baseline**.

| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
|---|---|-----------------------------|------------------------------|
| <p>The project proponent has submitted several documents evidencing the process, results, and analysis conducted to determine the project's carbon baseline. The documents (Documents #15 and 20-22) in question are as follows:</p> <ul style="list-style-type: none"> • Trees of Hope Farmer List March 2016 • Baseline survey for agroforestry projects • Estimating growth characteristics of agroforestry trees • Carbon modelling for afforestation and reforestation projects <p>These documents are rigorous protocols, and outline standard sampling techniques for determining the baseline carbon stocks in the project area.</p> <p>The quantification of carbon sink is defined individually in each of the project's technical specifications and are based on two other documents. These documents are Mohren et. Al 2004—which describes the CO2FIX-V3 model—and “<i>Assessment of Net Carbon Benefit of CDI Land Use Activities (Camco, 2011)</i>”. The project has submitted these documents and their analysis of their calculations of carbon benefits for the auditors to review. There are other supporting documents cited in the technical specifications (e.g. W.S. Braunworth Jr. 1992). Horticulture Crop Production Recommendations. Malawi Agricultural Research and Extension Project) which have not been provided to the audit team. Nevertheless, the carbon potentials spreadsheets contain the assumptions and their justifications and apply allometric equations to determine the biomass for the species selected, which is then applied across the whole area for each of the technical specifications implemented by registered farmers who have met their monitoring targets. As the project has a backlog of farmers for whom monitoring against the specified targets must be conducted, the estimated net carbon benefit the project calculates is actually lower than in reality. In other words, the 70,256 tCO₂e that the project has estimated as the total saleable (post-buffer) credits between the January 1st, 2007 project start and March 31st, 2016 (just prior to the verification audit field visit) would be higher if all monitoring had been completed. Additionally, given that the project will be revising the PDD and Technical Specifications based on new modelling data (see NCR 03/16), the calculated carbon potentials will be slightly modified, further changing the net carbon benefit beyond the new data from complete monitoring. In sum, the validated carbon potentials will be the subject of evaluation in the project's second verification event, or possibly sooner by the Plan Vivo Foundation.</p> | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

- Indicator 2.1.2 Carbon benefits are **additional**, i.e. the project and activities supported by the project could not have happened were it not for the availability of carbon finance. Specifically, this means demonstrating, as a minimum:
- The project does not owe its existence to legislative decrees or to commercial land-use initiatives likely to have been economically viable in their own right without payments for ecosystem services; and
 - In the absence of project development funding and carbon finance, financial, social, cultural, technical, ecological or institutional barriers would have prevented the project activity.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

Additionality is tested in each of the project’s technical specification documents. The PP conducts a barrier analysis to demonstrate that the obstacles hindering the project’s implementation are lack of community mobilization, capacity, training, equipment and materials, ignorance of climate change, seedling production, opportunity cost of not cultivating land, and lack of formal means for communities to access funding. Though the description of these barriers is brief, the project adequately demonstrates inherent challenges to overcoming these obstacles.

Auditor conversations with the government agencies visited during the 2016 verification audit confirmed that CDI’s reforestation project is unique in Malawi. Government officials confirmed that neither the project proponent nor its participants are obliged by law to undertake the ToH activities. The 2016 verification audit also revealed that project participants were actively learning throughout the project implementation process, as there was insufficient local expertise to design and run such a project in absence of CDI. Community members also confirmed lack of internal funding for these activities, nor did they have ample enough institutional support from government agencies.

Further, the project proponent is both implementing and exploring the possible inclusion of a host of other activities, such as a bee-keeping, sustainable charcoal production (‘green charcoal’), and improved soybean production. Many farmers interviewed by the auditors expressed great interest in the possibility of adding bee-keeping to the project activities, supplementing what has otherwise historically been an unstable income from the project’s sale of carbon credits.

The project demonstrates conformance; project activities are additional.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

- Indicator 2.1.3 **Permanence:** Potential risks to permanence of carbon stocks are identified in project technical specifications and effective mitigation measures implemented into project design, management and reporting procedures.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

The project proponent identifies several risks to the permanence of the carbon stocks. Lack of sense of ownership, forest fires, pests and diseases, drought, livestock damage, and overreliance on external support are all risks to permanence that the PP has identified, and for which management measures were developed. The measures to mitigate these risks to permanence include but are not limited to: involving communities in project management (e.g. LPMs); capacity building; education and promotion of fire breaks; selection of native tree species and general use of best management practices, among other measures. In general, the auditors observed many of the participating producers putting these mitigation measures to practice during the 2016 verification audit.

One challenge the project is facing is that a fair share of producers visited by the auditors were elderly, some of whom were infirm, and some without a clear ‘successor’ to manage the land should they die or otherwise become unable or unwilling to continue their own participation in the project. The project requires that every participant representing a farm or Plan Vivo must designate a “next of kin” for such cases. However, as revealed in auditor conversations with participants, this next of kin may be relatively geographically remote or potentially uninterested or unable to take over the management of their relative’s Plan Vivo if needed. In partial response to this issue, the project has added a “Term/Termination” clause to the PES Agreement, essentially allowing for either party to end the agreement should the other fail to perform its obligations as per the agreement. This clause recognizes the possibility for impermanence to the project, but does nothing to address or mitigate it. OBS 04/16

The Trees of Hope project expanded dramatically beginning around the 2011 planting year, prompted by the project's initial success and demonstration of worth in the eyes of local communities and neighbors of integrated producers. At this time, there were producers who apparently thought that the payments for ecosystem services were made upon successful completion of planting; when learning that this was not the case there was significant drop-out by producers from the project. For example, the Field Officers in Upper Neno described to the auditors how there were originally about 800 farmers registered with the project, but only ~310 farmers remain after 500 or so others abandoned the project when they did not receive immediate payment after planting. Such level of project abandonment at an early stage may be preferable to a scenario where the trees are more established and the associated loss due to impermanence is more damaging. Nevertheless, adding these participants and losing them shortly afterwards comes at a significant cost in terms of manpower, especially from the FOs and LPMs, some of whom are already stretched thin by attending to a large number of active producers who actually maintain interest in the project.

The 2011 validation auditor had issued a Corrective Action Request / Recommendation to "Slow recruitment of new producers and divert attention to the testing and verification of producer contacting, monitoring, and management procedures." The project has recognized the challenge posed by over-recruiting beyond the PP's management capacity, yet the number of project participants grew from ~2,000 in 2011 to a little more than 3,000 participants now. Only recently has the project slowed/halted recruitment. The stress created by the previous expansion has been compounded by the project's difficulties in marketing the CO2 certificates generated by the project. This financing conundrum was not a predictable one; the Clinton Development Initiative was originally partnered with the Hunter Foundation of Scotland, who, together, formed the Clinton-Hunter Development Initiative (or CHDI). The Hunter Foundation was the initial project financial backer, committing to buy all carbon credits generated by the project. The 2009 global financial crisis disrupted this plan, and the Hunter Foundation had to back out of this financial commitment in 2009, leaving CDI in a predicament with respect to payments to the farmers and monitoring activities. Since then, CDI has depended on their marketing desk in the New York head offices to feature the program on the Carbon Trade Exchange platform. Currently, according to the annual reports available on the Plan Vivo website, there is one major buyer of the project's credits, but the total amount of certificates purchased is but a fraction of those generated. Despite these efforts, the project proponent has only been able to sell offsets generated by about 800 of the 3,000+ participating farmers. Also, the payments made are not sufficient to consistently meet the specified payment schedule for all indicator targets met by those farmers who are receiving payments. Unreliable timing of payments by the project to the producers was the participating producers' chief complaint.

This is problematic for the project in three ways. First, the failure of the project to generate sufficient public and private interest in the credits' value to result in sales discourages the project proponent from prioritizing this project's well-being over others and from undertaking further GHG reduction/removal projects. Second, the project's inability to pay all the participating farmers for meeting their indicator targets discourages farmers from continuing to actively participate and implement the project, and has already resulted in waning farmer interest. Third, the project eventually plans to transition the vast majority of project management activities to the FOs and LPMs, possibly around 2028, by which time the first rotation will be complete for the farmers who planted earliest. The project directs 45% of the proceeds from the sale of CO2 certificates to pay for the project's associated administrative and management costs. Based on review of the 2016 budget, this portion of the proceeds only pays for about 10% of the project's total operating costs. Projects developed for offset generation and sale on voluntary carbon markets must be additional in order to be eligible, meaning that they are not possible or a financially attractive option without the prospect of carbon financing. Theoretically the project does not need to pay for the entirety of its budget with the sale of carbon offsets in order to continue operating, but without such funding the feasibility of a sustainable transfer of the project's administrative and managerial responsibilities to the FOs and LPMs—and thus the permanence of the carbon stocks—is questionable.

In response to these findings, the PP has revealed stronger credit sales in 2015 than had previously been demonstrated to the auditors. This is a positive development for the project, as it has been in need of an injection of credit sale generated funds to support successful implementation. To illustrate, proceeds from the sale of carbon certificates covered about half of the project's operating costs in 2013 and 2014, where in 2015 the proceeds slightly surpassed project expenses. Approximately four fifths of the revenue gained from certificate sales in 2015 came from a single purchase through a reseller—ZeroMissionAB. Such large purchases are infrequent and cannot be relied upon to consistently keep a project financially viable each fiscal year. Acknowledging this, the project proponent detailed that the project's permanence is not at risk because of depressed credit sales, and, in particular, that the project will continue as planned despite these revenue setbacks as evidenced by a letter from the Clinton Development Initiative's Malawi Country Director.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | OBS 04/16 The project should modify its requirement that participants list their next of kin in the event that their Plan Vivo's management must be transferred such that the person listed is both willing and able to | | |

| | |
|--|--|
| | accept the responsibility, where one's ability to perform the duties necessary to participate in the project may be determined by past or current activity with the project. |
|--|--|

Indicator 2.1.4 Permanence:
Producers enter into legal sale agreements with the project coordinator agreeing to maintain activities, comply with the monitoring, implement management requirements and re-plant trees felled or lost.

| | | | |
|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| As discussed under Indicator 1.1.3 of this report, the Project Proponent has provided the auditors with the standard sale agreement templates and a sample of active agreements. The sale agreement provides identifying information of the participant, the type of PV technical specification implemented by the participant and the entailing agreed-upon activities to implement the technical specifications, the land area, and a breakdown of all expected payments by year. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 2.1.5 Permanence:
As a minimum, a 10% risk buffer is deducted from the saleable carbon of each producer, where the level of buffer is recommended in the technical specifications according to the level of risk identified, and subsequently reviewed annually following annual reporting.

| | | | |
|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The project implements a 20% risk buffer, which is calculated and deducted for each Plan Vivo prior to generating PP sale agreements with project participants. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 2.1.6 Potential sources of leakage have been identified and effective mitigation measures implemented.

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|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The project proponent recognizes leakage as the potential displacement of agricultural or other livelihood activities due to implementation of the project. To protect against leakage, the project requires that FOs or LPMs assess each farmer's situation to ensure that the participant is not sacrificing land needed to sustain themselves or their dependents. The auditors questioned farmers during the 2016 verification audit, and farmers generally responded that they had sufficient land to implement the project without risking their livelihood, and that in many cases the project had actually improved crop yields through erosion mitigation and the production and incorporation of green manures in to their soils. The project demonstrates conformance. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 2.1.7 Carbon sales are traceable and recorded in the database.

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|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The PP maintains hard-copy tables detailing the generation and balance of emissions reductions certificates generated by each producer's Plan Vivo. These tables keep record of the total carbon credits issued (measured in tCO ₂ e), the tCO ₂ e withheld as buffer (20% of total), the total saleable tCO ₂ e, tCO ₂ e purchased to date, total unsold tCO ₂ e to date, price per tCO ₂ e, and total amount to be paid to the producer for carbon sold over 10-year period. These tables specify different currencies depending on the parameter being described—euros are used for price per tCO ₂ e; euro and Malawian Kwacha are used to describe the total amount to be paid to the producer for carbon sold over a 10-year period. In both of these boxes, the PP does not specify which currency is actually being referred to, and actually places a (US) dollar sign in front of the given quantity. This inconsistency can easily produce a misleading interpretation as to how much money the producer should expect to receive and has received to date. OBS 05/16 | | | |
| These tables are typically appended to each producer's PES agreement with CDI. Digital versions of these tables that track the progress of sales and disbursement over time exist in a database, and the project proponent has shared them with the audit team. The Project Proponent has provided evidence of the database within which ToH carbon sales are traced and recorded (i.e. a copy of the database itself). Also, the PP has also provided evidence of sales contracts with ZeroMission and COTAP. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |

| | |
|---------|---|
| NCR/OBS | OBS 05/16 The project proponent should either standardize or be more specific when describing amounts of money disbursed or to be disbursed to the producer by the project. |
|---------|---|

- Indicator 2.1.8 Project has an effective process for **monitoring** the continued delivery of the ecosystem services, where:
- Monitoring is carried out against **targets** specified in technical specifications;
 - Monitoring is carried out accurately using **indicators** specified in technical specifications;
 - Monitoring is accurately documented and **reported** to the entity responsible for disbursing payments to producers;
 - **Corrective actions** are prescribed and recorded where targets are not met, and followed up in subsequent monitoring.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

Monitoring activities are conducted principally by Field Officers and Local Program Monitors who are trained by CDI staff. The targets—percent of plot establishment and survival, and minimum diameter at breast height (DBH)—and indicators—mortality and DBH—are detailed in PES Agreements with the producers (in Appendix II) and are as follows:

| Monitoring Period | Monitoring Target to be met |
|-------------------|--|
| Year 1 | 50% of plot established |
| Year 2 | 75% of plot established |
| Year 3 | Whole plot established with stand survival not less than 85% |
| Year 4 | Whole plot established with at least 90% survival |
| Year 5 | Average DBH not less than 4cm |
| Year 7 | Average DBH not less than 8cm |
| Year 10 | Average DBH not less than 15cm |

During the 2016 verification audit the auditors reviewed Monthly Report Forms submitted by LPMs containing raw data sheets. These data sheets make note of the village in question, the monitor collecting the data, the date, the producer, and tree-counts for each of the technical specifications utilized by the participating producer. This data is used by the project to track tree establishment and thus determine whether a producer has successfully reached their specified targets for a given payment. According to the PES Agreement, producers that have not reached their monitoring target have their payment withheld until the following year, or until the producer has met the appropriate monitoring target. As discussed under Indicator 1.1.3 of this report, the participating farmers have valuable experiences that could be a source of improvement as well as a heightened sense of ownership over the project. The Monthly Report Forms the LPMs are obliged to use does not include a standard comment sheet for LPMs to annotate observations, anomalies, recommendations, requests or complaints originating from participating producers or themselves. OBS 06/16 Also see OBS 01/16

Monitoring of tree growth has not yet taken place, only whether a plot has successfully reached its tree establishment target or not. As discussed under Indicator 2.1.3 of this report, the project proponent is historically experienced difficulties in maintaining consistent sales of carbon credits and the corresponding payments to the producers. Because of this, the PP asserts, monitoring activities have not taken place because they would be unable to deliver payments to those farmers who have met their monitoring target for that period. Now that the project has been underway for about nine years, the producers that planted in 2007 (the first year) should theoretically be in ‘monitoring year nine’, or the 6th monitoring target bracket (Year 7, but not yet Year 10), but in reality may only have received three monitoring period payments, or perhaps none at all. As an aside, by stating that the monitoring period is “Year 1” or any other number, it is unclear whether the project proponent is indicating the year since the project’s start or the year since the plot was planted. In any case, monitoring of carbon stocks’ growth is to occur over time. By not monitoring the associated indicator (DBH) in the corresponding year since planting, the project is unable to compare real tree growth to the projected tree growth as detailed in the carbon model. In other words, without this information the project is unable to check the accuracy of the carbon model and continue to revise it based on available information.

In response to these findings, the Trees of Hope project has outlined four action items that will bring the monitoring and evaluation in line with the defined monitoring plan. These action items are:

1. Action Item 1: Distill the larger farmers database by year to understand how many farmers are in each planting year, and

thus better understand who should be monitored for what target, in what year.

- For example: in our database we can now see that we have 49 farmers that planted trees in 2007, meaning that this year, they would need to adhere to the monitoring target for year 7 of planting, which is DBH needs to be at least 8cm. Based on the numbers of farmers in each year of monitoring – we will determine whether or not to take a sampling or collect data from all farmers.
 - Due: August 28th; point person: Ariana Constant
2. Action Item 2: Execute plan to visit all communities, explain what had happened, and begin verifying monitoring:
 - The individual or party responsible for monitoring - M&E Team will work with Trees of Hope Management and the CDI Country Director to lay out point person and support staff for each area including need for use of vehicles and possible hiring individuals to assist in swift execution of work.
 - Define the area to be monitored
 - Sample plots are taken
 - The tools used:
 - i. Tools for farmers in Years 1 through 4 of monitoring will be: GPS units and sample from within the plot to determine tree density; tablets to record data and other relevant information about farmers and plots they are collecting data from
 - ii. Tools for Years 5, 7 and 10 of monitoring: metric tape; tablets to input data and other relevant information about farmers and plots they are collecting data from
 3. Action Item 3: Once monitoring has been conducted throughout the end of this year, disburse payments immediately if the target has been met.
 4. Action Item 4: Re-enforce monitoring strategy and plan moving forward.
 - Based on Action Item 1 – Field officers from within Trees of Hope, and those in the general CDI program, will band together to help accomplish monitoring requirements. These non-Trees of Hope FOs have all already been trained on the Trees of Hope scope of work and requirements earlier in the year – facilitated by the Director of Community Impact for CDI and one of the top-performing Field Officers for Trees of Hope.

For example, for years with no monitoring to report on per-Plan Vivo PDD, staff resources, including Trees of Hope Field officers, should be used to re-enforce trainings where needed, but also support other farmers in CDI's broader network on general tree topics, but also help farmers with Trees of Hope on capitalizing on market opportunities for their tree products, as the mango and citrus farmers now have fruit that is saleable.

Thus, the PP has developed an action plan in order to identify farmers whose performance targets have been met, disburse payment for those whose performance targets have been met, and reinforce the monitoring strategy amongst Field Officers. Some of this oversight will be reinforcing systems or practices that are already in place. These action items demonstrate significant and meaningful steps the project proponent will take to better align the project with the approved technical specifications. As the action items and thereby the results of them are prospective in nature, the effect of the actions should be evaluated at a later time by either the Plan Vivo Foundation or the following audit team. FAR 02/17

| | | | |
|-------------|--|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | <p>OBS 06/16 The Monthly Report Form utilized by the project does not include a standard comment sheet for LPMs to annotate observations, anomalies, recommendations and requests originating from participating producers or themselves. The project stands to benefit from seeking more and regular feedback from LPMs and project participants and could easily take a step to doing so by creating such a comment sheet.</p> <p>See OBS 01/16</p> <p>FAR 02/17 The Plan Vivo Foundation or the audit team of the project's 2nd verification audit should evaluate the results of the action plan described by the project to verify whether the backlog of project monitoring has been completed according to the approved monitoring schedule.</p> | | |

- Indicator 2.1.9 Producers **draw up Plan Vivos** as part of a voluntary and participatory process that ensures proposed land-use activities:
- Are clear, appropriate and consistent with approved technical specifications for the project;
 - Will not cause producers' overall agricultural production or revenue potential to become unsustainable or unviable.

Findings from Review on APRIL 4 THROUGH APRIL 8, 2016

As discussed under Indicator 2.1.6 of this report, the project evaluates each producer's situation and proposed Plan Vivo prior to accepting their participation and integrating them in to the project in order to ensure that their agricultural production is not

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| negatively impacted by the project. The auditors also witnessed several Plan Vivo schematics drafted by project participants and they were consistent with the approved technical specifications for the ToH project. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Principle: **Ecosystem benefits**

Indicator 3.1.1 Planting activities are restricted to **native and naturalised species**.

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|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The documents describing each technical specification has a table detailing which tree species were selected for planting under each given production system. The species are classified as either being indigenous or naturalized, which has been confirmed both by internet search and based on the local expert that was part of the audit team, who has more than 25-years of experience working in the Malawian forestry sector. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

- Indicator 3.1.2 Naturalised (i.e. non-invasive) species are eligible only where they can be shown to have compelling livelihood benefits and:
- Producers have clearly expressed a wish to use this species;
 - The areas involve are not in immediate proximity to conservation areas or likely to have any significant negative effect on biodiversity;
 - The activity is still additional i.e. the producers in the area are not doing this activity or able to do this activity without the intervention and support of the project;
 - The activity will have no harmful effects on the water-table.

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| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The project utilizes naturalized species which have a demonstrated benefit for producers' livelihoods and have been distributed upon request of the producers. The project activities are additional as few to no trees were planted by participants prior to the project's implementation. The naturalized trees are not known to negatively impact the water table, nor were observations to that effect made by the auditors. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 3.1.3 Wider **ecological impacts** have been identified and considered expressly including impacts on local and regional biodiversity and impacts on watersheds.

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|--|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| The project proponent broadly identifies expected environmental impacts of the project activities as being increased and improved habitat for flora and fauna, reduction of run-off, improved soil-water infiltration and retention, reduced soil erosion, improved soil fertility, and increased microclimate stability. These expected impacts on the environment as a result of project activities are by now widely known and generally accepted. However, the project does not identify any threatened or endangered species native to the region that could serve to bolster such claims as well as strengthen its own marketing appeal for potential offset buyers. OBS 07/16 | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | OBS 07/16 The project is already struggling to sell what tCO2e offsets it already has and by opting not to describe in more detail the expected or actual ecological impacts (e.g. the project increases potential habitat for X charismatic species which is currently threatened) the project is missing an opportunity to improve its image and appeal to potential offset buyers. | | |

Principle: **Livelihood Benefits**

Indicator 4.1.1 Project has undergone a **producer/community-led planning process** aimed at identifying and defining sustainable land-use activities that serve the community's needs and priorities.

| | | | |
|--|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| As described at length under Indicators 1.1.1 and 1.1.3, the project has implemented a producer and community led planning process resulting in the multiple technical specifications in place and the tree species utilized by the project. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 4.1.2 Mechanisms are in place for continued training of producers and participation by producers in project development.

| | | | |
|--|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| As described under Indicator 1.1.3 of this report, participating producers and communities are in most contact with the Field Officers and community-based Local Program Monitors. Producers have the opportunity to interact regularly with these individuals, but may benefit from an additional forum through which to share valuable experiences, express observations, requests or complaints in relation to the design and implementation of the project. See OBS 01/16. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | See OBS 01/16 | | |

Indicator 4.1.3 Project has procedures for entering into **sale agreements** with producers based on saleable carbon from Plan Vivos, where:

- Producers have recognised carbon ownership via tenure or land-use rights;
- Agreements specify quantity, price, buyer, payment conditions, risk buffer, and monitoring milestones;
- An equitable system is in place to determine the share of the total price which is allocated to the producer;
- Producers enter into sale agreements voluntarily.

| | | | |
|---|---|-----------------------------|------------------------------|
| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | | |
| As discussed under Indicator 1.1.3 above, the Project Proponent has provided the auditors with the standard sale agreement templates and a sample of active agreements. The sale agreement provides identifying information of the participant, the type of PV technical specification implemented by the participant, the land area, and a breakdown of all expected payments by year. CDI maintains copies of each project participant's land tenure statements. The sale agreement also specifies quantity of land generating certificates, price per credit, as well as other specifications as mandated by the Plan Vivo Foundation. Producers told the auditors that they were not coerced in any way to enter in to sale agreements. | | | |
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | None. | | |

Indicator 4.1.4 Project has an effective and transparent process for the timely administration and recording of **payments to producers**, where:

- Payments are delivered in full when monitoring is successfully completed against milestones in sale agreements;
- Payments are recorded in the project database to ensure traceability of sales.

| Findings from Review on APRIL 4 THROUGH APRIL 8, 2016 | | |
|---|--|-------------------------------------|
| The project's payment structure is simple and clearly laid out in each PES Agreement the project enters with the producers under Appendix II Table B <i>Monitoring and Payment Protocol</i> . Payments are distributed to producers pending their compliance with the thresholds and targets, which are as follows: | | |
| Monitoring Period | Monitoring Target to be met | Percentage (%) of total payment due |
| Year 1 | 50% of plot established | 20 |
| Year 2 | 75% of plot established | 20 |
| Year 3 | Whole plot established with stand survival not less than 85% | 20 |
| Year 4 | Whole plot established with at least 90% survival | 10 |

| | | |
|---------|--------------------------------|----|
| Year 5 | Average DBH not less than 4cm | 10 |
| Year 7 | Average DBH not less than 8cm | 10 |
| Year 10 | Average DBH not less than 15cm | 10 |

Forty-five percent of the proceeds from each credit sold is allotted to the project proponent to contribute to covering administrative and other project-related costs. The remaining 55% of the proceeds from credit sales goes to the producer. To achieve this, the Clinton Foundation's head offices in New York is the first arm of the project proponent that receives the proceeds from credit sales, which are then transferred to the project's account at the First Merchant bank in Malawi. When a payment to producers is scheduled, CF Malawi submits a written and signed request to the First Merchant bank's Capital City Branch branch manager to transfer funds from the "Clinton Foundation Trees of Hope Account" to the farmers as specified in an accompanying document. The accompanying document is a Payment Profile for selected producers, and gives their title (Mr/Ms/Mrs), first name, last name, project site (Dowa/Neno), account number and amount due. Each of the participating producers maintains an account at the First Merchant bank and a bank card associated with it. It is left to the producers' discretion when and how they would like to withdraw funds deposited to their account. This process is documented and tracked by CF, and hard copies of the PP communications with the bank and the producer profiles are maintained in binders at the project offices in Lilongwe.

The Plan Vivo 2008 standard requires that payments are delivered in full when monitoring is successfully completed against milestones in sale agreements. As previously discussed, monitoring of targets and indicators has not occurred according to the plan established in the PES agreements with producers. See FAR 02/17.

| | | | |
|-------------|---|-----------------------------|------------------------------|
| Conformance | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| NCR/OBS | See FAR 02/17 | | |

APPENDIX B: Organization Details

Contacts

Primary Contact for Coordination with Rainforest Alliance

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|----------------------------|--|
| Primary Contact, Position: | Ariana Constant, Associate Director of Program Development & Strategy - Clinton Foundation |
| Address: | 1271 Avenue of the Americas, 42nd Floor, New York, NY 10020 USA |
| Tel/Fax/Email: | aconstant@clintonfoundation.org |