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SmartWood

Practical conservation through certified forestry

Verification Audit Report

For:

**Futuro Forestal S.A.
in
El Paraíso, San Félix,
Chiriquí, Panamá**

Audit Standard:

**Climate, Community and Biodiversity Project
Design Standards (Climate, Community and
Biodiversity Alliance) -
First Edition, May 2005**

Initial Audit Dates: Nov 28 and 29, 2005

**Audit Team: Marcelino Montero and
Hugo Álvarez**

Report with CARs Finalized: July 31, 2006

CAR Ver Audit Team: Hugo Álvarez

Report without CARs Finalized: Jan 15, 2007

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1. VERIFICATION AUDIT FINDINGS AND CONCLUSIONS

1.1. Verification Audit Scope

Organization name:	Futuro Forestal S.A.
Type of organization:	Sociedad Anonima.
Contact person, Title:	Andreas Eke, General Manager.
Address:	Provincia de Chiriquí, Distrito San Félix, Corregimiento Las Lajas, comunidad El Paraiso, Panamá.
Tel/Fax/Email:	Tel/fax: (507) 727-0010 and tel: (507) 727-0078. Email: ae@futuroforestal.com
Audit Scope:	Two types of fincas: fincas reforested with wood for commercial purposes, on which, upon request of the client, carbono credits can be sold; and fincas reforested with only pursue CO ₂ benefits. Total area under management up to 2005: 570 ha, involving Teak (<i>Tectona grandis</i>) plantations, native species, riparian forests and protection forests; located at San Félix de Chiriquí and Soná de Veraguas, Panamá.
Standard used:	Climate, Community and Biodiversity Project Design Standards (Climate, Community and Biodiversity Alliance) - First Edition, May 2005
Additional details:	The CCB standard was applied by an audit team from the SmartWood Program of the Rainforest Alliance, using the certification methodology and procedures commonly used in forest certification, which has been aproved by the Forest Stewardship Council (FSC).

1.2. Audit findings

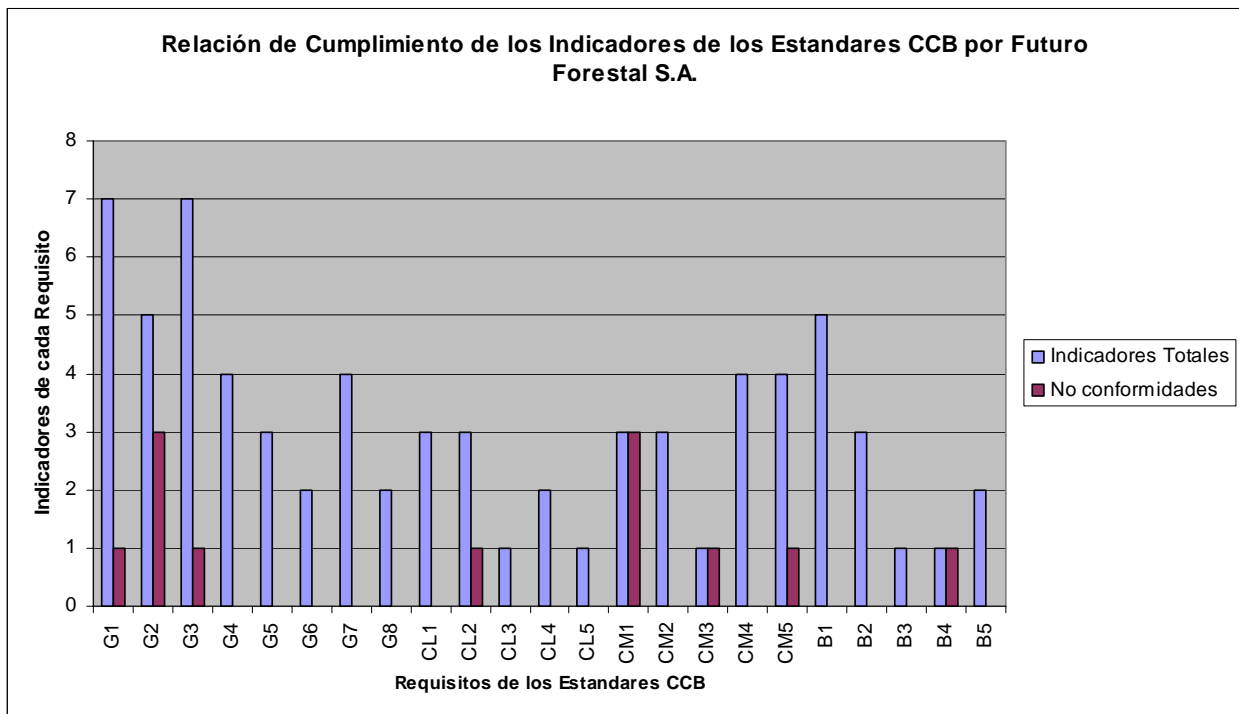
1.2.1 Analysis of Conformance with Standard

During the visit to company, the audit team found a good level of compliance with the standards. To arrive to this conclusion, the audit team reviewed documentation and had internal interviews with the administrative and management staff; besides, the experience of a decade developing mixed forest plantations makes the company able to meet most of assessed criteria. However, according to the CCB standard, for a project to be certified, the following rules apply:

1.1.1.1. Levels of Validation with CCB Standards

- **Approved:** For projects satisfying all fifteen requirements.
- **Silver:** For projects that satisfy all the requirements and receive at least one point from three different sections (General, Climate, Community, and Biodiversity).
- **Gold:** For projects that satisfy all the requirements and have a minimum of 6 points, with at least one point from each of the four sections.

Based on the findings of the audit team, the following chart was made to show the level of compliance of Futuro Forestal with the CCB standards:



The previous diagram shows that Futuro Forestal S.A. is in compliance with most of the requirements of the CCB standards; however, in order to be CCB certified, Futuro Forestal shall address the corrective actions requested for the required Criteria G1, G2, G3, CL2, CM1, and CM3, according to CCBA. 2005. Climate, Community and Biodiversity Project Design Standards (First Edition). CCBA, Washington DC. May 2005. At: www.climate-standards.org

The audit team considers that the accomplishment of the 100% of the standards can be achieved at the short or medim term, since the organization has most of the needed information. SmartWood will allow Futuro Forestal one year (until August 31st 2007) to comply with the given CARs; otherwise, a new complete verification process should be scheduled. After the January 9, 2007 audit, the company would have reached the gold validation level.

1.2.2 Corrective Actions Requests and Observations

1.2.2.1 Corrective Actions Requests

It has been requested to Futuro Forestal to meet the corrective actions **(CAR)**: Actions requested, or improvements to address several non-conformances to the required criteria identified during the initial verification audit.

Based on the non-conformances identified, the following corrective actions were issued by SmartWood. (See Appendix I for a description of types and descriptions of corrective actions used by SmartWood on this verification audit.)

CAR #: 01/06	Reference Standard #: G1.4
Description of non-conformance: There is not in place a basic socio-economic description of the community El Paraíso.	
Corrective Action Request: Futuro Forestal shall prepare a basic socio-economic description of the community El Paraíso, according to what is suggested by the standard (using an appropriate methodology, such as the livelihoods framework).	

CAR #: 02/06	Reference Standard #: G2.3
Description of non-conformance: There is not a "without project" scenario of the impact on the communities.	
Corrective Action Request: Futuro Forestal shall model the "without-project" scenario of the impact on the local communities.	

CAR #: 03/06	Reference Standard #: G2.4
Description of non-conformance: There is not a description of how the land-use scenario "without-project" would affect biodiversity in the project area.	
Corrective Action Request: Futuro Forestal shall describe the land-use scenario "without-project" and how this will affect the biodiversity.	

CAR #: 04/06	Reference Standard #: G2.5
Description of non-conformance: There is not a description of how the land use scenario "without-project" would affect water and soil resources.	
Corrective Action Request: Futuro Forestal shall develop the effects on water resources scenario "without-project".	

CAR #: 05/06	Reference Standard #: G3.6
Description of non-conformance: There is not a written description of the definition and characterization of stakeholders.	
Corrective Action Request: Futuro Forestal shall describe and justify in written how local stakeholders have been or will be defined.	

CAR #: 06/06	Reference Standard #: CL2.1
Description of non-conformance: There is not an estimate of the potential offsite decreases in carbon stocks.	
Corrective Action Request: Futuro Forestal shall estimate the offsite decrease of carbon stocks	

(increases in sequestration or decrease in emissions) due to project activities.

CAR #: 07/06	Reference Standard #: CM1.1
Description of non-conformance: There is not an estimation of the net benefits to communities.	
Corrective Action Request: Futuro Forestal shall estimate the net benefits to communities, resulting from project activities, by comparing scenarios "with-project" and "without-project" through the use of proper methodologies, such as the livelihoods framework.	

CAR #: 08/06	Reference Standard #: CM1.2
Description of non-conformance: The level of participation of stakeholders from neighboring communities has not been documented.	
Corrective Action Request: Futuro Forestal shall document the consultation techniques and the participation experiences of its workers, and of neighboring communities, in the desing of the project.	

CAR #: 09/06	Reference Standard #: CM1.3
Description of non-conformance: The process for addressing present or future community complains has not been documented.	
Corrective Action Request: Futuro Forestal shall document a process for handling (listening, responding to, and solving) potential conflicts from neighboring communities.	

CAR #: 10/06	Reference Standard #: CM3.1
Description of non-conformance: There is not a monitoring plan to define the community variables and frecuency to be evaluated.	
Corrective Action Request: Futuro Forestal shall select the community variables to be measured to show positive progress, as part of a monitoring plan, such as income, health, roads, schools, food security, education, inequity, and other variables at risk to being affected by project activities.	

On January 9, 2007, SmartWood conducted a desk audit to verify that the above corrective actions were completed by Futuro Forestal and determined by SmartWood to be closed. Appendix V of this report presents the findings of that desk audit.

1.2.2.1 Observations

The following observations were documented by SmartWood, reflecting non-conformances to the optional "point scoring" criteria identified during the initial verification audit.

Observation #	Observation	Reference Standard #
Observation 01/06	Futuro Forestal should prepare a plan to identify and to prevent potential risks resulting from the project future activities (nurseries, planting, pruning, thinning, pesticides use, loading and transportation of logs, and others).	CM.5.4
Observation 02/06	Futuro Forestal should only use native species for its plantation project.	B4

1.2.3 Other Audit findings

The main findings are described on Appendix II.

1.3. Conclusions

Based on an evaluation of Organization's management systems and performance in the field across the defined audit scope, the SmartWood verification audit team concludes that the Organization has:

- Demonstrated full conformance with the standard.
- Demonstrated partial conformance with the Standard. Corrective Action Requests (CARs) have been issued to address identified non-conformances with the required criteria.

Additional conclusion: The conclusion of the July 31, 2005 report was that according to CCB Standards requirements, the audit team found 10 non-conformances to indicators of 6 criteria; and so, the team prescribed 10 CARs. Whenever (before August 31st 2007) Futuro Forestal meets satisfactorily those CARs, then the project could be certified according to CCB Standards for a 5-years period. Futuro Forestal, as of January 15, 2007, has now met those CARs.

2. VERIFICATION AUDIT PROCESS

2.1. Audit team and qualifications

Marcelino Montero M.: Costa Rican, Forest Engineer, Master of Science with emphasis on Silviculture of Plantations, with more than 20 years of experience in plantations projects, Biomass quantification, Carbon sequestration estimation, Natural Resources Management. Entering in the field of forest certification has conducted forest management assessments and audits.

Hugo Álvarez: Costa Rican, Forest Engineer with over 17 years of experience in Natural Resources Design and Management projects. In the field of forest certification has conducted forest management and chain of custody assessments and audits for 34 private and community companies. He is also auditor of the Sustainable Agriculture Certification Program of the Rainforest Alliance; he has been trained in the application of the EurepGap and Starbucks standards, and he is an ISO 9001-2000 internal auditor. Since two years ago he is the SmartWood representative for Costa Rica.

2.2. Audit Methodology and Schedule

The verification methodology for the CCB standard was based on the review of the existing documentation about the Futuro Forestal S.A. forest plantation project. In order to know the project current state, the SmartWood auditors held interviews with the managers, technical and administrative staff of the company.

In the present verification, it was important to know the previous knowledge the SmartWood Program already has about Futuro Forestal S.A. Since SmartWood made the Futuro Forestal's Forest Stewardship Council (FSC) assessment and certification in 1997; moreover, a FSC re-assessment took place during 2004, with the corresponding annual audits. Both evaluations were voluntarily requested. The results from the assessments are documented, and they contain descriptions for the environmental and socio-economic aspects; it also contains specific descriptions of the project technical aspects. During both assessments the information was gathered through the review of documentation, field observations, and interviews held with stakeholders from public institutions and neighboring communities.

The activities held for the gathering of the information during the present assessment under the CCB standard are summarized in the following chart:

Date	Location/main sites	Main activities/Site description
Nov 27	Costa Rica - Lajas, Panamá	Auditors trip
Nov 28	Futuro Forestal Office at Lajas	Staff interviews and documentation review
Nov 29	Futuro Forestal Office at Lajas	Staff interview and documentation review
Nov 30	Lajas, Panamá – Costa Rica	Auditors trip

2.3. Documents reviewed

1. Futuro Forestal. 2003. Forest Management Plan. Lajas, Panamá
2. _____. (no date). Brochure with relevant information about the company and the CO2[O]L.
3. _____. 2002. Department CO2OL-Consult. Potential Carbon Stock and Reforestation of Finca Hornhill Evaluation, Alto Paraguay. Octubre.
4. _____. 2004. Fauna Inventory (mammals), II trip. November 2-5.
5. _____. 2005. Futuro Forestal. Chain of Custody Protocol
6. _____. (no date). Guidelines for the consideration of companies interested in suscribing to the Global Pact and becoming part of the Global Pact Network - Panamá.
7. _____. (no date). Final result of the analisis of storage in fincas administrated by CO2OL.
8. _____. (no date). World Stock Invest, an Investment in Sustainable Forestry.
9. _____. 2005. Carbon Offset Through Sustainable Forestry. Document presented to the World Bank, this document describes the methodology used to calculate the carbon according to IPCC. July.
10. Ideals Work, Inc. and CO2OL-USA, LLC. 2002. Carbon Offset Agreement, August 21st. NATSOURCE. (no date). Sample Termsheet, Futuro Forestal; Sale of a Forward Stream of CO2 Equivalent (CO2E) Offsets.
11. SmartWood / Rainforest Alliance. 1997. Forest Certification Assessment Report. Lajas, Panamá.
12. _____. 2002. Annual Audit Report. Lajas, Panamá.
13. _____. 2003. Re-assessment Report. Lajas, Panamá.
14. _____. 2004. Annual Audit Report. Lajas, Panamá.
15. Smithsonian Institute. Engagement Letter for the development of an inventory and annual monitoring of Futuro Forestal S.A. thorough PRORENA: PRORENA has assumed responsibility for the inventory and monitoring of Futuro Forestal S.A.'s system of permanent forest inventory plots, and is assisting the company in the development of an appropriate GIS database.
16. Smithsonian Institute & Universidad Nacional de Panamá. Flora reseach inside the project area.
17. Universidad Nacional de Panamá. 2004. Fauna inventory / mammals as part of the report of the second trip on November 5th.

2.4. Stakeholder consultation process (if applicable)

During the audit visit no stakeholder consultation was held outside the company, the previous situation was because of two reasons. The first one is because SmartWood widely knows Futuro Forestal S.A. for the past seven years through the annual FSC audits, and since the recent re-assessment of the company on 2003, where complete external stakeholder consultations and detailed field visits have been implemented. So the audit team consulted the corresponding reports; moreover, one of the members of the team, Mr. Hugo Álvarez participated in the re-assessment and in three of the annual FSC audits. The second reason was that the visit coincided with national holidays celebration, and all neighbors, public funcionarios and workers were off on vacation.

Regardless the previous situation, and taking into account the knowledge of the management system and the time assigned for this assessment field visit, the assessment team focused on documentation review and on consultations with the technical, administrative, and managerial

staff of Futuro Forestal available at the moment. The audit team considers the methods used during the visit allowed to appropriately assess the indicators of the CCB standard.

APPENDIX I: Smartwood System for Conformance Evaluation of the CCB Standards

Non-conformance:

A Non-conformance is a discrepancy or gap identified during the audit between some aspect of the organizations management system and one or more of the requirements of the CCB Standards.

Non-conformance and corrective actions:

- Each identified non-conformance is addressed by the audit team issuing a corrective action request (CAR), if the non-conformance relates to one of the indicators from any of the fifteen required criteria from the CCB Standards. CARs identified during assessments must be successfully closed out prior to a CCBA certificate issuance.
- Each identified non-conformance is addressed by the audit team issuing an observation, if the non-conformance relates to one of the indicators from any of the eight non required, or optional “point scoring”, criteria from the CCB Standards.

APPENDIX II: Standard conformance checklist (confidential)

The following checklist presents the SmartWood verification audit findings of the organization's conformance with the defined standard (CCB). Based on the evaluation of conformance with each Standard, a yes-no conformance determination has been assigned. Conformance with indicators is determined by the entire audit team through a consensus process. Where non-conformance with the Standard is documented by the team, corrective action requests (CARs), or Observations are outlined, depending if non-conformance relates to required or optional criteria, according to CCB Standards. Note: Where comments have been received from stakeholders about the client's conformance related to a defined criterion, a reference is made in the related finding section.

Climate, Community and Biodiversity Project Design Standards First Edition, May 2005

Gen	Clim	Comm	Bio
G1.		Required	

G1. Original Conditions at Project Site

Concept

The original conditions at the project site before the project commences must be described. This description, along with projections (G2), will help determine the likely impacts of the project

Indicators

The original conditions at the project site before the project commences must be described. This description, along with projections (G2), will help determine the likely impacts of the project:

General Information

- 1) The location of the project and basic physical parameters (e.g. soil, geology, climate).

Findings	The management plan for the project describes the basic physical parameters requested by the indicator. Besides, the SmartWood/FSC assessment (1991) and re-assessment (2003) reports also mention some of the basic project conditions. In general, Futuro Forestal project is located at the Provincia Chiriquí, District of San Félix, Corregimiento Las Lajas, El Paraiso community, Panamá. The project consists of forest plantations with wood for commercial purposes, for a total of 570 ha up to 2005. There are Teak (<i>Tectona grandis</i>) plantations and native species, riparian forests and protection forests.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) The types and condition of vegetation at the project site.

Findings	The natural vegetation types at the project are widely described by a research by the Smithsonian Institute. This study generated an inventory of native species of flora. There is also another flora study by the Universidad Nacional de Panamá.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Climate Information

- 3) Current carbon stocks at the Project site(s), using methodologies from the Intergovernmental on Panel on Climate Change's Good Practice Guidance (IPCC GPG) or other internationally-approved methodologies (e.g. from the CDM Executive Board).

Findings	Current carbon stocks at the project site are described in detail in the document "Carbon Offset Through Sustainable Forestry" presented to the World Bank. The carbon estimates were made according to the IPCC GPC methodology.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Community Information

- 4) A description of communities located in and around the project area, including basic socio-economic information (using appropriate methodologies such as the livelihoods framework).

Findings	There are not communities present in the project area. Futuro Forestal is a group of fincas around El Paraíso community. In the SmartWood / FSC reports of 1997 and 2005 there is a brief description of the communities in the socio-economic context. However, the descriptions are general and do not adapt well to what the CCB standards ask for.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 01/06: Futuro Forestal shall prepare a basic socio-economic description of the community El Paraíso, according to what is suggested in the standard (using an appropriate methodology, such as the livelihoods framework).		

- 5) A description of current land use and land tenure at the project site. (See also **G5**).

Findings	The current land use is for forest plantations, and the legal land owner is Futuro Forestal. This information is described in the Project Management Plan; besides, there is a summary of the same information in the SmartWood assessment and re-assessment reports of 1997 and 2003, respectively.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Biodiversity Information

- 6) A description of current biodiversity in the project area and threats to that biodiversity, using appropriate methodologies (e.g., key species habitat analysis, connectivity analysis), substantiated where possible with appropriate reference material

Findings	The report from the Universidad Nacional de Panamá describes the biodiversity present in the fincas, and it mentions the endangered species present in the fincas. The details are in the document "Fauna inventory/mammals second trip November 5 th , 2004". Even though the study did not use the methodologies suggested in the		
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	indicator, it is considered the inventory systems are valid for the Panama scenario.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

7) A list of all IUCN Red List threatened species (which encompasses endangered and vulnerable species) and species on nationally recognized list (where applicable) found within the project boundary. (See also **B1**).

Findings	The project has a version of the UICN red list. Besides, it has the report of species of flora and fauna (including a bird listing) made by the Audubon Society.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G2.		Required	

G2. Baseline Projections

Concept

An analysis of projected land-use trends is necessary to predict likely on-site changes without implementation of a project. This “without-project” future land-use scenario enables comparison of the project’s likely impacts with what would otherwise have occurred.

Indicadores

The project proponents must develop a defensible and well-documented "without-project" future land-use scenario and baseline projections.

- 1) Description of the most likely land-use scenario in the absence of the project, identifying whether the scenario assumes that existing laws or regulations would have required that project activities be undertaken anyway.¹

Findings	This description can be found in the document "Carbon Offset Through Sustainable Forestry"; which was presented to the World Bank, prepared on July 2005. After its review, it was demonstrated that the document contains the required information to satisfy the standard.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) A projection of future carbon stock changes in the absence of the project, based on the land-use scenario described above. The timeframe for this analysis can be either the project lifetime (see G3) or the project accounting period, whichever is more appropriate². If there is evidence that non-CO₂ greenhouse gas (GHG) emissions such as CH₄ or N₂O are more than 15% of the baseline GHG fluxes at the project site (in terms of CO₂ equivalents), they must be estimated.

Findings	It is not presented with this particular title, but the information can be found in the document Carbon Offset Through Sustainable Forestry. See the subtitle "Emanations Additionality" item number 2.1 within the document. The information fulfills the requirements of the standard.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Description of how the “without-project” scenario would affect local communities in the project area.

Findings	These scenarios have not been prepared yet.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 02/06: Futuro Forestal shall model the "without-project" scenario of the impact on the local communities.		

¹This is important for justifying whether the benefits being claimed by the project are truly “additional”, i.e., the climate, community, and biodiversity impacts that would not be likely to occur without the project. For example, actions implemented by the project must not be required by law, or project proponents must make a compelling case demonstrating that the pertinent laws are not being enforced. The project proponents must provide credible and well-documented analyses (poverty assessments, farming knowledge assessments, remote sensing analysis, etc) showing that without the project, improved land-use practices would be unlikely to materialize.

² In some cases, the project lifetime and the project accounting period may be different.

4) Description of how the “without-project” land-use scenario would affect biodiversity in the project area.

Findings	These scenarios have not been developed yet.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 03/06: Futuro Forestal shall describe the land-use scenario "without-project" and how this will affect the biodiversity.		

5) Description of how the “without-project” land-use scenario would affect water and soil resources. (See also **B5**).

Findings	These scenarios have not been developed yet.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 04/06: Futuro Forestal shall develop the effects on water resources scenario "without-project".		

Gen	Clim	Comm	Bio
G3.		Required	

G3. Project Design & Goals

Concept

The project must be described in sufficient detail so that a third-party can adequately evaluate it. Projects that operate in a transparent manner enable stakeholders and outside parties to contribute more effectively to the project.

Indicators

The Project proponents must:

- 1) Provide a description of the scope of the project and a summary of the major climate, community and biodiversity goals.

Findings	The information exists scattered, and not only in the document "Carbon Offset Through Sustainable Forestry"; however, the existing information satisfies the standard. The current company projects are not exclusively structured as CO2 projects. Most of the plantations' goals are for wood production, and the minority is forest protection, biological corridors and riparian forests. In all cases CO2 is a plus to the forest management project's initial goals.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Describe each major project activity (if more than one) and its relevance to achieving the project's goals.

Findings	The activities are described in documents such as: Forest Management Plan, Protocol for Chain of Custody Records, and Carbon Offset Through Sustainable Forestry. The information is clear and well detailed, and so satisfies the standard.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Provide a map identifying the project location, where the major project activities will occur, and geo-referenced boundaries of the project site(s).

Findings	Geo-referenced maps are given in digital format and in print of all project fincas, divided in plots and sub-plots. There are soil maps, species type, and other kind of maps (see appendix IV, location maps of the fincas).		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 4) Provide a timeframe for the project's duration and the rationale used for determining the project lifetime. If the accounting period for carbon credits differs from the project lifetime, explain.

Findings	The plantation investment projects are intended to last 25 years of CO2. In this case Futuro Forestal sets contracts for 50 years, based on two plantation production cycles; therefore, the accounting period for carbon credits agrees with the timeframe of the forest plantation goals. (Woodstock Investment Brochure).		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 5) Identify likely risks to climate, community and biodiversity benefits during the project lifetime. Outline measures that the project plans to undertake to mitigate these risks.

Findings	<p>The likely risks are described in detail in the following documents: Woodstock Investment Brochure, and Carbon Offset Through Sustainable Forestry. This is enough information to satisfy the estandard.</p> <p>The mitigation measures would be given by the project reforestation activities. The conservation will have positive ecologic effects on biodiversity and on the enhancement and on the creation of flora and fauna habitats; and the benefit on the current and potential endangered species.</p> <p>The forest plantation protects against soil erosion and improves the water stock by favoring filtration. Also, by the positive influence on climate stabilization at local and global level.</p> <p>Positive social effects are expected, given by the creation of source of employment at the long term at the rural regions, decreasing the migration rate, and paying wages above the minimum, according to the local law. Besides, better opportunities are offered to the employees through continuous training and improve the employees' personal lifestyles.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 6) Document and defend how local stakeholders have been or will be defined.

Findings	<p>It does not exists as title in any document.</p> <p>Project staff mentioned during the visit that a research is being done to characterize stakeholders; the research is conducted by a Sociologyst. The report of this study is not finished yet; so, the audit team did not have access to it, to verify satisfaction of the indicator.</p>		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 05/06: Futuro Forestal shall describe and justify in written how local stakeholders have been or will be defined.		

- 7) Demonstrate transparency by: making all project documentation publicly accessible at, or near, the project site; only withholding information when the need for confidentiality is clearly justified; informing local stakeholders how they can access the project documentation; and by making key project documents available in local or regional languages, where applicable.

Findings	<p>The company has documentation on FSC certification on its Web site and at the office, in the local area as well as in USA and Germany.</p> <p>From the beginning, the company has demonstrated transparency, only withholding certain information for investor's security purposes.</p> <p>Other sites where to find information on Futuro Forestal are: CICIREC rating. Deloitte and Touche audits.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G4.		Required	

G4. Management Capacity

Concept

The success of a Project depends upon the competent of the implementing management team.

Indicators

The project proponents must:

- 1) Document the management team's experience implementing land management projects. If relevant experience is lacking, the proponents must demonstrate how other organizations will be partnered with to support the project.

Findings	<p>Futuro Forestal has ten years of experience in the plantation forest management field. Currently the company is building up a financial base to ensure economic strength within time; this is due to the project growth for the past year 2005. Among other measures, it is undergoing a reduction in administrative costs and an enhancement on the technical and administrative process, due to the project growth.</p> <p>The current company is focused on "family administration" which must change toward a "corporate administration" of wider reach. This year the selling power increased.</p> <p>There is an associated risk on the project enlargement: this requires a change in the project administration. There is a limitation for new contracts for the existing increase. With the current installed capacity, 100 ha can be increased every year, but there is not capacity for an increase of 500 ha per year. This is according to the general manager information, who has communicated with potential clients interested in investing in the project during 2006. The company wants to keep the achieved quality standards and the FSC forest certification.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Demonstrate that management capacity is appropriate to the scale of the project.

Findings	<p>Currently, the administrative capacity is enough to the size of 570 ha of native and exotic species. The company has administrative, technical and field-workers staff, as well as the support of research institutions and technical and administrative advice at international level. (See the list of advisors in appendix III: List of Stakeholders).</p> <p>See also the findings of the previous indicator G4.1</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Document key technical skills that will be required to successfully implement the project and identify members of the management team or project partners who possess the appropriate skills.

Findings	<p>Futuro Forestal has ten years of experience in the management of mixed plantations, with biodiversity elements involved.</p> <p>There is a large scientific support: University of Yale, Smithsonian (PRORENA project), Universidad Nacional de Panamá and some German universities.</p> <p>There is also experience in the writing of CO2 projects at Latin American level through consultancies and technical assistance.</p> <p>The technical capacities are documented in: Brochure with relevant information about the company and CO2[O]L.; Carbon Offset Through Sustainable Forestry (Document</p>		
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	presented to the World Bank). See also advisors in APPENDIX III: Stakeholders list).		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

4) Document the financial health of the implementing organization(s).

Findings	<p>The financing comes mostly from private investors, from financial aditionality, from carbon credits sold at the voluntary market and the purchase of environmental services through company (e.g.: Natsource),</p> <p>Futuro Forestal is audited by Deloitte and Touche, with positive results; also has a Senior service: the company hired an external financial analyst of PUM, a german organization of retired professionals at senior level that give advice ad honorem to companies in developing countries. This brought new adaptations, as a result of the analysis of the obtained data.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G5.		Required	

G5. Land Tenure

Concept

There should be no significant land tenure disputes in the project area, or the project should fundamentally help to resolve these tenure issues.

Indicators

Based on information about current land tenure provided in **G3**, the project proponents must:

- 1) Guarantee that the project will not encroach uninvited on private property, community property, or government property.

Findings	<p>Futuro Forestal confirmed the land tenure status and the real property rights. According to the company legal advisor, Mr. Edgardo Loo:</p> <ul style="list-style-type: none"> - In Panamá exists the rights of possession, according to municipal lands and outside them are national lands. - The process of obtention of the title is the same in either case. - Futuro Forestal tries to confirm the land legal status. - In the process, either with title or without, the company always tries to avoid problems. - Previous the acquisition of land the legal status and ownership is verified. - Occupation Acquisition Prescription is when the owner does not uses the land social purposes. In the contrary case the land can be lost. - No property is acquired in the indigenous zone. The occupation is requested in case of recent purchases to establish plantations. - All acquired finca is thoroughly measured, and the managed area is confirmed. - There are not legal disputes with neighbors nor overlapping among fincas. - The fincas are bought with titles, just the rights are transferred. Posetion rights are not purchased. - Burden analysis are made. - The finca history is analyzed. <p>The SmartWood / FSC re-assessment report of 2003 confirms the previous.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Guarantee that the project does not require the relocation of people, or any relocation is 100% voluntary and fundamentally helps resolve land tenure problems in the area.

Findings	<p>In the case of Futuro Forestal this indicator does not apply, since the land used is private property, where there are no people to relocate.</p>		
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CAR/OBS	N/A.		

- 3) Describe potential “in-migration” of people from surrounding areas, if relevant, and explain how the project will respond.

Findings	<p>The land of the project is private and will not promote any immigration of people. The project uses working force from the inhabitants of surrounding communities.</p> <p>In the project the in-migration is not relevant, thus it is not a problem.</p>		
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G6.		Required	

G6. Legal Status

Concept

The project must be based on a solid legal framework (e.g., appropriate contracts are likely to be in place) and the project must seek to satisfy applicable planning and regulatory requirements.

During the project design phase, the project proponents should communicate early on with relevant local, regional and national authorities and allow adequate time to earn necessary approvals. The project design should be flexible to accommodate potential modifications that may arise to secure regulatory approval.

Indicators

The project proponents must:

- 1) Guarantee that no laws will be broken by the project.

Findings	<p>According to the legal advisor of Futuro Forestal, Mr. Edgardo Loo, once the purchase of the property is done, they prepare the maps to be approved by the MIVI (Ministerio de Vivienda). Then, they are inscribed in the national registry of the property, where there is a regional map to help avoid the overlapping of the fincas.</p> <p>Regarding labor law, the project respects all legal procedures (interview with the company's legal advisor).</p> <p>The project guarantees the protection of the environment (Brochure with relevant information about the company and the CO2[O]L. Carbon Offset Through Sustainable Forestry. Document presented to the World Bank).</p> <p>According to stakeholder interviews, during the SmartWood evaluations and audits, Futuro Forestal adheres to FSC P&C, and so it also respects environmental and labor law of Panamá.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Document that the project has, or expects to secure, approval from the appropriate authorities.

Findings	<p>The status of the fincas is investigated and they are registered at the national registry. All the properties of Futuro Forestal have a legal title (Edgardo Loo, legal advisor of Futuro Forestal).</p> <p>Futuro Forestal has the approval of its Forest Management Plan and the Environmental Impact Statement from the National Environment Authority (Autoridad Nacional del Ambiente, ANAM).</p> <p>Letter of support from the host country given by ANAM as central point according to the KIOTO Protocol agreements. (Carbon Offset Through Sustainable Forestry. Document presented to the World Bank).</p> <p>For the carbon trade there is the document "CARBON OFFSET AGREEMENT" (This agreement is entered into between IdealsWork, Inc. ("IdealsWork") and CO2OL-USA, LLC. ("CO2OL") this 21st day of August, 2002.).</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G7.		1 Point	

G7. Adaptive Management for Sustainability

Concept

Adaptive management is a formal, systematic, and rigorous approach to learning from the outcomes of management actions, accommodating change and improving management. It involves synthesizing existing knowledge, exploring alternative actions and making forecasts about their outcomes.³

Adaptive management is based upon the premise that ecosystems and social systems are complex and inherently unpredictable. Adaptive management views land management actions as learning opportunities and as potential experiments for systematically testing assumptions and identifying adjustments that could benefit the project. It enables a project to evolve to meet changing or unanticipated needs, and can help ensure that the project realizes its goals over the long term.

Indicators

The project proponents must:

- 1) Demonstrate how management actions and monitoring programs are designed to generate reliable feedback that is used to improve project outcomes.

Findings	The management actions are designed at executive, as well as at technical level, basing them in the plantation growth monitoring and in the scientific support of Yale and Smithsonian institutions, for instance. The project began at a very small scale and evolved to a project with new challenges and needs. The products, handling ways and organizative structures have changed. There is a horizontal feedback that gathers information documented through management plans, memorandums, reports and meetings' minutes.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Have a management plan for documenting decisions, actions and outcomes and sharing this information with others within the project team, so experience is passed on rather than being lost when individuals leave the project.

Findings	There have always been management plans that have evolved with the growth of the project. The management plans are required to meet the SmartWood certification since 1997, according to FSC Principle 7. The documentation of self experiences and of standards (such as the quality control methodology type ISO through protocols). At the moment there are more than 15 protocols and some others in preparation. Documentation of scientific work. The company, through its support agreements with national and international institutions does scientific research that allow to adequate, or to improve the project goals; in this case, improving the management plan and enhancing the project team with these experiences. The results from these investigations can be seen in the Forest Management Plan and specifically in the documents at the company's library (thesis and articles).		
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³ The definition of Adaptive Management and several of the indicators were based on Nyberg (1999). *An Introductory Guide to Adaptive Management*.

Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Demonstrate how the project design is sufficiently flexible to accommodate potential changes and that the project has a defined process in place to adjust project activities as needed.

Findings	<p>The project has demonstrated that it is responding to the different technical, financial and administrative changes, supporting this with ten years of experience of the company, where research, audits in different aspects and demand and market requests make the project flexible, allowing it to make needed changes and to adjust the project activities.</p> <p>The project is designed to grow according to the documented experience and research, and the market requests. See trends of previous points G7.1 and G7.2.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 4) Demonstrate an early commitment to the long-term sustainability of project benefits once initial project funding expires. Potential activities may include: designing a new project that builds on initial project outcomes; securing payments for ecosystem services; promoting micro-enterprise; and establishing alliances with organizations or companies to continue sustainable land management.

Findings	<p>The company created the Tropical Forest Foundation to hold funds at the long term. There is funding from investors paying ahead.</p> <p>The funds are in the foundation in the form of a fundtrust in order to guarantee the totality of the service years hired by the investors.</p> <p>Alliances with WWF, Smithsonian, Private Natural Reserves Network.</p> <p>The project self rebuilds every year based on previous experience.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
G8.		1 Point	

G8. Knowledge Dissemination

Concept

Field-based knowledge can be of value to other projects. If actively disseminated, this information can accelerate the adoption of innovative practices that bring benefits both globally and locally.

Indicators

The project proponents must:

- 1) Describe how they will document the relevant or applicable lessons learned.

Findings	There is a monitoring program that documents the results (periodically verified by SmartWood), the Futuro Forestal web site and the scientific publications. The information is publicly available.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Describe how they will disseminate this information in order to encourage replication of successful practices. Examples include: undertaking and disseminating research that has wide-reaching applications; holding training workshops for community members from other locales; promoting “farmer to farmer” knowledge-transfer activities; linking to regional databases; and working with interested academic, corporate, governmental or non-governmental organizations to replicate successful project activities.

Findings	<ul style="list-style-type: none"> - Universities and scientific institutions (previously mentioned) have the information generated by the project. - The company develops workshops for their collaborators and members of the project surrounding communities, as well as at the Latinamerican level, as consultants or donors. - The participation in meetings and conferences with other institutions. Conferences with the World Bank, scientific Latinamerican organizations, and with indigenous communities. - Futuro Forestal belongs and collaborates with the Corporative, Academic World, and it also belongs to the Technopark in the City of Knowledge in Panamá. - ONU’s Global Pact of social business responsibility; it is an agreement that acknowledges the responsibility of the business men at social level. - Futuro Forestal has a continuous relationship with ANAM, and it participates in the development of government policies. Also, the company participates with government agencies. With NGO’s, Futuro Forestal is member of the Private Natural Reserves Network, WWF, Jagwood+. 		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CL1.		Required	

CL1. Net Positive Climate Impacts

Concept

The project must generate net positive impacts on atmospheric concentrations of greenhouse gases (GHGs) within the project boundaries and over the project lifetime.

Indicators

The project proponents must:

- 1) Use the methodologies of the Intergovernmental Panel on Climate Change's Good Practice Guidance (IPCC GPG) to estimate the net change in carbon stocks due to the project activities. The net change is equal to carbon stock changes *with* the project minus carbon stock changes *without* the project (the latter having been estimated in **G2**). Alternatively, any methodology approved by the CDM Executive Board may be used. This estimate must be based on clearly defined and defensible assumptions about how project activities will alter carbon stocks and non-CO₂ GHG emissions over the duration of the project or the project accounting period.

Findings	The IPCC GPG methodology is used (Carbon Offset Through Sustainable Forestry; document presented to the World Bank, July 2005).		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Factor in the non-CO₂ gases CH₄ and N₂O to the net change calculations (above) if they are likely to account for more than 15% (in terms of CO₂ equivalents) of the project's overall GHG impact.

Findings	This is a forest project, so the indicator does not apply, since the estimation of the mentioned gases is below 15%.		
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CAR/OBS	N/A.		

- 3) Demonstrate that the net climate impact of the project (including changes in carbon stocks, and non-CO₂ gases where appropriate) will give a positive result in terms of overall GHG benefits delivered.

Findings	<p>There is documented evidence in Carbon Offset Through Sustainable Forestry, document presented to the World Bank in July 2005.</p> <p>This document educates in the CO2OL-concept. A CO2OL is designed to solve the immediate need to mitigate the greenhouse gases so critic for the atmosphere, through reforestation, protecting the environment, sequestering carbon and units of emission and simultaneously creating positive ecologic and social effects within the project area. This way the CO2OL offers a flexible and capable tool for forest ecosystems under the mechanism of clean development.</p> <p>This document is made up of two sections. The first describes CO2OL, its concept, institutionality and unions to some other aspects, as well as a large description to aspects related to the mitigation, the additionality and externality, its capacity and the demonstration of the project in the climate impact.</p> <p>The second section gives the field methodology used to apply the CO2OL. Information</p>		
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	on categories of different management, projections and estimates of carbon flux, found in the comprobatation methodology, demonstrating this way that the project is feasible and that the impact will turn out to be positive and beneficial to the climate.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CL2.	Required		

CL2. Offsite Climate Impacts (“Leakage”)

Concept

The project proponents must quantify and mitigate likely negative offsite climate impacts; namely, decreased carbon stocks or increased emissions of non-CO₂ GHGs outside the project boundary, resulting from project activities (referred to as “leakage” in climate change policy).

Indicators

The project proponents must:

- 1) Estimate potential offsite decreases in carbon stocks (increases in emissions or decreases in sequestration) due to project activities.

Findings	The project has not estimated the carbon stock offsite; however, auditors consider the project activities contribute to decrease emissions, contrasting the cattle activities going on around the project site. Properties are acquired from people who abandon an activity (city migration and people abandoning the activity for their age: elderlyness) The activities of Futuro Forestal need much more labor force compared to the one moved out from the land to establish plantations. The working force absorbed by the company is the one at the agricultural frontier, meanwhile the one moving out is located at the big cities. It is considered that the company activities have contribute somehow to decrease, rather than to increase the emissions. There is not a study that documents this situation, but the decade of existence of the project is a proof of that.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 06/06: Futuro Forestal shall estimate the offsite decrease of carbon stocks (increases in sequestration or decrease in emissions) due to project activities.		

- 2) Document how negative offsite impacts resulting from project activities will be mitigated, and estimate the extent to which such impacts will be reduced.

Findings	The project activities contribute to the decrease in emissions compared to the cattle raising activities carried on around the project site. The company indicates that if there would be any negative impacts, it would be willing to correct them as soon as possible. Up to now the project activities are considered to be of benefit, rather than negative and there could be leaks, but at a very low scale (such as considering trips abroad for meetings).		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Subtract any likely project-related unmitigated negative offsite climate impacts from the climate benefits being claimed by the project. The total net effect, equal to the net increase in onsite carbon stocks (calculated in the third indicator in **CL1**) minus negative offsite climate impacts, must be positive.

Findings	It has not been quantified; however, the company's negative impacts are subtracted through the stock pool (5% of the project total up to 2005) exclusively for captation, these credits are withdrawn (not for sale). Thus, the total net effect is positive.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CL3.		Required	

CL3. Climate Impact Monitoring

Concept

Before a project begins, the project proponents must have an initial monitoring plan in place to quantify and document changes in project-related carbon pools, and non-CO₂ GHG emissions if appropriate, (within and outside the project boundaries). The monitoring plan should state which measurements will be taken and which sampling strategy will be used.

Since developing a full carbon-monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being evaluated by the CCB Standards. This will be especially true for small-scale projects.

Indicators

The project proponents must:

- 1) Have an initial plan for how they will select carbon pools and non-CO₂ GHGs to be monitored, and the frequency of monitoring. Potential pools include aboveground biomass, litter, dead wood, belowground biomass and soil carbon. Pools to monitor must include any pools expected to decrease as a result of project activities. Relevant non-CO₂ gases must be monitored if they account for more than 15% of the project's net climate impact expressed in terms of CO₂ equivalents.

Findings	The carbon stocks are found throughout the project; therefore, the methodology PPCI is used for monitoring.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CL4.		Required	

CL4. Adapting to Climate Change and Climate Variability

Concept

Projects designed to anticipate and adapt to probable impacts of climate change and climate variability are more likely to sustain the benefits generated by the project over the long term.

Indicators

The project proponents must:

- 1) Identify likely regional climate change and climate variability impacts, using available studies.

Findings	The company redesign the project every year, based on scientific studies made insite. Futuro Forestal is an endless project and it undergoes continuous experimentation, each year the project adapts itself to existing and to changing conditions.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Demonstrate that the project has anticipated such potential impacts and that appropriate measures will be taken to minimize these negative impacts.

Findings	The company aknowledges an inherent risk in a 25-30 years project. There are no data to use to implement some measures according to the nature of the change. There is communication with institutions currently researching and generating some type of information about the subject.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CL5.		1 Point	

CL5. Carbon Benefits Withheld from Regulatory Markets

Concept

When some carbon benefits generated by a project are not sold to satisfy regulatory requirements, additional mitigation action will be required elsewhere to meet these requirements. Therefore, withholding a portion of the project's carbon benefits from being used in capped markets will result in greater overall climate change mitigation.

Moreover, projects that do not sell all their carbon benefits in regulated regimes have the opportunity to experiment with climate change mitigation activities other than the ones eligible under these regimes (such as avoided deforestation, which is not currently creditable under the Clean Development Mechanism). Such experimentation may generate new knowledge that is of value to carbon rule makers and other project developers.

Indicators

The project proponents must:

1. Not sell at least 10% of the total carbon benefits generated by the project⁴ into regulated GHG markets (e.g., CDM, New South Wales GHG Abatement Scheme, Oregon Standard). Projects can sell these carbon benefits in a voluntary market or retire them.

Findings	The company has not sold one sole carbon credit into regulated market, all credits are directed towards the voluntary market. The strategy of the company is to sell to mixed markets (regulated and voluntary). Always above of 10% into voluntary market.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

⁴ Total carbon benefits generated by the project can include those coming from activities that are currently not eligible for crediting under existing regulatory regimes (e.g., avoided deforestation).

Gen	Clim	Comm	Bio
CM1.		Required	

CM1. Net Positive Community Impacts

Concept

The project must generate net positive impacts on the social and economic wellbeing of communities within the project boundaries and within the project lifetime. In addition, local communities and other stakeholders should be engaged early on so that the project design can be revised based on their input. Finally, projects should ensure that stakeholders can express concerns and grievances to project proponents and that these concerns are responded to in a timely manner.

Indicators

The project proponents must:

- 1) Use appropriate methodologies (e.g. the livelihoods framework) to estimate the net benefits to communities resulting from planned project activities. A credible estimate of net benefits must include changes in community wellbeing given project activities. This estimate must be based on clearly defined and defensible assumptions about how project activities will alter social and economic wellbeing over the duration of the project. The “with project” scenario must then be compared with the baseline scenario of social and economic wellbeing in the absence of the project (completed in **G2**). The difference (i.e., the net community benefit) must be positive.

Findings	The company does not have a methodology in place to evaluate the benefits to communities resulting from planned project activities; however, it is evident the company participation with the communities, holding workshops at schools and with local government agencies, etc., communication from the manager and support project staff.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 07/06: Futuro Forestal shall estimate the net benefits to communities, resulting from project activities, by comparing scenarios "with-project" and "without-project" through the use of proper methodologies, such as the livelihoods framework.		

- 2) Document local stakeholder participation in the project’s planning. If the project occurs in an area with significant local stakeholders, the project must engage a diversity of stakeholders, including appropriate sub-groups, underrepresented groups and women living in the project vicinity. Stakeholders in the project’s area of influence must have an opportunity before the project design is finalized, to raise concerns about potential negative impacts, express desired outcomes and provide input on the project design. Project developers must document stakeholder dialogues and indicate if and how the project proposal was revised based on such input.⁵

Findings	At the beginning, Futuro Forestal was very small (9 ha), and so there was not any
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⁵ In cases where it is unclear whether a project will be implemented or not, it is acceptable to start with a preliminary community consultation, provided there are plans for a full engagement once the project is funded. (Such a cautious approach is warranted when there is evidence that raising community expectations prematurely could lead to frustration).

	<p>consultation nor community participation in the project design; however, nowadays levels of participation and internal permanent consultation are developed. The company is searching for more democratic mechanisms of consultations with communities and workers. In the project area there is a social and cultural context (dominated by indigenous people) that throughout the time expresses low levels of participation.</p> <p>At community level there are participation spaces for communities and local government agencies. Twice a year they are informed about the project planned activities.</p>		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	<p>CAR 08/06: Futuro Forestal shall document the consultation techniques and the participation experiences of its workers, and of neighboring communities, in the design of the project.</p>		

- 3) Formalize a clear process for handling unresolved conflicts and grievances that arise during project planning and implementation. The project design must include a process for hearing, responding to and resolving community grievances within a reasonable time period. This grievance process must be publicized to local stakeholders. Project management must attempt to resolve all reasonable grievances raised, and provide a written response to grievances within 30 days. Grievances and project responses must be documented.

Findings	<p>The company solves conflicts and grievances at administration and executive level. The decisions are taken democratically, with the right to vote from the owners and company directors. The company seeks for more democratic and horizontal ways to interrelate to solve conflicts and grievances that arise during the project implementation.</p> <p>Nevertheless, there is not a documented process for community conflict and grievances solving.</p>		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	<p>CAR 09/06: Futuro Forestal shall document a process for handling (listening, responding to, and solving) potential conflicts from neighboring communities.</p>		

Gen	Clim	Comm	Bio
CM2.		Required	

CM2. Offsite Community Impacts

Concept

The project proponents must quantify and mitigate likely negative social and economic offsite impacts; namely, the decreased social and economic wellbeing of communities or people living outside the project boundary, resulting from project activities.

Indicators

The project proponents must:

- 1) Identify potential negative offsite community impacts that the project is likely to cause.

Findings	The general manager of Futuro Forestal indicates that during those ten years of the project, the company has not identified negative impacts to the community; moreover, the company practices a good neighbor policy in order to avoid possible negative impacts resulting from project activities. Due to the interaction between project and community, no negative impacts are foreseen.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Describe how the project plans to mitigate these negative offsite social and economic impacts.

Findings	According to the company manager, if there were any negative social or economic negative offsite impact, it would be solved as soon as possible, using administrative means.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Evaluate likely unmitigated negative offsite social and economic impacts against the social and economic benefits of the project within the project boundaries. Justify and demonstrate that the net social and economic effect of the project is positive.

Findings	The project has not experienced any unmitigated offsite social or economic impacts to evaluate them (see findings of CM2.1 and CM2.2) and to compare them with the project benefits; however, within the ten years of the project existence, the manager considers to be 100% of benefits inside the project area.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CM3.		Required	

CM3. Community Impact Monitoring

Concept

The project proponents must have an initial monitoring plan to quantify and document changes in social and economic wellbeing resulting from the project activities (within and outside the project boundaries). The monitoring plan should indicate which measurements will likely be taken and which sampling strategy will be used to determine how the project affects social and economic wellbeing.

Since developing a full community-monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being evaluated by the CCB Standards. This will especially be true for small-scale projects.

Indicators

The project proponents must:

- 1) Have an initial plan for how they will select community variables to be monitored, and the frequency of monitoring. Potential variables include income, health, roads, schools, food security, education and inequality. Community variables at risk of being negatively impacted by project activities should be monitored.

Findings	By request of the FSC certification the company began studies about the subject. The social impact evaluations during 2004-2005 are documented as part of the requirements for forest certification; however, they must compare the variables studied as part of the FSC and compare them against the ones requested by the indicator CM3.1.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	CAR 10/06: Futuro Forestal shall select the community variables to be measured to show positive progress, as part of a monitoring plan, such as income, health, roads, schools, food security, education, inequity, and other variables at risk to being affected by project activities.		

Gen	Clim	Comm	Bio
CM4.		1 Point	

CM4. Capacity Building

Concept

Projects that include a significant capacity-building (training, skill building, etc) component are more likely to sustain the positive outcomes generated by the project and have them replicated elsewhere. The project proponents must include a plan to provide orientation and training for the project's employees and relevant community members with an eye to building locally relevant skills and knowledge over time.

Indicators

The project proponents must show that capacity building is:

- 1) Structured to accommodate the needs of communities, not only of the project;

Findings	<p>The direct beneficiaries of the education programs that Futuro Forestal has improved are mainly its own workers.</p> <p>The structure of the education proposed by the project is very helpful, since it is not based only on technical aspect related to labor issues, but in the possibility for the people with low levels of education or none at all, to learn to write and read. In this case, the company workers benefit turns into an indirect community benefit. In these programs members of other communities are also benefited.</p> <p>Besides, in the communities, efforts are made to educate on Environmental issues in the schools, which is focused on forest resources, the water, and mostly about marine resources, such as the protection of the marine turtle, that lies its eggs in a beach nearby the project.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Targeted to a wide range of groups, not just elites;

Findings	<p>The policy of Futuro Forestal is to focus the benefits toward the people with the most need within the communities.</p> <p>See also findings of indicator CM4.1.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Targeted to women to increase their participation; and

Findings	<p>The focus on gender equity in Futuro Forestal has been widely considered. Women education at different levels seeks an increment in their physic, emotional and intellectual capabilities.</p> <p>Within the project, opportunities of basic and professional education has been given to the administrative staff, most of which are women.</p> <p>Other positions at executive and technical level are also occupied by women.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

4) Aimed to increase community participation in project implementation.

Findings	<p>From beginnings of the project, community participation in the project implementation is presented in several ways; for example, the company policy is that workers, either permanent or temporary, must belong to surrounding communities.</p> <p>In other aspect, the local government is kept informed through meetings with municipal councils. This council is made up of community leaders, who take their opinions and participations to the dialogue table or to the communities they belong to.</p> <p>Another policy is to try to favor the development interests of the community and its people.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
CM5.		1 Point	

CM5. Best Practices in Community Involvement

Concept

Projects that use best practices for community involvement are more likely to benefit communities. Best practices include: respect for local customs, local stakeholder employment, worker rights and worker safety.

Indicators

Proponentes del proyecto deben:

- 1) Demonstrate that the project was developed with a strong knowledge of local customs and that, where relevant, project activities are compatible with local customs.

Findings	The forest manager and company owner grew up in the community and knows the local customs and culture. This knowledge is used to not interfere with the relationship between the project with local people; for example, specific ways to proceed in special cases like an attention call to a neighbor or the request of a favor.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Show that local stakeholders will fill all employment positions (including management) if the job requirements are met. Project proponents must explain how stakeholders will be selected for positions and where relevant, must indicate how traditionally underrepresented stakeholders and women, will be given a fair chance to fill positions for which they can be trained.

Findings	See findings of indicator CM4.3 on women participation in job positions. According to the company labor history, there are workers hired since five or ten years ago, time in which they have been trained through workshops and field work. As a special case is Mrs. Dalys López, who after being an assistant at the nursery has academically grown and now is accounting assistant.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Show that the project will inform workers about their rights, and that the project complies with international rules on worker rights.

Findings	This is verified by the FSC Principles 1 and 4, related to the worker rights. Besides, the company offers workshops to the employees through a lawyer specialized in labor issues. In this activity the managers are not present, to allow for an open participation.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 4) Comprehensively assess situations and occupations that pose a substantial risk to worker safety. A plan must be in place to inform workers of risks and to explain how to minimize such risks. Where worker safety cannot be guaranteed, project proponents must show how the risks will be minimized using best work practices.

Findings	Although the labor related risks have been valuated from the perspective of the FSC certification, there is not a labor related identification and prevention plan that considers future stage in the project development, for example the risks during thinning.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	OBS 01/06: Futuro Forestal should prepare a plan to identify and to prevent potential risks resulting from the project future activities (nurseries, planting, pruning, thinning, pesticides use, loading and transportation of logs, and others).		

Gen	Clim	Comm	Bio
B1.		Required	

B1. Net Positive Biodiversity Impacts

Concept

The project must generate net positive impacts on biodiversity within the project boundaries and within the project lifetime, measured against the baseline conditions.

Projects should have no negative effects on species included in the IUCN Red List of threatened species (which encompasses endangered and vulnerable species) or species on a nationally recognized list (where applicable). Invasive species must not be planted by the project.

Genetically Modified Organisms (GMOs), as a relatively new form of technology, raise a host of ethical, scientific and socio-economic issues. Some GMO attributes may result in invasive genes or species. In the future, certain GMOs may be proven safe. However, given the currently unresolved issues surrounding GMOs, projects cannot use genetically modified organisms to generate carbon credits.

Indicators

The project proponents must:

- 1) Use appropriate methodologies (e.g., key species habitat analysis, connectivity analysis) to estimate changes in biodiversity as a result of the project. This estimate must be based on clearly defined and defensible assumptions. The “with project” scenario should then be compared with the baseline “without project” biodiversity scenario completed in **G2**. The difference (i.e., the net biodiversity benefit) must be positive.

Findings	There is not a "without project" biodiversity scenario baseline. (See CAR 03/05). It is considered that the project does not eliminate or minimize biodiversity elements, which can be proved when comparing pastureland against an established forest. The forest of Futuro Forestal is made up of native species planted in rows, like biological corridors, and creating connections among secondary forest patches. Additionally, the present trees when a property is acquired, are left standing, they just are thinned to give light to the new young trees. There also are shadow trees at the pastures and multiple use trees in the alive fences. Flora and fauna inventories have been made. Currently biodiversity (flora) impact studies due to different management regimes are being done, specially with flora of the forest floor.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Describe possible adverse effects of non-native species on the area's environment, including impacts on native species and disease introduction or facilitation. If these impacts have a substantial bearing on biodiversity or other environmental outcomes, the project proponents must justify the necessity of using non-native species over native species.

Findings	Teak (<i>Tectona grandis</i>) is an exotic species to Latin America. The almond (<i>Dipteryx panamensis</i>) is not part of the local ecosystem, but it is of the national ecosystem. These species do not have negative effects on native species, the almond is food for
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	<p>many species of fauna.</p> <p>In the FSC evaluation, Criteria 6.9, the adverse effect of Teak and almond were evaluated and no negative impacts were found.</p> <p>The company knows Teak is exotic; besides, in Central America this is widely used because it has a high commercial value and it has not demonstrated negative impacts on the environment.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 3) Identify all IUCN Red List threatened species and species deemed threatened on nationally recognized lists that may be found within the project boundary. Project proponents must document how project activities will not be detrimental in any way to these species.

Findings	<p>Futuro Forestal is a project that tries to preserve all native species.</p> <p>There is a list of flora and fauna species within the project boundaries.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 4) Identify all species to be used by the project and show that no known invasive species will be used.

Findings	<p>Neither of the species being used in the Futuro Forestal project is known as invasive.</p> <p>See findings of Criteria B1.2.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 5) Guarantee that no genetically modified organisms will be used to generate carbon credits.

Findings	<p>Futuro Forestal does not use any genetically modified organism. It only uses native and two exotic forest species.</p>		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
B2. Required			

B2. Offside Biodiversity Impacts

Concept

The project proponents must quantify and mitigate likely negative offsite biodiversity impacts; namely, decreased biodiversity outside the project boundary resulting from project activities.

Indicators

The project proponents must:

- 1) Identify potential negative offsite biodiversity impacts that the project is likely to cause.

Findings	According to research done by universities about biodiversity, it has been increased within the project boundaries, as well as offsite. Specifically in the case of fauna, where mixed plantations attract more animals given the food supply. And so there is not a negative impact of the project.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Describe how the project plans to mitigate these negative offsite biodiversity impacts.

Findings	Not applies.		
Conformance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CAR/OBS	N/A.		

- 3) Evaluate likely unmitigated negative offsite biodiversity impacts against the biodiversity benefits of the project within the project boundaries. Justify and demonstrate that the net effect of the project on biodiversity is positive.

Findings	The Manager assumes that there is not a negative impact on biodiversity. Also see comments on B2.1.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
B3. Required			

B3. Biodiversity Impact Monitoring

Concept

The project proponents must have an initial monitoring plan to quantify and document the changes in biodiversity resulting from the project activities (within and outside the project boundaries). The monitoring plan should state which measurements will likely be taken and which sampling strategy used.

Since developing a full biodiversity-monitoring plan can be costly, it is accepted that some of the plan details may not be fully defined at the design stage, when projects are being evaluated by the CCB Standards. This will especially be true for small-scale projects.

Indicators

The project proponents must:

- 1) Have an initial plan for how they will select biodiversity variables to be monitored, and the frequency of monitoring. Potential variables include species abundance and diversity, landscape connectivity, forest fragmentation, habitat area and diversity, etc. Biodiversity variables at risk of being negatively impacted by project activities should be monitored.

Findings	The current variables the project deals with are: quantity of planted wood species, 6 at the beginning and currently 57 species. Internal and external conectivity, connection of mangrove trees patches, purchase of properties with mangrove trees. The monitoring frequency along with Universidad Nacional de Panama is every other year.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

Gen	Clim	Comm	Bio
B4.		1 Point	

B4. Native Species Use

Concept

In most cases, species that are native to a region will have a higher biodiversity benefit than non-native species. In other cases, non-native species can be more effective than native species for rehabilitating degraded areas or providing fast growing biomass, timber, fruits and other beneficial products. For instance a project may need to use non-native species on severely degraded land to achieve ecological restoration before native species can be reintroduced.

Indicators

The project proponents must:

- Show that the project will only use species that are native to the region.

Or

- Justify that any non-native species used by the project are superior to native species for generating concrete biodiversity benefits (e.g., for rehabilitating degraded areas unlikely to support natives, or for producing fuel wood that reduces logging pressure on intact ecosystems)

Findings	One exotic and one no local species are used, which represent 3.5% of the total species.		
Conformance	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	OBS 02/06: Futuro Forestal should only use native species for its plantation project.		

Gen	Clim	Comm	Bio
B5.		1 Point	

B5. Water and Soil Resource Enhancement

Concept

Climate change and other factors may stress and degrade water and soil resources at the project site over time. Projects should enhance the quality and quantity of water and soil resources.

Indicators

The project proponents must:

- 1) Identify project activities that are likely to enhance water and soil resources

Findings	Futuro Forestal has identified the species to use, according to the characteristics of the sites. Riparian forests are enriched. Erosion sources are identified; corrective mechanical practices are used. The preparation of soils in slopes is manually done. Those practices had periodically observed during FSC certification audits.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

- 2) Credibly demonstrate that these activities are likely to improve water and soil resource compared to the baseline, using justifiable assumptions about cause and effect, and relevant studies.

Findings	The grounds where the plantations are at this moment were used as pasturelands for cattle raising, and now there are plantations with 57 species. The water quality has not been affected and there is protection against the erosion. FSC assessments and annual audits have verified that erosion is practically non-existent, and there is conservation of water sources, among other environment aspects.		
Conformance	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
CAR/OBS	N/A.		

APPENDIX III: Stakeholder lists (confidential)

List of FMO Staff Consulted during Verification Audit

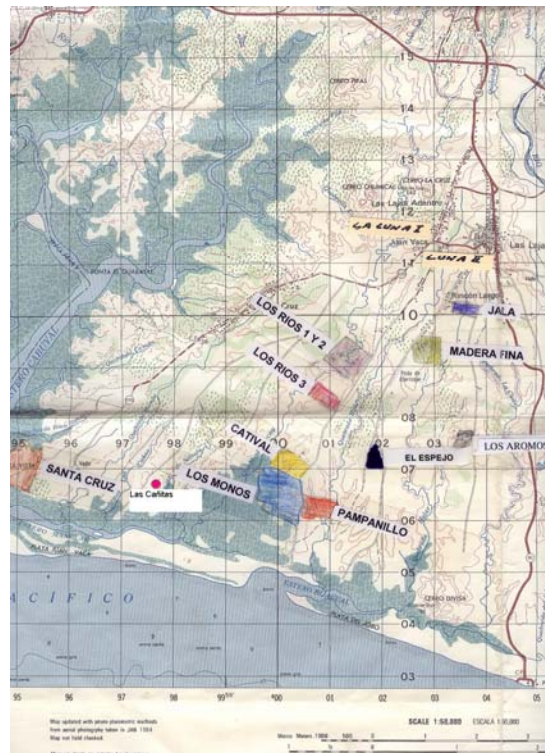
Name	Title	Contact	Type of Participation
Andreas Eke	General Manager and Legal Representative of Futuro Forestal	Tel: (507) 727-0010 Tel: (507) 727-0078 ae@futuroforestal.com www.futuroforestal.com www.cool.com	Interview
Iliana Armién	Strategic Forest Manager and Legal Representative of Futuro Forestal	Tel: (507) 727-0010 Tel: (507) 727-0078	Interview
Yaels Camacho Hernández	Forest Production Chief	Tel: (507) 727-0010 Tel: (507) 727-0078	Interview
Edgardo Loo Berroa	Legal Advisor	Tel: (507) 775-8460 Fax: (507) 774-2644 Cel: (507) 6612-3503	Interview
Max Coll	Marketing Advisor	Tel: (507) 727-0010 Tel: (507) 727-0078	Interview
Dalys López	Accounting Assistant	Tel: (507) 727-0010 Tel: (507) 727-0078	Interview

List of other Stakeholder consulted

Name	Title	Contact	Type of Participation
Keegan Eisenstadt	co2ol-usa	email: keegan@co2ol-usa.com ph: 406.207.3947 fax: 406.541.2342 www.co2ol-usa.com	e-mail

APPENDIX IV: Location Maps of the fincas

Location of Futuro Forestal in the fincas at Las Lajas



Location of the Forest Project Futuro Forestal At Soná.



APPENDIX V: CAR Verification Audit Report



Verification by:



SmartWood Headquarters
65 Millet St. Suite 201
Richmond, VT 05477 USA
Tel: 802-434-5491
Fax: 802-434-3116
www.smartwood.org
Contact person: Jon Jickling
jjickling@ra.org

Certification Audit
Performed by:

Central America Regional Office
8a. Av. 15-62, Zona 10,
Guatemala City, Guatemala

Tel: +502 2383-5757
Fax: +502 2383-5788
Contact person: Adolfo Lemus
Email: alemus@ra.org

FM-32 May 2006

Verification Audit Report for:

Futuro Forestal S.A.
in
El Paraíso, San Félix,
Chiriquí, Panamá

Audit Standard:

Climate, Community and Biodiversity Project
Design Standards (Climate, Community and
Biodiversity Alliance) -
First Edition, May 2005

Audit Dates: January 09, 2007

Report Finalized: January 15, 2007

Auditors: Hugo Alvarez

Operation Contact: Andreas Eke,
General Manager

Address: Comunidad El Paraíso,
Corregimiento Las Lajas, Distrito San Félix,
Provincia de Chiriquí, Panamá

3. VERIFICATION AUDIT PROCESS

3.1. Auditors and qualifications:

Hugo Álvarez: Costa Rican, Forest Engineer with over 17 years of experience in Natural Resources Design and Management projects. In the field of forest certification has conducted forest management and chain of custody assessments and audits for 34 private and community companies. He is also auditor of the Sustainable Agriculture Certification Program of the Rainforest Alliance; he has been trained in the application of the EurepGap and Starbucks standards, and he is an ISO 9001-2000 internal auditor. Since two years ago he is the SmartWood representative for Costa Rica.

3.2. Audit process and schedule

Date	Location / main sites	Main activities
January 09, 2007	San José, Costa Rica	Revision of documented evidence (electronic document without title, 31 pages, with electronic title "CCBA CARs.doc") sent by Futuro Forestal to fulfill the requirements of open CARs, and writing of this audit report.
Total number of person days used for the audit: 1 = number of auditors participating 1 times total number of days spent for the audit 1		

4. AUDIT FINDINGS AND RESULTS

4.1. Changes in the forest management of the FMO

Not applicable, since this report was done through documentation review (desk audit).

4.2. Stakeholder issues

There was no need to make stakeholders' consultation at this time.

4.3. Certification Standards: maintenance of established performance

It is expected that Futuro Forestal will keep under full conformance with the CCB Standards during the 5-years certification, through the implementation of what the presented evidence to meet the open CARs proposes.

4.4. Compliance with open CARs

The section below describes the activities of the certificate holder to address each applicable CAR issued during previous verifications. For each CAR a finding is presented along with a description of its current status using the following categories. The following classification is used to indicate the status of the precondition:

CAR Status	Explanation
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Categories	
Closed	FMO has successfully met the Precondition and addressed the underlying noncompliance.
Open	FMO has <u>not met</u> the CAR; underlying noncompliance is still present.

CAR #: 01/06	Reference Standard #: G1.4
Description of non-compliance: There is not in place a basic socio-economic description of the community El Paraiso.	
Corrective Action Request: Futuro Forestal shall prepare a basic socio-economic description of the community El Paraiso, according to what is suggested by the standard (using an appropriate methodology, such as the livelihoods framework).	

<p>Audit findings: Futuro Forestal presented a specific document for the fulfilment of this Corrective Action. The document presents a summary of the socio-economic conditions of Las Lajas (which community El Paraiso belong to), as a town belonging to the San Felix district. The report is based on information from a census done back in 1994 and 2005 over which there is a comparison / changes of quantifiable indicators during the last decade.</p> <p>The report describes 11 issues about socio-economic conditions, including historic background, institutions, demography, population (religion and alphabetism), segmentation by age and activities, infrastructure, services, economic and landscape aspects.</p> <p>It is considered the information provided satisfies the requirements set by Criteria G1.4 of the Standard.</p> <p>Status: Closed.</p> <p>Follow-up Action (if applicable): N/A</p>

CAR #: 02/06	Reference Standard #: G2.3
Description of non-compliance: There is not a "without project" scenario of the impact on the communities.	
Corrective Action Request: Futuro Forestal shall model the "without-project" scenario of the impact on the local communities.	

<p>Audit findings: Futuro Forestal has documented a "without-project" scenario on the impact on local communities. A "qualitative" summary of impacts on economics, education, and natural resources in general (all within the social frame) is presented. As a comparison, the report describes the social benefits achieved up to date with the implementation of the Futuro Forestal's forest plantations project. This information was compiled based on the social impacts of the project through the implementation of practices to be in compliance with the FSC Principles and Criteria.</p> <p>The auditor considers the information provided gives the opportunity to clearly identify the local social situation if the project would not exist. The auditor acknowledges that "cuantitative" descriptions are difficult to develop under this type of scenarios, since there is not a baseline established from the beginning of the project (more than 10 years ago) to be able to determine the changes "before and after" / "with and without projec". For this reason, the auditor agrees that the information presented by Futuro Forestal satisfies the requirements of Criterion G2.3 from the Standard.</p> <p>Status: Closed.</p> <p>Follow-up Action (if applicable): N/A</p>

CAR #: 03/06	Reference Standard #: G2.4
Description of non-compliance: There is not a description of how the land-use scenario "without-project" would affect biodiversity in the project area.	
Corrective Action Request: Futuro Forestal shall describe the land-use scenario "without-project" and how this will affect the biodiversity.	

Audit findings: Futuro Forestal developed a "without-project" scenario, showing the environmental and biodiversity problems that would be present if the project would not exist. Futuro Forestal also mentions that national policies do not incentivate plantations or forest regeneration on regions far away from the Panama Canal watershed, where there exists incentives for the development of forest activities.	
The report also presents a scenario describing what would be the succession process if the cattle ranches would be abandoned. The forest plantation management done by Futuro Forestal is the most favourable situation for keeping the local biodiversity; this due to the pressure for land-use change from forests to cattle ranching.	
The summary presented by Futuro Forestal satisfies Criterion G2.4	
Status: Closed.	
Follow-up Action (if applicable): N/A	

CAR #: 04/06	Reference Standard #: G2.5
Description of non-compliance: There is not a description of how the land use scenario "without-project" would affect water and soil resources.	
Corrective Action Request: Futuro Forestal shall develop the effects on water resources scenario "without-project".	

Audit findings: The document presented by Futuro Forestal describes in a "qualitative" way the land use scenario "without-project", including negative impacts over the soil (erosion and sedimentation of watersheds), water turbidity, water acidification (lowering the pH), increase of the Biochemical Demand of Oxygen (BDO), and others. The document also mentions the possibilities of pollution of the water sources due to the cattle-raising activities as the most common land use, if forest plantations would not be present.	
The presented document satisfies the description of how the land use scenario "without-project" would affect water and soil resources.	
Status: Closed.	
Follow-up Action (if applicable): N/A	

CAR #: 05/06	Reference Standard #: G3.6
Description of non-compliance: There is not a written description of the definition and characterization of stakeholders.	
Corrective Action Request: Futuro Forestal shall describe and justify in written how local stakeholders have been or will be defined.	

Audit findings: The document presented by Futuro Forestal contains all possible alternatives for the "future" definition of stakeholders that are or that will be affected by the project. There is a mention of some groups at the family, community, and local levels. Also about the way in which the stakeholders' prioritization will take place through the detailed knowledge of them and of the project's specific issues that affects them.	
Status: Closed.	

Follow-up Action (if applicable): N/A

CAR #: 06/06	Reference Standard #: CL2.1
Description of non-compliance: There is not an estimate of the potential offsite decreases in carbon stocks.	
Corrective Action Request: Futuro Forestal shall estimate the offsite decreases of carbon stocks (increases in sequestration or decreases in emissions) due to project activities.	

<p>Audit findings: Futuro Forestal is proposing a combined technique by monitoring (through questionnaires) the neighbors' productive practices, and the analysis of remote information (satellite images) to determine if the project is taking negative impacts by neighboring communities. It is also proposed to monitor an estimation of carbon sequestration and the potential emissions due to day-to-day activities of the project (vehicles, tractors, plane trips, etc.)</p> <p>The proposed activities are part of the annual follow-up of the development and monitoring of the project, through which it will be possible to determine the balance of carbon sequestrations / emissions.</p> <p>It is considered the steps proposed will allow Futuro Forestal to estimate carbon sequestrations and emissions due to project activities.</p>
Status: Closed.
Follow-up Action (if applicable): N/A

CAR #: 07/06	Reference Standard #: CM1.1
Description of non-compliance: There is not an estimation of the net benefits to communities.	
Corrective Action Request: Futuro Forestal shall estimate the net benefits to communities, resulting from project activities, by comparing scenarios "with-project" and "without-project" through the use of proper methodologies, such as the livelihoods framework.	

<p>Audit findings: As for previous CARs, Futuro Forestal proposes its way to estimate the direct and indirect benefits generated by the project. Nowadays there is not a quantified estimation of the net benefits for communities influenced by the project. It is necessary to allow the project to develop, and practice the proposed annual monitoring, to compare the results.</p>
Status: Closed.
Follow-up Action (if applicable): N/A

CAR #: 08/06	Reference Standard #: CM1.2
Description of non-compliance: The level of participation of stakeholders from neighboring communities has not been documented.	
Corrective Action Request: Futuro Forestal shall document the consultation techniques and the participation experiences of its workers, and of neighboring communities, in the design of the project.	

<p>Audit findings: Futuro Forestal proposes "consultation" as a major activity in its relationship with neighboring communities. It is proposed a consultation plan within the Community Relationships Plan, which will address prevention measures and socio-economic impacts management with communities, individuals, or organizations that might be affected by the project.</p> <p>Consultation, as a mechanism of relationship between workers and communities, will allow a permanent dialog and information process between the company and the stakeholders.</p> <p>The auditor considers the participation levels between the company and the stakeholders are well</p>
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defined nowadays. With the project development and its monitoring, the mechanisms for interaction with stakeholders can be analyzed and re-defined.
Status: Closed.
Follow-up Action (if applicable): N/A

CAR #: 09/06	Reference Standard #: CM1.3
Description of non-compliance: The process for addressing present or future community complains has not been documented.	
Corrective Action Request: Futuro Forestal shall document a process for handling (listening, responding to, and solving) potential conflicts from neighboring communities.	

<p>Audit findings: Futuro Forestal has developed the Community Interaction and Consultation Plan, which is the proposed process to deal with conflicts and complaints that potentially happen between Futuro Forestal and neighboring individuals and communities. The plan defines the objectives, identifies the groups and steps for contacting them, identifies the issues and the possible timing for consultation meetings, selects the interaction techniques, and assigns resources and the responsibility for its implementation to the company's Community Relations Office.</p> <p>It is considered the proposed process allows to listen and solve potential conflicts that might happen between neighboring communities and Futuro Forestal.</p>
Status: Closed.
Follow-up Action (if applicable): N/A

CAR #: 10/06	Reference Standard #: CM3.1
Description of non-compliance: There is not a monitoring plan to define the community variables and frequency to be evaluated.	
Corrective Action Request: Futuro Forestal shall select the community variables to be measured to show positive progress, as part of a monitoring plan, such as income, health, roads, schools, food security, education, inequity, and other variables at risk to being affected by project activities.	

<p>Audit findings: Documentation presented by Futuro Forestal mentions the issues of interest for the project to monitor in order to track positive and negative changes. Some of the issues mentioned are: water, soil, and air quality, that could be generated by the project activities; workers' behaviour; outbreaks of unknown diseases on the area; immigration and associated problems caused by the newcomers; etc.</p> <p>The information presents the frequency and methodology for the socio-economic monitoring. There is also mentioned of the variables that will be considered to account to establish a baseline to start the socio-environment monitoring.</p> <p>It is considered that the proposed monitoring will allow the project to value, in a better way, its impacts on local communities, while the variables and indicators for monitoring can be adjusted or modified through time, based on experience.</p> <p>The Futuro Forestal's proposal satisfies the requirements of Criterion CM3.1</p>
Status: Closed.
Follow-up Action (if applicable): N/A

OBS #: 01/06	Reference Standard #: CM.5.4
Observation: Futuro Forestal should prepare a plan to identify and to prevent potential risks resulting	

from the project future activities (nurseries, planting, pruning, thinning, pesticides use, loading and transportation of logs, and others).

Audit findings: No evidence was sent by Futuro Forestal to comply with this observation.

Status: Open.

Follow-up Action (if applicable): Meet the observation (not a requirement for CCB certification).

OBS #: 02/06 **Reference Standard #:** B4

Observation: Futuro Forestal should only use native species for its plantation project.

Audit findings: No evidence was sent by Futuro Forestal to comply with this observation.

Status: Open.

Follow-up Action (if applicable): Meet the observation (not a requirement for CCB certification).

4.5. New corrective actions and observations

No new Corrective Actions or Observations were generated as a result of this audit.

4.6. Audit recommendation and final CARs

Audit Conclusions:

- CARs closed, certification recommended.
- No follow-up required
- New CAR issued (document new noncompliance in CAR table below)
- Precondition(s) open

Comments/ Follow-up actions at next audit:

It is necessary to continue with the project's execution and implement the proposed monitoring of socio-economic and environmental impact of planned activities.