



NT CATTLE CONSERVATION HIR PROJECT # 02142022 IDR – ERF173343

Assurance Engagement Report

Australian Carbon Credit Unit (ACCU) Scheme

Reasonable Assurance Engagement – Initial Audit

Reporting Period: 14 December 2022 to 31 July 2024

September 2024

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ELIGIBLE REGISTERED PROJECT INITIAL AUDIT COVERSHEET

Audited Body

Name of proponents	RegenCo Pty Ltd (Project Proponent)
Name of contact person for proponents	Hubert Lau Chief of Staff RegenCo Pty Ltd
ABN	ABN: 12 636 724 215 (Project Proponent)
Contact person phone number	0405 537 009
Contact person email address	hubert.lau@regenco.earth

Registered Project

Name of registered project	NT Carbon Cattle Conservation Project # 02142022 IDR (Project)
Unique registered project identifier	ERF173343
Reporting period	14 December 2022 to 31 July 2024
Net abatement during reporting period (in t CO ₂ -e)	176,723.18 t CO ₂ -e
Location of registered project	MacDonnell Shire – Northern Territory
Method under which the registered project operates	<i>Carbon Credits (Carbon Farming Initiative) (Human-Induced Regeneration of a Permanent Even-Aged Native Forest - 1.1)</i> Methodology Determination 2013 – Compilation No.3 (Methodology Determination).

ELIGIBLE REGISTERED PROJECT INITIAL AUDIT COVERSHEET (CONT.)

Audit Description

Type of audit	Initial
Kind of audit	Reasonable assurance
Objective of the assurance engagement	<p>To undertake a reasonable assurance engagement, being an initial audit pursuant to sections 13 and 76 of the <i>Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act)</i>, that in all material respects, the Project has been undertaken in accordance with the CFI Act, the <i>Carbon Credits (Carbon Farming Initiative) Rule 2015 (CFI Rule)</i> and the Methodology Determination for the period 14 December 2022 to 31 July 2024. Particularly, the audit must cover whether, in all material respects, the:</p> <ul style="list-style-type: none"> ▪ Project Proponent met the requirements of the Methodology Determination under section 106 (3) of the CFI Act; ▪ Offsets Report has been prepared in accordance with sections 13 and 76 of the CFI Act; and ▪ Project has been operated and implemented in accordance with the: <ul style="list-style-type: none"> ▪ Project’s section 27 Declaration; ▪ Methodology Determination; and ▪ Requirements of the CFI Act.
Audit fee	\$20,300
Total hours spend on the audit by the audit team	81
Non-audit fees paid to the team leader and audit firm for services and activities excluding this audit over the past 12 months	None
Why did provision of non-Part 6 services or activities not result in a conflict of interest situation?	Not applicable
Date terms of engagement signed by the project proponent	28 May 2024
Date audit report signed	30 September 2024

ELIGIBLE REGISTERED PROJECT INITIAL AUDIT COVERSHEET (CONT.)

Auditor Details

Name of audit team leader	Tim Pittaway
Greenhouse and energy auditor registration number	0036/2010
Organisation	RSM Australia Pty Ltd (RSM)
Phone number	02 8226 4806
Address	Level 13, 60 Castlereagh Street, Sydney NSW 2000
Names and contact details of other audit team members	<p>Araceli Cordero Vilchis 02 8226 4846</p> <p>Lucia Alfonzo 02 8226 4861</p> <p>Luke Christen 02 8226 4992</p> <p>William Potter 02 8226 4988</p> <p>Dr Hugh Stewart 04 1817 5893</p>
<p>Details of exemptions under 6.71 of the NGER Regulations for the audit team leader or professional member of the audit team. These may include:</p> <ul style="list-style-type: none"> ▪ conflict of interest and details of the procedures for managing conflict of interest ▪ relevant relationships, and ▪ exemptions for an audit team leader to carry out more than five consecutive greenhouse and energy audits for the proponent. 	None

Peer Reviewer Details

Name of peer reviewer	Emily Bowd
Organisation	RSM Australia Pty Ltd
Phone number	(02) 6217 0355
Address	Equinox, Building 4 Level 2/70 Kent St Deakin ACT 2600

PART A: AUDITOR'S REPORT

To: RegenCo Pty Ltd

We have conducted a reasonable assurance engagement of the NT Carbon Cattle Conservation Project # 02142022 IDR ERF173343 (**the Project**), being an initial audit pursuant to sections 13 and 76 of the CFI Act, for the reporting period 14 December 2022 to 31 July 2024 to report on whether the:

- Project Proponent met the requirements of the Methodology Determination;
- Offsets Report for the Project has been prepared in accordance with section 76 of the CFI Act; and
- The Project has been operated and implemented in accordance with the:
 - Project's section 27 Declaration;
 - Methodology Determination; and
 - Requirements of the CFI Act.

The Offsets Report consists of a total net abatement during the reporting period of **176,723.18 t CO₂-e**.

Details of the Project Proponent

Name	RegenCo Pty Ltd
Address	Level 1, 140 Rundle Mall, Adelaide SA 5000

Responsibility of management

The management of the Project Proponent are responsible for:

- Compliance with the Methodology Determination;
- The preparation and presentation of the Offsets Report in accordance with section 76 of the CFI Act; and
- The Project's compliance with its section 27 Declaration and the requirements of the Methodology Determination, the CFI Act, and the CFI Rule.

This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the Offsets Report that is free from material misstatement, whether due to fraud or error, the Project's compliance with the CFI legislation and the Project Proponent's compliance with the Methodology Determination.

Our independence and quality control

We have complied with the relevant ethical requirements for assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence, due care, confidentiality, and professional behaviour. This includes all requirements specified in the *National Greenhouse and Energy Reporting Regulations 2008 (NGER Regulations)* regarding the Code of Conduct, independence, and quality control.

Furthermore, in accordance with Australian Standards ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, and ASQM 2 *Engagement Quality Reviews*, RSM Australia Pty Ltd maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In accordance with ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*, RSM Australia Pty Ltd has met the independence requirements and have the required competencies and experience to conduct the assurance engagement. RSM Australia Pty Ltd has also met the independence requirements of the APES 110 *Code of Ethics for Professional Accountants*.

PART A: AUDITOR'S REPORT (CONT.)

Our responsibility

Our responsibility is to express an opinion on the Offsets Report, as to whether the Project was undertaken in accordance with the relevant legislation and whether the Project Proponent met the requirements of the Methodology Determination, based on the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the *National Greenhouse and Energy Reporting (Audit) Determination 2009 (NGER Audit Determination)* and relevant national and international standards, as listed below. The NGER Audit Determination and relevant standards require that we plan and perform this engagement to obtain reasonable assurance about whether the Offsets Report is free from material misstatement, and whether the Project Proponent met the requirements of the relevant legislation, in all material respects.

The following Standards on Assurance Engagements were used in undertaking the assurance engagement:

- ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*;
- ASAE 3100 *Compliance Engagements*;
- ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* ;
- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*; and
- ASQM 2 *Engagement Quality Reviews*.

A reasonable assurance engagement, in accordance with the NGER Audit Determination, ASAE 3000, ASAE 3100, ASAE 3410, ASQM 1, and ASQM 2 involves performing procedures to obtain evidence about the quantification of abatement and related information in the Offsets Report, and about whether the Project Proponent met the requirements of the relevant legislation. The nature, timing and extent of procedures selected depend on the Audit Team Leader's judgement, including the assessment of the risks of material misstatement or material non-compliance of the matter being audited, whether due to fraud or error.

In making those risk assessments, we consider internal controls relevant to the Offsets Report and the Project in order to design assurance procedures that are appropriate in the circumstances; but not for the purpose of expressing an opinion on the effectiveness of the Project Proponent's internal control processes.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Summary of procedures undertaken

The procedures conducted in performing our reasonable assurance engagement included:

- Identifying and documenting the key processes and controls relating to the Project's compliance with the CFI legislation, the Methodology Determination and the *2019 Guidelines on stratification, evidence and records (Guidelines)* through interviews with the Project Proponent (**Key Personnel**) and landholder and review of relevant material;
- Undertaking a risk assessment and control evaluation of processes used to ensure compliance with the CFI legislation, the Methodology Determination, and the Guidelines;
- Performing a review of the level of compliance with those controls assessed as effective for abatement data;
- Recalculation of Project calculations and review of assumptions that support calculations, including use of high-resolution imagery to verify relevance and accuracy of field-data and geospatial algorithms;
- Performing an evaluation on the risk of fraud, including reviewing potential over-claims and investigating any false and misleading information;
- Undertaking a site visit to the Project area to ensure the Project is being operated in compliance with the Methodology Determination and verify the accuracy of the stratification; and
- Conducting additional tests of detail where necessary.

Detailed procedures are included in **Part B** of the audit report.

PART A: AUDITOR'S REPORT (CONT.)

Use of our reasonable assurance engagement report

This report is intended solely for the use of the Project Proponent and the Clean Energy Regulator (**CER**) for the purpose of reporting on the Offsets Report.

Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Project Proponent or the CER for any consequences of reliance on this report for any purpose.

Inherent limitations

There are inherent limitations in performing reasonable assurance engagements. For example, reasonable assurance engagements are based on selective testing of the information being examined, and it is possible that fraud, error or non-compliance may occur and not be detected. A reasonable assurance engagement is not designed to detect all instances of non-compliance with the legislation, because such an engagement is not performed continuously throughout the reporting period being examined, and because the procedures performed in respect of compliance with the legislation are undertaken on a sample basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating, and sampling or estimating such data.

Audit opinion

In our opinion, in all material respects, for the reporting period 14 March 2022 to 31 July 2024, the:

- Project Proponent met the requirements of the Methodology Determination;
- Offsets Report has been prepared in accordance with section 76 of the CFI Act; and
- Project has been operated and implemented in accordance with the:
 - Project's section 27 Declaration;
 - Methodology Determination; and
 - Requirements of the CFI Act.



TIM PITTAWAY

Partner
RSM Australia
Sydney

30 September 2024

PART B: DETAILED FINDINGS

As required under section 3.23 of the NGER Audit Determination, audit team leaders must outline the following:

Issues requiring particular attention

There was one issue (and several other matters described under 'Other Matters' below) that required particular attention during the course of the audit:

1. **Map accuracy assessment** – The auditor paid particular attention to the performance of the map accuracy assessment in accordance with the 2019 *Guidelines on Stratification, Evidence and Records*. The auditor found that the project area is comprised of a substantial proportion of no potential and future CEA area. The auditor also noted that, in the context of the eligibility concerns related to the ability of land to attain forest cover, it would be valuable to assess the accuracy of the stratification in identifying CEAs versus areas without forest potential.

The Project Proponent calculated map accuracy statistics for two strata – forest potential and project commencement forest, and a total of 33 field validation plots were included in the calculation of accuracy statistics. We understand the Project Proponent's interpretation of the 2019 *Guidelines on Stratification, Evidence and Records* (p. 27) is that accuracy assessment is required for "pre-existing forest" and "forest potential" types (i.e. two strata). Therefore, the accuracy statistics for all classes in the five-class classification were not calculated and reported in the initial stratification report. The auditor concluded that the accuracy statistics for other classes (i.e. no potential and future CEA) may not be required to be calculated in accordance with the 2019 *Guidelines on Stratification, Evidence and Records* however, the auditor concluded that the approach to the accuracy assessment omits information regarding the performance of the stratification in distinguishing eligible CEA from areas without forest potential. Refer to **Finding 2**.

Aspects impacting on assurance engagement

Not applicable. There were no aspects impacting on our assurance engagement.

Contraventions of CFI legislation

Not applicable. There were no contraventions of CFI legislation during the course of the assurance engagement.

Matters corrected during the course of the audit

During the course of the engagement, the Offsets Report and accompanying documentation were adjusted to:

1. Baseline Period dates that were incorrectly represented in the Offsets Report were corrected and aligned across all project documentation.
2. During the site visit performed by the auditor, areas around stockyards / water points mapped as CEA were observed and did not have forest potential. These areas occupied CEA 983 (Valentine's trough) and CEA 1494 (Sandstone trough). At Valentine's trough (in CEA 983, near Valentine's tank) the exclusion buffer increased from 25 m to 50 m and a new exclusion area was added to capture the short track section running NW - SE below this trough. At Sandstone trough (in CEA 1494) the exclusion buffer increased from 25 m to 110 m and areas without forest potential were added to the exclusion area layer. Following the implementation of these changes, the total CEA area decreased from 171,180.0 ha. to 171,175.84 ha or a reduction of 4.16 ha from the CEA Stratum which is deemed immaterial.
3. Section 5.3 of the Initial Stratification Report incorrectly stated number of CEAs. It was stated that 1,714 CEAs make up the project area. Other project documentation states that 1,747 CEAs make up the project area, which is the correct figure. The Initial Stratification Report was updated.

PART B: DETAILED FINDINGS (CONT)

Other matters

The Auditor identified four 'Other Matters' during the course of the audit:

- 1. Project eligibility** – The Auditor paid particular attention to the project eligibility requirements outlined in Section 4 of the Methodology Determination. Specifically, the auditor focused on the baseline management of the project area to assess matters related to Section 4(1)(b)(i). This included a review of historical records, statements and follow up information requests. The auditor assessed multiple lines of evidence that were summarised in additional documentation, including a summary document related to evidence of grazing pressure in the baseline period that was requested by the audit team to assist in the review. The summary document provided to the auditor was titled *Q8 Audit RFI Idracowra Baseline Grazing Evidence.pdf*. Through a detailed assessment of all lines of evidence, and the summary information contained in the document listed above, the auditor was satisfied that sufficient and appropriate evidence exists to indicate that during the baseline period the land was managed in such a way that livestock may have contributed to the suppressing the development of forest cover. The proponent also provided evidence of the business-as-usual (i.e. non-project implementation scenario) that was likely to continue in the absence of the project.
- 2. Forest Potential** – The Auditor paid particular attention to the project requirements outlined in Section 7(1) of the Methodology Determination, including a focus on whether the proposed project activities can be reasonably expected to result in the attainment of forest cover and eligible carbon abatement. Due to a lack of typical reference information relating to the presence of forest cover land systems, and accurate historical forest cover data for the project area and region the auditor identified a possible risk that land may not have forest potential and the project may exhibit a risk of non-compliance with the requirements of Section 7(1). To assess this risk the auditor paid particular attention to the correspondence between the CER and RegenCo related to land systems and forest potential in the project area, the auditor also conducted an extensive site visit from 1-4 July 2024 to assess the land systems in CEAs and areas of Baseline Forest, the composition and structure of vegetation in these areas and the property management plan, including the implementation of HIR project activities to date. The auditor was satisfied that the evidence reviewed as part of the audit testing indicates that the project is consistent with the requirements of Section 7(1) of the Methodology Determination, including that land systems may have forest potential and may have the ability to attain forest cover. The auditor was satisfied that the proposed project activities may be reasonably expected to result in the attainment of forest cover and eligible carbon abatement.
- 3. Property management plan and HIR activity implementation** – The Auditor paid particular attention to the project requirements outlined in Section 21(2) of the methodology determination with regards to the property management plan and the HIR activity implementation approach of the project proponent. The auditor noted a possible risk that total closing livestock numbers increased during the latter years of the baseline period, and during the initial reporting period. The auditor noted that this may suggest a potential risk of non-compliance with Section 21(2). However, the auditor sought clarification on the HIR activities approach, importantly noting that water points have significantly increased, allowing the grazing pressure per water point to be reduced. The auditor also noted that the creation of new water points, may lead to grazing pressure, and the suppression of native vegetation where it was not previously occurring, if the grazing regime was not carefully planned, and grazing impacts are not carefully monitored. Through discussion with the Project Proponent, and through the review of an extensive RFI response titled *Q9 Audit RFI Idracowra Grazing Risk.pdf*, the auditor concluded that sufficient project management plans were in place and that monitoring practices may mitigate this risk. In the property management plan developed by RegenCo in collaboration with the Landholders, RegenCo have introduced monitoring sites to review any evidence of grazing on regenerating native vegetation by cattle and/or feral animals.
- 4. Quality assurance** – The Auditor has identified an opportunity for the Project Proponent to improve their quality assurance procedure by recording each stage of the review for each version of the Offsets Report in a standalone quality control document. Refer to **Finding 1**.

PART B: DETAILED FINDINGS (CONT.)

Table 1: Audit findings and conclusions

The table below summarises key audit procedures performed for this engagement and the corresponding outcome.

The results that are provided in the table below should not be construed as providing an opinion on the matter being audited as a whole, instead they should be read in the context of providing evidence to support the conclusion. These findings, conclusions and recommendations are designed to inform the Project Proponent and the CER of any compliance issues and will be used, in part, to better inform regulatory decisions and broader advice to the regulated community.

Risk	Testing conducted	Findings	Conclusion
<p>Declaration of an Eligible Offsets Project</p> <p>The Project was not undertaken, in all material respects, in accordance with section 27 of the CFI Act.</p>	<ul style="list-style-type: none"> ▪ Assessed that the information contained in the section 27 Declaration matches the Project. ▪ Ensured conditions contained within the section 27 Declaration have been addressed. ▪ Verified the Project Proponent's' legal right to undertake the Project including: <ul style="list-style-type: none"> ▪ Native Title and Land Title rights; ▪ Confirmed relevant regulatory approvals were obtained in accordance with CFI legislation; and ▪ All required Eligible Interest Holder Consents (EIHCs) have been obtained. ▪ Verified the Project is consistent with the type of project chosen under Part 3, Division 12 of the CFI Act by a physical site visit and reviewing photographs of: <ul style="list-style-type: none"> ▪ Vegetation on the property for areas that have achieved forest cover; and ▪ Areas where regenerating vegetation for Carbon Estimation Areas (CEAs) are representative of the main vegetation types in the Project area. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed there were no matters identified to indicate, in all material respects, that the Project was not undertaken in accordance with section 27 of the CFI Act.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Risk	Testing conducted	Findings	Conclusion
<p>CFI Act and CFI Rule compliance</p> <p>The Offsets Report was not prepared in accordance with section 76 of the CFI Act, in all material respects.</p>	<ul style="list-style-type: none"> ▪ Assessed the Offsets Report for accuracy and completeness in accordance with section 76 of the CFI Act. ▪ Assessed the Offsets Report for compliance with section 70(3) of the CFI Rule as applicable. ▪ Assessed the Offsets Report for compliance with section 39 of the Methodology Determination. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, that the Offsets Report was not prepared in accordance with CFI Act.</p>
<p>Identification and calculation of abatement</p> <p><u>System controls</u></p> <p>Material misstatements or omissions occur if the integrity of the software system is compromised.</p>	<p>Tested the effectiveness of the system controls within the software used by the Project Proponent. Our testing included verifying:</p> <ul style="list-style-type: none"> ▪ The Proponent's employee access of Microsoft Office and Network Drive; ▪ The security of the Proponent's activity on CER portal for the Project; ▪ Quality and assurance checks; ▪ Collection and transfers of monitoring reports and data by the Project Proponent; and ▪ The Proponent's employee access to the FullCAM 2020 spreadsheets. 	<p>No exceptions were identified other than those detailed in Finding 1.</p>	<p>Based on the testing performed, there were no matters identified, other than those detailed in Finding 1, to indicate, in all material respects, that there were control weaknesses in the systems used in the calculation of the abatement, or that the spreadsheets and other software relied upon to prepare the Offsets Report were compromised.</p>
<p>Identification and calculation of abatement</p> <p><u>Controls surrounding collation of data</u></p> <p>Control weakness exist in the review of abatement data generated. Insufficient controls increase the risk that material misstatements are not prevented or detected.</p>	<ul style="list-style-type: none"> ▪ Performed tests on the effectiveness of operating controls for collation of abatement data. Controls tested included: <ul style="list-style-type: none"> ▪ Review of reports generated from FullCAM 2020 for the Proponent's calculation spreadsheets; and ▪ Management review and approval of the final Offsets Report. ▪ Assessed the FullCAM 2020 abatement data identification and capture processes to determine if there had been any material omission of data. ▪ Assessed onsite data collation and record keeping processes through desktop review of documentation and interviews with relevant Key Personnel. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, that the abatement data collation and review controls were insufficient such that material misstatements would not be detected prior to submission in the Offsets Report.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Risk	Testing conducted	Findings	Conclusion
<p>Identification and calculation of abatement (cont.) <u>Methodology Determination compliance</u> The Offsets Report has not met the requirements of the Methodology Determination.</p>	<ul style="list-style-type: none"> ▪ Reviewed the methodology applied by the Project Proponent for the calculation of the net abatement and ensured it was compliant with the Methodology Determination. This included: <ul style="list-style-type: none"> ▪ Reviewing: <ul style="list-style-type: none"> ▪ Supporting evidence to confirm eligibility project in accordance with Part 3 of the Methodology Determination; ▪ Stratification of the Project area to ensure the CEAs comply with the Guidelines and the Methodology Determination; ▪ Relevance and accuracy of the Project's use of field data; ▪ Process of re-stratification or re-classification of a CEA if this has occurred within the Project area; ▪ Monitoring arrangements of CEAs and suppression activities; ▪ Monitoring undertaken in accordance with Part 5 of the Methodology Determination; and ▪ On-ground vegetation types. ▪ Verifying the net abatement equations used and calculations performed are in accordance with Part 4 of the Methodology Determination. ▪ Arranging discussions with the Project Proponent to gain an understanding of stratification and monitoring processes. ▪ Conducted a site visit to inspect the property and observe the vegetation, species types, fencing and infrastructure included in the Offsets Report along with the CEA boundaries on the Project area. 	<p>No exceptions were identified other than matters 1, 2 and 3 in the Other matters section and matter 2 in the Matters corrected during the course of the audit section.</p>	<p>Based on the testing performed, there were no other matters identified, to indicate, in all material respects, that material abatement data was omitted from the Offsets Report or that the net abatement calculations have not been performed in accordance with the Methodology Determination.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Risk	Testing conducted	Findings	Conclusion
<p>Identification and calculation of abatement (cont.)</p> <p><u>Compliance with Guidelines</u></p> <p>The stratification of CEAs is not compliant with the requirements of the Guidelines, resulting in material abatement data being omitted.</p>	<p>Reviewed the methodology applied by the Project Proponent to undertake stratification and calculation of the net abatement and ensured it is compliant with the Guidelines. This included:</p> <ul style="list-style-type: none"> ▪ Reviewing the process of excluding: <ul style="list-style-type: none"> ▪ Pre-existing forest cover and verifying the areas excluded are accurate; and ▪ Land without forest potential and verifying the areas excluded are accurate. ▪ Verifying: <ul style="list-style-type: none"> ▪ Areas that demonstrate attainment of forest cover; and ▪ Any additional requirements as per the transitional provision (if required). ▪ Reviewing: <ul style="list-style-type: none"> ▪ Photographs of the main species that make up the forest cover on the property; ▪ Photographs of the regenerating vegetation in CEAs which show morphological features that were used in identification; ▪ Documentation and on-site imagery of the Project Proponent's data collection processes, together with data collected; and ▪ The processes undertaken to perform the stratification, modelling and abatement calculations. 	<p>No exceptions were identified other than the matter described under the Issues requiring particular attention section and Finding 2.</p>	<p>Based on the site visit and the testing performed, there were no matters identified, other than those detailed in Finding 2, to indicate, in all material respects, that the stratification of CEAs is not compliant with the requirements of the Guidelines, resulting in material abatement data being omitted by the Project Proponent.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Risk	Testing conducted	Findings	Conclusion
<p>Identification and calculation of abatement (cont.) <u>Monitoring disturbance events</u> Disturbance events have not been appropriately identified by the Project Proponent.</p>	<ul style="list-style-type: none"> ▪ Enquired with the Project Proponent to understand if any growth disturbance events have occurred and how these have been captured. ▪ Reviewed: <ul style="list-style-type: none"> ▪ The processes for monitoring Project disturbance events and verify compliance with the Methodology Determination; ▪ Images of Project activities and disturbance events; and ▪ Documentation to verify the dates of management activities and disturbance events. ▪ Conducted interviews with the Project Proponent to review process for monitoring disturbance events. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, control weaknesses which would increase the risk that the Project Proponent would not appropriately identify disturbance events.</p>
<p><u>Completeness and accuracy</u> Material abatement data was omitted from the Offsets Report and the net abatement calculations have not been performed in accordance with the Methodology Determination.</p>	<ul style="list-style-type: none"> ▪ Assessed the stratification of the Project area and the Project's operation processes including removal of biomass from CEAs, livestock and grazing restriction, restriction on mechanical or chemical destruction of native vegetation and use of lime or fertiliser to determine if there had been any material omission of data. ▪ Verified: <ul style="list-style-type: none"> ▪ The completeness and accuracy of the net abatement calculations; and ▪ That the exclusion areas were correctly treated and accounted for. ▪ Reviewed the FullCAM 2020 input parameters for accuracy. 	<p>No exceptions were identified other than matters 1 and 3 in the Matters corrected during the course of the audit section.</p>	<p>Based on the testing performed, there were no other matters identified, to indicate, in all material respects, that abatement data was incomplete or inaccurate in the Offsets Report or the underlying net abatement calculations.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Risk	Testing conducted	Findings	Conclusion
<p>Record keeping <u>Documentation of CFI process</u> The Project did not meet the requirements of the CFI Act, in all material respects, if the CFI Act reporting processes of the Project Proponent are not formally documented and communicated to staff involved, e.g., a 'basis of preparation' document or standard operating procedures.</p>	<ul style="list-style-type: none"> ▪ Examined SOPs in relation to the Project reporting processes that the Project Proponent have in place and any mitigating controls, including the role of consultants used. ▪ Conducted interviews with Key Personnel and the onsite property manager. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, that processes were inadequately documented and communicated.</p>
<p>Record keeping <u>Record keeping procedures</u> The Project did not meet the record keeping or reporting requirements of section 191 of the CFI Act where robust processes are not in place.</p>	<ul style="list-style-type: none"> ▪ Reviewed record keeping procedures and verify all required records are held on file. ▪ Assessed whether the security of records and the timeframes they are held are in accordance with the CFI Act. 	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, that record keeping processes were inadequate.</p>
<p>Fraud Material misstatement of the Offsets Report by the Project Proponent to claim more ACCUs and gain an increased financial benefit.</p>	<p>The tests listed above were designed to mitigate the risk of fraud. Furthermore, we enquired with the Project Proponent for any known instances of fraud.</p>	<p>No exceptions were identified.</p>	<p>Based on the testing performed, there were no matters identified, to indicate, in all material respects, control weaknesses which would increase the risk of fraud and subsequently lead to the Offsets Report being materially misstated.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Issue / Risk area	Findings	Conclusion and recommendations
<p data-bbox="152 347 459 560">1. The Project Proponent does not formally document Offsets Report review process for each version of the report.</p> <div data-bbox="147 608 376 710" style="border: 1px solid black; padding: 5px; display: flex; align-items: center;"> <div data-bbox="152 628 248 695" style="margin-right: 10px;">Risk Rating</div> <div data-bbox="282 624 353 692" style="border: 1px solid green; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; background-color: #90EE90;">L</div> </div>	<p data-bbox="501 360 1249 459">The Auditor has noted that the Project Proponent utilises a version table on page 1 of the Offsets Report to record significant changes to the Offsets Report.</p> <p data-bbox="501 483 1249 612">However, the auditor noted that there is no evidence for the conduct of quality assurance review for each version of the Offsets Report that includes the steps taken during review, associated with each version of the report.</p> <p data-bbox="501 636 1249 804">The Project Proponent utilises a Standard Operating Procedure document that provides guidance to personnel reviewing each version of the Offsets Report, but there is a lack of evidence to show that all review steps have been followed as per the associated Standard Operating Procedure.</p>	<p data-bbox="1274 360 2094 459">Given the Project Proponent does have existing quality assurance controls in place, the creation of auditable records of the review performed for each version of the Offsets Report is recommended.</p> <p data-bbox="1274 483 1503 507">Recommendation</p> <p data-bbox="1274 531 2094 660">The auditor recommends the Project Proponent completes the detailed standard operating procedure document for each review process that is undertaken for each version of the Offsets Report to evidence that the quality assurance procedure is followed each time.</p> <p data-bbox="1274 684 1585 708">Management Comments</p> <p data-bbox="1274 732 2094 861">RegenCo takes on board the feedback from RSM regarding completing an auditable records of reviews and we undertake this measure in audits for all future versions of offsets reports across its portfolio of projects.</p> <p data-bbox="1274 885 2094 1334">RegenCo would also like to note that in regard to Item 1 of the matters corrected during audit on page 7 (Dates of the Baseline Period), RegenCo initially had an extended Baseline Period due to the extended period between the submission of the application and the declaration date. RegenCo opts for the extended baseline period to review and map baseline forest to ensure that areas that reach forest within the intervening period is also considered in the baseline. In consideration and discussion with RSM, RegenCo accepts that it's an immaterial decision as 1) field survey is unlikely to be conducted within that period of time between application submission and declaration and 2) stratification will most likely identify those areas as project commencement forest, ensuring those areas are not credited in other scenario.</p> <p data-bbox="1274 1358 2094 1422">Moving forward, RegenCo will strictly report the baseline period as the 10 years prior to project submission.</p>

PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Issue / Risk area	Findings	Conclusion and recommendations
<p data-bbox="152 400 461 703">2. The map accuracy assessment omits information regarding the performance of the stratification in distinguishing eligible CEA from areas without forest potential.</p> <div data-bbox="147 751 376 852" style="border: 1px solid black; padding: 5px; display: flex; align-items: center;"> <div data-bbox="152 772 244 836" style="margin-right: 10px;">Risk Rating</div> <div data-bbox="282 762 353 829" style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">E</div> </div>	<p data-bbox="501 408 1252 507">The Auditor reviewed the performance of the map accuracy assessment in accordance with the 2019 <i>Guidelines on Stratification, Evidence and Records</i>.</p> <p data-bbox="501 531 1252 699">We understand the Project Proponent's interpretation of the Guidelines is that accuracy assessment is required for "pre-existing forest" and "forest potential" types, and therefore calculated map accuracy statistics for two strata: forest potential (CEA) and project commencement forest.</p> <p data-bbox="501 722 1252 922">The Auditor found that the project area is comprised of a substantial proportion of no potential and future CEA areas. It was also noted that in the context of eligibility concerns related to the ability of the land to attain forest cover, it would be valuable to assess the accuracy of the stratification in identifying CEAs versus areas without forest potential.</p> <p data-bbox="501 946 1252 1217">The Auditor concludes that the accuracy statistics for other classes (i.e. no potential and future CEA) may not be required to be calculated in accordance with the Guidelines, however, including information on the performance of the stratification in distinguishing eligible CEA from areas without forest potential in the Offsets Report and accompanying documentation could elevate the confidence in the accuracy of the overall stratification of the Project.</p>	<p data-bbox="1274 408 1603 440">Improvement Opportunity</p> <p data-bbox="1274 459 2096 627">The Auditor identified an improvement opportunity related to the map accuracy assessment for the Project. The auditor recommends the Project Proponent to include information in the Offsets Report and accompanying documentation related to the performance of the stratification in distinguishing CEA from areas without forest potential.</p> <p data-bbox="1274 651 1585 683">Management Comments</p> <p data-bbox="1274 702 2096 938">RegenCo agrees with RSM's comments regarding the value of map accuracy assessment for other classes within our stratification. Internally RegenCo has been reviewing the map accuracy assessment for other classes in all of its projects and Cohen's Kappa coefficient, but only reporting CEA and Project Commencement Forest as per our existing understanding of the Guidelines on Stratification, Evidence and Records.</p> <p data-bbox="1274 962 2096 1265">RegenCo's current perspective is that the most important mapping failure case (from the CER's perspective) is "area mapped as CEA, that is not CEA", as this would result in undue ACCU issuance. This error is minimised with a high User's CEA accuracy. However, optimising a map for this one accuracy metric would likely result in perverse outcomes. The most likely perverse outcome is that mapped CEA area would be overly conservative, leading to uneconomical HIR projects, project cancellation, and then missed opportunities to sequester carbon from the atmosphere.</p> <p data-bbox="1274 1289 2096 1425">Another mapping failure case worth considering is "area that is forest, that is not mapped as forest". This error is minimised with a high Producer's Forest accuracy. A high Producer's Forest accuracy means that most of the actual forest area has been mapped as forest, while a</p>







PART B: DETAILED FINDINGS (CONT.)

Audit findings and conclusions (cont.)

Issue / Risk area	Findings	Conclusion and recommendations
(As above)	(As above)	<p>(Cont.)</p> <p>low accuracy means that some of the actual on-ground forest is mapped as something else. The worst outcome (from the CER's perspective) would seem to be i) if an area of forest was not mapped as forest, but ii) instead was mapped as CEA. This outcome is doubly minimised if high User's CEA accuracy and high Producer's Forest accuracy are prioritised during mapping.</p> <p>Finally, it is important to consider how much better the map is than could be expected due to chance. To some degree this is captured by Cohen's kappa coefficient ('kappa'). A value of 0 indicates agreement between calibration and validation is no better than expected due to chance, and a value of 1 indicates complete agreement (very improbable by chance). As with statistical significance (sigma, indicated by 'p' value), there is no inherent value of kappa that indicates 'success'. However, unlike sigma, there is no universally agreed standard for what constitutes a 'good' kappa. And indeed, a high kappa is not inherently an indicator of mapping success (e.g., it is possible for a map with other very high accuracy measures to score low on Cohen's kappa (Foody, 2020)). While we acknowledge these limitations, we still consider kappa during the mapping process.</p> <p>Our thinking is still evolving, and we are reevaluating what is the best combination of metrics to achieve the intended mapping outcomes.</p> <p>RegenCo will provide the full confusion matrix in future stratification reports.</p>

PART B: DETAILED FINDINGS (CONT.)

Risk Rating

Risk Ratings		
Extreme		Issues which may have a catastrophic impact upon the quality and accuracy of data reported in the Offsets Report and/or upon compliance with the Methodology Determination requirements if they are not addressed immediately.
High		Issues which may have a major impact on the quality and accuracy of data reported in the Offsets Report and/or on compliance with the Methodology Determination requirements if they are not addressed as a matter of priority.
Medium		Issues which may have a moderate impact on the quality and accuracy of data reported in the Offsets Report and/or on compliance with the Methodology Determination requirements if they are not addressed within a reasonable timeframe.
Low		Issues which are not likely to immediately impact on the quality and accuracy of data reported in the Offsets Report and/or on compliance with the Methodology Determination requirements but may in future if plans are not put in place to rectify the issue.
Improvement		Standalone suggestion for improvement.
Implemented		Issue resolved as recommendation has been implemented during the review.

PART B: DETAILED FINDINGS (CONT.)

Peer Reviewer Conclusion

Name of peer reviewer	Emily Bowd
Peer reviewer's credentials	RSM Australia Pty Ltd Director Category 2 Registered Greenhouse and Energy Auditor
Peer reviewer's contact details	Equinox, Building 4 Level 2/70 Kent St Deakin ACT 2600 Phone: 02 6217 0355 Email: emily.bowd@rsm.com.au
Outcome of the evaluation undertaken by the peer reviewer	I have reviewed the Assurance Engagement Plan, Assurance Engagement Report and supporting work papers and I am satisfied that the engagement has been performed in accordance with the requirements of relevant assurance standards, including ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> , ASAE 3100 <i>Compliance Engagements</i> and ASAE 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i> .



TIM PITTAWAY

Partner
RSM Australia

Sydney
30 September 2024

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