



**Bureau Veritas Certification
North America, Inc.
SFI Forest Management Audit Report**

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PQC Code	E01E
Contract Number	US2070246

Certification Audit:	X	Re-Certification Audit:		Surveillance Audit:		Scope extension audit:	
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Audit Summary
Introduction
<p>This report summarizes the Stage 2 SFI Forest Management audit on the Oregon operations of the Green Diamond Resources Company (GRDC), headquartered in Klamath Falls, OR. . Jim Colla, Bureau Veritas Certification Lead Auditor, Winston Savelle, BV Lead Auditor Trainee, and Bob Carlson, BV auditor conducted the audit on November 3 & 4, 2015. Dan Varland, wildlife biologist conducted his review on November 7, 2015.</p>
Audit Scope, Objectives and Process
<p>The scope of GDRC is “forest management” on approximately 634,737 acres in OR. The audit goal was to verify conformance to the SFI 2015-2019 Forest Management Standard, objectives 1-15 were audited. Specifically, two objectives of the SFI audit were to verify that the Program Participant’s SFI Program is in conformance with the SFI objectives, performance measures, and indicators; and verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the current version of the Bureau Veritas Certification Auditor Handbook and supplemental SFI Handbook. Field notes and an SFI indicator checklist were completed and contain specific information and audit notes.</p> <p>The audit began at the GDRC headquarters office in Klamath Falls, OR on November 3, 2015 with an opening meeting. The objectives for the audit were outlined and the audit process for collecting evidence and making audit findings was explained. Process determination findings of non-conformance, opportunities for improvement, and notable practices were explained. Confidentiality was assured. The audit plan was discussed and agreed to, and the time and date of the closing meeting was confirmed for November 4. There were no substitutions or modifications of SFI indicators.</p>
Audit Plan
<p>The stage 2 audit was conducted over a total of two days from November 3-4, 2015. The document review portion of the audit was conducted Tuesday morning November 3, 2015 at the headquarters office in Klamath Falls, OR. The field audit was conducted over the following one and one-half days. Wildlife Biologist technical review occurred offsite. The detailed daily audit plan is on file with Bureau Veritas Certification.</p>

Company Information

GDRC operations consist of managing 634,737 acres in southern Oregon. GDRC purchased the initial Oregon properties in September of 2014. GDRC is a privately held company whose fifth generation owners have managed land in the US west dating back to 1890. GDRC primarily sells delivered logs and a few stumpage sales each year from its Oregon properties. The company is also actively involved in the local community.

Multi-Site Requirements

The company owns forest land in California and Washington but they are covered under separate certificates.

Audit Results

A total of seven field sites were visited during the field portion of the audit. Four of the field sites were active harvest sites, commercial thinning and final harvest. The remaining sites visited represented a spectrum of activities that Green Diamond undertakes across the ownership. All environmental performance indicators (reforestation, chemical use, water, visual, soil, wildlife and cultural protection) were found to be in compliance with the SFI standard. All GDRC forestry staff involved with management of the sites was available for the audit. Field files for all harvest tracts were available. GDRC uses a combination of company and contract loggers. All contractors were either Oregon Professional Logger trained or were in process of being trained.

Objective 1-Forest Management Planning:

Based off prior owner inventory records, GDRC has completed a sustained yield resource analysis to determine appropriate harvest levels through 2039 with the goal of increasing standing inventory for several decades to fully utilize site potential after decades of reducing the standing inventory. A longer term analysis is ongoing utilizing Woodstock harvest scheduling program and will be completed for next year audit. This analysis is designed to compare various harvest levels and how the resulting inventory changes over time. This will be compared to the current harvest practice of entering stands every 10 years. Decade harvests will be modeled and the impact on growth and inventory levels will be determined. GDRC's stand-based forest inventory is updated annually to capture stand changes. MBG Tools & SIS software runs the updated inventory for growth & yield and reports annual inventory changes. The new inventory reports are compared to scaled harvest reports to evaluate the inventory accuracy. Land classification is determined by their GIS system where stand types for the three districts are based on stocking levels and phototyping. Wetlands, riparian areas, non-forest lands, wildlife areas, and state designated areas are excluded from available operational inventory. A 10 year management plan is initiated when the stand reaches 3 mbf per acre. Landscape biodiversity is achieved through their unmanaged riparian areas, wetlands, rock flats, steep escarpments, lakes, streams, and other non-operational areas and uneven-aged managed stands. Soil maps are utilized for management planning. Growth & yield plots will be developed to compare against the model. GDRC has a detailed and mature GIS covering all SFI required layers, the GIS is readily available to all field foresters. Carbon storage and biomass opportunities are being evaluated. GD lands are open to camping, hunting, fishing, and off-road opportunities. The 10 year management plans address management activities beyond forestry; including including recreation and grazing, T&E, Stand level habitat, landscape level management; management of G1 G2 species and control of invasive species.

Objective 2-Forest Health and Productivity:

GDRC relies very heavily on natural regeneration following commercially thinnings. Clearcuts are generally limited to fire and other abiotic events or insect and disease outbreaks. All clearcut or interplant units are designated for planting as soon as prescription is developed; OFPA rules apply and must be planted within two years. Each unit is formally surveyed for survival within one year of regeneration and once survival has been confirmed each stand is visited until free to grow (5 years). GDRC plants 300 TPA. During harvest, company foresters review weekly harvest progress to ensure adequate residual stocking is maintained. GDRC limits chemical use to eliminating noxious plants that have been identified by the state/county as needing treatment. Chemicals are used only as a last resort and when used, they are closely monitored during application to

ensure only targeted species are treated. Pocket Gophers occasionally cause damage on newly planted areas. GDRC will utilize mechanical means of site prep to maintain the health and productivity of the site. If pesticides are used to control pests, it will be applied only in accordance with legal limits dictated by OFPA or the SFI standard, whichever is most strict. All chemical application is conducted by licensed contractors under the supervision of a GDRC forester. The GDRC Oregon Operations (ORO)'s SFI handbook addresses in detail the requirements the company implements to protect forest soil and productivity during its operations. All observed roads and trails were well maintained and stable to control erosion.

Objective 3-Protection and Maintenance of Water Resources:

GDRC ORO addresses the requirements of the Oregon FPA for water quality. They use wildlife and engineering staff from GDRC's North West Timberlands (NWT) for road design and construction as needed. All contractor's and company crews are trained on water quality issues and the district foresters regularly inspect all operations. The company's contracts for all operations require compliance with water quality requirements. The GIS has rivers, streams, lakes, wetlands and other water bodies mapped. Locations of any additional water features found in the field during reconnaissance are mapped and input into the system. Roads and streams are monitored during wet weather storm events. All contractors interviewed were knowledgeable about wet weather operating procedures.

Objective 4-Conservation of Biological Diversity:

GDRC has a program to promote the conservation of native species at landscape levels. Using data from the Oregon Biodiversity Information Center (ORBIC) data. NWT biologists have provided GDRC with programmatic guidelines to conserve native biological diversity across the tree farm. ORBIC is part of the Institution for Natural Resources (INR) and is based at Portland State University. The center works with partners across the region to provide the most comprehensive information on plants, wildlife, fish, fungi, and vegetation communities throughout Oregon.

GDRC has developed and implemented criteria for retention of stand-level wildlife habitat elements and incorporates this information into planning and management activities. GDRC's forest inventory contains data on forest cover types across the ownership. The NWT Timberland Services manager is actively engaged on behalf of ORO in conservation planning measures with the OR USFWS, ODF and other OR timberland owners.

Objective 5-Management of Visual Quality and Recreational Benefits:

Green Diamond assesses view shed issues on a case-by-case basis during the course of its harvest planning activities. Where visual quality is a concern Green Diamond incorporates aesthetic considerations into harvesting, road and landing design and general management in order to minimize adverse visual impacts. Green Diamond has managed visual impacts on Highways 62, 66, 138, 140, and 97 in accordance with the Oregon FPA rules. Approximately 99% of GDRC's harvests are selective harvest which meets all visual requirements. The exception to date has been the Oregon Gulch fire salvage and they are site prepping and planting to FPA standards. Green Diamond has an "open gate" policy which allows public access consistent with wildlife and forest management objectives. A variety of recreational experiences are permitted and allowed on Green Diamond land including hunting, fishing, camping, horseback riding, and ATV use.

Objective 6-Protection of Special Sites:

Green Diamond works individually and with state and federal agencies, Indian Tribes, and others with expertise in identifying and managing cultural, ecological, geological and archeological sites.

Sites with ecological, historic, and cultural significance are kept in the GIS database and are cross-referenced with forest practice applications/notifications. During 2016 special sites will be added, as a separate coverage, to the GIS.

Objective 7-Efficient Use of Fiber Resources:

GDRC has a program and monitoring system to ensure efficient utilization, including under-utilized species and low-grade material and has gone to great lengths to merchandise and market all possible materials. They have extensive chipping operations as they have a readily available market for in-woods chips as well as the more traditional log markets. Approximately 8,000 acres annually are thinned to produce a clean wood chip. The leave trees are selected by trained operators leaving the largest, fastest growing, most valuable trees. The cut trees are then delimited, debarked, and then chipped and sold to either a hardboard facility or to pulp mills.

The landing debris is either burned on site or is sold/given to a local biomass facility that burns it to create electricity.

Objective 8: Recognize and Respect Indigenous People's Rights:

GRDC has a program that includes communicating with affected indigenous peoples to enable it to recognize and respect Indigenous Peoples rights and traditional knowledge. Since GRDC's ownership began, they have met twice with the Klamath Tribe leadership expressing support for helping the Tribe receive part of its former tribal lands from the Federal Government. This support included entering into discussions with the Federal Government to purchase a portion of lands to offset land being given to the Tribe and asked them to provide sensitive sites within the property needing protection. This is entered into a confidential database; access is limited to the local foresters and the GIS manager. GRDC will respond promptly to all inquiries and concerns. On a portion of our property, the local tribe has claimed the right to "hunt, fish, and gather". GRDC is not planning on disputing this claim, as they already allow the public, including tribal members, nearly unfettered access to the property.

Objective 9-Legal and Regulatory Compliance:

GRDC's field foresters and biologists obtain updated Forest Practice Rules and Regulations and systematically review operating procedures to ensure compliance. Copies of the Oregon Forest Practices Rules are retained at Green Diamond's office in Klamath Falls and are available in hard copy and electronically on the web. GRDC employs a system of measures and practices to ensure continuing compliance with applicable regulations and maintains records of compliance. Green Diamond commits to compliance with social laws as outlined in its management guide and Code of Business Conduct. Annual training on such laws is required for all employees. Regulatory agencies have not issued any non-compliance actions against the company.

Objective 10-Forestry Research, Science and Technology:

GRDC provides financial and in-kind support of research at Oregon State University's Forest Products Laboratory through its share of the Oregon Forest Harvest Excise Tax. A portion of Oregon Forest Industries Council's annual budget is used for research, in cooperation with NCASI and others. GRDC has in-kind financial and logistical support for forest biomass research at OSU; they have also partnered with various NGO's in its operating communities to research and respond to social issues. They participate in the regeneration, growth & drain assessments and BMP implementation efforts through the Oregon Department of Forestry. Through the SIC, GRDC and other forest managers in Oregon recently participated in an update on climate change specific to the Oregon landscape. See file. Green Diamond personnel monitor available regional information on climate change impacts.

Objective 11-Training and Education:

GRDC has developed and communicated its commitment statement to all employees. GRDC ensures that staff members involved in implementing and achieving the SFI standards understands their roles and responsibilities. An initial training session has been conducted among Green Diamond staff to ensure broad awareness of roles and responsibilities under the SFI standard. GRDC conducts contractor education and training sufficient to their roles and responsibilities. As a component of the annual SFI training plan, all contractors who operate machinery on Green Diamond land will receive annual training on the SFI standard. Standard will be met by end of 2016. All other contractors are provided adequate training and direction to properly discharge their duties in compliance with the SFI Standard. ORO is reviewing its contractors to ensure they are appropriately trained including Oregon Professional Logger training for all harvesting contractors. ORO is actively involved in the Oregon SIC.

Objective 12-Community Involvement and Landowner Outreach:

Through the SIC as well as through Oregon Forest Resources Institute and Oregon State University Cooperative Extension, appropriate educational materials are distributed. The OR SIC website features several links sites with local information on Forests with Exceptional Conservation Value, threatened and endangered species, biological diversity issues and other materials. GRDC's timberlands are classified or designated forestland wherever appropriate. GRDC participates where appropriate in efforts to influence legislation to conserve working forest through market-based and other programs. GRDC works with various

regional conservation organizations, to identify Green Diamond lands with exceptional ecologic value. GRDC employees serve on conservation organization boards and committees.

Objective 13: Public Land Management Responsibilities: N/A

Objective 14-Communications and Public Reporting:

GRDC's corporate office will submit the required reports based on information that is submitted from the Klamath Falls personnel.

Objective 15-Management Review:

GRDC does an extensive bi-annual audit of all operations, including its SFI certification systems. This review is then compiled into a Mid-Year Corporate Compliance Report. This report is reviewed by the Corporate Compliance Council. Last review was done in October, 2015.

Findings

Previous non-conformances: During the Stage 1 audit the company was issued 5 minor non-conformances. All were subsequently closed November 2, prior to the stage 2 audit:

PM 2.2 (4) – WHO banned pesticides – The manual states no WHO banned chemicals are used; however GDRC does use strychnine for gopher control. No evidence provided GDRC has researched banned WHO pesticides, Minor NC01 issued.

PM 2.2 (5) – Stockholm Convention pesticides - No evidence provided that GDRC has researched banned persistent organic pollutants. Minor NC02 issued.

PM 4.1 (1) – Biological Diversity - GDRC has a program to promote the conservation of native species at landscape levels. Using the Oregon Biodiversity Information Center data, GDRC biologists have developed programmatic guidelines to conserve native biological diversity across the tree farm; however, operational staff has yet to be trained in these guidelines. Minor NC03 issued.

PM 4.2 (1) – Threatened & Endangered Species – The GDRC program to protect TES is founded upon identification and mapping in the GIS, compliance with OFPA and federal regulations, and training of staff and contractors. Training has yet to occur with local field staff. Minor NC04 issued.

PM 11.1 (3) – Staff Training - At the time of the stage 1 audit, while the SFI program had clearly been discussed during staff meetings, no evidence was provided that training on SFI manual has occurred for staff. Minor NC05 issued.

Non-conformances: No non-conformances were issued during the Stage 2 audit.

Opportunities for Improvement: One OFI was issued for PM 11.1 (4). One interviewed contractor was not able to provide answers to questions around the contractual requirements pertaining to EHS requirements of the company's contracts. Company should ensure that all contractors are trained as per their company training plan in a timely manner.

Notable Practices: Two Notable practices were issued.

PM 4.1 (1) GDRC has a program to promote the conservation of native species at landscape levels. Using the Oregon Biodiversity Information Center data (ORBIC), GDRC biologists have developed programmatic guidelines to conserve native biological diversity across the tree farm. The improvement of wildlife habitat due to commercial thinning activities has resulted in an intermediate stand structure of benefit to multiple species of flora and fauna; this stand structure is generally lacking in the region. This was noted in the review of several stands by the ODFW wildlife biologist.

PM 7.1 (1) Most stands are being commercially thinned for stand improvement as well as marketing the solid wood products. GDRC has a very aggressive in woods chipping program to meet supply agreements for a local mill. They use their own crews and local contractors. Excellent results in the field, as landing are chipped; resulting in very clean sites, with significantly reduced fire danger and essentially no slash to burn. This practice on this scale is not being replicated anywhere in the Pacific Northwest.

Logo/label use: The on-product logo will not be used; off-products uses are coordinated and secured by the corporate office in Shelton, WA. GDRC does not intend to use the BVC logo.

SFI reporting: The Klamath Falls office will supply data needed for all reporting to the corporate office for submission.

Conclusions

The closing meeting was held at the GDRC Klamath Falls, OR office on November 4, 2015. The findings related to the opportunity for improvement and notable practices were reviewed, and the confidentiality of audit results assured. The findings were not challenged or appealed. In the opinion of the auditor, Green Diamond resource Company has developed and is implementing an effective SFI program that meets the requirements of the SFI 2015-2019 Forest Management Standard. Immediate certification is recommended. The company has developed and is implementing a strong Forest Management System that addresses all the applicable requirements of the standard. Immediate certification is recommended.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: November 3, 2015				To: November 4, 2015			
Number of SF02's Raised:			Major:		0		Minor:		0
Is a follow up visit required:		Yes		No	X	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes		No		N/A	X	Date:	
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	Nov 17, 2015
All NCR's Closed		Yes		No		N/A	X	Date:	
Standard audit conducted against:									
1)	SFI 2015-2019 SFI Forest Management Standard			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Jim Colla			2) Bob Carlson						
			3) Winston Savelle						
			4) Dan Varland						
Scope of Supply: (scope statement must be verified and appear in the space below)									
From the CEP: Forest Management									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	November 2016								
Audit Report Distribution									
GRDC: Andy Elsbree – aelsbree@greendiamond.com									
BVC: Client Account Coordinator - Dawn Komnick; dawn.komnick@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Andy Elsbree (OR region mgr); Brett Johnson (inventory and GIS); Lon Casebear (East District forester), Dallas Sutphin (North District Forester) and Ed Fallon (logging manager), Mike Williams (West District Forester), Bob Broadhead (consultant); Amber Mount (biologist); Eric Beach (timberland services); Winston Savelle (lead auditor trainee); Robert Carlson (auditor); and Jim Colla (lead auditor)</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Minor ➤ Review of previous nonconformances – 5 (stage 1). ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Andy Elsbree (OR region mgr); Brett Johnson (inventory and GIS); Lon Casebear (East District forester), Ed Fallon (logging manager), Bob Broadhead (consultant); Winston Savelle (lead auditor trainee); Robert Carlson (auditor); and Jim Colla (lead auditor)</p> <p>Andy Elsbree, Lon Casebear, Brett Johnson, Ed Fallon, Robert Broadhead</p> <ul style="list-style-type: none"> ➤ Introductions and appreciation for selecting Bureau Veritas Certification. ➤ Review of audit process - process approach and sampling. ➤ Review of OFIs (1) and System Strengths (2) ➤ Nonconformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing