



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

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Contract Number	US2368741

Certification Audit:		Re-Certification Audit:	X	Surveillance Audit:	#	Scope extension audit:	
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Audit Summary

Introduction

This report summarizes the results of the renewal audit conducted on Hancock Forest Management's SFI program in the Northwest and Northern Inland Divisions. The audit was conducted by Mr. Richard Boitnott, Bureau Veritas Certification lead auditor. Mr. Boitnott is an SAF certified forester, a Texas accredited forester, an EMS lead auditor, and has wildlife management expertise.

Audit Scope, Objectives and Process

The scope of the audit is "management of forest lands". The audit was conducted against the SFI 2015-2019 FM Standard. SFIS Objectives 1 through 12, 14 and 15 were covered during the audit. There was no substitution or modification of indicators. 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 any additional indicators that the Program Participant chooses, 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 most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.

Company Information

Hancock Forest Management (HFM) is the property management subsidiary of the Hancock Timber Resource Group (HTRG), the world's largest timberland investment manager for institutional investors. HFM is responsible for the day-to-day, on-the-ground timberland management services for HTRG's investors on over 6.4 million acres across the United States, and in Canada, Australia, New Zealand, Chile and Brazil. The scope of this certification is limited to its Northwest and Northern Inland Divisions, consisting of approximately 1,500,000 acres of land in Oregon, Washington, Idaho, California, and British Columbia.

The audit was conducted in the Columbia River, Northern Cascades, and Northeast Washington regions. The Columbia River region is headquartered in Cathlamet Washington. The audit included the Klickitat and Cathlamet tree farms. The primary commercial species is Douglas Fir, with Western Hemlock more predominant along the coast. Other species consist of Western Red Cedar,

Sitka Spruce, Red Alder, Grand Fir, and Noble Fir. The Klickitat tree farm is a drier forest, with more Ponderosa Pine mixed with Douglas Fir. Topography is generally steep in coastal areas, although less steep in Klickitat. Steeper sites are cable logged, although shovel logging and ground skidding are used on more gentle slopes. Regeneration is accomplished through herbicide site preparation and planting, although a few areas have sufficient natural regeneration. The primary species established is Douglas Fir, although a mix of other species is often planted depending on site conditions and species mix of the previous stand. Western Hemlock is planted on the coastal areas, and Ponderosa pine and Douglas Fir in Klickitat.

The North Cascades region is headquartered in Orting, Washington. The audit included the MFC tree farm. This region also consists of a coniferous forest typical of the Pacific northwest; the only difference being less of a presence of Western Hemlock.

The Northeast Washington region is headquartered in Colville Washington. This region is considerably drier than tree farms on the west side. Species here consist of Ponderosa Pine, Douglas Fir, Western Larch, Western Red Cedar, and Grand Fir. Topography here is much less steep than areas in western Washington. Almost all of the harvests are conducted with ground skidding. Regeneration is conducted by chemical site prep followed by artificial regeneration, consisting almost entirely of Douglas Fir and Western Larch

Audit Plan

An opening meeting was held at 8:00 AM on Monday, July 25th, 2016. A document review of the central office function was conducted by the lead auditor at the Vancouver Washington office on the 25th. Field sites on the Klickitat tree farm were visited on July 26th. Field sites on the Cathlamet tree farm were audited July 27th and 28, while the MFC tree farm was audited July 29th. The Northeast Washington region was audited August 8th and 9th. A closing meeting was held at the end of the day on the 9th. An audit plan was developed and is maintained on file by Bureau Veritas Certification.

Multi-Site Requirements

Hancock Forest Management maintains a multi-site certification consisting of a central office and nine regions, some associated with several tree farms. Headquarters of the management system is at the Vancouver Washington office. The company qualifies for multi-site sampling since the management system is controlled and directed by the SFI manager. The Northwest and Northern Inland Divisions have specific procedures applicable to their operations, with oversight by the stewardship coordinator. Hancock has an internal auditing and monitoring program. On-site audits are conducted on a sample of regions each year. Hancock also has an excellent compliance monitoring program that is used by management to monitor all regions on an on-going basis. Regions are responsible for developing corrective actions and reporting to the central office. The company's auditing and monitoring system is robust and very effective.

Sites covered during the audit were selected based on a randomized schedule developed by Bureau Veritas Certification at the time of renewal.

Sites	Sites Audited During this Event
Vancouver Washington (central office)	X
Nanaimo, BC	
Couer D'Alene, ID	
Orting, WA (Kapowsin)	
Orting, WA (MFC)	X
Cathlamet (Klickitat, Vernonia, Raymond)	X

Independence, OR	
Medford, OR (Medford, McCloud)	
La Grande, OR	
Colville, WA	X

Audit Results

The document review was conducted to determine if Hancock’s system documentation continues to meet the requirements of the SFI 2015-2019 Standard. The central office audit also examined the company’s procedures for meeting multi-site requirements. The field audit consisted of a review of 14 clearcut harvests, 10 regeneration/chemical site preparation tracts, two road abandonment projects, and six culvert/bridge installations. Four of the harvest sites and one road construction project were active at the time of the visit. Contractors were interviewed to evaluate their understanding of Hancock’s procedures for fire and spill response, training, and threatened and endangered species awareness.

Objective 1-Forest Management Planning:

Hancock continues to operate a robust forest management program. Inventory data is divided by individual properties. Inventory is stand-level, and a growth-and-yield model is in place to grow stands between inventory cruises. The company uses FVS as its growth and yield model, and is in the process of evaluating cut-out analysis to determine the validity of its growth and yield. A spatially-based harvest scheduler is used for each property, with schedules updated every four to five years. A GIS is in place, with a number of layers needed for planning; including soils, T&E species, streams and other water resources, and sensitive sites. A review of non-timber issues consists of consideration of special sites, T&E species, and development of conservation easements. Stands can be classified in a number of ways, but a land use code provides a basic land classification system. No significant changes have been made in the management planning program in the past several years.

Harvest summaries for each property demonstrated Hancock is harvesting in accordance with the harvest schedule. A number of properties were sampled to review actual versus planned volumes. In most instances, actual harvest levels have been below planned. In cases where harvest levels exceed planned, the company uses future volume to offset increases, with the goal being to level out harvest over time.

Hancock does not generally convert forest cover types. However, the company has developed a procedure for the small amount of alder conversion it may do. Alder conversions are generally considered ecologically beneficial, as it involves the conversion back to the conifer forest cover type that existed there naturally.

Objective 2-Forest Productivity:

Evidence was provided that artificial regeneration is accomplished within two growing seasons with very few exceptions. All artificially regenerated stands are reviewed for acceptable stocking. The company generally plants Douglas fir, although western hemlock is often established in coastal areas to address Douglas fir’s susceptibility to Swiss needle cast. More Ponderosa Pine is planted in the drier areas of Klickitat, and a combination of Douglas Fir and Western Larch are established in the Northeast Washington region. The Northeast Washington region has a unique way of monitoring planters. Each planter is assigned a tag color, and places their tag beside each tree planted. The company is then able to monitor which planters may be out of compliance.

Hancock continues to operate a rigorous program to manage herbicide applications. The company applies generous buffers along sensitive areas. Sites are reviewed prior to application to determine the presence of water, with any portion of the site excluded from application if water is present. The

company considers water to be present unless it can prove otherwise. A Hancock employee is on site during the entire operation. No overspray into off-target areas was observed during the audit.

Hancock uses Rozol to control mountain beaver and strychnine for pocket gopher. The company has developed variances that were approved last year for use of these pesticides. Hancock tracks the amount of acres treated each year.

Soil productivity was well protected, with virtually no adverse impacts to soils observed on any of the sites reviewed during the audit. The primary risk to soils in this western portion of Washington region is unstable slopes. Hancock has a process to evaluate slope stability, and either avoid such areas, or use logging systems that minimize impacts.

Objective 3-Protection and Maintenance of Water Resources:

Water quality protection is highly regulated in Washington. All harvest sites and road construction projects reviewed during the audit were in compliance with the FPAs. Riparian management areas were very well established, meeting or exceeding FPA requirements. All activities are monitored for compliance with FPAs, with results recorded on an inspection form.

Objective 4-Conservation of Biological Diversity:

Hancock continues to operate an excellent wildlife management program. It has identified T&E species and FECVs that could occur on its land, using information gleaned from natural heritage programs. A wildlife biologist on staff is responsible for monitoring occurrences of the Northern Spotted Owl and Marbled Murrelet. FECVs and other species of concern are identified on a GIS layer. Potential occurrences of such species are included on activity maps.

Hancock continues to do an excellent job of installing fish culvert and bridges to facilitate fish passage. The company is very close to meeting its goals for the Washington RMAP program.

Retention of standing trees and downed woody debris is regulated by the Washington FPA. Harvest sites reviewed during the audit provided evidence Hancock continues to go beyond regulatory requirements in the way in which it implements retention requirements. Hancock has implemented the practice of creating short snags across its Northern Inland and Northwest Divisions, The result is an increase in retention across each harvest unit. Instead of simply meeting the WA FPA requirement to have retention be no farther than 1600' apart, this creates additional retention that provides valuable wildlife habitat. The company received a notable practice for its efforts.

Hancock has a landscape assessment program in place that assigns a diversity index to each ownership. This index is evaluated during harvest scheduling to ensure diversity is maintained for each owner.

Employees interviewed during the audit were well aware of the potential invasive species that could occur in their area of operations; Scotch broom, tansy, and spotted knapweed being the most significant.

Objective 5-Management of Visual Quality and Recreational Benefits:

Hancock has a program to provide for visual quality considerations. A visual sensitivity layer is included in the GIS. The company is required to review potential visual impacts if a timber sale overlaps this layer, and make adjustments in sale design or take other steps to address the impact. Most harvests reviewed during the audit were located in rural areas outside of view of the general public. However, the Cement Creek harvest complex demonstrated an excellent effort to address visual quality. Buffers were left along a well-travelled road, and the harvest was broken up to limit the visual impact. Average clearcut size was 71 acres for the northwest region. All harvest sites

reviewed during the audit met green-up requirements.

Objective 6-Protection of Special Sites:

Hancock has a sensitive sites program to protect sites on its property with cultural, historical, or geological uniqueness. These sites are identified on the GIS, which is used during the planning process to determine if any of these sites are located within harvest unit boundaries. The company uses a consulting firm to analyze those areas where it is likely for cultural sites to exist. If harvest units are located in an area where the potential exists, the company uses the same consulting firm to conduct an on-site analysis to determine if any cultural sites actually exist.

Objective 7-Efficient Use of Fiber Resources: Utilization was acceptable on all harvest units observed during the audit.

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

Hancock has a statement in its policy to respect the rights of indigenous peoples. The company has done an excellent job of working with the Muckleshoot tribe property out of Orting, WA. The tribe owns the property, managed by Hancock. The company not only provides harvest maps for review by the tribe, but is very active in a number of educational and cultural activities. Hancock's effort in this area goes beyond the requirements of the standard, and warranted the issuance of a notable practice.

Objective 9-Legal and Regulatory Compliance:

Primary legal requirements are contained in the Washington, Idaho, Oregon and California FPAs. System to achieve regulatory compliance consists primarily of pre-activity planning and in-process inspections. HFM also has a procedure for handling circumstances where a possible non-compliance is identified. A review of the Washington non-compliance report provided evidence the company is in compliance with regulatory requirements. Hancock has been issued two notices to comply in Washington, and one unsatisfactory in Idaho. Two instances were contractor related, and one was the result of mass wasting following a wildfire. All instances have been addressed.

Objective 10-Forestry Research, Science and Technology:

Hancock is a member of NCASI, which provides considerable contribution towards a variety of forestry and wildlife related research. Hancock provided ample evidence the company is contributing to research, both directly and through in-kind contributions.

Hancock has joined the Climate Smart Land Network, which provides data on the potential impact of climate change on forests and forest productivity, and wildlife and wildlife habitat.

Objective 11-Training and Education:

Training requirements are identified in training procedure. Assignment of roles is found in each procedure. All employees interviewed during the audit were aware of their responsibility for implementing the company's SFI program. Training records verified training has occurred as required by the company's procedures. All logging contractors are required to have at least one person on each job who is considered qualified by the SICs. Logging contracts include language requiring a trained logger on each site.

Objective 12-Community Involvement and Landowner Outreach:

Hancock participates and financially contributes to the SICs in the states in which it operates. The company's involvement includes the establishment of inconsistent practices policies for all SICs within the company's ownership. Hancock has a process to receive and respond to any inquiries. No reports of inconsistent practice have been received by the company. The company produced ample

evidence of its involvement in public education efforts, particularly in the North Cascades region's efforts to work with the Muckleshoot tribe.

Objective 13: Public Land Management Responsibilities: N/A

Objective 14-Communications and Public Reporting:

The 2015 SFI surveillance report contained all the requirements of the standard. The report was found on the SFI, Inc. website as required for public posting. Hancock provided evidence it provided the 2015 SFI annual progress report prior to the March 30 deadline. The company has the accounting and GIS capabilities to complete the progress report.

Objective 15-Management Review:

Hancock has a management review process in place. The review includes an analysis of internal and external audit results, and data gathered from the company's environmental performance program. The company conducts a management review on at least an annual basis as required by the standard.

Findings

Previous non-conformances:

No non-conformances were issued during the previous audit.

Non-conformances:

No non-conformances were issued during this audit.

Opportunities for Improvement:

No opportunities for Improvement were issued

Notable Practices:

Two notable practices were observed.

1. PM 4.1; Ind 2: Hancock has implemented the practice of creating short snags across its Northern Inland and Northwest Divisions, The result is an increase in retention across each harvest unit. Instead of simply meeting the FPA requirement to have retention be no farther than 1600' apart, this creates additional retention that provides valuable wildlife habitat. This retention is easy to create, and by using cull trees or utilizing the upper part of the tree, is done with little impact to Hancock's fiduciary responsibility to its clients.
2. PM 8.3; Ind. 1: The company has done an excellent job of working with the Muckleshoot tribe property out of Orting, WA. The company provides all harvest maps to the tribe for review, but beyond that, Hancock is very involved in educational and cultural activities with the tribe, working to help the tribe create job opportunities and retain its traditional knowledge of such things as plants in general, and medicinal plants specifically. The company's efforts to work with the Muckleshoot tribe goes beyond what the standard requires to engage indigenous peoples

Logo/label use:

Hancock is using the SFI logo on the HTRG website and on ticket books. Both are done with SFI approval. The company does not use the BVC logo.

SFI reporting:

A review of the SFI website provided evidence Hancock submitted its 2015 surveillance audit report as required for public review.

Conclusions

Results of the audit indicate Hancock Northwest continues to implement a management system that meets the requirements of the SFI 2015-2019 FM Standard. The company is recommended for renewed certification to the SFI 2015-2019 FM Standard.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: July 25, 2016 (W WA) August 8, 2016 (NE WA)				To: July 29, 2016 (W WA) August 9, 2016 (NE WA)			
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:		8/9/2016	
All NCR's Closed		Yes	No	N/A	X	Date:			
Standard audit conducted against:									
1)	SFIS 2015-2019 FM Standard			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Richard Boitnott; CF, AF, EMS (LA)			2)						
			3)						
			4)						
			5)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
Management of Forest Lands									
Accreditation's		ANAB							
Number of Certificates		3							
Proposed Date for Next Audit Event									
Date	Vancouver-July 25 Independence: July 26-28 Medford: July 31-Aug. 2 LeGrande: Aug. 3-4								
Audit Report Distribution									
Hancock: Gretchen Lech-glech@hnrng.com									
Hancock: Al Lyons-alyons@hnrng.com									
BVC: Dawn Komnick-dawn.komnick@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Dean Stuck, Gretchen Lech, Robert Milstead, Bruce Ripley, Jenniffer Bakke, Scott Ketchum, Robert Bass, Dave Boyd, Stephan Dillon, Jeff Ammen, Brandon Metcalf, Cesar Carrion, David Morrill, Eric Richardson, George Nuesse, Nate Hayden, Andrew Hall, Randy Roeh</p> <p>Discussions: Introductions</p> <ul style="list-style-type: none"> ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 0. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Robert Bass, David Boyd, Eric Richardson, Heather Watson Cesar Carrion Guidotti, David Morrill, Nate Hayden, Jim Schleusner Ian Delisle, Mike Johnson, Burt Dial, Al Lyons, Matt Garringer, Rohan Theobald, Matt Bonham, Joe Justice, Kaden Titus , Jenniffer Bakke, Natasha Wise, Marc LeClair, Scott Ketchum, JD Marshall, Stan Smith Carl Sturdy, Mary Beth Bronowski, Ben Rost, Tim Franks, Heidi Leib Gretchen Lech</p> <p>Discussions:</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 and System Strengths ➤ Nonconformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing