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

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Certification Audit:		Re-Certification Audit:		Surveillance Audit:	#2	Scope extension audit:	
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Audit Summary

Introduction

This report summarizes the results of the second surveillance audit conducted on Hancock Forest Management's SFI program in the Northwest and Northern Inland Divisions. The audit was originally scheduled for July, 2015; but due to unanticipated events was conducted October 12-16, 2015 by Mr. Jim Colla, Bureau Veritas Certification lead auditor.

Audit Scope, Objectives and Process

The scope of the audit is "management of forest lands" The audit goal was to verify conformance to the SFI 2015-2019 Standard, Section 2, Objectives 1-15 (as applicable) 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.

The audit began at the Hancock Forest Management (HFM) Northwest Region headquarters office in Vancouver, WA on October 12, 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 October 16 at the HFM office in Coeur d'Alene, ID. There was no substitution or modification of SFI indicators.

Audit Plan

An opening meeting was held at 12:00 pm on Monday, October 12, 2015. A document review of the central office function was conducted by the lead auditor at the Vancouver Washington office that afternoon. Field sites in the Kapowsin unit were visited October 13; the Snoqualmie unit was visited on October 14; with Idaho units being visited October 15-16. The closing meeting was conducted as scheduled on October 16. An audit plan was developed and is maintained on file by Bureau Veritas

Certification.

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 six million acres across the United States, Australia, Brazil, Canada, Chile and New Zealand. The scope of this certification is limited to its Northwest and Northern Inland Divisions, consisting of approximately 1,500,000 acres of land in British Columbia, California, Idaho, Oregon and Washington.

In Washington, the audit was conducted in the Kapowsin and Snoqualmie units. The area consists of a coniferous forest typical of the Pacific Northwest. The primary commercial species is Douglas fir. Other species consist of western hemlock, western red cedar, red alder, grand fir, and noble fir. Topography is generally steep, so a majority of 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. The primary species is Douglas fir, although other species are planted depending on the site.

The Idaho lands are also a coniferous forest, receiving less moisture than the western Washington units; consisting primarily of Douglas fir, grand fir, western larch, lodgepole pine, and ponderosa pine; along with a number of other minor species. Topography is generally moderate to steep slopes. Logging is accomplished through both cable and ground skidding. Most harvests are clearcuts, although some overstory removal is used if sufficient advanced natural regeneration is present, and partial harvest may occur in drier ponderosa pine habitat types. Clearcut harvests are artificially regenerated with a mix of native species best adapted to the site.

Multi-Site Requirements

Hancock Forest Management maintains a multi-site certification consisting of a central office and 13 areas. 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 Stewardship manager. The Northwest and Northern Inland Divisions have specific procedures applicable to their operations, with oversight by the Stewardship manager. 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	
Kapowsin	X
Snoqualmie	X
White River	

Cathlamet	
Raymond	
Klickitat	
Coastal Oregon	
SW Oregon	
McCloud	
La Grande	
Colville	
Coeur d'Alene	X

Audit Results

The document review was conducted to determine if Hancock’s management system and support documentation meets 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 16 activity sites in WA and 10 activity sites in ID that represent the broad range of activities HFM undertakes; including clearcut harvests, partial harvest, regeneration/chemical site preparation tracts, tree planting, pre-commercial thinning, road construction and maintenance, bridge and culvert installation, threatened and endangered species protection, recreational use, visual impacts, and forest protection related to wildfires. Two of the harvest sites and one bridge construction project were active at the time of the audit. Contractors were interviewed to evaluate their understanding of Hancock’s procedures for fire and spill response, training, and threatened and endangered species awareness and BMP knowledge.

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. Regulatory set-asides, non-commercial forest lands and inoperable areas, while inventoried, are not included in the annual harvest calculations. A spatially-based harvest scheduler is used for each property, with schedules updated every four to five years. The GIS system is complete and mature and includes fish & wildlife, water resources, soil, land classification, stand attributes, sensitive sites, roads and numerous other attributes. A review of non-timber issues consists of consideration of special sites, T&E species, and development of conservation easements. No significant changes have been made in the management planning program in the past year.

Objective 2-Forest Health and Productivity: Reforestation is always planned to occur within two years of final harvest. HFM only plants with native species from local sources and does not use GMOs or exotic species. HFM may collect seed from their lands; seed is then provided to contract nurseries to grow seedlings. Practices are designed to minimize site impacts and mimic natural reforestation regimes. See the notable practice below related to regeneration. HFM policy is to use the minimum amount of chemical necessary to accomplish control objectives. Spray work is conducted by licensed contractors; and work is monitored by HFM foresters. All chemicals applied are registered and labeled for use in ID and WA. Contractor and HFM spray records reviewed provide evidence application was done in compliance with label and legal requirements. No overspray observed on sites physically inspected. World Health Organization pesticide documentation has been secured and is on file. HFM does treat very limited acres in OR with Chlorophacinone 0.005% (1A) to control mountain beavers and Strychnine Alkaloid 0.50% (1B) to control pocket gophers. A variance for limited use has been approved. HFM is continually seeking to implement IPM strategies. Multiple erosion control methods used including timing of operations (use restrictions), location of roads and trails, rocking roads, cross-drainage, and filter strips. Procedures and guidelines are readily available for field foresters on company intranet. Contractors interviewed

are well versed in erosion control measures, no evidence of accelerated erosion observed. Excellent protection of residual trees noted throughout. HFM strives to maintain healthy forests by active management; insects and diseases are at endemic levels.

Objective 3-Protection and Maintenance of Water Resources: HFM follows and exceeds mandatory requirements of the WA and ID Forest Practices codes; a comprehensive set of standards (BMPs) designed to protect soil, air, water and wildlife resources. These have been incorporated into the company procedures and operational guides. Staff and contractors interviewed had excellent BMP knowledge. Harvesting and road construction activities are monitored, with results recorded on interim and post-harvest inspection reports. No observed evidence of excess sediment entering stream courses or forest practices adversely impacting RMZs. A review of harvest and road construction activities during the audit provided evidence the company is effectively monitoring the activities that could have an impact on water quality.

Objective 4-Conservation of Biological Diversity: HFM procedures and guidelines address T&E species, stand level habitats and landscape level management; and old growth conservation. HFM has conservation easement in place on the ID lands. HFM, in cooperation with other companies and the USFWS and WADFW is developing a CCAA to protect the fisher. Wildlife biologists on staff are responsible for monitoring occurrences of the Northern Spotted Owl and Marbled Murrelet. HFM has a procedure to address potential occurrences of old-growth. HFM does not generally have occurrences of stands that could be characterized as having old-growth functions. HFM has developed a robust method of analyzing forest cover types and monitoring changes by ownership over time. The landscape assessment looks at forest type and age, and produces a diversity index score that is used during the harvest scheduling process to ensure diversity across the landscape is maintained over time and space.

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. The WA FPA has requirements in place. State designated highway or byways are the primary threshold for implementing aesthetics mitigation measures. Most harvests reviewed during the audit were located in rural areas outside of view of the general public; while none of the sites visited were in high visual concern areas, some were close and potential impacts were evaluated. Average clearcut size was less than 78 acres for the entire company. 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, geological, or ecological 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. HFM works individually and with state and federal agencies, Indian Tribes, and others with expertise in identifying and managing cultural, ecological, geological and archeological sites.

Objective 7-Efficient Use of Fiber Resources: A number of sorts are produced on each job. Utilization is an inspected item on each job at regular intervals. Contractors are well versed in utilization specifications. Excellent utilization noted on sites visited.

Objective 8: Recognize and Respect Indigenous People's Rights: HFM has long respected the rights of local Tribes and responded to any query. This has been formalized in a written Social Policy. As a component of the noted policy 'HTRG will seek to develop relationships and negotiate in good faith where it has activities on traditional or customary lands to respect and protect the culture, heritage, and practices of local indigenous peoples'. The WA FPA processes provide Tribes the opportunity to

comment or provide input on HFM activities. The Tribes have and will reach out directly to HFM on other matters not directly associated with an activity.

Objective 9-Legal and Regulatory Compliance: Both WA and ID Forest Practice Rules are readily available on the internet; all interviewed were very aware of the rules as they relate to their areas of expertise. HFM has a formal H&S program designed to ensure applicable federal and state H&S requirements are met. Access to applicable legal requirements is in place. The company's program to ensure regulatory compliance consists of training of employees and contractors, regulatory compliance requirements in contracts, pre-activity planning processes to comply with state forest practices regulations, and in-process and post-activity inspection processes. There have been no regulatory actions; i.e. Stop Work Orders or major non-compliances issued by the state of WA or ID to HFM in the last year. The HTRG Social Policy addresses worker rights, interviews confirm employees are free to associate with whomever they wish.

Objective 10-Forestry Research, Science and Technology: Hancock contributes to and is directly involved in a number of research activities, HFM is active in WA and ID SICs and a number of other organizations; e.g. NAFO. Personnel have gathered considerable information on the potential impacts of climate change on forest health and productivity, and wildlife and wildlife habitat and fire severity.

Objective 11-Training and Education: Training requirements for employees and contractors are specified in the company training program. Records are in place at each office to verify training has occurred as required, new employees have been trained; HFM is very active in the annual Foresters Forum. Loggers working on Hancock-managed land are required to complete SIC approved logger training programs in WA and ID. Hancock's participation in SICs includes the development and distribution of logger training mechanisms.

Objective 12-Community Involvement and Landowner Outreach: Hancock provided evidence it financially supports and participates in the SICs in Washington and Idaho. The company provided ample evidence of participation in a number of education efforts including several efforts with the Idaho Forest Products Commission. The information provided indicates Hancock is an active member of the communities in which it works. No inconsistent practices reported.

Objective 13: Public Land Management Responsibilities: Not applicable

Objective 14-Communications and Public Reporting: The 2014 HFM Audit Report is posted on the SFI Website. All records necessary for reporting to SFI are maintained electronically and were reviewed as part of this audit. The 2014 SFI Annual Progress Report was submitted to SFI, Inc. in a timely manner.

Objective 15-Management Review: HFM has a formal and rigorous management review program in place. These are conducted annually; internal audits are performed by SFI contract auditors in the field. The most recent (2014) review has been completed for the Northwest and Inland Divisions. As evidenced by a review of supplied documentation, the 2014 audit and management review is very detailed and robust; findings note notable practices, opportunities for improvement and non-conformances. Identified non-conformances have been addressed in the management review with root cause analysis, corrective action planning and follow up implementation and monitoring required.

Findings

Previous non-conformances: None issued

Non-conformances: None issued last surveillance

Opportunities for Improvement: None issued

Notable Practices: One issued

1. PM 2.1 (2) The “Garden Plot” fenced trial area in ID provides a very effective tool to assess site prep, planting stock, planting timing and techniques, and initial growth rates in the absence of any ungulate browsing. Results are directly transferrable to field operations; this applied approach to assessing reforestation success and growth rates is unique in the Northern Rockies.

Logo/label use:

Hancock uses the SFI logo for promotional purposes on their website and on load tickets. The company has maintained an approval notification from SFI, Inc. No improper use of the logo was observed. HFM does not use the BVC logo.

SFI reporting:

The 2014 HFM Audit Report is posted on the SFI Website.

Conclusions

The closing meeting was held at the HFM Coeur d’Alene, ID office on October 16, 2015. The finding related to the notable practice was reviewed, and the confidentiality of audit results assured. The findings were not challenged or appealed. In the opinion of the auditor, Hancock Forest Management, Northwest and Northern Inland Divisions, has maintained and is implementing an effective SFI program that meets the requirements of the SFI 2015-2019 Forest Management Standard. Continued certification is recommended. The organization will be due for a recertification audit in 2016.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:						
Audit Date(s):	From: October 12, 2015			To: October 16, 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		Date:	N/A	
Proceed to/Continue Certification	Yes	X	No	Date:	October 16, 2015	
All NCR's Cleared	Yes	X	No	Date:	October 16, 2015	
Standard audit conducted against:						
1)	SFI 2015-2019, Section 2		3)			
2)			4)			
Team Leader (1):			Team Members (2,3,4...)			
Jim Colla			2)			
			3)			
Scope of Supply: (scope statement must be verified and appear in the space below)						
Management of Forest Lands						
Accreditation's	ANAB					
Number of Certificates	2					
Proposed Date for Next Audit Event						
Date	A recertification audit should occur during the 2 nd or 3 rd quarter of 2106.					
Audit Report Distribution						
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Opening Meeting	<p>Participants: Gretchen Lech, Stewardship Manager Western Divisions, plus other staff</p> <p>Discussions: (attachment); and Jim Colla, Lead Auditor</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous non-conformances - 0 ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Gretchen Lech, Stewardship Manager Western Divisions, plus other staff</p> <p>Discussions: (attachment); and Jim Colla, Lead Auditor</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 (0) and System Strengths (1) ➤ Non-conformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing