



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

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PQC Code	E01E
Contract Number	US1533505

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	#2	Scope extension audit:	
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Audit Summary
<b>Introduction</b>
<p>This report summarizes the results of a surveillance audit against SFI 2015-2019 Objectives conducted on Potlatch Forest Holdings (PFH), headquartered in Spokane, WA. Prior to this audit, a scope extension audit was conducted against the 2010-2014 Standard in Alabama and Mississippi March 3-5, 2015. Jim Colla, Bureau Veritas Certification Lead Auditor, with assistance from Robert Carlson in Idaho and Matt Tormohlen in Arkansas; conducted the audit April 28-30 in Arkansas and July 21-23, 2015 in Idaho.</p>
<b>Audit Scope, Objectives and Process</b>
<p>The scope of the multi-site certificate is "Management of Forest Lands". This includes five separate forest management units (AL, AR, ID, MN, MS) totaling approximately 1,588,800 acres. The audit goal was to verify conformance to the SFI 2015-2019 Forest Management Standard. Specifically, two objectives of the SFI audit were to verify that the PFH SFI Program is in conformance with the audited SFI objectives, performance measures, and indicators; and verify whether PFH 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.</p> <p>The opening meeting occurred on April 28, 2015 and took place at the Southeast Region headquarters in Warren, AR. During the opening meeting the objectives for the audit were outlined and the audit process for collecting evidence and making audit findings was explained. Findings of non-conformance, opportunities for improvement, and appeals were also explained. The audit plan was discussed and agreed to, and the time and date of the closing meeting were also confirmed. There were no substitutions or edifications of SFI indicators. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the current version of the Bureau Veritas Certification SFI Auditor Handbook. Field notes and an SFI indicator checklist were completed in each region. Terry Cundy; Manager Silviculture, Wildlife &amp; Environment; and Mike Houser, Manager Environment &amp; Public Policy, were present throughout all portions of the audit. In Arkansas, PFH was concurrently audited to the FSC US Forest Management Standard.</p>
<b>Audit Plan</b>
<p>The audit was conducted over a total of six days from April 28-30 (Arkansas) and July 21-23 (Idaho), 2015. The detailed daily audit plan is on file with Bureau Veritas Certification.</p>

## Company Information

Potlatch Forest Holdings, Inc. (PFH) is a Real Estate Investment Trust (REIT) which presently owns approximately 1,588,800 acres of forest land in Alabama, Arkansas, Idaho, Minnesota and Mississippi. The company manages its lands directly to maximize shareholder return over the long term. Potlatch is a publicly traded company with an independent board and a full suite of corporate positions. The CEO and President are supported by seven Vice Presidents – Finance, Real Estate, General Counsel, Public Affairs, Human Resources, Wood Products, and Resource Management. Land and forest management are directed through the Resource Management Division. Forest certification is coordinated by the Manager of Silviculture, Wildlife and Environment. Divided into three regions (Idaho, Southeast and Lake States), each region operates under the direction of a regional manager who is supported by district managers and field foresters.

## Multi-Site Requirements

The company qualifies for multi-site certification since they have five distinct forest management units across three regions. The Manager of Silviculture, Wildlife and Environment is the certification contact and is responsible for conducting internal audits and management reviews. The number of audited sites is based upon standard selection protocols, where the square root of the number of sites is rounded up to the next whole number. With six sites including headquarters, this means at least three, including HQ, must be visited annually.

Multi-Site	X	Group Certification	
<b>Sites</b>			<b>Sites Audited During this Event</b>
(Central Office) – Lewiston, ID			X
Arkansas			X
Alabama			March 2015 ext
Idaho			X
Minnesota			
Mississippi			March 2015 ext

## Audit Results

The audit consisted of document and record reviews and interviews with staff, contractors and agency personnel. In addition field sites, 27 in Arkansas and 24 in Idaho, were visited that represented a broad spectrum of activities PFH undertakes

**Objective 1-Forest Management Planning:** Potlatch Forest Holdings has management plans in place for each of its Forest Management Units (FMU) which address all required SFI elements, including biodiversity. These plans are contained within the Environmental System (EMS). Plans for each forest are updated annually to reflect past activities and every three years the Annual Allowable Cut (AAC) is recalculated. PFH has a robust assessment process in place for determining the AAC. Past records and future harvest trend graphs demonstrate sustainable harvest levels will be maintained. Reserve area and retention inventory is not included in AAC calculations. PFH does not convert forest types; harvest stands are planted back to native species. Planning procedures and work instructions are in place to ensure that all applicable criteria and indicators are addressed. Consultation is undertaken annually with mailings to identified stakeholders in AR; additionally, depending upon the type of activity and the foresters discretion, neighbouring landowners may be contacted directly prior to or during individual forest operations.

**Objective 2-Forest Health and Productivity:** Reforestation is always planned to occur within two years of final harvest. PFH only plants with native species from local sources and does not use GMOs or exotic species. PFH collects seed from their lands and utilizes their own seed orchard. Seed is then provided to contract nurseries to grow seedlings. Practices are designed to minimize site impacts and mimic natural reforestation regimes. A review of records and interviews confirms NC01 issued in 2014 as being effectively closed. PFHs policy is to use the minimum amount of chemical necessary to accomplish control objectives. Spray work is conducted by licensed contractors under the supervision of PFH foresters. All chemicals applied

are registered and labeled for use in ID and AR. Contractor and PFH spray records and reports provide evidence application was done in compliance with label and legal requirements. No overspray observed on sites visited. World Health Organization pesticide documentation has been secured and is on file, PFH does use strychnine (1B) Idaho to control for pocket gophers. A variance developed under a prior forest management certificate has been approved. PFH 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. Guidelines are readily available for field foresters on company intranet. An OFI noted in 2014 regarding unapproved crossings has been addressed in contractor training and effectively implemented on sites observed. Field activities are carried out in accordance with Site Activity Plans (SAP). Contractors are well versed in erosion control measures, no evidence of accelerated erosion observed. Excellent protection of residual trees noted throughout. PFH strives to maintain healthy forest by active management; insect and diseases are at endemic levels.

**Objective 3-Protection and Maintenance of Water Resources:** Procedures are in place to ensure stream management zones (SMZs) and other aquatic areas are managed to protect water quality and wildlife habitat features. Excellent SMZ establishment was observed on harvest units during the audit in all sites inspected. Potlatch employs the applicable state Best Management Practices (BMP) as the minimum standard for their operations. Company personnel routinely consult with state agency personnel on matters related to water quality and fish habitat. Post-harvest tree retention (the leaving of single or groups of trees on clear cut harvests) met and exceeded SFI guidelines and state BMPs on all sites visited. Transportation systems are well established and managed as a comprehensive system to avoid erosion and water quality impacts. Most contractors interviewed had excellent BMP knowledge. Work instructions address wet weather conditions. A root cause analysis and corrective action plan initiated following NC03 (issued in AR) was evaluated in ID by specifically observing sites where new contractors were operating. Minor NC03 is now closed. Sites are monitored at least weekly during active operations to ensure compliance. No evidence observed of any BMP infraction or excess sediment delivery to streams.

**Objective 4-Conservation of Biological Diversity:** In each state Potlatch has contacted the State Natural Heritage Commission and the Archaeological Society regarding known occurrences of ecologically or culturally significant sites. They have also valued their lands in terms of unique flora and fauna. Potlatch has a Habitat Conservation Plan that covers red-cockaded woodpeckers in Arkansas. Potlatch manages approximately 45 active and inactive RCW sites and has a conservation easement on the Moro Big Pine area. In Idaho, PFH has entered into the Forest Legacy Program with the State of Idaho, protecting approximately 55,000 acres in the St Joe drainage from development. Past land use and fire history has resulted in limited old growth. In Idaho, the old growth stand in Mica Creek is protected by a conservation easement.

**Objective 5-Management of Visual Quality and Recreational Benefits:** The EMS and operating guides contain written direction to manage the size, shape and placement of clearcut units. This starts with the strategic planning process, with implementation occurring at the stand level. While some larger units are present in ID, clear-cuts in all jurisdictions average less than 120 acres. All are mapped in the GIS and accurate acreages are readily known. PFH promptly reforests all clear cut units and addresses biological, cultural and physical characteristic across the landscape. SFI 'green-up' requirements have been met on all sites observed. Interviews with field staff and document review confirm effective closure of NC02 issued in 2014. The company has a robust hunting lease program on most of their AR lands. ID Lands are open to traditional recreational uses and are managed under a permit system.

**Objective 6-Protection of Special Sites:** Archeological/cultural/other sites are identified in the specific GIS layer which is queried on a job specific basis, prior to sale set-up. The planned activity is then modified as needed to mitigate for any deleterious impacts. Potlatch actively reaches out to stakeholders to help identify special sites or other areas of concern. Stakeholders include Tribes, loggers, sportsmen, local government officials, state agency and conservation organizations, and leaseholders. Stakeholder feedback is evaluated and included into subsequent management planning activities.

**Objective 7-Efficient Use of Fiber Resources:** A number of log sorts may be produced on each job. Utilization is an inspected item on each job at regular intervals. PFH diligently regulates harvest level to maximize both short and long term return. Guidelines are in place requiring high levels of harvest utilization.

Each region has specific product standards tailored to local markets. The company is constantly striving to maximize in woods efficiencies and utilization and has been at the forefront of utilizing new harvesting for decades. All forest products are sold locally.

**Objective 8: Recognize and Respect Indigenous People's Rights:** PFH has long respected the rights of local Tribes and responded to any query. Forest Stewardship and Legal Policies address Tribal Treaties and rights. Tribes are identified as stakeholders and any comments are addressed directly.

**Objective 9-Legal and Regulatory Compliance:** PFH operates under a rigorous Corporate Conduct and Ethics code that requires compliance with all laws. The code covers employment standards, conflict of interest, safety, and public reporting. All contracts the company enters into require legal compliance on the part of the contractor. Standard operating procedures require legal compliance to federal and state laws and regulations. The company has a robust inspection program that documents compliance with applicable regulations and policies. PFH has a formal H&S program designed to ensure applicable federal and state H&S requirements are met. H&S requirements are posted in various locations as prescribed by law.

**Objective 10-Forestry Research, Science and Technology:** Not formally audited this surveillance.

**Objective 11-Training and Education:** The SFI commitment statement has been updated to the 2015-2019 Standard and is available on the PFH website. PFH staff has been trained on the 2015-2019 Standard. PFH requires a signed contract for all harvest and silviculture activities. The logger curriculum in each state requires annual refreshers that meet continuing education requirements. The AR and ID programs have an established record of keeping the curricula current. Interviews and records review confirms interviewed contractors have been trained.

**Objective 12-Community Involvement and Landowner Outreach:** Not formally audited this surveillance.

**Objective 13-Public Land Management Responsibilities:** Not applicable.

**Objective 14-Communications and Public Reporting:** The 2014 PFH 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:** PFH has a formal and rigorous management review program in place originally developed under their former ISO14001 program. This review has been completed for each region and for the overall program. The most recent review was focused on reviewing ability to meet changes in the 2015:2019 SFI Standard. Internal audits include document and field sites reviews.

## **Findings**

### **Previous non-conformances:**

**Minor NC01 PM 2.1 (3) - Regeneration Criteria -** PFH has robust criteria and procedures to evaluate and document regeneration success and post-harvest stocking levels, captured in SOP-009 Guide 07. These procedures were not being implemented at one ID field office. A review of records and interviews confirms NC01 issued in 2014 as being effectively closed.

**Minor NC02 PM 5.3 (1) – Green-up Requirements –** PFH has an alternative method, captured in SOP-19, for addressing visual quality during harvest operations but not all field staff were aware of the policy at one ID field office. Interviews with field staff and document review confirm effective closure of NC02 issued in 2014.

### **Non-conformances:**

Minor NC03 PM 3.2 (4) – Wet Weather - Work instructions address wet weather considerations. On one site, of 25 visited in AR; a new contractor had been operating during wet weather conditions which were not in conformance with PFHs wet weather operating procedures. A root cause analysis and corrective action plan initiated following the NC issuance was evaluated in ID by specifically observing sites where new contractors were operating. The NC has been effectively closed.

**Opportunities for Improvement:** None issued

**Notable Practices:** None issued

**Logo/label use:**

PFH correctly uses the correct off product work mark trademarks on their website. Approval has been obtained from SFI, Inc. PFH does not use the BVC trademarks.

**SFI reporting:**

The auditor verified the previous audit report (2014) was submitted and posted on the SFI website.

### **Conclusions**

In the opinion of the auditor, results of this surveillance audit conclude that Potlatch Forest Holdings, Inc. has successfully transitioned to the SFI 2015:2019 standard; their forest land management program is robust, effective and mature. Continued certification to the 2015:2019 Forest Management Standard is recommended.

**SEE SF61 FOR AUDIT NOTES**

Summary of Audit Findings:						
Audit Date(s):	From: April 28 and July 21, 2015			To: April 30 and July 23, 2015		
Number of SF02's Raised:	Major:		0	Minor:		1
Is a follow up visit required:	Yes	No	X	Date(s) of follow up visit:		
Follow-up visit remarks:						
Team Leader Recommendation:						
Corrective Action Plans Accepted	Yes	X	No	Date:	April 30, 2015	
Proceed to/Continue Certification	Yes	X	No	Date:	July 23, 2015	
All NCR's Cleared	Yes	X	No	Date:	July 23 2015	
Standard audit conducted against:						
1)	SFI 2015-2019 Forest Management Standard		2)			
Team Leader (1):		Team Members (2,3,4...) – N/A				
Jim Colla		2) Matt Tormohlen (AR only)				
		3) Robert Carlson (ID only)				
Scope of Supply: (scope statement must be verified and appear in the space below)						
Management of Forest Lands						
Accreditation's	ANAB					
Number of Certificates	1					
Proposed Date for Next Audit Event						
Date	April, 2016					
Audit Report Distribution						
PFH: Terry Cundy; terry.cundy@potlatchcorp.com						
Bureau Veritas Certification: dawn.komnick@us.bureauveritas.com						

Clause	Audit Report
Opening Meeting	<p>Participants: Terry Cundy, Manager Silviculture, Wildlife &amp; Environment plus other designated PFH staff; and Jim Colla, Lead Auditor</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>➤ Introductions</li> <li>➤ Scope of the audit</li> <li>➤ Audit schedule/plan</li> <li>➤ Nonconformance types – Major / Minor</li> <li>➤ Review of previous non-conformances – 2</li> <li>➤ Process approach to auditing and audit sampling</li> <li>➤ Confidentiality agreement</li> <li>➤ Termination of the audit</li> <li>➤ Appeals process</li> <li>➤ Closing meeting timing</li> </ul>
Closing Meeting	<p>Participants: Terry Cundy, Manager Silviculture, Wildlife &amp; Environment plus other designated PFH staff; and Jim Colla, Lead Auditor</p> <p>See attendance list for additional participants</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>➤ Introductions and appreciation for selecting Bureau Veritas Certification.</li> <li>➤ Review of audit process - process approach and sampling.</li> <li>➤ Review of OFIs and System Strengths</li> <li>➤ Non-conformances - 1</li> <li>➤ Date for next audit.</li> <li>➤ Reporting protocol and timing</li> </ul>