



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

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PQC Code	E01A
Contract Number	

Certification Audit:		Re-Certification Audit:	X	Surveillance Audit:		Scope extension audit:	
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Audit Summary
Introduction
<p>Bureau Veritas Certification undertook a recertification audit of the GMO Threshold Timber Corporation lands in northwestern Michigan from August 4 to August 6, 2015. The GMO lands are managed by the American Forest Management Company. More than 70% of the forest is Northern Hardwoods (Maple, Beech, Oak, and Birch) with the remainder being in intolerant hardwoods (Aspen) and softwoods (Spruce, Pine, Cedar).</p>
Audit Scope, Objectives and Process
<p>The objective of the audit was to determine GMO's conformance to Sustainable Forest Initiative 2015-2019 forest management standard. The audit scope includes 437,627 acres of forest GMO owns on the upper peninsula of Michigan.</p> <p>The audit was conducted against the SFIS 2015-2019 forest management standard. Specifically, two objectives of the SFI surveillance audit were to:</p> <ol style="list-style-type: none"> 1. 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 2. Verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. <p>As a recertification audit all objectives and performance measures, this the exceptions of Objective 13 which is related to public land management. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the Bureau Veritas Certification SFI Auditor Handbook.</p> <p>Over the course of the audit the SFI system was examined including reviews of the forest planning documents, the EMS system, the monitoring systems and the documented procedures. Fifteen sites were visited to determine implementation efficiency and conformance to the standard.</p>
Audit Plan

An audit plan was prepared and provided to the client prior to the audit. The plan identifies the various activities and processes being audited. Initial site selection was done in the week before the audit using maps and records provided by the forest manager. A copy of the audit plan is on file with Bureau Veritas Certification North America.

Company Information

GMO Threshold is a timberland investment management organization, owning and managing timberland throughout the United States. This certification is limited to its 437,627 (as per the 2014 inventory) acres of land owned in the upper peninsula of Michigan with the number of acres reduced slightly from the previous year

Audit Results

The audit began with a document review that examined the revised management plan, an inventory analysis report, revised processes and procedures and monitoring records. During the field portion of the audit fifteen sites were visited to determine implementation efficiency and conformance to the standard. Three water crossings were inspected. Four streamside management zones were inspected. A herbicide spray over regenerating maple along with three maple strip cuts were as part of GMO's efforts to improve maple regeneration.

Objective 1-Forest Management Planning:

GMO Threshold has a robust planning system based upon a sound forest inventory. In 2014 a new forest inventory was prepared and adopted. The new inventory shows the composition and extent of the forest has not changed. Stand quality has improved as more quality timber can be found in tolerant hardwood stands. Along with the new inventory a revised management plan has been produced with a new Allowable Cut calculation approximately the same as the previous one. The actual rate of harvest has averaged 95% of the allowable cut.

Objective 2-Forest Health and Productivity:

Harvest plans for each tract describe current and future treatments. All regeneration is natural with selection management in tolerant hardwoods and clear cut harvesting in aspen which were seen to regenerate very well throughout the forest. Given the forest type being managed the Company primarily uses partial harvest systems and where needed individual tree marking, Residual stand conditions is truly a priority, On examining nine such sites there was little of no residual stand damage.

The Company looks at a variety of options to manage pests this includes altering cut patterns and the use of strip cuts, timing harvest properly, they have only recently undertaken a herbicide application. AFM undertook its first chemical application ever in the Ford River block in order to aide maple regeneration by reducing competition

On nine of the sites inspected erosion control measures such as waterbars, hardened banks, cross drainage and the disposition of slash on trails were found to be effectively employed. the harvest sites examines all had ample down woody debris and course woody material as well. There were no incidences of rutting and in wet area slash has been used to protect trails. Approximately 65% of the forest is in partial cut systems. Depending upon the prescription the high quality pole wood and regeneration are left. Also habitat trees and den trees are preserved on site,

Company foresters diligently monitor the forest, through their monitoring they have uncovered Maple Decline, poor maple regeneration on some sites, and spruce budworm infestations. They are also on the lookout for Emerald Ash Borer. The state monitors the region for forest fires

Objective 3-Protection and Maintenance of Water Resources:

Care is taken when operating around water and wetlands. State BMPs are applied on all water bodies. Throughout the field audit there were no instances found of improper BMP work around waterbodies. Riparian buffers met or exceeded the BMP minimum. On one site a large wetland was effectively buffered and was not crossed at any time. Water crossings were observed to be well maintained and posed no threat to water quality. GMO/AFM continue to use Michigan BMPs to ensure that water quality is protected along with riparian areas. During field visits there was no evidence that waterways were not being properly treated.

Objective 4-Conservation of Biological Diversity:

AFM has a detailed Habitat and Biodiversity process which is used to identify valuable habitats. The Michigan Natural Features Inventory is used to identify known occurrences of rare or valuable sites across the ownership. Marking and logging instruction provide clear direction on what should be retained on site. Many cavity trees, down woody debris, and mast trees were found remaining in harvested areas during the audit. GMO/AFM is involved in a number of initiatives for threatened or endangered species including Bats, Kirkland's Warbler, and Golden Wing Warbler habitat.

Objective 5-Management of Visual Quality and Recreational Benefits:

Aesthetic considerations were evident on the harvest sites visited. Using primarily partial harvesting systems leave harvest areas which are pleasing to observe. The average size of a clear cut is less than 6 acres, and being primarily Aspen they regenerate very quickly. All regeneration is natural regeneration. Tolerant hardwoods are selectively cut to a prescription, clear cuts are usually in aspen and regenerate vigorously to 20,000 trees per acre within one year. In five aspen clear cuts excellent regeneration was found which more than exceeds the standards

Most lands in this forest are commercial forest lands which allow for public recreational use. AFM cooperates with local snowmobile clubs to facilitate the use of trails on the forest and to ensure safety.

Objective 6-Protection of Special Sites:

GMO/AFM have a details process and procedure for defining and locating special sites. The process begins with a review of the Michigan Natural Features Inventory which is reviewed to determine if and where unique sites may be on the property. Ground inspections follow to confirm any known occurrence and to determine their extent and once confirmed sites are protected. To date six sites have been identified and protected, all are historic sites. A number of significant special sites have been sold off to conservation or state agencies as a means of added protection.

Objective 7-Efficient Use of Fiber Resources:

Harvest operations on this forest are complex and can generate upwards of 20 products at the landing. AFM staff closely monitor merchandising to ensure the optimal use of each log. Utilization on harvested site was found to be excellent with little waste found on the landings and few merchantable logs being found in cut over areas.

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

GMO/AFM have prepared a policy recognizing and respecting Indigenous People's rights. AFM has made initial contacts with the local tribes to discern what if any interest they may have in the GMO lands in Michigan.

Objective 9-Legal and Regulatory Compliance:

There are a variety of compliance monitor processes in place, with the primary mechanism being harvest operations inspections which have demonstrated to be effective. There have been no legal compliance issues on the property in the past five years. A commitment to comply with social laws can be found in the AFM employee Handbook.

Objective 10-Forestry Research, Science and Technology:

GMO/AFM fund and facilitate research on their forest. Through the SIC, money is earmarked for research. Additionally there is a block grant provided to NCASI fund a variety of research projects. GMO/AFM support Michigan Tech research into maple decline on the property. For the past 30 years the forest has been part of the Calumet water quality study.

Objective 11-Training and Education:

Staff training and education is important to AFM. In discussion it was apparent that all staff understood their roles and responsibility with regards to the SFI. All field staff are trained foresters. Training is provided to all staff on a variety of topics (e.g. forest pests, forest productivity, wildlife habitat, RTEs). All harvesting contractors are required to meet state training requirements and all road construction must have had BMP training.

Objective 12-Community Involvement and Landowner Outreach:

GMO/AFM is an active participant in the Michigan SIC, they their dues annually and on time. GMO/AFM hosts several tours for school groups and Michigan Tech each year. They also allow Michigan Tech to use the land as part of several research programs relating to hardwood management and maple decline.

Objective 13: Public Land Management Responsibilities:

Not Applicable

Objective 14-Communications and Public Reporting:

Copies of previous audit reports are available on the SFI website for public distribution and consumption. GMO/AFM annually prepare and submit SFI annual progress reports which summarize the previous year's activities.

Objective 15-Management Review:

A management review was undertaken July 29, 2015 with senior staff from GMO along with the AFM manager. Part of the meeting reviewed the compliance the monitoring program where almost 600 inspections were undertaken and 73 nonconformances were found. The vast majority of the nonconformances were related to merchandising timber with a small number relating to BMP

implementation and drainage devices. The meeting also covered the transition to the new standard and the effort required to complete that task in advance of the recertification.

Findings

Previous non-conformances:

One minor non-conformance was noted in 2014. Performance Indicator 3.4 requires monitoring of overall best management practices implementation. A spill kit was not available on an active harvest operation as required by Michigan BMPs. As of November 13 2014 this non-conformance was closed. All logging contractors inspected in the field had spill kits.

Non-conformances:

None

Opportunities for Improvement:

None

Notable Practices:

- 1) For many years the staff at AFM have been facing a number of forest health challenges such as maple decline and poor hardwood renewal on some sites. Neither of these challenges are well understood. In order to address these type of issues they have been diligent in early identification of affected areas, participated in research with Universities, and have implemented innovative silvicultural practices in an effort to address them. *(PM2.4 Ind2)*

Logo/label use:

Neither GMO nor AFM use either the SFI or Bureau Veritas trademarks.

SFI reporting:

The 2014 audit report was found on the SFI website.

Conclusions

A closing meeting was held at Horseshoe Lake on August 6, 2015, in attendance were the AFM general manager, the certification forester and one of the field foresters. The auditor reviewed the audit process and summarized results. Given the positive results of the audit it is recommend that GMO Threshold Michigan be recertified for another three year period.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: August 4, 2015				To: August 6, 2016			
Number of SF02's Raised:			Major:		0		Minor:		0
Is a follow up visit required:			Yes	X	No	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes		No		N/A	X	Date:	August 6 2015
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	August 6 2015
All NCR's Closed		Yes		No		N/A	X	Date:	August 6 2015
Standard audit conducted against:									
1)	SFIS 2015=2019			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Brian Callaghan			2)						
			3)						
			4)						
			5)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
Forest management on approximately 400,000 acres in Michigan									
Accreditation's		ANAB							
Number of Certificates		2							
Proposed Date for Next Audit Event									
Date	August 5-6 2016								
Audit Report Distribution									
Dawn Komnick - dawn.komnick@us.bureauveritas.com									
Eric Stier - eric.stier@amforem.biz									

Clause	Audit Report
<p>Opening Meeting</p> <p>Aug 4/15</p>	<p>Participants: Eric Stier(General Manager), Brandon Bal (certification forester)</p> <p>Discussions:</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances – 1 minor closed in Nov 2014. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
<p>Closing Meeting</p> <p>Aug 6/15</p>	<p>Participants: Eric Stier, Brandaon Bal, Brian Fetig (forester)</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 – August 5-6 2016 ➤ Reporting protocol and timing



SF02/NA NONCONFORMITY REPORT

Company Name and Site:		<u>SF02#:</u>	
Contract #:	Type of audit (e.g., initial, surveillance):	Team Leader:	
Date:	Standard and Clause #:	Team Member:	
Major	Minor	Other Documents (if applicable):	Company Representative:
REQUIREMENT OF AUDITED STANDARD:			
OBSERVED NONCONFORMITY:			
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (To be completed by the Company. Plan to be submitted in 30 days)			
Corrective Action Plan Date:		Company Representative:	
Root Cause Analysis and Corrective Action			
Root Cause:			
Corrective Action Plan:			
ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)			
Root Cause:			
Corrective Action Plan:			
Plan Accepted:	Yes	No	Comments:
Auditor:			Date:
CORRECTIVE ACTION IMPLEMENTATION To be completed by Company – Provide objective evidence. Not to exceed: 90 Days <input type="checkbox"/> 1 Year <input type="checkbox"/>			
Corrective Action Completion Date:		Company Representative:	
Corrective Action Implementation:			
Method used to verify effectiveness of action taken:			
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)			
Accepted:	Yes	No	Nonconformance Closed: Yes No
Follow Up Comments:			
Auditor:			Date: