



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

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PQC Code	E01E
Contract Number	US2230196

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 Southern Division. The audit was conducted by Mr. Richard Boitnott and Mr. Rick Larkin. Mr. Boitnott served as lead auditor throughout the process. Mr. Boitnott is an SAF certified forester, a Texas accredited forests, an EMS lead auditor, and has wildlife management expertise. Mr. Larkin is a certified wildlife biologist and an EMS lead auditor.

Audit Scope, Objectives and Process

The scope of the audit is “management of forest lands”. The audit was conducted against the SFI 2015-2019 Standard Forest Management Edition. 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.

Audit Plan

A field audit of the Texarkana, Arkansas region was conducted for one day on July 21 by Mr. Larkin in conjunction with an audit of that region’s FSC program. Mr. Boitnott conducted the document review at the Harpersville Alabama office on August 26. Field audits were conducted for two days September 13-14 in the Allegheny Pennsylvania region by Mr. Larkin. Mr. Boitnott conducted a field audit of the Antlers, Oklahoma region September 13, and the West Louisiana region September 14-16. A closing meeting was held at the close of business on the 16th.

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 their timberland portfolios valued at approximately \$11.6 billion (as of June 30, 2016) across the United States, Australia, New Zealand, Canada, Chile and Brazil. Hancock Forest Management manages land throughout the United States. The scope of this certification is limited to its Southern Divisions, consisting of approximately 2.7 million acres of land in 11 southern states, and Michigan, New York and Pennsylvania.

HFM-managed property in the Antlers region consists primarily of loblolly pine plantations and pine/hardwood streamside management zones. The topography is generally steep. Soils are rocky, requiring ripping to facilitate planting. Regeneration is accomplished with chemical and mechanical site preparation followed by planting.

The Texarkana and West Louisiana regions are representative of a typical intensively managed pine plantation landscape found throughout the southeastern U.S. The property consists primarily of loblolly pine uplands, with mixed hardwood streamside management zones. Topography is generally gently rolling. Pine stands are regenerated using clearcutting, followed by chemical site preparation and artificial regeneration. Hardwood stands are regenerated naturally.

The Allegheny property is typical of a northern hardwood ecosystem. Harvesting is generally through selection, and regeneration is accomplished naturally via shelterwood harvests.

Multi-Site Requirements

Hancock Forest Management maintains a multi-site certification consisting of a central office and 14 areas/regions managed out of 9 offices. Headquarters of the management system is at the Harpersville Alabama office. The company qualifies for multi-site sampling since the management system is controlled and directed by an SFI manager at the central office. The certification manager provides oversight for all SFI procedures. A rigorous internal auditing and monitoring program is in place. Field locations are responsible for developing corrective actions and reporting to the central office. Internal auditing and monitoring results, including corrective actions taken by field locations, are reviewed by upper management during the management review process.

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
Harpersville, AL (central office)	X
Allegheny (Smethport, PA)	X
SC/NC (Charlotte, NC)	
SE GA / Florida (Charlotte, NC)	
Virginia (Charlotte, NC)	
E. AL/W. GA (Harpersville, AL)	
Central, AL (Harpersville, AL)	
South AL (Harpersville, AL)	
West AL (Harpersville, AL)	
Antlers, OK	X
Texarkana (Hope, AR)	X
W. LA (Mansfield, LA)	X
Nacogdoches, TX	
Silsbee, TX	
Michigan (Marquette, MI)	

Audit Results

The document review was conducted to determine if Hancock's management system continues to meet the requirements of the SFI 2015-2019 Standard for forest management. The field audit consisted of a review of 18 harvesting operations, 15 regeneration/chemical application tracts, one mid-rotation release project, three prescribed burns, one road project/culvert installation, and seven special sites.

Objective 1-Forest Management Planning:

Hancock has a stand-level inventory. Initial cruise information is entered when the stand achieves merchantability. Stands are also cruised after harvest events. Strata level cruises cannot be more than 5 years old, stand-level more than 10. SIMs growth and yield model is used in the south, and the northeast variant of FVS on the Alleghany properties, and is currently using the Lake States variant of FVS on the Michigan properties. A GIS is in place, which includes soil data. A harvest schedule is developed when a property is purchased, and adjusted annually. Biodiversity at the landscape scale is accomplished through the organization's landscape planning process.

Planned versus actual graphs demonstrated the company is harvesting well below planned levels for all products except pulpwood, which is being harvest right in line with planned levels.

Hancock has a robust procedure to evaluate the ecological consequences of converting forest cover types. The company converted 472 acres in 2015. A number of conversions are beneficial; e.g. conversion of loblolly to native hardwood. Hancock has a procedure to ensure it removes timber from its SFI program that has the potential for conversion to a non-forest use.

Objective 2-Forest Health and Productivity:

Clearcut areas are generally regenerated within two growing seasons following harvest. Out of the 46,754 acres regenerated in 2015, 1,064 exceeded 2 years from harvest. Reasons for the variances are explained. Most are due to wet ground conditions.

Hancock does not plant exotic tree species, and is not involved in any afforestation.

Hancock continues to operate its Best Management Practices for chemical applications. All chemical applications reviewed during the audit demonstrated minimization of chemical use. Applications were well below label maximums, and were typical for similar vegetation types in this region. No drift into off-target areas was observed during the audit. Hancock does not use any chemicals on the WHO type 1A and type 1B List, nor any listed as a prohibited chemical under the Stockholm convention.

Soil productivity was well protected, with virtually no adverse impacts to soils observed on any of the sites reviewed during the audit. Foresters have soil maps in each harvest package, giving them information on vulnerability to erosion and compaction. This information is provided to loggers as part of the pre-harvest planning process. Hay bales and erosion-control mats were placed in erodible areas, in addition to the installation of logging slash and water bars.

Objective 3-Protection and Maintenance of Water Resources:

All management activities observed during the audit met or exceeded state BMPs for water quality. Stream crossings are minimized, but when necessary, were cleaned out and well stabilized. Skidder bridges are not generally used in Louisiana, but the company is planning to push for their use in crossing stream courses in the future. Stabilization of roads and skid trails was very well done.

Contracts contain a requirement for meeting BMPs. Harvest activities are monitored for BMP compliance, with results recorded on a harvest 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. The company has also identified G3 species that could be impacted by its management activities. The company treats many G3 occurrences the same as FECVs. Management plans are developed for the most significant occurrences. Employees are very well aware of FECVs that could occur in their area of operations. Hancock continues to do an excellent job of managing T&E species and FECVs to conserve their ecological uniqueness. This was especially evident in the work the company has done to implement a management plan to promote habitat for the Louisiana Pine Snake (LPS), a G2 species that is being considered for listing under the Endangered Species Act. It is believed the company has the greatest concentration of the LPS in existence, mainly due to its efforts to promote the open habitat preferred by the species. This effort not only benefits the LPS, but also a host of other flora and fauna that prefer the open ground characteristic of this ecosystem. Hancock is also considering becoming a part of a programmatic Candidate Conservation Agreement with Assurances (CCAA). The company is working on a comprehensive management plan in conjunction with a number of government agencies and non-profit organizations as part of the process to enroll in the CCAA if it chooses to do so.

Stand- and landscape-level wildlife management efforts are in place. Much of the retention is in the SMZs. Hancock does an excellent job of retaining ephemeral drains adding to stand-level retention. A landscape-level biodiversity index is determined for each property. The index is monitored to evaluate the effects of future management activities.

Employees are well aware of the potential non-native invasive species that could occur in their area. Occurrences are treated with herbicides as needed. The company generally does not use prescribed fire except in instances where it is needed to manage an FECV or special site that requires fire to promote its ecological uniqueness. This includes LPS habitat mentioned above.

Objective 5-Management of Visual Quality and Recreational Benefits:

Procedures are in place to consider visual quality when developing harvest plans. Training has been provided to employees to address visual quality management. All harvest units observed during the audit demonstrated an appropriate level of consideration for visual quality. Most were located in very rural areas away from the view of the general public.

Average clearcut size for 2015 was 72 acres. Average clearcut size is calculated down to the area level to ensure that the 120 acre average is achieved across the operations. All clearcuts reviewed during the audit demonstrated compliance with the company's green-up requirement.

Objective 6-Protection of Special Sites:

Hancock has a procedure for identifying special sites. It ranks sites according to their priority. Management options are provided for each priority. High and medium special sites are mapped in the GIS, and used during the harvest planning process to determine if any of these sites are located within unit boundaries.

Objective 7-Efficient Use of Fiber Resources:

All harvest units observed during the audit demonstrated appropriate utilization.

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

The Hancock Timber Resource Group Social Policy contains a written statement acknowledging the rights of indigenous peoples. Hancock is well aware of local tribes that could be impacted by company operations. Hancock employees have established relations with these tribes. Hancock has done excellent job of identifying potential tribes within their area of operations, including mapping tribal lands to determine their proximity to company land. The company has a procedure to respond the inquiries from indigenous peoples.

Objective 9-Legal and Regulatory Compliance:

Hancock has access to applicable regulatory requirements. Its system to achieve compliance consists of training, pre-activity planning and in-process inspections. No adverse regulatory action information is in evidence. A policy is in place committing to comply with social laws. Hancock has received no complaints relative to it or its contractor's performance concerning the ILO core conventions.

Objective 10-Forestry Research, Science and Technology:

Observed evidence of considerable contribution towards a wide variety of research. Hancock is a member of NCASI, which provides a substantial contribution toward research. Hancock participates with the SICs in states in which it operates. The company provides access for gathering FIA data. Summaries of BMP compliance data are gathered. Hancock's SIC participation includes efforts to provide biodiversity conservation information for family forest landowners. The company demonstrated it has access to information on the potential impact of climate change on forest and forest productivity and wildlife and wildlife habitat.

Objective 11-Training and Education:

Training records verified training has occurred as required by the company's own procedures. All logging contractors are required to be trained according to the requirements of the SIC in the state in which the company operates, or according to acceptable standards from SICs in adjoining states. Logging contracts contain a requirement that each logging job have at least one person on each job that is trained. Hancock's involvement in SICs includes participation in the development and presentation of logger training courses. The BMP contractor for the purchaser of a pay-as-cut contract did not install waterbars to the same specifications as expected by Hancock. The BMP training status of the contractor was questionable, and was not checked by Hancock prior to conducting the work. The company was issued an opportunity for improvement to ensure all BMP contractors, including those working for other companies, are properly trained to meet Hancock requirements.

Objective 12-Community Involvement and Landowner Outreach:

Hancock provided evidence it is a member of the SICs in the states in which it operates. This participation includes support for the development of landowner materials that contain information on the conservation of biological diversity. Its involvement also includes support for each SICs inconsistent practices program. The company has a procedure for handling public inquiries and reports of inconsistent practice. It has received no reports of inconsistent practice. Hancock provided ample examples of participation in public education efforts.

Objective 13: Public Land Management Responsibilities: N/A

Objective 14- A review of the SFI, Inc. website provided evidence Hancock submitted the 2015 surveillance audit report as required for public review. The company has procedures in place to provide for all the pieces of information needed to complete the SFI annual progress report. An e-mail transmission from SFI, Inc. provided evidence the company submitted the 2015 annual progress report in a timely manner.

Objective 15: Hancock has a management review process in place. Procedures are in place to provide for the information that is presented to management to evaluate the company's commitment to the SFI Standard. One of the procedures used to evaluate commitments is an internal audit and monitoring program. The results of internal audits and monitoring data are examined at the annual management review meeting.

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:

One opportunity for improvement was issued during this audit. This should be considered in light of how it may affect conformance in the future.

1. PM 11.1, Ind. 4: The BMP work completed on a pay-as-cut tract was conducted by a contractor whose training status was not known. This contractor did not establish water bars according to Hancock standards. Hancock should consider developing a process whereby outside contractors are trained to the same standards as one of its own contractors.

Notable Practices:

One notable practice was issued.

1. PM 4.2, Ind. 2: Hancock is doing an excellent job of implanting the Louisiana Pine Snake management plan. The LPS is a designated G2 species. The company has incorporated habitat requirements for the snake, including the establishment of longleaf pine and the use of prescribed burning. This effort not only benefits the LPS, but also a host of other flora and fauna that prefer the open ground characteristic of this ecosystem.

Logo/label use:

Hancock uses the SFI logo for promotional purposes. Proper approval has been obtained. The company does not use the BVC logo

SFI reporting:

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

Conclusions

Results of the audit indicate Hancock has developed and effectively implemented an SFI program that meets the requirements of the SFI 2015-2019 Forest Management Standard. The company is recommended for immediate recertification to the SFI 2015-2019 FM Standard.

SEE SF61s FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: 7/21/2016 (Texarkana) 8/26/2016 (HQ) 9/13/2016 (Antlers) 9/13/2016 (Allegheny) 9/14/2016 (West LA)				To: 7/21/2016 (Texarkana) 8/26/2016 (HQ) 9/13/2016 (Antlers) 9/14/2016 (Allegheny) 9/16/2016 (West LA)			
Number of SF02's Raised:			Major:		0		Minor:		0
Is a follow up visit required:		Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	Date:	
Proceed to/Continue Certification		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>	Date:	9/16/2016
All NCR's Closed		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	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) Rick Larkin, EMS(LA), CWB						
			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		1							
Proposed Date for Next Audit Event									
Date	Document review in August 2017, field audit in September, 2017								
Audit Report Distribution									
Hancock: Al Lyons-alyons@hnr.com									
Bureau Veritas Certification: Dawn Komnick-dawn.komnick@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Robert Milstead, Al Lyons, Gretchen Lech, David Green, Ed Konwinski, Ryan Witt , Rob Polchow, Patrick Conway</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 - 0. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Al Lyons, Robert Milstead, Gretchen Lech, Chet Hargraves, Matt Reynolds, Rodney Kitterlin, Adam Brown, Chris Wray, David Green, Craig Elliff, Bruce Duke, Barry Cook, Trevor Terry, Ricky Cannon, Johnny Thomas, Ryan Witt, Ed Konwinski, Alan Bruce, Wayne McKenzie, Todd Sparks, Cary McDaniel, Lee Wise</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