



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

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PQC Code	E01E
Contract Number	US2070246

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	1	Scope extension audit:	
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Audit Summary
<p align="center">Introduction</p> <p>This report summarizes the results of a surveillance audit on the Oregon operations of the Green Diamond Resources Company (GRDC); Sustainable Forestry Initiative (SFI) Forest Management program. Jim Colla, Bureau Veritas Certification Lead Auditor, conducted the audit from October 10-12, 2016. Mr. Colla is a career forester with over 35 years of experience and an EMS/RABQSA certified lead auditor.</p> <p align="center">Audit Scope, Objectives and Process</p> <p>The scope of GDRC is “forest management” on approximately 635,055 acres in OR. The audit goal was to verify conformance to the SFI 2015-2019 Forest Management Standard, objectives 1-15 were audited as applicable. 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.</p> <p>The audit began at the GDRC headquarters office in Klamath Falls, OR on October 10, 2016 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 12. There were no substitutions or modifications of SFI indicators.</p> <p align="center">Audit Plan</p> <p>The surveillance audit was conducted over a total of three days from October 10-12, 2016. The document review portion of the audit was conducted at the headquarters office in Klamath Falls, OR. The field audit portion was conducted on the east and west units. The detailed daily audit plan is on file with Bureau Veritas Certification.</p> <p align="center">Company Information</p> <p>GDRC operations consist of managing 635,055 acres of forest land in southern Oregon. GDRC purchased the initial Oregon properties in September of 2014. GDRC is a privately held company whose fifth generation</p>

owners have managed land in the US west dating back to 1890. GDRC primarily sells delivered logs and a few stumpage sales each year from its Oregon properties. The company is also actively involved in the local community.

Multi-Site Requirements

The company owns forest land in California and Washington but they are covered under separate certificates.

Audit Results

A total of seven field sites were visited during the field portion of the audit. Three of the field sites were active harvest sites, commercial thinning and final harvest. The remaining sites visited represented a spectrum of activities that Green Diamond undertakes across the ownership. All environmental performance indicators (reforestation, chemical use, water, visual, soil, wildlife and cultural protection) were found to be in compliance with the SFI standard. All GDRC forestry staff involved with management of the sites was available for the audit. Field files for all harvest tracts were available. GDRC uses a combination of company and contract loggers. All contractors were either Oregon Professional Logger trained or were in process of being trained.

Objective 1-Forest Management Planning:

Based off prior owner inventory records, GDRC has completed a sustained yield resource analysis to determine appropriate harvest levels through 2039 with the goal of increasing standing inventory for several decades to fully utilize site potential after decades of reducing the standing inventory. A longer term analysis is ongoing utilizing Woodstock harvest scheduling program and will be completed for next year audit. This analysis is designed to compare various harvest levels and how the resulting inventory changes over time. This will be compared to the current harvest practice of entering stands every 10 years. Decade harvests will be modeled and the impact on growth and inventory levels will be determined. GDRC's stand-based forest inventory is updated annually to capture stand changes. MBG Tools & SIS software runs the updated inventory for growth & yield and reports annual inventory changes. The new inventory reports are compared to scaled harvest reports to evaluate the inventory accuracy. Land classification is determined by their GIS system where stand types for the three districts are based on stocking levels and phototyping. Wetlands, riparian areas, non-forest lands, wildlife areas, and state designated areas are excluded from available operational inventory. A 10 year management plan is initiated when the stand reaches 3 mbf per acre. Landscape biodiversity is achieved through their unmanaged riparian areas, wetlands, rock flats, steep escarpments, lakes, streams, and other non-operational areas and uneven-aged managed stands. Soil maps are utilized for management planning. Growth & yield plots will be developed to compare against the model. GDRC has a detailed and mature GIS covering all SFI required layers, the GIS is readily available to all field foresters. Carbon storage and biomass opportunities are being evaluated. GD lands are open to camping, hunting, fishing, and off-road opportunities. The 10 year management plans address management activities beyond forestry; including including recreation and grazing, T&E, Stand level habitat, landscape level management; management of G1 G2 species and control of invasive species.

Objective 2-Forest Health and Productivity:

GDRC relies very heavily on natural regeneration following selective harvests. Clearcuts are generally limited to fire and other abiotic events or insect and disease outbreaks. All clearcut or interplant units are designated for planting as soon as prescription is developed; OFPA rules apply and must be planted within two years. Each unit is formally surveyed for survival within one year of regeneration and once survival has been confirmed each stand is visited until free to grow (5 years). GDRC plants 300 TPA. During harvest, company foresters review weekly harvest progress to ensure adequate residual stocking is maintained. GDRC limits chemical use to eliminating noxious plants that have been identified by the state/county as needing treatment. Chemicals are used only as a last resort and when used, they are closely monitored during application to ensure only targeted species are treated. Pocket Gophers occasionally cause damage on newly planted areas. GDRC will utilize mechanical means of site prep to maintain the health and productivity of the site. If pesticides are used to control pests, it will be applied only in accordance with legal limits dictated by OFPA or the SFI standard, whichever is most strict. All chemical application is conducted by licensed contractors under the supervision of a GDRC forester. The GDRC Oregon Operations SFI handbook addresses in detail

the requirements the company implements to protect forest soil and productivity during its operations. All observed roads and trails were well maintained and stable to control erosion.

Objective 3-Protection and Maintenance of Water Resources:

GDRC ORO addresses the requirements of the Oregon FPA for water quality. They use wildlife and engineering staff from GDRC's North West Timberlands (NWT) for road design and construction as needed. All contractor's and company crews are trained on water quality issues and the district foresters regularly inspect all operations. The company's contracts for all operations require compliance with water quality requirements. Minor NC issued for lack of a spill kit on one site. The GIS has rivers, streams, lakes, wetlands and other water bodies mapped. Locations of any additional water features found in the field during reconnaissance are mapped and input into the system. Roads and streams are monitored during wet weather storm events. All contractors interviewed were knowledgeable about wet weather operating procedures.

Objective 4-Conservation of Biological Diversity:

GDRC has a program to promote the conservation of native species at landscape levels. Using data from the Oregon Biodiversity Information Center (ORBIC) data. NWT biologists have provided GDRC with programmatic guidelines to conserve native biological diversity across the tree farm. ORBIC is part of the Institution for Natural Resources (INR) and is based at Portland State University. The center works with partners across the region to provide the most comprehensive information on plants, wildlife, fish, fungi, and vegetation communities throughout Oregon. GDRC has developed and implemented criteria for retention of stand-level wildlife habitat elements and incorporates this information into planning and management activities. GDRC's forest inventory contains data on forest cover types across the ownership. The NWT Timberland Services manager is actively engaged in conservation planning measures with the OR USFWS, ODF and other OR timberland owners.

Objective 5-Management of Visual Quality and Recreational Benefits:

Green Diamond assesses view shed issues on a case-by-case basis during the course of its harvest planning activities. Where visual quality is a concern Green Diamond incorporates aesthetic considerations into harvesting, road and landing design and general management in order to minimize adverse visual impacts. Green Diamond has managed visual impacts on Highways 62, 66, 138, 140, and 97 in accordance with the Oregon FPA rules. Approximately 99% of GDRC's harvests are selective harvest which meets all visual requirements. The exception to date has been the Oregon Gulch fire salvage and they are site prepping and planting to FPA standards. Green Diamond has an "open gate" policy which allows public access consistent with wildlife and forest management objectives. A variety of recreational experiences are permitted and allowed on Green Diamond land including hunting, fishing, camping, horseback riding, and ATV use.

Objective 6-Protection of Special Sites:

Green Diamond works individually and with state and federal agencies, Indian Tribes, and others with expertise in identifying and managing cultural, ecological, geological and archeological sites. Sites with ecological, historic, and cultural significance are kept in the GIS database and are cross-referenced with forest practice applications/notifications. Commencing in 2017; special sites are planned to be added as a separate layer to the GIS.

Objective 7-Efficient Use of Fiber Resources:

GDRC has a program and monitoring system to ensure efficient utilization, including under-utilized species and low-grade material and has gone to great lengths to merchandise and market all possible materials. They have extensive chipping operations as they have a readily available market for in-woods chips as well as the more traditional log markets. Approximately 8,000 acres annually are thinned to produce a clean wood chip. The leave trees are selected by trained operators leaving the largest, fastest growing, most valuable trees. The cut trees are then delimbed, debarked, and then chipped and sold to either a hardboard facility or to pulp mills. The landing debris is either burned on site, scattered back on skid trails, or is sold/given to a local biomass facility that burns it to create electricity.

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

GDRC has a program that includes communicating with affected indigenous peoples to enable it to recognize and respect Indigenous Peoples rights and traditional knowledge. Since GRDC's ownership began, they

have met with the Klamath Tribe leadership on several occasions on a number of topics. This support included entering into discussions with the Federal Government to purchase a portion of lands to offset land being given to the Tribe and asked to identify sensitive sites within the property needing protection. This is entered into a confidential database; access is limited to the local foresters and the GIS manager. GDRC will respond promptly to all inquiries and concerns. On a portion of the property, the local tribe has claimed the right to “hunt, fish, and gather”. GDRC is not planning on disputing this claim, as they already allow the public, including tribal members, nearly unfettered access to the property.

Objective 9-Legal and Regulatory Compliance:

GRDC’s field foresters and biologists obtain updated Forest Practice Rules and Regulations and systematically review operating procedures to ensure compliance. Copies of the Oregon Forest Practices Rules are retained at Green Diamond’s office in Klamath Falls and are available in hard copy and electronically on the web. GRDC employs a system of measures and practices to ensure continuing compliance with applicable regulations and maintains records of compliance. Green Diamond commits to compliance with social laws as outlined in its management guide and Code of Business Conduct. Annual training on such laws is required for all employees. Regulatory agencies have not issued any non-compliance actions against the company.

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

Objective 11-Training and Education:

GRDC has developed and communicated its commitment statement to all employees. GRDC ensures that staff members involved in implementing and achieving the SFI standards understands their roles and responsibilities. An initial training session has been conducted among Green Diamond staff to ensure broad awareness of roles and responsibilities under the SFI standard. GRDC conducts contractor education and training sufficient to their roles and responsibilities. As a component of the annual SFI training plan, all contractors who operate machinery on Green Diamond land has received annual training on the SFI standard. All other contractors are provided adequate training and direction to properly discharge their duties in compliance with the SFI Standard. GDRC is actively involved in the Oregon SIC.

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

Objective 13: Public Land Management Responsibilities: Not applicable

Objective 14-Communications and Public Reporting:

GRDC’s corporate office submits the required reports based on information that is submitted from the Klamath Falls personnel. The 2015 audit report is posted on the SFI Website. All records necessary for reporting to SFI are maintained hardcopy and electronically and were reviewed as part of this audit.

Objective 15-Management Review:

GRDC does an extensive bi-annual audit of all operations, including its SFI certification systems. This review is then compiled into a Mid-Year Corporate Compliance Report. This report is reviewed by the Corporate Compliance Council. Last review was done in June 2016.

Findings

Previous non-conformances: No non-conformances were issued during the Stage 2 (certification) audit. Prior NCs issued at stage 1 audit remain effectively closed.

Non-conformances: PM 3.1 - Meet or exceed BMPs: While a contract requirement and noted in BMP book to ‘provide spill response kits on-site’; the operator knew report reportable quantities and procedures, a spill kit was not present on-site on one job.

Opportunities for Improvement: None issued.

Notable Practices: None issued.

Logo/label use: The on-product logo will not be used; off-products uses are coordinated and secured by the corporate office in Shelton, WA. GDRC does not intend to use the BVC logo.

SFI reporting: The Klamath Falls office will supply data needed for all reporting to the corporate office for submission, which was submitted for 2015 in a timely manner.

Conclusions

The closing meeting was held at the GDRC Klamath Falls, OR office on October 12, 2016. The finding related to the non-conformity was reviewed, and the confidentiality of audit results assured. The finding was not challenged or appealed. Green Diamond has completed a root cause analysis and corrective action plan; which will be fully implemented in the coming months. Effective the 15 October 2016, SFI 2015:2019, Section 2 continued certification is recommended

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: October 10, 2016				To: October 12, 2016			
Number of SF02's Raised:			Major:		0		Minor:		1
Is a follow up visit required:			Yes	X	No	Date(s) of follow up visit:		Next audit	
Follow-up visit remarks:									
Will need to inspect active logging jobs and interview crews to fully close the NC									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted			Yes	X	No	N/A	Date:	15 Oct 2016	
Proceed to/Continue Certification			Yes	X	No	N/A	Date:	15 Oct 2016	
All NCR's Closed			Yes		No	X	Date:		
Standard audit conducted against:									
1)	SFI 2015-2019 SFI Section 2			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Jim Colla			2)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
From the CEP: Forest Management									
Accreditation's			ANAB						
Number of Certificates									
Proposed Date for Next Audit Event									
Date		October 2017							
Audit Report Distribution									
GRDC: Andy Elsbree – aelsbree@greendiamond.com									
BVC: Client Account Coordinator - Dawn Komnick; dawn.komnick@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Andy Elsbree (OR region mgr); Cathy Chapel (land use and safety mgr), Brett Johnson (inventory and GIS); Lon Casebear (East District forester), Dallas Sutphin (North District Forester) and Ed Fallon (logging manager), Mike Williams (West District Forester), Bob Broadhead (consultant); and Jim Colla (lead auditor)</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Minor ➤ Review of previous nonconformances – 5 @ stage 1, 0 @ stage 2. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Andy Elsbree (OR region mgr); Cathy Chapel (land use and safety mgr), Bob Broadhead (consultant); 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 (2) ➤ Nonconformances - 1 ➤ Date for next audit. ➤ Reporting protocol and timing