



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

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PQC Code	E01E
Contract Number	US.1432672

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	#2	Scope extension audit:	
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Audit Summary
Introduction
<p>A surveillance audit of the SFI Forest Land Management program at Green Diamond Resource Company (GDRC) was conducted on May 4, 5 and 6 in Shelton, WA. Gregory Bassler, Lead Auditor conducted the audit. An opening meeting was conducted on May 4, 2015 and non-conformances and the requirements for clearing them, opportunities for improvement, and notable practices were discussed.</p>
Audit Scope, Objectives and Process
<p>The scope of the surveillance audit was Forest Management Operations on approximately 330,000 acres in Washington State. The objective was to verify the effectiveness of Green Diamond Resource Company's SFI Forest Land Management program and conformance to the Requirements of the SFI 2015-2019 Standard. Objectives 1, 3, 5, 7, 8 & 9-15 were audited. After discussing the goals and objectives of the audit, the audit plan and logistics was reviewed and the sites confirmed to conduct the field portion of the audit. The closing meeting time was confirmed and was to be held at the GDRC Shelton office on Wednesday, May 6, 2015.</p>
Audit Plan
<p>The surveillance audit was conducted under environmental auditing methodologies identified in the SFI 2015-2019 Audit Procedures and Auditor Qualifications and Accreditation (Section 9 of the Requirements for the SFI 2015-2019 Program) and standard Bureau Veritas Certification protocols and forms were applied throughout the verification. The audit plan identified the objectives, performance measures, and indicators of the SFI 2015-2019 Standard to be audited. Green Diamond Resource Company's Northwest Timberlands Sustainable Forestry Initiative Objectives and Indicators Handbook documents Green Diamond's forest land management program and was the focus of the document review.</p> <p>The document review portion of the audit was conducted Monday afternoon, May 4, 2015 at the headquarters office in Shelton, WA. The field audit was conducted over the following two days. Field files for each site were reviewed and used to determine effectiveness of the GDRC forest management system and process.</p>

Company Information

Green Diamond Resource Company operations consist of managing 330,000 acres in Washington state, most of which (99%) is under a Habitat Conservation Plan approved by the US Fish And Wildlife Service and the National Marine Fisheries Service. Green Diamond Resource Company is a privately held company whose owners have managed land in Washington dating back to 1890. GDRC primarily sells delivered logs and a few stumpage sales each year. The company is also actively involved in the local community.

Audit Results

A total of 14 sites were visited during the field portion of the audit. Three of the field sites were actively being harvested and the remaining sites visited represented a broad spectrum of activities that Green Diamond undertakes. All environmental performance indicators (reforestation, chemical use, water, visual, soil, wildlife and cultural protection) were found to be in compliance with the Standard, the Habitat Conservation Plan (HCP) and Washington Forest Practices Rules.

All GDRC forestry staff involved with management of the sites was available for the audit. Field files were available both electronically and hard copy. GDRC uses a combination of company and contract loggers trained and knowledgeable on the requirements of the SFI standard. All contractors were either Master Logger trained (WCLA) and/or received Green Diamond Resource Company's SFI training and have kept up on their continuing education requirements. The following describes how Green Diamond Resource Company conforms to overall requirements of each objective:

Objective 1-Forest Management Planning:

Green Diamond has a stand based forest inventory system covering its Northwest operations. Data is maintained at the stand level for inventory, growth and yield modeling. Green Diamond uses the Forest Projection System (FPS) to calculate growth and yield estimates for its stands. Green Diamond's Forest Resource Inventory System (FRIS) is used to confirm growth and yield calculations. Permanent sample plots have been established for the purpose of refining modeling estimates. Green Diamond recently completed re-calibrating FPS. The Annual Forest Inventory Report provides information on total inventory, harvest, growth, acquisition and disposal volumes over a 15 year period. Harvest acreage is monitored annually to ensure that the 5 year harvest level does not exceed allowable harvest acreage as specified in the Forest Management Plan. Forest management planning is supported by a robust inventory system, planning models, GIS, and inputs related to HCP restraints. Currently, inventory information is being input into Woodstock, a new optimization planning model. The GIS system is complete and contains multiple layers of information including but not limited to topography, geology, soils, land forms, roads, stream, wetlands, cover type, forest stand inventory, fish and amphibian distribution, sensitive species locations and other data.

Green Diamond Resource Company has a well-developed and structured harvest planning process. Forest Management identifies stands or units for harvest which begins an intensive recon, mapping and review process. The harvest unit plan is routed to staff for review to verify that it meets HCP, FPA and SFI Standard requirements.

Objective 2-Forest Health and Productivity:

All units are designated for planting and trees are ordered as soon as the harvest schedule is developed. All field observed planted units were planted within 18 months to 24 months of harvesting. Each unit is formally surveyed for survival in year two, four and six. Understocked areas are inspected and then replanted. No exotic species were observed on any field sites visited. Green Diamond uses the minimum amount of chemical necessary to accomplish control objectives of target species. Spray work is conducted by licensed applicator contractors under the supervision of Green Diamond foresters. All chemicals applied are registered and labeled for use in the States of WA and

OR. Green Diamond spray records and reports provide evidence application was done in compliance with all label and legal requirements. No overspray was observed. Multiple erosion control methods used including timing of operations (use restrictions), location of roads and trails, rocking roads, cross-drainage, and filter strips. Where possible, existing roads, trails and landings in stable locations are used to minimize new road construction. Contractors are well versed in erosion control measures, no evidence of accelerated erosion or delivery observed. Excellent protection of residual trees noted on commercial thinning units.

Objective 3-Protection and Maintenance of Water Resources:

As a condition of the WA FPA and Simpson HCP, riparian protection is required regardless of the forest practice activity. A large percentage of the harvest units contain water features that require protection. Riparian protection is designated on all maps and is well identified on the ground. Contract provisions require adherence to best management practices. The Simpson HCP requires annual BMP monitoring. The WA DNR also produces a bi-annual report of its BMP monitoring of operations throughout the State. The HCP describes several different riparian management scenarios that can be implemented and GDRRC has prepared a cross-walk with FPA regulations.

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. The WA DNR also has a water layer to review when submitting an FPA for approval. GDRRC has specific policies and plans for wet weather logging and hauling. 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: Not audited.

Objective 5-Management of Visual Quality and Recreational Benefits:

Visual corridors have been identified along major roads, lakes, recreational sites and other visually sensitive areas viewed by the public. Harvest planning in those areas often requires public scoping to address sensitivity and issues/concerns. Green Diamond scheduled several public meetings for residences surrounding Lake Cushman to present harvest plans and address any issues and concerns. Based on feedback, the unit size was significantly reduced, buffer zones were increased and harvest was spread out over a longer period of time (the next 10-12 years). Designed lower elevation units would be harvested first over the next several years. These units would not be highly visible as a mature forest screen would be left in the foreground. In about ten years, the higher elevation, more visible units would be harvested. The lower units would be fully regenerated.

Harvest unit acres are calculated from geo-rectified custom aerial photograph that is flown 3-4 times per year by Green Diamond. These acreage units are used to track depletions in the inventory. Harvest unit acres are also calculated from traverses that are completed prior to harvest when units are cruised for volume. The average harvest unit acreage in 2014 was 48.9 acres and a total of 5490 acres of clearcut harvest was conducted. Green up requirements, specified by the WA Forest Practice Rules, are incorporated into annual harvest planning and 5-year Forest Management Plan

Green Diamond provides recreational opportunities for the public. Permits are required to access the two recreation area blocks. Motorized, non-motorized and off road vehicles are allowed access under specific rules and regulations.

Objective 6-Protection of Special Sites: Not Audited.

Objective 7-Efficient Use of Fiber Resources:

Utilization of the forest resource is very good on all harvest units observed. A number of sorts may be produced on each job and utilization is inspected at regular intervals during timber harvest. Once

final harvest is completed, any remaining chunks, long butts, etc. are utilized for firewood or other forest products. Provisions are in place to ensure enough down woody debris is left to meet down log requirements. A procedure is also in place to choose units with economically salvageable biomass for bioenergy markets after final harvest is complete.

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

Green Diamond Resource Company has a relationship with all the local Tribes and communicates with them on occasion. There are very few known cultural sites on GDRC lands and the Tribes prefer not to provide locations of cultural sites. The Tribes monitor GDRC FPA submittals to see if they will be operating close to any cultural sites and if so, they contact the WA DNR and sometimes GDRC directly to make sure protection measures are implemented. Green Diamond operations overall have little involvement with the indigenous people but they do respond to Tribal inquiries. In the past this has come as requests for hunting and collecting cedar bark.

Objective 9-Legal and Regulatory Compliance:

A logging or silvicultural contract cannot be issued without an approved FPA permit. GDRC utilizes site visits and follows BMP Procedures to ensure compliance. These visits and checklists note compliance with all laws and regulations. WA DNR regulatory staff and WA DFW monitor for regulatory compliance. There was no Forest Practices Notice to Comply issued by the WA DNR in the last year. Green Diamond prepares and submits an Effectiveness Monitoring and General HPA Implementation/Compliance Report annually to the WA DFW and no non-compliance issues were raised. Green Diamond commits to compliance with social laws as outlined in its management guide and Code of Business Conduct. No complaints were issued in 2014 against Green Diamond Resource Company by its employees or subcontractors regarding the three ILO core conventions. Health and Safety requirements are met and requirements are posted in various locations as prescribed by law.

Objective 10-Forestry Research, Science and Technology:

Green Diamond is very active in a number of ventures being monitored by NCASI, USFS, WDFW, and CMER. This may involve collecting data, baseline direct funding, direct technical support covering research related to tree improvement, soil productivity, road maintenance, fish, wildlife and forest management. Green Diamond personnel are knowledgeable about climate change impacts on wildlife, wildlife habitats and conservation of biological diversity through international, national, regional or local programs.

Objective 11-Training and Education:

Green Diamond has a recently revised statement of commitment that is been widely communicated throughout the organization. It is posted in the office and reviewed during annual SFI training provided to staff and contractors. Green Diamond conducts annual SFI training with all hourly and salaried staff. All contractors who operate machinery on Green Diamond land receive annual training on the SFI standard. Logging staff and contractor representatives with frontline responsibilities are required to have qualified logging training. The Washington Contract Loggers Association (WCLA) Master Logger Program is the Washington SIC qualified logger training for contractors.

Objective 12-Community Involvement and Landowner Outreach:

GD actively participates in and financially supports the WA SIC. Green Diamond works with various regional conservation organizations such as Capital Land Trust, Forterra, Great Peninsula Conservancy, Washington Wildlife and Recreation Coalition and various public outreach groups geared toward education. It participates in open house meetings to provide information on the Green Diamond Mason County Conservation Strategy. Green Diamond supports conservation organizations

financially and with in-kind service. The WA SIC has a process for reporting inconsistent practices. No notices of inconsistent practices were received from any party in 2013.

Objective 13: Public Land Management Responsibilities: N/A.

Objective 14-Communications and Public Reporting:

The 2014 GDRC 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 Progress Report was recently completed and submitted to SFI, Inc.

Objective 15-Management Review:

GDRC conducts monthly manager meetings to periodically review additions and changes to Green Diamond's compliance document. The Vice President & General Manager of Northwest Timberlands and other responsible parties communicate with Green Diamond's President and other senior management officers regarding the status of compliance. SFI audit results are also included in the annual compliance report to Green Diamond's Board of Directors. Green Diamond's annual planning and performance review process constitutes an ongoing review of progress and achievement to sustainable operations. The NW Timberlands Division annually develops Division Incentive Goals that cover major initiatives planned for the year. The management review system is mature, fully functioning and effective.

Findings

Previous non-conformances:

There were no previous non-conformances from the renewal audit conducted in 2014.

Non-conformances:

No non-conformances were uncovered during the surveillance audit.

Opportunities for Improvement:

One opportunity for improvement was issued during the surveillance audit.

1. *PM 8.1, Ind. 1: Green Diamond Resource Company does not currently have a written statement or policy acknowledging commitment to recognize and respect the rights Indigenous Peoples.*

Notable Practices:

No notable practices were issued.

Logo/label use:

Green Diamond Resource Company uses the SFI logo for promotional use and on its website. It does not use the BVC logo. All logo/label use was approved and in conformance with label/logo use requirements.

SFI reporting:

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

Conclusions

The Closing Meeting of the surveillance audit was held at the Green Diamond Resource Company office on Wednesday, May 6, 2014. Brian Sayler, SFI Manager and Road Engineering and Construction Superintendent, John Ison, Logging Manager; Blayde Fry, Vice President & General

Manager; Rick Brooker, IFM Forester; Shane Forsyth, Area Engineer; Mark Golliet, Field Biologist; Mark Wittenberg, IFM Forester; Eric Beach, Environmental Engineering and Eric Schallon, Forestry Operations Manager were in attendance. Green Diamond Resource Company was recommended for continued certification.

Surveillance Audit Schedule

Date: Monday, May 4, 2015

Time	Activity	BVC Repr.	Company Repr.
11:30 AM	Opening Meeting at Headquarters in Shelton	Greg Bassler	Brian Sayler
12:00	Lunch		
12:30 PM	Document review, Objectives 1, 3, 5 7, 8-15.	Bassler	Sayler
04:30 PM	Daily debrief	Bassler	Sayler
05:00 PM	Depart site		

Date: Tuesday, May 5, 2015

Time	Activity	BVC Repr.	Company Repr.
07:00 AM	Meet at Shelton office.	Bassler	Sayler
7:30 AM	Begin field verification audits of sites	Bassler	All
12:00	Lunch		
1:00 PM	Continue field audit of sites	Bassler	All
04:30 PM	Daily Debriefing	Bassler	All
05:00 PM	Depart site		

Date: Wednesday, May 6, 2015

Time	Activity	BVC Repr.	Company Repr.
07:00 AM	Meet at Shelton office.	Bassler	Sayler
7:30 AM	Begin second day of field verification audits of sites	Bassler	All
12:00	Lunch		
1:00 PM	Continue field audit of sites	Bassler	All
3:30 PM	Summarize finding, prepare for closing meeting	Bassler	
04:00 PM	Closing Meeting	Bassler	All
04:30 PM	Depart site		

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: May 4, 2015				To: May 6, 2015			
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:	May 6, 2015
All NCR's Closed		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	Date:	
Standard audit conducted against:									
1)	SFI 2015-2019			3)					
2)				4)					
Team Leader (1):		Team Members (2, 3, 4...)							
Gregory Bassler, EMS-LA		2)							
		3)							
		4)							
		5)							
Scope of Supply: (scope statement must be verified and appear in the space below)									
Forest Management on approximately 330,000 acres in Washington									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	May 2016								
Audit Report Distribution									
Brian Sayler, Green Diamond Resource Company, bsayler@greendiamond.com									
Melani Potts, Bureau Veritas Certification, melani.potts@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Brian Sayler, SFI Manager and Road Engineering and Construction</p> <p>Discussions: Superintendent; Chris Humann, Cruise Administration; Rick Schmeling, Forest resource Analyst; Rick Brooker, IFM Forester; Mark Golliet, Field Biologist; Mark Wittenberg, IFM Forester; Casey Black, Logging Supervisor; Steve Loy, Area Forester and Gregory Bassler, Lead Auditor were in attendance.</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: Brian Sayler, SFI Manager and Road Engineering and Construction</p> <p>Discussions: Superintendent, John Ison, Logging Manager; Blayde Fry, Vice President & General Manager; Rick Brooker, IFM Forester; Shane Forsyth, Area Engineer; Mark Golliet, Field Biologist; Mark Wittenberg, IFM Forester; Eric Beach, Environmental Engineering and Eric Schallon, Forestry Operations Manager and Gregory Bassler, Lead Auditor were in attendance.</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 ➤ Non-conformances - 0 ➤ Date for next audit. ➤ 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: