



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

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Contract Number:	US1499149	Certification Audit:		Re-Certification Audit:		Surveillance: (Indicate visit # or Pre-Assessment)	S2
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Audit Summary
Introduction
<p>This report summarizes the results of the second surveillance audit conducted on Deltic Timber Corporation’s SFI program for forest management and wood procurement operations. Richard Boitnott, Bureau Veritas Certification Lead Auditor, conducted the document review on September 18, 2015, and the field audit September 28 through October 2nd. Mr. Boitnott is a certified forester, an EMS lead auditor, and has wildlife management expertise.</p>
Audit Scope, Objectives and Process
<p>The scope of the audit is “forest Management and Procurement Operations in Arkansas and Louisiana”. The audit was conducted against the SFI 2010-2014 Standard. SFIS Objectives 1 through 8, 11 through 20 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. The audit was also conducted to scope in an additional site (Hollis district) due to a large purchase of land. 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.</p>
Audit Plan
<p>A document review was conducted on September 18 in the El Dorado Arkansas central office. The field audit began with an opening meeting at 8:00 Monday morning September 28 in the Heber Springs Arkansas office. Field audits were conducted on fee and procurement tracts in the Heber Springs region on the 28th. Field audits in the Ola region were conducted on the 29th through the 30th, The Waldo region audit was conducted on October 1 and 2. A closing meeting was held at the end of the day on October 2. An audit plan was developed and maintained on file by Bureau Veritas Certification.</p>
Company Information
<p>Deltic Timber Company manages approximately 530,000 acres of timber land in Arkansas,</p>

Louisiana, and a very small amount in Texas, and operates sawmills in Ola and Waldo Arkansas. Sawtimber from company land is used to furnish the two sawmills. In addition, the company sources wood using both purchased stumpage and open market procurement systems. A considerable portion of the non-fee wood comes from its purchased stumpage program. Much of this purchased stumpage is from the U.S. Forest Service in the Ola region.

There are considerable differences in the character of the company land associated with each mill. Land in the Ola region is in the Ouachita mountains and foothills of the Ozarks. The property is generally steep and rocky, with considerable inoperable areas that provide residual native habitat. Artificial regeneration is practiced on this portion of company land, through clearcutting, followed by chemical and mechanical site preparation. Land around the Waldo area is gently rolling to flat, consisting primarily of loblolly pine and hardwood streamside zones. Artificial regeneration is also practiced on this portion of the landbase, although some stands are still managed naturally.

Multi-Site Requirements

Company land is divided into eight districts. Fiber sourcing procedures are in place at sawmills located in Waldo and Ola. Deltic has a centrally managed SFI program, with one SFI manager responsible for management of the system. The SFI manager reviews a number of activities on fee and procurement tracts across all districts. There is not a formal, documented internal audit program. However, all sites are audited during each audit event at the request of company management.

Sites	Sites Audited During this Event
El Dorado, AR	X
Heber	X
Nimrod	X
Perryville	X
Hope	X
Magnolia	X
Union	X
Bradley	X
Hollis	X

Audit Results

The document review was conducted to determine if Deltic’s system documentation continues to meet the requirements of the SFI 2010-2014 Standard. The field audit consisted of a review of 11 harvesting operations, three regeneration/site preparation tracts, six purchased stumpage tracts, and five reviews of open market tracts. Most of the harvest tracts had recently received a herbicide application and been mechanically site prepared for rapid regeneration.

Objective 1-Forest Management Planning: Deltic has a stand-level periodic inventory system. Land is classed by forest type (pine, hardwood, non-productive, natural stands, plantations). Soil inventory and underlying data is in the GIS. Recommended harvest levels are projected each year. The company does not have a sophisticated harvest modeling program. Its philosophy is to harvest no more than annual growth. Evidence was presented it is meeting this goal. Stands are grown using a proprietary growth-and-yield model. Non-timber issues include an analysis of lands that have greater value for biological diversity, and designation of such as special sites. There have been no substantial changes in the company’s management system since the previous audit.

Objective 2-Forest Productivity: Regeneration was well done on all sites observed during the audit.

All regenerated sites with the exception of one were adequately stocked. The one will need to be replanted this regeneration season. The company is required to regenerate clearcut stands as quickly as possible. Therefore, no stands are regenerated more than two years following harvest. In fact, most stands are regenerated within one year. Further evidence was the fact that most clearcut harvests reviewed during the audit had been recently chemically and mechanically site prepared in order to regenerate during the coming planting season.

Chemical applications are well done, with virtually no drift into off-target areas. Herbicide applications demonstrated minimization of chemical use. All applications were within the norms of rates for most forestry applications in the southeast. Rates vary depending on the type and amount of competing vegetation present on each site.

Deltic has an excellent soil mapping program that provides useful information to field foresters. It incorporates soil mapping data into a tool that identifies susceptibility to erosion and compaction. Severity rating maps are included in all harvest packages, including purchased stumpage. No adverse impacts to soil productivity were observed on any of the harvest sites.

Objective 3-Protection and Maintenance of Water Resources: Harvest and mechanical site preparation activities demonstrated compliance with Arkansas BMPs. Streamside management zones were well established. Temporary stream crossings were removed and approaches stabilized.

Objective 4-Conservation of Biological Diversity, Including Forests of Exceptional Value: Deltic has a program to gather information on the potential presence of T&E species and FECVs that could occur on company land, or be impacted by the company's operations. The company uses this information on both fee and purchased stumpage tracts. The company wildlife biologist is in charge of reviewing fee timber sales for the presence of T&E species or FECVs, and providing management recommendations should a species be in the vicinity of a planned activity. The primary T&E species that impacts the company is the red-cockaded woodpecker. There are a number of active and inactive RCW clusters on company land. These sites are monitored for activity.

Clearcuts reviewed during the audit demonstrated an adequate amount of retention on most harvest units. Many of the harvest sites in the Ola area are on historic shortleaf pine stands that were managed to remove all hardwood competition. The result is that many of the harvested areas have little opportunity for retention other than live pine trees. Foresters leave ephemeral drains intact where possible to provide some retention.

Deltic has developed a formal landscape assessment on its larger blocks of timberlands. Foresters use the assessment to plan harvests in a manner that provides habitat diversity. The company has a number of acres of inoperable land, particularly in the Ola region. These sites are not harvestable, primarily due to steep topography, and will eventually provide some old-growth characteristics across the landscape.

Foresters have been trained in the identification of non-native invasive species that could occur in the area. This region of Arkansas does not have extensive occurrences of invasive species.

Objective 5-Management of Visual Quality and Recreational Benefits: The company has an aesthetic management program. However, most sites in Arkansas are in very rural areas out of view of the general public. However, there is a major scenic highway that goes through the Ola region. Deltic considers the visual impact of harvest on this travel corridor.

Average clearcut size so far for 2014 was 88 acres. Compliance with the company's green-up policy was observed on all clearcuts. The GIS forester has an adjacency tool that evaluates green-up

compliance.

Objective 6-Protection of Special Sites: Deltic has a special sites program to protect sites on its property with cultural, historical, geological, or ecological uniqueness. These sites are identified on the GIS, which is used during the planning process to determine if any of these sites are located within harvest unit boundaries.

Objective 7-Efficient Use of Forest Resources: Utilization was acceptable on all harvest units observed during the audit.

Objective 8-Landowner Outreach: Deltic has developed a landowner information brochure that either covers or provides access to all the requirements of this objective. It distributes this brochure to private landowners from whom it purchases timber. Deltic has a landowner assistance program. The LAP forester is a certified tree farm inspector, and has enrolled a number of the LAP landowners in the tree farm program.

Deltic has a program in place to ensure potential FECVs that could occur on a purchased stumpage tract are identified. Procurement personnel have access to NatureServe, and review the list for G1/G2 species and communities that are known to occur in the county in which they are purchasing wood. They are also trained to review the habitat associations for each G1/G2 identified in the county so they can determine if a species is likely to occur on a specific tract. They use the services of the company wildlife biologist in case there are any questions. Most of the species are aquatics, so implementation of BMPs is assumed to provide adequate protection.

Objective 9-Use of Qualified Resource and Qualified Logging Professionals: Deltic requires all loggers operating on purchased stumpage to complete logger training. The company maintains a list of trained loggers.

Objective 10-Adherence to Best Management Practices: Deltic has a program to ensure purchased stumpage tracts comply with state BMPs. The company treats purchased stumpage in the same manner as fee, with the same pre-harvest plans developed, including soil sensitivity maps, same monitoring procedure, and same FECV procedure. Deltic has been recognized in the past for using the same soil sensitivity and FECV procedures for its purchased stumpage program as it does on fee land. Deltic's plan to address adverse weather consists of the identification of wet-weather logging tracts and definition of acceptable operating conditions.

Deltic has a program to monitor BMP compliance of its wood suppliers by conducting audits of selected open market tracts. Summaries of BMP compliance are developed, and show that gateway tracts still have relatively low rates of BMP compliance. Of the five open market tracts reviewed during the audit, three had BMP violations; two significant, with one relatively minor. Gateway tracts reviewed during the audit demonstrated the company is conducting its monitoring effectively, with BMP deficiencies noted on the BMP audit form. The company was issued an opportunity for improvement to use the items noted as needs improvement on the audit form to communicate areas for improvement to suppliers. In addition, the company was advised it needs to improve gateway BMP compliance.

Objective 14-Legal and Regulatory Compliance: SFI Program Manual provides access to legal requirements. Deltic's system to achieve regulatory requirements consists of pre-harvest planning and inspection processes, and training of employees and contractors. No adverse regulatory action information is in evidence. A policy to comply with social laws is in place. Deltic has not received any input concerning it or its contractor's performance relative to ILO core conventions.

Objective 15-Forestry Research, Science and Technology: Deltic provided evidence of contributions towards forestry-related research. The company demonstrated access to information on the potential impact of climate change on forest health and productivity, and wildlife and wildlife habitat.

Objective 16-Training and Education: Employees receive ample training. Deltic requires all harvesting contractors to be qualified according to the requirements of the Arkansas SIC. All contractors harvesting tracts reviewed during the audit were properly trained. The company is a member of the Arkansas SIC, which is improving its oversight of the state's logger training program. This is an improvement in an area that resulted in an opportunity for improvement issued during last year's audit.

Objective 17-Community Involvement in the Practice of Sustainable Forestry: Deltic participates in the Arkansas SIC and is a member of the Arkansas Forestry Association. The company's participation in regional conservation planning efforts is done by downloading the Arkansas Natural Heritage Program's biodiversity hotspot data, using this information to plan conservation efforts. Deltic provided evidence it is involved in a number of educational efforts.

Objective 18-Public Land Management Responsibilities: N/A

Objective 19-Communications and Public Reporting: The company had posted its 2014 surveillance audit report on the SFI, Inc. website as required for public review. The SFI annual progress report had been submitted well before the March 30 deadline.

Objective 20-Management Review and Continual Improvement: Deltic has a management review process in place. Management review minutes verified the meeting is held annually as required by the SFI Standard. Deltic continues to do an excellent job of developing BMP compliance summaries of all of its operations for review by management.

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. This needs to be considered in light of how it may affect conformance in the future.

PM 10.2, Ind. 2: Deltic summarizes BMP monitoring results on a spreadsheet. The company should consider looking at items that need improvement to see if there are any trends, and communicating those areas to suppliers. In addition, 3 of the 5 open market inspections showed BMP violations, 2 significant, and the other relatively minor. While these were noted on the BMP inspection form, and the results communicated to suppliers, the company needs to make progress in BMP compliance of its open market suppliers.

Notable Practices: No notable practices were identified.

Logo/label use:

Deltic does not use the Bureau Veritas Certification logo. It uses the SFI certified sourcing label on lumber wraps, and the SFI logo on its website, all with the approval of SFI, Inc. No unauthorized use

of the SFI label or logo was observed.

SFI reporting:

The 2014 surveillance audit report for Deltic was found on the SFI, Inc. website as required for public review.

Conclusions

Results of the audit indicate Deltic continues to operate an effective SFI program that meets the requirements of the SFI 2010-2014 Standard. The company is recommended for continued certification to the SFI 2010-2014 Standard.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: 9/18/2015 (Doc review) 9/28/2015 (Field)				To: 9/18/2015 (Doc review) 10/2/2015 (Field)			
Number of SF02's Raised:				Major:		0		Minor: 0	
Is a follow up visit required:		Yes		No	X	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes		No		N/A	X	Date	
Proceed to/Continue Certification		Yes	X	No		N/A		Date	10/2/2015
All NCR's Closed		Yes		No		N/A	X	Date	
Standard audit conducted against:									
1)	SFIS 2010-2014			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Richard Boitnott; CF, EMS(LA)			2)						
			3)						
			4)						
			5)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
Forest Management and Procurement Operations in Arkansas and Louisiana									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	Schedule the renewal audit the week of Sept. 26-30, 2016								
Audit Report Distribution									
Bureau Veritas Certification : Dawn Komnick-dawn.komnick@us.bureauveritas.com									
Deltic Timber: Scott Webster-scott_webster@deltic.com									

Clause	Audit Report
Opening Meeting	Participants: Scott Webster Discussions: <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	Participants: Scott Milburn, KJ Petry, Scott Webster, Skip Tomlinson, Matt Martin, Mark Johnson, Jeremy West, Chris Nelson Discussions: <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