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**Rainforest
Alliance**

SmartWood Program

Forest Management
2011 Annual audit
Report for:

Humboldt Redwood Company,
LLC
In
Scotia, California, USA

| | |
|-------------------------|--|
| Report Finalized: | March 13, 2012 |
| Audit Dates: | 8/29& 30/2011 |
| Audit Team: | Stephen C. Grado & Robert Hrubes |
| Certificate code(s): | SW-FM/COC-004551 |
| Certificate issued: | 12/14/2009 |
| Certificate expiration: | 12/14/2014 |
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Standard Conversions

1 mbf = 5.1 m³
1 cord = 2.55 m³
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm
1 foot = 0.3048 m
1 yard = 0.9144 m
1 mile = 1.60934 km
1 acre = 0.404687 hectares

1 pound = 0.4536 kg
1 US ton = 907.185 kg
1 UK ton = 1016.047 kg

1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Humboldt Redwood Company, LLC, hereafter referred to as Forest Management Enterprise (FME) or HRC. The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood's website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

| | |
|---|---|
| Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation: | |
| <input checked="" type="checkbox"/> | Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of NCR(s) issued below |
| <input type="checkbox"/> | Certification requirements <u>not met</u>: |
| Additional comments: | None |
| Issues identified as controversial or hard to evaluate. | None |

2.2. Changes in FME's forest management and associated effects on conformance to standard requirements:

There were no significant changes in the FME's forest management. A new Area Forester was hired from the Forest Technician position and assigned responsibilities for the newly formed Central District, carved out of the North and South Districts. A few other lower-level positions were filled and with others to also be filled; thereby further ensuring that conformance to standard requirements can be met by the FME.

2.3. Stakeholder issues *(complaints/disputes raised by stakeholders to FME or SmartWood since previous evaluation)*:

Stakeholders in the Elk and Freshwater Watersheds continue to voice their concerns over the sediments in these watercourses and persistent flooding in their adjacent communities.

Auditors visited streamside water sampling sites, examined water quality samples, investigated social impacts through interviews with neighboring landowners, and evaluated other relevant elements. Auditors found HRC to be in conformance with FSC standards on this issue.

2.4. Conformance with applicable non conformity reports

The section below describes the activities of the certificate holder to address each applicable non conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

| Status Categories | Explanation |
|-------------------|--|
| Closed | Operation has successfully met the NCR. |
| Open | Operation has either <u>not met</u> or has <u>partially met</u> the NCR. |

Check if N/A (there are no open NCRs to review)

2.5. New corrective actions issued as a result of this audit

| | | | | |
|--|--|---------------------------|-------|---------|
| NCR#: | 01/11 | NC Classification: | Major | Minor X |
| Standard & Requirement: | FSC-US Forest Management Standard (v1.0, July 8, 2010), 1.1.a. | | | |
| Report Section: | Section 3 | | | |
| Description of Non-conformance and Related Evidence: | | | | |
| <p>During the course of the audit, two violations were revealed by the FME in the course of conversation with the auditors concerning violations on the part of the FME. One involved the Dyersville Bridge on the Eel River which was not pulled out, as required, by October 15, 2010. In addition, the State Water Resources Quality Control Board permit for the use of the bridge had expired and was not renewed in time. Second, there was the detection of some violations related to the FME's Habitat Conservation Plan during the course of the periodic monitoring performed by the state. This related to sediments on road dips.</p> <p>During the closing meeting, the FME was asked if there were other violations since the last audit. It was revealed that there were two. One concerned the use of a haul road, not initially outlined in an original THP, as a road the FME would be using but eventually did. The other concerned a California Department of Forestry (CDF) noting of a 1600 permit violation that related to the digging of a ditch deeper into the ground, in conjunction with an adjacent landowner to realign culvert flows between ownerships. A CDF inspector found that this work had resulted in a violation concerning the pooling of water during rainfall on a public road.</p> <p>In light of these discoveries, the auditors reminded the FME that violations, outstanding complaints or investigations need to be provided to the Certifying Body (CB; SmartWood) during the annual audit, and preferably at the start of the audit.</p> | | | | |
| Corrective Action Request: | <p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> | | | |
| Timeline for Conformance: | By the next annual audit | | | |

| | |
|--------------------------------------|---------|
| Evidence Provided by Organization: | PENDING |
| Findings for Evaluation of Evidence: | PENDING |
| NCR Status: | OPEN |
| Comments (optional): | None |

| | | | | |
|--|---|---------------------------|-------|---------|
| NCR#: | 02/11 | NC Classification: | Major | Minor X |
| Standard & Requirement: | FSC-US Forest Management Standard (v1.0, July 8, 2010), 4.4.a. | | | |
| Report Section: | Section 3 | | | |
| Description of Non-conformance and Related Evidence: | | | | |
| The CB was provided with the FME's latest FMP which contained a summary of the social impact assessment process, concentrating on community and archaeological, cultural, and historical sites. However, it was the assessment of the auditors that some activities the FME is known to engage in were not mentioned in this summary, and a more detailed analysis is needed of how social impact information is thereby incorporated back into forest management planning and operations. While an annual social monitoring report that summarizes the public inputs for the year will be made available on the FME's web site (hrcllc.com) starting 2011 year end and material changes to management policies developed from public inputs will be placed on the web site (www.hrcllc.com/Key Policies) and incorporated into future revisions of the FMP, both actions, while planned, are not implemented. | | | | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. | | | |
| Timeline for Conformance: | By the next annual audit | | | |
| Evidence Provided by Organization: | PENDING | | | |
| Findings for Evaluation of Evidence: | PENDING | | | |
| NCR Status: | OPEN | | | |
| Comments (optional): | None | | | |

| | | | | |
|---|---|---------------------------|-------|---------|
| NCR#: | 03/11 | NC Classification: | Major | Minor X |
| Standard & Requirement: | FSC-US Forest Management Standard (v1.0, July 8, 2010), 7.1.r. | | | |
| Report Section: | Section 3 | | | |
| Description of Non-conformance and Related Evidence: | | | | |
| The CB was provided with the FME's latest FMP which contained a summary of the social impact assessment process, concentrating on community and archaeological, cultural, and historical sites. However, it was the opinion of the auditors that some stakeholder outreach activities the FME is known to engage in were not mentioned in this summary. | | | | |
| Corrective Action Request: | Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. | | | |
| Timeline for Conformance: | By the next annual audit | | | |

| | |
|--------------------------------------|---------|
| Evidence Provided by Organization: | PENDING |
| Findings for Evaluation of Evidence: | PENDING |
| NCR Status: | OPEN |
| Comments (optional): | None |

2.6. Audit observations

Observations are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

| | |
|---|---|
| OBS 01/11 | Reference Standard & Requirement: FSC-US Forest Management Standard (v1.0, July 8, 2010), 1.1.b. |
| [Description of findings leading to observation]: During the field audit it was discovered that the Dyersville Bridge on the Eel River was not pulled out, as required, by October 15, 2010. In addition, the permit for the use of the bridge had expired and was not renewed in time. This was viewed by the auditors as a failure to communicate within the FME, and it was a lapse in judgment on the part of the employees involved. | |
| Observation: The FME should ensure that it's employees (and contractors), commensurate with their responsibilities, are duly informed about all applicable laws and regulations. | |

| | |
|--|---|
| OBS 02/11 | Reference Standard & Requirement: FSC-US Forest Management Standard (v1.0, July 8, 2010), 4.4.a. |
| [Description of findings leading to observation]: In the Elk and Freshwater Watersheds the presence of sediments and flooding continue and stakeholders are repeatedly complaining about this situation. It was the assessment of the auditors that, despite actions taken to properly manage the nearby forests and the watershed and to reduce erosion, further actions need to be taken by the FME to resolve this issue. See OBS 02/11. | |
| Observation: The FME should ensure the situation that currently exists in the Elk and Freshwater Watersheds should be taken to the next step to achieve resolution to attempt to mitigate the social unrest. | |

3. AUDIT PROCESS

3.1. Auditors and qualifications:

| | | | |
|-----------------|--|--------------|---------------------|
| Auditor Name | Stephen C. Grado, Ph.D. | Auditor role | SW, Co-Lead Auditor |
| Qualifications: | Dr. Grado is a Society of American Foresters (SAF) Certified Forester/Forest Certification Auditor #1155 and Fellow, a Professor of Forestry, and the George L. Switzer Professor in the Department of Forestry at Mississippi State University. He received a Ph.D. in Forest Resources in 1992, a M.S. in Forest Resources and Operations Research in 1984, and a B.S. in Forest Science in 1979 at The Pennsylvania State University, State College, Pennsylvania. He also has a B.A. in Political Science from Villanova University near Philadelphia, Pennsylvania. Dr. Grado has served as a socio-economic assessor/auditor on 51 primarily | | |

| | | | |
|-----------------|---|--------------|----------------------|
| | SmartWood pre-assessments (1, lead; 3, team), assessments (5 lead, 20 team), USDA Forest Service Test Evaluations (2, SW team; 1, SGS team), and numerous annual field audits (12 lead, 5 team; 1 SFI team). In addition, he has served as an assessor/auditor for innumerable SmartWood chain-of-custody assessments/audits, and also served as a peer reviewer of FSC certification FM/COC assessment reports. Dr. Grado is also certified to the ISO 9001:2008 standard for Quality Management Systems for Lead Auditors. | | |
| Auditor Name | Robert Hrubes, Ph.D. | Auditor role | SCS, Co-Lead Auditor |
| Qualifications: | Dr. Hrubes is a California registered professional forester (#2228) and forest economist with over 35 years of professional experience in both private and public forest management issues. He is presently Senior Vice-President of Scientific Certification Systems. In addition to serving as team leader for the Michigan state forestlands evaluation, Dr. Hrubes worked in collaboration with other SCS personnel to develop the programmatic protocol that guides all SCS Forest Conservation Program evaluations. Dr. Hrubes has previously led numerous audits under the SCS Forest Conservation Program of North American public forest, industrial forest ownerships and non-industrial forests, as well as operations in Scandinavia, Chile, Japan, Malaysia, Australia and New Zealand. Dr. Hrubes holds graduate degrees in forest economics (Ph.D.), economics (M.A.) and resource systems management (M.S.) from the University of California-Berkeley and the University of Michigan. His professional forestry degree (B.S.F. with double major in Outdoor Recreation) was awarded from Iowa State University. He was employed for 14 years, in a variety of positions ranging from research forester to operations research analyst to planning team leader, by the USDA Forest Service. Upon leaving federal service, he entered private consulting from 1988 to 2000. He has been Senior V.P. at SCS since February, 2000. | | |

3.2. Audit schedule

| Date | Location/Main sites | Principal Activities |
|---------|--|---|
| 8/29/11 | HRC Main Office in Scotia, California | Opening meeting introductions with auditors and FME staff. Reviewed past year's CARs and OBSs and FME management via a PowerPoint presentation. Reviewed the new FSC-US standard and nature of the audit (i.e., a Crosswalk gap analysis on an indicator level). Finalized of field site itinerary and planned meeting, by the auditors, with stakeholders. Discussed stakeholder issues. |
| 8/29/11 | Travel to field sites primarily in Elk and Freshwater watersheds and other areas in the North and South Districts. | Reviewed timber harvests, protected areas, roads, and culverts. Also discussed wildlife-related management activities such as the Northern spotted owl and the marbled murrelet. |
| 8/29/11 | Stakeholder home adjacent to the Moss Elk THP | Conversations with stakeholders. |
| 8/30/11 | Travel to field sites primarily in the Central | Reviewed timber harvests, protected areas, roads, and culverts. Also discussed wildlife-related management |

| | | |
|--|---------------------------------------|---|
| | District. | activities such as the Northern spotted owl and the marbled murrelet.. |
| 8/30/11 | HRC Main Office in Scotia, California | Consultation by auditors for the closing meeting, which ensued afterward. |
| 8/30/11 | HRC Main Office in Scotia, California | Interviews with office staff and transfer of documents and files to the auditors. |
| Total number of person days used for the audit:8 = number of auditors participating 2 X number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 4 | | |

3.3. Sampling methodology:

Upon arrival at the FME's main office in Scotia, California, the auditors examined a list of sites where harvesting and other activities had occurred since the last audit. The auditors made a preliminary selection of sites to visit from various forest activity types (e.g., active harvesting jobs, completed harvest jobs, thinnings, stream restoration projects) in three of the FME's districts that would allow for evaluation of the FME's conformance against the FSC-US National Standard. The preliminary list was later modified to balance the time allowed for the audit and with distances needed to travel to a diversity of sites. The SW member of the team was primarily responsible for stakeholder interviews and analysis, while SCS auditor focused on High conservation Value Forests (HCVFs), Representative Sample Areas (RSAs), and environmental impacts. The team deliberated on selected criteria jointly (determined by the gap analysis for the Standard) and determined conformance or non-conformance based on consensus through a process of reviewing field observations, stakeholder inputs, and documented evidence.

3.3.1 List of FMUs selected for evaluation

| FMU Name | Rationale for Selection |
|------------------|---|
| Bearly Green THP | An older approved THP, amended by FME. Greenlaw drainage within the site, leaving 4 acres. A variable retention harvest of 18 acres cut to 40 ft ² occurring three months ago. |
| Casa Rojas THP | . Cable yarding of a dense hardwood stand. Also, some tractor logging. Natural prairie to be kept as such. Treated with a frill herbicide technique in spring 2011 to remove smaller hardwoods (e.g., tanoak). |
| Hole THP | Viewed the Hole in the Headwaters area which is about 1,000 acres and contains the South Fork Elk River. Remainder consists of some old growth and patch clearcuts. |
| Moss Elk THP | Redwood forested area consisting of 4 units. Amended previous landowner's THP. Group selection cut harvested in 2011. |
| Oso Motley THP | Panoramic view of the confluence of Beer Creek, East Fork Bear Creek, and South Branch Bear Creek. Hillside selection harvest leaving old growth. Prior owner had planned shelterwood silviculture to take the old growth (OG); however HRC amended THP to single tree selection, leaving OG. |
| Pitchfork THP | Over to the left in the view shed from Oso Motley THP. Has not been harvested because it is OG Type 2 retention; understory timber too young/small to harvest. |
| Top Lake THP | Cut in September 2010 from 300 ft ² of basal area down to 150 ft ² . Redwood forest with Douglas Fir component. |

3.4. Stakeholder consultation process

The stakeholder consultation strategy for this audit was threefold, to: ensure that the public was aware of, and informed about, the audit process and its objectives; assist the field team in identifying potential issues; and, provide diverse opportunities for the public to discuss and act upon the audit findings. This process entails detailed and meaningful stakeholder interaction.

The process of stakeholder interaction does not stop after the field visit or for that matter even after a certification decision is made. SW and SCS welcome, at any time, comments on FSC certified operations and such comments often provide a basis for field audits.

Rainforest Alliance sent out the initial 30-day notification via e-mail alerting stakeholders (n=169) to the upcoming audit on August 16, 2011.

The FME’s stakeholder list provided a basis for the audit team to select people for interviews (i.e., in person, by telephone, through e-mails). Prior to the field visit, stakeholders were contacted by the auditors to solicit their opinions and to detect any issues of importance. Interviews were held with local, regional, state, and federal stakeholders. In addition to stakeholder outreach prior to the field visit, interviews were conducted with FME personnel in their office in Scotia, California, and in the field during the week of the visit. In addition, a stakeholder meeting of stakeholders arranged by an adjacent landowner was held at this individual’s home in Eureka, California on Monday, August 29th in the afternoon, and was used to gather further opinions and other information on issues related the watershed. Some stakeholders also were contacted by telephone and e-mails up to three weeks after the audit team left Scotia, California.

| Stakeholder type | Stakeholders notified (#) | Stakeholders consulted or providing input (#) |
|---------------------------------------|---------------------------|---|
| FME Employees | 18 | 18 |
| Land Trusts | 1 | 1 |
| Landowners | 5 | 5 |
| Loggers | 1 | 1 |
| Natural Resource Consultant | 1 | 1 |
| Private Organization | 1 | 1 |
| Academia | 24 | 0 |
| Environmental NGO | 36 | 3 |
| Forest Industry | 32 | 18 |
| Forestry & Forest Products NGOs | 15 | 0 |
| FSC US | 7 | 0 |
| Government (Federal, State, County)** | 18 | 3 |
| Other | 33 | 0 |
| Rainforest Alliance | 6 | 0 |

** Government stakeholders included one each County, State and Federal response.

3.5. Changes to Certification Standards

| | |
|---|--|
| Forest stewardship standard used in audit: | FSC-US Forest Management Standard (v1.0, July 8, 2010); FM-35 SmartWood Chain-of-Custody Standard for Forest Management Enterprises (FMEs) |
| Revisions to the standard since the last audit: | <input type="checkbox"/> No changes to standard. <input checked="" type="checkbox"/> Standard was changed (detail changes below) |
| Changes in standard: | Changes related to the FSC-US Forest Management Standard are documented in an FSC-US Crosswalk document (v2.4, |

| | |
|-----------------------|--|
| | January 18, 2011), which is available upon request. All changes were evaluated and reported in Appendix IV and Appendix VII. |
| Implications for FME: | New requirements result in new CARs issued |

3.6. Review of FME Documentation and required records

a) All certificate types

| Required Records | Reviewed |
|---|--|
| Complaints received by FME from stakeholders, actions taken, follow up communication | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: Stakeholders in the Elk and Freshwater watersheds continue to voice their concerns over the sediments in these watercourses and the flooding in their adjacent community. FME is continuing to cover skid trails with woddy debris from harvests to reduce erosion. There is a contiuning dialogue among the FME with affected stakeholders, which included field observations. FME is trying to get permits to have the Elk River dredged to eliminate flooding. However, this process is a long one and approval has not been given. | |
| Accident records | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: The FME collects data as required by OSHA and state regulations and for its own purposes to improve safety in the office and forest. The records for incidents were shown to the auditors. The Safety Supervisor stated that there has not been a lost time accident in the past year, and beyond. | |
| Training records | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: Training records for safety and other topics related to FSC certification and forest management were discussed with the auditors, and evidence of training provided the Safety Supervisor and Stewardship Manager. | |
| Operational plan(s) for next twelve months | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: Area Foresters come to the Forest Inventory Manager who provides information on inventory volumes and this aids in developing operational plans for the next year. Work in harvest blocks for its foresters are displayed on maps and shown to the auditors. Also, the FMP makes reference to projections for 5-year harvesting opportunities. | |
| Inventory records | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: A determined effort is being made on the part of the FME to complete an inventory of the entire land base within a three year period (2010-2013). This project is about 50% completed and records were shown to the auditors. The inventory manual and field cruise data sheets used to collect data to create separate Access databases for each sustainability unit were provided to the auditor by the Forest Inventory Manager. The process for developing summarized inventory data for all sustainability units as well as how projections for growth and yield are being made using the Forsee software was described to the auditors by the Forest Inventory Manager. | |
| Harvesting records | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> |
| Comments: Harvest records and deleivered logs since the last audit were provided to the auditors. | |

b) Group Certificates *(delete this table if not a group certificate)*

Not Applicable

APPENDIX I: FSC Annual Audit Reporting Form:

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

| | | | |
|--|-------------------------------|--------------|---------|
| Forest management enterprise information: | | | |
| FME legal name: | Humboldt Redwood Company, LLC | | |
| FME Certificate Code: | SW-FM/COC – 004551 | | |
| Reporting period | Previous 12 month period | Dates | FY 2010 |

1. Scope Of Certificate

| | | | |
|---|-----------------------------------|--|--------------------------------|
| Type of certificate: single FMU | SLIMF Certificate: not applicable | | |
| New FMUs added since previous evaluation | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| Group Certificate: Updated of FMU and group member list provided in Appendix VII-a: | | | |
| Multi-FMU Certificate: List of new FMUs added to the certificate scope: | | | |
| FMU Name/Description | Area ha | Forest Type | Location Latitude/Longitude |
| | | | |

2. FME Information

| | |
|--|-------------------|
| <input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank) | |
| Forest zone | |
| Certified Area under Forest Type | |
| - Natural | hectares |
| - Plantation | hectares |
| Stream sides and water bodies | Linear Kilometers |

4. Forest Area Classification

| | |
|--|----------|
| <input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank) | |
| Total certified area | hectares |
| Total forest area in scope of certificate | hectares |
| Ownership Tenure | |
| Management tenure: | |
| Forest area that is: | |
| Privately managed | hectares |
| State/Public managed | hectares |
| Community managed | hectares |
| Area of production forests (areas where timber may be harvested) | hectares |
| Area without <u>any</u> harvesting or management activities: strict forest reserves | hectares |

5. High Conservation Values identified via formal HCV assessment by the FME and respective areas

| | | | |
|---|---|-----------------------|--------|
| <input type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank) | | | |
| Code | HCV TYPES ¹ | Description: | Area |
| HCV1 | Forest areas containing globally, regionally or | Refugia forest stands | 485 ha |

¹ The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.

| | | | |
|--|---|---|------------------|
| | nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia). | containing Type 1 and Type 2 old growth redwood and Douglas-fir not included in HCV2 | |
| HCV2 | Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance. | Larger scale refugia redwood forests containing Type 1 and Type 2 old growth along with second growth preserved in marbled murrelet conservation areas (MMCA's) | 2636 ha |
| HCV3 | Forest areas that are in or contain rare, threatened or endangered ecosystems. | | 0 ha |
| HCV4 | Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control). | Riparian Management Zones (RMZs) | 14500 ha |
| HCV5 | Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health). | | 0 ha |
| HCV6 | Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities). | | 0 ha |
| TOTAL HCVF AREA | | | 17,621 ha |
| Number of sites significant to indigenous people and communities | | | 0 |

| | | |
|--|------------|----------|
| 3. Workers | | |
| Number of workers including employees, part-time and seasonal workers: | | |
| Total number of workers | 82 workers | |
| - Of total workers listed above | 73 Male | 9 Female |
| Number of serious accidents | 0 | |
| Number of fatalities | 0 | |

| | | |
|---|--|-----------------------|
| 6. Pesticide Use | | |
| <input type="checkbox"/> FME does not use pesticides. (delete rows below) | | |
| FME has a valid FSC derogation for use of a highly hazardous pesticide | <input type="checkbox"/> YES <input type="checkbox"/> NO | |
| FSC highly hazardous pesticides used in last calendar year | | |
| Name | Quantity | # of Hectares Treated |
| | | ha |
| | | ha |
| Non FSC highly hazardous pesticides used in last calendar year | | |
| Name | Quantity | # of Hectares Treated |
| Name – Active Ingredient (Brand) | Quantity | # of Hectares Treated |
| Triclopyr (Element 4) | 59.0 | 29.1 |

APPENDIX II: List of visited sites (confidential)

| FMU or other Location | Compartment/ Area | Site description / Audit Focus and Rationale for selection |
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| Moss Elk Timber Harvest Plan (THP) | Unit#1/80 acres | Redwood forested area consisting of 4 units. Amended previous landowner's THP. Group selection cut harvested in 2011. Skid trails were covered with slash to reduce erosion. A large buffer was left along an adjacent property line. Water bars using unmarketable logs. |
| Elk River | Less than 2 acres | Viewed the Boy Scout Camp which is a leased area on HRC. Buildings were in good condition and the grounds were cared for as requested by the terms of the lease. |
| North Fork Elk River | Culvert Replacements /Route #16 | Viewed area where water was leaking into older culverts. Passed 4 jobs; specifically discussed Lake Creek where small logs were used for slope stability along with straw, and slope was graded to form. |
| Top Lake THP | Unit#1/150 acres | Cut in September 2010 from 300 ft2 of basal area down to 150 ft2. Redwood forest with Douglas Fir component. Close to 30% crown cover left. Site will be assessed for release of understory tree species. |
| Hole THP | Unit#1/550 acres | Viewed the Hole in the Headwaters area which is about 1,000 acres and contains the South Fork Elk River. Remainder consists of some old growth and patch clearcuts. The THP within this area is written but has not been submitted. Contains mostly a second growth forest previously cut 50 years ago. Concerns here involve the geology (i.e., the slopes) and the need for buffers on drainages. |
| Bear Creek Watershed | Bear Creek | Bear Creek water quality and aquatic habitat has been restored naturally over time and contains Coho and steelhead salmon. It is still considered an impaired watershed. FME has a stream monitoring station on the bridge (1 of 5 stations on the Creek) and regularly checks for stream flows, turbidity, and sediments. Riparian zone is at least 100' per side. |
| Oso Motley THP | Unit #4/100 acres | Panoramic view of the confluence of Beer Creek, East Fork Bear Creek, and South Branch Bear Creek. Hillside selection harvest leaving old growth. Prior owner had planned shelterwood silviculture to take the old growth (OG); however HRC amended THP to single tree selection, leaving OG. Cut to 140 ft2 of basal area. Viewed a 1996-1997 slide area. Old Growth Type 2 in Units #2 and #3 will not be harvested because understory is too young/small. |
| Pitchfork THP | Units 1-3 overlook/40 acres | Over to the left in the view shed from Oso Motley THP. Has not been harvested because it is OG Type 2 retention; understory timber too young/small to harvest. |
| Casa Rojas THP | Unit#4/145 acres | Crossed over the Dyerville summer bridge and discussed issues related to the insertion and removal of the bridge each year. Cable yarding of a dense |

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| | | hardwood stand. Also, some tractor logging. Natural prairie to be kept as such. Treated with a frill herbicide technique in spring 2011 to remove smaller hardwoods (e.g., tanoak). Logger interview. Viewed yarding area. |
| Bearly Green THP | Unit #1/38 acres | An older approved THP, amended by FME. Greenlaw drainage within the site, leaving 4 acres. A variable retention harvest of 18 acres cut to 40 ft ² occurring three months ago. To be planted during the winter. Trying to promote Douglas Fir. Spotted owl habitat retention area below of 72 acres; about 8 acres are within the THP unit. Attempt to put this site on the same movement regime (i.e., uneven-aged management) as the other two units within the THP which were selection cuts. |

APPENDIX III: List of stakeholders consulted (confidential)

List of FME Staff Consulted

| Name | Title | Contact | Type of Participation |
|------------------|----------------------------------|--|--|
| Bristol, Diane | Office Administrator | dbristol@hrcllc.com | On-site interview |
| Butcher, Jason | Database Analyst/GIS Manager | 707-764-4323 jbutcher@hrcllc.com | Opening meeting |
| Chinici, Sal | Forest Sciences Manager | schinnici@hrcllc.com | On-site interview, closing meeting |
| Fisher, Tamba S. | Environmental Engineer | P.O. Box 37 Scotia, CA 95565 707-764-4268 707-496-4065 tfisher@hrcllc.com | On-site interview |
| Hawk, Benjamin | Area Forester, Central District | bhawk@hrcllc.com | Opening meeting, on-site interview, closing meeting |
| Jani, Mike | President, Chief Forester | mjani@mendoco.com | Opening meeting, e-mail contacts, on-site interview, closing meeting |
| Johnson, Eric | Forest Inventory Manager | ejohnson@hrcllc.com | Opening meeting, on-site interview |
| Mertz, Bob | Chief Executive Officer | 1360 19th Hole Drive Suite 200 Windsor, CA 95492 707-620-2974 bmertz@mendoco.com | Opening meeting |
| Miles, Mike | Area Forester, South District | mmiles@hrcllc.com | Opening meeting, on-site interview, closing meeting |
| Monson, Josh | CPA | 125 Main Street P.O. Box 712 Scotia, CA 95565 707-764-4205 jmonson@hrcllc.com | On-site contact |
| Nordstrom, Tagg | Geologist, Road Supervisor | tnordstrom@hrcllc.com | Opening meeting, on-site interview |
| Owsley, Russ | Safety Supervisor | rowsley@hrcllc.com | On-site interview |
| Renner, Maralyn | Stewardship Manager/ Botanist | mrenner@hrcllc.com | Opening meeting, e-mail contacts, on-site interview, closing meeting |
| Schultz, Tom | Forest Operations Manager | tschultz@hrcllc.com | Opening meeting, on-site interview, closing meeting |

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| Sneed, John | Lead Land Security Officer, Asset Manager | jsneed@hrcllc.com | Opening meeting, on-site interview |
| Sullivan, Kate | Manager, Physical Sciences | ksullivan@hrcllc.com | Opening meeting, on-site interview, closing meeting |
| Whitehead, Tony | Forest Technician | twhitehead@hrcllc.com | On-site interview |
| Woessner, Jon | Area Forester, North District | jwoessner@hrcllc.com | Opening meeting, on-site interview, closing meeting |

List of other Stakeholders Consulted

| Name | Organization | Contact | Type of Participation |
|--------------------------|--|--|---|
| Allan, Don | Humboldt North Coast Regional Land Trust | P.O. Box 1233 Trinidad, CA 95570 707-677-0716 707-269-2063 don@nrsrcaa.org | Telephone interview |
| Bolton, Lisa | Trout Unlimited | P.O. Box 196 Ft Bragg, CA 95437 707-962-0115 707-367-4505 707-964-8694 lbolton@tu.org | Telephone interview |
| Chambers, Donna | Humboldt County Resources Conservation District | UC Agricultural Extension Office 5630 South Broadway, Eureka, CA 95503 707-444-9708, ext. 117 donna@rcrd@yahoo.com | Telephone interview |
| Clough, Deanne and Scott | Lumber purchaser, Clough Construction, Observer | 117 Mitchell Boulevard, Suite A San Rafael, CA 94903 415-444-5554 believe@eyemagine.com | Telephone interview, on-site contact, closing meeting |
| Delair, Linda | Sustainable Business Consultant, Observer | idea@lindadelair.com 415-448-7352 | On-site contact, closing meeting |
| Kraus, Ralph and None | Neighboring Forest Landowners, Elk River Watershed | 2479 Wrigley Road Eureka, CA 95503 707-443-1469 | Meeting of stakeholders |
| LeFever, David | Forest Ecologist, BLM Headwaters | 1695 Heindon Road Arcata, CA 95521 707-825-2314 | Telephone interview |

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| Marshall, Gerald | California Geographical Society, Reviewer | 2120 Campton Rd, Ste. D, Eureka, CA 95503 707.441.5748 707-441-5742 gerald.marshall@conservation.ca.gov | Telephone interview |
| Pasteris, Norman | Neighboring Forest Landowner, Elk River Watershed | 2492 Wrigley Road Eureka, CA 95503 | Meeting of stakeholders |
| Vogel, Mike | Forester, Barnum Timber, Neighboring Forest Landowner | 707-442-1761 | Telephone interview, e-mail contact |
| Weaver, Bill | Pacific Watershed Associates | 1652 Holly McKinleyville, CA 95518 707-839-5130 billw@pacificwatershed.com | Telephone interview |
| Webb, Roger | Webb Logging | | On-site interview |
| Wrigley, Kristi | Adjoining Landowner, Elk River Watershed | 707-443-1496 kwrigley@hughes.net | E-mail contacts, meeting of stakeholders |
| Ziemer, Katherine | Farm Bureau, Humboldt County Resident | 5601 So., Broadway, Eureka CA 95503 707-443-4844 | Telephone interview |

APPENDIX IV: Forest management standard conformance (confidential)

This Appendix outlines the identified gaps, or new requirements of the FSC-US National Standard V1.0 as compared to the FSC Pacific Coast Regional Standard (v9.0). This Appendix is to be used with the Pacific Coast Regional Standard Crosswalk 2011-01-18, V2.4, which provides a crosswalk between the current FSC-US Forest Management (FM) Standard (V1.0, July 8, 2010). Findings of conformance or nonconformance at the indicator level for the identified gaps will be documented in the following table with a reference to an applicable NCRs or OBS. The nonconformances and NCRs are also summarized in a NCR table in Section 2.4. All non-conformances identified are described on the indicator level for the identified gaps.

Gap Analysis: FSC Pacific Coast Standard Regional (v9.0)

| FSC-US FM Std. Indicators | Conformance Yes/No | Findings for Identified Gaps | CAR OBS # |
|---------------------------|--------------------|--|------------------|
| Principle 1 | | | |
| 1.1.a | No | <p>During the course of the audit, two violations were revealed by the FME in the course of conversation with the auditors concerning violations on the part of the FME. One involved the Dyersville Bridge on the Eel River which not pulled out, as required, by October 15, 2010. In addition, the State Water Resources Quality Control Board permit for the use of the bridge had expired and was not renewed in time. Second, there was the detection of some violations related to the FME's Habitat Conservation Plan (HCP) during the course of the periodic monitored performed by the state. This related to sediments on road dips.</p> <p>During the closing meeting, the FME was asked if there were other violations since the last audit. It was revealed that there were two. One concerned the use of a haul road, not initially outlined in an original THP, as a road the FME would be using but eventually did. The other concerned a California Department of Forestry (CDF) noting of a 1600 permit violation that related to the digging of a ditch deeper into the ground, in conjunction with an adjacent landowner to realign culvert flows between ownerships. A CDF inspector found that this work had resulted in a violation concerning the pooling of water during rainfall on a public road.</p> <p>In light of these discoveries, the auditors reminded the FME that violations, outstanding complaints or investigations need to be provided to the Certifying Body (CB) during the annual audit, and preferably at the start of the audit. See NCR 01/11.</p> | NCR 01/11 |
| 1.1.b | Yes | <p>During the field audit it was discovered that the Dyersville Bridge on the Eel River was not pulled out, as required, by October 15, 2010. In addition, the State Water Resources Quality Control Board permit for the use of the bridge had expired and was not renewed in time. This was viewed by the auditors as a failure to communicate within the FME, and it was a lapse in judgment on the part of the employees involved. See OBS 01/11.</p> | OBS 01/11 |
| 1.2.a | Yes | The FME has records of payments for fees, taxes, and other charges | |

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| | | in their accounting database. An Office Administrator provided the auditors with timely, sample payments. Provided were payments associated with the Timber Harvesting Plan Filing Fee Form, Stream Alterations under the California Department of Fish and Game, and an Erosion Control Plan submitted to the California Water Quality Control Board. Also provided was evidence of property taxes paid to Humboldt County and yield taxes paid to the California State Board of equalization. | |
| 1.6.b | NA | The FME is certifying its entire FMU; therefore, it does not have to document reasons for seeking partial certification. The FMU is a contiguous property; therefore it does have to document the location of other forest units, nor does it have to describe natural resources found on the FMU excluded from certification and management activities for excluded holdings. | |
| 1.6.c. | Yes | | |
| Principle 2 | | | |
| 2.3 | Yes | There have been no disputes or claims regarding tenure or use rights over the past year. Generally, HRC top managers demonstrate a willingness to meet with any and all stakeholders for the purpose of addressing and diffusing issues, informally | |
| Principle 3 | | | |
| 3.2.b | Yes | The FME recognizes sites on the landscape with special attributes that deserve protection. The FME's HCP is considered part of the FMP and describes how it identifies, inventories, and protects non-economic natural resources, and this process overlaps with resource protections achieved by applying these management policies and activities to protect "Sites of Significance." Many of these sites are related to the past presence of Indigenous Peoples. These include Native American archaeological sites, pioneer homestead sites, and other historical structures (pre-1950). Also each timber Harvest Plan (THP) contains an addendum for archaeological resources. Interviews with employees and stakeholders confirm that appropriate protections, as stated in the FMP, are being realized in practice in the forest. | |
| Principle 4 | | | |
| 4.2.b | Yes | In interviews with the Forest Operations Manager, a Forest Technician overseeing chemical applications, and a contractor, it was determined that a safe environment has been achieved on the landbase. Contracts or other written agreements included safety requirements. These were found in the Logging Contract given to the auditors by the Forest Operations Manager, and the Independent Contractor Agreement used for various forest operations (e.g., chemical applications), and also provided to the auditors by the Forest Technician. The logging contractor interviewed was using all necessary safety equipment on-site and had other items with him that could be used if needed (e.g., a first aid kit, fire extinguisher). The FME's Stewardship Manager provided the auditors with a guidebook titled "Environmental, Health and Safety Practices for Contractors" which is provided to every contractor doing work in the forest. Contractors also have to review and fill out the "Contractor Environmental Health & Safety Checklist, which has to be completed each year. It reviews all aspects of safety while working with the FME and requires the reading over of the "Environmental, Health and Safety Practices for Contractors." In addition, contractors also review | |

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| | | <p>each job, prior to its start, with the FME's staff to discuss, beyond forest operations, any relevant safety issues.</p> <p>In an interview with the Safety Supervisor, it was demonstrated that training on safety issues has taken place since the last audit. There is safety meetings used to talk about safety issues in the workplace. Documentation was given to the auditors on the "MINE-SAFETY MEETING REPORT" which documents training. One example included road construction, a safety overview, and environmental spill responsibilities. The Safety Supervisor gave the safety training presentation. A list of the 2011 training subjects for the "All Hands" monthly meetings included Defensive Driving-Off-Highway Driving; STOP Implementation-Summer Safety; and Slips, Trips, and Falls to name a few. Several of the "All Hands" meetings are initiated with information received from employees on the "Hazard and Near Miss Report Form" that are given to the Safety Supervisor by the employees when they see any near misses in the forest. Meetings for the road crew take place weekly. Since the last audit, there have been no loss time work hours for the FME's forest workers.</p> | |
| 4.4.a | No | <p>The FME is aware of the social impacts of their management activities and attempts to address them in a number of ways by incorporating this understanding into their management planning and operations. For example, the FME's THPs contain cumulative effects analyses, archaeological review, and provisions for aesthetics. Watershed Analysis, required by their HCP, determines cumulative effects of forest activities that cover water quality and quantity. The FME also collects summaries of responses from public meetings and undertakes interviews with stakeholders (e.g., Mattole Watershed Council, Sanctuary Forest). An area forester also worked with stakeholders to develop special harvest prescriptions in the Hole in the Headwaters THP in Elk River. Over the years the FME has been in touch with the Bear River Tribe Archaeologist to protect sensitive archaeological sites. Beyond the above cited examples the FME also considers community goals for forest and natural resource use and protection such as employment, and recreation (e.g., permitted black bear hunting to reduce tree damage). Also, throughout the FMP and associated documents there are numerous references to community economic opportunities and employment. In addition, the FME has ownership ties to several mills in the region. While some aspects of assessing social impacts are resolved in management actions, some aspects of the social setting are addressed better than others. Specifically, in the Elk and Freshwater Watersheds the presence of sediments and flooding continue and stakeholders are repeatedly complaining about this situation. It was the view of the auditors that, despite actions taken to properly manage the nearby forests and the watershed and to reduce erosion, further actions need to be taken by the FME to resolve this issue. See OBS 02/11.</p> <p>The CB was provided with the FMP's latest FMP which contained a summary of the social impact assessment process, concentrating on community and archaeological, cultural, and historical sites. However, it was the opinion of the auditors that some activities the FME is known to engage in were not mentioned in this summary, and a more detailed analysis of how social impact information is thereby incorporated back into forest management planning and operations. While an annual social monitoring report that summarizes the public</p> | <p>NCR 02/11 OBS 02/11</p> |

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| | | inputs for the year will be made available on the FME's web site (hrcllc.com) starting 2011 year end and material changes to management policies developed from public inputs will be placed on the web site (www.hrcllc.com/Key Policies) and incorporated into future revisions of the FMP, both actions, while planned, are not implemented. See NCR 02/11. | |
| 4.4.d Public forest only | NA | FME is a privately owned forest. | |
| Principle 5 | | | |
| 5.5.a | Yes | <p>As outlined in its FMP and viewed in the field, the FME identifies and defines those measures undertaken for maintaining and enhancing ecosystem services that are in line with public values and protection and conservation of natural resources. Care is taken in forest operations to protect watercourses and roads. In many cases, old culverts are being replaced or eliminated, roads are being maintained or decommissioned, and California Forest Practices Act regulations are being followed to protect stream, rivers, and watersheds in general.</p> <p>By eliminating clearcutting and growing far more wood than is being cut, the FME is well aware of the benefits tied to this approach. This includes issues related to wildlife habitat, protections for rare, threatened, and endangered (RT&E) species, promotion of carbon storage and sequestration, and recreation. Various recreational activities take place in the forest, once permits are issued by the FME. For example, bear hunting is allowed, in line with state regulations, are seen as a way to limit black bear damage to redwood trees.</p> | |
| 5.5.b | Yes | FME demonstrates implementation of measures listed in Indicator 5.5.a. For example, timber harvests along roads are laid out to either provide scenic views or decrease visibility into recent skid trails or openings to discourage unauthorized access. Skid roads are now heavily laden with woody debris to prevent erosion, soil compaction, and prevent unauthorized use of ATVs in the forest. While there has been a number of stream channel restoration projects; the FME looks at the impacts on erosion and evaluates stream sedimentation and water quality to gauge their effectiveness. During the filed site visits the FME discussed extensive work done to evaluate the Bear Creek, and the progress that has been made to restore the watercourse corridor, both in-stream and in the adjacent riparian areas. In cooperation with California Fish & Game, the FME protects wildlife resources, and adjusts forest activities such as hunting to maintain wildlife populations (e.g., for black bear hunting). The FME requires that a "2011 Hunting Survey" which was provided to the auditors and to be filled out by all hunters, whether the hunt is successful or not. This is returned to the FME's Forest Operations office, and failure to do so would result in hunting restrictions. | |
| 5.6.a | Yes | Clearly, harvest levels on the HRC forest estate are well below what could be sustained. | |
| 5.6.b | Yes | There is a well-formed and time-tested methodology for setting annual harvest levels and updating the sustained yield calculation. Data was presented to the auditors to illustrate that annual average harvest levels over all sustainability units far surpass the calculated sustained yield harvest levels. | |

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| | | The above claim is further supported by a determined effort on the part of the FME to complete an inventory of the entire land base within a three year period (2010-2013). This project is about 50% completed. The inventory manual and cruise sheets used to collect data were provided to the auditor by the Forest Inventory Manager. The process for developing summarized inventory data for all sustainability units as well as how projections for growth and yield are being made was described to the auditors by the Forest Inventory Manager. | |
| 5.6.c. | Yes | <p>The FME's FMP stated forest management objectives are to specifically:</p> <ul style="list-style-type: none"> • Bring an uneven-age stand structure back to its forest lands that had previously been managed by past ownerships as even-aged. • Restore tree species composition to pre-1850 conditions where stand composition has been altered. • Build up conifer stocking across the property (annual harvests will be less than annual growth until inventory goals are achieved). • Maintain sustainable log production over the long-term. <p>Through interviews with staff, field site observations, and information and documentation provided to the auditors (e.g., inventory data and analysis), it was the auditor's opinion that harvest methods are achieving desired conditions in the forest and maintaining forest health and quality.</p> | |
| Principle 6 | | | |
| 6.1.a. | Yes | <p>FME's personnel undertake an array of impact assessments prior to, and in association with, site disturbing activities on the FME, including:</p> <ul style="list-style-type: none"> • THPs • HCP and updates (e.g., focusing on a suite of listed RT&E species) • Landscape planning • Archeological surveys • Spotted owl and marbled murrelet surveys • Aquatic conservation planning (as part of the HCP) • Forest resource inventories • Sustained yield analyses (e.g., Option A) • Road inventories and condition surveys • Soil resources • Historic forest conditions on the FMU and their present impacts <p>Interviews and observations made during the 2011 surveillance audit indicate that the FME's personnel remain fundamentally committed to these impact assessment approaches.</p> | |
| 6.1.d. Public forests only | NA | FME is a privately owned forest. | |
| 6.2.c. Public forests only | NA | FME is a privately owned forest. | |
| 6.3. | Yes | HRC management practices are maintaining, enhancing and restoring habitat conditions suitable for well-distributed populations of animal species that are characteristic of the Coastal Redwood forest | |

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| | | <p>region. Both the HRC forest management plan as well as the HRC Habitat Conservation Plan articulate this fundamental approach to management.</p> <p>HRC policies are fully conformant with the old growth and legacy tree requirements found in the (new) FSC National Standard</p> <p>HRC policies are designed to maintain, enhance and restore under-represented successional stages (particularly, late succession) that would naturally occur in this forest region</p> <p>HRC does not practice clearcutting, so harvest sites have generous amounts of residual stand structure as well as down woody debris</p> | |
| 6.5 | Yes | <p>No change in observed practices from the 2010 surveillance audit</p> <p>HRC, operating within the regulatory context of the California Forest Practices Act, has an extensive array of written guidelines aimed at controlling erosion and landslides, minimizing forest damage during harvesting operations, assuring that road construction activities minimize unintended consequences, and protecting water resources, aquatic resources and riparian areas.</p> <p>The written guidelines are collectively functioning to effectively limit adverse impacts from forest management activities</p> | |
| 6.4.d. | NE | | |
| 6.6.b. | Yes | <p>FME's FMP (See p. 28) constitutes objective evidence that it has developed written strategies that justify use of chemical pesticides. The FME is not using chemicals prohibited by the FSC.</p> | |
| 6.6.d. | Yes | <p>In an interview with the Forest Technician, it was determined that the FME utilizes written prescriptions that identify hazards and environmental risks. This is initially reinforced with the "Independent Contractor Agreement" which is signed off on by the contractor prior to forest work. This agreement covers all legal and work-related aspects of the work to be performed such as insurance, licenses needed, damages to the resources, and many other items.</p> <p>The FMP also states the FME's policies on chemicals uses. These are very specific. For example, The FME restricts the use of herbicides within the Riparian Management Zones (RMZs) for Class I, II, and wet Class III watercourses. Also to ensure that no herbicides are delivered to watercourses, the FME voluntarily tests Class III watercourses downstream from herbicide applications, after sufficient rainfall triggers flows. The FME also employs 25-foot, no-spray buffers around sensitive botanical resources as agreed upon with the California Department of Fish and Game.</p> <p>The FME requires that all chemical applications in the forest have to be performed with a licensed chemical applicator within the crew.</p> | |
| 6.8.b. | Yes | No biological control agents are employed on the FME's forest estate. | |
| 6.8.c. | Yes | No biological control agents are employed on the FME's forest estate. | |
| 6.8.d. | Yes | No GMOs are used on the FME's forest estate. | |
| 6.9.a. | Yes | No exotic species are utilized on the FME's forest estate. | |
| 6.9.b. | Yes | No exotic species are utilized on the FME's forest estate. | |
| 6.9.c. | Yes | No exotic species are utilized on the FME's forest estate. | |
| 6.10.a. | Yes | Forest conversion to plantations or non-forest land uses is not | |

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| | | occurring on the FME's forest estate. | |
| 6.10.a. | Yes | Forest conversion to plantations or non-forest land uses is not occurring on the FME's forest estate. | |
| 6.10.a. | Yes | Forest conversion to plantations or non-forest land uses is not occurring on the FME's forest estate. | |
| Principle 7 | | | |
| 7.1.d. | Yes | FME's FMP and HCP both provide descriptions of the landscape within which its forest estate is located, and include descriptions on how to address landscape-scale habitat elements as described in Criterion 6.3. | |
| 7.1.f. | Yes | The compendium of planning documents constituting the HRC management plan is extensive and collectively covers the subject matters set forth in this Criterion. The Management Plan and HCP both provide descriptions of invasive species conditions, applicable management objectives, and how they will be controlled | |
| 7.1.j. | Yes | The compendium of planning documents constituting the HRC management plan is extensive and collectively covers the subject matters set forth in this Criterion | |
| 7.1.k. | Yes | The compendium of planning documents constituting the HRC management plan is extensive and collectively covers the subject matters set forth in this Criterion | |
| 7.1.r. | No | The CB (i.e., Both SW and SCS) was provided with the FME's latest FMP which contained a summary of the social impact assessment process, concentrating on community and archaeological, cultural, and historical sites. However, it was the opinion of the auditors that some stakeholder outreach activities the FME is known to engage in were not mentioned in this summary. See NCR 03/11. | NCR 03/11 |
| 7.4.b. Public forest only | NA | FME is a privately owned forest. | |
| Principle 8 | | | |
| 8.1.a. | Yes | To an exemplary level, frankly not equaled by other certified forestry operation in the Pacific Coast Region, the FME consistently implements regular, comprehensive, and replicable monitoring protocols on the forest estate. FME's FMP contains language throughout on its monitoring protocols, which includes plans for general monitoring and for specific items of interest (e.g., its road network, RT&E species, inventory, road network, regeneration, habitat conditions, erosion, aquatic resource conditions, invasive species). There was no evidence uncovered to believe that these protocols are not being regularly followed. For example, during the audit all requested monitoring data was provided. | |
| 8.2.a.1. | Yes | FME has an extensive inventory system which includes data by species, volumes, stocking, regeneration, stand and forest composition and structure, and timber quality. Inventory protocols and data collected (Sample Data Sheets provided) was presented to the auditors during the audit (See the "Field Inventory Procedures Manual") and through an interview with the Forest Inventory Manager. | |
| 8.2.a.2 | Yes | Forest resources are monitored for many aspects related to the natural resources base. Records are kept on all forest work and would include any significant, unanticipated removal or loss or increased vulnerabilities facing the forest. However, since the FME | |

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| | | assumed control of the ownership there have been no such significant events. | |
| 8.2.c. | Yes | <p>The FME collects monitoring data on RT&E species and their habitats, common and rare plant communities and their habitats, invasive species and areas protected, protected areas, and HCVFs. This monitoring was verified through by the auditors through an examination of operational procedures, monitoring activity report, data collected, and information and mapping in the FME's FMP, HCP, and THPs.</p> <p>Examples abound on the above. For RT&E species includes work on Marbled Murrelet with audio-visual and radar surveys and tracking of breeding populations and stand occupancy. The FME's Wildlife biologist explained these procedures to the auditors. During the year interns (e.g., from Humboldt State University) are used to assist in many of these efforts. Efforts are also directed to Northern spotted owls with night surveys to track site occupancy, daytime visits to determine nest success, and habitat investigations and modeling. Other species of concern are Pacific fishers and various species of amphibians and reptiles, and golden eagles and ospreys.</p> <p>FMP Section 6.12 Conservation Plan for Sensitive Plants describes work directed toward sensitive plant communities and invasive plants and animals were described on pp. 79-81. Discussions with the auditors described data being collected to monitoring invasives and proposed actions to be taken. For example, with the extensive data collected on the Northern spotted owl the FME can determine threats to this owl from the barred owl. The FME is considering obtaining take permits should the barred owl usurp the Northern spotted owl much as it has in Oregon and Washington.</p> <p>Protected area and HCVFs monitoring procedures are detailed in the FMP. Reports and mapping of protected areas (e.g., RMZs) and HCVFs were available to the auditors. Some of these sites were observed in the field The FMP section on "Forest Complexity and Diversity" covers much of these monitoring efforts in this regard (pp. 43.59).</p> | |
| Principle 9 | | | |
| 9.1.c. | Yes | FME's FMP (See pp. 47-52) and various maps and other associated documents provided a more than adequate summary of HCVF assessment results and management strategies. As the FMP is made publically available, so is the core of this assessment and subsequent results. | |
| 9.4.a | Yes | FME personnel maintain an active and ongoing awareness of high conservation values on the forest estate and, largely through informal means, monitor the effectiveness of measures employed to maintain and enhance these high conservation values. | |
| 9.4.b. | Yes | FME is committed to re-evaluating measures taken to maintain or enhance HCVF attributes, and adjust management measures, in an effort to reverse any trends to this effect. This commitment was confirmed to the auditors by a review of FME policies, their legal requirements, and through staff interviews on that could be implemented should any risk occur to any HCVF attributes. | |
| Principle 10 | | | |
| General | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management | |

| | | | |
|---------|----|---|--|
| | | and only with native species of known provenance. | |
| 10.2.d. | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management and only with native species of known provenance. | |
| 10.3.a. | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management and only with native species of known provenance. | |
| 10.5.b. | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management and only with native species of known provenance. As a result, there are no plantations areas that are targeted for restoration. | |
| 10.5.c. | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management and only with native species of known provenance. As a result, there are no plantations areas that are targeted for restoration. | |
| 10.6.d. | NA | FME does not apply fertilizer to the FMU. | |
| 10.9.b. | NA | Per FSC definition, HRC does not practice plantation-based management. HRC practices exclusively uneven-aged management and only with native species of known provenance. As a result, there are no areas converted to plantations after 1994 that are in need of restoration to natural forests. | |

Pesticide Derogation Conformance: Not applicable.

APPENDIX V: Chain-of-Custody Conformance (confidential)

Note: This CoC Appendix is used for FMEs only selling standing timber, stumpage, logs and/or chips produced within a FMU covered by the scope of the certificate. FME certificate scopes that include primary or secondary processing facilities shall include an evaluation against the full FSC CoC standard: FSC-STD-40-004 V2. Refer to that separate report Appendix.

Definition of Forest Gate: (check all that apply)

| | |
|-------------------------------------|---|
| <input type="checkbox"/> | Standing Tree/Stump: FME sells standing timber via stumpage sales. |
| <input type="checkbox"/> | The Log Landing: FME sells wood from the landing/yarding area. |
| <input type="checkbox"/> | On-site Concentration Yard: Transfer of ownership occurs at a concentration yard under the control of the FME. |
| <input checked="" type="checkbox"/> | Off-site Mill/Log Yard: Transfer of ownership occurs when offloaded at purchaser's facility. |
| <input type="checkbox"/> | Other: <i>explanation</i> |
| Comments: None | |

Scope Definition of CoC Certificate:

| | |
|--|---|
| Does the FME further process material before transfer at forest gate? <i>(If yes then processing must be evaluated to full CoC checklist for CoC standard FSC-STD-40-004 v2.)</i> | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Note: This does not apply to on-site production of chips/biomass from wood harvested from the evaluated forest area. | |
| Comments: FME does not process wood prior to delivery at the forest gate. | |
| Is the FME a large scale operation (>10,000 hectares) or a Group Certificate? <i>(If yes then CoC procedures for all relevant CoC criteria shall be documented.)</i> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Comments: FME is considered a large scale operation totaling almost 85,000 ha. | |
| Does non-FSC certified material enter the scope of this certificate prior to the forest gate, resulting in a risk of contamination with wood from the evaluated forest area (e.g. FME owns/manages both FSC certified and non-FSC certified FMUs)? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Comments: All wood is FSC-certified wood. If non-certified wood was purchased, it would not be combined with FSC-certified wood prior to delivery at the forest gate. | |
| Does FME outsource handling or processing of FSC certified material to subcontractors (i.e. milling or concentration yards) prior to transfer of ownership at the forest gate? <i>(If yes a finding is required for criterion CoC 7 below.)</i> | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Comments: FME will not outsource handling or processing of FSC-certified material to subcontractors prior to delivery at the forest gate. | |
| Does FME purchase certified wood from other FSC certificate holders and plan to sell that material as FSC certified? <i>(If yes then a separate CoC certificate is required that includes a full evaluation of the operation against FSC-STD-40-004 v2.)</i> | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |
| Comments: FME does not intend to purchase FSC-certified wood from other FSC certificate holders and sell that material as FSC-certified prior to delivery at the forest gate. | |
| Does FME use FSC and/or Rainforest Alliance trademarks for promotion or product labeling? <i>(If FME does not nor has no plans to use FSC/RA trademarks delete trademark criteria checklist below.)</i> | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Comments: FME uses FSC trademarks on its trip tickets and for promotional purposes. The Rainforest Alliance trademark is not used for promotion or product labeling. | |

Annual Sales Information

| | |
|--|---------------|
| Total Sales/ Turnover | 31616886 US\$ |
| Volume of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year) | 123,621.9 m3 |

| | |
|---|---------------|
| Value of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year) | 31616886 US\$ |
|---|---------------|

Chain-of-Custody Criteria [FM-35 SmartWood Chain-of-Custody Standard for Forest Management Enterprises (FMEs)]

| | |
|---|---|
| 1. Quality Management | |
| COC 1.1: FME shall define the personnel/position(s) responsible for implementing the CoC control system. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Findings: FME's DCS, updated to July 1, 2010 and titled "HRC-FO-OP-001 Rev2" states that its Forest Operations Manager is responsible for implementing the CoC control system. | |
| COC 1.2: All relevant staff shall demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Findings: FME's staff and contractors involved in the FSC CoC implementation are familiar with procedures used once FSC-certified wood is being delivered. This was confirmed through staff and contractor interviews. Documented training in CoC procedures promote awareness and ensures that FSC COC procedures among the staff and contractors are in compliance. For current/on-going Licensed Timber Operator (LTO) training, the FME has requested that CoC training be included in the pre-operations meeting for every LTO. At that meeting there is a sign-off sheet for all items discussed (e.g., covering CoC specifics, spill cleanup, safety). FME also ensured that 2011 training included staff assigned to LTO administration and provided the auditors copies of their training logs. | |
| CoC 1.3: FME procedures/work instructions shall provide effective control of FSC certified forest products from standing timber until ownership is transferred at the forest gate. <i>Note: For large scale operations (>10,000ha) and Group Managers, CoC procedures covering all relevant CoC criteria shall be documented.</i> Including: a) Procedures for physical segregation and identification of FSC certified from non-FSC certified material. (If applicable) b) Procedures to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. (If applicable) c) Procedures to include FME FSC certificate registration code and FSC claim (FSC Pure) on all sales and shipping documentation for sales of FSC certified products. d) Recordkeeping procedures to ensure that all applicable records related to the production and sales of FSC certified products (e.g. harvest summaries, sales summaries, invoices, bills of lading) are maintained for a minimum of 5 years. e) Procedures to ensure compliance with all applicable FSC/Rainforest Alliance/SmartWood trademark use requirements. | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> |
| Findings: FME's DCS provides effective control of FSC-certified forest products from standing timber to delivery at its forest gate. This includes documentation of the following: a) Not applicable. b) Not applicable. c) FME's DCS does have procedures to include the FME's FSC certificate registration code and FSC claim (FSC Pure) on all sales, shipping, and all other documentation for sales of FSC-certified products. d) FME's DCS states that it will implement recordkeeping procedures to ensure that all applicable records related to the production and delivery of FSC-certified products (e.g., harvest summaries, delivery summaries, shipping documentation) are maintained for a minimum of five (5) years. e) FME does not intend to use product labeling prior to delivery at the forest gate. FME does intend to use FSC trademarks for promotional purposes. FME's DCS includes procedures for use of FSC and/or Rainforest Alliance trademarks for promotion. See also FSC trademark use approval procedures of May 1, 2010 outlined in "HRC-CORP-002 Rev1". | |

| 2. Certified Material Handling and Segregation | |
|--|---|
| <p>CoC 2.1: FME shall have a CoC control system in place to prevent the mixing of non-FSC certified materials with FSC certified forest products from the evaluated forest area, including:</p> <p>a) Physical segregation and identification of FSC certified from non-FSC certified material.</p> <p>b) A system to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation.</p> <p>Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> |
| Findings: No outside wood is handled by the FME within the certificate's scope. | |
| <p>CoC 2.2: FME shall identify the sales system(s) or "Forest Gate", for each FSC certified product covered by the Chain of Custody system: i.e. standing stock; sale from log yard in the forest; sale at the buyer's gate; sale from a log concentration yard, etc.</p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> |
| Findings: FME identifies the forest gate for all FSC-certified products (i.e., mill's FSC-certified log deck). | |
| <p>CoC 2.3: FME shall have a system that ensures that FME products are reliably identified as FSC certified (e.g. through documentation or marking system) at the forest gate.</p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> |
| Findings: FME provided the team with its 4-part Log Receipt forms (i.e., trip tickets) that will be used to identify as FSC-certified wood delivered to the forest gate. These are labeled as the Scalers Copy, Loggers Copy, Other, and Remains in Book. | |
| <p>CoC 2.4: FME shall ensure that certified material is not mixed with non-FSC certified material at any stage, up to and including the sale of the material.</p> <p>Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> |
| Findings: No outside wood is handled by the FME within the scope of its certificate. | |
| 3. Certified Sales and Recordkeeping | |
| <p>CoC 3.1: For material sold with FSC claim the FME shall include the following information on sales and shipping documentation:</p> <p>a) FME FSC certificate registration code, and</p> <p>b) FSC certified claim: FSC Pure</p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> |
| Findings: FME's FSC certificate registration code and FSC claim (i.e., FSC Pure) is included on the 4-ply Log Receipt forms and/or other documentation used for FSC-certified products. | |
| <p>CoC 3.2: FME shall maintain certification production and sales related documents (e.g. harvest summaries, invoices, bills of lading) for a minimum of 5 years. Documents shall be kept in a central location and/or are easily available for inspection during audits.</p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> |
| Findings: FME's DCS states that it will maintain certification production and sales related documents (e.g., harvest summaries, delivery summaries, shipping documentation) for a minimum of five (5) years. It also states that all recordkeeping will be kept in a central location, and made available for auditing purposes. This was confirmed by the Forest Operations Manager. | |
| <p>CoC 3.3: FME shall compile an annual report on FSC certified sales for SmartWood containing monthly sales in terms of volume of each FSC certified product sold to each customer.</p> | <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> |
| Findings: FME compiles an annual report on FSC-certified sales for SmartWood containing monthly sales in terms of volume of each FSC-certified product sold to each customer. This was provided to the auditors. | |
| 4. Outsourcing | |
| <p>CoC 4.1: FME control system shall ensure that CoC procedures are followed at subcontracted facilities for outsourcing and FME shall collect signed outsourcing agreements covering all applicable FSC outsourcing requirements per FSC--40-004 v-2.0 <i>FSC Standard for Chain of Custody</i> November 2007.</p> <p>Note 1: If FME outsources processing or handling of FSC certified material the outsourcing report appendix is required.</p> | <p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p> |

Note 2: Check N/A If FME does not outsource processing or handling of FSC material.

Findings: FME will not outsource handling or processing of FSC-certified material to subcontractors prior to delivery at the forest gate (See also HRC-FO-OP-001 Rev2; July 1, 2010).

5. FSC/Rainforest Alliance Trademark (TMK) Use Criteria

Check if section not applicable (FME does not, and does not plan to use the FSC or Rainforest Alliance trademarks)

Standard Requirement:

The following section summarizes the FME's compliance with FSC and Rainforest Alliance trademark requirements. Trademarks include the Forest Stewardship Council and Rainforest Alliance/SmartWood names, acronyms (FSC), logos, labels, and seals. This checklist is directly based on the FSC labeling standard (FSC-STD-40-201 *FSC on-product labeling requirements* (version 2.0) and FSC-TMK-50-201 V1-0 *FSC Requirements for the Promotional Use of the FSC Trademarks by FSC Certificate Holders*. References to the specific FSC document and requirement numbers are included in parenthesis at the end of each requirement. (Rainforest Alliance Certified Seal = RAC seal).

General

COC 5.1: FME shall have procedures in place that ensure all on-product and off product FSC/Rainforest Alliance trademark use follows the applicable policies:

Yes No

Findings: Prior to delivery at the forest gate, there will be no on-product trademark use. FME's DCS accounts for off-product labeling and trademark use procedures. See also FSC trademark use approval procedures of May 1, 2010 outlined in "HRC-CORP-002 Rev1".

COC 5.2: FME shall have procedures in place and demonstrate submission of all FSC/Rainforest Alliance/SmartWood claims to SmartWood for review and approval prior to use, including"

- a) On-product use of the FSC label/RAC seal;
- b) Promotional (off-product) claims that include the FSC trademarks ("Forest Stewardship Council", "FSC", checkmark tree logo) and/or the Rainforest Alliance/SmartWood trademarks (names and seal)(50-201,2.3).

Yes No

Findings: Prior to delivery at the forest gate, there will be no on-product trademark use. FME's DCS accounts for off-product labeling and trademark use procedures to include submission of all FSC/Rainforest Alliance/SmartWood claims to SmartWood for review and approval prior to use. See also FSC trademark use approval procedures of May 1, 2010 outlined in "HRC-CORP-002 Rev1".

COC 5.3: FME shall have procedures in place and demonstrates that all trademark review and approval correspondence with SmartWood is kept on file for a minimum of 5 years (40-201, 1.10; 50-201, 2.4):

Yes No

Findings: FME's DCs has procedures in place stating that all trademark review and approval correspondence with SmartWood is kept on file for a minimum of five (5) years. Evidence to this effect was shown to the auditors.

Off-product / Promotional

Check if section not applicable (FME does not, and does not plan to use the FSC trademarks off-product or in promotional pieces)

Note: promotional use items include advertisements, brochures, web pages, catalogues, press releases, tradeshow booths, stationary templates, corporate promotional items (e.g., t-shirts, cups, hats, and gifts).

When applicable to the FME's promotional/off-product use of the trademarks, the criteria below shall be met:

Yes No

Findings: FME's DCS states that all criteria below concerning its promotional/off-product use will be met. Currently, this consists of the use of the FSC trademark on the FME's web site, a Humboldt State University Career Fair poster, and the 4-ply Log Receipt forms.

COC 5.4: If the FSC trademarks are used for promotion of FMUs, FME shall limit promotion to FMUs covered by the scope of the certificate.

COC 5.5: In cases that the Rainforest Alliance trademarks are used (50-201, 13.1, 13.2):

- a) The FSC trademarks shall not be at a disadvantage (e.g., smaller size);
- b) The FSC checkmark tree logo shall be included when the RAC seal is in place.

COC 5.6: In cases that the FSC trademarks are used with the trademarks (logos, names, identifying marks) of other forestry verification schemes (SFI, PEFC, etc.), SmartWood approval shall be in place (50-201, 3.0).

COC 5.7: Use of the FSC trademarks in promotion of the FME's FSC certification shall not imply certain aspects are included which are outside the scope of the certificate (50-201, 1.6).

COC 5.8: Use of the FSC trademarks on stationery templates (including letterhead, business cards, envelopes, invoices, paper pads) shall be approved by SmartWood to ensure correct usage (50-201, 12.0).

COC 5.9: In cases that the FSC trademarks are used as part of a product name, domain name, and/or FME name, SmartWood approval shall be in place (50-201, 9.0, 10.0).

On-product

Check if section not applicable (FME does not, and does not plan to apply FSC labels on product)

APPENDIX VI: SmartWood Database Update Form

Instructions: For each FSC certificate, SmartWood is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit SW auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (<http://www.fsc-info.org>)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the SW office to update the FSC database.

Is the FSC database accurate and up-to-date? YES NO
 (if yes, leave section below blank)

Client Information (contact info for FSC website listings)

| | | | |
|--------------------------|--|------------------|--|
| Organization name | | | |
| Primary Contact | | Title | |
| Primary Address | | Telephone | |
| Address | | Fax | |
| Email | | Webpage | |

Forests

| | | | |
|------------------------------------|--|--|----------------------|
| Change to Group Certificate | <input type="checkbox"/> Yes <input type="checkbox"/> No | Change in # of parcels in group | total members |
| Total certified area | | Hectares (or) | Acres |

Species (note if item to be added or deleted)

| | | |
|------------------------|--------------------|-------------------|
| Scientific name | Common name | Add/Delete |
| | | |

Products

| | | |
|---------------------|--------------------|-------------------|
| Product type | Description | Add/Delete |
| | | |