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FM-06 – 01 March 2017



Forest Management
2017 Annual audit
Report for:

**Mendocino Redwood
Company**
In
Ukiah, California USA

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Standard Conversions
1 mbf = 4.8 m ³
1 mbf = 2 cords
1 cord = 2.4 m ³
1 cord = 0.5 mbf
1 gallon (US) = 3.78541 liters
1m ³ = 0.41 cords
1m ³ = 0.21 mbf
100 tons hardwood = 97 m ³
100 tons = 101 m ³
1 acre = 0.404687 hectares

1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Mendocino Redwood Company (MRC), hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (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 nonconformity reports.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All other appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at <http://info.fsc.org/>.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance 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 Rainforest Alliance 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:	
Issues identified as controversial or hard to evaluate.	

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

There have been no substantial changes in forest management approaches for MRC. There have been some shifts in responsibility with staff and some additions. There are no impacts to conformance with the standard due to these changes.

2.3 Excision of areas from the scope of certificate

Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. *(delete the rows below if not applicable)*

2.4. Stakeholder issues *(complaints/disputes raised by stakeholders since previous evaluation):*

FSC Principle	Stakeholder comment	Rainforest Alliance response
<p>P1: FSC Commitment and Legal Compliance</p>	<p>Rainforest Alliance received input from multiple stakeholders that alleges MRC is violating local ordinances:</p> <ul style="list-style-type: none"> - Measure V is an ordinance that <i>deems trees taller than five (5) meters, which have been intentionally killed and left standing for longer than ninety (90) days (except those that are left for the benefit of wildlife habitat) be considered a public nuisance and the party responsible shall be liable for any resulting damage (...)</i>. Measure V was approved by 62% of Mendocino County voters and became law on July 22nd, 2016. - Measure M is an ordinance voted in the fall of 2014, imposing a special tax on non-residential timber and range lands located within the Little Albion River Fire Protection District. The proponents' goal was to increase funding for fire protection, suppression and prevention in the District. 	<p>Based on document review and interviews, the status of Measure V and Measure M was evaluated.</p> <p>Measure V: Mendocino County officials have been unable to determine if the ordinance is applicable to timber harvesting in Mendocino County. Therefore, in February 2017, they submitted a request for an opinion to the California Attorney General's office. At the time of the audit, the County is still waiting for the opinion from the State Attorney General and has indicated that they will take no enforcement action until they receive this opinion.</p> <p>Measure M: MRC has been paying the taxes under protest but believes the tax does not apply to their commercial forestland which falls in the State Responsibility Area (SRA) where CAL FIRE has responsibility for fire protection, suppression, and prevention according to state law. With no other option to get this ordinance appealed, MRC filed a lawsuit. It is expected that the lawsuit will go in trial sometime in the spring of 2018.</p> <p>It is not the role of the auditors, the certification body or FSC system to determine if laws are applicable to the organization being audited. It is the responsibility of the regulatory agencies to determine if the ordinances apply to MRC and if they are complying with it, if found applicable. Since it has not yet been determined that Measure M and Measure V are applicable to MRC and there are currently no identified instances of noncompliance by the</p>

		county, MRC is found in conformance. In addition, MRC is paying the Measure M tax at this time. Auditors will re-evaluate these issues during the next audit.
	MRC is a very good company and does a better job than many other industrial operations in the region.	No responses required.
P2: Tenure & Use Rights & Responsibilities	Some rights holders were interviewed and all confirmed MRC staff is diligent in ensuring boundary lines and use rights are properly identified and concerns considered prior to harvesting.	No responses required.
P3: Indigenous Peoples' Rights	Multiple tribal representatives interviewed expressed appreciation for the cooperative relationship regarding the protection of cultural sites.	No responses required.
	One of the tribes interviewed felt the government led consultation processes were an artifice due to the existing context in California. The tribe considers rights were never relinquished, as no treaties were ever signed. Consequently, due to the land tenure (private), they can't properly respond to consultations because they "don't know what is out there". They need to be granted access, but access agreements are perceived to be additional administrative burden and difficult to develop within the given timeframes of the consultations.	FSC requirements related to Indigenous Peoples' rights refer to "legal rights" whereas American Indian groups do not have such rights established on private land in California. Within that context, the auditors were able to confirm however, the existence of multiple access agreements granted to various individuals and organizations, including local tribes (ex. day use permits to gather acorns, access to a cultural site) to facilitate access to resources and sites of significance to local tribes. The tribal representatives interviewed who were granted such access agreements considered these to be satisfactory. The applicable consultation processes were also reviewed and meet the requirements related to Criteria 3.2 and 3.3 (protection of tribal resources and sites of special significance through consultation). Some examples of access agreements being granted to facilitate follow-up of comments provided during consultations were also provided, further demonstrating MRC's openness and responsiveness to requests of this nature.
	Concerns were shared regarding the impacts of clearcutting on important resources (ex. fish and game populations, availability of acorns).	Due to past (prior to MRC's ownership) logging and insufficient reforestation, the composition of tan oak across the landscape has increased significantly, compared to historical conditions and thus MRC has been implementing restoration strategies which favor the regeneration of Redwoods and

		<p>Douglas fir in detriment to tan oak. While this can be understood as negatively affecting the amount of acorns available for gathering, interviews and field visits have shown that measures are implemented to ensure the potential / availability for acorn gathering activities remains throughout the landscape. It is to be noted MRC only treats conifer dominated stands. Oak woodland stands outside of the conifer timber types are not treated with herbicides. In addition, when areas are treated, MRC ensures there is a minimum of 15 sq-ft basal area/per acre of tan oak retained in addition to protected all true oaks greater than 18" dbh, thus ensuring the potential to gather acorns are not diminished in the landscape. MRC staff demonstrated willingness to indicate where such areas exist and facilitate acorn gathering activities by the granting of access when such requests are made. No evidence was found where MRC would have declined any such requests from Tribes.</p> <p>With regards to other resources such as fish and game populations, the management strategies are deemed appropriate in maintaining sufficient habitat for wildlife needs in general, and special measures are being implemented for species which would have more specific needs. These strategies are further detailed below under Principle 6 of this table.</p>
<p>P4: Community Relations & Workers' Rights</p>	<p>Some stakeholders claimed MRC does not act in good faith to resolve grievances. The following examples were provided:</p> <ul style="list-style-type: none"> - MRC lobbied against Measure V stating it would have significant effects on their operations and now that the Measure has passed, are looking for ways not to have to comply to it, while others have been complying. These actions are misleading and disrupting the social and political landscape of the County. - MRC filed a lawsuit against the County related to Measure M rather than using the resolution processes available. 	<p>The FSC-US standard includes specific requirements related to fairly resolving disputes: Criterion 2.3 - for disputes over tenure claims and use rights; Criterion 4.3 - for disputes with workers; and Criterion 4.5 - in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples. Given the issues referenced are not related with any of these requirements, these comments were considered out of scope of the FSC audit.</p>

	<p>Some stakeholders interviewed questioned MRC's long-term commitment towards the FSC principles, claiming they are not fulfilling their corporate engagements and promises they had made at the time the company purchased and certified the forest almost 20 years ago. To their point of view, in addition to failing to continue to research into alternatives to herbicide use (see comments under P6), MRC failed in maintaining the advisory committees that had been initially established to conform to FSC standards. MRC now refuses to meet groups of stakeholders whereas before it was common practice to meet with groups and arrange for pre-and post-harvest visits. To their understanding, this disengagement is due to the change in management that has happened in recent years.</p>	<p>Stakeholders are offered many ways to provide input and express concerns regarding MRC's activities. In addition to the state regulated 30 day Timber Harvest Plans (THP) consultation process, MRC maintains a website that provides a myriad of information on the companies' operations: long-term plans, monitoring results, postings of interest to community and stakeholder groups such as position letters on various subjects (ex. Letters to the Wildlife Conservation Board), and other informative documents on the companies' policies and activities. Stakeholders can provide comments by communicating directly with MRC staff, fill out a form provided on the website, or respond to notices MRC also send on a regular basis related to their on-the-ground activities. MRC has an open-door policy <i>"to take any interested people out on the land to review any concerns or observations they would like to share and review"</i>. Auditors observed many field visits were conducted with stakeholders during the course of 2016 and 2017, though MRC has recently chosen to limit the number of people they meet in the field for security reasons but also because in their experience, they feel engaging with smaller groups (2-3 individuals) is more effective and meaningful. MRC does however meet with larger groups by other means (ex. in 2016, MRC attended meetings such as the Noyo Watershed Alliance, Big River Watershed Council, Navarro Watershed Working group, etc.). It is to be noted maintaining advisory committees is one of the many means suggested under the guidance of Indicator 4.5.b however it is not an FSC requirement. MRC's activities fully meet Criteria 4.4 (consultation) and 4.5 (grievance resolution mechanisms).</p>
	<p>Some stakeholders shared their concerns related to the impacts of MRC's "hack and squirt" practices (application of herbicides) on the safety of local residents and firefighters due to the perceived increased fire and security hazard caused by the snags left after treatment.</p>	<p>This issue was extensively documented during the 2015 reassessment and auditors have found that the monitoring and mitigation measures planned to lessen the fire hazard risk continue to be implemented as initially described. Interviews with stakeholders confirmed MRC actively collaborates with CAL FIRE and many local fire departments</p>

		with regards to fire detection and mitigation of risks and suppression.
	Some stakeholders and tribal representatives communicated their concerns about the effects of the use of herbicides on the health of the public and on wildlife. Specific concerns were raised regarding the potential health risks of eating tan oak acorns or fish, as well as potential runoff into drinking water.	MRC uses herbicides to control brush and hardwood competition with conifer regeneration. Auditors reviewed MRC chemical use through interviews with personnel, direct observation of sites with herbicide use and review of documentation. MRC does not use any chemicals designated by the FSC as Highly Hazardous. The chemicals are applied according to the laws and regulations of the state of California including taking precautions to protect the health of forest workers and the public. Written prescriptions are prepared and site-specific precautions are taken to both address worker safety as well as to protect non-target species. MRC buffers all streams and conducts stream monitoring at the end of the harvest season to ensure herbicides are not entering the stream. There have only been 4 detections since 2015 (out of 24) in these monitoring samples. All levels were exponentially lower than clean water standards. Interviews with other organizations that collect water quality data, but in agricultural areas where the use of such herbicides is wide-spread, confirmed their results to be similar, i.e. no traces of pesticides were found. Evidence collected demonstrated that MRC's use of herbicides is in conformance with the FSC-US Standard. MRC demonstrated implementing additional precautionary measures when health issues remain of a concern, for example, in applying additional buffers to take into account concerns expressed by neighboring woodlot owners. Precisely disclosing locations of where stands were treated in addition to orienting activities in untreated areas when granting access for acorn gathering would also be good practice.
P5: Benefits from the Forest	Some stakeholders were concerned that MRC was leaving behind merchantable / marketable volumes in slash piles.	MRC has guidelines on merchantability in logging contracts. Auditor observations of harvest units demonstrated good log utilization. There were slash piles observed during the audit, but they did not contain merchantable material. MRC has a schedule to burn the slash piles when the conditions are present for them to

		do this safely. There is no non-conformance with the FSC-US Standard regarding this issue.
	A stakeholder questioned the legitimacy of the claims made by MRC in their proposed Habitat Conservation Plan (HCP) regarding the projected increase in stocking and production of redwoods in the long term.	MRC's HCP has undergone multiple public reviews since 2002. HCP is being developed in collaboration with experts from the US Fish and Wildlife Service and National Marine Fisheries Service. As part of it, a Natural Communities Conservation Plan is developed with the State Department of Fish and Game, and a Program Timberland Environmental Impact Report with the California Department of Forestry and Fire Protection. The latest draft of the HCP is from 2012. Considering the rigorous consultation process with the public and experts, and the fact that the HCP has not been finalized and it is not currently being implemented, there is no non-conformance with the FSC-US Standard regarding this issue.
P6: Environmental Impact	Stakeholders have expressed concern that MRC is developing larger Timber Harvest Plans and are concerned about the cumulative impacts this change may have on the ecological integrity of the landscape, i.e. at the scale of the watersheds.	Based on auditor review of individual Timber Harvest Plans (THPs), and interviews with MRC, some THPs include more acres than THPs written in the past. However, the total harvest volume has remained consistent and substantially below the state approved sustained harvest levels. It was found that growth exceeds harvest on the forest over a 10-year rolling average as required by the FSC-US standard. In addition, THP process includes cumulative impact evaluations. A larger THP may result in more robust cumulative impact assessment since a larger area is being evaluated versus smaller areas evaluated in isolation. MRC is purposefully implementing landscape level planning in order to plan and monitor for cumulative impacts across the landscape. The property is divided into Sustainability Units typically associated with watersheds. Harvest blocks within the watersheds area identified and activities planned to minimize impact on resources and designed to disperse activity across the watershed. This is all tracked and monitored in the GIS.
	Multiple stakeholders believed MRC is not truly looking for alternatives to reduce their amount of herbicide use.	Based on interviews and observations, MRC has tried at least 9-10 different alternative approaches to the use of

	<p>Some proposed local initiatives (ex. goat grazing) and requests for utilizing wood debris for other purposes have been declined.</p>	<p>herbicide on tanoak and continues to explore opportunities. This includes efforts to find markets for tanoak. For example, markets for tanoak firewood have been explored as well as a significant effort and resources invested in oak flooring mill. To date, all efforts have been shown to be cost prohibitive. MRC continues to look for alternatives, including the goat grazing project. MRC is evaluating the option of allowing stakeholder to experiment with goats on a small tract. MRC is also a member of the Hardwood Management Group organized by Jackson State Forest which has a goal to explore alternatives to chemical use. While MRC's efforts on alternatives are ongoing, the analysis of these non-chemical strategies are not documented in the written strategy as required in Indicator 6.6.b. (See NCR 01/17).</p>
	<p>Some stakeholders (as well as some tribal representatives – see comments under P3 above) shared concerns that MRC's road construction and maintenance activities are affecting fish habitat. Some watersheds are presently categorised as sediment and/or temperature impaired (due to past operations from previous owners) and some watershed groups do not detect signs of improvement. A few examples where roads presented risks of sedimentation were provided to the audit team. In their opinion, the contractors are not using the proper machinery to do the work.</p>	<p>A significant effort, as well as financial investment, has been made to decommission legacy roads impacting streams. Soil types and the susceptibility to mass wasting is assessed prior to initiating management activities and is Included in GIS layers). A geologist is contracted to assist in the assessment of soils and soil stability prior to conducting road construction or timber harvests.</p> <p>The transportation systems in all watersheds have been assessed and comprehensive restoration projects have been identified. MRC employs a hydrologist whose primary role is the implementation of the watershed assessments and restoration projects.</p> <p>Area foresters regularly monitor the condition of the forest-road system across the FMU. The forest-road monitoring system is part of the FME's ongoing watershed analysis, the results of which are shared publicly on its website.</p> <p>Based on auditors' observations at active logging operations and road work in multiple locations, MRC road construction and maintenance is found to be in conformance.</p>

	Some stakeholders expressed concerns that MRC's activities related to using and deviating water courses to water roads for dust prevention purposes was aggravating the current water shortage caused by the successive droughts the area has known in the past years. These concerns were related to the amount of water available for human consumption and also protection of fish habitat.	California Forest Practices require roads to be watered in dry conditions and these (1600 permits) are planned for in the THPs. This activity is regulated by the California Department of Fish and Wildlife (CA DFW). MRC does regular monitoring of stream flow to ensure they are not negatively impacting streams. If stream flow is too low, MRC will access water at a different stream onsite or bring water in from offsite. MRC is found to be in conformance.
P7: Management Plan	Some stakeholders shared concerns that the harvests executed by MRC are removing too much canopy and as a result, are promoting the renewal of tan oak rather than contributing to suppress it. In other words, MRC's practices would be triggering the continued use of herbicides rather than being successful at eventually phasing it out.	<p>MRC goal is to increase the stocking of redwood and Douglas-fir and, overtime, create multi-aged stands conducive to uneven-aged management. The harvest scheduling and silvicultural methods are designed to move the forest toward the desired future condition described in the management plan and identified in the approved THPs. Harvesting also needs to be economically feasible, which sometimes results in harvesting mature redwood. It is recognized that some stands will require multiple harvest entries before a multi-aged stand suitable to uneven-aged management is achieved.</p> <p>MRC has a robust monitoring system designed to detect deviations in planned outcomes. Monitoring includes post-harvest monitoring after sale is complete and 3-5 years after for planted sites to evaluate the success of the treatment as well as re-measurement of CFI plots and the current property wide re-inventory. The management plan is evaluated by forest resource professionals on staff and updated annually with any necessary revisions based on monitoring results.</p> <p>MRC has a goal to reduce herbicide use over time. The way MRC tracks and report herbicide use makes it difficult to evaluate progress on the goal to reduce chemical use as a long-term strategy (see NCR 01/17).</p>
P8: Monitoring & Assessment	One tribal representative expressed interest in participating in some of MRC's monitoring activities.	It is to be noted this specific interest had not yet been shared directly with MRC staff.
P9: Maintenance of	Some stakeholders questioned the	MRC is using their Spotted Owl

High Conservation Value Forest	legitimacy of the results of MRC's northern spotted owl (NSO) surveys. In their opinion, these surveys should be conducted by individuals independent of the company.	Resource Plan (SORP) to guide their NSO strategy. The SORP was developed and approved in consultation with the U.S. Fish and Wildlife Service (USFWS) in 2010. As such, the survey protocols and mitigation measures for rare, threatened and endangered (RTE) species are conducted according to the federal guidelines. Recently, USFWS provided input and expressed concerns that MRC's SORP does not incorporate the USFWS 2012 NSO survey protocols. Based on document review and interviews, there is a range of professional opinions regarding the effectiveness of the SORP between MRC staff and regulatory agencies (CAL FIRE, USFWS, and CA FWS). However, USFWS believes the SORP needs to be updated to follow the USFWS 2012 NSO survey protocol and MRC had indicated they are working with agencies to update the SORP (OBS 02/17). In the meantime, the current SORP and therefore NSO approach has been approved by CA FWS and remains in place. MRC is found to be in conformance.
P10: Plantations	No comments received.	No responses required.

2.5. Conformance with applicable nonconformity 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 Rainforest Alliance 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)

NCR#:	01/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-US Forest Management Standard (v1.0); Indicator 8.2.d.3			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<i>Indicator 8.2.d.3: The landowner or manager monitors relevant socio-economic issues (see Indicator 4.4.a),</i>				

including the social impacts of harvesting, participation in local economic opportunities (see Indicator 4.1.g), the creation and/or maintenance of quality job opportunities (see Indicator 4.1.b), and local purchasing opportunities (see Indicator 4.1.e).

Findings: FME interviews indicate that socio-economic monitoring is to occur both formally and informally on an annual basis and results of monitoring are compiled and reviewed annually to ensure management of the forest is not causing negative social impacts. The socio-economic monitoring report from 2014 includes information on archaeological sites, sites of cultural, historical, and community significance, aesthetics, jobs and economic contributions to the community; donations and service; stakeholder interactions and comments. Socio-economic monitoring results for 2015 & 2016 were not reviewed or recorded.

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 nonconformance.
Timeline for Conformance:	Prior to the next annual audit
Evidence Provided by Organization:	Social Impact Assessment 2010 Socio-economic monitoring plan and results for 2015 and 2016 MRC's website: http://www.hrcllc.com/
Findings for Evaluation of Evidence:	MRC's monitoring of social impacts is now up to date and a summary is available for public review. Compilations for 2015 and 2016 include results presented in themes which cover the full spectrum of potential impacts identified in the initial social impact assessment conducted in 2010. The data collected is relevant in permitting to gain a better understanding of which areas on the property are of higher interest or where MRC outreach may be improved. An example of this is the identification of some watersheds as "areas of elevated significance", where the indicators developed have been tailored to their specific context. The staff interviewed that are involved in developing THPs within these areas demonstrated being very aware of the potential impacts forest management activities may have and were cognizant of the social and economic environments that are particular to these areas. This NCR is closed.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	02/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-US Forest Management Standard (v1.0); Indicator 9.2.a			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<i>Indicator 9.2.a The forest owner or manager holds consultations with stakeholders and experts to confirm that proposed HCVF locations and their attributes have been accurately identified, and that appropriate options for the maintenance of their HCV attributes have been adopted.</i>				
Findings: There is a long-term (since 1960) agreement to place a water pump on MRC property to provide a domestic water source for about 90 people. During the audit period MRC reviewed their HCVF designations and designated the 9 hectares of forest area surrounding the water pump as a HCV5 because the forest area surrounding the water pump is fundamental to meeting the basic needs of the local community.				
External stakeholders with experience pertinent to the newly established HCV5 attribute have not been consulted in order to confirm that the HCVF locations and their attributes have been accurately identified and that appropriate options for the maintenance of the HCV attributes have been adopted.				
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 nonconformance.
Timeline for Conformance:	Prior to the next annual audit
Evidence Provided by Organization:	Expert input from University of California (Division of Agriculture and Natural Resources) Correspondence with some local community representatives
Findings for Evaluation of Evidence:	Since the issuance of this nonconformance, MRC sought input from some local community representatives and two external experts to validate that the water intake was granted the appropriate designation and that adequate protection measures were in place. The proposed protection measures (no harvesting within the first 100 feet surrounding the water pump and with minor tree removal within the remaining 90 feet- must maintain 65% canopy) were bonified following expert input to also include limitations related to the application of herbicides as well as prohibiting camping up stream to reduce the risk of human waste entering the waterway, given the area is leased to two hunting clubs. At the time of the audit, the local representatives had not yet responded to MRC's communication. This community will continue to be consulted should there be any management activities planned in the area as required through the California state laws.
NCR Status:	CLOSED
Comments (optional):	

2.6. New nonconformity reports issued as a result of this audit

NCR#:	01/17	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-US Forest Management Standard (v1.0); 6.6.b			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<p>Indicator 6.6.b <i>All toxicants used to control pests and competing vegetation, including rodenticides, insecticides, herbicides, and fungicides are used only when and where non-chemical management practices are: a) not available; b) prohibitively expensive, taking into account overall environmental and social costs, risks and benefits; c) the only effective means for controlling invasive and exotic species; or d) result in less environmental damage than non-chemical alternatives (e.g., top soil disturbance, loss of soil litter and down wood debris). If chemicals are used, the forest owner or manager uses the least environmentally damaging formulation and application method practical.</i></p> <p><i>Written strategies are developed and implemented that justify the use of chemical pesticides. Whenever feasible, an eventual phase-out of chemical use is included in the strategy. The written strategy includes an analysis of options for, and the effects of, various chemical and non-chemical pest control strategies, with the goal of reducing or eliminating chemical use.</i></p> <p>MRC has various documents and tools that address herbicide use. The main ones are Herbicide Policy; various sections of the FMP; pesticide prescriptions and assessments.</p> <p>MRC clearly justifies their use of herbicides in various documents and include a written goal to reduce and eventual phase out chemical use. In addition, MRC reports on herbicide use on their public website. However, the numbers reported are confusing since they track and report individual acres treated per technique (frill, foliar, etc.) which results in many acres being double counted. This makes it difficult to evaluate progress on the goal to reduce chemical use as a long-term strategy as required in Indicator 6.6.b.</p> <p>Based on interviews and observations, MRC has tried at least 9-10 different alternatives approaches to use</p>				

of herbicide on tanaok use in the past and continue to explore opportunities. To date, efforts have been shown all alternatives to be cost prohibitive. An example of current efforts includes evaluating the option of allowing stakeholder to experiment with goats on a small tract. MRC is also a member of the Hardwood Management Group organized by Jackson State Forest, which has a goal to explore alternatives to chemical use. While MRC's efforts on alternatives are ongoing, the "analysis of options" of these non-chemical strategies are not documented in the written strategy as required in Indicator 6.6.b.

Use of herbicides on the ground has been observed to be in conformance during this and past audits. Documentation reviewed addresses some aspects of the Indicator especially the site specific herbicide use. However, there is no clear written strategy to guide consistent implementation of herbicide strategies across the entire property. This is especially important with multiple staff interpreting and implementing these activities. Based on staff interviews, there were some different approaches and understanding of strategies between different staff members (e.g. internal policy on buffers along boundaries and county roads).

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 nonconformance.
Timeline for Conformance:	By the next annual audit
NCR Evaluation Type	On-site <input type="checkbox"/> Desk Review <input checked="" type="checkbox"/>
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	02/17	NC Classification:	Major	Minor X
Standard & Requirement:	FM-35 RA COC Standard for FME; COC 5.2			
Report Section:	Appendix V			
Description of Nonconformance and Related Evidence:				
<i>COC 5.2: FME shall have procedures in place and demonstrate submission of all FSC/Rainforest Alliance claims to Rainforest Alliance for review and approval prior to use.</i>				
FME only uses the FSC trademark for promotional purposes (not on-product). FME's COC control system includes procedures for obtaining approval for all FSC trademarks prior to use. A sample of approval records was provided. However, the auditors discovered a set of high profile promotional items (no longer being used) with FSC trademarks that were not submitted for approval.				
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 nonconformance.			
Timeline for Conformance:	By the next annual audit			
NCR Evaluation Type	On-site <input type="checkbox"/> Desk Review <input checked="" type="checkbox"/>			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

2.7. Audit observations

Observations can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance 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 01/17	Reference Standard & Requirement: FSC-US Forest Management Standard v1.0; 5.6.a
<p>Indicator 5.6.a <i>In FMUs where products are being harvested, the landowner or manager calculates the sustained yield harvest level for each sustained yield planning unit, and provides clear rationale for determining the size and layout of the planning unit. The sustained yield harvest level calculation is documented in the Management Plan.</i></p> <p><i>The sustained yield harvest level calculation for each planning unit is based on:</i></p> <ul style="list-style-type: none"> • <i>documented growth rates for particular sites, and/or acreage of forest types, age-classes and species distributions;</i> • <i>mortality and decay and other factors that affect net growth;</i> • <i>areas reserved from harvest or subject to harvest restrictions to meet other management goals;</i> • <i>silvicultural practices that will be employed on the FMU;</i> • <i>management objectives and desired future conditions.</i> <p><i>The calculation is made by considering the effects of repeated prescribed harvests on the product/species and its ecosystem, as well as planned management treatments and projections of subsequent regrowth beyond single rotation and multiple re-entries.</i></p> <p>MRC's Option A, which provides detail on AAC, was approved in 2008 using the best available information at that time. Based on interviews and review of the harvesting over the past decade, the model may be assuming a faster rate of rehabilitation harvests than is feasible. This may be due to potential lack of economic resources to be as aggressive with treating all of the acres that are dominated by hardwood as a result of past high grading. Thus, there may be more acres that MRC would like to rehabilitate than are economically viable. The acres that may not economically viable to treat in the near term, as well as the slower pace of reaching full conifer stocking on some sites may not be addressed in the model. In addition, upon review of 2008-2016 annual Option A reports to CAL FIRE, MRC is harvesting substantially more acres in even-aged techniques than planned in the Option A. For example, for period of 2011-2015, MRC harvested 11,114 acres but planned 0 acres using even-aged silviculture for that time period in the Option A. Because MRC is harvesting substantially less than allowed under the Option A, and it is clear, based on observations, interviews and document review there is low risk of MRC harvesting more than AAC, so this is not being issued as a nonconformance at this time.</p> 	
<p>Observation: MRC should ensure continued conformance with Indicator 5.6.a.</p>	

OBS 02/17	Reference Standard & Requirement: FSC-US Forest Management Standard v1.0; 6.2.a
<p>Indicator 6.2.a <i>If there is a likely presence of RTE species as identified in Indicator 6.1.a then either a field survey to verify the species' presence or absence is conducted prior to site-disturbing management activities, or management occurs with the assumption that potential RTE species are present.</i></p> <p><i>Surveys are conducted by biologists with the appropriate expertise in the species of interest and with appropriate qualifications to conduct the surveys. If a species is determined to be present, its location should be reported to the manager of the appropriate database.</i></p>	

After many years of work, MRC has a draft Habitat Conservation Plan (HCP). MRC has indicated the HCP is on hold due to a regional decrease in Northern Spotted Owl (NSO). It is unclear if the NSO decrease is due to reduction in habitat; increase of barred owl in the region; or both. Currently, MRC is using their Spotted Owl Resource Plan (SORP) to guide their NSO strategy. The SORP was developed in consultation with USFWS in 2010 as interim guidance until the HCP was approved. Recently, USFWS provided input and expressed concerns about NSO approach on a planned THP. The primary concern expressed is that MRC's SORP does not incorporate the USFWS 2012 NSO survey protocols. Since the THP is still in review stage, it is unclear at this time how the THP will be modified. It is also unclear if the USFWS concerns will require changes to MRC's NSO approach property-wide. Based on document review and interviews, there is a range of professional opinions regarding the effectiveness of the SORP between MRC staff and regulatory agencies (CAL FIRE, USFWS, and CA FWS). However, USFWS believes the SORP needs to be updated to follow the USFWS 2012 NSO survey protocol and MRC has indicated they are working with agencies to update the SORP. In the meantime, the current SORP and therefore NSO approach has been approved by CA FWS and remains in place.

Observation: MRC should ensure continued conformance with Indicator 6.2.a.

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	Kara Wires	Auditor role	Lead Auditor; Forester
Qualifications:	Technical Manager, Forestry for North America Region. Kara has a MS in Forestry, University of Vermont and a BS in Natural Resources, University of Michigan. Seventeen years with Rainforest Alliance managing over 300 FSC certification projects. Kara has served as the auditor for over 30 forest certification audits. Kara has also been instructor for multiple RA FSC auditor trainings. Kara is ISO 14001 EMS Lead Auditor; member of Forest Guild and SAF.		
Auditor Name	Mylène Raimbault, ing.f.	Auditor role	Social auditor
Qualifications:	Mylène is a registered forestry engineer with 15 years of experience engaging with First Nations and local stakeholders in the context of forest management planning and FSC forest certification in Canada. Mylène joined Rainforest Alliance in 2012, where she successfully completed an FSC Lead Auditor training. She has since been managing a portfolio of FSC forest management certificates covering over 20 million hectares of public land throughout Québec, Ontario, Alberta and British-Colombia and has conducted close to 30 FSC forest management audits, 15 as lead auditor. She is the technical expert in Canada for Forest Management and Free Prior and Informed Consent (FPIC) related subjects and is also serving as liaison with various Indigenous communities and regional stakeholder groups with the objective of ensuring the integrity and credibility of RA's certification system.		
Auditor Name	Karen Brenner	Auditor role	Technical Expert
Qualifications:	Over the past 19 years, Karen Brenner (B.S. Forestry) from the University of Idaho has conducted numerous CoC audits and assessments as well as 44 forest management audits and assessments for the Rainforest Alliance. Karen attended CoC and FM lead assessor training conducted by the Rainforest Alliance and also successfully completed ISO-9001 Lead Auditor Training in 2010. In addition to auditing for the Rainforest Alliance, Karen has over a decade of experience as a field forester preparing and administering timber sales, developing silvicultural prescriptions, suppressing forest fires, and managing pre-commercial and reforestation programs for the US Forest Service and the Nez Perce Tribe.		

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
Aug 21-Sep 4	Offsite	Evidence review and stakeholder consultation
Sept 1	Phone	Pre-audit planning call
Sept 5	Offsite	Stakeholder meetings
Sept 6	MRC Ft. Bragg office	Opening meeting
Sept 6-7	Field sites and offsite locations	Field review of conformance with FSC standard. Stakeholder meetings
Sept 7	MRC Ukiah office	Closing meeting
Sept 8-Oct 11	Offsite	Evidence review and stakeholder consultation; report writing
Total number of person days used for the audit:12		

3.3. Sampling methodology:

MRC holds a single FMU certificate; therefore, no specific sampling intensity was required for this audit. Sites were selected to provide the auditors the opportunity to observe a wide range of activities including recent, active and older management activities (harvest and chemical use areas) as well as areas with environmental risk or presence of special features.

3.4. Stakeholder consultation process

The purpose of the stakeholder consultation strategy for this annual FSC surveillance audit was threefold, to:

- 1) ensure that the public is aware of and informed about the FSC evaluation process and its objectives;
- 2) assist the audit team in identifying potential issues; and,
- 3) provide diverse opportunities for the public to provide their input.

This process is not just stakeholder notification, but wherever possible, an attempt to seek detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visits. Rainforest Alliance (RA) welcomes, at any time, comments on certified operations and such comments often provide a basis for field evaluations.

In the case of Mendocino Redwood Company (MRC), prior to the actual annual FSC surveillance audit and forest site visits, a public stakeholder notification was developed and distributed more than 45 days in advance. It was delivered to RA's own national list of stakeholders as well MRC's list of stakeholders with e-mail addresses. RA's list includes over 100 stakeholders; these are not included in the table below. These lists provide a basis for the audit team to select individuals for interviews (in person or by telephone or through e-mail), and to learn of sites that could be visited during the FSC evaluation. Overall, around 30 individuals from local stakeholder groups and tribal representatives provided input, representing various interests, as documented in the table below:

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
Adjacent Landowners	3	2
Environmental NGOs	17	2
Fire departments	5	1

Government Agency	20	4
Tribal Representatives	7	5
Lawyers	2	1
Watershed groups	6	6
Workers	5	5
Local Forestry Businesses / Contractors	11	1

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC-US Forest Management Standard (v1.0); FM-35 RA COC Standard for FME
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	none
Implications for FME:	Not applicable - no new requirements

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: Stakeholder records were reviewed.	
Accident records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Accident records were reviewed. No accidents occurred during the audit period, only very minor injuries.	
Training records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Training records were reviewed.	
Operational plan(s) for next twelve months	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Operational plans for the next 12 months were reviewed.	
Inventory records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: A summary of inventory records were reviewed.	
Harvesting records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: A summary of the harvest records for the past 12 months was reviewed.	

APPENDIX I: FSC Annual Audit Reporting Form:

Forest management enterprise information:			
FME legal name:	Mendocino Redwood Company		
FME Certificate Code:	RA-FM/CoC – 000128		
Reporting period	Previous 12 month period	Dates	7/2/2016 - 7/1/2017

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	Forest Type	Location Latitude/Longitude ¹
	ha		
	ha		

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

3. Forest Area Classification		
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)		
Total certified area (land base)		ha
1. Total forest area		ha
a. Total production forest area		ha
b. Total non-productive forest area (no harvesting)		ha
- Protected forest area (strict reserves)	ha	
- Areas protected from timber harvesting and managed only for NTFPs or services	ha	
- Remaining non-productive forest	ha	
2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)		ha

¹ The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.

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

No changes since previous report (if no changes since previous report leave section blank)

Code	HCV TYPES ²	Description:	Area
HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	Coho core areas, Lower Alder Creek Murrelet Area, northern spotted owl core areas, Point Arena Mountain Beaver	5,377 ha
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.		ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.	Type I and II OG, pygmy forest, oak woodland, salt marsh	795 ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).		ha
HCV5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).	Forest area surrounding water pump for local community of native Americans	9 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).	Significant cultural sites	4 ha
Number of sites significant to indigenous people and local communities			1

5. Workers

Number of workers including employees, part-time and seasonal workers:

Total number of workers	210 workers	
- Of total workers listed above	186 Male	24 Female
Number of serious accidents	0	
Number of fatalities	0	

6. Pesticide Use

FME does not use pesticides. (delete rows below)

² 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>.

FME has a valid FSC derogation for use of a highly hazardous pesticide YES NO

FSC highly hazardous pesticides used in last calendar year

Name	Quantity (liters)	# of Hectares Treated
		ha
		ha
		ha

Non FSC highly hazardous pesticides used in last calendar year

In past audits, reported amount of herbicide used and acres treated was confusing because MRC tracks and reports individual acres treated per technique (frill, foliar, etc.), which results in many acres being double counted. MRC changed the way it tracks herbicide use in 2015, so it is now possible to track the unique acres treated. The auditors have requested this data from MRC and it is presented here for 2016. See **NCR 01/17**.

Year	Herbicide Used (lbs)	Acres Treated w/ Herbicide	Acres Harvested	Herbicide use (lbs) per acre treated	Herbicide use (lbs) per acre harvested
2016	1,628	4,624	8,448	0.35	0.19

Name	Quantity (lbs)	# of Hectares Treated
Imazapyr	555	NA (see above)
Glyphosate	396	NA (see above)
Triclopyr	676	NA (see above)

