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FM-06 - 24 July 2013



Forest Management **2014 Annual audit** Report for:

Mendocino Redwood Company, LLC In Ukiah, California, USA

Report Finalized: 18th September 2014
Audit Dates: 5th & 6th August 2014
Audit Team: Karen Brenner

Certificate code: SW-FM/COC-000128
Certificate issued: 15 November 2010
Certificate expiration: 14 November 2015

Organization Contact: Sarah Billing, Stewardship
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TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	AUDIT FINDINGS AND RESULTS	3
2.1.	AUDIT CONCLUSION.....	3
2.2.	CHANGES IN FMES' FOREST MANAGEMENT AND ASSOCIATED EFFECTS ON CONFORMANCE TO STANDARD REQUIREMENTS:.....	3
2.3	EXCISION OF AREAS FROM THE SCOPE OF CERTIFICATE.....	4
2.4.	STAKEHOLDER ISSUES (<i>COMPLAINTS/DISPUTES RAISED BY STAKEHOLDERS TO FME OR RAINFOREST ALLIANCE SINCE PREVIOUS EVALUATION</i>):.....	4
2.5.	CONFORMANCE WITH APPLICABLE NONCONFORMITY REPORTS	4
2.6.	NEW NONCONFORMITY REPORTS ISSUED AS A RESULT OF THIS AUDIT	5
2.7.	AUDIT OBSERVATIONS	6
3.	AUDIT PROCESS	6
3.1.	AUDITORS AND QUALIFICATIONS:.....	6
3.2.	AUDIT SCHEDULE	6
3.3.	SAMPLING METHODOLOGY:.....	7
3.4.	STAKEHOLDER CONSULTATION PROCESS	7
3.5.	CHANGES TO CERTIFICATION STANDARDS.....	7
3.6.	REVIEW OF FME DOCUMENTATION AND REQUIRED RECORDS	7
	APPENDIX I: FSC Annual Audit Reporting Form:.....	9
	APPENDIX VI: Rainforest Alliance Database Update Form	12

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
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 Mendocino Redwood Company, LLC, hereafter referred to as Forest Management Enterprise (FME) or MRC. 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 significant changes to the forest management that effect conformance with the standard.

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 to FME or Rainforest Alliance since previous evaluation):*

There were no formal complaints or disputes identified during the audit.

Stakeholder feedback addressed the use of herbicides to reduce the stocking of tan oak in stands and across the landscape. The general impact of herbicides on the ecosystem as well as the potential impact of the standing dead tan oak on both the view-shed and the potential increased fire hazard created by the standing dead tan oak after treatment were discussed.

Field observations and interviews provided multiple examples in which MRC modified the treatment of tan oak in order to respond to neighbors' concerns or even to proactively modify treatment without a specific stakeholder request. MRC in one example did not use herbicides but rather implemented hand felling and removal of the tanoak. In this case, the neighbor did appreciate MRC's response but continued to be concerned about MRC's overall management and use of herbicides in general elsewhere on the forest. At another site visited, MRC proactively hand felled the tan oak in order to protect the view-shed of a neighboring landowner.

Interviews with both MRC staff and fire control agencies provided recognition that the standing dead tan oak increases the fire hazard in the short-term; however, it is recognized that in this region the tan oak is a species that decays relatively quickly. Thus the increased fire risk is short-term. MRC also provided an example of a fire burning through standing dead tan oak in which the fire behavior was similar to the adjacent untreated forest. MRC does mitigate the short-term fire risk created by management by leaving a green belt along property boundaries.

Many stakeholders interviewed described good working relations with MRC and even stakeholders who voiced differences or concerns felt that MRC participates in open communication and is transparent regarding the forest management operations.

2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable nonconformity 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)

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

MAJOR NCR#:	01/14	NC Classification:	Major X	Minor
Standard & Requirement:	FSC-US Forest Management Standard (v1.0) July 8, 2010 Indicator 6.7.a			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<p>Indicator 6.7.a: The forest owner or manager, and employees and contractors, have the equipment and training necessary to respond to hazardous spills.</p> <p><u>Findings</u> One contractor visited did not have a spill kit on site. At another site, the contractor did have a spill kit on site but not all personnel were familiar with the location of the spill kit.</p>				
Corrective Action Request:	<p>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.</p>			
Timeline for Conformance:	Within 3 months of the report being finalized.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):	<i>Minor NCR 08/10 from the 2010 reassessment also addressed the lack of spill kits on site during active logging operations. NCR 01/14 is recognized as a non-conformance with the same root cause within the past 5 years and thus NCR 01/14 is issued as a Major NCR.</i>			

NCR#:	02/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-US Forest Management Standard (v1.0) July 8, 2010 Indicator 7.1.p.			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<p>Indicator 7.1.p The management plan describes and justifies the types and sizes of harvesting machinery and techniques employed on the FMU to minimize or limit impacts to the resource.</p> <p><u>Findings</u> While the Forest Management Plan does describe and justify the types of harvesting systems and techniques; the sizes of the harvesting equipment is not described or justified.</p>				
Corrective Action Request:	<p>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.</p>			
Timeline for Conformance:	Prior to the next annual audit			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			

Comments (optional):	
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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 01/14	Reference Standard & Requirement:
Description of findings leading to observation: Rainforest Alliance will be issuing new codes for all clients, changing from a "SW" identifier to a "RA" identifier. I.e., SW-FM/COC-123456 will change to RA-FM/COC-123456.	
Observation: Organization should update all documents, including sales invoices and shipping documents, to reflect the new certificate code prior to 1 July 2015 . Organization should notify Rainforest Alliance once the transition has been made.	

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	Karen Brenner	Auditor role	Forester
Qualifications:	Over the past 15 years, Karen Brenner (B.S. Forestry) from the University of Idaho has conducted numerous CoC audits and assessments as well as 38 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
July 29 - Aug. 2, 2014	Auditor's Office	Document Review & Stakeholder Interviews
Aug. 5, 2014	MRC Ukiah Office	Opening Meeting: Introductions, Scope of the Audit, Audit Logistics, Company Update
Aug. 5, 2014	Dark Gulch THP S. Fork Albion River	Field Tour
Aug. 6, 2014	Little South Fork Elk Lower Garcia	Field Tour
Aug. 6, 2014	MRC Ukiah Office	Closing Meeting: Review Audit Findings, Request follow-up documents and information
Total number of person days used for the audit:4 = number of auditors participating 1 X average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 4		

3.3. Sampling methodology:

MRC holds a single FMU FSC FM Certificate that is 91,498 hectares in size. Sites were selected for auditing based on the auditors request for a diversity of activities (e.g., completed harvests, planned harvests, watersheds, HCVFs), and also on-site covering a reasonable expanse of the FMU.

3.4. Stakeholder consultation process

No formal stakeholder notification was conducted as part of this audit. Specific stakeholders were contacted by the auditor both before and after the field visits to gather evidence on conformance with the FSC standards evaluated during this audit. The auditor attempted via both email and phone to gather input from 35 stakeholders representing a range of perspectives (i.e. neighbors, agencies, tribes, contactors, ENGO). A total of 7 stakeholders provided input.

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders Consulted (#)	Stakeholders providing input (#)
Neighbor	5	1
Governmental Agency	13	3
Tribe	4	0
Local ENGO	10	0
Contractor	3	3

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 type="checkbox"/> N <input checked="" type="checkbox"/>
Comments: There were no formal complaints received during the past year.	
Accident records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Accident records were reviewed.	
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 twelve months were provided.	
Inventory records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Summary of inventory records were reviewed.	
Harvesting records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: A summary of the current year's harvest records were provided.	

APPENDIX I: FSC Annual Audit Reporting Form:

Forest management enterprise information:			
FME legal name:	Mendocino Redwood Company		
FME Certificate Code:	SW-FM/CoC – 000128		
Reporting period	Previous 12 month period	Dates	Aug. 2013-Aug. 2014

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 type="checkbox"/>	
Group Certificate: Updated of FMU and group member list provided in Appendix II:			
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

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

<input checked="" type="checkbox"/> 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		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.

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>.

	biodiversity values (e.g. endemism, endangered species, refugia).		
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.		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).		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).		ha
Number of sites significant to indigenous people and local communities			

5. Workers			
Number of workers including employees, part-time and seasonal workers:			
Total number of workers	263 workers		
- Of total workers listed above	248	Male	15 Female
Number of serious accidents	3		
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 checked="" type="checkbox"/> NO	
FSC highly hazardous pesticides used in last calendar year None		
Name	Quantity (liters)	# of Hectares Treated
		ha
Non FSC highly hazardous pesticides used in last calendar year		
Name	Quantity (liters)	# of Hectares Treated
Impazapyr AC	4866	2705 ha
Impazapyr SP	66	69 ha
Glyphosate	304	31 ha

APPENDIX VI: Rainforest Alliance Database Update Form

Instructions: For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit RA 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 RA 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	Stewardship Director
Primary Address		Telephone	707-463-5125
Address		Fax	
Email		Webpage	www.mrc.com

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

FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)		
Level 1	Level 2	Species

