



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

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PQC Code	E01E-Forestry, logging related
Contract Number	US.1766366

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	1	Scope extension audit:	
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Audit Summary

Introduction

This report provides a summary of the first surveillance audit of the Spray Lake Sawmill's (SLS) forest management operations in Cochrane, Alberta under the Sustainable Forestry Initiative (SFI) standard. The audit was conducted on September 6-8, 2016. Brian Callaghan, RPF, conducted the audit on behalf of Bureau Veritas Certification. Mr. Callaghan is a professional forester with more than 30 years' experience focusing on forest planning, timber supply, forest operations and resource assessment.

Audit Scope, Objectives and Process

The scope of the audit was forest and land management activities conducted by Spray Lake Sawmills Ltd. on 444,825 hectares of Crown forest lands in their FMA 0100038 and the C5 Quota license. The area is very close to the City of Calgary and is a designated mixed use area including oil and gas development, cattle grazing, recreation and tourism.

The objectives of the audit were to review Spray Lake Sawmill's SFI program documentation in accordance with the requirements of the SFI 2015-2019 Standard and verify the effective implementation of the SFI program. Specifically, two objectives of the audit were to:

1. Verify that the Program Participant's SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and
2. Verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground.

The audit assessed conformance against the fifteen SFI Program Objectives in the 2015 Standard. All performance measures and all applicable indicators were assessed within each Objective. There were no substitutions or modifications of SFI indicators.

Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as

provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.

Audit Plan

A copy of the audit plan was distributed to the Company prior to the audit. The plan included approximately a day in the office doing document and two days undertaking field work in both the FMA and in the C5 Quota area. A copy of the audit plan is on file with Bureau Veritas Certification in Houston Texas.

Company Information

Spray Lake Sawmills is a softwood sawmill in Cochrane, Alberta which was established in 1943. The Company obtains its timber supply from Forest Management Agreement Area 0100038 and from the C5 Quota licenses with the Alberta Government.



Figure 1. The audit team spent a day on C5 Quota on Wintering Creek

The Company is privately owned by the Company president, supported by a general manager and six managers covering Woodlands, Operations, Human Resources and Environmental Health and Safety, Chief Financial Officer, Top Spray, and Sales.

Audit Results

The audit included a review of Objectives 1, 3, 4, 7, 11, 14, and 15, along with performance measure 8.2 in the SFI Standard. Record keeping systems, documented procedures and GIS were all found to be well maintained and easy to use. The auditor visited eight sites during the audit including five harvested sites, three of which had been renewed, two road decommissioning's and a variety of water crossings.

Objective 1-Forest Management Planning:

The Company's Detailed Forest Management Plan (DFMP) is comprehensive. It is based on a robust forest inventory and includes direction on long term wood and wildlife habitat supply under several different scenarios. The Annual Allowable Cut is determined during the DFMP process. A detailed analysis is undertaken that examines a range of scenarios with the best information available (including a new forest inventory). The land base is netted down to the operable land base with reserves removed. The AAC once established is then reduced by an additional 7.5% to account for other values beyond those already accounted for. The company is currently in the midst of developing a new DFMP for 2018.

The five-year stewardship report shows an actual harvest between 2007 and 2012 of 878,974 m³ measured against calculated AAC of 1,595,715 m³ or a harvest level of about 55% of the total available volume allocated. The DFMP, HCVF, PIC and 5 year stewardship reports are all available on line at the Company website.



Figure 2. Harvest area on Block 3441- good utilization and minimal impacts

Objective 2-Forest Health and Productivity:

Not audited.

Objective 3-Protection and Maintenance of Water Resources:

The Company must adhere to government approved Operating Ground Rules (OGR's) for all forest operations, including planning, harvesting, and reforestation. The Operating Ground Rules are designed to protect stream and water sources, prevent soil compaction and erosion. During the audit 12 water crossings were observed, all were functioning and sound. Two road decommissioning jobs were visited where full road removal was being undertaken and the land restored to its natural drainage (Figure 2).



Figure 3. Road decommissioning was observed during the audit

Objective 4-Conservation of Biological Diversity:

SLS maintains a comprehensive program to conserve biological diversity at both the stand and landscape scales, through planning, implementation, and monitoring. The program is guided by the requirements of the FMA, the Alberta Forest Management Planning Standard (2006), and the SLS and CO5 Operating Ground Rules (May 2012).

Site inspections confirmed that SLS contractors retained snags and living wildlife trees on all harvested areas. There is abundant coarse woody material of all species present (pine, poplar spruce) because harvesting is done via processing at the stump.

There are provincial recovery plans for three species at risk (Grizzly Bear, West Slope Cutthroat Trout , Whitebark Pine/Limber Pine). SLS is co-operating in the implementation of all of these plans.

Objective 5-Management of Visual Quality and Recreational Benefits:

Not audited.

Objective 6-Protection of Special Sites:

Not audited.

Objective 7-Efficient Use of Fiber Resources:

The Alberta Environment and Parks (AEP) Forest Operations Monitoring Program (FOMP) conducts regular compliance inspections and enforcement on all harvest operations. AEP maintains a website identifying infractions under the Forests and or Public Lands Act. There have been no infractions against Spray Lake in the past two years.

Examination of five harvest areas found harvest utilization to be very high, with no merchantable waste found on any of the log landings.

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

Spray Lake has a written policy that recognizes indigenous people's rights. The Company maintains a First Nation communication log which is submitted annually to the Alberta Government for review and approval as required by Alberta's First Nations Consultation Policy. From examining the communication log it was apparent that the Company is in contact with local forest nations regularly.

Objective 9-Legal and Regulatory Compliance:

Not audited.

Objective 10-Forestry Research, Science and Technology:

Not Audited.

Objective 11-Training and Education:

The training program for staff and loggers meets the requirements of this objective. Staff have been designated as responsible for particular components of the SFI program and interviews showed a good level of understanding in this regard. Contractors participate in an annual training program. They demonstrated a solid understanding of the operating ground rules and had a working knowledge of both rare, threatened and endangered species and invasive species that could be found in the operating area.

Objective 12-Community Involvement and Landowner Outreach:

Not audited.

Objective 13: Public Land Management Responsibilities:

Not audited.

Objective 14-Communications and Public Reporting:

The Company participated in the annual SFI survey and submitted its data prior to the deadline. A summary audit report for the 2015 certification audit can be found on-line at SFI Inc.

Objective 15-Management Review:

SLS performs an annual internal audit and review of its forestry programs. Presentations and meeting minutes confirm that results are reviewed with senior management annually. SLS holds annual training sessions with staff and contractors in which changes to procedures as a result of the annual management review are discussed.

Findings

Previous non-conformances:

None issued.

Non-conformances:

None issued.

Opportunities for Improvement:

None issued.

Notable Practices:

Logo/label use:

At the time of the audit, the Company has not used any logos.

SFI reporting:

A summary audit report for the 2015 certification audit can be found on-line at SFI Inc.

Conclusions

A closing meeting was held on September 9, 2016. The auditor indicated that no non-conformances had been identified. The auditor concludes that Spray Lake Sawmills is operating a forest management program that meets the requirements of the SFI 2015-2019 Forest Management Standard.

Its harvest operations are well done, with good residual structure and downed woody debris evident on all blocks. The Company rehabilitates all of its in block roads rigorously. It replants and monitors regeneration on 100% of its blocks.

The auditor recommend that continued certification to the SFI 2015-2019 SFI Forest Management Standard be issued without delay.

SEE SF61 FOR AUDIT NOTES

Audit Report	
Opening Meeting	<p>Participants: > Brian Callaghan , Ed Kulcsar (Woodlands Manager), Arnold Fiselier (General Manager), Rob Berndt (Operations Manager), Allen Mottet (Harvest Planner), Tannis Zubot (Administrative Assistant), Darrell Panas (Silvicultural Forester), Matt Denney (Planning Forester), Jason Mogilefsky (Environment and Safety Manager), Gord Lehn (Director Communications/ Ecological Good and Services)</p> <p>Discussions:</p> <ul style="list-style-type: none"> > Introductions > Scope of the audit > Purpose of stage 1 audit > Nonconformance types – Major / Minor > Review of previous nonconformances - 0. > Process approach to auditing and audit sampling > Confidentiality agreement > Termination of the audit > Appeals process > Closing meeting timing
Closing Meeting	<p>Participants: > Brian Callaghan , Ed Kulcsar (Woodlands Manager), Arnold Fiselier (General Manager), Rob Berndt (Operations Manager), Allen Mottet (Harvest Planner), Tannis Zubot (Administrative Assistant), Darrell Panas (Silvicultural Forester), Dan LaFleur (Harvest Supervisor), Bryan Hennessey (Harvest Supervisor), Matt Denney (Planning Forester), Jason Mogilefsky (Environment and Safety Manager), Gord Lehn (Director Communications/ Ecological Good and Services)</p> <p>Discussions:</p> <ul style="list-style-type: none"> > Introductions and appreciation for selecting Bureau Veritas Certification. > Review of audit process - process approach and sampling. > Nonconformances- 0 > Opportunities for improvement – 0 > Notable Practices – 0 > Conclusions

Summary of Audit Findings:									
Audit Date(s):		From: Sept 6, 2016				To: September 8, 2016			
Number of SF02's Raised:			Major:		0		Minor:		0
Is a follow up visit required:		Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	Date:	
Proceed to/Continue Certification		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>	Date:	9/9/16
All NCR's Closed		Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	Date:	
Standard audit conducted against:									
1)	SFI FM 2015-2019			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Brian Callaghan			2)						
			3)						
			4)						
			5)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
Forest Management on Agreement Area 0100038 and from the C5 Quota licenses with the Alberta Government									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	August 2017								
Audit Report Distribution									
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