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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:	<b>3</b>	Scope extension audit:	
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**Audit Summary**

**Introduction**

This report provides a summary of the third surveillance audit of the Spray Lake Sawmills (SLS) forest management operations in Cochrane, Alberta under the Sustainable Forestry Initiative (SFI) standard. The audit was conducted on August 27 to August 29, 2018. 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. Recreational use is very high with an extensive network of hiking, riding, and motorized trails throughout the forests.

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 SFI Program Objectives in the 2015 Standard. During the audit Objectives 2, 3, 5, 6, 8, 9, 10, 11, 14, and 15 were examined. All performance measures and all applicable indicators were assessed within each Objective. Additionally, performance measures 1.2 and 1.3 related to forest conversion were checked. 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 half day in the office doing document review and 2.5 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. The Company is privately owned by the Company president, who is 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 2, 3, 5, 6, 8, 9, 10, 11, 14, and 15 as well performance measures related to forest conversion (1.2 & 1.3) were checked. Record keeping systems, documented procedures and GIS were all found to be well maintained and easy to use. The auditor visited 11 sites during the audit including 7 harvested sites 3 of which had been recently renewed. Eight water crossings were inspected as well as three sites where road rehabilitation was either underway or completed. One special site, a First Nations value was inspected and one site where a complaint was raised was visited.

#### **Objective 1-Forest Management Planning:**

From a review of the Company's forest management activities there is a balance between harvest and renewal which indicates that there is no large-scale or illegal forest conversions taking place. The fact that all roads are rehabilitated to their original contour further minimizes forest conversion.

#### **Objective 2-Forest Health and Productivity:**

Both the Forest Management Plan and the 5 year operating plan provide clear direction on how each block will be regenerated, either planted or natural. Planting is accomplished within 2 years while natural regeneration is declared Free-To-Grow within 7 to 10 years. The company must follow the Alberta system of surveys and assessment which provide the legislated information requirements. Spray Lake Sawmills does not use any chemical herbicides or pesticides on their forest. Examination of recent and well established regenerated forests found them to be well stocked and thriving.

Soil erosion is controlled on all sites through careful layout of harvest operations. When crossing streams the Company uses bridges and box-culverts rather than culverts as an extra (superior) measure of protection. All water crossings use geo-textile and filter socks to control some of the highly erodible soils they encounter of their licenses. When needed, drainage pits are used to trap water and sediments before they can impact water. No evidence of erosion issues were found during

the audit. All harvested sites were effectively cut so that site productivity was maintained. All sites had plenty of down-woody-debris. The use of stump-side processing leaves all debris and tops on site.

Through active monitoring and active management damaging agents are minimized. Where stands were susceptible to Mountain Pine Beetle they were cut to limit spread. Pest control is primarily a Provincial responsibility – SLS staff reports any occurrences. Forest fire suppression is the province’s responsibility.

### **Objective 3-Protection and Maintenance of Water Resources:**

The Company must adhere to government approved Timber Harvest Planning and 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 eight water crossings were observed, all were functioning and sound. The audit inspected an active road construction site. As part of its adaptive management approach the company continually looks for innovative ways to cross water bodies – earlier this year they installed their first steel arch culvert which is reusable and may be more cost effective than wooden box culverts. (Figure 1).



**Figure 1. A steel arch culvert installed near Block 1979**

A complaint was submitted to Department of Fisheries and Oceans and the Alberta Ministry of Environment & Parks relating to the condition of Sylvester Creek in early May of 2018. The complaint related to siltation of the creek in the Spring of 2018. The creek had flooded during spring break-up and escaped its banks (Figure 2). Soon after the flood, company staff arrived on site and proceeded with corrective measures to return the water to the creek and prevent erosion. The auditor visited the site and found lots of evidence of the flood but no evidence of siltation of the creek. At the time of my visit the government investigations had not been completed.



**Figure 2. The bridge over Sylvester Creek, note where the flood crossed the road in the background.**

#### **Objective 4-Conservation of Biological Diversity:**

This objective was not to be audited, but a finding was encountered during the audit.

Spray Lake Sawmills preserves biological diversity and protect species at risk wherever they are found. During our time on the C5 quota area we observed examples of the Company protecting SARs species. On block 977 several white bark pine were protected during layout and operations (Figure 3). These trees were under a meter tall and could have been easily overlooked. Additionally, in blocks 491 several small glades were protected to preserve their presence on the landscape. The Company protects small glades where rare grasses are present and wet areas which are difficult to operate. This very notable practice and a credit to the field staff.



**Figure 3. White bark pine identified during layout and protected during harvest, note that the harvest boundary is at least 20 m away.**

#### **Objective 5-Management of Visual Quality and Recreational Benefits:**

The Timber Harvest Planning and Operating Ground Rules require SLS to “*To manage the visual impact of timber operations on the forest landscape*”. From examining plans in the office and harvest areas on the ground it is apparent that visual quality is a high priority for the Company. Harvests are laid out with the viewshed in mind in this highly used recreational landscape. Roads are removed and re-sloped after use to limit access and blend with the landscape.



**Figure 4. Harvests are designed to fit within the landscape.**

### **Objective 6-Protection of Special Sites:**

During development of the Forest Management Plan, the Company identified a wide variety of special sites that require site specific management plans. SLS also participated in a regional protected areas gap analysis to identify new protected areas, and conducted its own protected areas gap analysis; both of these efforts resulted in the identification of new potential protected areas. The Company's database of values is extensive and includes lists of rare and sensitive species and their occurrences. The list of sensitive species and sites is updated annually with information supplied by the government of Alberta through the Alberta Conservation Management Information System.

During the audit, a special site was visited, which had been protected. The site had been identified by provincial archeologists as a First Nation site. The area has been fully surveyed, though given the nature of the site, the information remains confidential.

### **Objective 7-Efficient Use of Fiber Resources:**

Not audited

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

Spray Lake Sawmills has a written policy that recognizes indigenous people's rights, the need for communication and the promotion of economic opportunities within their control. 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. SLS has a dedicated staff that is responsible for ongoing communication efforts with indigenous communities with interests on the forest area.

### **Objective 9-Legal and Regulatory Compliance:**

Spray Lake Sawmills have an effective system for achieving regulatory compliance which includes: standard operating procedures, access to laws and regulations, contractual requirements, contractor training, and operations monitoring. Alberta Agriculture and Forestry (AAF) undertakes regular compliance inspections. A review of the 2017/2018 Forest Act Contraventions identified that the company and its contractors had not been found in noncompliance with Alberta laws and regulations.

### **Objective 10-Forestry Research, Science and Technology:**

Spray Lake Sawmills has made a commitment to follow an adaptive management model in the planning and implementation of its forest management activities. Consistent with that commitment, the Company supports a wide variety of research and monitoring programs through a variety of other agencies (e.g., FRIAA - Forest Resource Improvement Association of Alberta, FRI - Foothills Research Institute, and FP Innovations) to assess needs, the effectiveness of management prescriptions, and new ways of doing business, all of which are described in the most recent stewardship report.

Spray Lake Sawmills has developed a state of the art forest inventory system called the High Resolution Inventory System (HRIS) which is based on Light Detection and Ranging (LiDAR) derived data.

**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 regards. Contractors participate in an annual training program. They demonstrated a solid understanding of the operating ground rules and had a working knowledge of 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 2017 surveillance 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:**

NC1: The Company does not have a procedure for controlling the use of the SFI trademark.

**Opportunities for Improvement:**

None issued

**Notable Practices:**

NP 2: Spray Lake Sawmills protects biodiversity by ensuring that rare plants are identified and protected prior to operations. Staff take great efforts to identify even single saplings of rare species and glades as small as 0.2 ha (PM 4.1 Ind 1).

**Logo/label use:**

The company has used the SFI trademark promotionally. All required approvals were on file. The current procedure does not correctly identify the approval procedure for SFI trademark use, a non-conformance was issued and has been closed.

**SFI reporting:**

A summary audit report for the 2017 certification audit can be found on-line at [sfiprogram.org](http://sfiprogram.org)

**Conclusions**

A closing meeting was held on August 30 2018. The auditor indicated that no non-conformances had been identified. One notable practice was 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. The auditor recommends that continued certification to the SFI 2015-2019 SFI Forest Management Standard be issued without delay.

**SEE SF61 FOR AUDIT NOTES**

<b>Audit Report</b>	
Opening Meeting	<p>Participants: &gt; Brian Callaghan, Ed Kulcsar (Vice President Woodlands), Arnold Fiselier (Senior Vice President and Chief Operating Officer), Rob Berndt (Operations Manager), Allen Mottet (Harvest Planner), Tannis Zubot (Administrative Assistant), Darrell Panas (Silvicultural Forester), Matt Denney (Planning Forester), Jason Mogilefsky (Forestry Manager)</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>&gt; Introductions</li> <li>&gt; Scope of the audit</li> <li>&gt; Purpose of stage 1 audit</li> <li>&gt; Nonconformance types – Major / Minor</li> <li>&gt; Review of previous nonconformances - 0.</li> <li>&gt; Process approach to auditing and audit sampling</li> <li>&gt; Confidentiality agreement</li> <li>&gt; Termination of the audit</li> <li>&gt; Appeals process</li> <li>&gt; Closing meeting timing</li> </ul>
Closing Meeting	<p>Participants: &gt; Brian Callaghan , 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 (Forestry Manager)</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>&gt; Introductions and appreciation for selecting Bureau Veritas Certification.</li> <li>&gt; Review of audit process - process approach and sampling.</li> <li>&gt; Nonconformances- 0</li> <li>&gt; Opportunities for improvement – 0</li> <li>&gt; Notable Practices – 1</li> <li>&gt; Conclusions</li> </ul>

<b>Summary of Audit Findings:</b>									
Audit Date(s):		From: August 27 2018				To: August 29 2018			
Number of SF02's Raised:			Major:		0		Minor:		1
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:									
<b>Team Leader Recommendation:</b>									
Corrective Action Plan(s) Accepted		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>	Date:	1/9/18
Proceed to/Continue Certification		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>	Date:	13/9/18
All NCR's Closed		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>	Date:	13/9/18
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 2019								
Audit Report Distribution									
Jason Mogilefsky <jason.mogilefsky@spraylakesawmills.com>									
Liliana Ramirez – liliana.ramirez@us.bureauveritas.com									



**SF02/NA NONCONFORMITY REPORT**

Company Name and Site:		SF02#:	
Spray Lake Sawmills		NC 1 -18	
Contract #:	Type of audit (e.g., initial, surveillance):	Team Leader:	
	Sv3	Brian Callaghan	
Date:	Standard and Clause #:	Team Member:	
Aug 30 2018	SFI FM Section 5 Part 3		
Major	Minor	Other Documents (if applicable):	Company Representative:
	X		
<b>REQUIREMENT OF AUDITED STANDARD:</b>			
Approval and use of SFI off-product logo use according to Section 5, Part 3 of the SFI 2015-2019 Forest Management Standard			
<b>OBSERVED NONCONFORMITY:</b>			
The Company does not have a procedure for controlling the use of the SFI trademark.			
<b>ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN</b> (To be completed by the Company. Plan to be submitted in 30 days)			
Corrective Action Plan Date:		Company Representative:	
Root Cause Analysis and Corrective Action			
Root Cause: Procedure was based on FSC requirements and not changed when the Company adopted SFI as were not initially using the trademark.			
Corrective Action Plan: Revise procedure to indicate that all requests are sent to and approved by SFI Inc.			
<b>ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT</b> (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)			
Root Cause: Acceptable			
Corrective Action Plan: acceptable			
Plan Accepted:	Yes	X	No
Comments:			
Auditor:	Callaghan	Date:	August 30/2018
<b>CORRECTIVE ACTION IMPLEMENTATION</b>			
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days <input checked="" type="checkbox"/> 1 year <input type="checkbox"/>			
Corrective Action Completion Date:	September 1 2018	Company Representative:	Jason Mogilefsky
Corrective Action Implementation: Revised trademark use procedure			
Method used to verify effectiveness of action taken: read the procedure			
<b>CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT</b> (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)			
Accepted:	Yes	X	No
Nonconformance Closed:	Yes	X	No
Follow Up Comments:			
Auditor:	Callaghan	Date:	September 13 2017