



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

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PQC Code	E01E-Forestry, logging related
Contract Number	CA.3564583

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

Introduction

This report provides a summary of the renewal 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 24 to 26 and September 17, 2020. 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. Due the COVID-19 pandemic portions of the audit were conducted remotely using communication technologies. Social distancing protocols were employed throughout the field portion of the audit.

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 FMA 0100038 and the C5 Quota licensed to Crows Nest Forest Products (a Spray Lake Sawmills subsidiary). 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 extremely 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 all of the Objectives in the standard were examined. 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

The audit plan was prepared and distributed to the Company prior to the audit. The plan included approximately a day doing document review remotely and three 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 all objectives and performance measures in the SFI forest management standard. The auditor visited eleven sites during the audit including 3 active harvest sites, 3 sites which had been planted this year, and two free growing regeneration sites. More than a two dozen water crossings were inspected, as well as, one recently constructed roads, and two road rehabilitation sites.

Objective 1-Forest Management Planning:

The Company operates a mature operations planning process which includes an overarching management plan (the DFMP), a five year plan, annual operating plans and block plans/prescriptions. The company just submitted the Draft Detailed Forest Management Plan 2021 to 2030 for approval. This new plan is the result of more than four years of effort and included a variety of open houses and public meetings involving more than 700 citizens. In its eight chapter and eight annexes the plan covers all the requirements of the standard. Traditionally the harvest level has been approximately 75% of the “allowable cut” as documented in the most recent stewardship report. The plan projects that the available timber supply will be greater than demand for the near term.

Objective 2-Forest Health and Productivity:

Forest regeneration activities occur promptly after harvest. 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. Examination of recent and well-established regenerated forests found them to be well stocked and thriving (Figure 1). Spray Lake Sawmills does not use any chemical herbicides or pesticides on their forest.



Figure 1. Block 2536, a 13 year old growing pine forest re-established after harvest.

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 to ensure that streambeds are not disturbed. No evidence of erosion issues was found during the audit. All sites had plenty of down-woody-debris. The use of stump-side processing leaves all debris and tops across the site. In discussion operators knew when to shut down operations before site degradation can occur. They explained what a “rut” is and when “ruts” are a concern.

Objective 3-Protection and Maintenance of Water Resources:

Spray Lake Sawmills 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 more than two dozen water crossings were observed, all were functioning and sound. The audit inspected an active road construction site.

Forest operations are prevented from working in and around riparian areas. A variety of buffers are used to protect riparian features, all are full reserves with no harvesting allowed. Company staff use a variety of information to identify all water courses. Ephemeral streams were flagged and protected on all harvest sites.

Spray Lake Sawmills employs an access strategy which minimizes disturbance to water courses and riparian areas. The use of box culverts on perennial, intermittent and ephemeral streams ensures that stream beds are not disturbed, and the banks are maintained. The Company is also making greater use

of metal arch culverts which can be reused (Figure 2). The Company is very cautious around water.



Figure 2. The Company is using more metal arch culverts which a easily installed and reusable.

Objective 4-Conservation of Biological Diversity:

The DFMP, HCVF report, and 5-year stewardship report outline the program in place to conserve biological diversity. Field visits in 2020 confirm that the plans are being implemented. The DFMP and OGRs outline retention requirements, and the buffers that must be applied around nests and dens.

Site visits 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.

All known occurrences of species of concern are mapped. An annual download of sensitive sites and species occurrences is received by SLS from the Alberta Government to ensure the information remains current. All occurrences of species of concern are taken into account during planning and implementation and managed appropriately.

Preharvest surveys are undertaken on every block which confirm boundaries, operational constraints, and identify the occurrence of species at risk. During the audit two instances where the endangered white bark pine (*Pinus albicaulis*) was found and protected during preharvest (Figure 3). It takes excellent observational skills to see these seedlings after they are protected, it must be extremely difficult to see them in a standing forest.



Figure 3. Diligent pre-harvest surveys identify and protect endangered plants such as the white bark pine.

SLS has a comprehensive program in place to protect species at risk, sensitive species, and special sites. There are no critically imperiled or imperiled species in the areas subject to forest management on the FMA. Old growth is common on the active and passive portions of the forested landscape.

Objective 5-Management of Visual Quality and Recreational Benefits:

The operating ground rules and the DFMP require that visual and recreational values be preserved. With an extremely high level of recreational use at all levels of intensity from hiking to Mud Bogging the Company has to make accommodations for other users. Operations are planned to avoid values and where necessary to share the land. All high-use trails are protected.

Objective 6-Protection of Special Sites:

During development of the 2007 DFMP, SLS identified a wide variety of sites that need special conservation effort and would be considered Forests with Exceptional Conservation Value. Management approaches are define in the DFMP and carried forward to the new plan. SLS has participated in regional land use planning efforts which have resulted in establishing parks and protected areas.

Objective 7-Efficient Use of Fiber Resources:

Wood utilization is high on the Spray Lake forests. Efficient stump-side processing and merchandising stems at the sawmill make for very clean harvest areas. The company maximizes its merchandising at the mill, though pole quality timber is identified onsite and shipped direct to the buyer.

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

Spray Lake Sawmills has a written policy that recognizes and respects indigenous peoples Treaty

rights and traditional uses. Extensive engagement with affected First Nations took place during the development of the 2021 DFMP. The consultation process included website open houses, where SLS shared the draft DFMP and requested input from First Nations communities.

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 undertakes regular compliance inspections. A review of the 2019 and 2020 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 is committed to utilizing management strategies and practices based on new research and monitoring results. To enable this, the Company supports a variety of research initiatives and technical studies that drive towards sustainable forest management. The new DFMP list 16 projects where Spray Lake Sawmills is involved ranging from individual creek monitoring to district-wide fire studies.

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, due to the COVID-19 pandemic training this year was provided to smaller groups often in the field. All of the ten contractors/operators interviewed 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:

Spray Lake Sawmills is a member of the Western Canada SFI Implementation Committee (WCSIC). WCSIC financially supports groups with an interest in forestry related values and forest practices through an application process. The annual fee paid by SLS as a member of WCSIC goes toward this program in addition to the Small Woodland Partnership program that provides training and support for the small woodlot owner.

The Company maintains a public website that contains information regarding such things as invasive species, wildlife habitat considerations, insects and diseases and other ecological factors relevant to management on the forest. There is also a public comment/question form and the Company has a Facebook page. The Company holds annual collaborative planning sessions before plans are approved as well as hosts open houses.

The Company is highly involved in the communities it operates in, by supporting educational, recreational, and athletic activities. On an annual basis the company contributes to more than three dozen causes in the communities it operates in. The Company supports education by presenting to classes in local schools and supporting community colleges (and others) by hosting field tours.

Objective 13: Public Land Management Responsibilities:

The Detailed Forest Management Plan is available on the Company and government web sites. The auditors witnessed an active program of public consultation. A variety of open houses and meetings have been and are being held as part of the development of the new management plan.

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 2019 surveillance audit can be found on-line at SFI Inc.

Objective 15-Management Review:

Spray Lake Sawmills performs an annual internal audit and review of its forestry programs. Presentations and meeting minutes confirm that results are reviewed with senior management annually. The Company normally 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 outstanding.

Non-conformances: None Issued

Opportunities for Improvement: None Issued

Notable Practices:

NP 1 – PM 4.1 Ind 5 - The identification and protection of endangered plant species during preharvest layout and planning by Spray Lake Sawmills staff is of the highest quality.

Logo/label use:

The Company has used the SFI trademark promotionally. All required approvals were on file. The Company does not use the Bureau Veritas trademark.

SFI reporting:

A copy of the Spray Lake Sawmills 2019 SFI Forest Management report can be found on-line at the SFI Inc. website. The Company participates in the annual survey of members and provide their input in a timely fashion.

Review of Previous Audit Cycle

Spray Lake Sawmill has had one minor nonconformance over the term of their certificate. The nonconformance was a procedural issue which was immediately corrected.

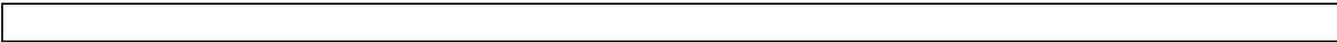
Conclusions

A closing meeting was held on September 17, 2020 with the certification manager using telecommunications technology. 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 immediate re-certification to the SFI 2015-2019 SFI Forest Management Standard.

SEE SF61 FOR AUDIT NOTES

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Summary of Audit Findings:									
Audit Date(s):			From: August 24 2020				To: Sept 17 2020		
Number of SF02's Raised:				Major:			Minor:		
Is a follow up visit required:		Yes		No	X	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes		No		N/A	X	Date:	
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	17/09/20
All NCR's Closed		Yes		No		N/A	X	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)									
Note Change in Scope									
Forest Management on Spray Lake Sawmills Agreement Area 0100038 and from the Crows Nest Forest Products C5 Quota licenses with the Alberta Government									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	August 2021								
Audit Report Distribution									
Jason Mogilefsky <jason.mogilefsky@spraylakesawmills.com>									
Lorisa Love - BVC									



Clause	Audit Report
Opening Meeting	Participants: Jason Mogilefsky Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ 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	Participants: Jason Mogilefsky Discussions: <ul style="list-style-type: none"> ➤ Introductions and appreciation for selecting Bureau Veritas Certification. ➤ Review of audit process - process approach and sampling. ➤ Review of OFIs and System Strengths ➤ Nonconformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing



SF02/NA NONCONFORMITY REPORT

Company Name and Site:		SF02#:									
Contract #:	Type of audit (e.g., initial, surveillance):	Team Leader:									
Date:	Standard and Clause #:	Team Member:									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"> Major </td> <td style="width: 15%;"> Minor </td> <td style="width: 50%;"> Other Documents (if applicable): </td> <td style="width: 10%;"> Company Representative: </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </table>	Major	Minor	Other Documents (if applicable):	Company Representative:							
Major	Minor	Other Documents (if applicable):	Company Representative:								
REQUIREMENT OF AUDITED STANDARD:											
OBSERVED NONCONFORMITY:											
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (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:											
Corrective Action Plan:											
ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)											
Root Cause:											
Corrective Action Plan:											
Plan Accepted:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"> Yes </td> <td style="width: 15%;"> <input type="checkbox"/> </td> <td style="width: 15%;"> No </td> <td style="width: 15%;"> <input type="checkbox"/> </td> <td style="width: 40%;"> Comments: </td> </tr> </table>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Comments:					
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Comments:							
Auditor:		Date:									
CORRECTIVE ACTION IMPLEMENTATION											
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days <input type="checkbox"/> 1 Year <input type="checkbox"/>											
Corrective Action Completion Date:		Company Representative:									
Corrective Action Implementation:											
Method used to verify effectiveness of action taken:											
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)											
Accepted:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"> Yes </td> <td style="width: 15%;"> <input type="checkbox"/> </td> <td style="width: 15%;"> No </td> <td style="width: 15%;"> <input type="checkbox"/> </td> <td style="width: 40%;"> Nonconformance Closed: </td> </tr> </table>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	Nonconformance Closed:	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"> Yes </td> <td style="width: 15%;"> <input type="checkbox"/> </td> <td style="width: 15%;"> No </td> <td style="width: 15%;"> <input type="checkbox"/> </td> </tr> </table>	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Follow Up Comments:											
Auditor:		Date:									