



**BUREAU
VERITAS**

**Bureau Veritas Certification
North America, Inc.
SFI Fiber Sourcing Audit Report**

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|-----------------|---|
| Company Name | F. H. Stoltze Land & Lumber |
| Contact Person | Paul McKenzie– Lands and Resource Manager |
| Address | 600 Half Moon Rd Columbia Falls, MT 59912 |
| Phone / Fax | 406-892-7005 |
| PQC Code | E01E |
| Contract Number | US 1511143 |

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|----------------------|--|-------------------------|--|---------------------|----|------------------------|--|
| Certification Audit: | | Re-Certification Audit: | | Surveillance Audit: | #2 | Scope extension audit: | |
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Audit Summary

Introduction

This report summarizes the results of a surveillance audit conducted on F.H Stoltze Land & Lumber (SLL); Sustainable Forestry Initiative (SFI) Certified Sourcing program. Jim Colla, Bureau Veritas Certification Lead Auditor, conducted the audit on October 5-6, 2015.

Audit Scope, Objectives and Process

The scope of the audit is “Fiber Sourcing system in Idaho, Montana, and Canada”. The goal is continued certification under the SFI 2015-2019 Certified Sourcing Standard. Two objectives of the SFI audit were to verify that the Program Participant’s SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and any additional indicators that the Stoltze chooses, and verify whether the Stoltze has effectively implemented its SFI Standard program requirements on the ground.

The opening meeting occurred on October 5, 2015 and took place in the field near Lakeside, MT. During the opening meeting the objectives for the surveillance audit were outlined and the audit process for collecting evidence and making audit findings was explained. Findings of non-conformance, opportunities for improvement, and appeals were also explained. Confidentiality was assured. The audit plan was discussed and agreed to, and the time and date of the closing meeting was also confirmed. There were no substitutions or edifications of SFI indicators. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the current version of the Bureau Veritas Certification SFI Auditor Handbook. Field notes and an SFI indicator checklist were completed. Paul McKenzie– Lands and Resource Manager; and other designated Stoltze staff, were present throughout portions of the audit.

Audit Plan

After discussing the goals and objectives of the audit, the audit plan and logistics was reviewed and the sites confirmed to conduct the field portion of the audit in a timely manner. Sourcing sites covered during the surveillance audit were selected based on the range of activity completed since the last audit in 2014. Several operating locations were visited in the field and contractors interviewed. The complete audit schedule is detailed in the audit plan on file with Bureau Veritas.

Company Information

F. H. Stoltze Land & Lumber Company is the oldest family-owned sawmill and forestland management company in Montana, in continuous operation since 1912. Stoltze manages approximately 38,000 acres that are certified to the American Tree Farm program. Stoltze has been represented on the Montana SFI State

Implementation Committee for years and became a 3rd party SFI Certified participant in January, 2011. Beyond the Tree Farm, suppliers include private landowners in the region; Stoltze also purchases federal, state and tribal wood via competitive bid process. Stoltze maintains a robust outreach program and is very active in the local community.

Audit Results

The audit consisted of document and record reviews and interviews. In addition a number of field sites, two of which were actively being harvested, were visited that represent the spectrum of sourcing activities Stoltze undertakes.

Objective 1-Biodiversity in Fiber Sourcing: Stoltze has maintained and updated their outreach package to address biodiversity and FECV. Information describing conservation of critical wildlife habitat, TES and importance of biodiversity across the landscape is specifically noted. Stoltze also utilizes external (MDNRC, Tree Farm) to communicate objectives to landowners. The depth of the information provided, frequency, and commitment to ATFS remains outstanding. As noted in records reviewed Stoltze has met and discussed biodiversity and landscape scale issues with a number of entities, including the American Rivers Council, Montana Forest Council, and Family.

Objective 2-Adherence to Best Management Practices: Stoltze Procurement and BMP Monitoring Procedures, Adverse Weather Condition Program, LPAs and Timber Cutting Agreements contain policies, programs and requirements for compliance with BMP/SMZ practices. BMP inspection policies, priorities and sampling intensities are well defined. SLL conducts internal reviews quarterly of BMP and regulatory compliance. MDNRC checks for HRA compliance. Any deficiencies are directly addressed with the supplier. All sites visited had purchase agreements or contracts in place requiring BMPs.

Objective 3-Use of Qualified Resource and Qualified Logging Professionals: Stoltze continues to maintain, support and implement a program to promote trained professionals. Stoltze tracks the volume of wood provided by trained professionals, which in 2014 was 96.3%. Procurement policies address logger training goals and objectives. On Stoltze owned property or on purchase contracts Stoltze requires a minimum of one crew member who is trained to the ALP level to be on site on a daily basis. Stoltze encourages all other suppliers to use trained contractors. Procurement objectives address logger training goals and objectives. The contractors interviewed are ALP Montana certified. All contractors had required safety equipment and emergency and spill response plans and are well versed in sustainable forestry principles.

Objective 4-Legal and Regulatory Compliance: A log purchase contract cannot be issued without an established HRA notification and copy of the property deed. Stoltze utilizes site visits and inspection forms per handbook procedures and uses these to document and follow up with non-compliance issues. These visits and forms record compliance levels with laws and regulations. Furthermore, MDNRC monitors and inspects for HRA compliance. Stoltze will monitor information from SIC and address inconsistent practices via handbook policies that deal with inconsistent practices. Stoltze maintains and implements a Program to Address Fuel, Oil Spills and Hazardous Waste issues and ensure compliance with State, Federal and Local laws. The system is understood by all Stoltze foresters on inspected sites. Stoltze has developed and documented a risk assessment regarding the potential to acquire logs from illegal sources and written a policy that addresses all requirements of this indicator. Extensive records and documents are maintained for every fiber sourcing transaction.

Objective 5-Forestry Research, Science and Technology: Not audited

Objective 6-Training and Education: The commitment statement has been updated to reflect commitment to the SFI 2015-2019 standard. Stoltze has maintained their program to use trained professionals as detailed in their handbook. Stoltze supports the Montana Logging Association Accredited Logging Professional program. Stoltze LPAs and Timber Cutting Agreements contain clauses that require contractors comply with Stoltze SFI policies. Stoltze encourages all other suppliers to use trained contractors. Stoltze cooperates through the SIC/MLA to ensure contractor training programs are consistent with the goals and needs of the SFI program. Continuing education is built into the MLA program. Stoltze hosts a contractor meeting in the spring that covers a number of topics and maintains detailed training records on the continuing education and training accomplishments of its staff.

Objective 7-Community Involvement and Landowner Outreach: Stoltze has maintained and distributed information concerning Montana BMP's for water quality, SMZ rules, and MT SIC publications to landowners and contractors in the form of a comprehensive packet. They support contractor and landowner educational opportunities on BMP/SMZ topics. The landowner packet provides information on and encourages the Tree Farm certification program. Stoltze is active in TF, foresters are trained Tree Farm inspectors, conduct inspections and constantly seek new TF members. Stoltze has developed a new outreach effort (notable practice issued) by developing a Facebook page which has generated much interest and is proving to be highly effective in disseminating information on a number of sustainable forestry topics. Reduction of wildfire risks has been posted and received favorably.

Objective 8-Public Land Management Responsibilities: Not applicable

Objective 9-Communications and Public Reporting: The 2014 Stoltze Audit Report is posted on the SFI Website. All records necessary for reporting to SFI are maintained electronically and were reviewed as part of this audit.

Objective 10-Management Review: Management systems are in place to share information at both an operational and policy level among staff to provide interactive feedback. Formal reviews are conducted annually, are robust, and provide for continuous improvement. Less formal quarterly reviews occur and include review of inspection report; sales and marketing data; the SFI Program in MT; and, for 2015, preparation and updates needed to conform to changes in the 2015-2019 standard.

Objective 11-Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Conservation Wilderness Areas: Not Applicable

Objective 12-Avoidance of Controversial Sources including Illegal Logging: Not Applicable

Objective 13-Avoidance of Controversial Sources including Fiber Sourced from Areas without Effective Social Laws: Not Applicable

Findings

Previous non-conformances:

NC01 – minor - Section 4 & 5, SFI On and Off--Product Marks: This non-conformance was effectively closed October 21, 2014. Effective conformance recovery has been maintained as evidenced by a new SFI approval for off-product use on a landowner brochure has been approved by SFI.

Non-conformances: None issued

Opportunities for Improvement: None issued

Notable Practices: PM7.1 (2), see above Objective 7 comments.

Logo/label use:

Stoltze continues to use the SFI logo on lumber wrap. Off product promotional use has been obtained for a brochure. Stoltze does not use the BVC logo.

SFI reporting:

The 2015 audit report for Stoltze Land & Lumber is on the SFI website as required. Stoltze has submitted 2014 annual report data to SFI as requested.

Conclusions

The closing meeting was held at the Columbia Falls, MT office on October 6, 2015. The findings related to all audited indicators were reviewed, and the confidentiality of audit results assured. In the opinion of the auditor, F. H. Stoltze Land & Lumber continues to implement an effective SFI program that meets the requirements of the SFI 2015-2019 Fiber Sourcing Standard. Continued certification is recommended.

SEE SF61 FOR AUDIT NOTES

| Summary of Audit Findings: | | | | | | | | | |
|---|------------------------------|-----------------------|-------------------------|-----|-----------------------------|---------------------|--------|-------------|---|
| Audit Date(s): | | From: October 5, 2015 | | | | To: October 6, 2015 | | | |
| Number of SF02's Raised: | | | Major: | | 0 | | Minor: | | 0 |
| Is a follow up visit required: | | | Yes | No | 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: | | Oct 6, 2015 | |
| All NCR's Closed | | Yes | No | N/A | X | Date: | | | |
| Standard audit conducted against: | | | | | | | | | |
| 1) | SFI 2015-2019 Fiber Sourcing | | | 3) | | | | | |
| 2) | | | | 4) | | | | | |
| Team Leader (1): | | | Team Members (2,3,4...) | | | | | | |
| Jim Colla | | | 2) | | | | | | |
| Scope of Supply: (scope statement must be verified and appear in the space below) | | | | | | | | | |
| Fiber Sourcing system in Idaho, Montana, and Canada | | | | | | | | | |
| Accreditation's | | ANAB | | | | | | | |
| Number of Certificates | | 1 | | | | | | | |
| Proposed Date for Next Audit Event | | | | | | | | | |
| Date | early October 2016 | | | | | | | | |
| Audit Report Distribution | | | | | | | | | |
| Client: F.H. Stoltze Land & Lumber, Paul McKenzie, - pmckenzie@stoltzelumber.com | | | | | | | | | |
| BVNA: CAC – Dawn Komnick, dawn.komnick@us.bureauveritas.com | | | | | | | | | |

| Clause | Audit Report |
|-----------------|---|
| Opening Meeting | Participants: Paul McKenzie, Chris Damrow, Mark Boardman, (Stoltze procurement staff); Discussions: and Jim Colla, auditor. <ul style="list-style-type: none"> ➢ Introductions ➢ Scope of the audit ➢ Audit schedule/plan ➢ Nonconformance types – Major / Minor ➢ Review of previous nonconformances - 1. ➢ Process approach to auditing and audit sampling ➢ Confidentiality agreement ➢ Termination of the audit ➢ Appeals process ➢ Closing meeting timing |
| Closing Meeting | Participants: Paul McKenzie, Chris Damrow, Mark Boardman, Teri West, Chuck Rody Discussions: (Stoltze staff); and Jim Colla, auditor <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 ➢ Nonconformance's - 0 ➢ Date for next audit. ➢ Reporting protocol and timing |