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

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Company Name	Spruce Products Limited
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Phone / Fax	
PQC Code	E01E
Contract Number	US.1751336

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	# 2	Scope extension audit:	
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Audit Summary
Introduction
<p>Spruce Products Limited was audited for their second surveillance from 07 to 09 September 2016. The audit was conducted by Bureau Veritas qualified forest auditors. The Lead Auditor was Laird van Damme R.P.F., supported by Auditor Matthew Hollands R.P.F., M.B.A.</p>
Audit Scope, Objectives and Process
<p>The audit scope included the Fiber Sourcing activities of Spruce Products in support of their sawmill operations. The audit objective was to determine conformance of Spruce Products fiber sourcing activities with the SFI 2015-2019 Fiber Sourcing Standard. The audit process employs a sample of the audit objectives during the term of the certificate to determine this conformance. The specific Performance Measures assessed during this surveillance were 2.1, 3.1, 7.1, 7.2, 7.3, and 9.1.</p> <p>The audit process involves an opening meeting to verify the audit scope and objectives and confirm audit logistics and available resources. This is followed by the auditor collection and review of objective evidence. Company documents, records, interviews with personnel and a series of site visits to sites where raw materials were sourced using the fiber sourcing standard is used as objective evidence. The field sites visited were determined by the Lead Auditor following a review of the list of sites harvested by Spruce Products during the audit term. Audit findings are determined based on auditor review of the objective evidence and a closing meeting is held to affirm the audit findings with Spruce Products personnel and management.</p> <p>This report completes the audit process.</p>
Audit Plan
<p>The audit plan and selected objectives and indicators assessed during this surveillance are attached to this report and maintained in the client file for this surveillance by Bureau Veritas Certification.</p>
Company Information
<p>Spruce Products Limited a dimensional lumber producer located in Swan River Manitoba. The fiber sourced by Spruce Products is considered Spruce Pine Fir (SPF) by the industry. The company also utilizes its milling byproducts on site. Shavings are bagged and sold to the animal</p>

husbandry distributors. Sawdust is shuttled to a Wood Pellet Mill located on the adjacent parcel also owned by Spruce Products. Biomass is consumed on site, used to fire the boilers that heat the kilns and to generate electricity from the excess steam.

Wood chips are shipped and sold to Tolko Industries located in LaPas Manitoba. This will occur until December of 2016 as Tolko recently announced closure of this facility will occur at the end of the year.

Spruce Products is a privately held corporation owned by the Marvin family. Family members form the board of directors. The chairman is a non-family member recruited to fulfil this role. Ward Perchuk is President of the firm, reporting to the board. Rick Bobby is the Woodlands Manager. Jeannette Coote is the SFI Program Manager and Silviculture Forester for Mountain Forest Section Renewal Company Ltd. Ms. Coote is responsible for implementation of the Spruce Products SFI Chain of Custody, Forest Management, Fiber Sourcing and silviculture program.

Audit Results

Fiber Sourcing program documentation was found to be maintained and available for review. Files were well organized, thorough and complete. Personnel were competent based on interviews.

Fiber Sourcing for Spruce Products includes the harvest of SFI 100% Certified Forest Content from on Louisiana Pacific (LP) Forest Management Licence areas adjacent to the Spruce Products Licence areas. LP Forest Management. Spruce Product and LP have a reciprocal agreement whereby Spruce Products will harvest conifer dominated stands on LPs Licence area and in return LP will harvest hardwood dominated areas on the Spruce Products Licence. In addition, Spruce Products applies Fiber Sourcing to private land supplies of logs sourced in Manitoba and Saskatchewan. Fiber sourcing is also applied to logs received from Weyerhaeuser and Edgewood in Hudson Bay Saskatchewan and from Roblin Forest Products of Roblin Manitoba.

Specific observations to each objective and performance measures assessed are present in the following.

Objective 2-Adherence to Best Management Practices:

Performance Measure 2.1. Best management practices were well documented and effectively communicated to contractors and landowners through the Timber Purchase Agreement, Site Start-up Meeting block documentation, landowner questionnaire and Supplier Self-declaration.

Site inspections of Spruce Products contractor operations on Louisiana Pacific (LP) Forest Management Licence area were documented with appropriate work permits, mitigation¹, company inspections and Manitoba Conservation joint inspections. Sites inspected were in the Singush area of the LP Licence. Evidence of harvest operations was observed in blocks SGL 810, 811, and 816. Road demobilization efforts were inspected on the access to SGL 815. It was apparent that Best Practices were applied and government requirements of the work permits were observed. Good utilization practices, road demobilization, and silviculture implementation were observed. No issues were observed.

Contractor files for James Germain were reviewed for logs sourced from Saskatchewan. Block files for the above noted Spruce Products harvest on the LP Licence area was observed. Timber Purchase Agreements and supplier self-declaration referenced and acknowledge the Spruce Products requirements to apply Best Practices during logging operations.

Objective 3-Use of Qualified Resource and Qualified Logging Professionals:

Performance Measure 3.1. Neither Manitoba nor Saskatchewan have a certified logger program.

¹ Mitigation is the term used by the company and Manitoba Conservation where specific protections for environment and social aspects of forest management are determined and documented on the block prescription document of the work permit.

Provincial labour, forestry and environmental regulations guide acceptable practices within the respective provinces. Spruce Products addressed Best practices through its start-up meetings on LP Licence areas and LP requires contractors to attend an annual Best Practices review session. Spruce Products also shares with landowners the contacts of those contractors that apply the Best Practices and meet Spruce Products operating standards for the landowner's consideration when contemplating a timber sale. Through this means Spruce Products supports achievement of Fiber Sourcing objectives.

Objective 7-Community Involvement and Landowner Outreach:

Performance Measure 7.1, 7.2, 7.3. The Spruce Products Fiber Sourcing Program was established and well documented for the Performance Measures sampled during this surveillance. The landowner information package, landowner questionnaire, and the joint logger, landowner, and company meeting to review the SFI Best Practices and other program elements was effectively relayed. The supplier self-declarations and timber purchase contracts were in each contractor file for supplies received from private land.

Spruce Products supports community groups, provincial forestry associations, and ecological education groups. The company is active in its support of the Manitoba Forestry Association. The Woodland Manager sits as a Board of Director for this association. The Duck Mountain Forestry Centre and associated Beaver Island Trail developed and support by Spruce Products provides outdoor education opportunities for various groups. Spruce Products is a contributor in the Environthon Program and a supporter of Ducks Unlimited.

The required public outreach systems are established and linked with the Central Canadian SFI Implementation Committee.

Objective 9-Communications and Public Reporting:

Performance Measure 9.1. Surveillance 1 BVC SFI FM audit report was posted and present on the SFI portal. Report was complete and final with findings closed 19 November 2015. The report addressed the noted requirements.

In addition to objectives and performance measures listed above, several new indicators under the 2015-2019 SFI standard were evaluated and found to be compliant.

Findings

Previous non-conformances:

- Minor NC 1-2015 lack of sedimentation control on stream crossing was remedied and verified by site inspection to be effective.
- Minor NC 2-2015 S Site inspections found significant improvements in fuel handling systems. Some minor issues related to compliance with health and safety regulations were rectified by training and oversight; however, additional effort is required to achieve full compliance (see 2016-01 below).
- Minor NC 3-2015 on failing to submit audit report to SFI the audit found this issues has been resolved.

Non-conformances:

No new non-conformance findings were assessed against

Opportunities for Improvement:

Performance Measure 7.1 Indicator 2) The landowner package was observed to be thorough and complete. Review of the species at risk listing provided to landowners generically describes the species as found on the Forest Management Unit (FMU) or outside the FMU. Without a map or further geographic reference the landowner may not find this reference to be of intuitive value in relation to their private land parcel.

Performance Measure 7.1 Indicator 3) The evidence file supporting this indicator did have a document recognizing the Manitoba program for recognition of landowner participation in forest management. Interviews with program personnel indicated awareness of the programs available supporting Saskatchewan woodlot owners was less well known and thus could be more explicitly stated in the evidence package.

Notable Practices:

No notable practices were identified during this review of the Fiber Sourcing Program.

Logo/label use:

Approval was obtained by Spruce Products to include the Certified Sourcing label as part of the series of lumber stamps on each board produced. The Bureau Veritas trademark was not considered for use by the firm.

SFI reporting:

The Spruce Products listing was reviewed on the SFI website confirming the listing was completed and up to date. Records of the prior surveillance were posted. The required reporting information to SFI was up to date.

Conclusions

The Fiber Sourcing program for Spruce Products was well documented and thorough. Records were available for review. Personnel were knowledgeable and competent. Observation of forest harvest and road demobilization on Fiber Sourcing areas (LP Licence area) and document review indicate Best Practices were communicated and applied. Spruce Products is an active supporter of forestry education and is an active member of the Central Canada SFI Implementation Committee. Required posting of the previous surveillance audit and annual reporting to SFI was completed.

Prior findings were effectively closed and the issues demonstrated effectively maintained based on this surveillance. No new non-conformance findings were issued as a result of this assessment. Continued certification to the Fiber Sourcing standard is recommended.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: 07 September 2016				To: 09 September 2016			
Number of SF02's Raised:				Major:		0		Minor: 0	
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:	09 September 2016
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	09 September 2016
All NCR's Closed		Yes		No		N/A	X	Date:	09 September 2016
Standard audit conducted against:									
1)	SFI 2015-2019 Fiber Sourcing			3)					
2)				4)					
Team Leader (1):		Team Members (2,3,4...)							
Laird van Damme R.P.F.		2) Matthew Hollands R.P.F., M.B.A.							
		3)							
		4)							
		5)							
Scope of Supply: (scope statement must be verified and appear in the space below)									
From the CEP - Fiber Sourcing from Company Managed Lands in Manitoba									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	To be determined subject to program renewal								
Audit Report Distribution									
Jeannette Coote : cootej@spl.mb.ca									
Erika Matinez-Rchmani: erika.martinez-rechmani@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	Participants: Per attached attendance list Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous non-conformances - 3. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	Participants: Per attached attendance list 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 – to be determined based on program renewal ➤ Reporting protocol and timing