



Forest Certification REPORT



Spruceland Millworks Inc.—SFI Surveillance Audit January 2017

From January 16-20, 2017, KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of forestry and logging (including planning, roads, harvesting, and silviculture) on Spruceland Millworks Inc.'s Alberta Crown Forest Disposition CTQW 110007, as well as fibre sourcing for the company's Timeu sawmill located in Fort Assiniboine, Alberta. This Certification Summary Report provides an overview of the process and KPMG's findings.

Description of Spruceland Millworks Inc.'s Woodlands Operations

Spruceland's woodlands operations encompass a total area of 35,493 hectares within the boreal plains eco-zone located in the Forest Management Agreement (FMA) area held by Millar Western Forest Products Ltd., in the vicinity of Fort Assiniboine, Alberta. The Spruceland annual allowable cut (AAC) is 88,962 m³/year of coniferous timber, primarily from white spruce and mixed-wood stands. The 2017 audit found that Spruceland's forest harvesting continues to conform with the allocated harvest level applicable to these operations.

The woodlands operations that are included within the scope of the Spruceland's SFI certification are covered by a sustainable forest management (SFM) plan that addresses the Objectives of the SFI forest management standard. A government-approved Detailed Forest Management Plan provides direction to forest management within the areas managed by the organization. As well government-approved operational plans which span 1-5 years are in place. The higher level plans as well as operational plans address the management of both timber and non-timber values and associated constraints.

The forest management approach employed by the Spruceland is based on even-aged management through clearcut harvesting with the retention of reserves of standing trees within and adjacent to harvest areas. Ground-based harvesting systems are used, and harvested areas are planted within a few years with a mix of ecologically suited tree species.

Description of Spruceland 's Manufacturing Facilities and Fibre Sourcing Program

Spruceland's SFI fibre sourcing certification covers procurement of fibre for the company's Timeu sawmill located near the community of Fort Assiniboine, Alberta.

While approximately two thirds of the fiber is sourced directly from Spruceland's own woodlands, the remainder is purchased from third parties in the region. Of the purchased wood, most is from other organizations who hold their own SFM certifications (e.g., Millar Western Forest Products, West Fraser Mills), with a small percentage coming from uncertified private land. In addition, some of Spruceland's fibre sourcing is obtained through purchase stumpage that is logged by Spruceland contractors under Spruceland's environmental management system.

Spruceland participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all



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wood purchases and purchase wood inspections as necessary. The results are then collated by WCSIC in order to identify trends in performance and opportunities for improvement.

Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI Forest Management and Fibre Sourcing standards, and incorporated an assessment against the SFI program objectives shown in Tables 1 & 2 in this report

The scope of the 2017 SFI surveillance audit of forestry and logging (including planning, roads, harvesting, and silviculture) on Spruceland Millworks Inc.'s Alberta Crown Forest Disposition CTQW 110007, as well as fibre sourcing for the company's Timeu sawmill located in Fort Assiniboine, Alberta.

The Audit

- **Audit Team** – The audit was conducted by Branden Beatty, R.P Bio. Branden is an employee of KPMG PRI, and has conducted forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2017 SFI Surveillance Audit** – The audit involved an on-site assessment of elements of the Spruceland's SFI program, and included visits to several field sites (3 cutblocks, 1 road, and 1 wood procurement sites) to evaluate conformance with the requirements of the current SFI Forest Management and Fibre Sourcing standards. The audit took a total of 5.5 auditor days to complete, four days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing various audit checklists and the main and public summary audit reports.
- **Spruceland's SFI Program Representative** – Josh Sawatsky served as Spruceland's SFI program representative during the audit.

Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI Forest Management and Fiber Sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

Audit Objectives

The objective of the audit were to evaluate the sustainable forest management system at Spruceland to:

- Determine its conformance with the requirements of the SFI 2015-2019 Forest Management and Fibre Sourcing standards;
- Evaluate the ability of the system to ensure that Spruceland's woodlands operations meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that Spruceland meets its specified SFM objectives.

These objectives were met.

Audit Evidence Reviewed

Spruceland Millworks Inc. 2017 SFI Surveillance Audit Findings	
Open non-conformities from previous audits	1
New major non-conformities	0
New minor non-conformities	3
New opportunities for improvement	2

Findings: Spruceland Millworks Inc — 2017 SFI Surveillance Audit

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

Table 1: Evidence of Conformity with the SFI 2015-2019 Forest Management Standard

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	N/A not in scope for the 2017 audit
2. Forest Health and Productivity	N/A not in scope for the 2017 audit
3. Protection and Maintenance of Water Resources	Harvest plans, Operating Ground Rules, staff and contractor interviews, inspection of a sample of field sites with riparian features.
4. Conservation of Biological Diversity	N/A not in scope for the 2017 audit
5. Management of Visual Quality and Recreational Benefits	Operating Ground Rules, harvest plans, staff and contractor interviews.
6. Protection of Special Sites	N/A not in scope for the 2017 audit
7. Efficient Use of Fibre Resources	Operating Ground Rules, internal inspections, staff and contractor interviews, inspection of a sample of field sites.
8. Recognize and Respect Indigenous Peoples Rights	N/A not in scope for the 2017 audit
9. Legal and Regulatory Compliance	Non-conformance and corrective/preventive action records, Forest Operations Monitoring Program results, internal audit report, company policies, staff and contractor interviews, filed inspections
10. Forestry Research, Science and Technology	N/A not in scope for the 2017 audit

Types of audit findings

Major non-conformities:

Are pervasive or critical to the achievement of the SFM Objectives.

Minor non-conformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

Opportunities for Improvement:

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

Table 1 continued

11. Training and Education	N/A not in scope for the 2017 audit
12. Community Involvement and Landowner Outreach	Western Canada SFI Implementation Committee (WCSIC) meeting minutes and resources (i.e., WCSIC public website, Wood Producers Information Package), staff interviews.
13. Public Land Management Responsibilities	N/A not in scope for the 2017 audit
14. Communications and Public Reporting	N/A not in scope for the 2017 audit
15. Management Review and Continual Improvement	Internal audit and management review records, staff interviews.

Table 2: Evidence of Conformity with the SFI 2015-2019 Fibre Sourcing Standard

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Fibre Procurement Package, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Logging Professionals	N/A not in scope for the 2017 audit
4. Legal and Regulatory Compliance	Non-conformance and corrective/preventive action records, internal audit reports, HR policies, staff and contractor interviews, inspection of a sample of procurement sites..
5. Forestry Research, Science & Technology	N/A not in scope for the 2017 audit
6. Training and education	N/A not in scope for the 2017 audit

Table 2 continued

7.	Community Involvement and Landowner Outreach	Purchase Wood Agreements, SFI Information Package and Records of its distribution to landowners, WCSI website, interviews with procurement staff, field audit of sample of purchase sites.
8.	Public Land Management Responsibilities	N/A not in scope for the 2017 audit
9.	Communications and Public Reporting	N/A not in scope for the 2017 audit
10.	Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11-13	—These objectives relate to sourcing fibre from outside Canada and the USA.	Not applicable—Spruceland does not source from outside Canada.

Good Practices

The following good practice was identified during the audit:

- SFI Forest Management Objectives 7 (utilization) – Harvesting contractors were noted for relatively low stump heights, resulting in better utilization of wood.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of five open non-conformities from previous Spruceland SFI audits. The audit team reviewed the status of the action plans that were developed by the Spruceland to address these previous audit findings and concluded that for four of the five cases they: (1) had been implemented as required, and (2) were effective in addressing the root cause of these non-conformities. As a result, four of the previously identified non-conformities have now been closed. One non-conformity relating to neither having nor providing company First Nations policy to applicable bands was partly but not completely implemented, and this finding remains open.

Areas of Nonconformance

The following two minor non-conformities were identified during the SFI surveillance audit of Spruceland's woodlands and fibre sourcing operations:

- SFI Forest Management Objectives 2, 3 (forest productivity, water quality) – In support of the SFI objectives to protect forest productivity as well as water quality, the company has incorporated into its procedures requirements to inspect fire extinguishers on equipment, and maintain spill kits. However instances were noted where these were not being applied as specified.
- SFI Forest Management Objective 9, 15 (regulatory compliance, management review) – The audit found that two regulatory non-compliances occurred over the past year, and were actioned informally rather than through the company procedures, and as a result were not communicated to top management.

Opportunities for Improvement

The following opportunity for improvement was identified during the audit:

- SFI Fibre Sourcing Objective 11 (training) – The audit noted that a harvesting contractor had several versions of the company's procedures in the machine, and was unsure which was the current version.

Audit Conclusions

The audit found that the Spruceland's sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2015-2019 Forest Management and Fibre Sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization's environmental and SFM policies, provided that the systems continues to be implemented and maintained as required.

As a result, a decision has been reached that Spruceland Millworks Inc. continue to be certified to the SFI 2015-2019 Forest Management and Fibre Sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root causes of the non-conformities identified during the audit have been developed by Spruceland, and reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.

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