



Forest Certification REPORT



Spruceland Millworks Inc.—SFI Re-certification Audit November 2015

From November 3-5, 2015, KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-certification 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.

In order to ensure an efficient audit as possible, a PEFC chain of custody audit was conducted at the same time. 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 2015 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 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 2015 SFI re-certification 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 Yurgen Menninga, RPF, EP(EMSLA), and Neil MacEachern, RPF, EP(EMSLA). Both are employees of KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2015 SFI Re-certification Audit** – The audit involved an on-site assessment of all elements of the Spruceland's SFI program, and included visits to several field sites (6 roads, 6 cutblocks, 2 silviculture sites and 2 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 ten auditor days to complete, seven 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 an off-site review of selected Spruceland documents and records and completing various audit checklists and the main and public summary audit reports.
- **Spruceland's SFI Program Representative** – Perm Sieusahai 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;

Spruceland Millworks Inc. SFI Re-certification Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	3
New opportunities for improvement	3

- Evaluate the effectiveness of the system in ensuring that Spruceland meets its specified SFM objectives.

These objectives were met.

Audit Evidence Reviewed

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	Detailed Forest Management Plans (DFMP), timber supply analysis, General Development Plan (GDP), Annual Operating Plan (AOP), Final Harvest Plans (FHPs), staff interviews.
2. Forest Health and Productivity	DFMPs, Operating Ground Rules, Standard Operating Procedures (SOP) and internal inspections, FHPs, staff and contractor interviews, inspection of a sample of field sites.
3. Protection and Maintenance of Water Resources	DFMPs, Operating Ground Rules, FHPs, staff and contractor interviews, inspection of a sample of field sites with riparian features.
4. Conservation of Biological Diversity	DFMPs, FHPs, staff and contractor interviews, inspection of a sample of field sites.
5. Management of Visual Quality and Recreational Benefits	Operating Ground Rules, FHPs, staff and contractor interviews, inspection of a sample of field sites.
6. Protection of Special Sites	Operating Ground Rules, FHPs, staff and contractor interviews, inspection of a sample of field sites.
7. Efficient Use of Fibre Resources	Operating Ground Rules, SOPs and internal inspections, staff and contractor interviews, inspection of a sample of field sites.
8. Recognize and Respect Indigenous Peoples Rights	Company policy on First Nations' rights, records of consultation with local Indigenous Peoples, interviews with Company staff and representatives
9. Legal and Regulatory Compliance	Internal inspection non-conformance and corrective/preventive action records, Forest Operations Monitoring Program (FOMP) results, internal audit report, HR policies, staff and contractor interviews.
10. Forestry Research, Science and Technology	DFMPs, Operating Ground Rules, interviews with key personnel.

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.

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Table 1 continued

11. Training and Education	Training requirement procedure, employee and contractor training materials and records, staff and contractor interviews.
12. Community Involvement and Landowner Outreach	WCSIC meeting minutes and resources (i.e., WCSIC public website, Wood Producers Information Package), staff interviews.
13. Public Land Management Responsibilities	Public communication and correspondence records, records of consultation with Aboriginals, staff interviews.
14. Communications and Public Reporting	Certification summary report.
15. Management Review and Continual Improvement	Internal audit and management review management review records, staff interviews.



This photo shows a cutblock harvested by Spruceland, as well as the retention scattered across the large opening that breaks up the visual impact, provides habitat diversity, and provides for advanced regeneration.

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	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by qualified logging professionals, interviews with procurement staff, wood purchase agreement.
4. Legal and Regulatory Compliance	Internal inspections, internal audit reports, HR policies, staff and contractor interviews.
5. Forestry Research, Science & Technology	Detailed Forest Management Plan, interviews with key personnel.
6. Training and education	Employee and contractor training materials and records, WCSIC resources, interviews with staff and contractors.

Table 2 continued

7.	Community Involvement and Landowner Outreach	Purchase Wood Agreements, SFI Information Package and Records of its distribution to landowners, Western Canada SFI Implementation Committee (WCSIC) website, interviews with procurement staff, field audit of sample of purchase sites.
8.	Public Land Management Responsibilities	Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews.
9.	Communications and Public Reporting	Certification summary report
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

A number of good practices were identified during the course of the audit. Examples included:

- SFI Forest Management Objectives 2,4,5 (forest productivity, biodiversity, and visual quality) – A number of blocks visited had retained understory and overstory trees that were found to be well selected and well dispersed across the openings. This retention assists in regeneration of the new forest, provides habitat diversity and stand structure, and also breaks up the visual impact of the opening.
- SFI Forest Management Objective 2 (forest productivity) .The woodlands operations have begun using Lidar earthshade imagery on harvest maps, which gives the harvesting crew a 3-dimensional impression of the ground in the cut block by showing ridges, depressions, steep areas, etc. This allows machine operators to look at the map and more easily assess where terrain features are that may be sensitive to machine traffic.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of two 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 they: (1) had been implemented as required, and (2) were effective in addressing the root cause of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.

Areas of Nonconformance

A total of three minor non-conformities were however identified during the SFI re-certification audit of Spruceland's woodlands and fibre sourcing operations. These included:

- SFI Forest Management Objective 11 / Fibre Sourcing Objective 6 (training and education) – The Forest Management and Fibre Sourcing standards states there are to be written agreements with logging contractors and purchase wood suppliers that require the use of qualified logging professionals. However Spruceland currently does not have such agreements in place.
- SFI Forest Management Objective 8 (indigenous people's rights) – The Forest Management standard requires that the company provide a written policy around recognizing and respecting the rights of indigenous peoples. However while there is a brief policy statement within a Spruceland document, it has not been reviewed by senior management and has not been provided to First Nations.
- SFI Forest Management Objective 14 / Fibre Sourcing Objective 9 (communications and public reporting) – SFI requires that specific information be reporting annually to SFI such as area harvested in the calendar year, area planted, among other items, and records of the report are to be retained. However Spruceland could not provide a record of the 2014 report.

Opportunities for Improvement

A total of three new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI Fibre Sourcing Objective 10 (continual improvement) – It was noted that while the company has a document detailing how each indicator of the SFI Forest Management standard is met, it has yet to create a similar document for the Fibre Sourcing standard.
- SFI Forest Management Objective 8 (indigenous people's rights) – The audit found that an assessment had been completed in regards to the likelihood of archaeological sites being identified in the vicinity of areas planned for harvest. This was completed by another company, and while verbal information was received by Spruceland that the likelihood was low, having a copy of the formal report would benefit the company's due diligence.
- SFI Forest Management Objective 15 / Fibre Sourcing Objective 10 (continual improvement) – It was noted that while the internal audit covered the requirements of the standard, the lack of findings suggests a lack of depth in the auditing procedures and that the value of the audit could be improved.

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. be certified to the SFI 2015-2019 Forest Management and Fibre Sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root cause(s) 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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