



## Tolko Industries Ltd.—Athabasca OSB Woodlands Operation—December 2013

From December 2nd to December 5th, 2013, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI certification audit of Tolko Industries Ltd.— Athabasca OSB division’s woodlands operations against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard. This Certification Summary Report provides an overview of the process and KPMG’s findings.

### Description of Tolko Industries Ltd’s Athabasca OSB Operations

Tolko’s Athabasca OSB woodlands operations encompass a total area of about 450,000 hectares within Forest Management Agreement (FMA) 0600043 area, or the Marten Hills FMA, which is situated in the vicinity of the community of Slave Lake, Alberta.

Until December 2013 the company’s Athabasca Oriented Strand Board (OSB) plant had been closed for several years due to market conditions, but it is now fully operational. While the mill was shut down, the woodlands department managed a reduced harvest level, selling logs to other mills in the area. Starting early in 2013 the woodlands department increased it’s staffing as well as forest planning and harvest activity in order to supply sufficient volume for the mill.

### Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Forest productivity;
- Protection and maintenance of water resources;
- Conservation of biological diversity;
- Management of visual quality and recreation benefits;
- Protection of special sites;
- Efficient use of forest resources;
- Fibre sourcing (landowner outreach, use of qualified resource & logging professionals, adherence to best management practices.);
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement in the practice of sustainable forestry;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.



## Findings: Tolko Industries Ltd.—Athabasca OSB Woodlands Operation—December 2013

The scope of the 2013 SFI certification audit of Tolko’s Athabasca OSB Woodlands operations included forest management on the Marten Hills FMA, as well as fibre procurement activities for the Athabasca OSB plant.

### The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA) as lead auditor as well as James Lucas 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.
- **SFI Certification Audit/ISO 14001 Surveillance Audit** – The audit involved an on-site assessment of all elements of the Company’s SFI program, and included visits to several field sites to evaluate conformance with the requirements of the current SFI standard.
- **Surveillance Audits** – Annual SFI surveillance audits will be conducted by the audit team to ensure that SFI requirements continue to be met.
- **Company SFI Program Representative** – Permanand Sieusehai RPF served as Athabasca OSB’s SFI program representative during the audit.

### Audit Objectives

- The objective of the audit was to complete an SFI certification audit to evaluate the Company’s conformance with the requirements of the 2010-2014 version of the SFI standard.

### Audit Conclusions

The audit found that Athabasca OSB’s woodlands operations on the Marten Hills FMA 0600043 meets the requirements of the 2010-2014 version of the SFI standard in all material respects. As a result, a decision has been made to grant certification to the SFI standard for the next 3 years.

### Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in Table 1 below.

SFI Objective #	Key Evidence of Conformity
1. Forest Management Planning	Detailed Forest Management plan (DFMP), Final harvest Plan (FHP), Annual Operating Plan (AOP), General development Plan (GDP), Timber Supply Analysis, Inventory program, GIS data
2. Forest Productivity	Site plans, Silviculture Reports, Field Surveys, Chemical Use Records and Contractor Qualifications, Fire Plan, Inspections including Noxious Weed ID.

Tolko Industries Ltd.—Athabasca OSB division	
Major non-conformities	0
Minor non-conformities	3
Opportunities for improvement	3

## Findings: Tolko Industries Ltd.—Athabasca OSB Woodlands Operation—December 2013

SFI Objective #	Key Evidence of Conformity
3. Protection and Maintenance of Water Resources	Tolko Environmental Management System (EMS) and Woodlands Operations Manual, Field Inspections of Riparian Areas, Site Plans, Internal Audit Reports, Government Compliance Inspections, Training for Staff and Contractors, Block Layout Description Sheets, GIS Data, LiDAR, Wet Areas Mapping, Contract Documents.
4. Conservation of Biological Diversity	DFMP , FHP, AOP, GDP, Tolko EMS and Woodlands Operations Manual, Operational plans, Inspections including Noxious Weed ID, Training for Staff and Contractors, Block Layout Description Sheets, GIS Data, LiDAR, Wet Areas Mapping.
5. Management of Visual Quality and Recreational Benefits	DFMP, Stakeholder Consultation, OGR, FHP, Tolko EMS and Woodlands Operations Manual, Inspections, Planning Meetings Block Layout Description Sheets.
6. Protection of Special Sites	DFMP, OGR's, FHP, Inspections, Stakeholder Consultation, Tolko EMS and Woodlands Operations Manual, Planning Meetings, Block Layout Description Sheets.
7. Efficient Use of Forest Resources	DFMP, OGR, Field inspections Government Compliance Inspections, Training for Staff and Contractors, Inter-company Log Supply Agreements.
8. Landowner Outreach	Tolko Wood Procurement Program, Western Canada SFI Implementation Committee (WCSIC) material
9. Use of Qualified Resource and Logging Professionals	Tolko Wood Procurement Program, WCSIC material
10. Adherence to Best Management Practices	Tolko Wood Procurement Program, WCSIC material
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas	NA—applies to fibre sourcing outside of Canada or The USA
12. Avoidance of Controversial Sources including Illegal Logging	NA—applies to fibre sourcing outside of Canada or The USA

### 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, which must be fully implemented by the operation within 3 months.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

#### **Opportunities for Improvement:**

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

## Findings: Tolko Industries Ltd.—Athabasca OSB Woodlands Operation—December 2013

SFI Objective #	Key Evidence of Conformity
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	NA—applies to fibre sourcing outside of Canada or The USA
14. Legal and Regulatory Compliance	Government compliance inspections, Tolko’s EMS, inspection process, various
15. Forestry Research & Technology	Records of research involvement, WCSIC material
16. Training and Education	Training needs matrix & records, WCSIC minutes & resources.
17. Community Involvement in the Practice of Sustainable Forestry	WCSIC minutes & resources.
18. Public Land Management Responsibilities	Referral of plans to First Nations, stakeholder consultation records
19. Communications and Public Reporting	Certification summary report.
20. Management Review and Continual Improvement	EMS, management review, internal audit.

### Good Practices

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

- SFI Objective 4 (biodiversity) – The company’s retention strategy was found to be well implemented, with a range of vertical structure and species diversity, as well as applying retention to natural features such as drainages etc.
- SFI Objective 4 (biodiversity) and Objective 2 (forest productivity) – The practice of spreading deciduous tops back into the block rather than burning them is noted for its benefits to biodiversity through added coarse woody debris, as well as to forest productivity through nutrient cycling.
- SFI Objective 3 (water quality) - A number of cases were seen during the audit in which in-block road construction was reduced from the Final Harvest Plan, which in turn reduced the number of crossings required. As well, a number of well built stream crossings were observed that protected riparian features.
- SFI Objective 20 (continual improvement): - The company was found to have done a good job of documenting how each SFI indicator is met, reducing the risk of gaps.



Example of understory as well as overstory retention that was left for biodiversity purposes within a cut-block.

## Findings: Tolko Industries Ltd.—Athabasca OSB Woodlands Operation—December 2013

### Areas of Nonconformance

A total of three minor non-conformities were however identified during the SFI certification audit of Tolko Industries Ltd's Athabasca OSB division's woodlands operations. These included:

- SFI Objective 2 (water quality) – A machine operator was observed to not have a woodlands procedures manual, block map, or spill kit, which is not consistent with company requirements.
- SFI Objective 3 (water quality) - Weaknesses were identified in the road and bridge inspection program, including prioritizing & implementing actions and having qualified individuals involved in bridge inspections.
- SFI Objective 20 (continual improvement) - The internal audit was found to be lacking in detail in describing non conformities, and there was no corrective action developed to address one of the findings.

Corrective action plans have been developed by the Company to address all of the non-conformities identified during the audit.

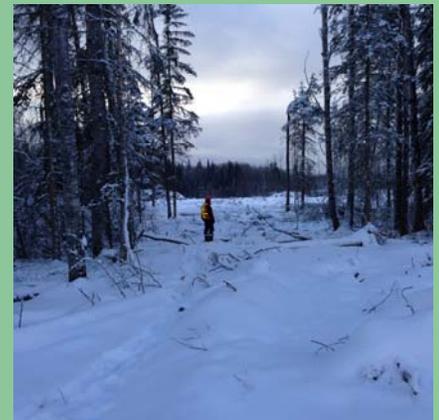
### Opportunities for Improvement

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

- SFI Objective 3 (water quality) – The company fuel handling procedures do not document legal requirements, nor list specific spill kit requirements.
- SFI Objective 3 (water quality) – In terms of operational inspections, it was noted that there is no formal tracking of whether final block inspections have been completed, and as well the frequency of documented block inspections could be increased. As for bridge inspections, these generally have GPS points taken to definitively mark the location, however it was noted some did not.
- SFI Objective 3 (water quality) – In terms of operational mapping, whereas features such as water courses identified prior to harvest are mapped, it was noted that those identified during harvest are not formally mapped. (Note—it was observed that unmapped water courses identified during harvest had been adequately protected through the required buffers, machine free zones etc.)

### 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 Tolko—Athabasca OSB 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.



The audit included an assessment of eleven harvest blocks, twelve road projects, and five silviculture sites.

The photo above shows a rehabilitated road that crossed a watercourse. The audit confirmed that the crossing location was restored to maintain the watercourse integrity through removal of the crossing and erosion control measures having been implemented.

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