



**BUREAU
VERITAS**

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

390 Benmar Drive, Suite 100
Houston, TX 77060

Phone (281) 986-1300: Toll Free (800) 937-9311

Company Name	Spruce Products Limited
Contact Person	Jeannette Coote
Address	Swan River MB
Phone / Fax	204 734 3089
PQC Code	E01e

Contract Number:	US.1751336	Certification Audit:		Re-Certification Audit:		Surveillance: (Indicate visit # or Pre-Assessment)	1
------------------	-------------------	----------------------	--	-------------------------	--	---	---

Audit Summary

Introduction

The first surveillance audit of Spruce Products Limited (SPL) was completed during the period September 9-11, 2015 by Matt Hollands, R.P.F. and Laird Van Damme R.P.F. for forest management and fibre supply programs under the SFIS 2010-2015 standard. Evidence was presented showing procedures are in place to align the programs with the SFIS 2015-2019 standard for implementation by Dec 2015.

Audit Scope, Objectives and Process

Standard(s) Applicable to this certification: SFI 2010-2014

Scope of Audit: Procurement of wood material and land management

Surveillance audit of documents and site inspections to determine conformance with objectives; 1,2,3,7,8,9,14,15,16,17,19,20

Audit Plan

An audit plan was submitted prior to the audit and is maintained on file at *Bureau Veritas Certification*. The plan was implemented with minor modifications (i.e. the closing meeting was held at 11:30 rather than 12:30 pm). Two and a half days were spent at SPL facilities. The site time was divided evenly between document review in the office and site inspections of active and past logging operations on 8 blocks ranging in size from 20 to 221 hectares. Active operations allowed the opportunity to interview operators (8), supervisors (2), and SPL management staff (5). These operators produce about half of SPL's wood supply. In addition, 25 km of roads, several stream crossings and a sample across five years of forest renewal operations near operating areas were inspected.

Company Information

SPL is a privately held sawmill company located in Swan River Manitoba that produces softwood dimension lumber, chips, shavings and pellets. The mill consumes 250,000 m³ of softwood annually supplied from nearby Crown lands. Forest Management Units (FMUs) 11 and 12 (Porcupine Hills

region) are managed by SPL and FMU 13 (Duck Mountain region) is managed by LP Canada. Strategic planning is done by the government's Ministry of Conservation and Water Stewardship (CWS). Operational planning of access roads, harvesting and forest renewal is done by the Companies and these plans are approved by the government. Hardwood harvested by SPL's suppliers is sent to LP Canada's facility in Swan River and chips are sent to Tolko's facility in The Pas. SPL uses their own standard operating procedures (SOPs), which are consistent with LP Canada's management system SOPs, work instructions (WIs) and Geographic Information System (GIS; Cyngea, Arc GIS 9.3). Using a consistent set of standards enables operators that supply both organizations to meet performance objectives.

Audit Results

SPL operations fully conformed to SFIS 2010-2014 requirements with 3 minor exceptions noted below. Although the forest inventory is becoming dated (i.e. more than ten years old), SPL uses supplemental aerial photography and rigorous pre-harvest surveys of each block that more than compensates for this deficiency. Road and block planning, site inspections during operations and follow up reporting are completed to a high standard.

Harvest operations are conducted with great care to protect the soil and water resources. Residual structure and coarse woody debris are maintained on site to conserve biodiversity and site productivity. The utilization of wood is above average for these site conditions. Natural regeneration of hardwoods and planting of softwoods is successful in maintaining forest productivity and species composition. Prompt reforestation with high quality seedlings achieves reforestation objectives without the use of herbicides.

Training and support through planning and monitoring of supplier operators by SPL managers is a key success factor for achieving the above positive outcomes. SPL, in cooperation with LP Canada, actively supports public land management activities and helps advance the science and practice of forestry through their own initiatives and support of the SFI implementation committee (CCSIC).



Findings

Previous non-conformances:

NC1 – A management review meeting has not occurred prior to the audit (20.1.3)

NC2 – A temporary bridge design being used allows sediment to enter the stream (3.2.3)

Both non-conformances have been closed by the previous audit team. The bridge was inspected and mitigation measures are in place that appear to be effective.

Non-conformances:

There were three minor non-conformances for the following performance measures:

1) Performance Measure 3.2 Program Participant shall have or develop, implement and document riparian protection measures based on soil type, terrain, vegetation, ecological function, harvesting system, and other applicable factors.

Indicators 1) Program addressing management and protection of rivers, streams, lakes, and other water bodies and riparian zones.

2) Performance Measure 14.1 Program Participants shall take appropriate steps to comply with applicable federal, provincial, state, and local forestry and related social and environmental laws and regulations.

Indicators 1) Access to relevant laws and regulations in appropriate locations

3) Performance Measure 19.1. A Certified Program Participant shall provide a summary audit report, prepared by the certification body, to SFI Inc. after the successful completion of a certification, recertification or surveillance audit to the SFI 2010-2014 Standard.

Opportunities for Improvement:

There were no Opportunities for Improvement that were identified by the audit team.

Notable Practices:

There were two notable practices as follows:

Performance Measure 3.2.2 The pre-harvest assessments are very thorough and help to identify unmapped streams and other values.

Performance Measure 7.1 Blocks inspected by audit team show exceptionally good levels of utilization due to in-bush chipping and selected topping at the stump.

Logo/label use:

The company has procedures in place for using the SFI trademark though no trademark use has Occurred. The company does not plan on using the Bureau Veritas certification.

Customer Feedback System

A ledger exists at reception where customer feedback and complaint are collected. Complaints are acknowledged within 24 hours and resolved as soon as possible.

SFI Reporting:

A report was not posted. See SF02 3-2015 below.

Conclusions

The closing meeting for the initial surveillance audit was held On September 11, 2015 in the Company's boardroom. The audit results and findings were discussed along with the matter of confidentiality and the appeal mechanisms available to the Company. The auditors recommended certification remain in effect once all non-conformances were closed. Non-conformances were closed on November 19, 2015.

See SF61 For Audit Notes (BV checklist, on file at main office)

Summary of Audit Findings:									
Audit Date(s):			From: Sept 9, 2015				To: Sept. 11, 2015		
Number of SF02's Raised:				Major:		Minor:		3	
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		Date:
Proceed to/Continue Certification			Yes		No		N/A		Date:
All NCR's Closed			Yes		No		N/A		Date:
Standard audit conducted against:									
1)	SFI 2010-2014			3)					
2)				4)					
Team Leader (1):			Team Members (2,3,4...)						
Laird Van Damme, R.P.F.			2) Matt Hollands, R.P.F.						
			3)						
			4)						
			5)						
Scope of Supply: (scope statement must be verified and appear in the space below)									
Standard(s) Applicable to this certification: SFI 2010-2014									
Scope of Audit: Procurement of wood material and land management									
Surveillance audit of documents and site inspections to determine conformance with objectives; 1,2,3,7,8,9,14,15,16,17,19,20									
Accreditation's			ANAB						
Number of Certificates			2						
Proposed Date for Next Audit Event									
Date		Sept 7-9, 2016							
Audit Report Distribution									
Rowena Rivera - rowena.rivera@us.bureauveritas.com									
Jeannette Coote - cootej@spl.mb.ca									

Clause	Audit Report
Opening Meeting	Participants: Rick Bobby, Jeannette Coote Aaron Goethe, Chris Hunt, Darby Blazenko Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 2. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	Participants: Rick Bobby, Jeannette Coote Aaron Goethe, Chris Hunt, Darby Blazenko, Discussions: Paul LeBlanc (LP Canada) <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 - 3 ➤ Date for next audit. Sept, 2016 ➤ Reporting protocol and timing



SF02/NA NONCONFORMITY REPORT

Company Name and Site:			<u>SF02#:</u>
Spruce Products			<u>1-2015</u>
Contract #:	Type of audit (e.g., initial, surveillance):	Team Leader:	
US.1751336	Surveillance SV 1	Laird Van Damme	
Date:	Standard and Clause #:	Team Member:	
Sept 10/15	SFI 2010-2014; Objective 3.2.1	Laird Van Damme	
Major	Minor	Other Documents (if applicable):	Company Representative:
	X		Jeannette Coote

REQUIREMENT OF AUDITED STANDARD:

Performance Measure 3.2 Program Participant shall have or develop, implement and document riparian protection measures based on soil type, terrain, vegetation, ecological function, harvesting system, and other applicable factors.
 Indicators 1) Program addressing management and protection of rivers, streams, lakes, and other water bodies and riparian zones.

OBSERVED NONCONFORMITY:

The road accessing block SGL 815 and 816 had a temporary bridge crossing with approaches lacking erosion control measures and signage contrary to SOP FORM-06 (Note this form is not referenced in SFI evidence handbook (SPL -06-03-01)). Block road to SGL 816 had logging debris in stream and grubbing within RMZ, and no filter strip from ditch line into stream; Road to SR 59 lacked run out ditches above an arched culvert crossing. Culvert slopes exceeded 3:1 and 2:1 guidelines at several locations. These observations suggest the program needs to be improved to better protect streams from sedimentation.



ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN
 (To be completed by the Company. Plan to be submitted in 30 days)

Corrective Action Plan Date:	Sept 16,2015	Company Representative:	Aaron Goethe
------------------------------	--------------	-------------------------	--------------

Root Cause Analysis and Corrective Action

Root Cause: The haul road was currently under construction. The temporary and permanent erosion control strategies had not been implemented at the time of the audit.
 Corrective Action Plan: Crown roadbed, install drainage ditches and incorporating sediment control measures. Training of water crossings and Transportation of Dangerous goods at the Best Management Practices Meeting and updating the water crossing checklist. Culverts not allowing for a 2:1 slope will be reexamined and replaced if required.

ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT

(To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)

Root Cause: Discussed and emailed that the root cause is broader than the phase of operations and some training or change in SOP needed									
Corrective Action Plan: The corrective action plan shows that these concerns are being addressed									
Plan Accepted:	Yes	X	No		Comments:	Next audit should be sure to examine stream crossings. The soils and construction practices may allow for steeper angles of repose and hence may allow for a change in work instructions in cooperation with government agencies rather than replacing culverts.			
Auditor:	Van Damme				Date:	October 25, 2015			
CORRECTIVE ACTION IMPLEMENTATION									
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days <input checked="" type="checkbox"/> 1 Year <input type="checkbox"/>									
Corrective Action Completion Date:	Nov 2, 2015		Company Representative:		Aaron Goethe				
Corrective Action Implementation: Putting signage in place and improving shore stability using straw and drainage ditching. Updating water crossing checklist. BMP training on crossings. Method used to verify effectiveness of action taken: Pictures of completed erosion control, 2016 BMP agenda									
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)									
Accepted:	Yes	X	No		Nonconformance Closed:	Yes	X	No	
Follow Up Comments:	Reviewed photographs of crossing erosion control measures and an agenda for training in Spring 2016								
Auditor:	Van Damme				Date:	November 19, 2015			

		SF02/NA NONCONFORMITY REPORT							
Company Name and Site:							SF02#:		
Spruce Products							2-2015		
Contract #:		Type of audit (e.g., initial, surveillance):			Team Leader:				
US.1751336		Surveillance SV 1			Laird Van Damme				
Date:		Standard and Clause #:			Team Member:				
Sept 10/15		SFI 2010-2014; objective 14.1.1			Laird Van Damme				
Major	Minor	Other Documents (if applicable):			Company Representative:				
	X				Jeannette Coote				
REQUIREMENT OF AUDITED STANDARD:									
Performance Measure 14.1 Program Participants shall take appropriate steps to comply with applicable federal, provincial, state, and local forestry and related social and environmental laws and regulations. Indicators 1) Access to relevant laws and regulations in appropriate locations									
OBSERVED NONCONFORMITY:									
Several questions emerged from field observations related to regulations (e.g. no slip tank tie downs, 2,220 litre tank has never been inspected or pressure tested in last 9 years, no propane tank placards, a lack of MSDS on site BLK SGL 816, and no bridge rails or signs on road to SGL 816). The legislation and regulations listed on file did not help answer these questions.									
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (To be completed by the Company. Plan to be submitted in 30 days)									
Corrective Action Plan Date:	Nov 16, 2015		Company Representative:		Aaron Goethe				
Root Cause Analysis and Corrective Action									
Root Cause: Current checklist did not adequately cover certain aspects of fuel storage and transportation of dangerous goods. Corrective Action Plan: Update check list and regulations.									

ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT									
(To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)									
Root Cause: OK Corrective Action Plan: OK									
Plan Accepted:	Yes	X	No		Comments:				
Auditor:	Van Damme				Date:	October 25, 2015			
CORRECTIVE ACTION IMPLEMENTATION									
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days <input checked="" type="checkbox"/> 1 Year <input type="checkbox"/>									
Corrective Action Completion Date:	Nov 16, 2015		Company Representative:			Aaron Goethe			
Corrective Action Implementation: Ron Litton contacted and storage tanks will be tested this spring. Method used to verify effectiveness of action taken: Updated fuel storage check list, no different regulation requirements in Manitoba									
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT									
(To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)									
Accepted:	Yes	X	No		Nonconformance Closed:	Yes	X	No	
Follow Up Comments:	Reviewed updated checklist sent by email								
Auditor:	Van Damme				Date:	November 19, 2015			

SF02/NA NONCONFORMITY REPORT									
Company Name and Site:								SF02#:	
Spruce Product Limited								03-2015	
Contract #:		Type of audit (e.g., initial, surveillance):			Team Leader:				
US.1751336		Surveillance 1			Laird van Damme R.P.F.				
Date:		Standard and Clause #:			Team Member:				
11 Sept 2015		SFI 2010-2014			Matthew Hollands R.P.F., M.B.A.				
Major	Minor	Other Documents (if applicable):			Company Representative:				
	X				Jeannette Coote				
REQUIREMENT OF AUDITED STANDARD:									

Performance Measure 19.1. A Certified Program Participant shall provide a summary audit report, prepared by the certification body, to SFI Inc. after the successful completion of a certification, recertification or surveillance audit to the SFI 2010-2014 Standard.

Indicator:

1. The summary audit report submitted by the Program Participant (one copy must be in English), shall include, at a minimum,
 - a. a description of the audit process, objectives and scope;
 - b. a description of substitute indicators, if any, used in the audit and a rationale for each;
 - c. the name of Program Participant that was audited, including its SFI representative;
 - d. a general description of the Program Participant’s forestland and manufacturing operations included in the audit;
 - e. the name of the certification body and lead auditor (names of the audit team members, including technical experts may be included at the discretion of the audit team and Program Participant);
 - f. the dates the certification was conducted and completed;
 - g. a summary of the findings, including general descriptions of evidence of conformity and any nonconformities and corrective action plans to address them, opportunities for improvement, and exceptional practices; and
 - h. the certification decision.

The summary audit report will be posted on the SFI Inc. website (www.sfiprogram.org) for public review

Performance Measure 19.2 Program Participants shall report annually to SFI Inc. on their conformance with the SFI 2010-2014 Standard.

Indicators:

1. Prompt response to the SFI annual progress report.
2. Recordkeeping for all the categories of information needed for SFI annual progress reports.
3. Maintenance of copies of past reports to document progress and improvements to demonstrate conformance to the SFI 2010-2014 Standard.

OBSERVED NONCONFORMITY:

Interview with Jeannette Coote, inspection of Spruce Products’ SFI Member’s portal and review of the SFI website database confirmed that the summary report of the initial audit and the SFI annual progress report was not submitted to SFI. Ms. Coote indicated some confusion following the initial audit and the review of the standard concerning the order of activities and when these actions should have occurred. Contact with SFI and correspondence has occurred since July 2015 between SFI and Spruce Products however the two performance measures of this indicator have not been completely actioned and submitted to SFI.

ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN
(To be completed by the Company. Plan to be submitted in 30 days)

Corrective Action Plan Date:	October 16, 2015	Company Representative:	Jeannette Coote
------------------------------	------------------	-------------------------	-----------------

Root Cause Analysis and Corrective Action

Root Cause: Not understanding the reporting system for SFI. Bureau Veritas did not send a new audit report with the corrections made. A misunderstanding occurred when SPL was SFI certified first before contacting SFI Inc. No fees were administered so SPL was not considered certified through SFI Inc.
 Corrective Action Plan: Contact SFI Inc. and pay the fees required. Submit the reports to SFI Inc. once the non-conformances have been addressed.

ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT
(To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)

Root Cause: Ok

Corrective Action Plan: OK

Plan Accepted:	Yes	X	No		Comments:
----------------	-----	---	----	--	-----------

Auditor:	Van Damme	Date:	October 25, 2015
----------	-----------	-------	------------------

CORRECTIVE ACTION IMPLEMENTATION

To be completed by Company – Provide objective evidence. Not to exceed: 90 Days 1 Year

Corrective Action Completion Date:	October 28, 2015	Company Representative:	Jeannette Coote						
<p>Corrective Action Implementation: Contact made with Rachel Dierolf at SFI Inc., access to SFI database granted, October 28, 2015, for data entry of reports and request logo use on lumber wrap. Report not required until March, 2016. Audit report will be filed onto SFI Inc. website when Corrective Action Implementation acceptance report is completed and accepted.</p> <p>Method used to verify effectiveness of action taken: Spruce Products Ltd. on SFI website. SFI-01624</p>									
CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)									
Accepted:	Yes	X	No		Non-conformance Closed:	Yes	X	No	
Follow Up Comments:	Access SFI website to confirm actions taken prior to next audit								
Auditor:	Van Damme				Date:	November 19, 2015			