

Forest Certification UPDATE



DUNKLEY LUMBER LTD.

Dunkley Lumber Ltd. (Dunkley) woodland operations are situated on Crown lands in the Central Interior of British Columbia, Canada and are composed of Tree Farm Licence 53, Forest Licenses A18169 and A57544, and Special Use Permits 23615 and 24940. These licenses and permits cover an area of 200,000 hectares and have an annual allowable cut of 400,000 cubic meters. These licenses and permits are managed from the Company's office located near Hixon, British Columbia, Canada.

Dunkley's woodland operations supply saw logs to their sawmill. Dunkley purchases approximately 1.4 million cubic meters of wood from mostly Crown and some private lands.

The sawmill produces lumber and boards, sold on the domestic and international markets. By-products from manufacturing are mostly sold locally.

BACKGROUND

During the period of December 2-4, 2014, Dunkley underwent a 12 month surveillance audit to the Sustainable Forestry Initiative (SFI®) Standard 2010-2014. The registration cycle is over three years with audits conducted annually. This report summarizes the audit process and results of the SAI Global re-registration audit.

SCOPE OF CERTIFICATION

Forest management activities - planning, harvesting, transportation and silviculture on Tree Farm Licence 53, Forest Licenses A18169 and A57544, Special Use Permits 23615 and 24940, and procurement of fiber from central and northern British Columbia - Objectives 1-10 and 14-20.

EXECUTIVE SUMMARY

The SFI Program third-party re-registration audit was undertaken by SAI Global. SAI Global is an independent third party registrar that is accredited by the ANSI-ASQ National Accreditation Board (ANAB) for registrations to SFIS 2010-2014. This ensures the integrity and credibility of the audit process.

The audit assessed active and completed harvest, roads and silviculture operations through interviews with Dunkley staff and contractors. The audit also assessed the SFIS and supporting EMS documentation and records at the Dunkley office. The audit included site visits and interviews with contractors.

THE AUDITOR

The SAI Global audit team which performed the audit consisted of William Sloan, RFT, EMS(LA). Mr. Sloan is a Forest Professional and a certified lead auditor.

AREAS OF NON-CONFORMANCE

No areas of non-conformance were encountered during the course of this audit.

OPPORTUNITIES FOR IMPROVEMENT

No opportunities for improvement were noted during the audit.

CORRECTIVE ACTION PLANS

No corrective action plans were required since there were no non-conformances found during the audit.

POSITIVE ASPECTS

- Internal audit;
- Making Operational Maps available to the public on request;
- Shelterwood harvest system and cooperation with research forests.

EVIDENCE OF CONFORMITY

Evidence that was assessed to determine Dunkley's conformity with the SFIS 2010-2014 standard appears below:

SFI-01 Forest Management Planning

Dunkley Forest Stewardship Plan and TFL 53 Management Plan, site plans, and staff and contractor interviews.

SFI-02 Forest Productivity

Dunkley Plans, site plans, standard operating procedures, logging plan (LP) maps, silviculture reports including planting, regeneration delay, free growing and brushing, reforestation and free growing compliance records, Chief Forester's Standards for Seed Use, planting program data and prescriptions, pre-work and inspection records, fire preparedness plans, chemical use plans and records and training records. Staff and contractors were interviewed and operations assessed in the field.

SFI-03 Protection and Maintenance of Water Resources

Dunkley Plans, standard operating procedures, GIS data, SPs, LPs, harvest and road pre-work and inspection records, internal audit records, training records, harvesting agreements, and interviews. Staff and contractors were interviewed and operations assessed in the field.

SFIS 2010-2014

Periodic Assessments

Major non-conformances: 0
Minor non-conformances: 0
Opportunities
for Improvement: 0
Positive Aspects: 3

Major Non-Conformances

Pervasive or critical to the achievement of the SFI objectives.

All major non-conformances require an action plan to be implemented by the auditee within 90 days of an initial audit and subsequently 60 days or registration cannot be achieved/maintained.

Minor Non-Conformances

Isolated incidents that are non-critical but must be addressed before the next re-registration audit to maintain compliance to the SFI standard.

Opportunity for Improvement

Are not non-conformances but are comments on specific areas where improvements can be made.

Positive Aspects

Areas that are deemed to be of best practices

SFI-04 Conservation of Biological Diversity

Not audited for this 12 month surveillance audit.

SFI-05 Management of Visual Quality and Recreational Benefits

Dunkley Plans, SPs, LPs, legal orders, local visual quality objectives, visual impact assessments, GIS map layers, reports generated from the Company's database specific to cut block size, free growing surveys, silvicultural treatments, referrals and stakeholder communications. Staff and contractors were interviewed and operations assessed in the field.

SFI-06 Protection of Special Sites

Dunkley Plans, First Nation referral review and communication records, SPs, LPs, pre-work and inspection records and interviews.

SFI-07 Efficient Use of Forest Resources

Dunkley Plans, SPs, logging agreements, contractor training records, pre-work and inspection records. Staff and contractors were interviewed and operations assessed in the field.

SFI-08 Land Outreach

Dunkley wood purchase program, Sustainable Forestry Initiative Implementation Committee membership, SFIC Wood Producer Information Package, WSFIC brochure, timber purchase agreements, records of supplier receiving the information package, wood delivery records, list of wood suppliers and staff interviews.

SFI-09 Use of Qualified Resource and Logging Professionals

Not audited for this 12 month surveillance audit.

SFI-10 Adherence to Best Management Practices

Not audited for this 12 month surveillance audit.

SFI-11 Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas

Not applicable as Dunkley Lumber Ltd. does not source fiber from outside North America.

SFI-12 Avoidance of Controversial Sources including Illegal Logging

Not applicable as Dunkley Lumber Ltd. does not source fiber from outside North America.

SFI-13 Avoidance of Controversial Sources including Sources without Effective Social Laws

Not applicable as Dunkley Lumber Ltd. does not source fiber from outside North America.

SFI-14 Legal and Regulatory Compliance

List and review of compliance of relevant laws, various regulations, management review meeting minutes, inspection records, internal audit reports and records, internal compliance tracking records, Company corrective action plans, Environmental and SFM Policy, Health and Safety Policy, Harassment and Discrimination Policy. Staff and contractors were interviewed and operations assessed in the field.

SFI-15 Forestry Research & Technology

Summary of research projects, government submission records, inspection records, and interviews.

SFI-16 Training and Education

EMS guidebook, Sustainable Forest Management & Environmental Policies, Health and Safety Policy, training records, 2013 staff and contractor training (interviews and records), Wood Producer Information Package, and meeting minutes. Staff and contractors were interviewed and operations assessed in the field.

SFI-17 Community Involvement in the Practice of Sustainable Forestry

SIC meeting minutes, public resources (including posted WCSIC Wood Monitoring Form and reporting of inconsistent practices); SIC Wood Producer Information Package, SIC SFI Brochure, SFI Checklist, Dunkley Plans and associated referral information, site plans, pre-works, education/community involvement records, records of public inquiries, and staff interviews.

SFI-18 Public Land Management Responsibilities

Dunkley Plans, stakeholder referrals; comment and response files/records; site plans; records respecting the Company's involvement in public land planning and management activities; First Nations and stakeholder and external correspondence files/records; communication strategy files/records, cutting permit development and block files, and staff interviews.

SFI-19 Communications and Public Reporting

Communication strategy files and records, meeting minutes, GIS data and reports, SFI website, and staff interviews.

SFI-20 Management Review and Continual Improvement

Management review meeting minutes and associated input/output records, forestry department meeting agenda and minutes, 2014 internal audit records and report, field inspection records, corrective action plans, field inspections and staff interviews.

SAI Global forestry specialist group registers/certifies forest companies to ISO 14001, OHSAS 18001, CSA Z809 and CSA Z804 SFM, SFIS, SFI CoC, PEFC CoC. QMI-SAI Global registers/certifies forest companies to FSC FM and CoC. The group, led by Sylvain Frappier, Technical Manager - Forestry, consists of a highly qualified team of professional foresters, technical and industry experts. Contact certification.americas@saiglobal.com for more information.

Dunkley Contact:

Doug Perdue, Chief Forester, 250-998-4205
dperdue@dunkleylumber.com. Box 173, Prince George, BC.
V2L 4S2, <http://www.dunkleylumber.com>

This report may only be reproduced by the intended client, with the express consent of SAI Global. Information in this issue is of a general nature with respect to audit findings and is not intended to be acted upon without appropriate professional advice.