



# Forest Certification REPORT



## Tolko Industries Ltd.—Athabasca OSB Woodlands — 2016 SFI Surveillance Audit

From January 19-22, 2016, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Tolko Industries Ltd's Athabasca OSB (Tolko's) woodlands operations against the requirements of the 2015-2019 edition of the Sustainable Forestry Initiative® (SFI) forest management and fiber sourcing standard. This Summary Report provides an overview of the process and KPMG's findings.

### Description of Tolko's Athabasca OSB. Woodlands Operations

Tolko's Athabasca OSB (Oriented Strand Board) woodlands operations encompass a total area of about 450,000 hectares within the Forest Management Agreement (FMA) 0600043 area, which is more commonly known as the Marten Hills FMA, situated in the vicinity of the community of Slave Lake, Alberta.

The woodlands operations that are included within the scope of the Company's SFI certification are covered by a forest management system that addresses the Objectives of the SFI forest management standard and includes a variety of indicators in relation to them. The woodlands operations are covered by government-approved harvest plans that address both timber and non-timber values. These are developed to be consistent with higher level plans such as the Detailed Forest Management Plan which provide direction to forest management within the areas managed by the organization.

The forests managed by the Company are within the mid-boreal uplands as well as Wabasca lowland eco-region, and are made up of predominantly deciduous stands, with some conifer. Common tree species are trembling aspen, poplar, pine, spruce, and balsam.

The forest management approach employed by the Company is based on even-aged management, using ground-based clearcut harvesting systems with the retention of reserves of standing trees. Post-harvest regeneration of deciduous species occurs through natural suckering, and the minor amount of conifer regeneration is achieved through planting with a mix of ecologically suited tree species.

### Description of Tolko's Manufacturing Facilities and Fiber Sourcing Program

The company operates an OSB plant in the community of Slave Lake, Alberta. Just over half of the logs for the mill are sourced from the company's SFI-certified timberland, with the remaining 44% being purchased from other operators, most of which are other Crown land operators and a small amount from private landowners.

The Company participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases, and completes purchase wood inspections as necessary. The results are then collated by WCSIC (of which the Company is a member) in order to identify trends in performance and opportunities for improvement.



### Audit Scope

The scope of the audit covered the following:

- The objectives of the SFI standard noted in a table later in this report, and the organization’s activities and management system processes that pertain to them.
- Incremental requirements of the 2015-2019 version of the SFI forest management and fiber sourcing standards, and the organization’s activities and management system processes that pertain to them.
- Activities conducted under the Company’s management system between December 5, 2014 and January 22, 2016.

### The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA). Yurgen is an employees of KPMG and has conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2016 SFI Surveillance Audit** – The audit involved an on-site assessment of a sample of elements of the Company’s SFI program, and included visits to several field sites (10 roads, 10 cutblocks, 2 silviculture sites, and 1 fiber sourcing site) to evaluate conformance with the requirements of the current SFI forest management and fiber sourcing standards. The audit took a total of five 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 preparing the main and public summary audit reports.
- **Tolko’s SFI Program Representative** – Hilary Wait, RPF, served as the company SFI program representative during the audit.

### Use of Substitute Indicators

No substitute indicators were used during the audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fiber sourcing standards;
- Evaluate the ability of the system to ensure the company meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring the company meets its specified SFM objectives.

#### Tolko Industries Ltd., Athabasca OSB Woodlands 2016 SFI Audit Findings

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	1
New opportunities for improvement	3

#### 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.

### Evidence of Conformity with the SFI 2015-2019 Forest Management and Fiber Sourcing Standards

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

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	N/A – not in scope for this audit.
2. Forest Health and Productivity	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	N/A – not in scope for this audit.
4. Conservation of Biological Diversity	Forest management plans, wildlife protection plans, site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	N/A – not in scope for this audit.
6. Protection of Special Sites	Forest management plan, harvest plans, site plans.
7. Efficient Use of Fibre Resources	N/A – not in scope for this audit.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff.
9. Legal and Regulatory Compliance	Forest management plans, health & safety policy, field inspections.
10. Forestry Research, Science & Technology	N/A – not in scope for this audit.
11. Training and Education	Training program, training records, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	N/A – not in scope for this audit.
13. Public Land Management Responsibilities	Records of public land planning processes, forest management plan, site plans, records of plan referrals to local stakeholders, staff interviews.



A harvest block is visible in the foreground, and the road to the left carries on to another portion of the block. The timber at the centre of the photo was retained for biodiversity purposes, with the snags providing habitat for cavity nesting birds.

**Evidence of Conformity with the SFI 2015-2019 Forest Management and Fiber Sourcing Standards—cont’d**

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
14. Communications and Public Reporting	N/A – not in scope for this audit.
15. Management Review and Continual Improvement	SFI evidence package, management review records, internal audit results.

SFI Fiber Sourcing Objective #	Sources of Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Purchase wood information package, inspections.
2. Adherence to Best Management Practices	Purchase wood information package, 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 this audit.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites.
5. Forestry Research, Science & Technology	N/A – not in scope for this audit.
6. Training and education	Training records, SIC minutes & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	N/A – not in scope for this audit.
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	N/A – not in scope for this audit.
10. Management Review and Continual Improvement	SFI evidence package, management review records, internal audit results.
11-13.Sourcing from outside Canada / USA	N/A to Tolko.



The audit included site visits to completed harvest blocks such as those shown above, to verify that harvest boundaries, stream buffers, and retention areas were left un-cut as planned.

## Good Practices

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

- **SFI Forest Management Objectives 2, 3 (soil productivity, water quality)** — As an added tool to minimize the environmental impact to water and also soil productivity, the division has mapped ground topography and soil types to show dry areas that are potentially suitable for road building, as well harvest in moist soil conditions.
- **SFI Forest Management Objective 4 (biodiversity)** — The division has been working with the other FMA holders to jointly plan adjacent operations, which has environmental benefits such as reducing the number of entries, being able to more strategically plan block shapes and retention, reducing the amount of road, as well as reducing the duration the road is open.
- **SFI Forest Management Objective 13 (public land management responsibilities)** – The division consults with trappers at the harvest planning stage. The audit found that when Tolko has operations planned in the same area as other companies, the companies collaborate and consult with one joint package rather than two or three separate ones, reducing the burden on the trapper.

## Follow-up on Findings from Previous Audits

At the time of this assessment there was one open non-conformity from previous audits. The audit team reviewed the status of the action plans that were developed by the Company to address the previous finding, and found the corrective actions were verified as fully implemented and the finding is now closed.

## Review of incremental requirements of the 2015-2019 SFI standard

As this surveillance audit was the first against the 2015-2019 version of the SFI forest management (FM) and fiber sourcing (FS) standards, the audit reviewed conformance with all new requirements. This resulted in one opportunity for improvement.

## New Areas of Nonconformance

The audit identified the following minor nonconformity:

- **SFI Forest Management Objective 15 / Fiber Sourcing Objective 10 (continual improvement)** — There was no annual review of the SFI program, commitments, and procedures to evaluate their effectiveness.

## Opportunities for Improvement

The following opportunities for improvement were identified during the audit:

- **SFI Forest Management Objective 11 (training and education)** — The 2015 tree planting project was contracted to another licensee, but the audit found that there was not a clear understanding that the planters require training on their SFI roles and responsibilities (none the less the planters had been trained by the other licensee).
- **SFI Forest Management Objective 4 (biodiversity)** — The caribou protection plan that applies to the FMA requires that in specified caribou zones traffic speeds be limited to 60 km/h. It was noted that there was no road signage to indicate this.

- **SFI Fiber Sourcing Objectives 2,7 (adherence to best management practices, landowner outreach)** — Although the division has not purchased logs since the new SFI standard came into effect, the written agreement for the purchase of fiber has not been updated for the use of qualified logging professionals (which is a new requirement). As well, the landowner outreach information on hand at Tolko has not been updated to reflect the new requirements of the SFI 2015-2019 fiber sourcing standard.

### Corrective Action Plans

Corrective action plans designed to address the root cause of the non-conformity identified during the audit have been developed by Tolko and reviewed and approved by KPMG PRI. The next 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.

### Audit Conclusions

The audit found that the sustainable forest management system and fibre sourcing program for Tolko Industries Ltd's Athabasca OSB woodlands operations:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fiber 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 continue to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Tolko Industries Ltd's Athabasca OSB woodlands operations be certified to the SFI 2015-2019 forest management and fiber sourcing standards.

### Focus Areas for the Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Completion of the SFI Fiber Sourcing evidence package, which documents how the SFI fiber sourcing requirements are met.
- Completion of a species at risk procedure which is currently being amended.
- Block planning that has recently started to occur at Tolko's Edmonton office.
- Conformance with Canadian Boreal Forest Agreement natural range of variation requirements.
- Scheduling of the next audit under snow free conditions.

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