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

390 Benmar Drive, Suite 100  
Houston, TX 77060  
Phone (281) 986-1300: Toll Free (800) 937-9311

Company Name	SPRAY LAKE SAWMILLS Ltd.
Contact Person	Jason Mogilefsky
Address	305 Griffin Road, Cochrane, Alberta T4C 2C4
Phone / Fax	403.851.3338
PQC Code	E01E-Forestry, logging related
Contract Number	US.1766366

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	2	Scope extension audit:	
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**Audit Summary**

**Introduction**

This report provides a summary of the second surveillance audit of the Spray Lake Sawmills (SLS) forest management operations in Cochrane, Alberta under the Sustainable Forestry Initiative (SFI) standard. The audit was conducted on September 6-8, 2017. Brian Callaghan, RPF, conducted the audit on behalf of Bureau Veritas Certification. Mr. Callaghan is a professional forester with more than 30 years' experience focusing on forest planning, timber supply, forest operations and resource assessment.

**Audit Scope, Objectives and Process**

The scope of the audit was forest and land management activities conducted by Spray Lake Sawmills Ltd. on 444,825 hectares of Crown forest lands in their FMA 0100038 and the C5 Quota license. The area is very close to the City of Calgary and is a designated mixed use area including oil and gas development, cattle grazing, recreation and tourism. Recreational use is very high with an extensive network of hiking, riding, and motorized trails throughout the forests.

The objectives of the audit were to review Spray Lake Sawmill's SFI program documentation in accordance with the requirements of the SFI 2015-2019 Standard and verify the effective implementation of the SFI program. Specifically, two objectives of the audit were to:

1. Verify that the Program Participant's SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and
2. Verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground.

The audit assessed conformance against the SFI Program Objectives in the 2015 Standard. During the audit Objectives 1, 2, 3, 4, 5, 7, 9, 14, and 15 were examined. All performance measures and all applicable indicators were assessed within each Objective. There were no substitutions or modifications of SFI indicators.

Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website.

### **Audit Plan**

A copy of the audit plan was distributed to the Company prior to the audit. The plan included approximately a day in the office doing document and two days undertaking field work in both the FMA and in the C5 Quota area. A copy of the audit plan is on file with Bureau Veritas Certification in Houston Texas.

### **Company Information**

Spray Lake Sawmills is a softwood sawmill in Cochrane, Alberta which was established in 1943. The Company obtains its timber supply from Forest Management Agreement Area 0100038 and from the C5 Quota licenses with the Alberta Government. The Company is privately owned by the Company president, who is supported by a general manager and six managers covering Woodlands, Operations, Human Resources and Environmental Health and Safety, Chief Financial Officer, Top Spray, and Sales.

### **Audit Results**

The audit included a review of Objectives 1, 2, 3, 4, 5, 7, 9, 14, and 15. Record keeping systems, documented procedures and GIS were all found to be well maintained and easy to use. The auditor visited 8 sites during the audit including 5 harvested sites 3 of which had been recently renewed, two areas which had been harvested and regenerated within the past 10 years, and a variety of water crossings.

#### **Objective 1-Forest Management Planning:**

The Company's Detailed Forest Management Plan (DFMP) is comprehensive. It is based on a robust forest inventory and includes direction on long term wood and wildlife habitat supply under several different scenarios. The company is currently in the midst of developing a new DFMP for 2019. The new plan will be based on a new forest inventory which will combine the Alberta Vegetation Inventory with LiDAR data. This effort is a significant challenge but should yield superior forest information which will be the basis for the new management plan. From a review of the Company's forest management activities there is a balance between harvest and renewal which indicates that there is no large-scale or illegal forest conversions taking place.

#### **Objective 2-Forest Health and Productivity:**

Both the Forest Management Plan and the 5 year operating plan provide clear direction on how each block will be regenerated, either planted or natural. Planting is accomplished within 2 years while natural regeneration is declared Free-To-Grow within 7 to 10 years. The company must follow the Alberta system of surveys and assessment which provide the legislated information requirements. Spray Lake Sawmills does not use any chemical herbicides or pesticides on their forest. Examination of recent and well established regenerated forests found them to be well stocked and thriving.

Soil erosion is controlled on all sites through careful layout of harvest operations. When crossing streams the Company uses bridges and box-culverts rather than culverts as an extra (superior) measure of protection. All water crossings use geo-textile and/or filter socks to control some of the highly erodible soils they encounter on their licenses. When needed drainage pits are used to trap water and sediments before they can impact water. No evidence of erosion issues were found during the audit. All harvested sites were effectively cut so that site productivity was maintained. All sites had plenty of down-woody-debris. The use of stump-side processing leaves all debris and tops on site.

Through active monitoring and active management damaging agents are minimized. Where stands were susceptible to Mountain Pine Beetle they were cut to limit spread. Pest control is primarily a Provincial responsibility – SLS staff, report any occurrences. Forest fire suppression is the province’s responsibility. But during the audit there was an extreme fire hazard, all operations were limited to nights. All crews audited had all the necessary fire equipment and additional water supplies. All loggers interviewed knew the procedure for calling in forest fires.

### **Objective 3-Protection and Maintenance of Water Resources:**

The Company must adhere to government approved Operating Ground Rules (OGR’s) for all forest operations, including planning, harvesting, and reforestation. The Operating Ground Rules are designed to protect stream and water sources, prevent soil compaction and erosion. During the audit 8 water crossings were observed, all were functioning and sound. The audit inspected an active road construction site. All fire safety measures were in place as the crew built block access road in extremely dry conditions (Figure 1).



**Figure 1. Road construction was inspected during the audit**

#### **Objective 4-Conservation of Biological Diversity:**

Spray Lake Sawmills maintains a comprehensive program to conserve biological diversity at both the stand and landscape scales, through planning, implementation, and monitoring of its activities. The program is guided by the requirements of the forest management agreement and the Operating Ground Rules they operate under. Visits to seven blocks in two compartments confirmed that SLS contractors retained snags and living wildlife trees on all harvested areas. There is abundant coarse woody material of all species present, as harvesting is done using stumpside processing.

All known occurrences of species of concern are mapped and protected. An annual download of sensitive sites and species occurrences is received by SLS from the Alberta Government to ensure the information remains current. All occurrences of species of concern are taken into account during planning and implementation, and managed appropriately. Site visits and interviews with field workers suggested that values were well-protected. Operators had general awareness of SAR and sensitive species and would stop work and report sightings to supervisors if a SAR or rare species was encountered. Cut blocks are walked before harvesting by both SLS and the contractor, increasing the likelihood that unmapped values will be found and appropriate precautions taken.

#### **Objective 5-Management of Visual Quality and Recreational Benefits:**

The operating ground rules require SLS to “*To manage the visual impact of timber operations on the forest landscape*”. From examining plans in the office and harvest areas on the ground it is apparent that visual quality is a high priority for the Company. Harvests are laid out with the viewshed in mind in this highly used recreational landscape. Roads are removed and re-sloped after use to limit access and blend with the landscape.

The forests SLS manage are within a short drive of Calgary and as such are under significant recreational pressure. There are a large number and variety of trails, including horse trails, walking trails, ATV trails and snowmobile trails.

#### **Objective 6-Protection of Special Sites:**

During the audit of a harvest block, a special site was present (Figure 2). This site contains prayer trees designated by a local First Nation. Under law the Company must not cut or disturb the individual prayer trees. The Company’s practice is to provide a buffer around all the trees which provides greater protection and a more spiritual environment for those visiting the site. This is just another example of Spray Lake Sawmills exceeding both regulatory and certification standards.



**Figure 2. Prayer Trees found in a harvest block are protected within a permanent buffer.**

**Objective 7-Efficient Use of Fiber Resources:**

The Alberta Environment and Parks (AEP) Forest Operations Monitoring Program (FOMP) conducts regular compliance inspections and enforcement on all harvest operations. AEP maintains a website identifying infractions under the Forests and or Public Lands Act. There have been no infractions against Spray Lake for wasteful practices in recent years. Examination of seven harvest areas found harvest utilization to be very high, with no merchantable waste found on any of the log landings.

**Objective 8: Recognize and Respect Indigenous People’s Rights:**

Not Audited

**Objective 9-Legal and Regulatory Compliance:**

Spray Lake Sawmills have an effective system for achieving regulatory compliance which includes: standard operating procedures, contractual requirements, contractor training, and operations monitoring. Alberta Agriculture and Forestry undertakes regular compliance inspections. The Company did have a regulatory infraction this past year.

Crowsnest Forest Products (a subsidiary of SLS) was fined on a permitting infraction in 2016. The Company had planned and permitted a road in 2011, which was not built until 2016, during construction several Whitebark Pine (*Pinus albicaulis*) were harvested in the ROW – they had

been listed a Species at Risk in 2015 and the Company did not recognize that in the re-permitting of the road.

**Objective 10-Forestry Research, Science and Technology:**

Not Audited

**Objective 11-Training and Education:**

Not audited

**Objective 12-Community Involvement and Landowner Outreach:**

Not audited.

**Objective 13: Public Land Management Responsibilities:**

Not audited.

**Objective 14-Communications and Public Reporting:**

The Company participated in the annual SFI survey and submitted its data prior to the deadline. A summary audit report for the 2016 certification audit can be found on-line at SFI Inc.

**Objective 15-Management Review:**

SLS performs an annual internal audit and review of its forestry programs. Presentations and meeting minutes confirm that results are reviewed with senior management annually. SLS holds annual training sessions with staff and contractors in which changes to procedures as a result of the annual management review are discussed.

**Findings**

**Previous non-conformances:**

None issued

**Non-conformances:**

None issued.

**Opportunities for Improvement:**

None issued

**Notable Practices:**

NP 1 : Spray Lake Sawmills undertakes it's forest management activities to a superior level. This can be seen in many of its day-to-day activities, such as:

- Exceeding regulatory requirements in the protection of sacred First Nations sites (PM 6.1 Ind. 2).
- Using bridges and box culverts where a simple culvert could be used. This eliminates stream channel and bed disturbance and provides for easy removal (PM 3.2, Ind. 3).
- The protection of both formal and informal recreation trails across the forest. On block 2358 an informal trail was re-established after operations were completed. (PM 5.1 Ind. 2).

The Company often exceeds both the regulatory and certification forest management requirements through its sustainable forestry program.

**Logo/label use:**

At the time of the audit, the Company has not used any logos.

**SFI reporting:**

A summary audit report for the 2016 certification audit can be found on-line at SFI Inc.

**Conclusions**

A closing meeting was held on September 8, 2017. The auditor indicated that no non-conformances had been identified. The auditor concludes that Spray Lake Sawmills is operating a forest management program that meets the requirements of the SFI 2015-2019 Forest Management Standard. The auditor recommends that continued certification to the SFI 2015-2019 SFI Forest Management Standard be issued without delay.

**SEE SF61 FOR AUDIT NOTES**

<b>Audit Report</b>	
Opening Meeting	<p>Participants: ➤ Brian Callaghan , Ed Kulcsar (Vice President Woodlands), Arnold Fiselier</p> <p>Discussions: (Senior vice President and Chief Operating Officer), Rob Berndt (Operations Manager), Allen Mottet (Harvest Planner), Tannis Zubot (Administrative Assistant), Darrell Panas (Silvicultural Forester), Matt Denney (Planning Forester), Jason Mogilefsky (Forestry Manager),</p> <ul style="list-style-type: none"> <li>➤ Introductions</li> <li>➤ Scope of the audit</li> <li>➤ Nonconformance types – Major / Minor</li> <li>➤ Review of previous nonconformances - 0.</li> <li>➤ Process approach to auditing and audit sampling</li> <li>➤ Confidentiality agreement</li> <li>➤ Termination of the audit</li> <li>➤ Appeals process</li> <li>➤ Closing meeting timing</li> </ul>

<p>Closing Meeting</p>	<p>Participants: &gt; Brian Callaghan , Ed Kulcsar (Vice President Woodlands), Arnold Fiselier (Senior vice President and Chief Operating Officer), Rob Berndt (Operations Manager), Allen Mottet (Harvest Planner), Darrell Panas (Silvicultural Forester), Matt Denney (Planning Forester), Jason Mogilefsky (Forestry Manager)</p> <p>Discussions:</p> <ul style="list-style-type: none"> <li>&gt; Introductions and appreciation for selecting Bureau Veritas Certification.</li> <li>&gt; Review of audit process - process approach and sampling.</li> <li>&gt; Nonconformances- 0</li> <li>&gt; Opportunities for improvement – 0</li> <li>&gt; Notable Practices – 1 big one covering many PMs</li> <li>&gt; Conclusions</li> </ul>
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Summary of Audit Findings:									
Audit Date(s):		From: Sept 5 2017				To: September 8 2017			
Number of SF02's Raised:			Major:		0		Minor:		0
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	x	Date:	
Proceed to/Continue Certification		Yes	x	No		N/A		Date:	9/9/17
All NCR's Closed		Yes		No		N/A	x	Date:	
Standard audit conducted against:									
1)	SFI FM 2015-2019			3)					
2)				4)					
Team Leader (1):		Team Members (2,3,4...)							
Brian Callaghan		2)							
		3)							
		4)							
		5)							
Scope of Supply: (scope statement must be verified and appear in the space below)									
Forest Management on Agreement Area 0100038 and from the C5 Quota licenses with the Alberta Government									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	August 2018								
Audit Report Distribution									
Jason Mogilefsky <jason.mogilefsky@spraylakesawmills.com>									
Liliana Ramirez – liliana.ramirez@us.bureauveritas.com									

