



Forest Certification UPDATE



Tolko Industries Ltd. Sustainable Forest Management System High Level Lumber Division Woodlands

Tolko Industries Ltd. High Level Lumber Division Woodlands (Tolko High Level) conducts forest management activities on the Defined Forest Area (DFA) in northern Alberta. Both the main office and the sawmill is located at High Level, Alberta. The DFA has a gross area of 3,561,000 hectares and a net productive forest area of 1,780,000 hectares. The allowable annual cut is 1,450,000 cubic metres. Based on the net harvestable landbase, the forest cover group breakdown is conifer stands 40%, deciduous stands 50%, and mixed wood stands 10%. The DFA is located in the Boreal Forest Natural Region and abuts the boundaries of northern British Columbia and the Northwest Territories.

The DFA comprises the area defined by Forest Management Agreement #200040 (FMA) which allocates conifer harvest to Tolko High Level. This FMA is shared by Footner Forest Products Ltd. (FFP) for harvest of deciduous species. FFP closed their processing facility in January, 2008 and have allowed their CSA certification to expire. Because FFP was no longer part of the DFA, a new sustainable forest management plan was prepared during December 2010.

Background

During February 1-3 2011, Tolko High Level underwent an annual surveillance audit to the CAN/CSA - Z809-2002 standard. The registration cycle is three years with surveillance audits conducted annually. This report summarizes the audit process and results of the QMI-SAI Global surveillance audit. Tolko High Levels's program has been registered to the Z809 Standard since December 2004. This registration is supported by an Environmental Management System registered to the ISO 14001 Standard since January 2003.



Scope of Certification

The sustainable forest management system as it applies to the High Level Lumber Division's woodlands and contract operations on Forest Management Agreement #200040 including the integration of forest planning, harvesting, loading and delivery of forest products to a company processing facility as well as silviculture and renewal activities.



Executive Summary

The SFM third-party surveillance audit was undertaken by QMI-SAI Global. QMI-SAI Global is an independent third party registrar that is accredited by the ANSI-ASQ National Accreditation Board (ANAB) for registrations to CAN/CSA - Z809-2002. This ensures the integrity and credibility of the audit process.

The audit assessed forest planning, active and completed harvest, roads, silviculture/renewal, transportation, and logging camp facilities using a variety of methods. Audit activities included site visits, observations, and interviews with staff and contractors. The audit also assessed the SFM and supporting EMS documentation and records at the High Level office.

The auditor concluded that the SFM system was being implemented in all significant respects and recommended continuation of the certificate.

The Auditors

The QMI-SAI Global audit team who performed the audit consisted of Nathan Ryant, RPF, lead auditor and David Barker, RPF, auditor. The lead auditor and the auditor are Professional Foresters. Both are experienced in environmental and forestry auditing and are certified lead auditors. Both Nate and Dave are well versed in the forest ecosystems and types of operations covered by this audit.

Key Areas of Non-conformance

There were no non-conformances raised during this audit.

Key Areas of Concern

There were four Areas of Concern now closed from the 2010 audit. The two 2011 Areas of Concern are (by standard element shown):

7.5.1 Monitoring and Measurement: The audit found that there were either a lack of inspections, inconsistencies in inspections or deficient documentation of inspections around the following items:

- No documented inspections after demobilization of logging camps.

CAN/CSA - Z809-2002 2011 Assessment

Non-conformance (NCR)..... 0
 Areas of Concern (AOC).....2
 Recommendations (OFI).....2
 Positive Aspects.....9

Major non-conformances

- Are pervasive or critical to the achievement of the SFI objectives.

Areas of concern

- Are isolated incidents that are non-critical to the achievement of compliance to the SFI standard.

Major non-conformances must be addressed and closed immediately or registration cannot be either achieved or maintained.

Areas of concern require an action plan and must be addressed by the auditee by the next surveillance audit.

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 best practices.

Key Areas of Concern, cont.

- Emergency preparedness equipment for spills and documentation was missing and required.
- Incomplete inspections where information is missing for discussion items and inspection criteria adequacy.
- One non-spec fuel tank over 454L in use and one fuel tank unsecured in the back of a pickup.

7.5.4 Internal Audit: The audit found that the 2010 internal audit did not follow the Internal CSA Audit Plan in terms of what was to be reviewed.

Key Opportunities for Improvement

7.4.6 Operational Control: The organization may consider documenting the review of the reclamation requirements on the tailgate session when removing stream crossings to ensure adequate mitigation measures are employed to account for site specific issues.

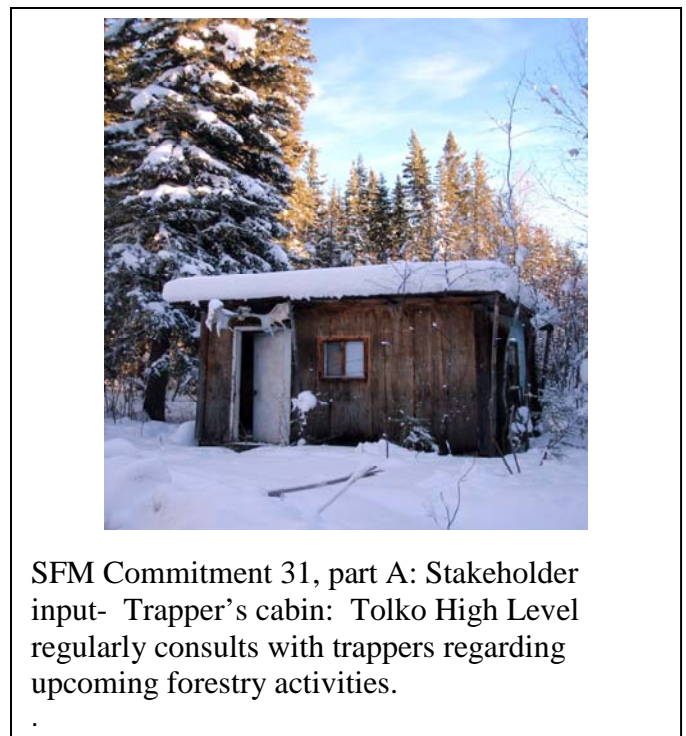
7.3.6.1 Performance Requirements:
SFM Indicator 13- The organization may consider changing the target to increase the target % to reflect the actual budworm incidence levels and the harvesting being done to address the infestation.

Positive Aspects

- Tolko is using the GIS “shape” files provided by the Alberta government to help guide planning and harvesting to address the spruce budworm infestation.
- Tolko planned and executed a very clean snow-fill/ice bridge across the Melvin River on road PN3M1.

Positive Aspects, cont.

- The contractor records regarding inspections of health and safety requirements for the Exact Harvesting Ltd. camp were consistently well done and maintained.
- A contractor took photos during stream/road crossings installations which helps to document compliance to the regulations.
- Treotech Contracting’s tracking through inventory sheets of all oils and antifreeze used by the equipment.



SFM Commitment 31, part A: Stakeholder input- Trapper’s cabin: Tolko High Level regularly consults with trappers regarding upcoming forestry activities.

- Joint field trips are undertaken with ASRD to ensure that monitoring inspections are done consistently and the interpretation of the ground rules is consistent between the company and the ASRD.

Positive Aspects, con't

- Tolko PAG meeting minutes are well documented and state who said what and what the company response was to the groups' queries.
- Documented camp inspections done by the EMS Champion will ensure consistency as to what is looked at and what is required.
- The new program to address ribbonless boundaries through GPS and GIS mapping techniques is innovative.



SFM Commitment 21: Reforestation Activities- Forester checking black spruce cones delivered to the storage shed.



SFM Commitment 19: Buffer Zone Compliance- Tolko ensures buffer zone distances by clearly marking stream centres.

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

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