

# REPORT TO THE FORT ST. JOHN PILOT PROJECT PARTICIPANTS

Report date: April 13, 2020.

## ***Introduction***

As required under s.50 of the *Fort St. John Pilot Project Regulation* (“the Regulation”), we have been engaged by the “Fort St. John Pilot Project Participants” ( Canadian Forest Products Ltd., BC Timber Sales, Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, Louisiana-Pacific Canada Ltd.) to examine compliance with the requirements of the Regulation for the period from April 1, 2017 to March 31, 2019 (the most recent year-end for Pilot Project reporting purposes under s.51 of the Regulation).

Compliance with the Regulation is the responsibility of the Fort St. John Pilot Project Participants’ management. Our responsibility is to express an opinion as to whether the Participants have complied with the *Fort St. John Pilot Project Regulation* in all material respects.

Our duties in relation to this report are owed solely to the Participants, and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this report.

## ***Conduct of the Engagement***

We have conducted our examination having regard to the *Fort St. John Pilot Project Regulation* and “*audit principles that are generally accepted for use in the forest industry*”.

An examination includes assessing, on a test basis, evidence relevant to the information presented in the Participants’ annual reports and the Participants’ compliance with the requirements of the *Fort St. John Pilot Project Regulation*. The scope of our work and the criteria were agreed with the Participants. The main elements of our examination were:

- Identification of activities and obligations subject to assessment, including planning, harvesting, road construction, maintenance and deactivation, silviculture and public consultation.
- Review of Sustainable Forest Management plans, Forest Operations Schedules and related amendments developed under the Regulation for consistency with the Regulation.
- Field examination and review of site level plans for a sample of planning, harvesting, road construction, maintenance and deactivation and silviculture activities.
- Examination of Annual Reports prepared by the participants and examining back-up data supporting performance against a sample of Sustainable Forest Management (SFM) indicators.
- Assessment of records related to public consultation and interviews with a sample of members from the public advisory group.

The Participants reported the following activities carried out during the period and subject to assessment were:

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	SFMP #3 was approved within the reporting period	
New Forest Operations Schedule	FOS #3 was approved within the reporting period	
Harvesting (blocks)	183	56
Road construction (road sections) <sup>3</sup>	913	145
Road deactivation	325	163
Planting (blocks)	232	104
Establishment and MSQ Surveys	246	99

The activities examined during the assessment included:

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	SFMP #3	
New Forest Operations Schedule	FOS #3	
Harvesting (blocks)	14	5
Road construction (road sections)	16	5
Road deactivation	9	7
Bridge installation	2	0
Planting (blocks)	5	3
Site preparation (blocks)	1	0
Establishment and MSQ Surveys	1	0
Herbicide (blocks)	4	1

Notes:

- 1 During the reporting period the Canadian Forest Products Ltd., Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, and Louisiana-Pacific Canada Ltd. allocations were managed by Canfor and are therefore combined for reporting purposes.
- 2 Harvesting, site preparation, bridge installation, planting and survey field samples all included consideration of road maintenance activities on the access roads to the sites.
- 3 Road construction includes installation of bridges.

We planned and performed our examinations so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to support our opinion on the Participants' compliance with the *Fort St. John Pilot Project Regulation*.

## Findings

### SFM Planning, CSA and SFI Registration

The Regulation provides for the development of a Sustainable Forest Management (SFM) Plan through a public advisory group to guide operational planning activities within the Pilot Project Area. The latest version of the SFM plan (SFM plan #3) was submitted and approved during the

current (April 1, 2017 – March 31, 2019) audit period. The Participants first achieved Canadian Standards Association Z809 SFM registration for the pilot project area in the fall of 2003, and successfully maintained certification to the CSA Z809 standard through the reporting period covered by this report (however note that all participants transitioned from the CSA Z809 to SFI certification a few months following the end of the period covered by this report).

### Performance against the SFM plan

The annual reports for the year ended March 31, 2018 and the year ended March 31, 2019 outline performance against the SFM plan. Section 42 of the Regulation requires the participants to conduct operations consistent with the specified targets and landscape level strategies.

The Participants’ annual reports identified the following targets related to the landscape level strategies that were not met during the two reporting periods:

Year ending March 31	Target	Reported findings
2018	9 Wildlife Tree Patches	Indicator target not achieved.
2018	49 Forest Health FOS Planning	Indicator target not achieved.
2019	30 Establishment Delay	Indicator target not achieved.
2019	49 Forest Health FOS Planning	Indicator target not achieved.

The annual reports noted the following targets (not explicitly linked to the landscape level strategies) that were not met:

Year ending March 31	Target	Reported findings
2018	56 Maintenance of Wildlife and Fisheries Habitat Values	Indicator target not achieved.

### Regulatory Non-compliances Identified by Participants

- The Participants reported compliance and enforcement measures that were imposed by government in relation to activities carried out by the Participants. The measures were reported in the Participants’ annual reports for the year ended March 31, 2018 and the year ended March 31, 2019.
- Non-compliances were identified by the Participants during the period and reported to the District Manager, Regional Operations/ Northeast Region, Ministry of Forests, Lands and Natural Resource Operations and Rural Development. The non-compliances were reported in the Participants’ annual reports for the year ended March 31, 2018 and the year ended March 31, 2019.

### Non-compliances identified by our assessment

No non-compliance findings were identified by our assessment.

## Opportunities for Improvement identified by our assessment

The following Opportunities for Improvement findings relevant to the FSJPP regulation were identified by our assessment:

1. The FSJPP regulation at 28 (1)(g)(vi) requires that a participant or holder of a minor timber sale licence who carries out a forest practice on an area must ensure that the forest practice protects water quality, water quantity, fish and fish habitat by minimizing sediment entering into streams.
  - The audit found that on Canfor Block 01238 the contractor failed to install a culvert adjacent to an NCD as identified in the prework; the intent of the outlet culvert is to divert ditchline siltation from entering an NCD. (This part of the OFI is from the 2017 CSA Z809 audit report nonconformity # FSJPP-NC-2017-05; as an NCD is technically not a stream, this finding is not a non-compliance against the FSJPP Regulation and therefore is raised as an OFI in this report)
  - As well the audit found that on BCTS TSL A92984 a deactivated road section was partly impeding the drainage along the ditch line of the Beryl Prairie Road mainline. (This part of the OFI is from the 2018 CSA Z809 report OFI# FSJPP-OFI-2018-02)
2. The FSJPP regulation at 57 (3) lists various information/ documents that are to be made publicly available, at the business premises of the participant. As well Sections 46, 47, and 48 list information that is to be made available to the public advisory group. For ease of access to information the participants post the information on the FSJPP website. While all required information was posted, some of the posted information was found to be out of date.

(This OFI is from the 2017 CSA Z809 report OFI# FSJPP-OFI-2017-02)
3. The FSJPP regulation at Section 19 specifies what is to be included in a site level plan. The audit found that Canfor's symbology for Canfor Cultural Heritage Areas (CHAs) are unclear as follows:
  - The symbol on the legend is not clear
  - On the map itself, while the symbology may be clear in larger polygons, it is not for smaller polygons or point features. In one case a small polygon appeared simply as a small black dot on the map.

However while the mapping could have been more clear, the CHAs were found to have been protected as intended. For an example see the Site Plan and Harvest Plan map for CP 543 block 19039.

(This OFI is from the 2018 CSA Z809 report FSJPP-OFI-2018-01)

## Opinion

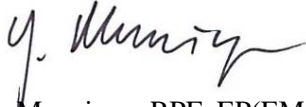
We have conducted an independent audit of the "Fort St. John Pilot Project Participants" (Canadian Forest Products Ltd., BC Timber Sales, Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, and Louisiana-Pacific Canada Ltd.) compliance with the *Fort St. John Pilot Project Regulation* as required under Section 50 of the Regulation.

The *Conduct of the Engagement* section of this report describes the basis of the audit work performed in reaching our opinion. The audit was conducted in accordance with audit principles that are generally accepted for use in the forest industry. We believe our work provides a reasonable basis for our opinion.

In our opinion the forest management planning and operations carried out by the Fort St. John Pilot Project Participants complied in all material respects with the requirements of the *Fort St. John Pilot Project Regulation* for the period April 1, 2017 to March 31, 2019, unless otherwise noted in this report.

In reference to compliance, the term "in all material respects" recognizes that there may be minor instances of non-compliance that are not detected by the audit, or that are detected and not considered worthy for inclusion in the report

Yours truly,

A handwritten signature in black ink, appearing to read 'Y. Menninga', written in a cursive style.

Yurgen Menninga, RPF, EP(EMSLA), QMS(LA)  
Manager  
KPMG Performance Registrar Inc.  
Vancouver BC, Canada