

REPORT Forest Certification



Canfor Whitecourt Division - 2022 SFI Re-Certification Audit

From November 9-11 2022 (document review) and November 14-18 (on-site) an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an Sustainable Forestry Initiative® re-certification audit of Canadian Forest Products Ltd.—Whitecourt Division—and fiber procurement activities against the requirements of the 2022 SFI forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the SFI re-certification audit process and KPMG’s findings.

Description of Canadian Forest Products Ltd.—Whitecourt Division Operations

Canadian Forest Products Ltd. (“Canfor” or “Company”) Whitecourt Divisions operations encompass an approximate area of approximately 729,000 hectares of boreal forest located in the Company’s Forest Management Agreement (FMA) 9700034 as well as in conifer and deciduous quota areas on other FMAs in the region. The associated annual allowable cut (AAC) is approximately 1.4 million cubic metres per year, and the audit found the Company’s harvesting conforms to this AAC. The woodlands operations are managed through the Company Divisions operations office located in Whitecourt Alberta.

The Divisions 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 2022 version of the SFI forest management standard and includes a variety of targets in relation to them. The Divisions 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 applicable Detailed Forest Management Plans) which provide direction to forest management within the areas managed by the organization.

The areas covered by the Company’s SFI certification fall within the following WWF ecoregions: (1) Alberta-British Columbia foothills forests, (2) Canadian Aspen forests and parklands, and (3) Mid-Continental Canadian forests. The main commercial tree species are lodgepole pine, white spruce, balsam fir, trembling aspen, and poplar.

The Company’s forest management approach is based on even-aged management with the retention of reserves of standing trees within the harvest areas, using ground-based harvesting systems. On deciduous harvest areas regeneration occurs mostly naturally, while on coniferous harvest areas regeneration occurs naturally or by replanting with a mix of ecologically suited tree species. Where needed competing vegetation is controlled through the use of government-approved chemical herbicides. As well, prior to planting some sites mechanical site preparation conducted as a means to create beneficial microsites for increased site productivity, and in turn reducing the impact of competing brush.

Description of Canfor—Whitecourt Division—Manufacturing Facilities and Fiber Sourcing Program

The Company operates sawmills in the communities of Whitecourt and Fox Creek Alberta. Most of the logs for the mills are sourced from the Company’s SFI-certified timberlands, with the remainder being purchased from other Crown-land operators (most of which are also SFI-certified) and minor amounts from uncertified private landowners.

The Company participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for wood purchases, and completes purchase wood inspections as necessary. The results



are then collated by WCSIC in order to identify trends in performance and opportunities for improvement.

Audit Scope

The audit was conducted against the requirements of the 2022 edition of the SFI forest management and fiber sourcing standards, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Forest health and productivity;
- Protection and maintenance of water resources;
- Conservation of biological diversity;
- Management of visual quality and recreation benefits;
- Protection of special sites;
- Efficient use of fiber resources;
- Recognize and respect Indigenous Peoples' rights;
- Climate Smart Forestry;
- Fire Resilience and Awareness;
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement and landowner outreach;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the 2022 SFI re-certification audit of Canfor's Whitecourt Divisions operations included each of the Divisions License operations noted above, as well as fiber procurement activities for the Company's sawmills located within the communities of Whitecourt and Fox Creek.

The Audit

- **Audit Team** – The audit was conducted by Mike Buell, RPF (SFI Lead), Lorne Carson, RPF, and Sylvie Holmsen RPF, EP(EMSLA) (PEFC Lead). Mike and Sylvie are employees of KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC. Lorne is an independent consultant with experience in conducting forest audits in accordance to the ISO 14001 and SFI standards.
- **2022 SFI Re-Certification Audit** – The audit involved an on-site assessment of all elements of the Company's SFI program, and included visits to several field sites (7 roads, 6 cutblocks, 3 silviculture sites, 2 wood procurement sites and 5 special sites) to evaluate conformance with the requirements of the current SFI forest management and fiber sourcing standards. The 2022 Canfor Whitecourt Division audit took a total of 17 auditor days to complete, 8 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 an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Canfor Whitecourt Divisions SFI Program Representative** – Cynthia Labrecque and Ken Anderson served as Canfor Whitecourt Divisions SFI program representatives during the audit.

Canfor Whitecourt Division SFI Re-certification Audit Findings

Open non-conformities	0
New major non-conformities	0
New minor non-conformities	3
New opportunities for improvement	4

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.

Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2022 version of the SFI forest management and fiber sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

Audit Objectives

The objective(s) of the audit were to evaluate the sustainable forest management/Chain of Custody system at Canfor Whitecourt Division to:

- Determine its conformance with the requirements of the SFI 2022 forest management and fiber sourcing standards;
- Evaluate the ability of the system to ensure that Canfor Whitecourt Division operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Canfor Whitecourt Division meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.



Canfor Whitecourt Division are conducting archaeological assessments which identify sites that are protected during harvesting. Sites observed were identified, flagged appropriately, and protected.

Evidence of Conformity with the SFI 2022 Forest Management and Fiber Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2022 forest management and fiber sourcing standards are presented in the following tables.

Table 1: Evidence of Conformity with the SFI 2022 Forest Management Standards

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Ground rules, silviculture reports, system reviews, interviews with planners, field
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans, interviews with
4. Conservation of Biological Diversity	Forest management plans, ground rules, interviews with planning staff, field
5. Management of Visual Quality and Recreational Benefits	Forest management plans, review of visual quality assessments and plans, FSP, ground
6. Protection of Special Sites	Forest management plan, ground rules,
7. Efficient Use of Fiber Resources	Forest management plans, waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples Rights	Company policy on Indigenous Peoples' rights, records of consultation, interviews
9. Climate Smart Forestry	Forest management plans, climate change risk and mitigation plans, review of records indicating involvement in climate forest research, interview with Company staff.
10. Fire Resilience and Awareness	Forest management plans, ground rules, interviews with planning staff, field inspections involvement in fire awareness programs, interview with Company staff .



Canfor Whitecourt Division have a program to incorporate the conservation of native biological diversity, including species, wildlife habitats, and ecological community types at stand and landscape levels. During the site visit to a cutblock, an area set aside for bird habitat was observed. The area was identified during a migratory bird sweep, then set aside with harvest timing restrictions applied.

SFI Forest Management Objective	Key Evidence of Conformity
11. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, interviews with regulatory agency personnel.
12. Forestry Research, Science and Technology	Forest management plans, EMS, records of research projects and funding, staff
13. Training and Education	Forest management plans, EMS, training records, SIC minutes & resources, management review minutes & resources, interviews with staff and contractors.
14. Community Involvement and Landowner Outreach	Forest management plans, EMS, SIC minutes & resources, community and landowner
15. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff
16. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
17. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.

Table 2: Evidence of Conformity with the SFI 2022 Fiber Sourcing Standard

SFI Fiber Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fiber Sourcing	Program to promote biodiversity in fiber sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fiber sourcing policy and records of its distribution to wood producers, written fiber sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource Professionals, Qualified Logging Professionals and Certified Logging Companies	List of Qualified Resource and Logging Professionals, records of proportion of fiber delivered by QLPs, interviews with procurement staff.
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 and Technology	Records of research projects and funding, staff interviews.
6. Training and Education	Training records, SIC minutes & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	SIC minutes & resources, community and landowner outreach records, staff interviews.
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	Certification summary report, annual report to SFI Inc.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Avoid Controversial Sources	Controversial sources risk assessment, procedures to address any significant risks that have been identified, interviews with procurement staff.

Good Practices

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

- SFI Objective 3 (Protection and Maintenance of Water Resources): The field audit noted buffering of an ephemeral watercourse to prevent skidding through trout habitat.
- SFI Objective 3 (Protection and Maintenance of Water Resources): The use of native timber bridges on ephemeral watercourses in order to protect trout habitat.
- SFI Objective 4 (Conservation of Biological Diversity): The field audit identified a good example of applying bird sweeps to identify song bird nests that led to a 30m buffered area in a harvest block.
- SFI Objective 5 (Management of Visual Quality and Recreational Benefits): The mapping and protection of snow mobile trails through all aspects of planning and operations. The care and attention by Canfor staff to ensure proper signage was up where trails come into blocks, and where trails intersect with active roads.
- SFI Objective 6 (Protection of Special Sites): The use of Ops Tracker in silviculture equipment to ensure that an archaeological site was removed from the treatment area, and then records were provided to demonstrate that the area had not been disturbed.
- SFI Objective 9 (Legal and Regulatory Compliance): Given the complexity of the Millar Western to Canfor Whitecourt transition only one non-compliance (issued by the Alberta Ministry of Forests and related to utilization) was issued in 2021. This demonstrates the team's commitment to best practices and the EMS system.
- SFI Objective 11 (Training and Education): Although not fully functional at this time the on-line training system allows for contractor to log-in, complete the required training, with a record that it was completed

Follow-up on Findings from Previous Audits

At the time of this assessment there were no open SFI non-conformities from previous Canfor Whitecourt external SFI audits.

Areas of Nonconformance

A total of 3 minor non-conformities were however identified during the SFI re-certification/surveillance audit of Canfor Whitecourt Divisions forest management and fiber sourcing operations. These included:

- SFI Forest Management Performance Measure 14 and Fiber Sourcing Performance Measure 7 (Community Involvement and Landowner Outreach) – SFI FM @ 14.3.2 and SFI FS @ 7.3.2 requires a process to receive and respond to public inquiries. Public inquiries are being received and dealt with on an ad-hoc basis but there is no system in place to track inquiries and responses.
- SFI Forest Management Performance Measure 16 and Fiber Sourcing Performance Measure 9 (Communications and Public Reporting) - SFI FM @ 16.2.2 and SFI FS @ 9.2.2 requires a system for collection, reviewing, and



During the site visit to a cutblock, a non-classified stream that did not require a retention buffer was identified and protected to ensure machines did not cross the channel.

reporting information in achieving the SFI standard. Data is being collected, reviewed, and reported for the SFI annual survey but there is no system to track and back-up metrics indicating that SFI indicators are being met.

- SFI Forest Management Performance Measure 8 (Recognize and Respect Indigenous Peoples' Rights) - SFI FM @ 8.1.1 requires a written policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples. While Canfor's First Nations commitments are publicly available there is no clear and concise written document reflecting the commitment to the SFI measure and indicator.

Opportunities for Improvement

Four new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI Forest Management Performance Measure 13 and Fiber Sourcing Performance Measure 6 (Training and Education) – SFI FM @ 13.1.3,13.1.4 and SFI FS @6.1.3,6.1.4 requires appropriate training of personnel and contractors. Interviews indicate staff and contractor training is occurring but there is no clear sign-off procedure to demonstrate training occurred. There is an opportunity to improve the documentation required to demonstrate staff and contractor training is occurring.
- SFI Forest Management Performance Measure 13 and Fiber Sourcing Performance Measure 6 (Training and Education) – SFI FM @ 13.1.3,13.1.4 and SFI FS @6.1.3,6.1.4 requires appropriate training of personnel and contractors. The training matrix clearly defines the training that must occur for staff and contractors but does not indicate the frequency (e.g. yearly, 3 years, 5 years). There is an opportunity to define the frequency in which training must occur based on role and responsibility.
- SFI Fiber Sourcing Performance Measure 11 (Avoid Controversial Sources) - SFI FS @ 11.4.2 requires where the risk is high, the risk assessment shall identify the specific verifiable controls that the supplier has in place to substantially reduce the risk of sourcing fiber from controversial sources. The risk assessment and controls are in place but there is an opportunity to improve the frequency of the wood assessments and pre-inspections occurring for uncertified wood purchases on private land.
- SFI Fiber Sourcing Performance Measure 11 (Avoid Controversial Sources) - SFI FS @ 11.4.1 requires a signed contract and/or self-declaration that the supplied fiber does not originate from controversial sources. The current contract has this in place but references the previous SFI standard. There is an opportunity to update the wood producer's information package and log purchase agreement (Schedule F) to reflect the SFI 2022 standard.

Audit Conclusions

The audit found that the Canfor Whitecourt Divisions sustainable forest management system and fiber sourcing program:

- Were in full conformance with the requirements of the SFI 2022 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 continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Canfor Whitecourt Division continue to be certified to the SFI 2022 forest management and fiber sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root causes of the non-conformities identified during the audit have been developed by the company 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

Note: For re-certifications and surveillance audits conducted after March 31, 2022, any non-conformities identified against the incremental requirements of the SFI 2022 standard(s) are intended to help the Company transition to the SFI 2022 standard(s) and will not affect Canfor Whitecourt Divisions certification until after December 31, 2022. However, the action plans developed to address such non-conformities must be fully implemented and the associated non-conformities closed by KPMG PRI by that date.

Focus Areas for the Next Audit Visit

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

- Implementation of the action plans developed by Canfor Whitecourt Division to address all open non-conformities identified during previous external audits.
- Progress on conducting wood risk assessment and pre-inspections on private uncertified wood purchases.
- Wood risk and FECV assessments on all purchases from new regions (southern AB).

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