



Forest Surveillance

Audit Public Summary Report for

Canadian Forest Products Ltd.

Kootenay Division.

Forest Stewardship Council® (FSC®)

2022 Forest Management Audit

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Location of the Forest Area:

The approximate centre of the FSC certified forest area is latitude 51.7052 north and longitude 120.0231 west. It is in the south-east corner of the province of British Columbia, in proximity of the communities of Cranbrook, Fernie, and Radium.

FSC Certificate Registration Code:

KF-FM/COC-001059

Date Certification was Issued:

October 28, 2019

Certificate Expiry Date:

October 27, 2024

Date Report was Last Updated:

May 5, 2023

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Description of forest management

Canadian Forest Products Ltd. – Kootenay Division (Canfor) holds five management licenses in the Cranbrook, Invermere, and Kootenay Lake Timber Supply Areas. The land and resources of these licenses are owned by the government of British Columbia (“Crown land”), and Canfor holds agreements with government to manage the forest resource including planning, harvesting, road construction, and silviculture liability, for a fee or “stumpage” paid to government for the right to harvest. The forests are largely conifer-species dominated with a fire-dominated natural disturbance history.

Canfor practices even-aged management with single and group retention of overstory as well as understory trees. The rotation-length varies, but generally ranges from 70-90 years.

The management objectives are listed in the Canfor Kootenay Operations Sustainable Forest Management Plan, which states “the overall objective of the SFM Plan has been to demonstrate to government and industry managers, area residents, stakeholders, local Indigenous Peoples and customers of forest resources that it is possible to implement sustainable forest management at the management unit level (i.e. Defined Forest Area or DFA).”

All certified land that makes up the DFA is Crown land, with the forests managed under agreement by Canfor. Regarding socio-economic conditions, the Sustainable Forest Management Plan (SFMP) has 8 indicators in the section titled Criterion 5 – Economic and Social Benefits (the main ones being Volume Harvested Vs. Allocated, Identified Non-Timber Forest Benefits, Corporate Sponsorships, Donations and Scholarships, Direct & Indirect Employment, Environmental & Safety Training). The DFA is entirely within the Ktunaxa Nation traditional territory, and partly within the Shuswap, Adams Lake, and Neskonlith territories. Main communities within or near the DFA are Golden, Radium Hot Springs, Canal Flats, Cranbrook, and Fernie, as well as many smaller communities. Forestry, mining, ranching, and tourism form the main basis of employment and economic activity for the region, which has a population of just over 60,000 as of the 2016 census.

Forest composition is largely even-age stands with harvesting and/or fire disturbance history, with the main tree species being Subalpine fir, western larch, Engelmann spruce, lodgepole pine, Ponderosa pine, and Douglas-fir as well as other less common commercial conifer species. The terrain ranges from wide gentle-slope valley bottoms to mountainous. Adjacent crown lands are similar to the DFA lands, with private lands being a range of agriculture, municipal, and intensive forest management lands. The geographic location of the DFA is in the southeast corner of British Columbia in the vicinity of the communities of Cranbrook, Radium, and Fernie. The latitude and longitude of the approximate centre of the DFA is 51.7052 North, 120.0231 West.

Generally Canfor staff perform strategic planning, permitting, harvest supervision, and silviculture program management. Contractors perform underlying roles such as field layout for harvesting and roads, harvesting and road construction and maintenance, silviculture field activities. All fall under Canfor’s training program.

Most harvesting is ground based mechanized, with some cable yarding. Reforestation species selection is based on site suitability, species harvested, with consideration of pests and pathogens. Generally even-aged management is practiced, with dispersed and group retention

For environmental safeguards, planning and operations considers all environmental values present, and have a number of procedures, practices, and indicators to protect and measure the values. Examples of these values include soils, water, riparian, habitat, seral stage, archaeological, cultural, recreation, visual quality, other tenure holders such as trappers guides and rangeholders, adjacent landowners, community interest, and species and plant communities at risk. Each of these has a number of objectives and indicators in the SFMP, with protection strategies in the SFMP as well as the Forest Stewardship Plan (FSP). Specific details in how the values will be protected and

managed are included in a suite of Company procedures designed to protect the values, and the site-specific measures are documented in a site plan and indicated on the block map as appropriate. To ensure these measures are completed as intended, Canfor supervisors implement the Company inspection program, which includes risk-ranking each block based on presence/absence of values and performing site inspections as determined necessary.

The management strategy for the identification and protection of rare, threatened and endangered species is laid out in the SFMP in Table 16, which lists a total of 86 species at risk and 9 rare ecosystems on the Defined Forest Area (DFA). All of these have associated management strategies, such as protection in government-declared wildlife habitat areas, protection for known and found habitat features based on professional biologist input, reserve of uncommon ecosystems, etc. The SFMP has various targets and indicators to manage and report on the management of these species and ecosystems. Canfor maintains a list of species at risk (as identified by the Committee on the Status of Endangered Wildlife in Canada or COSEWIC and the BC Conservation Data Centre), which is updated to include new/revised designations annually and, where possible, established habitats, occurrence data and candidate habitats of red- and blue-listed species and plant communities are included in map layers in Canfor's Geographic Information System (GIS) database. The company keeps a record of red and blue listed species sightings, which contains sightings information from planned surveys and incidental observations. Habitats of species of management concern with known habitat affiliations or known point occurrences are mapped in the GIS and expert-based management strategies are applied.

The Company's procedures for monitoring growth, yield and forest dynamics (incl. changes in flora and fauna), environmental and social impacts, and costs, productivity, and efficiency are supported by a number of objectives and indicators in the SFMP. For the Forest Licenses, growth and yield is part of the government Timber Supply Review process based on permanent sample plots and modelling, and for the Tree Farm License this is undertaken by Canfor with assistance by consultants with relevant expertise. Environmental impacts are monitored through the company monitoring programs, such as regular site inspections during active road construction and harvesting, silviculture surveys from establishment through to free growing, as well as a range of environmental indicators in the SFMP that are reported on annually. Social impacts are considered by government when establishing the annual allowable cut, and the SFMP has associated targets (number of direct and indirect jobs, portion of annual allowable cut harvested, for example). Costs, productivity, and efficiency are managed by the company.

The nurseries that provide Canfor seedlings apply the following pesticides for pathogen control: Subdue Max, Medallion, Mako, Rovral and Senator 50. These were applied to just over three million seedlings for the 2021 plant, which represents just over half of the seedlings planted. Pesticides are not otherwise used by Canfor woodlands.

No broadcast application of herbicides occur on Canfor Kootenay division's woodlands operations. Since 2018, Canfor Kootenays no longer conducts targeted treatments regarding invasive plant species.

A third party government funding agency and the Provincial government assess for invasive plant species and then to treat them. See the 2022 finding oriented towards influencing the government and its third party agency regarding the use of FSC unrestricted chemicals.

In terms of Canfor lands not included in the FSC certification, the Company owns and manages other tenures which are not FSC certified, based on management prerogative. Products (logs) from the FSC versus non-FSC certified forests are distinguished by associated timbermarks under the company's chain of custody program. As well Canfor manages for another party an area of private forest land which is not FSC certified, with harvested logs also being tracked as non-FSC certified under the company CoC.

Standards

The audit occurred against the FSC® NATIONAL FOREST STEWARDSHIP STANDARD OF CANADA FSC-STD-CAN-01-2018 V 1-0 EN version, which is available at <https://ca.fsc.org/ca-en/forest-management>.

The evaluation process

An off-site document review occurred July 18-22 & November 7-8 2022. A three person audit occurred November 14-18, 2022. Audit followup occurred in the time period of November 19 2022 to January 8 2023 with the audit closing meeting held on January 09 2023. Audit preparation and document review took one day. Audit time was primarily on-site (although some remote interviews were conducted to facility scheduling and for convenience) for 12 days. Off-site reporting took 4 days.

The audit assessed all elements of Principle 6.0 Environmental Values and Impacts and 7.0 Management Planning, as well as all mandatory indicators that are required to be evaluated every year (1.4, 1.6, 2.3, 3.2, 3.4, 5.2, 8.2, 9.4 and 10.3).

Observations

Strengths and weaknesses by FSC principle

The following table outlines the main strengths and weaknesses identified in relation to the requirements of the FSC standard during the Canfor Kootenay audit.

Table 10: Summary of main strengths and weaknesses by FSC Principle

Summary of main strengths and weaknesses by FSC Principle

FSC Principle	Strengths	Weaknesses
<p>Principle 1.0, indicators 1.4, 1.6</p> <p>Compliance with Laws and FSC Principles</p>	<ul style="list-style-type: none"> • Canfor has developed and implemented a comprehensive management system to help ensure compliance with legal requirements. • Detailed internal inspections are completed on all field sites and any problems noted are addressed through documented corrective action plans. • The staff and contractors interviewed demonstrated a high level of understanding of applicable responsibilities and regulatory requirements. • Canfor Kootenay division’s SFMP and associated procedures have been developed to be consistent with the principles of the FSC standard. 	<ul style="list-style-type: none"> • None identified.
<p>Principle 2.0, indicator 2.3</p> <p>Worker’s Rights and Employment Conditions</p>	<ul style="list-style-type: none"> • Interviews with a large sample of Canfor staff and contractors found a high level of satisfaction with their working conditions. • The Company has a comprehensive worker safety program. A high level of conformance with workplace safety requirements was noted during the audit. There have been no serious accidents since the previous external audit. 	<ul style="list-style-type: none"> • None identified.
<p>Principle 3.0,</p> <p>Indigenous Peoples’ Rights</p>	<ul style="list-style-type: none"> • Canfor has demonstrated that it has a very advanced working knowledge of the Indigenous communities that have traditional use areas overlapping the Company tenures. • Canfor has developed agreements and protocols with most Indigenous communities that lay out how interactions will occur, such as regular meetings of a number of committees made up of Canfor and applicable First Nations to address harvest planning, First Nations employment on the DFA, and provision of goods and services. • Canfor’s Sustainable Forest management Policy, which is signed by the president and CEO, states the Company will recognize and respect Aboriginal rights, title and treaty rights. 	<ul style="list-style-type: none"> • None identified.

Summary of main strengths and weaknesses by FSC Principle

FSC Principle	Strengths	Weaknesses
	<ul style="list-style-type: none"> Interviews with staff found a good level of understanding of local First Nations issues and concerns. The company maintains a Cultural Conservation Value Forest inventory and local knowledge database that it uses to help identify and protect local Indigenous land use values. These have been developed with local First Nations. Canfor Kootenay's SFM plan includes several indicators and targets related to consultation, partnership building with local Indigenous communities and local employment. The company has established deferred areas around many of the local waterbodies that have been identified as important features by local Indigenous communities. Canfor supports a number of local First Nation contractors that provide a range of goods and services, including forest management consulting services. 	
Principle 4.0 Community Relations	<ul style="list-style-type: none"> Canfor regularly interacts with communities and their members in the vicinity of the DFA. For example recent fire-proofing harvesting projects had extensive community notification and consultation, with various accommodations made by the Company. 	<ul style="list-style-type: none"> None identified.
Principle 5.0, indicator 5.2 Benefits from the Forest	<ul style="list-style-type: none"> The company maintains detailed tracking of harvest volumes to ensure they are within the sustainable harvest limits, which the company was found to conform with. 	<ul style="list-style-type: none"> None identified.
Principle 6.0, indicators 6.4, 6.6	<ul style="list-style-type: none"> Canfor expended considerable time and funds in conducting the inventories and assessments necessary to support the development of the current SFMP. The SFMP and related assessments are based on reasonably comprehensive inventory information (e.g., recent forest inventory data, utilization of an 	<ul style="list-style-type: none"> While Canfor conducted the required due diligence to change the harvest timing on a cutblock with grizzly bear values, the formal plans were not amended.

Summary of main strengths and weaknesses by FSC Principle

FSC Principle	Strengths	Weaknesses
Environmental Values and Impacts	<p>ecological land classification system, assessment of SAR distribution and habitat needs, mapped habitat areas for caribou, grizzly bear, ungulate winter range, goshawk, screech owl, among many others, information on other uses such as recreation First Nations, guiding, etc.).</p> <ul style="list-style-type: none"> • The SFMP includes several coarse and fine filter indicators and targets that are designed to help maintain the viability of all native species present on the DFA. • The Company maintains a comprehensive list of documented operating procedures that are designed to help reduce the environmental impact of forest practices. • Inspections of a large sample of field sites found a high level of protection for forest soils, riparian features and special sites (e.g., nest sites, areas of cultural significance, etc.). • Canfor's reforestation strategy does not include the use of chemical pesticides, except for treatment of minor areas of invasive plants where other treatment methods are ineffective, and use in nurseries that supply seedlings. • All regeneration is with the use of native species suited to the ecological conditions of the specific site 	
Principle 7.0, indicator 7.6 Management Planning	<ul style="list-style-type: none"> • Canfor Kootenays demonstrated proactive engagement with all stakeholders in its management planning and monitoring processes, and was found to engage stakeholders in a transparent manner. 	<ul style="list-style-type: none"> • None identified.
Principle 8.0, indicator 8.2 Monitoring and Assessment	<ul style="list-style-type: none"> • The SFMP outlines the company's monitoring program in considerable detail. The monitoring program includes several components that collectively allow the company to monitor the effects of SFMP implementation through the 47 objectives and targets that are monitored annually. 	<ul style="list-style-type: none"> • Canfor monitors the impacts of invasive species and implements mitigation actions to prevent environmental impacts. The operation can benefit from emphasizing priority invasive plants and promote mitigation actions.

Summary of main strengths and weaknesses by FSC Principle

FSC Principle	Strengths	Weaknesses
	<ul style="list-style-type: none"> The 2020 Annual Report – Canfor Kootenay Operations was reviewed, and it was found that these were generally met or had adequate rationale (most not met were due to Covid i.e. lack of meetings). Canfor conducts formal inspections of all active field sites. Documented corrective action plans are developed for any problems noted, and these are tracked to completion under the company’s FMS. 	
<p>Principle 9.0, indicator 9.4</p> <p>High Conservation Value Forests</p>	<ul style="list-style-type: none"> Canfor’s approach to the management of HCVs is based on the principle of the precautionary approach. Current monitoring data suggests that Canfor has been effective in protecting these values. An HCV assessment has been conducted for the Canfor FMA area. Additional information has also been collected in relation to wildlife and plant diversity and cultural values. The SFMP includes a number of measures designed to help maintain HCV values over time (e.g., HCV buffers on key riparian areas, management through buffering of bear dens, nests, licks and wallows etc., species at risk management, among others). Canfor’s harvest planning avoids key areas of HCV, which was verified during the field audit. 	<ul style="list-style-type: none"> None identified.
<p>Principle 10.0, indicator 10.3</p> <p>Implementation of Management Activities</p>	<ul style="list-style-type: none"> Canfor Kootenays has assessed its usage of alien species and identified that the only alien species used in with its grass seed mix for vegetating road/side slopes to reduce the risk of siltation into streams. Grass seed mix is developed in coordination with government. Canfor provided past communication with government that the seed doesn’t outcompete the native grass species. Canfor coordinates with the East Kootenays Council Invasive Species council with one staff member on the council that meets 4 time per year. The Council has representatives from various government branches including highway, forests, and environment. The goal of the Council is to coordinate and administer plant management programs under the province integrated pest management plan, and outreach and education 	<ul style="list-style-type: none"> The audit observed two machines at one harvest site without the required fire extinguishers. A third party quasi-government agency, working with the Provincial government, assesses for and subsequently treats invasive species occurring on the Canfor FSC certified DFA. Canfor can work to influence the use of herbicides not on the FSC prohibited list of chemical pesticides.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were no open non-conformities and no follow-up was required in 2022. The audit followed up on one open opportunity for improvement identified in 2021. Canfor revised a procedure to check for spill kits during routine transportation reviews conducted by staff. No further audit effort is required to address this issue and the matter is considered closed.

Stakeholder comments

KPMG did not engage in a stakeholder process associated with the Canfor FSC FM audit. However, an FSC Chain of Custody and Controlled Wood re-certification audit occurred concurrent with the FSC FM audit. A stakeholder responded to the FSC Chain of Custody stakeholder consultation held by KPMG in advance of the field audit and it was determined that the matters raised related to the Canfor DFA under FSC FM certification. KPMG considered the issues raised with the stakeholder in the context of the FSC FM certification.

Certification decision

The audit found that Canfor Kootenay division was in full conformance with the requirements of the FSC National Forest Stewardship Standard of Canada – FSC-STD-CAN-01-2018 version V 1-0 EN, except where noted otherwise in this report. As a result of there being no major non-conformities, Canfor Kootenay's FSC FM certification remains valid.

No pre-conditions were issued.