



Canadian Forest Products Ltd. (Canfor) 2018/2019 Initial SFI Certification Audit

Between October 16, 2018 and March 1, 2019 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a SFI certification audit of Canadian Forest Products Ltd. (Canfor)'s B.C. and Alberta woodlands operations and fibre procurement activities, assessing them against the 2015-2019 Sustainable Forestry Initiative® (SFI) Forest Management (FM) and Fibre Sourcing (FS) standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

Note that this audit report does not apply to the company's U.S. operations.

Description of Canfor's Woodlands Operations

Canfor's divisions manage Crown land tenures, and also procure logs for the Company's mills in B.C. and Alberta. Canfor's multi-site SFI Forest Management and Fibre Sourcing certifications apply to the following nine divisions:

- Chetwynd
- Fort St. John (including Fort Nelson)
- Grande Prairie
- Houston
- Kootenay SFI (including Wynnwood)
- Mackenzie
- Prince George
- Vanderhoof (including Fort St James)
- Vavenby

Canfor's woodlands have a total AAC (allowable annual cut) of just over 12.4 million m³/year, which have an associated area under management of about 19 million ha. The 2018/2019 audit found that the Company's forest harvesting conforms to the AAC applicable to these operations.

The woodlands operations that are included within the scope of the Company's SFI certification are covered by a multi-site sustainable forest management (SFM) system that addresses the objectives of the SFI standard and includes a variety of targets in relation to them. In addition, government approved forest stewardship/management plans that address both timber and non-timber values are also in place. Various higher level plans developed by government (e.g., Land and Resource Management Plans, etc.) also provide direction to organizations regarding forest management practices that impact their operations.

The forests managed by Canfor are predominantly coniferous with the main commercial tree species being lodgepole pine, white and Engelmann spruce, Douglas-fir, amabilis and balsam fir, and trembling aspen. The company's multiple locations results in a wide range of ecological features such as wetlands, lakes, watercourses, ecological communities, caves, and habitat features such as nests, dens and bat hibernacula.

The Company's B.C. and Alberta operations fall within the following ten World Wildlife Fund's (WWF) ecoregions:

- (1) Muskwa/Slave Lake Forests



- (2) Northern Transitional Alpine Forests
- (3) North Central Rockies Forests
- (4) North Central Rockies Forest
- (5) Central British Columbia Mountain Forests
- (6) Alberta-British Columbia Foothills Forests
- (7) Alberta Mountain Forests
- (8) Canadian Aspen Forests and Parklands
- (9) Mid-Continental Canadian Forests
- (10) Northern Cordillera Forests.

These ecoregions also represent the area of B.C. and Alberta from which the Company procures fibre from third parties to supplement supplies harvested from its own woodlands operations.

The typical forest management approach employed by the Company is based on even-aged management, ground-based harvesting systems, and clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas. Following harvesting, the area either regenerates naturally, or through replanting of harvest areas within a few years with a mix of ecologically suited tree species, and control of competing vegetation through the use of government-approved chemical herbicides and/or mechanical means.

Description of Canfor’s Fibre Sourcing Program

The Company’s fibre sourcing needs vary considerably between facilities. Across the company the majority of fibre is sourced directly from the Company’s own woodlands. The remainder is purchased from third parties, mostly from other organizations (e.g., forest companies and B.C. Timber Sales) who hold their own SFM certifications, with a small percentage coming from uncertified private land and oilfield salvage operations. A small portion of the Company’s fibre sourcing is obtained through purchase stumpage (i.e. Canfor manages the harvesting directly) under the Company’s environmental management system.

The fibre sourcing program provides logs for the Company’s processing facilities which are covered by the Canfor PEFC chain of custody certification. This includes ten sawmills (Chetwynd Sawmill, Fort St. John Sawmill, Grande Prairie Sawmill, Houston Sawmill, Polar Sawmill, Prince George Sawmill, Plateau Sawmill, Isle Pierre Sawmill, Vavenby Division Sawmill and Mackenzie Division Sawmill) and one chip plant (Prince George Chip Plant).

Canfor participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases, and completes site inspections as necessary. The results are then collated by WCSIC (of which Canfor is a member) in order to identify trends in performance and opportunities for improvement.

Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fibre sourcing standards, covering the SFI program objectives shown in the Evidence of Conformity tables later in this report.

Canfor 2018/2019 SFI Certification Audit Findings	
Open non-conformities from previous audits	1
New major non-conformities	0
New minor non-conformities	4
New opportunities for improvement	6

The scope of the SFI certification audit included all of the woodlands division noted on page one, as well as fibre procurement activities for the associated Canfor sawmills, chip plants, and pellet plants.

The Audit

- **Audit Team** – The audit was conducted by a six person audit team comprising Yurgen Menninga, RPF, EP(EMSLA), lead auditor, and Dave Bebb, RPF, EP(EMSLA) Branden Beatty, RPBio, EP(EMSLA), Sylvi Holmsen, RPF, EP(EMSLA), Orrin Quinn, RPF, and Dennis Lozinsky, RPF, EP(EMSLA).
- **2018/2019 SFI Certification Audit** – The audit involved an on-site assessment of all elements of the Company’s SFI program, and included visits to a large number of field sites (50 roads, 50 cutblocks, 14 silviculture sites, 27 wood procurement sites and 3 camps) to evaluate conformance with the requirements of the SFI forest management and fibre sourcing standards. The audit took a total of 60 auditor days to complete, 49 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, and the main and public summary audit reports. Also time was dedicated to completing an off-site review of selected company documents and records, and various audit checklists.
- **Multi-site Audit Sampling** – Canfor holds a multi-site SFI certificate covering a total of nine woodlands operations and associated fibre sourcing activities. Field visits were made to all nine locations during the course of the audit. The Company’s head office was also visited for staff interviews and a review of SFI-related documents. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **Canfor’s SFI Program Representative** – Kerri Simmons, RPF, FMS and Tenures Coordinator, served as Canfor’s SFI program representative during the audit.

Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI forest management and fibre sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system at Canfor to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that Canfor woodlands operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Canfor meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

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:

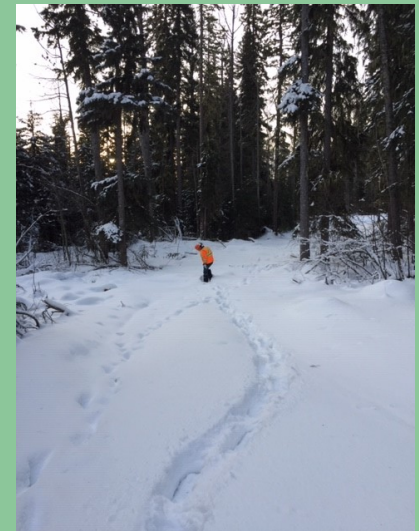
Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

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	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Forest management plan, site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, harvest plans, field inspections.
6. Protection of Special Sites	Forest management plan, site plans, special site inspections.
7. Efficient Use of Fibre Resources	Forest management plan, waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights and records of consultation with local groups. Conducted pre-audit questionnaire responses and interviews with Canfor staff and representatives of local Indigenous Peoples.
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections.
10. Forestry Research, Science and Technology	Forest management plan, records of research projects and funding, staff interviews.
11. Training and Education	Forest management plan, training records, SFI Implementation Committee (SIC) minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	Forest management plan, SIC minutes & resources, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Geographic information system, data base information.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



An example of a high level of utilization where logs that are small diameter and short in length are hauled. The above truck was loaded with several hundred logs.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the Best Management Practices monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by Qualified Logging Professionals, 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, interviews with regulatory agency personnel.
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	Geographic information system, data base information.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.
12. Avoidance of Controversial Sources Including Illegal Logging	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.



The above photos show examples of sites visited during the fibre sourcing audit. The harvest block in the upper photo had a riparian area with a prescription to leave understory trees & shrubs along the water course, shown mid-photo beyond the tall deciduous trees. In the lower photo the new block road crossed a stream where the person is standing. In both cases the audit verified that Canfor ensured best management practices were implemented by the log seller.

Good Practices

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

- SFI Forest Management Objective 8 (Indigenous People’s rights) – With regards to interactions with indigenous groups, good practices were noted at a number of divisions, such as:
 - At one division feedback from the indigenous group revealed that the Memorandum of Understanding signed with Canfor has been working well and the relationship has improved significantly over the past few years.
 - Another division has an initiative with the an indigenous group to formalize a new stakeholder consultation, capacity development, and benefit sharing process, in a way that is novel for the province.
 - Review of records at one division found that considerable efforts continue to be made in sharing the operation’s harvesting plans with local indigenous people in an effort to help identify and address any concerns they may have in relation to them.
- SFI Forest Management Objective 9 (regulatory compliance) – The audit found the divisions as well as corporate level have developed SFI Forest Management and Fibre Sourcing matrices which do a good job of documenting how the Company addresses the requirements of the SFI FM and FS standards.

Follow-up on Findings from Previous Audits

While the 2018/2019 audit is the first SFI audit for Canfor, the company to date has been certified to the CSA Z809 Forest Management standard. While not all of the open non-conformities from previous CSA Z809 audits relate to the SFI standard, three previous non-conformities did relate to SFI and were followed up on during the 2018/2019 SFI audit. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that in two of three cases they: (1) had been implemented as required, and (2) were effective in addressing the root cause(s) of these non-conformities. As a result, two of three previously identified non-conformities have now been closed.

The one open non-conformity from previous audits relates to one division where there were weakness in completing final harvest inspections within the four week timeframe prescribed by the Company’s EMS. The 2018/2019 SFI audit found some but not all of the associated corrective actions have been completed. This non-conformity remains open and will be follow up on at the next SFI audit.

Areas of Nonconformance

A total of four new minor non-conformities were identified during the SFI certification audit of Canfor’s woodlands and fibre sourcing operations. These included:

- SFI Forest Management Objective 11 / Fibre Sourcing Objective 6 (training and education) – While the SFI standard requires there be written agreements for the use of qualified logging professionals (QLPs), and QLPs are used, there are no such written agreements in place.



For biodiversity benefits, this snag shown in the photo was retained during harvest, along with a number of similar snags scattered through the harvest area.

- SFI Forest Management Objective 9 (regulatory compliance) – At one division it was found that some action plans to address conformance incidents remain open after multiple years. At another division the company's program to inspect large fuel storage tanks at a camp in proximity to a lake had not been completed as required by the Company's EMS.
- SFI Fibre Sourcing Objective 2 (adherence to best management practices) – At one division the audit found that the company's risk assessment for purchase wood sites was not completed and inspections were not documented (however the audit noted that company harvesting supervisors visited the purchase sites frequently, giving assurance the BMPs were being implemented).
- SFI Fibre Sourcing Objective 3 (use of qualified resource and logging professionals) – While most Canfor divisions were found to maintain a list of qualified logging professionals as required by the standard, two did not, and one had a list which covered B.C. but not Alberta even though fibre is sourced from that province.

Opportunities for Improvement

A total of six new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI Forest Management Objective 15 / Fibre Sourcing Objective 10 (management review and continual improvement) – While the last management review identified key tasks as required by the SFI standard, the management review template has not yet been revised to ensure a fuller assessment of performance in relation to some SFI requirements (e.g., performance trends identified through purchase wood inspections).
- SFI Fibre Sourcing Objective 2 (adherence to BMPs) – The audit noted that while the company's procedures provide guidance on the number of purchase wood inspections to complete as a percent, it is unclear whether this is a percent of purchase blocks, or purchase contracts, or if it is intended to be discretionary.

As well, if land is being cleared for non-forest use such as agriculture, development etc., procedures do not require a purchase wood inspection if it is determined there is a low risk of negative impact to water. However, there is no record of this determination.
- SFI Fibre Sourcing Objective 7 (community involvement and landowner outreach) – Canfor provides log sellers with an information package covering a number of sustainable forest management topics. While this encourages landowners to participate in forest certification programs, it does not inform forest landowners about the recently developed SFI Small Lands Group Certification Module and the SFI Small-Scale Forest Management Module for Indigenous Peoples, Families and Communities. As well, one division was found to be providing a generic information package rather than the Canfor version.
- SFI Forest Management Objective 2 (forest health and productivity) – In regards to soil disturbance during harvesting, the following items were noted:
 - At one division some block prescriptions direct contractors to operate up to allowable soil disturbance limits, rather than minimizing soil disturbance as the standard requires (however field visits found soil disturbance was indeed minimized).

- At another division, while the harvest prescription recommended winter harvest to minimize impacts to soil, the block was harvested outside of winter but with low ground pressure equipment intended to achieve the same result. However, rutting was noted due to wet soil conditions.
- SFI Forest Management Objective 4 (biodiversity) – In regards to managing migratory bird habitat, at one division the following items were noted:
 - The company’s migratory bird procedure has a number of management options, but due to lack of harvest-ready blocks with low likelihood of nesting habitat during nesting season, the division has become constrained by the seasonal restrictions.
 - Some blocks had timing restrictions applied to harvesting operations. While this was communicated with the contractor and conformed to, it was not documented in the prework.
 - For some blocks the site plans refer the reader to other procedures to reduce the risk of incidental take, however the specific procedure did not relate to the blocks.
- SFI Forest Management Objective 11 / Fibre Sourcing Objective 6 (training and education) – In addition to thorough SFM awareness training, additional SFI training was provided to staff and contractors. While the overall completion of the SFI training was high, some records were found to be incomplete at a number of divisions.

Audit Conclusions

The audit found that Canfor’s sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre 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 continue to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Canfor be certified to the SFI 2015-2019 forest management and fibre sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by Canfor and reviewed and approved by KPMG PRI. The next surveillance 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.

Focus Areas for the Next Audit Visit

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

- Completion of upcoming SFI awareness training for contractors.
- Effectiveness and revised mandate of divisional Public Advisory Groups, where they are retained in Canfor's post-CSA Z809 environment.
- Efforts at one division to incorporate the findings of a natural range of variation analysis into divisional forest management planning efforts (the report for which was still in draft form at the time of the winter 2019 site visit).
- Formalization of how block changes will be communicated to a First Nation at one division, and whether these changes will be documented in the Site Plan or as a separate somewhat parallel process.
- Finalization of one division's draft Species of Management Concern guide, and development of guidance for operations in caribou post-rut and calving areas.
- Continued progress towards addressing the current spruce bark beetle outbreak in northern B.C.
- Deactivation of on-block roads on steeper ground with erodible soils, as one division transitions harvest onto steeper terrain.
- Purchase wood site visits in Alberta for a division in BC that has begun sourcing from Alberta, and whether the company wishes to include some of the southern Alberta tenures in the scope of its certification.
- Planned harvest in an area that has had considerable challenges restocking other harvested blocks in the vicinity.
- Expected Caribou constraints being developed by government which are at present not being shared with industry.

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