

Canadian Forest Products Ltd. (Canfor)

2020 SFI Surveillance Audit Summary Report

Between May and November 2020 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance 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 Audit Summary Report provides an overview of the process and KPMG's findings.

Description of Canfor's B.C. and Alberta 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 certificates apply to the following eight divisions:

- Chetwynd
- Fort St. John
- Grande Prairie
- Houston
- Kootenay
- Mackenzie
- Prince George
- Vanderhoof

A list of the SFI tenures managed by each division is posted at canfor.com/responsibility/certification. At most divisions all associated tenures are included in SFI multisite certification, however at the Kootenay division some tenures are certified to another forest management certification standard.

Canfor's woodlands have a total AAC (allowable annual cut) of just over 10.7 million m³/year, with an associated area under management of approximately 12.4 million ha. The 2020 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) also provide direction regarding forest management practices.

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 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



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

These are also the ecoregions from which the Company procures fibre from third parties to supplement harvest 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 where necessary.

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 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 - the Chetwynd Sawmill, Fort St. John Sawmill, Grande Prairie Sawmill, Houston Sawmill, Polar Sawmill, Prince George Sawmill, Plateau Sawmill, Isle Pierre Sawmill, Mackenzie Division Sawmill (which is presently shut down) and the 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.

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

As a result of restrictions in accessing field sites during the COVID-19 pandemic a fully remote audit was conducted in 2020, in accordance with the IAF ID3 Guidance or

Canfor 2020 SFI Surveillance Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	1
New opportunities for improvement	6

Extraordinary Events and IAF MD4 Use of Information and Communication Technology.

The Audit

- **Audit Team** – The audit was conducted by a three person audit team comprising Yurgen Menninga, RPF, EP(EMSLA), lead auditor, Sylvi Holmsen, RPF, EP(EMSLA), and Branden Beatty, RPBio, EP(EMSLA).
- **2020 SFI Surveillance Audit** – The audit involved a remote assessment of selected elements of the Company’s SFI program, and included a review of records related to a sample of field sites (65 roads, 61 cutblocks, 12 wood procurement sites and 4 camps) to evaluate conformance with the requirements of the SFI forest management and fibre sourcing standards. The audit took a total of 26.5 auditor days to complete, 22 days of which were spent auditing 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.
- **Multi-site Audit Sampling** – Canfor holds a multi-site SFI certificate covering a total of eight woodlands operations and associated fibre sourcing activities. The 2020 audit sampled the Vanderhoof, Grande Prairie, and Fort St. John divisions as well as the Company’s head office. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **Canfor’s SFI Program Representative** – Darrell Regimbald, RPF, Certification Specialist, 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.

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.

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.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plans, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	N/A not sampled this audit.
3. Protection and Maintenance of Water Resources	N/A not sampled this audit.
4. Conservation of Biological Diversity	Forest management plan, site plans, interviews with planning staff, inspection records.
5. Management of Visual Quality and Recreational Benefits	N/A not sampled this audit.
6. Protection of Special Sites	Forest management plans, site plans, inspection records.
7. Efficient Use of Fibre Resources	N/A not sampled this audit.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff, site plans.
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspection records, incident ledger and associated action plans, staff interviews.
10. Forestry Research, Science and Technology	N/A not sampled this audit.
11. Training and Education	N/A not sampled this audit.
12. Community Involvement and Landowner Outreach	N/A not sampled this audit.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	N/A not sampled this audit.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



An example of a cutblock with specific deciduous overstory and coniferous understorey retention objectives that was assessed as part of the audit.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	N/A not sampled this audit.
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.
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, interviews with regulatory agency personnel.
5. Forestry Research, Science and Technology	N/A not sampled this audit.
6. Training and Education	N/A not sampled this audit.
7. Community Involvement and Landowner Outreach	N/A not sampled this audit.
8. Public Land Management Responsibilities	Forest management plan, health & safety policy, field inspection records, staff interviews.
9. Communications and Public Reporting	N/A not sampled this audit.
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.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of two open non-conformities from previous Canfor external SFI audits. 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 they: (1) had been implemented as required, and (2) were effective in addressing the root causes of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.

Areas of Nonconformance

One new minor non-conformity was identified during the SFI surveillance audit of Canfor's woodlands and fibre sourcing operations as follows:

- SFI Fibre Sourcing Objective 4 (regulatory compliance) – For purchase wood, Canfor procedures require that all external supply be risk assessed, which drives the field inspection process. However at the Grande Prairie division the audit found that while this was occurring for private wood purchases, it was not occurring for purchases from other Crown tenure holders.

Opportunities for Improvement

Six new opportunities for improvement were also identified during the audit as follows:

- SFI Forest Management Objective 9 (regulatory compliance) – At the Fort St. John division, the audit noted that while issues when identified are tracked and corrected, there was no formal process to share these occurrences with other staff with associated responsibilities. For example, if a rutting incident occurs to share this information with other harvesting and planning staff, or for a herbicide incident with divisional silviculture staff.
- SFI Fibre Sourcing Objective 13 (public land management responsibilities) – At Fort St. John the audit found that some inspections were temporarily documented in personal day timers rather than the formal inspection checklist, particularly during seasonal weather shutdowns. This presents a risk that inspections will not be documented correctly and action items not addressed, especially if there were a change in staff roles.
- SFI Forest Management Objective 8 (Indigenous peoples rights) – Regarding First Nation referrals for planned herbicide treatments for silviculture purposes, the Grande Prairie division has yet to consider successful approaches by other divisions, such as agreed upon levels of priority for non-herbicide use by geographic area, and having First Nation-owned companies hired as contractors.
- SFI Forest Management Objective 4 (biodiversity) – The SFI standard has requirements around globally ranked G1 (critically imperiled) and G2 (imperiled) species. It is noted that the company's SFI manual is weak in documenting how these species are managed.
- SFI Forest Management Objective 9 (regulatory compliance) – At some divisions some of the harvest planning roles are undertaken by a contracting company. There is an opportunity for Canfor to ensure that all aspects of the SFI program are formally understood and implemented by this contractor.
- SFI Forest Management Objective 9 (public land management responsibilities) – At Canfor all harvest projects are to be risk ranked by staff, and this is used to determine the frequency of inspections. At the Vanderhoof division it was found

that in some cases the risk ranking was not being completed. While adequate monitoring was still occurring, formally completing the risk ranking aids other personnel in understanding of the block risks and associated monitoring requirements.

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 continue to 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 of the non-conformity identified during the audit have been developed by Canfor 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.

Focus Areas for the Next Audit Visit

The following have been identified as focus areas for the next audit visit:

- As there were no field visits due to Covid-19 during the 2020 SFI audit, the 2021 audit will have increased focus on visits to field sites once restrictions ease.

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