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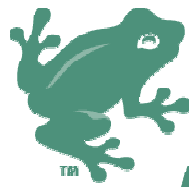
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Rainforest Alliance

Forest Management 2015 Annual audit Report for:

Canadian Forest
Products Ltd. (East Kootenays)
In
Cranbrook, British-Columbia,
Canada

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Standard Conversions

1 mbf = 5.1 m³
 1 cord = 2.55 m³
 1 gallon (US) = 3.78541 liters

 1 inch = 2.54 cm
 1 foot = 0.3048 m
 1 yard = 0.9144 m
 1 mile = 1.60934 km
 1 acre = 0.404687 hectares

 1 pound = 0.4536 kg
 1 US ton = 907.185 kg
 1 UK ton = 1016.047 kg

LIST OF ACRONYMS& ABBREVIATIONS

AAC	Annual Allowable Cut
AMA	Access Management Area
ATV	All-terrain Vehicle
BMP	Best Management Practice
CRSC	Concerned Residents of Sheep Creek
CCVF	Cultural and Conservation Value Forest
CoC	Chain of Custody
COPI	Creating Opportunities for Public Involvement – data based recording all public interactions
COS	Conservation Officer Service
DCS	Documented Control System
DFA	Defined Forest Area
ECA	Equivalent Clearcut Area
FL	Forest Licence
FLNRO	BC Ministry of Forests, Lands and Natural Resources Operations
FM	Forest Management
FMG	Forest Management Group (Canfor)
FMP	Forest Management Plan
FPB	B.C. Forest Practices Board
FSC	Forest Stewardship Council
FSR	Forest Services Roads
HCV	High Conservation Value
HCVF	High Conservation Value Forest
MFLNRO	Ministry of Forests, Lands and Natural Resource Operations
NCR	Non-conformity Report
NGO	Non-government Organization
NRFL	Non-renewable Forest Licence
OBS	Observation
OGMA	Old Growth Management Area
RA	Rainforest Alliance
RONV	Range of Natural Variation
SFMP	Sustainable Forest Management Plan
TSA	Timber Supply Area
TFL	Tree Farm Licence
WIM	Woodland Information Management (System)
WTP	Wildlife Tree Patch

1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Canadian Forest Products Ltd. (Canfor) hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (FSC®) forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through nonconformity reports.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All other appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at <http://info.fsc.org/>.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and Rainforest Alliance requirements, the audit team makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of NCRs issued below
<input type="checkbox"/>	Certification requirements <u>not met</u>:
Additional comments:	Annual Audit revealed on-going high level of performance
Issues identified as controversial or hard to evaluate.	

2.2. Changes in FMEs' forest management and associated effects on conformance to standard requirements:

Since the reassessment in 2014, the company has developed a new Strategic Forest Management Plan (SFMP). The plan includes updated strategies for managing a number of ecological, economic and social values. The updated plan does not change conformance to the standard's requirements, but is a milestone nonetheless in management of the company's certified lands.

In September of 2015, Canfor announced that it is permanently closing its Canal Flats sawmill, laying off approximately 70 workers. The closure is not expected to alter management of the forest. The company's response to the closure was reviewed in the context of Principle 4 of the Standard (Community Relations and Worker's Rights) and was found to be in conformance.

Also during the past year the company has excised a small portion of the formerly-certified area as the land is not within the management control of the company and has been converted from forest use. The total area of the excision is 5,966 ha, or 0.5% of the certified area. See details in the section below.

2.3. Excision of areas from the scope of certificate

<input type="checkbox"/> Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. <i>(delete the rows below if not applicable)</i>
<input checked="" type="checkbox"/> The FME has excised areas from FMU(s) included in the scope of the certificate since the last assessment/audit? If yes complete sections A, B and C below
<input checked="" type="checkbox"/> The FME excised areas from FMU(s) included in the scope of the certificate prior to the last assessment/audit, and conformance with FSC-POL20-003 was evaluated? If yes complete sections B and C below.
A. Rationale for excision of area from FMU(s) included in scope of evaluation: Excised area is not within the management control of Canfor. The conversion is beyond Canfor's ability to address.
Finding: Area has been excised from the certification because it is outside of the management control or influence of Canfor. Reductions in the DFA included; 2181 ha converted forest in Line Cr. Mine expansion area, 411 ha converted for hydro R/W on TFL 14 and a reduction of 3,374 ha after the sale of a portion of managed forest 72 which contributed 6,700 m3/yr to the FSC ACC. The revised area of the certificate is 1,188,335 ha which is a 5,966 ha reduction or 0.500% reduction.
B. Summary of conformance evaluation against requirements of FSC-POL-20-003
Finding: The area excised from the DFA meets the requirements of FSC-POL-20-003 for the following reasons: <ul style="list-style-type: none"> • The area excised for the Line Cr. Mine expansion and hydro right of way conversions are activities permitted through the government of British Columbia and as such are outside the control of Al-Pac. The sale of managed forest 72 was a transfer of ownership between Tembec and JEMI Fibre. Previous to the sale Canfor had been managing MF 72 on behalf of Tembec. This sale was also outside the control of Canfor; • The excised area is well defined and distinguished from the remaining FMU; • Canfor's Chain of Custody certificate (RA-COC-005906) or FSC Controlled Wood (RA-CW-005906) has systems to ensure the wood harvested from the excised area is

<ul style="list-style-type: none"> segregated from wood harvested from the DFA. The certificate holder has demonstrated a long-term commitment to adhere to the FSC P&C (Criterion 1.6), and the managed area that remains within the certified area of the FMU is in compliance with the FSC BC Standard; The long term harvest rate for the area that remains within the FMU has been reduced to account for the excised area; The area affected does not exceed 0.5% of the area of the FMU since the last audit period (1 year) and does not total more than 5% of the area of the FMU.
C. Control measures to prevent contamination of certified wood with wood from excluded/excised forest areas.
Finding: The allowable harvest for the forest has been reduced commensurate with the extent of area excised. No future harvesting activities to occur on the excised lands.

2.4. Stakeholder issues (*complaints/disputes raised by stakeholders to FME or Rainforest Alliance since previous evaluation*):

FSC Principle	Stakeholder comment	Rainforest Alliance response
P1: FSC Commitment and Legal Compliance	No comments received	N/A
P2: Tenure & Use Rights & Responsibilities	Concerns by several trappers that small mammal populations were being significantly displaced by logging in certain areas. One stakeholder questioned whether cumulative impacts are being monitored.	Canfor currently manages for 28 bird species and 12 mammals which include protection for denning sites, nests and other ecological anchors/habitat features (ex. mineral licks). Canfor has participated in population research at regional and provincial scales (ex. Caribou, Northern Goshawk), and principally manages for ecosystem diversity by maintaining structural biological legacies (ex. old/mature forest retention, snags etc.) When trappers communicate concerns to Canfor, Canfor proactively responds to the extent necessary to protect stakeholder resources. Canfor is in conformance with criteria 2.2.
	Several stakeholders commended Canfor on their level of outreach to keep stakeholders informed and their willingness and responsiveness to work with stakeholders throughout planning.	Positive stakeholder reactions reflects the level of effort that Canfor has made to be inclusive throughout their planning processes.
	One stakeholder raised concerns that access to a trap line has been limited due to the lack of a bridge replacement.	Canfor worked with the stakeholder and while willing to perform work had identified the limiting factor being required permits and associated liabilities, which the stakeholder did not wish to have. No non-

	<p>Several stakeholders raised concerns about hunting pressure impacts in areas with high road density.</p> <p>One stakeholder expressed their objection to providing consent to delegate resource management control to Canfor.</p>	<p>conformance identified under 2.2.</p> <p>Canfor currently conforms to access management area policies, directed through the Provincial government, to limit access to sensitive habitats. Canfor maintains systems for monitoring trespass within these areas, as well as conducts road deactivation for sites no longer under road permit. No non-conformance was identified.</p> <p>In this case the resource rights involve a recreational tenure for backcountry skiing that minimally overlaps with forest operations however outside of the FSC DFA. Communications with the stakeholder clarified that no formal dispute was being brought forward. Canfor continues to work with the stakeholder through the planning and development activities to ensure their resource rights are maintained, as per criterion 2.2. Canfor is currently in conformance with the requirements of Principle 2.</p>
<p>P3: Indigenous Peoples' Rights</p>	<p>Concern that Canfor is consulting and accommodating other First Nations who have recently asserted traditional territorial claims.</p> <p>One community was upset that management strategies in a particular CCVF haven't maintained cultural values, leading to a diminishment of resources at that site.</p>	<p>Canfor is bound by Provincial consultation policies to share information with all First Nations with asserted territory that overlaps their tenure. Canfor is also required under FSC's Principle 3 to demonstrate respect and recognition for Aboriginal Rights and Title.</p> <p>Canfor continues to follow an Information Sharing Protocol Agreement with the Ktunaxa Nation Council (KNC), who in turn seeks site-level input from Bands. The Protocol Agreement a) puts an onus on Canfor to share specific locations of development and demonstrate strategies to protect cultural resources identified in the CCVF's; b) relies on the KNC to communicate whether previously unknown resources may be affected, including the scale and location of those resources, and c) requires Canfor to respond to ensure those resources are protected as per criterion 3.2.</p> <p>While the CCVF plans were originally developed through collaboration with the KNC to identify sacred, spiritual , auditors found that although the community's concern related to a lack of some information within the CCVF plans (OBS 01/15), the community has not relayed</p>

	<p>One representative from a First Nation suggested that Canfor build relations at a National level (Tribal Council) as opposed to the Band level.</p> <p>One community expressed a desire for face to face review of annual development plans with Bands.</p>	<p>information to Canfor as it deals with capacity issues within its structure. While there may be opportunities to enhance this process (as was identified in OBS 01/14), Canfor is applying strategies to maintain CCVF's through their new Sustainable Forest Management Plan (SFMP), and is beginning to monitor the efficacy of these strategies in collaboration with First Nations. Canfor is responsive through planning and development of the need not threaten or diminish resources when those resources are identified by the First Nation. As such, Canfor is in conformance with criterion 3.2.</p> <p>Canfor is currently in the early stages of some relationship building with First Nation's, and as such has done outreach with multiple levels of First Nation governments. Canfor has shown that they will maintain relations at any level of government that reciprocates communications.</p> <p>Canfor continues to follow an Information Sharing Protocol Agreement (ISPA), which sets out a jointly agreed-to process with the First Nation to review development plans. An interest in a change to that process, including reviews of annual plans, may be included in amendments to the ISPA, or through the solicited input into the development of strategies and indicators (ex. indicator 6.1.2) within the draft Sustainable Forest Management Plan (2015).</p>
<p>P4: Community Relations & Workers' Rights</p>	<p>Concerns from two First Nation communities that the types of contract procurements are not substantive.</p> <p>One stakeholder, while concerned about a lack of communication between corporate headquarters and the Kootenay operations, still commended Canfor on their dealings with workers regarding the Canal Flats mill closure.</p> <p>One community identified an interest in training/capacity building so that a</p>	<p>Canfor and the communities set economic and employment targets through the Joint Management Advisory Committee (JMAC). These concerns will be articulated in that venue, and then it will be up to JMAC to monitor those indicators. Canfor has demonstrated a responsiveness to meeting JMACs targets to date.</p> <p>Positive external responses to fair and equitable severance, training, relocation and pension packages reflects Canfor's commitments to workers' rights.</p> <p>Currently Canfor is using the JMAC forum to develop economic and community</p>

	silviculture crew can access opportunities	training indicators. This community currently sits at that forum, therefore there is opportunity to express this interest and work with Canfor to accomplish it.
P5: Benefits from the Forest	No comments received	N/A
P6: Environmental Impact	<p>Concern expressed that management paradigm is at odds with stakeholder desires for local business.</p> <p>Several stakeholders raised concerns that logging during spring break up has undue consequences on water quality via sediment loading.</p> <p>Two stakeholders were concerned that landing sizes had significantly increased without proper decommissioning after use- in turn becoming sediment sources.</p> <p>One community raised concerns about logging riparian zones within the Wigwam watershed.</p>	<p>Stakeholder declined offer to provide further input and concern expressed was too imprecise to address through the audit.</p> <p>No evidence of such effects were viewed during the site visit. This input was received late in the audit process – too late to incorporate into the field trip. Note 01/15 directs future audit teams to take this into account in selecting sites for viewing in the field.</p> <p>No evidence of such effects were viewed during the site visit. This input was received late in the audit process – too late to incorporate into the field trip. Note 01/15 directs future audit teams to take this into account in selecting sites for viewing in the field.</p> <p>As above</p>
P7: Management Plan	No comments received	N/A
P8: Monitoring & Assessment	<p>One community group commended Canfor's efforts in designing and implementing monitoring in HCV's.</p> <p>Several stakeholders raised concerns about Canfor buying wood from JemiFibre Corp. There is a public perception that Jemi's forest practices are unsustainable, many claiming their practices are harmful to the environment. Questions were raised as to whether Canfor can maintain FSC certification given this association.</p>	<p>Canfor's partnerships with external agencies and organizations, including ENGO, community and academic partnerships are one reason their monitoring programs are a successful resource for forest management.</p> <p>Canfor maintains a valid FSC Chain of Custody (CoC) certificate for both FSC 100% material as well as for Controlled Material (wood sourced from districts of origin defined as low risk) in conformance with the FSC-STD-40-005 V2-1 Standard. This CoC certificate is independently audited on an annual basis and the most recent audit from June 2015 demonstrated satisfactory conformance with the applicable requirements of the standard. The standard does include a complaints mechanism process for concerned stakeholders.</p>
P9: Maintenance of High Conservation Value Forest	No comments received	N/A
P10: Plantations	No comments received	N/A

2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable non-conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in non-conformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

Status Categories	Explanation
Closed	Operation has successfully met the NCR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the NCR.

Check if N/A (there are no open NCRs to review)

NCR#:	01/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 2.2.2			
Report Section:	Appendix II, Criterion 2.2			
Description of Nonconformance and Related Evidence:				
<p>The Company initiates numerous mail outs and notifications to local rights holders and stakeholders. Of the local rights holders on the distribution list, a number of trappers, as well as the East Kootenays Trappers Association have found that the public consultation process has not very well accommodated their needs and preferences. Many trappers interviewed by the assessment team had decided to limit their participation because, in their view, they had obtained little more than marginal results.</p> <p>The definition of free and informed consent from local rights holders in the FSC BC standard states that: “Free and informed consent is considered given by local rights holder(s) where: a) local rights holders have participated in a public participation process under Criterion 4.4 that accommodates their needs/preferences with regard to scope and design (as demonstrated by lack of disputes regarding the process from local rights holders).”</p> <p>Since a number of trappers who participated in the public consultation process did not feel that it accommodated their needs and preferences, and the majority of a large group of local rights holders feel that the ground rules of the process are weighted more heavily in the Company’s interest, and so decline to participate, the Company is not considered to have obtained free and informed consent from all local rights holders.</p> <p>For these reasons, the re-assessment team concludes that this situation is not consistent with conformance with the standard requirements for indicator 2.2.2. This NCR is classed as minor because the Company’s system for engaging with local rights holders and other stakeholders is in place and being implemented.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>			
Timeline for Conformance:	By the next annual audit			

Evidence Provided by Organization:	<ul style="list-style-type: none"> continued targeted information exchange mail outs (592 letters), email (148 emails received, 324 sent) and face to face communications tracked through the Creating Opportunities for Public Involvement (COPI) database Third party consultant report to explore communication barriers (K.West, 2015) Confirmation from East Kootenay Trappers Association and individual trappers a reluctance to engage/communicate with Canfor Interviews with individual trappers confirms good experience with working on specific issues Evidence of alternative communication venues (ex., PAG, Elk Valley Integrated Resource Task Force) Interviews confirmed broader target audience presentations (ex. Fernie Rod & Gun, Village of Radium, Regional District office) Draft Sustainable Forest Management Plan Review letters to stakeholders (a total of 855 letters, May 2015) Multiple examples of planning changes resulting from Stakeholder input
Findings for Evaluation of Evidence:	<p>There is evidence that Canfor has sought free and informed consent from local communities with legal or customary tenure or use rights. A personalized letter was sent to all stakeholders within the Defined Forest Area (DFA) seeking free and informed consent, with consent being assumed unless there was any reciprocated communications. One stakeholder expressed his objection to providing any over-arching consent, however their tenure did not overlap the FSC DFA Canfor followed up and documented the stakeholders' broad concerns, providing them the opportunity for further communication and engagement through joining the PAG. While numerous stakeholder issues were articulated during interviews, it was clear that stakeholders often don't communicate their concerns with Canfor, and when they do are met with pro-active responses. The requirements of this NCR have been met and the NCR is closed.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	02/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 3.1.1			
Report Section:	Appendix II, Criterion 3.1			
Description of Nonconformance and Related Evidence:				
<p>Since the last audit, two additional First Nations have asserted territory in Canfor's licence areas. The Adams Lake Band's assertions were made known to Canfor eight months ago (Fall 2013). Canfor has made initial contact with Adams Lake and has started information sharing with the Band. Another meeting with Adams Lake is planned shortly. Canfor has not yet contacted the Neskonlith Indian Band, due to only receiving knowledge of the Band's assertion one week prior to the re-assessment (June 2014).</p> <p>Canfor is not yet aware of either Band's interests, and therefore cannot yet demonstrate recognition and respect for these two Bands. Once the interests of the Bands have been established, Canfor will also need to demonstrate conformance with all relevant areas of the FSC BC Standard.</p> <p>This non-conformance is considered minor because as soon as Canfor was made known (by the Provincial</p>				

government) about the Adams Lake Band's interests, Canfor took immediate action to make contact and provide information to the Band. Relationships will take time to develop, but evidence shows that Canfor has taken the necessary steps to begin this process.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Communication with Adams Lake and Neskonlith (beginning Nov. 2013 and ongoing periodically throughout 2014-15) (COPI database, ITS incidents actions summary report) by letter, email, telephone and in-person meetings; • Presentations given to bands describing free and informed consent concepts relative to FSC management; • Evidence of opportunities for review and provide input into the SFMP relative to legal and customary rights; • Interviews with Neskonlith Indian Band; • Auditor correspondence with Adams Lake and Neskonlith.
Findings for Evaluation of Evidence:	Upon receiving input from the Provincial government concerning the newly asserted Territories of the Adams Lake and Neskonlith Bands, Canfor has made significant efforts to develop relationships with both bands. Neither band has provided Canfor with the specifics of their interests in the Kootenay operations. However, even when considering the long distance from the DFA and potential limits in material overlaps between their interests and Canfor's operations, Canfor has nonetheless sought consent. Despite the distance of these Bands from the Canfor Kootenay operations, staff have made numerous visits to share information, including overviews/disclosure of Indigenous rights relative to FSC. Neither Band has expressed dissatisfaction with Canfor's management. Communication is ongoing. Based on the efforts that Canfor has made the requirements of this NCR have been met.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	03/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 5.3.1			
Report Section:	Appendix II, Criterion 5.3			
Description of Nonconformance and Related Evidence:				
<p>At several sites visited on the field tour, excessive wood waste was observed and discussed. Canfor staff stated that wood waste is diminishing but also that it continues to be an issue. At one field tour site, the re-assessment team and Canfor staff observed a processor operator creating a large pile out of material that could have been sent to the pulp mill. The pulp mill was about 8 km from this site. The processor operator explained that the landing was not large enough to manufacture the number of sites required and that he was using this material to build a bed of logs that could be used as a landing.</p> <p>Canfor provided evidence of one assessment for cutblock WAS 002 for which the Company was billed for avoidable waste. Information provided by the Ministry of Forest, Lands and Natural Resource Operations confirmed that some of Canfor's avoidable waste has been in excess of regional allowable benchmarks.</p>				

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Evidence summary – NCR 03/14 • Canfor Utilization Management System (Spring 2014) • Canfor Utilization LQMS Update – Summer 2013 utilization project • Canfor Log Quality Management System (May 2014) • Canfor Contractor Log Quality Management System 2013 • MoF Waste System Block Summary lists for Block CBK003 • Canfor Waste Ledge Summary for 2014 and 2015 • Canfor Utilization Reporting Example • Interviews with Canfor Staff responsible for monitoring utilization on-site
Findings for Evaluation of Evidence:	<p>Site inspection, of area in which company identified utilization issues (Hogg Creek) confirmed an appropriate response by the company to harvester errors in managing log-lengths so as to minimize waste. Many slash piles were inspected visually and no wasteful practices were evident.</p> <p>Review of Canfor's Utilization management system, log quality management system, and results of utilization surveys revealed an appropriate system for managing waste. No issues similar to those noted in the 2014 assessment were observed during this audit. The company has an incentive system in place which rewards contractors for minimizing wastage, and the system appears to be effective; in addition Canfor's Key Performance Indicator reporting system has evolved to provide better data to help the company focus on identifying any substandard operators who may be in need of assistance in improving utilization performance. Based on Canfor's management systems in place and evidence that the issues identified in 2014 have been addressed, the NCR is closed.</p>
NCR Status:	Closed
Comments (optional):	

NCR#:	04/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.3.14			
Report Section:	Appendix II, Criterion 6.3			
Description of Nonconformance and Related Evidence:				
Data provided in Canfor's Sustainability Report does not provide conclusive findings that benchmark levels of soil disturbance identified in the indicator are not being exceeded. Field observations, data provided on from silvicultural survey results associated with Indicator 8.2.3, and supplemented by considerable concern expressed by stakeholders lead to the conclusion of non-conformance with indicator 6.3.14.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit.			

Evidence Provided by Organization:	<ul style="list-style-type: none"> • Inspection of several sites • Interviews with Canfor Staff • Evidence Summary – NCR 04 & 05/15 – Soil Disturbance and Rehab • FMG Soil Disturbance Measurement tool documentation • FMG Soil Disturbance Measurement tool training records – April 2015 • High Risk blocks for soil disturbance report – for blocks operated in Kootenay from Summer 2014 to Spring 2015 • Soil Disturbance Block List and Results – Fall 2015 Excel spreadsheet • Canfor East Kootenay SFMP, Version 4.0 Sept. 2015
Findings for Evaluation of Evidence:	<p>Inspection of several sites that had been operated in the past year, found no evidence of unacceptable level of site disturbance. Interviews with Canfor staff and review of soil disturbance surveys for a number of sites validated that an appropriate monitoring system is in place and that the monitoring was revealing generally low levels of disturbance. Although high levels were recorded in a very small number of instances, there is no indication that a systemic problem exists or that levels of disturbance are detrimentally affecting regeneration or site quality.</p> <p>The 2015 SFMP reports that only one of the 73 Landscape Units (LUs) within the Kootenay Operations has more than 5% of the area converted to access infrastructure, and most of the LUs have < 3% converted. Given that there was no evidence of detrimental soil disturbance within harvest blocks viewed during the field inspections and only minimal evidence of detrimental soil disturbance recorded through the company's soil monitoring, it is reasonable to conclude that the requirements of indicator are met (to limit detrimental soil disturbance to < 7% of the timber harvesting landbase) .</p> <p>On the basis of this evidence, the NCR is closed.</p>
NCR Status:	CLOSED
Comments (optional):	<p>During the course of stakeholder interviews, there were expressions of concern (see Section 2.4 – Stakeholder concerns). Information on the precise location of operations which gave rise to concerns was either non-specific, or provided too late in the audit process for specific sites of concern to be visited during the audit. Note 01/15 directs auditors to attempt to obtain locations where site-specific concerns about site damage exist so that those sites can be visited in future audits. Nonetheless, based on evidence provided regarding Canfor's soil disturbance levels and monitoring and evidence viewed in the field, the NCR is closed.</p>

NCR#:	05/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.3.15			
Report Section:	Appendix II, Criterion 6.3			
Description of Nonconformance and Related Evidence:				
<p>In the course of the site visits, the re-assessment team saw several circumstances in which soils were compacted or rutted, and in which road construction was relatively poorly executed so that excess land within the rights-of-way was degraded. In addition, the re-assessment team received several expressions of concern of this nature during consultations. Canfor's Sustainability Report indicates that the target of achieving less than 10% detrimental site disturbance in harvested areas is being achieved, however the</p>				

discussion in the report provides no data to substantiate the conclusion. The silvicultural survey results provided as evidence for Indicator 8.2.3 indicate that disturbance in plots used to assess soil disturbance is frequently exactly 10%, and although many are less than 10%, a number of plots are in excess of that benchmark. The re-assessment team saw no evidence of efforts to rehabilitate areas with soil disturbance. Canfor is not in conformance with indicator 6.3.15.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Inspection of several sites • Interviews with Canfor Staff • Evidence Summary – NCR 04 & 05/15 – Soil Disturbance and Rehab • Logs of deactivation activities • FMG Soil Disturbance Measurement tool documentation • FMG Soil Disturbance Measurement tool training records – April 2015 • High Risk blocks for soil disturbance report – for blocks operated in Kootenay from Summer 2014 to Spring 2015 • Soil Disturbance Block List and Results – Fall 2015 Excel spreadsheet • Canfor East Kootenay SFMP, Version 4.0 Sept. 2015
Findings for Evaluation of Evidence:	As described in NCR 04/14 this audit concludes that the requirements of indicator 6.3.14 to limit detrimental soil disturbance to < 7% of the timber harvesting landbase were met. The 2015 SFMP contains a Detrimental Soil Disturbance Strategy, which has three broad components – avoidance of damage, minimization of damage, and reclamation/rehabilitation. Reclamation focuses on removal of all temporary access structures and reclamation of unplanned soil disturbance. In the course of this audit's site visit, we saw several instances in which temporary access structures had been removed and where access roads had been closed. As well Canfor provided evidence of planned and completed rehabilitation projects from their ITS. Therefore sufficient evidence exists to confirm that Canfor is rehabilitating areas to restrict access by removing temporary access structures and the NCR is closed.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	06/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.5.7			
Report Section:	Appendix II, Criterion 6.5			
Description of Nonconformance and Related Evidence:				
Field observations of plugged culverts, culverts too short for the road constructed and perched culverts suggest that the implementation of systems to control erosion and sedimentation is inadequate. Also, some of the recently constructed roads appear to be constructed to temporary standards despite the fact that there does not appear to be plans in place to deactivate these roads. There is incomplete evidence that deactivation, rehabilitation and/or restoration plans have been prepared or implemented to control all significant human-induced sediment sources.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate			

	<p>conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Evidence Summary – NCR 06/14 – Sedimentation and Bridges • FMG Bridge management system PowerPoint presentation – April, 2014 • Updated Erosion and Sedimentation control practices – August 2014 • FMG Bridge management system Acrobat file – April, 2014 • Photographs of recent bridge repair – lodgepole 39 km and border creek 86 km • 25 road inspection reports from May and June 2015 • Photographs of road erosion in flathead area • Screen captures of reports of road/erosion incident
Findings for Evaluation of Evidence:	<p>In the course of field work, the audit team viewed several recently-installed culverts (albeit small ones) that were functioning well. Only one bridge was crossed during the field day, but that too was of good quality. Several instances of pulled culverts were viewed, and Canfor provided photographic evidence of a number of recently rehabilitated crossings.</p> <p>Canfor's Bridge Management System, which was developed partly in response to a 2010 provincial investigation by the Forest Practices Board, contains explicit instructions regarding deactivation, including erosion control planning and follow-up inspections.</p> <p>Canfor provided evidence of several incidents of road/culvert erosion and sedimentation issues that were recorded in their ITS (Incident Tracking System). Each incident was documented, the root cause identified, remedial measures identified and implementation tracked. The ITS is an appropriate means of providing a mechanism so that the company's performance can continue to learn from incidents.</p> <p>Canfor also provided numerous examples of road inspection reports as evidence that appropriate monitoring occurs.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	07/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.5.8			
Report Section:	Appendix II, Criterion 6.5			
Description of Nonconformance and Related Evidence:				
<p>The re-assessment team reviewed the Watershed Tracking Master spreadsheet that provides information on the Equivalent Clearcut Area (ECA) for each watershed within the FMU. Several of these watersheds have an ECA in excess of 25%. No evidence was provided for some of these that a publicly available hydrologic assessment has been completed.</p> <p>The Watershed Tracking Master spreadsheet contains out-of-date information. As a result, this spreadsheet</p>				

does not serve as an adequate tool to inform Canfor staff about potential increases in peak flow resulting from management activities.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Watershed tracking spreadsheet for HCV3's/Domestic/Community watersheds • Tracking of hydro assessments • Examples of hydro assessments with ECA's greater than 25% (Linklater, Cabin, Lussier, Sandown) • Review of hydro assessments recommendations implementation via random case study (Sandown creek), including rehabilitation planning documents, deactivation plan, tracking/risk assessment/contractual completion/supervisor field notes; • Examples of assessments being made publically available; • Reassessment of HCV3 Forests for Canfor's Operating Area in the Rocky Mountain and Kootenay Lake TSA (K.Green, 2014) • Interviews • Erosion and Sediment control booklet (2012)
Findings for Evaluation of Evidence:	<p>Evidence confirms that Canfor is monitoring weighted equivalent clearcut area (ECA) within watersheds and when the ECA is greater than 25% Canfor is attaining hydrologic assessments and implementing recommendations of those assessments. Note that the watershed tracking spreadsheet only tracks watersheds that are either HCV(3) forests, community watersheds or watersheds with domestic intakes. While significant monitoring occurs within these tracked watersheds, in total these watersheds only represent approximately 12% of the defined forest area. However, when asked about other watersheds, relative to ECA and employing measures to control peak flow resulting from management activities, Canfor was able to provide evidence of ECA tracking on individual watersheds along with hydro assessments (ex. Lussier, Cabin). For an example of management activities occurring within a watershed with greater than 25% ECA, an in-depth case study review occurred for a random watershed (Sandown creek), where recent (2015) harvesting had occurred. The review demonstrated consistencies between the hydro assessment and measures to control peak flow (rehabilitation/deactivation, site level risk assessments for crossings, contractual completions). While sufficient documentation was provided to close this NCR, the audit team was unable to field review places that demonstrate measures employed to control peak flows. Note 02/15 directs future auditors to field inspect measures to control increases in peak flows resulting from management activities in watersheds with greater than 25% ECA and that are not of the HCV/Domestic/Community watershed list.</p> <p>The requirements of this NCR have been met.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	08/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicators 6.10.1, 6.10.2, 6.10.3			
Report Section:	Appendix II, Criterion 6.10			
Description of Nonconformance and Related Evidence:				
<p>Since 2011, 663 ha (0.06%) been converted to non-forest uses. In all cases, other land managers converted this land, including BC Hydro, Panorama ski hill and Fording Coal Mine, and therefore the conversion was outside of the control of Canfor. While this rate of conversion is safely below the 5% threshold for conversion, it is unclear how the other aspects of the standard requirements are met for this limited area.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Evidence Summary – NCR 08 – Excise • Spreadsheet showing total and excised are 			
Findings for Evaluation of Evidence:	<p>The area that had been converted to non-forest use has been excised from the certified area, so other requirements of the standard do not apply. The total excised area is 5,966 ha. This includes; 2181 ha converted forest in Line Cr. Mine expansion area, 411 ha converted for hydro R/W on TFL 14 and a reduction of 3,374 ha after the sale of a portion of managed forest 72 which contributed 6,700 m3/yr to the FSC ACC. The revised area is 1,188,335 ha which is a 5,966 ha reduction or 0.500% reduction. The AAC of the certified area has been reduced to account for the excision.</p> <p>As the area identified in the description of non-conformance was not in the management control of Canfor, excising the areas is an appropriate response to close the NCR.</p>			
NCR Status:	CLOSED			
Comments (optional):				

NCR#:	09/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 7.1.1			
Report Section:	Appendix II, Criterion 7.1			
Description of Nonconformance and Related Evidence:				
<p>Canfor has initiated work to revise and update this Sustainable Forest Management Plan to fully reflect current management. Evidence was provided and reviewed that demonstrates the breadth of the revision underway. This includes specific management strategies and guidance and data sheets for 19 stand and landscape level ecological indicators as well as 20 social and economic indicators.</p> <p>The SFMP was written to cover the period 2005 to 2010. Canfor anticipated in 2012 that a new SFMP would be completed by the fall of 2012 (or prior to the next annual audit). However, this revision has not been made yet. The indicator requires that the FMP is updated at least every 5 years.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to</p>			

	eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit.
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Evidence Summary – NCR 09 – SFMP • SFMP Canfor Kootenay Operations, Version 4.0 September 2015 – • SFMP Monitoring Matrix • Cross reference of FSC Principle Requirements to SFMP content
Findings for Evaluation of Evidence:	<p>Canfor has prepared a thorough Sustainable Forest Management Plan for its Kootenay Operations. The plan addresses all of the elements required in Criterion 7.1 (Management Plan). The Plan is comprehensive, well structured, and obviously the product of a very considerable amount of effort.</p> <p>The plan is noted as Draft 4.0, dated Sept. 2015. The only issue that impedes the plan from being 'final' is the Ktunaxa Nation has not yet responded to requests for input into the Plan. The Nation has been given ample opportunity and Canfor remains committed to incorporating response when it is provided. The NCR is closed, however OBS02/15 is provided to note the need to ensure that the First Nation input is considered as appropriate.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	10/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 8.1.3			
Report Section:	Appendix II, Criterion 8.1			
Description of Nonconformance and Related Evidence:				
The Ktunaxa Nation has expressed an interest in monitoring items including, but not limited to: CCVFs, archaeological sites (post-harvest), and the effectiveness of Preliminary Field Reconnaissance surveys in site identification. Discussions between Canfor and Ktunaxa have recently started, but a monitoring program addressing these elements has not yet been developed.				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	<ul style="list-style-type: none"> • Evidence of consultation to explore participation in design, implementation and evaluation of monitoring programs (COPI); • Shared examples with the Ktunaxa Nation Council (KNC) of monitoring protocol & results; • Interviews with KNC; • citizen site visits (block level review) confirmed through interviews • SFMP sec. 6.1.3 & SFMP Appendix- Monitoring Matrix; • High Conservation Value Assessment for HCV 1-3, 2015 Compilation and update (K.Stuart-Smith, Johnson, I., Utzig, G. 2015) • 2014 HCV Effectiveness Monitoring (K. Stuart-Smith, VAST resource 			

	solutions inc., 2014)
Findings for Evaluation of Evidence:	<p>Canfor has provided information to the Ktunaxa Nation Council (KNV) regarding types of HCV monitoring and their results in order to give them a sense of the scope and scale monitoring for different values. The KNC confirmed that there is now a Land and Resource Stewardship Assistants (LRSA) program at the Band level whereby part-time employees are meant to review development files (pre-harvest) and eventually become engaged in post-harvest monitoring. Records show Canfor communication to KNC to seek input with the design and implementation of a monitoring plan specific to CCVF's (HCV 5 & 6). KNC suggests they are currently below capacity to have such a program up and running immediately, however work is ongoing to design it. Recent citizen site visits with Canfor identified interest by the KNC to have access to monitoring results (such as riparian effectiveness, possibly other <i>Forest and Range Evaluation Program-FREP</i> results) and have those protocols guide future design/implementation. A general frustration was expressed by the KNC and Tobacco Plains Band that, despite best intentions, the management planning for CCVF's aren't capturing the cultural values at the site level (particularly from the 2012 CCVF planning for Tobacco Plains and St. Mary's Akisqnuq). See OBS 01/15 regarding Criterion 3.2.</p> <p>The KNC has communicated interest in having the LRSA's take on monitoring roles, however currently are moving through training. Canfor has offered a 'forestry 101' training to the LRSA's to facilitate this process.</p> <p>Current HCV monitoring only measures the effectiveness of managing certain cultural values (e.g. biological values versus archaeological values. SFMP monitoring guidelines (sec. 6.1.3) will measure effectiveness by the number of road/block harvests that conform to site plans, measuring the proportion of plans where input from Aboriginal communities was given and the plan was changed to consider the input. While much more work is required to have a monitoring program for HCVs 5 and 6, there is evidence to support Canfor's inclusive engagement towards design and implementation and conclude that the NCR can be closed.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	11/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 8.2.7			
Report Section:	Appendix II, Criterion 8.2			
Description of Nonconformance and Related Evidence:				
The Ktunaxa Nation has not yet been involved in the design, implementation and evaluation of a monitoring program. Until this is complete, Canfor's monitoring does not yet address social impacts identified through consultation with Ktunaxa.				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by	<ul style="list-style-type: none"> Ktunaxa Nation- Canfor Joint Management Advisory Committee 			

Organization:	<p>(JMAC) Employment, Training and Business Development Strategic Plan (2015)</p> <ul style="list-style-type: none"> • Economic Benefit Sharing Agreement • Fiscal spending by Division and Vendor Type tracking sheet for Indigenous businesses • Example of Forest License Fibre Management Agreements (ex. Shuswap Indian Band, Lower Kootenay Indian Band) • Interviews with Ktunaxa Nation Council, Tobacco Plains Indian Band
Findings for Evaluation of Evidence:	<p>The Economic and Benefit Sharing Agreement between Canfor and the Ktunaxa Nation Council was signed in the summer of 2014, with a 3 year target timeframe for measuring its success. While early to judge its effectiveness, metrics to gauge employment and procurement are becoming well defined (ex. spending on business proportional to m³, numbers of new procurement offers/ aboriginal contractors, targets for purchase agreement fees etc.). While targets may be met there are some concerns regarding the substantive nature of the targets. However, given the scope of this criterion, it is clear that economic social impacts are being monitored, and the results of the monitoring is being shared with the relevant First Nations, so the NCR is closed.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	12/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 9.1.7			
Report Section:	Criterion 9.1			
Description of Nonconformance and Related Evidence:				
<p>Since different forests within the existing DFA came into this certificate at different times, previous HCV assessments which have been completed range from 2004 to 2012. Therefore, the most current information synthesized in a complete report is dated and not consistently up-to-date. Although annual updates are produced, and monitoring reports are also produced annually, this is insufficient to meet the requirement of the indicator.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	<ul style="list-style-type: none"> • HCV Assessment for HCV 1-3 in the Canfor Operating Area in the East Kootenay Region of SE BC – 2015 Compilation and update • Reassessment of HCV3 Forests for Canadian Forest Product's Operating Area in the Rocky Mountain and Kootenay Lake TSA, Dec. 2014 • HCVF Strategic Effectiveness Monitoring Program 2014 Annual Report • Canadian Forest Products East Kootenay High Conservation Value Forest Annual Report 2014 • HCV Forest Overview, Radium January 2013 – ppt presentation 			
Findings for Evaluation of	Canfor produced an integrated document for HCV categories 1-3 for the			

Evidence:	<p>East Kootenay Region in 2015. The document is an updated compilation of the predecessor documents that covered different portions of the East Kootenays. The report is appropriate in its breadth (i.e. identification of HCVs) and comprehensive in its descriptions of the values. The company chose not to undertake a similar consolidation of the social/First Nations HCV reports it previously prepared as doing so would lose, or obfuscate the important cultural and geographic bases for distinction of cultural values. This is a valid rationale. The NCR is closed based on the consolidated and updated HCV report.</p> <p>It is to be noted that one of the Cultural and Conservation Forest Values (CCFV) reports that assesses HCVs 5 and 6 was completed in 2008 and so is somewhat dated. Canfor views the CCFV Reports as 'living' documents and has approached the First Nation about the need to revisit the assessment. To some extent annual monitoring of HCVs has kept the Canfor abreast of developments in the evolution of the First Nations' values, thus meeting the intent of this indicator, but this needs to be formalized in a completed HCV assessment with input from First Nations. This is addressed in NCR02/15.</p>
NCR Status:	CLOSED
Comments (optional):	

2.6. New nonconformity reports issued as a result of this audit

NCR#:	01/15	NC Classification:	Major	Minor X
Standard & Requirement:	BC Regional Standard			
Report Section:	2.5 Conformance with Applicability Non-Conformity Reports, Indicator 7.3.1			
Description of Nonconformance and Related Evidence:				
<p>Two of the recent decommissioned culverts (on the same stream) that were inspected during the site visit portion of the audit and found to be of poor quality. Erodible material was only removed a short distance from the stream channel and left in piles with steep sites that will very likely be washed into the stream during high-flow events. A root-cause analysis undertaken by Canfor confirmed this was attributable to inadequate training of the operators who carried out the decommissioning. Appropriate training on decommissioning was provided to contractor supervisors, but the training was not in turn relayed to the operators conducting the work. This is contrary to the requirements of Indicator 7.3.1 that "Forest workers receive adequate training and supervision to ensure proper implementation of the management plan". Canfor does not have a procedure in place that ensure that training of this nature is adequately passed on to contracted operators.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	02/15	NC Classification:	Major	Minor X
Standard & Requirement:	BC Regional Standard			
Report Section:	2.5 Conformance with Applicability Non-Conformity Reports, Indicator 9.1.2			
Description of Nonconformance and Related Evidence:				
The assessment of HCVs related to categories 5 and 6 for the Ktunaxa Nation (Lower Kootenay) cultural and conservation values was completed in 2008 and so is somewhat dated. Canfor views the Cultural and Conservation Forest Values Reports as 'living' documents and has approached the First Nation about the need to revisit the assessment. To some extent annual monitoring of HCVs has kept the Canfor abreast of developments in the evolution of the First Nations' values, but this needs to be formalized in a completed HCV assessment with input from these First Nations.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

2.7. Audit observations

Observations can be raised when issues in the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

OBS 01/15	Reference Standard & Requirement: FSC BC Regional Standard, Indicator 3.2.1
<p>Description of Findings Leading to Observation: Interviews during the 2014 reassessment and 2015 annual audit have indicated that some values like hunting trails have been logged in the traditional lands of the Tobacco Plains Band (Ktunaxa Nation). Despite the best intentions of Canfor who is duly following the CCVF strategies, the successful maintenance of resource rights have been constrained by a deficit of information.</p> <p>While the CCVF plans were originally developed through collaboration with the Ktunaxa Nation to identify sacred, spiritual and culturally important sites, auditors found that root causes of the community's concern are a need for more information within the CCVF plans and the lack of capacity of the Nation to provide input.</p> <p>Canfor continues to follow an Information Sharing Protocol Agreement with the Ktunaxa Nation Council (KNC), who in turn seeks site-level input from the Tobacco Plains Band. The Protocol Agreement puts an onus on Canfor to a) share specific locations of development and demonstrate strategies to protect cultural resources identified in the CCVF's; b) relies on the KNC to communicate whether previously unknown resources may be affected, including the scale and location of those resources, and c) requires Canfor to proactively respond to ensure those resources are protected as per criterion 3.2. The auditors also found that sufficient information is not being relayed to Canfor during the info sharing process as per (b) above. While there may be opportunities to enhance this process (as was identified in OBS 01/14), Canfor is applying strategies to maintain CCVF's through their new Sustainable Forest Management Plan (SFMP), is beginning to monitor the efficacy of these strategies in collaboration with First Nations, and is responsive through planning and development to not threaten or diminish resources when those resources are identified by the KNC, and is therefore currently in conformance with 3.2.1.</p>	
<p>Observation: Efforts towards greater detailed, site specific cultural knowledge of resource rights should continue through collaborations either with the Ktunaxa Nation Council or with the Bands.</p>	

OBS 02/15	Reference Standard: FSC BC Regional Standard, Indicator 7.1.1
<p>The Ktunaxa First Nation has not yet responded to requests for input into the SFMP. The Nation has been given ample opportunity and Canfor remains committed to incorporating response when it is provided.</p>	
<p>Observation: Canfor should ensure that input from the Ktunaxa is incorporated into the plan according to the requirements of Indicator 7.1.1</p>	

OBS 03/15	Reference Standard: FSC BC Regional Standard, Indicator 9.1.2
<p>Although the Technical Advisory Group (TAG) has provided input into the updated HCV report, workload issues have prevented the group from finalizing its input.</p>	
<p>Observation: Indicator 9.1.2 requires that the HCV assessment include independent, third part input and review by qualified specialists. Canfor should ensure that documented input from the TAG is obtained, and the report modified, if necessary, to address issues raised.</p>	

OBS 04/15	Reference Standard: FSC BC Regional Standard, Indicator 9.1.6
<p>The compiled and updated HCV report is complete as a penultimate draft and will be finalized following input from the Technical Advisory Group.</p>	
<p>Observation: Canfor should ensure that once the document is finalized the advice and comments received through the reviews described in Indicator 9.1.5 and the response to them must be made publicly available.</p>	

2.8. Notes

Notes are for the audit team only, and identify items that should be looked at during subsequent audits.

NOTE 01/14	Reference Standard: FSC BC Regional Standard, Indicator 1.1.3	
Note: Future audit teams should confirm the results of internal company incident tracking, as well as record of compliance to legislation with compliance and enforcement staff, in particular with regards to timber utilization and deteriorating standards of road construction and maintenance.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2015 audit team response: The ITS tracking system has been reviewed and clearly demonstrates a pro-active approach to incident tracking and response.		

NOTE 02/14	Reference Standard: FSC BC Regional Standard, Indicator 3.1.2	
Note: Future audit teams should review implementation of the Protocol Agreement between the Ktunaxa Nation Council and Canfor to ensure that the terms of the agreement are adhered to by both parties.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2015 audit team response: In so far as the Protocol Agreement between the Ktunaxa Nation Council and Canfor sets out a process for consultation, these terms of being followed by both parties and the note is closed.		

NOTE03/14	Reference Standard: FSC BC Regional Standard, Indicator 3.2.1	
Note: Future audit teams should review the outcome of meetings between Canfor and the Tobacco Plains Indian Band to determine if measures have been taken to maintain the interests of the community.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2015 audit team response: Tobacco Plains Indian Band indicated that there continued to be a significant amount of information that comes through the Protocol Agreement regarding new blocks, amendments and silviculture. They were also happy to have had an opportunity to go out with Canfor staff on a field monitoring review and look at results of harvesting within the CCVFs. Some tangible requests were articulated during an interview, most notably: a review of CCVF planning (see OBS 01/15); a desire for access to annual development plan information, and; access to specific training/employment opportunities in silviculture. See Appendix IV, sec. 3.2. This note is closed.		

NOTE 04/14	Reference Standard: FSC BC Regional Standard, Indicator 6.3.12	
Note: Future audit teams should inspect sites where access management measures are in place and assess the extent to which they are achieving the objectives of the SFMP and related documents.		
<input checked="" type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2015 audit team response: As described in NCR 06/14 a number of access management and decommissioning efforts were inspected and/or reported on through photographic evidence provided by Canfor. Although most were found to be effective, a training issue related to indicator 7.3.1 was identified as a result of poor decommissioning results at two culvert removals. NCR 01/15 is identified.		

NOTE 05/14	Reference Standard: FSC BC Regional Standard, Indicator 7.4.1, 7.4.2	
Note: Future auditors to ensure that Canfor has provided the public an opportunity to review and provide input to the revised SFMP.		
<input type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input checked="" type="checkbox"/> Not followed-up this year
2015 audit team response: PENDING		

2.9. New notes as a result of this audit:

NOTE 01/15	Reference Standard: FSC BC Regional Standard, Indicator 6.3.14	
During the course of this audit, a number of sites were inspected and no evidence of site damage or impairment of water quality was noted. Further, the company provided evidence that a good system to avoid site damage is in place. However, following the field work portion of the audit, input was received from stakeholders expressing concerns about impacts on water quality and site damage. Because of the timing of the stakeholder input, the audit team was not able to view the specific sites during this year's assessment.		
NOTE: The 2016 annual audit team should attempt to get input from stakeholders regarding locations of site damage sufficiently ahead of site visits so that they can be inspected during the audit week.		
<input type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2016 Audit Team Response: PENDING		

NOTE 02/15	Reference Standard & Requirement: FSC BC Regional Standard, Indicator 6.5.8	
Canfor conducts in-depth monitoring on HCV/Domestic/Community watersheds, including active ECA tracking. While able to review evidence of conformance for 6.5.8 through documentation for these three watershed types (HCV/Domestic/Community), the audit team was not able to fully assess how measures are employed to control increases in peak flows due to forest management activities in other watershed types.		
NOTE: Future auditors should field inspect measures to control increases in peak flows resulting from management activities in watersheds with greater than 25% ECA and that are not of the HCV/Domestic/Community w/s list.		
<input type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2016 Audit Team Response: PENDING		

NOTE 03/15	Reference Standard & Requirement: FSC BC Regional Standard, Indicator 4.2.1, 4.2.2	
The field audit in October 2015 was unable to visit active operations in order to confirm safety compliance and awareness of forest workers.		
NOTE: Future auditors should make efforts to visit active operations to interview forest workers and ensure OH&S compliance.		
<input type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2016 Audit Team Response: PENDING		

NOTE 04/15	Reference Standard & Requirement: FSC BC Regional Standard, Indicator 5.6.1	
An updated Timber Supply Review and subsequent Allowable Annual Cut (AAC) determination for the Cranbrook and Invermere Timber Supply Areas (TSA's) were underway during the 2015 annual audit. Canfor is an active participant in the TSR, whose timing is regulated through the Provincial <i>Forest Act</i> . While projected long-term harvest levels have not been updated since 2008, the current documented and comprehensive analyses are still applicable and relevant to the FMU and therefore meet indicator 5.6.1. A new AAC is expected in 2016 and will likely amend the current long term harvest levels of the FMU.		
NOTE: Future auditors should ensure that the new projected long-term harvest rate for the Defined Forest Area has been re-calculated on the basis of the new AAC resultant, reflective of FSC management.		
<input type="checkbox"/> Closed	<input type="checkbox"/> Followed-up but still open	<input type="checkbox"/> Not followed-up this year
2016 Audit Team Response: PENDING		

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	Chris Wedeles	Auditor role	Lead Auditor, Forest Ecologist
Qualifications:	Chris is a wildlife biologist specializing in the relationship between forest management and wildlife ecology. Chris has been a professional consultant since 1986 and for the last nineteen years has been a partner in ArborVitae Environmental Services Ltd. In his consulting career Chris has worked on forest-related projects in every province in Canada. Chris has led or participated in 22 FSC assessments/audits and approximately 40 Independent Forest Audits in Ontario. Chris frequently acts as team leader for FSC and IFA assessments/audits; he is also a certified ISO auditor. Other recent relevant experience includes: contributing to the development of Canada's new National FSC Standard being a technical writer in the development of FSC's National Boreal Standard (NBS), participating in a project to assess the wood-supply and ecological effects of the NBS, participating on the Science Panel to review the Standard's applicability to boreal caribou and, authoring reports on forest fragmentation, effects of forest management on birds, and effects of roads on forest ecosystems. Chris was an auditor on the 2006-2008 Al-Pac FM annual audits.		
Auditor Name	Nicholas Reynolds	Auditor role	Forest Management & Aboriginal Relations Auditor
Qualifications:	Nick's work in forest management has ranged from work with government, industry, academia and First Nations over the last 20 years. He studied ecological restoration at the University of Victoria and received a diploma in advanced GIS analytics at the University of Northern British Columbia. Nick's work has included 8 years in wildlife biology, conducting wildlife inventories and participating in habitat suitability studies. Nick is a lead contractor to the province of BC's Growth and Yield program, establishing and re-measuring PSP's along the coast of BC. He was the Chair of the Joint Technical Team for the implementation of the Haida Gwaii Strategic Land Use Agreement, which helped set the legal parameters for protected area management and Ecosystem Based Management on Haida Gwaii		

	(2010). Representing the Council of the Haida Nation he co-chaired the technical team that led to BC's first Timber Supply Review that saw a First Nation and a provincial government collaboratively reach an Allowable Annual Cut in 2012. Nick represents the Haida Nation in initiatives towards the implementation of shared and joint decision making and the implementation of EBM, including leading a forest management effectiveness monitoring program and a cultural feature identification program. He continues to collaborate as an applied ecologist and analyst with the BC Province and UBC where he is a Research Associate with the Faculty of Forestry. Nick is trained as a forester with a Master's of Sustainable Forest Management from UBC. He completed the Rainforest Alliance's FM Lead Auditor training in 2014, and is also a Lead Auditor for FSC Chain of Custody for Rainforest Alliance.
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3.2. Audit schedule

Date	Location /Main sites	Principal Activities
Oct 2,5/ 2015	Erin, Cranbrook Haida Gwaii	Orientation telephone calls between auditors and Canfor staff
Oct 4	Erin, Cranbrook	Finalization of audit plan.
Oct 14	Cranbrook	Opening meeting with several Canfor Staff and auditors. Site inspections
Oct 14-15	Cranbrook and surrounding area	Interviews with Canfor staff and Stakeholders, on-site document review
Oct 16	Cranbrook	Closing meeting in Canfor office.
Total number of person days used for the audit:10 = number of auditors participating 2 Xaverage number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation		

3.3. Sampling methodology:

The audit team worked with the Canfor Staff to identify potential field sites based on the scope of the annual audit. Site selection was based on harvest activity from past year, water crossing management, and sites upon which activities had been undertaken that were the subject of concern expressed in the recent assessment. One full day was spent in the field assessing operations. One auditor was accompanied by a Canfor staff and three additional operations personnel rendezvoused with the auditor at specific sites.

A list of approximately 15 stakeholders with a history of interest in the forest was provided by Canfor. All stakeholders were contacted to provide an opportunity for input into the audit. All Aboriginal communities with a known interest in the forest were also contacted by email and telephone, prior to, during, and following the on-site visit.

3.3.1 List of FMUs selected for evaluation

FMU/Group Member Name	Rationale for Selection
Canfor East Kootenay	Primary forest included in the scope of this certificate.

3.4. Stakeholder and interested party consultation process

Stakeholder/Interested Party type (i.e. NGO, government, local inhabitant etc.)	Stakeholders/Interested Parties notified(#)	Stakeholders/ Interested Parties consulted or providing input (#)
Community stakeholders, tourism providers, Environmental interests, First Nations	13	3
Municipality	1	1
Union	1	1
ENGO	1	1

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC Regional Standards for British Columbia (2005)
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	
Implications for FME:	Not applicable - no new requirements

3.6. Review of FME Documentation and required records

a) All certificate types

Required Records	Reviewed
Complaints received by FME from stakeholders, actions taken, follow up communication	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Canfor's Creating Opportunities for Public Involvement (COPI) database was reviewed which records all stakeholder correspondence. The incident tracking database (ITS) was also reviewed which then tracks incidents and actions associated with complaints received by stakeholders.	
Accident records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Mean Incident Rate (MIR), Medical Aid Frequency, and Hazard and Near Miss incident ratio statistics were reviewed for Canfor's Kootenay Operations.	
Training records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Staff training records were reviewed for all employees, including training type (ex. driver training, EPRP, First Aid etc.), participant, completion date and expiry date. Staff training records specific to FSC certification were reviewed, which also include training type (ex. FSC Awareness, Riparian Management, Riparian Standards, FSC and Environment training), participant, completion date and expiry date.	
Operational plan(s) for next twelve months	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: These were taken into account in planning the field visit selection of sites.	
Inventory records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: Silvicultural inventory documents were reviewed (tracking treatment histories,	

areas not-satisfactorily restocked etc.). Vegetation Resource Inventory (forest inventory) data, including tracking of forest health/unsalvageable losses were reviewed.	
Harvesting records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: FSC Defined Forest Area harvest records (and projections) by tenure were reviewed relative to the long term sustainable harvest level for the time period between 2013 and 2017. Example cutting permit authorizations were also reviewed	

APPENDIX I: FSC Annual Audit Reporting Form:

Forest management enterprise information:			
FME legal name:	Canadian Forest Management Ltd.		
FME Certificate Code:	RA-FM/CoC – 001348		
Reporting period	Previous 12 month period	Dates	October 2014 to October 2015

1. Scope Of Certificate			
Type of certificate: single FMU	SLIMF Certificate: not applicable		
New FMUs added since previous evaluation	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	
Group Certificate: Updated of FMU and group member list provided in Appendix II:			
Multi-FMU Certificate: List of new FMUs added to the certificate scope:			
FMU Name/Description	Area	Forest Type	Location Latitude/Longitude ¹
	ha		
	ha		
	ha		

2. FME Information	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Forest zone	Boreal
Certified Area under Forest Type	
- Natural	hectares
- Plantation	hectares
Stream sides and water bodies	Linear Kilometers

3. Forest Area Classification	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Total certified area (land base)	ha
1. Total forest area	ha
a. Total production forest area	ha
b. Total non-productive forest area (no harvesting)	ha
- Protected forest area (strict reserves)	ha
- Areas protected from timber harvesting and managed only for NTFPs or services	ha
- Remaining non-productive forest	ha
2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)	ha

4. High Conservation Values identified via formal HCV assessment by the FME and respective areas			
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)			
Code	HCV TYPES ²	Description:	Area
HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).		ha

¹The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.

²The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.

HCV2	Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.		ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.		ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).		ha
HCV5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).		ha
HCV6	Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).		ha
Number of sites significant to indigenous people and local communities			

5. Workers			
Number of workers including employees, part-time and seasonal workers:			
Total number of workers	653workers		
- Of total workers listed above	579 Male	59	Female
Number of serious accidents	NA		
Number of fatalities	0		

6. Pesticide Use			
<input checked="" type="checkbox"/> FME does not use pesticides. (delete rows below)			

APPENDIX II: List of visited sites (confidential)

FMU or other Location	Compartment/ Area	Site description / Audit Focus and Rationale for selection
Hogg Creek	Blocks 3-6	Utilization, waste wood, silviculture, culverts, road maintenance
Skookumchuck Pulp Mill	Wood yard, chipping facilities	Utilization,
Skookumchuck Ridge	SK00003	site impacts, harvesting, retention, slash management, roads, landings, crossings, road maintenance
Ram Creek culvert		culvert installation and replacement
Lower Lussier	Road Closure	Road closure
Marmalade Road		Road quality, maintenance, slash burning, partial harvests
Marmalade Road	Road R1013	Access control, culvert removals

APPENDIX III: List of stakeholders consulted (confidential)

List of FME Staff Consulted

Name	Title	Contact	Type of Participation
Kevin Barg	Canfor, Residual Fibre Supervisor	kevin.barg@canfor.com	Interviews, field trip
Erik Bjerstadt	Canfor, Scaling Supervisor	erik.bjerstadt@canfor.com	Interviews, field trip
Steve Drader	Canfor, Operations Supervisor	steve.drader@canfor.com	Interviews, field trip
Jordy Driscoll	Canfor, Forestry Supervisor	jordy.driscoll@canfor.com	Interviews, field trip
Brenda Hopkin	Canfor, Certification Consultant	Brenda@kootenays.ca	Interviews
Ian Johnson	Canfor, Forestry Supervisor	ian.johnson@canfor.com	Interviews
Warren Jukes	Canfor Forester	Warren.Jukes@canfor.com	Interview
Stephanie Keightley	Canfor, Forest Science Assistant	stephanie.keightley@canfor.com	Interviews, field trip
Lee Mercer	Canfor Senior Woodlands Accountant	leigh.mercer@canfor.com	Interview
Grant Neville	Canfor, First Nations and Planning Coordinator	Grant.Neville@canfor.com	Interviews
Shane Neukomm	Canfor, Operations Superintendent	shane.neukomm@canfor.com	Interviews
Bruce Pope	Canfor Woodlands Information Management Analyst	250-426-9364	Interview
Chris Stagg	Canfor Chief Forester	Chris.stagg@canfor.com	Interview
Kerri Simmons	Canfor FMS Coordinator and Tenure Coordinator	kerri.simmons@canfor.com	Interview
Ken Streloff	Canfor, Planning Supervisor	ken.streloff@canfor.com	Interviews, field trip
Kari Stuart-Smith	Canfor, Forest Scientist	Kari.Stuart-Smith@canfor.com	Interviews
Mark Todd	Canfor FMG Human Resources Manager	mark.todd@canfor.com	Interview
Arthur Tsai	Canfor Senior Analyst, Marketing and Certification	Arthur.Tsai@canfor.com	Interview
Kori Vernier	Canfor Silviculture Coordinator	250-529-7211 X247	Interview

List of other Stakeholders Consulted

confidential

List of Indigenous Groups Consulted

confidential

APPENDIX IV: Forest management standard conformance(confidential)

The table below demonstrates conformance or nonconformance with the Forest Stewardship Standard used for evaluation as required by FSC. The Rainforest Alliance Task Manager should provide guidance on which sections of the standard should be evaluated in a particular audit. Rainforest Alliance may evaluate only a subset of the criteria or principles of the standard in any one particular audit provided that the FME is evaluated against the entire standard by the end of the certificate duration. Findings of conformance or nonconformance at the criterion level will be documented in the following table with a reference to an applicable NCR or OBS. The nonconformance and NCR is also summarized in a NCR table in Section 2.4. All nonconformances identified are described on the level of criterion though reference to the specific indicator shall be noted. Criteria not evaluated are identified with a NE.

P & C	Conform ance: Yes/No/ NE	Findings	NCR OBS (#)
Principle 1: COMPLIANCE WITH LAWS AND FSC PRINCIPLES			
1.1	Yes	<p>No change in this Criterion since last audit- Canfor complies with national and local laws and administrative requirements.</p> <p>Staff retain access to tools to track current BC laws, accessible through the Canfor FMS website. Canfor maintains work procedures (SWPs) for incident tracking (ITS), including training through their Forest Management System (FMS) program.</p> <p>A review was recently done for Canfor's procedures relative to the Federal Transport of Dangerous Goods (TDG) regulations, leading to updated spill kits and replacement of missing fuel placards and fire extinguishers.</p>	
1.2	YES	No change in this Criterion since last audit. Canfor pays all applicable and legally prescribed fees, royalties, taxes and other charges. BC Ministry of Finance <i>Forest Statement of Accounts</i> and Annual Stumpage Accrual, MoF Stumpage Statements and Proof of Payments were reviewed for July 2015.	
1.3	YES	No change in this Criterion since last audit. Canfor continues to meet the provisions of all binding international agreements. A Migratory Bird Strategy (draft) was developed in 2015 to address incidental take in the course of industrial activities- relative to the Migratory Birds Convention Act. The plan consists of strategies for training, avoidance, identification of species and best management practices development.	
1.4	YES	No change in this Criterion since last audit. Canfor's compliance with the laws do not preclude compliance with FSC-BC Regional Standards.	
1.5	YES	No change in this Criterion since last audit. No illegal harvesting or unauthorized activities have been recorded in the Kootenay operations since the last audit. Canfor tracks all such activities in their ITS data management system, identifies trespass incidents as a FMG environmental program objective, provides trespass training for contractors and sends out FMS alerts when a trespass occurs.	
1.6	YES	No change in this Criterion since last audit. Canfor has demonstrated long-term commitment to FSC Principles and Criteria through staff participation in National standards review and development, pre-assessment audits for other Canfor operations, as	

		well as consistent compliance to maintain FM and multisite CoC certifications.	
Principle 2. TENURE AND USE RIGHTS AND RESPONSIBILITIES			
2.1	YES	<p>Canfor maintains clear long-term forest use rights for those tenures identified within the Defined Forest Area. Specifically for replaceable forest licenses A18978, A19040, A20212 and Tree Farm License 14, which for the purpose of their FM certificate are considered within the same FMU. Canfor's Kootenay operations also manages a number of small Non-Replaceable Forest Licenses via agreements with First Nation's. These include A81369, A82928, A82929, A88226.</p> <p>Note that Canfor's Radium License (A18979) has undergone a pre-assessment but is not included in the scope of the certificate.</p>	
2.2	YES	<p>Canfor continued outreach to local communities with legal or customary tenure or use rights via targeted mail-outs, face to face meetings, phone calls and open houses. An SFMP referral letter went out to 148 identified tenure and rights holders (along with an additional 592 letters to other stakeholders- not including First Nation letters) articulating that without replies by a specific date that it would be interpreted as stakeholder consent for the SFMP. One tenure holder responded denying this consent, however this led to in-depth dialogue with that tenure holder and opportunities to incorporate concerns into Canfor's planning.</p> <p>Communication was extended to the East Kootenay trappers association on several occasions, and while individual trappers communicated with Canfor, the organization did not meet Canfor's request to meet and review any concerns.</p> <p>Canfor further commissioned an independent report on Local Rights Holder outreach (K.West, 2015), whereby specific concerns and/or recommendations were documented. See evidence reviewed in report section 2.5 (NCR 01/14).</p>	
2.3	YES	There have been no disputes, as defined in the BC Standard, brought forward to Canfor.	
Principle 3. INDIGENOUS PEOPLES' RIGHTS			
3.2	YES	<p>Canfor has continued to follow the information sharing Protocol Agreement signed with the Ktunaxa Nation Council (KNC) which in turn seeks to identify traditional resources and mitigate any impacts during the planning process. However over the past year there has been minimal engagement by the KNC or Bands to mitigate resource impacts on a block-by-block level, primarily because of workloads at KNC limiting capacity to effectively review and consult Bands on a site specific basis.</p> <p>Canfor's High Conservation Value forest types 5 and 6 (referred to as CCVF's) are another tool meant to document and in turn inform strategies to maintain key Indigenous resources.</p> <p>HCV monitoring continues by Canfor, and results/reports have been provided to First Nations. Many of the values identified within the current HCV monitoring overlap with Indigenous resource rights, and as such the maintenance of the resource rights can be qualified through effectiveness monitoring.</p> <p>While the development of a resource monitoring program specifically for CCVF's is progressing (see Closed NCR 10/14), there are concerns that the underlying information has gaps (specifically the Tobacco Plains and St.Mary's plans). Interviews during the 2014 reassessment and 2015 annual audit have indicated that some</p>	OBS 01/15

		<p>hunting trails within an active trapping area had been logged, despite the best intentions of Canfor who is duly following the CCVF strategies.</p> <p>While the CCVF plans were originally developed through collaboration with the Ktunaxa Nation to identify sacred, spiritual and culturally important sites, auditors found that a root cause of these specific impacted values may be a need for more information within the CCVF plans.</p> <p>Canfor continues to follow an Information Sharing Protocol Agreement with the Ktunaxa Nation Council (KNC), who in turn seeks site-level input from the Tobacco Plains Band. The Protocol Agreement puts an onus on Canfor to a) share specific locations of development and demonstrate strategies to protect cultural resources identified in the CCVF's; b) relies on the KNC to communicate whether previously unknown resources may be affected, including the scale and location of those resources, and c) requires Canfor to proactively respond to ensure those resources are protected as per criterion 3.2.</p> <p>The auditors also found that sufficient information is not being relayed to Canfor during the info sharing process as per (b) above. While there may be opportunities to enhance this process (as was identified in OBS 01/14), Canfor is applying strategies to maintain CCVF's through their new Sustainable Forest Management Plan (SFMP), is beginning to monitor the efficacy of these strategies in collaboration with First Nations, and is responsive through planning and development to not threaten or diminish resources when those resources are identified by the KNC.</p> <p>OBS 01/15 is issued to ensure that continued efforts towards greater detailed, site specific cultural knowledge of resource rights are being made through collaborations either with the KNC or the Bands.</p>	
Principle 4. COMMUNITY RELATIONS AND WORKERS' RIGHTS			
4.1	YES	<p>In September Canfor announced the permanent closure of the Canal Flats Mill in November 2015, with the loss of approximately 70 jobs. This closure followed an initial downsizing of 100 jobs in May 2015 at the mill. However on October 2nd a Memorandum of Understanding was signed between Canfor and the United Steelworkers Local 1-405 (the Union) regarding the Canal Flats closure. Evidence was provided by both the union and Canfor that, along with meeting the Employment Standards Act and conditions of the Collective Agreement, that transfer, severance, training and pension options were generous. A transition office was opened which included resources from Canfor, the Union, Columbia Basin Trust, <i>Ministry of Jobs, Tourism&Skills</i> Training& Responsible for Labour, as well as the College of the Rockies.</p> <p>It is therefore confirmed that, specific to indicator 4.1.5, Canfor is assisting displaced employees to make the transition to new work.</p>	
4.2	YES	<p>No change in this Criterion since last audit. The Forest Management Group (FMG) Occupational Health and Safety manual exceeds health and safety regulations. Mandatory training is in place for all new employees, including the right to refuse communicated to all staff. Mean Incident Rates (MIR) are down from 2014 and are below the Canfor target. Staff hazard and near miss incident ratios are up for first aid and medical aid incidents, however this increase was believed to be caused by changes in communication/reporting</p>	NOTE 03/15

		<p>structures.</p> <p>There continues to be an Annual Safety management Review, where a trend analysis is conducted and recommendations and improvements are provided to the safety manager. Targets are set based upon previous year's performance, as a mean to reach continual improvement targets.</p> <p>Note 03/15 is written for future auditors to visit sites with active operations (not possible in 2015's annual audit) to ensure contractors are meeting health and safety standards.</p>	
4.4	YES	<p>Canfor tracks correspondence with directly affected persons through their COPI databases, resulting in substantial consultations to determine the nature of social impacts. Examples were provided of plan changes resulting from communications with affected persons (stakeholder accommodation examples). Substantive and systematic stakeholder engagement mechanisms are in place including face to face meetings, mail-outs, emails and public forums for information exchange.</p> <p>Canfor continues to participate in the Joint Management Advisory Committee (JMAC), made up of Ktunaxa Band council representatives, representatives of the Nupqu Development Corporation and from the KNC. One of the JMAC's main goals is to develop and implement an Employment, Training and Business Development Strategic Plan. This plan (along with an Engagement and Benefits Agreement) is currently being implemented satisfactorily by all Parties.</p>	
Principle 5. BENEFITS FROM THE FOREST			
5.6	YES	<p>Very little change in this Criteria since last year's audit. The Cranbrook and Invermere Timber Supply Area (TSA) are both meant to have a new Allowable Annual Cut (AAC) determination no later than November 2015 (according to Chief Forester letter dated Oct 1, 2008). However, since 2008 the Forest Act (sec 8.2 (d)) has been changed to allow for determinations to last up to 10 years. Nonetheless the Ministry of Forests, Lands and Natural Resource Operations is in the midst of conducting Timber Supply analyses, and Canfor is an active participant in the process, whose timing is regulated through the Provincial <i>Forest Act</i>. While projected long-term harvest levels have not been updated since 2008, the current documented and comprehensive analyses are still applicable and relevant to the FMU and therefore meet indicator 5.6.1. A new AAC is expected in 2016 and will likely amend the current long term harvest levels of the FMU. As the MFLNRO timber supply analysis may not use Canfor's FSC management assumptions as a default or 'base case', Note 04/15 is for future auditors to ensure that the new projected long-term harvest rate for the Defined Forest Area has been re-calculated on the basis of the new AAC resultant, reflective of FSC management.</p> <p>While a 3-year harvest level for TFL 14 remains almost 16% higher than the long-term harvest rate, Canfor has maintained harvest levels within the projected long-term harvest rate, which is still measured using the 2008 Foresite report <i>Assessing Sustainable Harvest Levels under FSC Management Guidelines for Tembec's Operating Area</i>.</p> <p>In 2014 the volumes sourced from MF72 (previously part of the FSC</p>	NOTE 04/15

		certificate) are no longer tracked relative to the Canfor's FSC long-term harvest rate.	
Principle 6. ENVIRONMENTAL IMPACT			
6.2	Yes	Canfor continues to meet the requirements of this Criterion. Evidence was provided that Canfor continues to track habitats of Species at Risk and it maintains up-to-date lists of species. The company has reviewed its operating practices to ensure they incorporate requirements for newly classified species. The company incorporates training regarded to Species at Risk into several of the environmental training packages and programs it delivers	
6.3	YES	<p>Two of this Criterion's indicators were reviewed in the course of assessing NCRs from the 2014 assessment. Closed NCR 04/14 and 06/14 found that appropriate measures are in place to address the requirements of Indicator 6.3.14 and 6.3.15 related to soil disturbance (Although Note 01/15 directs future audits to obtain timely input from stakeholders to allow for sites of concern to be incorporated into site inspections).</p> <p>Because the assessment report was conducted very recently (i.e. in 2014), most of the findings from that assessment are still valid. The focus of restoration activities continues to be through the Rocky Mountain Trench Restoration Program (6.3.1). Regeneration surveys and ecologically appropriate silviculture is still being undertaken with minimal amounts of site preparation, as was reported on in 2014 (6.3.2 and 6.3.3). Canfor presented evidence that early seral stage abundance is below, or at the lower end of natural distributions for non-tree ecosystems and that the SFMP's seral stage strategy is addressing this (6.3.4). Stand-and Gene-level issues continue to be addressed through appropriate regeneration techniques and silviculture strategies and treatments (6.3.5-6.3.7). The previous Range of Natural Variation Strategy which formerly addressed components of Indicator 6.3.8 no longer exists in the revised SFMP, but key components of the RONV approach have been incorporated into other strategies that address ecological representation, silviculture, coarse woody debris, etc. Site plans provide good examples of operationalization the components of Indicators 6.3.8 and 6.3.9. Snag targets (6.3.9) are met through the incorporation of whole snags and stubs; snag targets are met for all BEC variants with the exception of the ICH dry, for which the targets may not be a good representation of actual natural dynamics.</p> <p>Landscape and ecosystem level issues (6.3.10 – 6.3.13) are addressed through a variety of indicators and strategies in the SFMP, including the patch size strategy and interior habitat strategy. Access management (6.3.12) is a key component of managing for connectivity and a considerable amount of effort in this audit was devoted to access-related issues</p> <p>Indicators 6.3.14 – 6.3.17 relate to natural cycles that affect productivity. As noted above, two NCRs related to indicators in this section of the criterion (6.3.14 and 6.3.15) were closed. There continues to be no fertilizers used on the forest, addressing the requirements of 6.3.16 and 6.3.17.</p>	
6.9	YES	As with the 2014 assessment, the audit team confirmed that Canfor continues to use a mix of grass seed for erosion control and site rehabilitation that has been specifically developed by the local	

		company Interior Seed and Fertilizer Ltd. to meet this FSC Criterion. The mix includes only species that are long naturalized to the East Kootenay area and are considered non-invasive.	
Principle 7. MANAGEMENT PLAN			
7.3	No	Two of the recent decommissioned culverts (on the same stream) that were inspected during the site visit portion of the audit and found to be of poor quality. Erodible material was only removed a short distance from the stream channel and left in piles with steep sites that will very likely be washed into the stream during high-flow events. A root-cause analysis undertaken by Canfor confirmed this was attributable to inadequate training of the operators who carried out the decommissioning. Appropriate training on decommissioning was provided to contractor supervisors, but the training was not in turn relayed to the operators conducting the work. This is contrary to the requirements of Indicator 7.3.1 that "Forest workers receive adequate training and supervision to ensure proper implementation of the management plan". Canfor does not have a procedure in place that ensure that training of this nature is adequately passed on to contracted operators. NCR 01/15 is issued.	NCR 01/15
Principle 8. MONITORING AND ASSESSMENT			
8.2	YES	Canfor continues to have a robust monitoring program. Tracking continues for all forest products harvested. Pre-harvest inventories (cruise) and silviculture surveys, including free growing surveys, are systematic for the FMG. Canfor has been incorporating effects of climate change onto regeneration impacts (participating in provenance trials, density trials, and in provincial Forest Genetics Council). Biological diversity monitoring continues at the block and landscape level for HCV's, including for species at risk. Environmental impacts are tracked via the ITS management system (tracking actions and outcomes), while social impacts are tracked through the COPI consultation database, as well as through participation in public advisory committees (ex. EVIRTF, PAG, JMAC). Costs and productivity are tracked and reported by year to date. See report section 2.5 regarding the closure of NCR 11/14 (indicator 8.2.7).	
Principle 9. MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS			
9.1	NO	The assessment of HCVs related to categories 5 and 6 for the Ktunaxa Nation (Lower Kootenay) cultural and conservation values was completed in 2008 and so is now no longer current and does not meet the requirements of a complete HCVF assessment as outlined in Indicator 9.1.2.	NCR 02/15
9.4	YES	Canfor has an appropriate and practical HCV monitoring program in place. Highlights from the past year include the development of a Strategic Effectiveness Monitoring Program report that highlights key findings from the most recent monitoring efforts. This is a useful way of focusing examination of results and providing streamlined information. Also of note are Canfor's efforts to working partnership with an ENGO (Wildsight) in HCV effectiveness monitoring. All components of this Criterion are addressed	

APPENDIX V: Chain-of-Custody Conformance (confidential)

Note: This CoC Appendix is used for FMEs only selling standing timber, stumps, logs, chips and/or non-timber forest products (NTFPs) produced within a FMU covered by the scope of the certificate. FME certificate scopes that include primary or secondary processing facilities shall include an evaluation against the full FSC CoC standard: FSC-STD-40-004. Refer to that separate report Appendix.

Definition of Forest Gate: (check all that apply)

<input type="checkbox"/>	Standing Tree/Stump: FME sells standing timber via stumpage sales.
<input type="checkbox"/>	The Log Landing: FME sells wood from the landing/yarding area.
<input type="checkbox"/>	On-site Concentration Yard: Transfer of ownership occurs at a concentration yard under the control of the FME.
<input checked="" type="checkbox"/>	Off-site Mill/Log Yard: Transfer of ownership occurs when offloaded at purchaser's facility.
<input type="checkbox"/>	Other: <i>explanation</i>
Comments:	

Scope Definition of CoC Certificate:

Does the FME further process material before transfer at forest gate? <i>(If yes then processing must be evaluated to full CoC checklist for CoC standard FSC-STD-40-004 v2.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Note: This does not apply to on-site production of chips/biomass from wood harvested from the evaluated forest area or onsite processing of NTFPs.	
Comments: No material is processed before the transfer at the forest gate.	
Is the FME a large scale operation (>10,000 hectares) or a Group Certificate? <i>(If yes then CoC procedures for all relevant CoC criteria shall be documented.)</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: Canfor is a large scale operation, not a Group Certificate	
Does non-FSC certified material enter the scope of this certificate prior to the forest gate, resulting in a risk of contamination with wood/NTFPs from the evaluated forest area (e.g. FME owns/manages both FSC certified and non-FSC certified FMUs)?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Non-FSC certified material does not enter the scope of this certificate prior to the forest gate. Several licenses (Forest Licenses, Tree Farm Licenses, NRFL's) are certified and managed under this FME, however, in line with provincial legislation (Forest Act), these are tracked from each cutblock using a unique Timbermark for each load of logs. While Canfor does purchase non-certified logs via fibre agreements, they are not mixed with logs from the FME prior to reaching the forest gate. All Controlled wood loads are similarly tracked through Timbermark up to the forest gate.	
Does FME outsource handling or processing of FSC certified material to subcontractors (i.e. milling or concentration yards) prior to transfer of ownership at the forest gate? <i>(If yes a finding is required for criterion CoC4.1 below.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Canfor does not outsource the handling or processing of FSC certified material. All hauling/transport of material up to the forest gate is conducted directly from Canfor contractors	
Does FME purchase certified wood/NTFPs from other FSC certificate holders and plan to sell that material as FSC certified? <i>(If yes then a separate CoC certificate is required that includes a full evaluation of the operation against FSC-STD-40-004 v2.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Canfor does not purchase and sell non-certified wood under the scope of this FM/CoC certificate.	
Does FME use FSC and/or Rainforest Alliance trademarks for promotion or product labeling? <i>(If FME does not nor has no plans to use FSC/RA trademarks delete trademark criteria checklist below.)</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: Canfor does not use FSC or Rainforest Alliance trademarks for promotion or product labeling. Senior Analyst for Marketing and Certification (Arthur Tsai) mentioned that FSC was being used promotionally on brochures several years ago, however that has now been discontinued.	

Annual Sales Information

Total Sales/ Turnover	
Volume of certified product sold as FSC certified (i.e. FSC claim on sales documentation) (previous calendar year)	
Total volume of forest products harvested from certified forest area during reporting period defined in Appendix I above.	

Chain-of-Custody Criteria [FM-35 Rainforest Alliance Chain-of-Custody Standard for Forest Management Enterprises (FMEs)]

1. Quality Management

COC 1.1: FME shall define the personnel/position(s) responsible for implementing the CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: The Document Control System (dated March 31, 2015) identifies the multisite coordinator as the person responsible for implementing the CoC control system. Currently that person is Mark Pounder.	
COC 1.2: All relevant staff shall demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Staff demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system. Currently Mark Pounder is the multisite CoC coordinator for Elko and Conrad Robson is also a CoC site coordinator. Other primary contacts include the Senior Analyst (A.Tsai) and Log Purchaser (John Hatalcik).	
COC 1.3: FME procedures/work instructions shall provide effective control of FSC certified forest products (including NTFPs) from standing timber until ownership is transferred at the forest gate. <i>Note: For large scale operations (>10,000ha) and Group Entities, CoC procedures covering all relevant CoC criteria shall be documented.</i> Including: a) Procedures for physical segregation and identification of FSC certified from non-FSC certified material. (If applicable) b) Procedures to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. (If applicable) c) Procedures to include the FME's FSC certificate registration code and FSC claim (FSC 100%) on all sales and shipping documentation for sales of FSC certified products. d) Recordkeeping procedures to ensure that all applicable records related to the production and sales of FSC certified products (e.g. harvest summaries, sales summaries, invoices, bills of lading) are maintained for a minimum of 5 years. e) Procedures to ensure compliance with all applicable FSC/Rainforest Alliance trademark use requirements.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Note 1: In the case of group certificates, the Group Manager must ensure Group Members implement CoC control system as defined in documents procedures/work instruction.	
Note 2: In cases where it is not possible or practical to include the FME's certificate registration code on shipping documents, the FMEs procedures shall provide for a clear, auditable link between the material included in the shipment, a FMU included in the scope of the certificate and the applicable sales documentation (i.e. harvest or procurement contract) that includes the required information detailed in c) above.	
Findings: The March 31, 2015 Document Control System provides clear procedures for the effective control of FSC certified forest products. With regards to a) there is no mixing of non-FSC material with FSC material prior to the forest gate; b) DCS section 4 covers <i>Systems for Controlling FSC Claim</i> and section 5 describes <i>Sales and Delivery</i> procedures, each ensuring that non-FSC certified material is not represented as FSC certified on sales. Currently Canfor makes no direct round-wood FSC sales prior to reaching the forest gate; c) section 5 of the DCS covers procedures to include the FSC certificate registration code and FSC claim on sales and shipping documentation. Separate delivery documentation (such as the Load Description Slips) contain Timbermark information which is sufficient to link the material to the FME; d) section 1.6 describes procedures for maintaining applicable records related to the production and sales of FSC certified products.	

The interview with the Sr. Analyst confirmed the procedures to maintain such records for at least 5 years; e) section 6 of the DCS provides detailed procedures for trademark use, however Canfor currently does not use Trademarks either promotionally or on-product.

2. Certified Material Handling and Segregation

COC 2.1: FME shall have a CoC control system in place to prevent the mixing of non-FSC certified materials with FSC certified forest products from the evaluated forest area, including:

- a) Physical segregation and identification of FSC certified from non-FSC certified material.
- b) A system to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation.

Yes No
N/A

Note: If no outside wood/NTFP is handled by FME within scope of certificate, mark as N/A.

Findings: No outside wood is handled by the FME within the scope of the certificate. Any external (controlled wood) purchases are not mixed prior to entering the forest gate- at which point they are tracked using the credit system and is outside of the FM CoC scope for this audit.

COC 2.2: FME shall identify the sales system(s) or "Forest Gate", for each FSC certified product covered by the Chain of Custody control system: i.e. standing stock; sale from log yard in the forest; sale at the buyer's gate; sale from a log concentration yard, etc.

Yes No

Findings: Senior Analyst, Arthur Tsai (primary contact for CoC) confirmed that the forest gate for Canfor's FME are the weigh scales at Elko, Radium, Canal Flats and Skookumchuck mills. Occasionally round-wood is sold directly to purchasers, in which case the forest gate are the purchasers' facilities. Canfor confirmed there were 4 buyers in which the forest gate is at the purchasers' facilities (LP, Woodex, JemiFibre Corp., Kelensikoff), however none of these off-site buyers required FSC certification. This was confirmed through a sample review of a Log Sale Agreement General Terms and Conditions document (Kelesnikoff).

Note that the forest gate for the FM CoC is not documented in the most current DCS. While this is not a requirement of the standard, its inclusion would ensure clarity of the sales system for staff who reference the DCS for FM/CoC procedures.

COC 2.3: FME shall have a system that ensures that FME products are reliably identified as FSC certified (e.g. through documentation or marking system) at the forest gate.

Yes No

Findings: Log Description Slips and Timbermarks accompany each load, in turn linking the origin of the load to the FME as it enters the forest gate.

COC 2.4: FME shall ensure that certified material is not mixed with non-FSC certified material at any stage, up to and including the sale of the material.

Yes No
N/A

Note: If no outside wood is handled by FME within scope of certificate, mark as N/A.

Findings: Wood from the FSC certified FME is at no time mixed with non-FSC certified material prior to entering the forest gate. While Canfor does handle non-FSC logs, they are tracked by Timbermark, and are traceable in Canfor's Logs Production Module by Forest Tenure. After having reached the forest gate, all loads (either FSC 100% or Controlled wood) are tracked using the credit system, administered under the scope of their CoC certificates (Chain of custody certificate code RA-COC-005906 or FSC Controlled Wood code RA-CW-005906).

3. Certified Sales and Recordkeeping

COC 3.1: For material sold with FSC claim the FME shall include the following information on sales and shipping documentation:

- a) FME FSC certificate registration code, and
- b) FSC certified claim: FSC 100%

Yes No

Note: In cases where it is not possible or practical to include the FME's certificate registration code on shipping documents, the FMEs shall ensure there is a clear, auditable link between the material included in the shipment, a FMU included in the scope of the certificate and the applicable sales documentation (i.e. harvest or procurement contract) that includes the required information detailed above.

<p>Findings: Section 5.1 of the DCS provides procedures to include (a) the FSC certificate registration code, and (b) the FSC certified claim of FSC 100% for all sales and shipping documents. In cases where shipping documents do not have (a) and (b) above, Canfor ensures there is a traceable/auditable link between the sales and shipping documents, namely through the use of the Load Description Slip (LDS). In this case the LDS contains the Timbermark, linking the load to the forest and cutblock of origin (including approval date and number). Secondly, the sales/production coordinator ensures that the load matches the invoice prior to the truck leaving the site. Currently Canfor does not sell FSC-certified wood under the scope of the FM CoC certificate (i.e. all FSC-certified sales first go through the forest gate, therefore administered under their multisite CoC certificate).</p>	
<p>COC 3.2: FME shall maintain certification production and sales related documents (e.g. harvest summaries, invoices, bills of lading) for a minimum of 5 years. Documents shall be kept in a central location and/or are easily available for inspection during audits.</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Findings: Section 1.6 of the DCS provides procedures to maintain certification production and sales related documents for a minimum of 5 years. Currently Canfor has documents since the time of their acquisition of the FME from Tembec in 2012.</p>	
<p>COC 3.3: FME shall compile an annual report on FSC certified sales containing monthly sales in terms of volume of each FSC certified product sold to each customer. This report shall be made available to Rainforest Alliance staff and auditors during regular audits and upon request.</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Findings: Canfor provided monthly volume sales for the 2014 calendar year for FSC certified products sold to each customer. Note that these sales were not under the scope of the FM CoC certificate, but rather the multisite certificate. No FSC certified products were sold under the scope of the FM CoC certificate since the last audit period.</p>	

<p>4. Outsourcing</p>	
<p>COC 4.1: FME shall obtain approval from Rainforest Alliance prior to initiating outsourcing of handling (e.g. storage concentration yards) or processing of FSC certified material to subcontractors.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>
<p>CoC 4.2: FME control system shall ensure that CoC procedures are followed at subcontracted facilities for outsourcing and FME shall collect signed outsourcing agreements covering all applicable FSC outsourcing requirements per FSC--40-004 <i>FSC Standard for Chain of Custody Certification</i>.</p> <p>Note 1: If FME outsources processing or handling of FSC certified material the outsourcing report appendix is required.</p> <p>Note 2: Check N/A If FME does not outsource processing or handling of FSC material.</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/></p>
<p>Findings: Canfor does not outsource handling or processing of FSC certified material.</p>	

<p>5. FSC/Rainforest Alliance Trademark (TMK) Use Criteria</p>	
<p>Standard Requirement: The following section summarizes the FME's compliance with FSC and Rainforest Alliance trademark requirements. Trademarks include the Forest Stewardship Council and Rainforest Alliance names, acronyms (FSC), logos, labels, and seals. This checklist is directly based on the FSC standard. FSC-STD-50-001 <i>FSC Requirements for use of the FSC trademarks by Certificate Holders</i>. References to the specific FSC document and requirement numbers are included in parenthesis at the end of each requirement. (Rainforest Alliance Certified Seal = RAC seal).</p>	
<p>General</p>	
<p>COC 5.1: FME shall have procedures in place that ensure all on-product and promotional FSC/Rainforest Alliance trademark use follows the applicable policies:</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Findings: Sections 6.1 and 6.2 of the DCS outlines procedures to ensure all on-product and promotional FSC/Rainforest Alliance trademark use follows applicable policies. Currently Canfor is not using any on-product or promotional trademarks.</p>	
<p>COC 5.2: FME shall have procedures in place and demonstrate submission of all FSC/Rainforest Alliance claims to Rainforest Alliance for review and approval prior to use,</p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>

including” a) On-product use of the FSC label/RAC seal; b) Promotional (off-product) claims that include the FSC trademarks (“Forest Stewardship Council”, “FSC”, checkmark tree logo) and/or the Rainforest Alliance trademarks (names and seal)(50-001, 1.1.6).	
Findings: Canfor has procedures in place under 6.1.1 of their DCS relative to the submission of proposed trademark use to Rainforest Alliance for review and approval prior to use.	
COC 5.3: FME shall have procedures in place and demonstrates that all trademark review and approval correspondence with Rainforest Alliance is kept on file for a minimum of 5 years:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Findings: Section 1.6 of the DCS provides procedures to maintain all trademark review and approval correspondence with Rainforest Alliance is kept on file for a minimum of 5 years. Currently Canfor has documents since the time of their acquisition of the FME from Tembec in 2012.	

Off-product / Promotional	
<input checked="" type="checkbox"/> Check if section not applicable (FME does not, and does not plan to use the FSC trademarks off-product or in promotional pieces)	
Note: promotional use items include advertisements, brochures, web pages, catalogues, press releases, tradeshow booths, stationary templates, corporate promotional items (e.g., t-shirts, cups, hats, gifts).	
When applicable to the FME’s promotional/off-product use of the trademarks, the criteria below shall be met:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Findings:	
COC 5.4: If the FSC trademarks are used for promotion of FMUs, FME shall limit promotion to FMUs covered by the scope of the certificate.	
COC 5.5: In cases that the Rainforest Alliance trademarks are used (50-001, 6.2): a) The FSC trademarks shall not be at a disadvantage (e.g., smaller size); b) The FSC checkmark tree logo shall be included when the RAC seal is in place.	
COC 5.6: If the FSC “promotional panel” is used, the following elements shall be included: FSC checkmark logo, FSC trademark license code, FSC promotional statement, FSC web site address (50-001, 5.1). Note: the promotional panel is a prescribed layout with a border available to certificate holders on the FSC label generator site.	
COC 5.7: In cases that the FSC trademarks are used with the trademarks (logos, names, and identifying marks) of other forestry verification schemes (SFI, PEFC, etc.), Rainforest Alliance approval shall be in place (50-001, 7.2).	
COC 5.8: Use of the FSC trademarks in promotion of the FME’s FSC certification shall not imply certain aspects are included which are outside the scope of the certificate (50-001, 1.9).	
COC 5.9: Use of the FSC trademarks on stationery templates (including letterhead, business cards, envelopes, invoices, paper pads) shall be approved by Rainforest Alliance to ensure correct usage (50-001, 7.3, 7.4 & 7.5).	
COC 5.10: In cases that the FSC trademarks are used as part of a product name, domain name, and/or FME name, R approval shall be in place (50-001, 1.13).	

On-product	
<input checked="" type="checkbox"/> Check if section not applicable (FME does not, and does not plan to apply FSC labels on product)	
COC 5.11: FME shall have a secure system in place for labeling products that ensures the following (50-00,1 1.19): a) Only those products originating from forests covered by the scope of a valid FSC certificate are FSC-labeled; b) Only those products that meet the eligibility requirements per CoC standard	Yes <input type="checkbox"/> No <input type="checkbox"/>

requirements for FSC-labeling are FSC-labeled; c) Only the FSC 100% label is used.	
Findings:	
When applicable to the FME's on-product labeling, the criteria below shall be met:	Yes <input type="checkbox"/> No <input type="checkbox"/>
Findings:	
COC 5.12: The FSC trademark license code assigned by FSC shall be used in the FSC label (50-001, 1.5).	
COC 5.13: FME shall not use the FSC labels together with the logos or names of other forestry verification schemes (50-001, 2.6).	
COC 5.14: The FSC label shall be applied to products in such a way that it is clearly visible (50-001, 2.3).	

APPENDIX VI: Rainforest Alliance Database Update Form

Instructions: For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit RA auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (<http://www.fsc-info.org>)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the RA office to update the FSC database.

Is the FSC database accurate and up-to-date? YES NO
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

Organization name			
Primary Contact		Title	
Primary Address		Telephone	
Address		Fax	
Email		Webpage	

Forests

Change to Group Certificate	<input type="checkbox"/> Yes <input type="checkbox"/> No	Change in # of parcels in group	total members
Total certified area		1,188,335 ha Hectares (or)	Acres

Species (note if item to be added or deleted)

Scientific name	Common name	Add/Delete

Products

FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)		
Level 1	Level 2	Species