

# UPDATE Forest Certification



## Canadian Forest Products Ltd. 2015 CSA Z809 Re-certification/ISO 14001 Surveillance Audit Public Summary Report

Between March and August 2015 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a combined CSA Z809 re-certification/ISO 14001 surveillance audit of Canadian Forest Products Ltd.'s (Canfor's) B.C. and Alberta woodlands operations. This Certification Summary Report provides an overview of the audit process and KPMG's findings.

### Canfor's B.C. and Alberta Woodlands Operations

Canfor's ISO 14001 and CSA Z809 certifications apply to the following defined forest areas (NB: The DFAs listed are based on the gross area under management, and are prorated estimates in the case of some of the volume-based forest tenures):

Defined Forest Areas (Canfor operations only)	DFA Areas (hectares)	Allowable Annual Cut (m <sup>3</sup> )
Radium <sup>1</sup>	392,400	221,005
Vavenby	227,709	546,138
Prince George <sup>2</sup>	2,070,802	3,773,769
Morice	949,820	1,448,455
Mackenzie	2,188,430	1,082,904
Ft. Nelson	7,045,416	1,163,716
Chetwynd	528,877	1,196,363
Grande Prairie	<u>644,695</u>	<u>715,000</u>
<b>Total</b>	<b>14,048,149</b>	<b>10,147,350</b>

1. The above figures do not include operations in relation to 10,000 m<sup>3</sup>/year of Canfor's AAC in the Cranbrook Timber Supply Area which are certified to the ISO 14001 standard only.
2. Canfor manages 3 DFAs within the Prince George Timber Supply Area (TSA). These 3 DFAs include Canfor's operating areas under the Prince George Forest District/TFL 30, Fort St. James and Vanderhoof sustainable forest management (SFM) plans. Operations under these plans are managed or co-managed by Canfor Forest Management Group East and West Operations.

### Audit Scope

The 2015 audit included site visits to all of the DFAs listed above to evaluate the forest management plans and practices carried out by the Company since the completion of the 2014 audit. It included an assessment against all of the requirements of the CSA Z809 standard, including those related to:

- Public participation;
- Maintenance of the sustainable forest management (SFM) plan;
- Monitoring of SFM performance, and;
- Implementation of the various management system components (e.g., rights & regulations, DFA specific performance requirements, operational controls, monitoring and inspections, corrective & preventive actions, internal audits, management review) that are required under the CSA Z809 standard.





Note: Full scope site visits were only conducted at 5 DFAs (Mackenzie, Vanderhoof, Chetwynd, Vavenby and Prince George), with the remaining DFAs being the subject of limited scope site visits that were used to evaluate those CSA Z809 requirements that are unique at the site level (i.e., DFA level SFM plans, annual monitoring reports and the functioning of the local Public Advisory Group (PAG)). This level of audit sampling exceeds the IAF audit sampling requirements for multi-site certifications.

## The Audit

- **Background** – The CSA Z809 and ISO 14001 standards require annual surveillance audits by an accredited Certification Body to assess the operation’s continuing conformance with the requirements of these standards. In addition, full scope re-certification audits are required once every 3 years.
- **Audit Team** – The audit was conducted by a 7 person audit team that included Dave Bebb, RPF, EP(EMSLA) – Lead Auditor, Yurgen Menninga, RPF, EP(EMSLA), Adrienne Hegedus, MF, EMS(LA), Del Ferguson, P.Geo, Dip.ForEng., Neil MacEachern, RPF, Dennis Lozinsky, RPF, EP (EMSLA) and Bodo von Schilling, RPF, EP(EMSLA). All members of the audit team have considerable experience conducting audits against the requirements of the ISO 14001 and CSA Z809 standards.
- **Document Review** – DFA-specific off-site document reviews were completed prior to the field audit in order to assess forest management system (FMS) documentation (e.g., SFM Plan and associated values, objectives, indicators and targets, documentation pertaining to the Public Advisory Group (PAG) process, etc.) and increase the efficiency of the field portion of the audit.
- **Pre-audit Questionnaires** – For 4 DFAs (Mackenzie, Vanderhoof, Vavenby and Prince George), pre-audit questionnaires were sent to PAG members and First Nations representatives whose asserted traditional areas overlap the DFA approximately 4-6 weeks in advance of the audit site visit. The responses were used by the audit team to help identify any concerns that the respondents may have regarding the Company’s forest management plans and practices within the applicable DFAs, and were followed up by phone and/or in person where feasible to do so. Only a limited number of responses to these questionnaires was received, some of which were provided to KPMG after the audit took place and as a result could not be taken into consideration for the 2015 site visits. PAG member responses to the questionnaire were generally positive and required little follow-up by the audit team. Of the limited number of responses from First Nations representatives, a few expressed concerns regarding: (1) the use of herbicides to control brush, and (2) a lack of compensation (by either industry or government) associated with forest harvesting within their traditional territories. The audit team followed up on these concerns during the audit but did not identify any non-conformities with the requirements of CSA Z809 as a result.
- **Field Audit** – The on-site field audit included interviews with a large sample (more than 100 Company staff and an equal or greater number of contractors, PAG members and external stakeholders) and examination of forest management system (FMS) and SFM system records, monitoring information and public involvement information. The audit team conducted field assessments of a large number of field sites (70 roads, 64 harvesting blocks, 28 silviculture sites and 3 logging camps) to assess the Company’s planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices. The 2015 audit took approximately 70 days to complete, 50 of which were on-site. The balance of audit time was spent preparing the audit plan, conducting off-site document reviews, completing various audit checklists and preparing the main and public summary audit reports.

### Canfor 2015 CSA Z809 Re-certification/ISO 14001 Surveillance Audit Findings

New major non-conformities	0
New minor non-conformities	5
Systemic opportunities for improvement	5
Open non-conformities from previous audits	0

#### Types of audit findings

##### Major non-conformities:

Are pervasive or critical to the achievement of the SFM Objectives.

##### Minor non-conformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

##### Opportunities for Improvement:

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

## Audit Objectives

The objective(s) of the audit was to evaluate the sustainable forest management (SFM) system at Canadian Forest Products Ltd. to:

- Determine its conformance with the requirements of the ISO 14001 and CSA Z809 standards;
- Evaluate the ability of the SFM system to ensure that Canfor meets applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that the Company meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

## Audit Conclusions

The audit found that the Company's SFM system:

- Was in conformance with the ISO 14001 and CSA Z809 requirements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included in the Company's SFM Plans, provided that it continues to be implemented and maintained as required.

As a result, a decision has been reached that Canfor's B.C. and Alberta woodlands continue to be registered to the ISO 14001 and CSA Z809 standards.

## Good Practices

A number of good practices were noted during the 2015 audit. The following list highlights some of the examples noted:

- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Company is in the process of developing a variety of due diligence procedures to help address the risks that forest operations pose to migratory birds. (Corporate)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Canfor Houston operation has recently developed a "Block, Road Permit, Site Plan and SUP Checklist" as a means to help ensure plan/permit consistency with FSP requirements. (Houston)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit noted good stand level retention throughout the blocks visited during the audit. This included patch design and individually retained trees. (Vavenby)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit found that the Vanderhoof operation had compiled thorough photo documentation of operations such as bridge installations and deactivations. This serves as a good tool for demonstrating due diligence in the implementation of operational controls. (Vanderhoof)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit found that one of Canfor's logging contractors is using SiteDoc software as a centralized way to track training, incidents, inspections, mechanical work, pre-works and employee task



Canfor holds a multi-site certificate to the CSA Z809-08 standard issued by KPMG PRI. The certificate covers a total of 10 Defined Forest Areas in B.C. and Alberta that is valid until September 20, 2018.

observations. SiteDoc is a highly customizable app with the capability to store photos and signatures. (Chetwynd)

- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: In 2014/15 the Grande Prairie operation combined data from the Foothills Stream Crossing Partnership and Canfor's road maintenance database to improve the classification of risk and prioritization for implementation of impact mitigation strategies in medium and high risk watersheds. (Grande Prairie)
- CSA Z809-08 element 5.2: Canfor Chetwynd staff have expended considerable effort in promoting PAC participation with interested parties including cold calling community members, advertising PAC meetings and inviting the public, handing out flyers regarding the PAC at a trade fair, asking PAC participants to bring a buddy and other initiatives. (Chetwynd)
- CSA Z809-08 element 5.2: The audit found that the Mackenzie PAG continues to have very good representation from local First Nations. (Mackenzie)
- CSA Z809-08 Element 6.1: The Canfor Houston operation continues to work with government, First Nations and other parties in attempting to reduce the potential harvest level impacts associated with various draft government orders relating to spatially defined OGMAs, caribou habitat, etc. (Houston)
- CSA Z809- 08 Element 7.3.5: The Canfor Radium operation and PAG have spent a considerable amount of time over the past year revising the Radium SFM plan so that it can address both CSA Z809 and FSC requirements. Although there are separate CSA Z809 and FSC DFAs, there will be one common set of indicators and targets. Going forward, CSA Z809 and FSC performance results will also be included in the same annual report. (Radium)

## Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of 3 open minor non-conformities from previous audits which related to ISO 14001 and/or CSA Z809 requirements. The audit team reviewed the implementation of the action plans developed by Canfor to address these issues, and found that they: (1) had been implemented as required, and (2) were largely effective in addressing the root cause(s) of these findings. However, isolated recurrences of the issues that gave rise to one of these findings (relating to the deactivation of on-block roads following logging) were noted during the 2015 audit. As a result, 2 out of the 3 open minor non-conformities identified during previous audits have now been closed and 1 has been downgraded to an opportunity for improvement. The Company's continued progress towards addressing the remaining findings will be revisited during the 2016 audit.

## New Areas of Nonconformity

A total of 5 new minor non-conformities were identified during the 2015 ISO 14001/ CSA Z809 audit, as follows:

- ISO 14001 element 4.4.2 and CSA Z809 element 7.4 2 require the organization to establish and maintain procedures for staff and contractor training. These requirements are addressed in a variety of FMS documents and procedures including section 7 of the FMS manual, the training needs assessment, FMS training materials and staff and contractor training records. Under these procedures, contractors are responsible for providing applicable FMS training for their employees and maintaining training records. The audit found that that FMS



The audit team conducted field assessments of a large number of field sites (70 roads, 64 harvesting blocks, 28 silviculture sites and 3 logging camps) to assess the Company's planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.

training requirements had been met in the majority of instances. However, the following weaknesses were noted during the audit:

- Interviews with contractor personnel working on an active logging site found that only 1 of them had completed the required S100 or S100A fire fighting training in the past year. (Chetwynd)
- The audit found that one harvesting contractor had only provided the required annual FMS training to 50% of his crew for the 2015 season. (Prince George)
- ISO 14001 element 4.4.6 and CSA Z809-08 element 7.4.6 require the organization to develop and implement operational controls to ensure that operations are carried out under specified conditions and SFM requirements are met. The Company has addressed this requirement by developing a series of standard work procedures (SWPs) and guidelines (e.g., Canfor Fuel Management Guidelines) that give direction to both staff and contractors regarding the implementation of various components of the FMS. The audit found that these operational controls had been implemented as required in the majority of instances. However, inspection of a sample of active and recently completed sites during the audit identified the following weaknesses in the implementation of operational controls for the management of fuel:
  - The Mackenzie site visit found the following weaknesses in the implementation of Canfor's fuel management procedures: (1) a truck-mounted fuel tank that was missing the required TDG label, (2) a truck-mounted fuel tank was attached to the truck with a nylon strap that would not have prevented the loss of the tank in the event of a roll-over, and (3) a <450 litre tidy tank that was being used to fuel a camp incinerator that was missing the required TDG label. (Mackenzie)
  - The fuel cache at one camp did not meet the requirements of Canfor's fuel management guidelines (i.e., lack of secondary containment or collision protection and a failure to post "no smoking" or WHMIS signage), despite the checklists provided by the contractor indicating that it did. (Vanderhoof)
  - A logging contractor working in the Weedon area was found to be using 2 specification fuel tanks that lacked the required TDG labels. In addition, a <450 litre tidy tank was attached to the truck with a nylon strap that would not have prevented the loss of the tank in the event of a roll-over. (Prince George)
- ISO 14001 element 4.5.1 and CSA Z809 element 7.5.1 require there be documented procedures to monitor key characteristics that can have an environmental impact. These requirements are addressed in FMS Manual section 12 and a number of related procedures and forms (e.g., various SWPs, Pre-work and Inspection Forms, etc.). The audit found that the Company's monitoring and measurement procedures had been implemented as required in the majority of instances. However, the following weaknesses in the implementation of these procedures were noted: (1)
  - A silviculture contractor had failed to complete the required brushing and fill planting of 1 block, and no final inspection of these activities could be located. (Vavenby)
  - A final inspection (completed aerially) for 1 block failed to identify a number of deficiencies (i.e., inadequate road deactivation, small roadside piles or merchantable wood that had not been loaded out and a log fill crossing on an S4 stream that had not been removed. (Prince George)



The audit noted a number of conservative riparian management practices on the sites included in the field sample (e.g., larger streams and wetlands that had been excluded from the harvest area and protected with well-sized buffers, good retention of understory vegetation, non-merchantable and scattered merchantable trees on internal S4s, S6s and NCDs, etc.). (Prince George)



- ISO 14001 element 4.5.3 and CSA Z809 element 7.5.2 require the organization to develop and implement procedures for dealing with actual or potential non-conformities and for taking corrective action to address the issue and minimize the potential for recurrence. These requirements are addressed in FMS Manual section 13 and a number of related procedures and forms (e.g., Incident Reporting SWP, Pre-work and Inspection Forms, etc.). The audit found that the Company's monitoring and measurement procedures had been implemented as required in the majority of instances. However, the following weaknesses in the implementation of these procedures were noted during the audit:
  - There was no formal closure in the Incident Tracking System (ITS) of action items that had been developed to address issues noted during the internal inspection of a logging camp. In addition, 2 of the action items associated with a June 2014 fuel storage and handling inspection of the same camp had not been completed. (Mackenzie)
  - Review of ITS reports found 2 corrective actions with expired completion dates where the required actions had not been completed. (Grande Prairie)
- CSA Z809 element 6.1 requires the organization to work with the PAG to: (1) establish performance requirements in relation to all of the SFM elements and associated core indicators included in the standard, and (2) prepare an annual monitoring report to communicate performance and (where targets have not been met) propose corrective actions in relation to all of the targets included in the applicable SFM plan. The audit found that this requirement had been met in relation to the majority of the SFM plans included within the scope of the Company's multi-site CSA Z809 certification. However, a weakness was noted during the audit regarding performance in relation to Chetwynd SFM plan indicator 36 (harvest method) which is intended to help ensure that the full timber profile is being harvested. The current target for this indicator is that a maximum of 84% of the coniferous landbase be harvested using conventional (ground-based) harvesting methods over a 5 year period, with the remaining 16% being harvested using other (cable or aerial) systems. However:
  - For the 2009-2013 cut control period Canfor Chetwynd had only harvested 11% of the coniferous landbase using non-conventional methods.
  - BCTS (the other SFM plan signatory) has to date not reported their performance in relation to this indicator. As such, the numbers included in the annual report may not provide an accurate indication of the licensee team's overall performance in relation to this indicator.
  - The licensee team has yet to develop a clear corrective action plan to address the gap between the target for non-conventional harvesting and the current level of performance. (Chetwynd)



The audit found that the Vanderhoof operation had compiled thorough photo documentation of operations such as bridge installations and deactivations. This serves as a good tool for demonstrating due diligence in the implementation of operational controls. (Vanderhoof)

## Systemic Opportunities for Improvement

A total of 5 new systemic opportunities for improvement was identified during the 2015 ISO 14001/CSA Z809 audit, as follows:

- The Canfor FMS Manual indicates that the FMS applies to all woodlands operations up to the point where the wood crosses the scales, after which activities may still fall under the PEFC CoC system. Canfor Mackenzie is planning to install a scale and dump at a remote camp and use the Williston Transporter to move wood south on Williston Lake. This situation is unique within the Company. At the time that the 2015 audit took place the transporter and associated de-watering activities and infrastructure at the Mackenzie operation

were not in scope for the Company's ISO 14001 and CSA Z809 certifications. The Company does not currently have FMS procedures to address the environmental risks associated with these activities. However, plans are in place to develop such procedures in fall 2015. (Mackenzie/Corporate)

- The audit found that the Company's staff training procedures had been implemented as required in the large majority of instances. However, the following isolated weaknesses in the implementation of these procedures were noted:
  - The Canfor Vavenby Planning Forestry Supervisor (who is new to the role of divisional FMS representative) has only received a brief orientation regarding the general requirements of the role. (Vavenby/Corporate)
  - The 2015 Prince George internal audit found that some woodlands staff were not up to date in their training. Although this weakness has since been remedied, this issue can in part be attributed to an over-reliance on the Eclipse system, which does not currently assign training needs based on the role/position of staff, but is instead linked to the person.
- The audit found a number of isolated weaknesses in the implementation of operational controls (e.g., Chetwynd - failure to include a small 0.2 hectare harvesting trespass in a site plan amendment; Chetwynd - no mention of fish timing window requirements in the pre-work for a bridge construction project; Chetwynd - lack of understanding/agreement between Canfor and BCTS regarding the proposed harvesting method for planned and reseed blocks provided to BCTS by Canfor; Vavenby - failure to show a small (0.35 ha) non-productive area on the site plan map or related documents for 1 harvest block; Prince George - lack of adequate sediment control measures on 1 recently installed bridge on an S4 stream).
- The audit noted a number of isolated weaknesses in the implementation of the Company's emergency preparedness and response procedures (e.g., Vanderhoof - missing grey (universal) pads in 2 machines working on a harvest block; Chetwynd - the contractor working on a harvest block had a number of fire extinguishers that were missing inspection tags or had last been inspected in 2013/early 2014; Vavenby - a small spill of hydraulic oil had not been remediated by the contractor prior to leaving the site; Prince George - a cat operator working on a road construction project did not have the required spill kit on his machine;
- The audit found that the Company's procedures for addressing FMS non-conformities had been implemented as required in the large majority of instances. However, a systemic weakness was noted at a number of divisions regarding the closure of incidents in ITS. A number of the divisions that were audited in 2015 are not using the attachments function in ITS to justify action plan closure. This creates challenges to staff when attempting to justify why a particular action plan item has been closed, and also weakens the ITS as a tool for demonstrating due diligence. (Corporate)



The audit noted good stand level retention throughout the blocks visited during the audit. This included patch design and individually retained trees. (Vavenby)

## Isolated Issues

A number of isolated (i.e., non-systemic) weaknesses in the implementation of FMS requirements were also identified during the 2015 audit. These have been reported to the woodlands operations where the issue(s) were noted, and the Company has developed divisional-level action plans to address these issues.

## Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the 2015 audit have been developed by Canfor's woodlands operations and reviewed and approved by KPMG PRI. The 2016 audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required

## Focus Areas for the Next Audit

The following issues/topics have been identified as focus areas for the next audit:

- Implementation of the action plans developed by the Company to address the open findings from the 2015 and previous ISO 14001/CSA Z809 audits.
- The implications of the planned expansion in operations/harvest level associated with additional quota in the Mackenzie TSA obtained from other licensees, including local First Nations (e.g., hiring and training of additional staff, adequacy of quality control over block layout completed by contractors/Company staff, etc.). (Mackenzie)
- Efforts by the Mackenzie division to address the species and geographic harvest level partition requirements associated with the 2014 AAC determination. (Mackenzie)
- Evaluation of monitoring programs for roads and bridges in Fort Nelson (specifically the Pipeline Bypass and Kledo and related bridges). (Fort Nelson)
- Steep slope (>20%) harvesting at the Grande Prairie operation.
- Operational plans and public communication in the Upper Clearwater area. (Vavenby)
- Progress towards the completion of a new TSR for the PG TSA. (Prince George)
- Staff and contractor training in the procedures to address the habitat needs of migratory birds that are currently being developed by the Company. (Corporate)
- Changes in divisional plans and procedures that are required to address recently established fisheries sensitive watersheds. (Prince George)
- Follow-up on stakeholder concerns that were communicated to KPMG PRI after the 2015 audit was completed.

## Date of the Next Audit

The next CSA Z809/ISO 14001 audit of Canfor's B.C. and Alberta woodlands operations will take place over several months, commencing in winter 2016.



Inspection of a sample of silviculture sites during the 2015 audit found that the Company continues to meet its obligations to reforest harvested areas with preferred and acceptable tree species within specified timeframes.

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