



Canadian Forest Products Ltd. (Canfor) 2019 SFI Surveillance Audit Summary Report

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

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

Description of Canfor's Woodlands Operations

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

- Chetwynd
- Fort St. John (including Fort Nelson)
- Grande Prairie
- Houston
- Kootenay SFI (including Wynnwood)
- Mackenzie (indefinitely curtailed July 2019)
- Prince George
- Vanderhoof (including Fort St James)
- Vavenby (closed July 2019)

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

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

The forests managed by Canfor are predominantly coniferous with the main commercial tree species being lodgepole pine, white and Engelmann spruce, Douglas-fir, amabilis and balsam fir, and trembling aspen.

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

- (1) Muskwa/Slave Lake Forests
- (2) Northern Transitional Alpine Forests
- (3) North Central Rockies Forest



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

These are also ecoregions from which the Company procures fibre from third parties to supplement supplies harvested from its own woodlands operations.

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

Description of Canfor’s Fibre Sourcing Program

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

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

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

Audit Scope

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

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

Canfor 2019 SFI Surveillance Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	2
New opportunities for improvement	2

The Audit

- **Audit Team** – The audit was conducted by a five person audit team comprising Yurgen Menninga, RPF, EP(EMSLA), lead auditor, and Dave Bebb, RPF, EP(EMSLA) Branden Beatty, RPBio, EP(EMSLA), Sylvi Holmsen, RPF, EP(EMSLA), and Orrin Quinn, RPF.
- **2019 SFI Surveillance Audit** – The audit involved an on-site assessment of all elements of the Company’s SFI program, and included visits to a large number of field sites (46 roads, 44 cutblocks, 8 silviculture sites, 17 wood procurement sites and 1 camp) to evaluate conformance with the requirements of the SFI forest management and fibre sourcing standards. The audit took a total of 51 auditor days to complete, 35 days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, and the main and public summary audit reports. Also time was dedicated to completing an off-site review of selected company documents and records, and various audit checklists.
- **Multi-site Audit Sampling** – Canfor holds a multi-site SFI certificate covering a total of nine woodlands operations and associated fibre sourcing activities. Field visits were made to all nine locations during the course of the audit. The Company’s head office was also visited for staff interviews and a review of SFI-related documents. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **Canfor’s SFI Program Representative** – Darrell Regimbald, RPF, Certification Specialist, served as Canfor’s SFI program representative during the audit.

Use of Substitute Indicators

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

Audit Objectives

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

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

Types of audit findings

Major non-conformities:

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

Minor non-conformities:

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

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

Opportunities for Improvement:

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

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

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

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	N/A not sampled this audit.
2. Forest Health and Productivity	N/A not sampled this audit.
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, interviews with staff and contractors, review of site plans & harvest plans.
4. Conservation of Biological Diversity	N/A not sampled this audit.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, harvest plans, field inspections.
6. Protection of Special Sites	N/A not sampled this audit.
7. Efficient Use of Fibre Resources	Forest management plan, interviews with staff and contractors, waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples' Rights	N/A not sampled this audit.
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections, interviews with staff and contractors, review of management system documentation.
10. Forestry Research, Science and Technology	N/A not sampled this audit.
11. Training and Education	N/A not sampled this audit.
12. Community Involvement and Landowner Outreach	Forest management plan, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	N/A not sampled this audit.
14. Communications and Public Reporting	N/A not sampled this audit.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



This natural spring was identified during per-harvest planning fieldwork, and a wide timbered buffer was applied. The audit verified that the buffer was implemented correctly during harvesting and the spring adequately protected.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the Best Management Practices monitoring system, inspection of a sample of procurement sites, staff interviews.
3. Use of Qualified Resource and Qualified Logging Professionals	N/A not sampled this audit.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites, staff interviews.
5. Forestry Research, Science and Technology	N/A not sampled this audit.
6. Training and Education	N/A not sampled this audit.
7. Community Involvement and Landowner Outreach	WCSIC minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	N/A not sampled this audit.
9. Communications and Public Reporting	N/A not sampled this audit.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.
12. Avoidance of Controversial Sources Including Illegal Logging	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A—relates to sourcing fibre from outside Canada/USA, which Canfor does not do.



This photo shows a temporary winter road where it crossed a watercourse. The bridge has been removed, and visible at the centre of the frame is the intact riparian vegetation. The road surface has been decompacted and will be grass seeded and planted. The log pieces on the former road surface visible in the foreground have been placed to interrupt sediment movement.

Good Practices

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

- SFI FM Objective 1 (forest management planning) – At a number of divisions the company has been proactive in planning harvest of stands impacted by fire and disease. Specifically:
 - The Grande Prairie division has been focusing harvest on small pine stands to salvage beetle-killed pine.
 - The Houston and Kootenay divisions have made considerable effort toward prompt salvage of timber damaged in the 2018 fires. As well, during planning of the fire salvage the Kootenays division has been heavily engaged with the Ktunaxa Nation Council (which represents several bands in the region) and the Forest Service to streamline the permitting process, accommodating First Nation interests early in the process.
- SFI FM Objective 4 (biodiversity) – In regards to biodiversity, the following good practices were raised:
 - At Grande Prairie the division is maintaining a forest management program based on the Natural Range of Variation (NRV, where harvesting patterns mimic the historical fire pattern regarding opening size, shape, and leave areas).
 - At Houston, inspection of a sample of recent fire salvage blocks found the operation has implemented a number of practices (e.g., critter piles and rows) in an effort to create wildlife habitat in stands that have been heavily impacted by fire where there are limited options for stand level retention.
- SFI Fibre Sourcing Standard Objective 2 (adherence to best management practices) – For purchase wood, staff maintain an environmental risk spreadsheet which provides a clear and consistent risk-based approach to determine which purchases require field inspections. It is based on the Western Canada SFI Implementation Committee approach, and includes additional risk indicators such as harvest season, risk of negative impact to water, and whether the logger is a trained Qualified Logging Professional, etc.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of four open non-conformities from previous Canfor external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that they: (1) had been implemented as required, and (2) were effective in addressing the root causes of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.

Areas of Nonconformance

Two new minor non-conformities were identified during the SFI surveillance audit of Canfor's woodlands and fibre sourcing operations as follows:

- SFI Forest Management Objective 9 (regulatory compliance) – While the audit found that in most cases the company program to track regulatory non-compliances was being implemented correctly, at one division a gap was



Example of a typical harvest block at the Company's Grande Prairie operations, where as noted in the Good Practices to the left, harvesting follows Natural Range of Variation plans that mimic historical fire disturbance patterns.

identified. Where government compliance inspections noted minor compliance concerns that were not further investigated, or where there was no penalty, they were not being recorded or tracked in the company system.

- SFI Forest Management Objective 13 (public land management responsibilities) – Canfor’s procedures outline how stakeholder communication and commitments will be recorded. While in a large majority of cases these were being followed as specified, at one division where harvesting was adjacent to a cattle rancher’s tenure the Company had committed to repairing any fencing that was damaged during harvest. However records show the fencing was damaged but not repaired and some cattle escaped. As well the procedures go on to state that when Company commitments such as this are made to stakeholders and not followed through on, they are to be entered as incidents and managed by the compliance forester, but this did not happen.

Opportunities for Improvement

Two new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI Forest Management Objective 9 (regulatory compliance) – At one division Canfor held the government issued cutting permit on a harvest block, and then allowed another SFI-certified company to harvest the block. When the other company identified a compliance issue regarding water management resulting from its harvesting, it reported this to government as well as Canfor and took corrective actions. Canfor did not enter the event in its compliance tracking system. However Canfor is ultimately liable for their incident, so recording it would demonstrate due diligence.
- SFI Fibre Sourcing Objective 13 (public land management responsibilities) – The audit found that at one division the reasoning behind stakeholder commitments could be better documented. For example in a harvesting area adjacent to a wetland a commitment was made to a guide-outfitter to maintain a machine-free zone (MFZ) around the wetland, but it was not clear what the intended result of the MFZ was. If the outfitter was expecting some understory vegetation to provide additional screening on the wetland, this was not achieved. Ensuring and communicating a clear understanding of the expected outcome and the commitment will improve the likelihood that the results on the ground will satisfy the stakeholder objectives.

Audit Conclusions

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

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the systems continue to be implemented and maintained as required.

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

Corrective Action Plans

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

Focus Areas for the Next Audit Visit

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

- Fibre sourcing site visits to south-west Alberta, where the Radium mill purchases wood.

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