



## Canadian Forest Products Ltd. 2013 CSA Z809/ISO 14001 Surveillance Audit Public Summary Report

Between February and August 2013 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a combined CSA Z809/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	192,539	489,138
Prince George <sup>2</sup>	1,809,317	3,799,540
Houston (Morice) <sup>3</sup>	610,788	1,071,111
Mackenzie	2,188,430	1,082,904
Quesnel	220,129	783,861
Ft. Nelson	7,045,416	1,163,716
Grande Prairie	<u>649,160</u>	<u>715,000</u>
<b>Total</b>	<b>13,108,179</b>	<b>9,326,275</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.
3. The above figures do not include operations in the Canfor chart area within the Lakes TSA (which covers approximately 29,000 hectares and has an AAC of 53,627 m<sup>3</sup>/year) that are certified to ISO 14001 only.



### Audit Scope

The 2013 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 2012 audit. It included a limited scope assessment against selected requirements of the CSA Z809 standard, including those related to:

- Public participation;
- Maintenance of the SFM plan;
- Rights & regulations;





- Monitoring of SFM performance, and;
- Implementation of a sample 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.

## 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 8 person audit team (all team members are B.C. Registered Professional Foresters and 1 is also an Alberta Registered Professional Forester), all of whom are certified sustainable forest management (SFM) and/or environmental management system (EMS) auditors.
- Document Review** – An off-site document review was completed prior to the field audit in order to assess EMS and SFM system 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.
- Field Audit** – The on-site field audit included interviews with a sample of staff, contractors and PAG members 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 (74 roads, 71 harvesting blocks, 58 silviculture sites and 2 logging camps) to assess the Company's planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.

## Audit Objectives

The objectives of the 2013 ISO 14001/CSA Z809 audit were to:

- Assess the extent to which the Company's SFM system conforms to the requirements of the ISO 14001 and CSA Z809 standards.
- Evaluate Canfor's progress towards addressing the open findings from previous external audits.

## 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 the system 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.

### Canfor 2013 CSA Z809/ISO 14001 Surveillance Audit Findings

New major non-conformities	0
New minor non-conformities	4
Systemic opportunities for improvement	3
Open non-conformities from previous audits	2

#### 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, which must be fully implemented by the operation within 3 months.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

#### Opportunities for Improvement:

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

## Good Practices

A number of good practices were noted during the 2013 audit. The following list highlights some of the examples noted:

- ISO 14001 element 4.4.3/CSA Z809 element 7.4.3: Review of the recent public advertisement related to significant amendment 16 for the Canfor Houston FSP found that it included a good summary of the nature of the amendment, as well as indicating that the Red Top area (which had been the subject of a previous court injunction) was not included in the amendment. (Houston).
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: A high level of conformance with FMS requirements and applicable regulatory requirements was observed on the field sites that were visited during the audit. (All Divisions).
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit found that one logging contractor uses a movable “checkpoint” located on the access road to active logging sites that contains all of the key FMS and safety documentation (e.g., pre-work, site plan, EPRP, block sign-in sheet, etc.) applicable to the block. (Quesnel)
- CSA Z809 element 6.1: Review of the draft 2011/12 Houston SFM plan annual report as well as inspection of a sample of recently harvested blocks found that the operation had done a good job of ensuring that there is sufficient stand level retention to address biodiversity and wildlife habitat concerns (an average of 14.5% of blocks harvested in 2011/12 were retained in WTPs versus the SFM plan target of 7%). (Houston)
- ISO 14001 element 4.4.7/CSA Z809 element 7.4.7: The Kootenay Region from Radium to Elko experienced an extreme flood event commencing June 17 and peaking June 20/21, 2013. Radium was proactive in advance of flooding by implementing the Road Closure SWP by barricading roads leading to drainages in the flood zone. The Company also prepared a Natural Disaster Response notification to all staff regarding potential hazards resulting from flood damage and included control measures to minimize risk. (Radium)
- LiDAR technology has been incorporated into Canfor Chetwynd logging plan maps for a number of years, and logging contractors and workers indicated that the technology has resulted in significant improvements in harvesting on and adjacent to steep slopes. (Chetwynd)
- ISO 14001 element 4.3.3: The audit found that Canfor had made good efforts with respect to one First Nation’s concerns around operations, including avoiding herbicide use in the Critical Community Use Area, providing a buffer around the reserve and working towards developing an agreement for communication regarding planned operations. (FSJPP)
- ISO 14001 element 4.5.3/CSA Z809 element 7.5.2: The audit noted timely incident reporting, investigation and response by Canfor and one of the Company’s logging contractors in relation to recent harvesting/road-related stream sedimentation issues noted on one harvest block in the Prince George DFA. (Prince George)
- CSA Z809 element 7.3.3: Grande Prairie COPI records demonstrate persistent effort on behalf of woodlands staff to encourage Aboriginal members to engage in FMAC and in forest management plan consultation. (Grande Prairie)
- ISO 14001 element 4.5.1/CSA Z809 element 7.5.1: In response to a number of ongoing government investigations regarding alleged non-compliance with soil disturbance limits specified in site plans, Fort St. James operations staff continue to conduct soil disturbance and compaction assessments, engage a local forester who is an expert in such surveys and promptly rehabilitate affected areas where problems are noted. (Fort St. James)



The audit team conducted field assessments of a large number of field sites (74 roads, 71 harvesting blocks, 58 silviculture sites and 2 logging camps) to assess the Company’s planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.



## Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of 8 open minor non-conformities from previous audits. The audit team reviewed the implementation of the action plans developed by Canfor to address these issues, and found that good progress had been made in relation to the majority of these findings. As a result, 5 out of the 8 minor non-conformities identified during previous audits have now been closed, 2 (weaknesses in the implementation of fuel management requirements and the indicator forecasts included in some SFM plans) remain open, and 1 (weaknesses in the provision of current status information relative to some SFM plan indicators) has been downgraded to an opportunity for improvement. The Company's continued progress towards addressing the remaining findings will be revisited during the 2014 audit.

## New Areas of Nonconformity

A total of 4 new minor non-conformities were identified during the 2013 audit, as follows:

- CSA Z809-08 element 7.4.3 requires the organization to make publicly available an annual report on its performance in meeting and maintaining the SFM requirements. Public reporting of performance under SFM plans is also addressed in section 8 of the FMS Manual, which includes a requirement to ensure that annual reports are available to the public. However, at the time that the 2013 Quesnel site visit took place (i.e., late February 2013) a Quesnel SFM plan annual report for 2011 had yet to be finalized and made publicly available. (Quesnel)
- 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. One such operation control is the Contract Worker SWP which requires contractors to (1) minimize site disturbance, and (2) minimize siltation and debris into water bodies. However, a field review of a harvest block at the Vavenby operation during the audit identified weaknesses in the implementation of these procedures resulting in: (1) an area of excessive site disturbance on a portion of the block, and (2) a failure to adequate clean accumulated soil and gravel on a bridge deck that resulted in sediment input into an S3 stream. (Vavenby)
- 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 various related procedures and forms (e.g., Temporary Bridge Specifications, Pre-work, Certification and Inspections document). The form states that the contractor is to "complete, sign, and submit this installation checklist and as-built drawing to the Canfor supervisor...prior to hauling", at which point the supervisor inspects the bridge, completes the inspection checklist, and signs/seals the Crossing Assurance Statement portion of the document. However, while these forms were correctly completed for the several bridges reviewed, the audit identified one block where although the pre-work and contractor inspection portions were completed, neither the Canfor Inspection nor the Crossing Assurance Statement had been, even though the bridge had been hauled on and was about to be pulled. (Vanderhoof)
- CSA Z809-08 element 6.1 requires that forecasts be prepared for the expected responses of each indicator to applicable strategies, and that the methods and assumptions used for making each forecast be described. However, our review of the March 14, 2013 version of the Fort Nelson SFM plan found that it lacks



In order to ensure that the 2013 Canfor CSA Z809/ISO 14001 audit included an assessment of as broad a range of forest practices as possible, site visits to selected woodlands operations were conducted under both winter and summer (snow-free) conditions.

forecasting information for several key SFM indicators. In many instances, the plan simply states that: “forecasting does not apply to this indicator”.

## Systemic Opportunities for Improvement

A total of 3 new systemic opportunities for improvement were identified during the 2012 audit, including:

- CSA Z809-08 element 7.4.3 requires the organization to make publicly available an annual report on its performance in meeting and maintaining the SFM requirements. Public reporting of performance under SFM plans is also addressed in section 8 of the FMS Manual, which includes a requirement to ensure that annual reports are available to the public. However: (1) review of the record for the 2012 FMS management review (completed on February 13, 2013) found that performance in relation to SFM plan targets was still listed as “pending” for a total of 5 SFM plans including Fort St. James, Vanderhoof, Houston, Vavenby and Radium, and (2) review of the Canfor SFM plan webpage in October 2013 found that electronic copies of the 2011/12 SFM plan annual reports for a number of DFAs (e.g., Vanderhoof, Radium, TFL 48, FSJPP, etc.) had still yet to be posted to the website. (Corporate)
- Canfor has developed a variety of operational controls that are designed to help ensure that operations meet the Company’s environmental objectives and are conducted in accordance with regulatory requirements. Inspection of a sample of field sites found that these controls were adequate and had been implemented as required in the large majority of instances. However, a few isolated weaknesses in the content and/or implementation of operational controls were noted during the audit (e.g., weaknesses in the management of CWD levels on some harvest blocks at the Houston operation, isolated weaknesses in the implementation of riparian management requirement at the Houston operation, management prescriptions included in some FSJPP site plans that were not carried over to the pre-work documents given to contractors, etc.). (Houston and Vavenby)
- ISO 14001 element 4.5.3 and CSA Z809-08 element 7.5.2 requires the organization to establish and maintain procedures to address non-conformities, including those identified through internal and external audits. This requirement is addressed through the Company’s ITS. The audit found that the Company’s procedures for addressing non-conformities had been implemented as required in the majority of instances. However, isolated weaknesses in the implementation of these procedures (e.g., weaknesses in the content and tracking of some action plan items developed to address external audit findings by the Houston operation, inadequate documentation of incident root cause analysis at the Chetwynd and Fort St. John operations). (Houston, Chetwynd and FSJPP)

## Isolated Issues

A number of isolated (i.e., non-systemic) weaknesses in the implementation of FMS requirements were also identified during the 2013 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.



The audit noted timely incident reporting, investigation and response by Canfor and one of the Company’s logging contractors in relation to recent harvesting/road-related stream sedimentation issues noted on one harvest block in the Prince George DFA. .

## Corrective Action Plans

- Corrective action plans designed to address the root cause(s) of the non-conformities identified during the 2013 audit have been developed by Canfor's woodlands operations and reviewed and approved by KPMG PRI. The 2014 surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.

## Focus Areas for the Next Audit

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 2013 and previous ISO 14001/CSA Z809 audits.
- Forest management concerns expressed by local First Nations regarding the DFAs included in Canfor's multi-site CSA Z809 certification.
- The Company's ISO 14001 certificate expires on November 16, 2014. In order to ensure that there is no gap in certification, a full-scope ISO 14001 re-certification must be completed by early October 2014.
- The Fort Nelson operation has been curtailed for several years, and the 2 Company mills located in the area have recently been dismantled. However, the Fort Nelson DFA continues to be included within the scope of the Company's multi-site ISO 14001 and CSA Z809 certifications. The 2014 audit will include an assessment of whether the Company retains an adequate degree of influence over the achievement of SFM plan targets to justify the continued certification of this operation.

## 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 2014.



A high level of conformance with FMS requirements and applicable regulatory requirements was observed on the field sites that were visited during the audit. (All Divisions).

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