

UPDATE Forest Certification



Canadian Forest Products Ltd. 2014 CSA Z809 Surveillance/ISO 14001 Re-certification Audit Public Summary Report

Between February and August 2014 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a combined CSA Z809 surveillance/ISO 14001 re-certification 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 ³)
Radium ¹	392,400	221,005
Vavenby	194,912	489,138
Prince George ²	1,982,052	3,599,540
Morice ³	829,470	1,264,924
Mackenzie	2,188,430	1,082,904
Ft. Nelson	7,045,416	1,163,716
Chetwynd ⁴	486,886	683,612
Grande Prairie	<u>649,160</u>	<u>715,000</u>
Total	13,764,261	9,685,633

- The above figures do not include operations in relation to 10,000 m³/year of Canfor's AAC in the Cranbrook Timber Supply Area which are certified to the ISO 14001 standard only.
- 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.
- The above figures include a new licence that was recently acquired from West Fraser Mills Ltd. but 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 m³/year) that are certified to ISO 14001 only.
- The Chetwynd operation (previously covered under a separate single-site CSA Z809 certificate) was recently added to the scope of Canfor's multi-site CSA Z809 certificate.

Audit Scope

The 2014 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 2013 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;
- 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 7 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 (60 roads, 56 harvesting blocks, 33 silviculture sites and 3 logging camps) to assess the Company’s planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.

Audit Objectives

The objectives of the 2014 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 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.

Canfor 2014 CSA Z809 Surveillance/ISO 14001 Re-certification Audit Findings

New major non-conformities	0
New minor non-conformities	3
Systemic opportunities for improvement	1
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, 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 2014 audit. The following list highlights some of the examples noted:

- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Mackenzie division uses the “Rust Risk Free-growing Tool” which is based on a rust strategy developed by the regional forest pathologist and predicts future rust incidence and includes mapping of high-risk rust areas. This was found to be an effective tool to ensure stands continue to be free growing following the FG declaration. (Mackenzie)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit found that the Radium operation had implemented additional procedures to limit/prevent sedimentation of watercourses above the Radium domestic water intake, including armouring all cross-drain culverts, installing armoured sumps at both ends of culverts and replacing a large culvert designed for in-stream installation with a small temporary bridge to eliminate in-stream work on the Forester road and bridge construction projects. (Radium)
- ISO 14001 element 4.5.1/CSA Z809 element 7.5.1: The Grande Prairie operation has implemented a stream crossing data program cooperatively developed with the Foothills Stream Crossing Partnership (FSCP). The FSCP system uses tablets for documenting inspections (bridges and culverts) and will provide data consistency through built-in data validation processes and system functionality to facilitate remediation planning and reporting. (Grande Prairie)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit found that the Fort St. John operation had implemented effective procedures to help manage how it meets the Migratory Bird Act Regulations. These include a management strategy (developed in July 2013) that is used to determine the likelihood of certain stands containing active nests based on tree species, age, and timing of operations. Where a high likelihood is determined biologists undertake detailed bird surveys for consideration during harvest scheduling. (Fort St. John)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Vanderhoof operation is introducing a small chipping facility at the Plateau mill site on a trial basis for processing 1500m³ of pulp logs down to a 2 inch top. The chipping facility will utilize logging waste that has previously been burned on site. (Vanderhoof)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Company has recently (April 2014) developed a Structure Management System as a means to provide staff with better direction regarding forest management system (FMS) and Regulatory requirements for the planning, installation, maintenance and deactivation of bridges and major culverts. (Corporate)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit observed conservative riparian management (well sized and located buffers along various stream classes, effective water control on in-block roads, etc.) on the sites visited included in the audit sample. (Prince George)
- ISO 14001 4.4.6/CSA Z809 7.4.6/7.3.3: A high level of conformance with FMS requirements and applicable regulatory requirements was observed on the field sites that were visited during the audit. (Corporate)
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The Houston operation took a lead role in proposing an alternate plan for establishing OGMA. The alternate plan prioritized OGMA in areas with high environmental values while reducing the impact on timber supply and has the support of Forest Licence holders, First Nations and government.



The audit team conducted field assessments of a large number of field sites (60 roads, 56 harvesting blocks, 35 silviculture sites and 3 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 6 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 in the large majority of instances, and (2) were effective in addressing the root cause(s) of these findings. As a result, 5 out of the 6 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 2015 audit.

New Areas of Nonconformity

A total of 3 new minor non-conformities were identified during the 2014 ISO 14001/CSA Z809 audit, as follows:

- 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. The 2012 audit identified a number of weaknesses in relation to the indicator forecasts included in the Nicola Thompson Fraser (NTF) SFM plan. These weaknesses were previously included in a multi-SFM plan non-conformity (2012-NC-05) which has now been closed due to effective implementation of the action plans applicable to the large majority of SFM plans to which this finding applied. However, review of the current (January 2014) version of the NTF SFM plan during the June 2014 Vavenby site visit found that the plan has yet to be revised to address all of the previously identified weaknesses regarding indicator forecasts. Note: Although the weaknesses in indicator forecasts have existed in the NTF SFM plan for some time, there is sufficient evidence of progress towards addressing this issue to justify a minor (and not major) non-conformity at this time. (Vavenby)
- 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) 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 sites during the audit identified a number of weaknesses in the implementation of operational controls (e.g., poor sediment control on 1 active Radium haul road, inadequate deactivation of some Vanderhoof in-block roads, garbage left on several Fort St. James harvesting sites). (Radium, Vanderhoof and Fort St. James)
- 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, weaknesses in the implementation of these procedures were noted on some of the sites visited during the audit (e.g., lack of an inspection for 1 camp located at the Mackenzie operation, inspections not completed at the required frequency for some sites at the Vanderhoof and Fort St. James operations, failure to identify the need to remove a log fill crossing on an NCD during the final inspection of a Vanderhoof harvest block). (Mackenzie, Vanderhoof and Fort. St. James).



The Mackenzie division uses the "Rust Risk Free-growing Tool" which is based on a rust strategy developed by the regional forest pathologist and predicts future rust incidence and includes mapping of high-risk rust areas. This was found to be an effective tool to ensure stands continue to be free growing following the FG declaration. (Mackenzie)

Systemic Opportunities for Improvement

A total of 1 new systemic opportunity for improvement was identified during the 2014 ISO 14001/CSA Z809 audit, as follows:

- ISO 14001 element 4.4.5 and CSA Z809-08 element 7.4.5 require the organization to develop and implement procedures for document control to ensure that: (1) FMS document development, review and revision is adequately controlled, (2) relevant documents are available at point of use, and (3) the unintended use of obsolete documents is prevented. These requirements are addressed in section 9 of the Company's FMS and various standard work procedures (SWP)s including the Contract Worker SWP. The audit found that the Company's document control procedures had been implemented as required in the large majority of instances. However, some isolated weaknesses in the implementation of these procedures were noted (e.g., a skidder operator and an excavator operator at the Radium operation who did not have block maps in their machines, one Fort St. James loader operator who did not have a copy of the emergency response plan (EPRP), lack of a block map and EPRP on equipment operating on an active Vavenby harvest block). (Radium, Fort St. James and Vavenby)

Isolated Issues

A number of isolated (i.e., non-systemic) weaknesses in the implementation of FMS requirements were also identified during the 2014 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 2014 audit have been developed by Canfor's woodlands operations and reviewed and approved by KPMG PRI. The 2015 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 2014 and previous ISO 14001/CSA Z809 audits.
- The Company's CSA Z809 certificate expires on November 7, 2015. In order to ensure that there is no gap in certification, a full-scope CSA Z809 re-certification must be completed by early October 2014.

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 2015.



The audit observed conservative riparian management (well sized and located buffers along various stream classes, effective water control on in-block roads, etc.) on the sites visited included in the audit sample. In the picture above, a timbered buffer containing at least 10 dominant/co-dominant trees per 100 metres of stream length has been retained adjacent to a small default S4 (potentially fish-bearing) stream. (Prince George)

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