



March 2006

Certification Report



Canadian Forest Products Ltd. Vanderhoof Defined Forest Area

As a component of Canfor's ongoing commitment to sustainable forest management and forest certification, an audit team from PricewaterhouseCoopers LLP conducted a CAN/CSA Z809-02 registration audit on Canfor's Sustainable Forest Management ("SFM") Plan and SFM practices and procedures on the Vanderhoof Defined Forest Area ("DFA") in March 2005. The audit team also conducted an ISO 14001:1996 Surveillance Audit on Canfor's Environmental Management System ("EMS") and its EMS Practices and Procedures at the same time.

The audits determined that Canfor's Vanderhoof Division had successfully implemented a Sustainable Forest Management System and developed an SFM Plan that met the requirements of the CAN/CSA Z809-02 Standard for Sustainable Forest Management. The audit results demonstrate Canfor's strong commitment to Sustainable Forest Management on the lands that it manages.

The formal Registrar's Report and assertion letter can be viewed at www.canfor.com/sustainability/certification/csa.asp

Background Information

The Vanderhoof DFA is located on the North Central Interior Plateau at the Geographical center of British Columbia near the communities of Vanderhoof and Fraser Lake. The DFA comprises the Vanderhoof Forest District as defined by the Ministry of Forests and Range, excluding woodlots and private land. The Defined Forest Area (Vanderhoof Forest District) covers 1.4 million hectares with an allowable annual harvest of 1.9 million cubic metres (all licensees). Canfor's AAC in the DFA is 1.55 million cubic metres.

The development of the SFM Plan and interaction with the Public Advisory Group were done in co-operation with the three other major licensees operating on the DFA, Lakeland Mills Ltd., L&M Lumber Ltd. and BC Timber Sales.

Certification to the CAN/CSA Z809-02 and ISO 14001:1996 Standards (the "Standards") requires independent third-party audits.

A four-person audit team from PricewaterhouseCoopers and independent specialists conducted the audits in March 2005:

Lead Auditor – Bruce Eaket RPF, CEA (SFM), EMS (LA)
Auditor – Graham Wilson RPF, CEA (SFM), EMS (LA)
First Nations & Public Advisory Group Specialist – Tawney Lem, BA
Landscape Management & Forest Ecology Specialist – Phil Lee, PhD



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The team met with and interviewed staff, contractors, stakeholders and members of the public and examined the SFM Plan, records, Environmental Operating Procedures, monitoring information and the minutes and operating procedures of the Public Advisory Group.

The team conducted field assessments on 19 sites during the audit to assess the company's planning, harvesting, silviculture, road construction, road maintenance, and road deactivation activities.

Good Management Practices

The audit team identified Sustainable Forest Management practices that exceeded expectations. The good management practices are listed below:

The Licensee Team has recognized that consistency between the Licensees when reporting on the measures may be an issue. For Measures 1-2.15, 5-1.3 and 9-1.3 (Conformance with the Access Management Plan) a review of the tracking methodologies utilized by each Licensee has been scheduled. For Measure 4-2.1 (North Central Interior Economic Contribution to Forestry in the DFA) the Team has included a detailed description of the geographic boundaries for the North Central Interior, which will help to ensure that the members of the Licensee Team are reporting information consistently.

To ensure the management review is properly recorded and all items are addressed, a detailed template has been developed for the recording of the meeting minutes.

Measures 1-1.1 and 1-5.3 (Distinct Habitat Types) demonstrate a forward-looking approach to the development of coarse filter approaches to the fulfillment of CSA Criteria 1.1 Ecosystem Diversity.

Measure 1-2.6 (Minimum Proportion of Late Seral Forest) is an excellent example of a scenario-based, collaborative approach to the development and exploration of landscape targets for late seral forest.

Measures 1-2.12 and 1-4.3 (Quality of Stream Crossing) demonstrate an excellent data management and response system for the tracking and monitoring of stream crossings.

Measure 1-5.1 (Coniferous Seeds and Seedlings Planted in the DFA) is an excellent example of record keeping and tracking to maintain genetic diversity in the seed and planting stock.

Canfor has taken a proactive approach to assessing stakeholder, PAG and First Nations satisfaction with some of the processes associated with the SFM Plan Development. A series of objective questions have been developed that utilize numerical analysis to determine the satisfaction level or index.

Canfor has taken the initiative to perform archeological overview assessments at the harvest planning stage rather than after layout, terrain assessments, and block approval have been completed.

Canfor has taken the initiative proactively to meet with several of its stakeholders in one-on-one meetings to discuss specific concerns.

Canfor has mapped stakeholder interests to ensure that stakeholder concerns are being reviewed and captured in forest planning decisions.

Canfor provided good protection of archaeological sites in CP N24 Block BOB526.

Contractors interviewed had good general awareness of their environmental aspects and Environmental Instructions, especially with respect to fuelling of equipment and fuel handling. Contractors also recognized the value of pre-work meetings.

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Non-conformities

The audit team identified four nonconformities against the Standards and/or Canfor policies. Canfor has subsequently provided PricewaterhouseCoopers with action plans, including timelines, for addressing the issues.

- 1) While the following measures are relevant to the CSA Value that is intended to be addressed, the data that is being collected/recorded in support of the measure is not relevant to the CSA Value that is intended to be addressed:

Measure 8-1.1 records the number of opportunities provided to Aboriginal people to be involved in the planning process. If necessary, the CSA Z809-02 Standard expects that the methods of contact with First Nation peoples will be tailored to the interests and needs of each First Nation (e.g. more hands-off vs. proactive, digital communication vs. in-person). The current communication opportunities being used as data for this measure are not tailored in this way, and may in fact be an impediment to the Licensee's intent of fostering better relationships.

While the comparison of native and harvested plant communities is a good strategy, Measure 1-2.8 uses a Plant Community Index that compares the breadth and the relative representation of all species within their respective communities and compares the number and dominance hierarchy structure of communities. The index does not retain the species identity and therefore cannot compare the species make-up of harvest and natural communities, which is one of the goals described in the SFM Plan.

Measure 1-2.4 records the Proportion of Shrub Habitat by NDU and is based on the assumption that modeling early successional conifer stands is ecologically equivalent to the modeling of shrub communities, rather than using a separate disturbance-succession model for shrubs. The Licensee Team was not able to provide research to demonstrate that this assumption is valid.

- 2) The following measures in the SFM plan are not yet fully implemented and require detailed implementation action plans identifying challenges, approach, milestones, responsibilities, etc. so the audit team can assess the timeliness and likelihood of the Licensee Team achieving its goals:

- 1) Measure 1-3.1 (Effectiveness Monitoring Plans for Indicator Species)
- 2) Measure 1-3.2 (Management Strategies for Species at Risk)
- 3) Measure 3-2.1 (Seral Stage and Distribution)
- 4) Measure 3-2.2 (Development of a Carbon Monitoring Program)
- 5) Measure 4-5.3 (Management Strategies for Damaging Agents) and
- 6) Measure 8-3.2 (Number of Traditional Use Studies Used in the Planning Process)

Other measures have the same status, but are not considered non-conformities because either detailed action plans are in place or other related measures satisfy the CSA requirement for one or more indicators per value.

- 3) On two harvest units, logs or trees were laid across S4 streams outside of the block boundary:

A feller buncher operating in the road right-of-way adjacent to one block had decked a number of logs that were spanning an S4 stream

On one block a feller buncher had laid the tops of several trees across an S4 stream that was located outside of the block, adjacent to the block boundary.

- 4) Additional erosion control measures, such as water bars, should have been installed to control surface runoff on a road project. The project was not stabilized at the end of the operating season as required by the contract.

All of the Nonconformities will be followed up by the audit team at the next surveillance audit.



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Registrar's Report

To the Board of Directors and Management of Canadian Forest Products Ltd.
We have audited management's assertion, set out in the attached letter, that Canadian Forest Products Ltd.'s Vanderhoof Division has met the requirements of the CAN/CSA Z809-02 Standard (the "Standard") as of January 28, 2005

Management is responsible for the Vanderhoof Division meeting these requirements. Our responsibility is to express an opinion on management's assertion that the Vanderhoof Division met these requirements, based on our audit. The CAN/CSA Z809-02 requirements can be found at www.csa-intl.org.

Our audit was conducted in accordance with the ISO 19011:2002 management system auditing standard and, accordingly, included examining, on a sample basis, evidence supporting management's assertion that the Vanderhoof Division met the requirements of the Standard, evaluating on an overall basis whether the requirements were met, and performing such other procedures as we considered necessary in the circumstances. We planned and performed our work to obtain reasonable, rather than absolute assurance, with respect to the information examined. We believe our work provides a reasonable basis for our opinion.

In our opinion, the Vanderhoof Division met, in all material respects, the requirements of the CAN/CSA Z809-02 Standard as of January 28, 2005.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
May 9, 2005

Registration #: S2005-231

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