



## Canadian Forest Products Ltd. 2011 ISO 14001 Re-certification/CSA Z809 Surveillance Audit Public Summary Report

Between February and October 2011 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a combined ISO 14001 re-certification/CSA Z809 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
TFL 30	170,124	308,688
Prince George TSA <sup>2</sup>	1,639,193	3,490,852
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>

- 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.
- Canfor manages 3 DFAs within the Prince George Timber Supply Area (TSA). These 3 DFAs include Canfor's operating areas under the Prince George, 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 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 2011 audit was conducted against: (1) all of the requirements of ISO 14001:2004, and (2) selected requirements of CSA Z809-02. It 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 2010 audit.





## 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.
- **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 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 team conducted field assessments of a large number of field sites (52 roads, 43 harvesting blocks and 41 silviculture sites) to assess the Company’s planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.

## Audit Objectives

The objectives of the 2011 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.

<b>Canfor 2011 ISO 14001 Re-certification/CSA Z809 Surveillance Audit Findings</b>	
New major non-conformities	0
New minor non-conformities	1
Systemic opportunities for improvement	4
Open non-conformities from previous audits	5

**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.

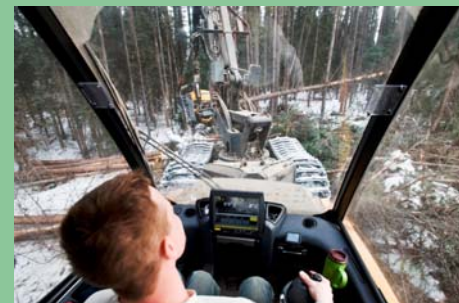
**Opportunities for Improvement:**  
 Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.



## Good Practices

A number of good practices were noted during the 2011 audit. The following list highlights some of the examples noted:

- CSA Z809-08: Planning staff and PAG members have expended considerable effort in working to address the incremental requirements of CSA Z809-08 for all of the SFM plans that the Company is signatory to.
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit noted several situations where Canfor staff and contractors had done a good job of managing the risks posed to soil productivity by harvesting operations during recent wet weather conditions.
- ISO 14001 element 4.4.2/CSA Z809 element 7.4.2: The audit noted good crew awareness of the applicable forest management system (FMS) requirements and site-specific environmental issues on the sites included in the audit sample.
- ISO 14001 element 4.4.5/CSA Z809 element 7.4.5: The audit noted effective FMS document control through the use of the Canfor SharePoint site.
- ISO 14001 element 4.5.1/CSA Z809 element 7.5.1: Two of the Company's Prince George logging contractors were found to be performing additional, documented self-inspections of on-block activities, crew awareness, etc. as a means to supplement FMS inspection requirements and help ensure conformance.
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: Significant levels of on-block retention (including both wildlife tree patches and conservation legacy areas) were noted on all of the recent harvesting blocks visited during the Quesnel site visit.
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: A number of the Company's B.C. operations have developed coarse woody debris best management practices as a means to help meet the B.C. Chief Forester's guidance on coarse woody debris (CWD) retention.
- CSA Z809 element 5.4: The Mackenzie PAG has good representation from a variety of sectors, including a number of First Nations whose traditional areas are overlapped by the Mackenzie defined forest area (DFA).
- CSA Z809 element 5.4: The Radium PAG process (FOREST) continues to be well supported. Levels of participation from non-licensee members remain high, which is commendable given the lack of active operations since June 2009.
- CSA Z809 element 5.4: Continued efforts by the Company and PAG members to keep the Fort Nelson PAG (PRISM) as a viable entity, particularly in light of the ongoing lack of active forestry operations on the DFA.



Sites with sensitive soils (i.e., those with an elevated risk of compaction, displacement or erosion) are generally scheduled for harvesting in the winter when the ground is frozen and less susceptible to disturbance.



## Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of 10 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 many of these findings. As a result, 4 out of the 10 minor non-conformities identified during previous audits have now been closed, 5 remain open (although adequate progress has been made to date to preclude upgrading them to major non-conformities) and 1 has been downgraded to an opportunity for improvement. The remaining 5 minor non-conformities include:

- The absence of a corporate carbon strategy to guide the development of SFM plan indicators and targets for carbon uptake and storage.
- The dated nature of the Quesnel SFM plan (2 separate but related minor non-conformities).
- Weaknesses in the implementation of FMS risk assessment and inspection procedures for fuel tanks.
- A lack of clear strategies to achieve the landscape level biodiversity targets included in the Prince George SFM plan.

The Company's continued progress towards addressing these remaining findings will be revisited during the 2012 audit.

## New Areas of Nonconformity

1 new minor non-conformity was identified during the 2011 audit, as follows:

- CSA Z809 element 7.3.3: The Mackenzie DFA includes a variety of other licensees besides Canfor and BCTS who are not signatory to the SFM plan. Of the total AAC within the DFA (3,148,886 m<sup>3</sup>/year), only 58.7% of the AAC has been allocated to Canfor and BCTS. However: (1) although there is a volume exchange agreement between Canfor and one of the non-signatory licensees (Conifex) that includes various commitments to support coordinated landscape level planning on the DFA, no such agreement exists with the remaining non-signatory licensees, and (2) the Licensee Team (Canfor and BCTS) has yet to complete a risk assessment to evaluate the potential that the actions of non-signatory licensees could negatively impact the achievement of the SFM plan targets.

## Systemic Opportunities for Improvement

A total of 4 new systemic opportunities for improvement were identified during the 2011 audit, including:

- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: The audit identified a total of 4 instances where the level of post-harvest road deactivation was not consistent with FMS requirements.
- ISO 14001 element 4.4.6/CSA Z809 element 7.4.6: Although Canfor has recently revised its Fuel Management Guidelines to a number of previously-identified inconsistencies, errors and discrepancies, interviews with a sample of Company supervisors and logging contractors found that the revised procedures are difficult to interpret when assessing whether fuel tanks conform to TDG (Transportation of Dangerous Goods Regulations) requirements.



Where conditions allow, efforts are often made to retain clumps of non-merchantable species and understory trees as a means to help address stand level biodiversity objectives.



Various resource features (such as the culturally-modified tree depicted above) are often identified during block layout and protected, either by exclusion from the harvest block boundary or retention within wildlife tree patches.

- ISO 14001 element 4.5.1/CSA Z809 element 7.5.1: The Canfor Fuel Management Guidelines require that contractors conduct regular inspections of fuel tanks & containers. A checklist has been developed for this purpose. However, there is nothing on the form that prompts the contractor to record the date that the inspection was conducted. As such, it is not possible for the Company to determine when the last inspection took place.
- ISO 14001 element 4.5.3/CSA Z809 element 7.5.2: The Company tracks non-conformities (incidents) identified during inspections, monitoring, audits or other means and the action plans developed to address them through the FMS – Incident Tracking System (ITS). The ITS allows for entry of incident details, responsibilities for corrective measures, root cause and planned/completion dates. However, the current data entry format provides a descriptive field for incident details, but is limited with respect to the identification of root cause as it restricts the data entry to single choices that lack detail.

### Isolated Issues

- A number of isolated (i.e., non-systemic) weaknesses in the implementation of FMS requirements were also identified during the 2011 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 2011 audit have been developed by Canfor's woodlands operations and reviewed and approved by KPMG PRI. The 2012 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.



Stream crossings on in-block roads are generally only utilized for a year or two, after which they are removed. Cross ditches, re-vegetation and other erosion control measures (as depicted above) are then installed on higher risk sites to reduce the potential for sediment input into streams.



The 2011 audit included visits to a large number of field sites (52 roads, 43 harvesting blocks and 41 silviculture sites) to assess the Company's planning, harvesting, silviculture, camps and road construction, maintenance and deactivation practices.

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