

# REPORT TO THE FORT ST. JOHN PILOT PROJECT PARTICIPANTS

## **Introduction**

As required under s.50 of the *Fort St. John Pilot Project Regulation* (“the Regulation”), we have been engaged by the “Fort St. John Pilot Project Participants”(Canadian Forest Products Ltd., Cameron River Logging Ltd., Tembec Inc., Louisiana-Pacific Canada Ltd., Dunne-za Ventures LP, Canfor-LP OSB Limited Partnership and BC Timber Sales-Peace-Liard Business Area Fort St. John TSA operations) to examine compliance with the requirements of the Regulation for the period from April 1, 2011 to March 31, 2013 (the most recent year-end for Pilot Project reporting purposes under s.51 of the Regulation).

Compliance with the Regulation is the responsibility of the Fort St. John Pilot Project Participants’ management. Our responsibility is to express an opinion as to whether the Participants have complied with the *Fort St. John Pilot Project Regulation* in all material respects.

Our duties in relation to this report are owed solely to the Participants, and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this report.

## **Conduct of the Engagement**

We have conducted our examination having regard to the *Fort St. John Pilot Project Regulation* and “audit principles that are generally accepted for use in the forest industry”.

An examination includes assessing, on a test basis, evidence relevant to the information presented in the Participants’ annual reports and the Participants’ compliance with the requirements of the *Fort St. John Pilot Project Regulation*. The scope of our work and the criteria were agreed with the Participants. The main elements of our examination were:

- Identification of activities and obligations subject to assessment, including planning, harvesting, road construction, maintenance and deactivation, silviculture and public consultation.
- Review of Sustainable Forest Management plans, Forest Operations Schedules and related amendments developed under the Regulation for consistency with the Regulation.
- Field examination and review of site level plans for a sample of planning, harvesting, road construction, maintenance and deactivation and silviculture activities.
- Examination of Annual Reports prepared by the participants and examining back-up data supporting performance against a sample of Sustainable Forest Management (SFM) indicators.
- Assessment of records related to public consultation and interviews with a sample of members from the public advisory group.

The Participants reported the following activities carried out during the period and subject to assessment

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	212	27
Road construction (road sections) <sup>3</sup>	501	61
Road deactivation	342	51
Planting (blocks)	158	51
Establishment and MSQ Surveys	341	54

The activities examined during the assessment included:

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	16	10
Road construction (road sections)	14	10
Road deactivation	6	8
Planting (blocks)	7	4
Site preparation (blocks)	1	4
Establishment and MSQ Surveys	2	1
Herbicide (blocks)	1	2

Notes:

- 1 The Cameron River Logging, Tembec, Dunne-za Ventures LP, Louisiana-Pacific and Canfor-LP OSB Limited Partnership allocations are managed by Canfor and are therefore combined for reporting purposes.
- 2 Harvesting, site preparation, bridge installation, planting and survey field samples all included consideration of road maintenance activities on the access roads to the sites.
- 3 Road construction includes installation of bridges.

We planned and performed our examinations so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to support our opinion on the Participants' compliance with the *Fort St. John Pilot Project Regulation*.

## Findings

### SFM Planning, CSA and ISO 14001 Registration

The Regulation provides for the development of a Sustainable Forest Management (SFM) Plan through a public advisory group to guide operational planning activities within the Pilot Project Area. The latest version of the SFM plan (SFM plan #2) was submitted and approved during the previous (April 1, 2009 – March 31, 2011) audit period. The Participants first achieved Canadian Standards Association SFM registration for the pilot project area against the 2002 version of the CSA Z809 standard in the fall of 2003 and were successfully re-registered under that standard in

2006 and 2009. The Participants achieved registration under the 2008 version of the CSA Z809 standard in December 2011. BC Timber Sales and Canfor managed operations also successfully maintained separate ISO 14001 registrations throughout the current audit period.

### Performance against the SFM plan

The annual reports for the year ended March 31, 2012 and the year ended March 31, 2013 outline performance against the SFM plan. Section 42 of the Regulation requires the participants to conduct operations consistent with the specified targets and landscape level strategies.

The Participants' annual reports identified the following targets related to the landscape level strategies that were not met during the two reporting periods:

Year ending March 31	Target	Reported findings
2012	29 – Reforestation Assessment	The target for predicted merchantable volume (PMV) is a minimum of 95% of the total merchantable volume (TMV). The 11 BCTS blocks surveyed for the 1996/1997 year achieved a PMV of 94.6%, below the 95% target.
2012	44 – Visual Quality Objectives	2 of the requisite 4 post-harvest Visual Quality Assessments (VQAs) were not completed by Canfor, resulting in a nonconformity with this target, which requires participants' forest operations to be consistent with the established Visual Quality Objectives (which cannot be verified without the VQAs being completed).
2013	30 – Establishment Delay	The area weighted average establishment delay for Canfor managed mixedwood stands was 4.9 years, which exceeds the target of 3.5 years.
2013	44 – Visual Quality Objectives	3 of the requisite 13 post-harvest VQAs were not completed by Canfor, resulting in a nonconformity with this target, which requires participants' forest operations to be consistent with the established Visual Quality Objectives (which cannot be verified without the VQAs being completed).

The annual reports noted the following targets (not explicitly linked to the landscape level strategies) that were not met:

Year ending March 31	Target	Reported findings
2012	63 – Worker Training	The target requires 100% (less 10% acceptable variance) of the participants' employees to receive training consistent with training plans. Canfor employee training records indicated non conformance with the target as 15 of 33 Canfor employees did not have training consistent with training plans.

2013	63 – Worker Training	The target requires 100% (less 10% acceptable variance) of the participants’ employees to receive training consistent with training plans. Canfor employee training records indicated non conformance with the target as 7 of 37 Canfor employees did not have training consistent with training plans.
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**Regulatory Non-compliances Identified by Participants**

The Participants reported no compliance and enforcement measures that were imposed by government in relation to activities carried out by the Participants during April 1, 2011 – March 31, 2013 reporting period.

- Non-compliances were identified by the Participants during the period and reported to the District Manager, Resource Operations and the Director of Resource Management of the Ministry of Forests, Lands and Natural Resource Operations. The non-compliances were reported in the Participants’ annual reports for the year ended March 31, 2012 and the year ended March 31, 2013.
- Confirmation was sought from the District Manager, Resource Operations and the Director of Resource Management of the Ministry of Forests, Lands and Natural Resource Operations with respect to compliance and enforcement measures imposed by government and the number and nature of non-compliances reported by the Participants. Both agencies confirmed that while a compliance notice and a warning ticket were issued (as disclosed by the Participants in the annual reports), there were no compliance and enforcement measures imposed by government during the period.

**Minor Non-compliances identified by our assessment**

Our assessment identified the following minor non-compliance:

- 1 The FSJPP Regulations at 3.2.3(3a)(e.1) require the Participant to include in the annual report a summary of any amendments that were made to a forest operations schedule, if, under section 83 (2), (3) or (4), notice of the amendments was not required to be published. Forest Operations Schedule Amendments’ #100 and 101 (dated May 25, 2011 and May 26, 2011 respectively) were not disclosed in the 2011-12 annual report as required. NB: These amendments have since been included in the 2012-13 annual report.

**Opportunities for Improvement identified by our assessment**

In addition our assessment identified the following opportunities for improvement:

- 1 The audit identified the following weaknesses in the FSJPP Participants’ website:
  - The “Updated Terms of Reference” link under the “What’s New” section of the FSJPP public website launches the user to an outdated (2006) version of the Public Advisory Group Terms of Reference rather than the current version.
  - The “2010 SFMP Appendices” link under the SFMP section of the FSJPP public website is broken (no link).
  - The “Fort St. John Pilot Project Regulations” link under the Fort St. John Pilot Project Regulations section of the FSJPP public website is broken (no link).

- The PAG meeting minutes from October 25, 2012 were approved by the PAG at the subsequent meeting but have not been posted on the FSJPP website.
- 2 Review of Canfor's Cengea GIS mapping found that it had not been updated to show the March 2013 Government Actions Regulations Order for Wildlife Habitat Areas #9-089 to 096 for boreal caribou. Note there has been no recent planning or operations within these areas.

## **Opinion**

We have conducted an independent audit of the "Fort St. John Pilot Project Participants" (Canadian Forest Products Ltd., Cameron River Logging Ltd., Tembec Inc., Louisiana-Pacific Canada Ltd., Dunne-za Economic Development Corporation and BC Timber Sales-Peace-Liard Business Area Fort St. John TSA operations) compliance with the *Fort St. John Pilot Project Regulation* as required under Section 50 of the Regulation.

The *Conduct of the Engagement* section of this report describes the basis of the audit work performed in reaching our opinion. The audit was conducted in accordance with audit principles that are generally accepted for use in the forest industry. We believe our work provides a reasonable basis for our opinion.

In our opinion, except for the one minor non-compliance disclosed in the *Findings* section of this report the forest management planning and operations carried out by the Fort St. John Pilot Project Participants complied in all material respects with the requirements of the *Fort St. John Pilot Project Regulation* for the period April 1, 2011 to March 31, 2013.

In reference to compliance, the term "in all material respects" recognizes that there may be minor instances of non-compliance that are not detected by the audit, or that are detected and not considered worthy for inclusion in the report



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Lead Auditor

KPMG Performance Registrar Inc.

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Vancouver BC, Canada