

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., BC Timber Sales, Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, Louisiana-Pacific Canada Ltd.) to examine compliance with the requirements of the Regulation for the period from April 1, 2015 to March 31, 2017 (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 ¹	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	138	37
Road construction (road sections) ³	368	119
Road deactivation	279	118
Planting (blocks)	127	68
Establishment and MSQ Surveys	293	119

The activities examined during the assessment included:

Activity	Canfor managed allocations ¹	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	18	9
Road construction (road sections)	11	7
Road deactivation	6	2
Bridge installation	0	2
Planting (blocks)	10	3
Site preparation (blocks)	3	1
Establishment and MSQ Surveys	3	1
Herbicide (blocks)	1	1

Notes:

- 1 The Canadian Forest Products Ltd., Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, and Louisiana-Pacific Canada Ltd. 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 a 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 have successfully maintained certification to the CSA Z809 standard since that time. 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, 2016 and the year ended March 31, 2017 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
2017	9 Wildlife Tree Patches	Indicator target not achieved in 2016.
2017	56 Maintenance of Wildlife and Fisheries Habitat Values	Indicator target not achieved in 2016.

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
2016	63 Worker Training	Indicator target not achieved in 2015.
2017	63 Worker Training	Indicator target not achieved in 2016.

Regulatory Non-compliances Identified by Participants

- The Participants reported compliance and enforcement measures that were imposed by government in relation to activities carried out by the Participants. The measures were reported in the Participants' annual reports for the year ended March 31, 2016 and the year ended March 31, 2017.
- 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, 2016 and the year ended March 31, 2017.

Non-compliances identified by our assessment

No non-compliance findings were identified by our assessment.

Opportunities for Improvement identified by our assessment

No Opportunities for Improvement findings relevant to the FSJPP regulation were identified by our assessment.

Opinion

We have conducted an independent audit of the “Fort St. John Pilot Project Participants” (Canadian Forest Products Ltd., BC Timber Sales, Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, and Louisiana-Pacific Canada Ltd.) 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 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, 2015 to March 31, 2017, unless otherwise noted in this report.

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

Yours truly,



Yurgen Menninga, RPF, EP(EMSLA), QMS(LA)
Manager

KPMG Performance Registrar Inc.

May 22, 2018

Vancouver BC, Canada