

2019-2021 REPORT TO THE FORT ST. JOHN PILOT PROJECT PARTICIPANTS

Report date: June 17, 2022.

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 Pulp Mill Corp., Dunne-Za Ventures LP) to examine compliance with the requirements of the Regulation for the period from April 1, 2019 to March 31, 2021 (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 were:

Activity	Canfor managed allocations ¹	Louisiana Pacific	BCTS
New SFM Plan	N/A no new SFM Plan within the reporting period		
New Forest Operations Schedule	N/A no new FOS within the reporting period		
Harvesting (blocks)	99	Unknown	77
Road construction (road sections) ³	273	10	204
Road deactivation	245	14	211
Planting (blocks)	328	unknown	133
Establishment (blocks) and MSQ (stratum) surveys	285	31	126

The activities examined during the assessment included:

Activity	Canfor managed allocations ¹	Louisiana Pacific	BCTS
New SFM Plan	N/A no new SFM Plan within the reporting period		
New Forest Operations Schedule	N/A no new FOS within the reporting period		
Harvesting (blocks)	22	0	4
Road construction (road sections)	22	0	4
Road deactivation	6	0	3
Bridge installation	2	0	0
Planting (blocks)	9	0	6
Site preparation (blocks)	2	0	2
Establishment and MSQ Surveys	2	0	3
Herbicide (blocks)	0	0	0

Notes:

- 1 During the reporting period the Canadian Forest Products Ltd., Cameron River Logging Ltd., Mackenzie Pulp Mill Corp., and Dunne-Za Ventures LP allocations were managed by Canfor and are therefore combined for reporting purposes. Louisiana-Pacific Canada Ltd. (LP) allocations were sometimes managed by Canfor and at other times managed directly by LP, and are reported above in the first table consistent with reporting in the annual reports.
- 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 and SFI 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 #3) was submitted and approved previous to the current audit period. The Participants first achieved Canadian Standards Association Z809 SFM registration for the pilot project area in the fall of 2003, and transitioned to SFI certification in 2019.

Performance against the SFM plan

The annual reports for the year ended March 31, 2020 and the year ended March 31, 2021 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
2020	49 Forest Health FOS Planning	Indicator target not achieved.
2021	52 AAC Partition – Conifer planning	Indicator target not achieved.
2021	52a AAC Partition – Conifer harvest performance	Indicator target not achieved.

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
2020	57 Percentage of known traditional site-specific aboriginal values and uses identified that are addressed in operational plans	Indicator target not achieved.
2021	57 Percentage of known traditional site-specific aboriginal values and uses identified that are addressed in operational plans	Indicator target not achieved.
2021	61 Educational Outreach	Indicator target not achieved.

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.

- Non-compliances were identified by the Participants during the period and reported to the District Manager, Regional Operations/ Northeast Region, Ministry of Forests, Lands and Natural Resource Operations and Rural Development. The non-compliances were reported in the Participants' annual reports for the year ended March 31, 2020 and the year ended March 31, 2021.

Non-compliances identified by our assessment

The following non-compliance findings were identified by our assessment:

1. The FSJPP regulation at 50(1) requires that a participant must submit to and pay for periodic independent audits by a qualified auditor of the participant's compliance with this regulation and any matters specified in the sustainable forest management plan as being subject to audit at least once every two years after December 1, 2003 (which is two years after the regulation became effective). Louisiana Pacific Canada Ltd. (LP) is a participant which previously assigned management to Canfor, but ceased this arrangement during the reporting period, however LP did not submit to this independent compliance audit.
2. The FSJPP regulation at 42(3)(d) requires that for each component area, the responsible participant must ensure that the retention of wildlife trees conforms with the specified wildlife tree retention requirements. While this was largely found to be met, on one BCTS harvest area, TA0113 Block 10057, the retention prescription has not been met.
3. The FSJPP regulation at 28 (1)(g)(vi) requires that a participant or holder of a minor timber sale licence who carries out a forest practice on an area must ensure that the forest practice protects water quality, water quantity, fish and fish habitat by minimizing sediment entering into streams. At two Canfor openings field audited (08047 and 10104) sediment was entering class S6 streams at road crossings not adequately deactivated.

Opportunities for Improvement identified by our assessment

The following Opportunities for Improvement findings relevant to the FSJPP regulation were identified by our assessment:

1. The FSJPP regulation at 28 (1)(g)(vi) requires that a participant or holder of a minor timber sale licence who carries out a forest practice on an area must ensure that the forest practice protects water quality, water quantity, fish and fish habitat by minimizing sediment entering into streams. The audit noted at one Canfor opening (09181) sediment had been pushed close to an S6 stream channel and could be at risk of entering the stream.

Opinion

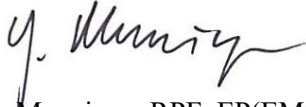
We have conducted an independent audit of the "Fort St. John Pilot Project Participants' (Canadian Forest Products Ltd., BC Timber Sales, Cameron River Logging Ltd., Mackenzie Pulpmill Corp., Dunne-Za Ventures LP, and Louisiana-Pacific Canada Ltd.) compliance with the *Fort St. John Pilot Project Regulation* 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, 2017 to March 31, 2019, 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,

A handwritten signature in black ink, appearing to read 'Y. Menninga', written in a cursive style.

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