

## 2022-2023 REPORT TO THE FORT ST. JOHN PILOT PROJECT PARTICIPANTS

Report date: March 14, 2024

### **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. (“Canfor”), BC Timber Sales (“BCTS”), Louisiana-Pacific Canada Ltd., Cameron River Logging Ltd., Mackenzie Pulp Mill Corp., Dunne-Za Ventures LP, Peace Valley OSB) to examine compliance with the requirements of the Regulation for the period from April 1, 2021 to March 31, 2023 (the most recent year-ends 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 caused 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”. KPMG followed ISO 17021 and ISO 19011 for conducting this audit engagement.

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 (SFM) 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 data supporting performance against a sample of SFM indicators.
- Assessment of records related to public consultation and a sample of public advisory group meeting records.

The Participants reported the following activities carried out during the 2021-2022 and 2022-2023 annual reporting periods and subject to assessment:

Activity (total for 2021-2022 and 2022-2023 reporting years)	Canfor managed allocations <sup>1</sup>	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)	91	14	40
Road construction (# of roads)	224	53	82
Road deactivation	234	61	78
Planting (blocks)	180	unknown	110
Establishment (blocks) and MSQ (stratum) surveys	100	31	164

The activities examined during the assessment included:

Activity	Canfor managed allocations <sup>1</sup>	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)	9	7	9
Road construction (# of roads)	10	9	4
Road deactivation	4	7	3
Bridge installation	1	1	0
Planting (blocks)	6	4	5
Site preparation (blocks)	2	1	2
Establishment and MSQ Surveys	0	0	0
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. ("Louisiana Pacific") allocations were sometimes managed by Canfor and at other times managed directly by Louisiana Pacific, 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 before 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 report for the period April 1, 2022 to March 31, 2023 outlines 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
2022-23	Indicator 2 - Seral Stage	Spatial identification of late-seral old growth forest management areas (“OFMAs”) not completed by March 31, 2023
2022	Indicator 5 - Snags / Cavity Sites	Not all Participants met retention target
2022-23	Indicator 8 - Shrub	Target not achieved in Kahntah Landscape Unit
2022-23	Indicator 30 - Establishment Delay	Did not meet establishment delay on some deciduous areas
2022-23	Indicator 48 - AAC Partition – Conifer planning	Amount of planned spruce volume in the core area exceeds target
2022-23	Indicator 48a - AAC Partition – Conifer harvest performance	Amount of spruce volume harvested in the core area exceeds target
2022-23	Indicator 51 - Maintenance of Wildlife and Fisheries Habitat values	Two indicators that are used as surrogates to assess conformance with indicator 51 were not met (2 and 8)
2022	Indicator 52 - Percentage of known traditional site-specific Aboriginal values and uses identified that are addressed in operational plans	Since less than 100% of known traditional site-specific values and uses identified were addressed in operational plans, this indicator was not met for the reporting period.

### Regulatory Non-compliances Identified by Participants

- A total of 2 contraventions were self-reported between April 1, 2021 and March 31, 2023 and Participants did not report any contraventions to government agencies Ministry of Forests, Lands and Natural Resource Operations and Rural Development (“MFLNRORD”).

- Non-compliances were identified by the Participants during the period and reported to the District Manager, Regional Operations Northeast Region, and MFLNRORD. The non-compliances were reported in the Participants’ annual reports for the year ended March 31, 2021 and the year ended March 31, 2022.
- The Participants received 1 notification of non-compliance by government agencies (MFLNRORD) between April 1, 2021, and March 31, 2023 in relation to activities carried out by the Participants.

**2021-2023 Non-compliances**

The following non-compliances were identified during our assessment:

- 1 Notice of Commencement (NOC) of harvesting operations for blocks 08070, 08075, 08095, and CP833, were not received by the District Manager prior to harvest start. NOC were submitted February 25, 2022 after discussion with the Compliance and Enforcement (“C&E”) Officer in the field on February 24, 2022. The C&E Officer also sent a notification letter to Canfor dated April 1, 2022, regarding the late NOCs with no further action to be taken.
- 2 Late creation of a fire hazard abatement plan as a possible contravention of the Wildfire Regulation. Licensee was contacted by C&E. They were satisfied that a plan was in place, and no further action was taken. The hazard was abated in December 2022.
- 3 The late growing date was missed without a prior amendment of the regulatory date. An extension of the late free growing date was subsequently requested and approved by District staff. C&E were satisfied that a plan was in place, and no further action was taken.

**Non-conformities and Opportunities for Improvement identified by our assessment**

The following non-conformities relevant to the Regulation were identified by our assessment:

<b>Finding #</b>	<b>2023-NC-01</b>
Date Issued	November 24, 2023
Finding type	MINOR non-conformity
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	Establishment 46 (2) The participants must... (b) publish annually a notice specifying the membership of the public advisory group (PAG).
Client procedure	None
Description of finding	The PAG membership was not published in 2022 and has not yet been published for 2023.
Program Participant(s)	All Participants

<b>Finding #</b>	<b>2023-NC-02</b>
Date Issued	November 24, 2023
Finding type	MINOR non-conformity
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	42 (3) For each component area, the responsible participant must

	(a) achieve the specified targets within the specified range of variance, (b) carry out forest operations in a manner consistent with the specified landscape level strategies...SFM Procedure #3
Client procedure	SFM Procedure #3
Description of finding	The target for deciduous establishment delay has not been met for Canfor for the 2021 and 2022 reporting years. The establishment delay target is three years (with a ½ year variance allowed). In 2021, Canfor reported 4.3 years (1.4 years for BCTS, and 2.8 years for Louisiana Pacific), and in 2022 for Canfor reported at 4.1 years (2.8 years for BCTS, and 2.8 years for Louisiana Pacific). As the current Canfor and BCTS deciduous management volumes are similar, the reporting appears to be inconsistent.
Program Participant(s)	Canadian Forest Products Ltd. (Canfor)

<b>Finding #</b>	<b>2023-NC-03</b>
Date Issued	November 24, 2023
Finding type	MINOR non-conformity
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	Annual report 51(3) A report under this section must contain the following: (d) a statement of the degree to which the landscape level strategies contained in the sustainable forest management plan were followed by the participant
Client procedure	Various Annual Reporting methodologies
Description of finding	Although targets were met, data reported in the Sustainable Forest Management Plan 2022/2023 SFI and Regulatory Annual Report was determined not to be accurate for the following indicators: <ul style="list-style-type: none"> <li>Indicator 42, Table 13: Projection of Changes to ROS Class from 1996 to 2025</li> <li>Indicator 50, Table 22: Dollars Spent Locally by Woodlands Phase (2022-2023)</li> <li>Indicator 60, Table 25 Oven-dried Tonnes (ODT) of Material (under reporting 4592 ODT energy plant stock)</li> </ul>
Program Participant(s)	All Participants

<b>Finding #</b>	<b>2023-NC-04</b>
Date Issued	November 24, 2023
Finding type	MINOR non-conformity
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	28. 1b a. does not result in any of the following: (i) the felling or modifying of trees in an area that is (B) a reserve identified in a site level plan
Client procedure	Site Plans
Description of finding	One incident of retention requirements noted in the site plan for block 43064 were not met.
Program Participant(s)	Louisiana-Pacific Corporation (LP)

The following Opportunities for Improvement relevant to the Regulation were identified by our assessment:

<b>Finding #</b>	<b>2023-OFI-01</b>
Date Issued	November 24, 2023
Finding type	Opportunity for improvement
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	42 (3) For each component area, the responsible participant must (a) achieve the specified targets within the specified range of variance, (b) carry out forest operations in a manner consistent with the specified landscape level strategies...
Client procedure	SFM Procedure #3
Description of finding	Regarding indicator #20: Canfor identified that there was no harvesting in the non-productive/non-commercial (alpine forest) connectivity corridor layer of the Graham Integrated Resource Management Plan (“IRMP”); however, there was a laid-out cutblock planned (11103) which would harvest the corridor if completed. The Planning Forester has indicated that this will be put in Enablon to improve the process and ensure layout in this corridor does not re-occur.
Program Participant(s)	Canadian Forest Products Ltd. (Canfor)

<b>Finding #</b>	<b>2023-OFI-02</b>
Date Issued	November 24, 2023
Finding type	Opportunity for improvement
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	Annual report 51(3) A report under this section must contain the following: (d) a statement of the degree to which the landscape level strategies contained in the sustainable forest management plan were followed by the participant
Client procedure	Sustainable Forest Management Plan 2022/2023 SFI and Regulatory Annual Report
Description of finding	Indicator 47a is demonstrated in Table 16 (FOS Completed Deciduous Harvest Geographic Distribution); however, the target is a maximum on a three-year rolling average basis, and the three-year rolling average is not calculated.
Program Participant(s)	All Participants

<b>Finding #</b>	<b>2023-OFI-03</b>
Date Issued	November 24, 2023
Finding type	Opportunity for improvement
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	Annual report 51(3) A report under this section must contain the following:

	(d) a statement of the degree to which the landscape level strategies contained in the sustainable forest management plan were followed by the participant
Client procedure	Sustainable Forest Management Plan 2022/2023 SFI and Regulatory Annual Report
Description of finding	The requirements to monitor the cut control under indicator 49 ended in 2021. Although reporting has continued in the document text, the table with the cut control as an official indicator has not continued to be updated. Additionally, the indicator is not well aligned with cut control statements.
Program Participant(s)	All Participants

<b>Finding #</b>	<b>2023-OFI-04</b>
Date Issued	November 24, 2023
Finding type	Opportunity for improvement
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	General: maintain up to date information on the Fort St. John Pilot Project Regulation (“FSJPPR”) website.
Client procedure	N/A
Description of finding	BCTS has made several amendments to the Forest operations Schedule (“FOS”) over time and followed the required procedures; however, the publicly available block listing on the FSJPPR website was found to not list all of the amended blocks for BCTS.
Program Participant(s)	BC Timber Sales (BCTS)

<b>Finding #</b>	<b>2023-OFI-05</b>
Date Issued	November 24, 2023
Finding type	Opportunity for improvement
Standard	Fort St. John Pilot Project Regulation
Clause and requirement	Section 42 of the FSJPPR indicator statement, target and acceptable variance will be one of the indicators used to determine if forest practices are consistent with the Patch Size, Seral Stage and Adjacency Strategy.
Client procedure	N/A
Description of finding	Section 3.3 of the 2022/23 Annual report (pages 15 – 17) notes that Participants are meeting this indicator in 2022; however, based on current data this indicator will not be met in 2036. The report discusses some factors as to why this indicator may not be met but the discussion is vague and could benefit with more detail. There is an opportunity to expand on the explanation of why using the current data the projected harvest rate will not meet this indicator in the future (older vegetation resource inventory (“VRI”) data, e.g., reflecting recent fire activity). Additionally, an effort to conduct an analysis, possibly by linking fire severity to successional stage, may be warranted in the absence of updated VRI data.
Program Participant(s)	All Participants

## Opinion

We have conducted an independent audit of the Fort St. John Pilot Project Participants' (Canadian Forest Products Ltd., BC Timber Sales, Louisiana-Pacific Canada Ltd., Cameron River Logging Ltd., Mackenzie Pulp Mill Corp., Dunne-Za Ventures LP, Peace Valley OSB) 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 based on ISO 17021 and ISO 19011 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 periods April 1, 2021, to March 31, 2022 and April 1, 2022, to March 31, 2023, 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,



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