



## Canadian Forest Products Ltd. (Canfor)

### 2022 SFI Surveillance Audit Summary Report

Between July and December 2022 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Canadian Forest Products Ltd. (“Canfor” or “Company”) B.C. and Alberta woodlands operations and fibre procurement activities, assessing them against the 2015-2019 Sustainable Forestry Initiative® (SFI) Forest Management (FM) and Fibre Sourcing (FS) standards. This Audit Summary Report provides an overview of the process and KPMG’s findings.

#### Description of Canfor’s SFI certifications

Canfor’s eight woodlands operations are covered by a multi-site certificate SFI forest management and fibre sourcing certificate. Canfor was certified to the SFI standard in 2019 and is valid until June 2024.

#### Description of Canfor’s B.C. and Alberta Woodlands Operations

Canfor’s divisions manage Crown land tenures and also procure logs for the Company’s mills in B.C. and Alberta. Canfor’s multi-site SFI Forest Management and Fibre Sourcing certificates apply to the following eight divisions:

- Chetwynd
- Fort St. John
- Grande Prairie
- Houston
- Kootenay
- Mackenzie
- Prince George
- Vanderhoof

A list of the SFI tenures managed by each division is posted at [canfor.com/responsibility/certification](http://canfor.com/responsibility/certification). At most divisions all associated tenures are included in SFI multisite certification, however at the Kootenay division some tenures are certified to another forest management certification standard.

Canfor’s woodlands have a total AAC (allowable annual cut) of just over 9.1 million m<sup>3</sup>/year, with an associated area under management of approximately 9.8 million ha. The 2022 audit found that the Company’s forest harvesting conforms to the AAC applicable to these operations.

The woodlands operations that are included within the scope of the Company’s SFI certification are covered by a multi-site sustainable forest management (SFM) system that addresses the objectives of the SFI standard and includes a variety of targets in relation to them. In addition, government approved forest stewardship/management plans that address both timber and non-timber values are also in place. Various higher level plans developed by government (e.g., Land and Resource Management Plans) also provide direction regarding forest management practices.

The forests managed by Canfor are predominantly coniferous with the main commercial tree species being lodgepole pine, white and Engelmann spruce, Douglas-fir, amabilis and subalpine fir, and trembling aspen.



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The Company’s B.C. and Alberta operations fall within the following World Wildlife Fund's (WWF) ecoregions:

- (1) Muskwa/Slave Lake Forests
- (2) Northern Transitional Alpine Forests
- (3) North Central Rockies Forest
- (4) Central British Columbia Mountain Forests
- (5) Alberta-British Columbia Foothills Forests
- (6) Alberta Mountain Forests
- (7) Canadian Aspen Forests and Parklands
- (8) Mid-Continental Canadian Forests
- (9) Northern Cordillera Forests.

These are also the ecoregions from which the Company procures fibre from third parties to supplement harvest from its own woodlands operations.

The typical forest management approach employed by the Company is based on even-aged management, ground-based harvesting systems, and clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas. Following harvesting, the area either regenerates naturally, or through replanting of harvest areas within a few years with a mix of ecologically suited tree species, and control of competing vegetation through the use of government-approved chemical herbicides and/or mechanical means where necessary.

### **Description of Canfor’s Manufacturing Facilities and Fibre Sourcing Program**

The Company’s fibre sourcing needs vary considerably between facilities. Across the company the majority of fibre is sourced directly from the Company’s own woodlands. The remainder is purchased from third parties, mostly from other organizations who hold their own SFM certifications, with a small percentage coming from uncertified private land (i.e. Canfor generally manages the harvesting directly) and oilfield salvage operations.

The fibre sourcing program provides logs for the Company’s processing facilities - the Chetwynd Sawmill, Fort St. John Sawmill, Grande Prairie Sawmill, Houston Sawmill, Polar Sawmill, Prince George Sawmill, Plateau Sawmill, Mackenzie Division Sawmill (which is presently shut down), Wynnwood Sawmill, and the Prince George Chip Plant.

Canfor participates in the Western Canada SFI Implementation Committee (“WCSIC”) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases, and completes site inspections as necessary. The results are then collated by WCSIC (of which Canfor is a member) in order to identify trends in performance and opportunities for improvement.

### **Audit Scope**

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fibre sourcing standards, covering the SFI program objectives shown in the Evidence of Conformity tables later in this report.

<b>Canfor 2022 SFI Surveillance Audit Findings</b>	
Open non-conformities from previous audits	1
New major non-conformities	0
New minor non-conformities	1
New opportunities for improvement	5

The scope of the SFI certification audit included all of the woodlands divisions noted on page one, as well as fibre procurement activities for the associated Canfor sawmills and chip plant.

### The Audit

- **Audit Team** – The audit was conducted by a five person audit team comprising KPMG staff auditors and a contract auditor. Bodo von Schilling RPF, EP (EMSLA) was lead auditor and participating as auditors were Shawn Ellsworth RPF, Cindy Hutchison RPF, Mike Buell RPF and Lorne Carson RPF.
- **2022 SFI Surveillance Audit** – The audit involved an on-site audit of selected elements of the Company’s SFI program. Some audit interviews occurred remotely due to logistics and auditor scheduling and availability. The onsite portion of the audit included in-person reviews of active as well as completed harvest, road construction, and silviculture sites. In total the audit included site visits related to a sample of field sites (9 roads, 9 cutblocks, 4 silviculture blocks, and 1 wood procurement sites) to evaluate conformance with the requirements of the SFI forest management and fibre sourcing standards. The audit took a total of 26.5 auditor days to complete, 22 days of which were spent auditing the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Multi-site Audit Sampling** – Canfor holds a multi-site SFI certificate covering a total of eight woodlands operations and associated fibre sourcing activities. The 2022 audit sampled the Houston and Chetwynd, British Columbia divisions as well as the Company’s corporate functions. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **Canfor’s SFI Program Representative** – Darrell Regimbald, RPF, Certification Specialist, served as Canfor’s SFI program representative during the audit.

### Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI forest management and fibre sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system at Canfor to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that Canfor woodlands operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Canfor meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

#### 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. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

##### **Opportunities for Improvement:**

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



### Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	NA. Not a focus area of 2022 audit.
2. Forest Health and Productivity	NA. Not a focus area of 2022 audit.
3. Protection and Maintenance of Water Resources	Forest management plan, FSP, site plans, interviews with planning staff, inspection records, field inspections of streams and riparian areas.
4. Conservation of Biological Diversity	Forest management plan, FSP, site plans, interviews with planning staff, inspection records.
5. Management of Visual Quality and Recreational Benefits	NA. Not a focus area of 2022 audit.
6. Protection of Special Sites	Forest management plan, FSP/DFMP, site plans, inspection records.
7. Efficient Use of Fibre Resources	NA. Not a focus area of 2022 audit.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff, site plans
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections.
10. Forestry Research, Science and Technology	NA. Not a focus area of 2022 audit.
11. Training and Education	Forest management plan, EMP, training records, SIC minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	NA. Not a focus area of 2022 audit.
13. Public Land Management Responsibilities	NA. Not a focus area of 2022 audit.
14. Communications and Public Reporting	NA. Not a focus area of 2022 audit.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



At Houston operation KPMG field reviewed winter stream crossings under construction. Logs are commonly placed as a 'substructure' and snow is frozen into place to create a solid 'bridge'. We can see that Canfor is taking particular care to avoid mixing soil into the snow at the actual crossing to mitigate potential stream impacts at spring freshet. Following harvest and prior to spring freshet the stream crossing is deactivated, topsoil and woody debris are spread back over the site. Canfor grass-seeds with an approved seed mixture to prevent erosion and colonization by invasive plant species.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	NA. Not a focus area of 2022 audit.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites.
5. Forestry Research, Science and Technology	NA. Not a focus area of 2022 audit.
6. Training and Education	Training records, SIC minutes & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	NA. Not a focus area of 2022 audit.
8. Public Land Management Responsibilities	NA. Not a focus area of 2022 audit.
9. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A applies to fibre sourcing from outside of Canada/USA which Canfor does not do.
12. Avoidance of Controversial Sources Including Illegal Logging	N/A applies to fibre sourcing from outside of Canada/USA which Canfor does not do.
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A applies to fibre sourcing from outside of Canada/USA.



Values at risk are field marked with ribbon and mapped. In this case at the Houston operation Canfor also ‘stubbed’ trees around a value to create a ‘fence’ to prevent potential impact from harvesting equipment.



### Good Practices

A number of good practices were identified during the course of the audit. Examples included:

SFI Forest Management Objective 2 (Soil Conservation): Canfor is focusing on continually improving soil erosion and water quality which was evidenced by the onsite sediment control course observed by KPMG. This course was attended by both Canfor staff and contractors. (Chetwynd)

SFI Forest Management Objective 4 (Conservation of Biological Diversity): Several blocks visited protected habitat piles providing habitat and travel corridors for threatened and endangered species such as fisher. (Chetwynd)

SFI Forest Management Objective 4 (Conservation of Biological Diversity): Participation in caribou habitat restoration projects is going above and beyond requirements. (Houston)

SFI Forest Management Objective 8 (Indigenous Peoples): The intent of the DRAFT Canfor Indigenous Peoples' Engagement Policy is very comprehensive and the employee indigenous awareness training is robust. (Canfor Corporate)

SFI Forest Management Objective 11 (Training and Education): Discussions with contractors (Groot Bros and BlastPro) indicate above average awareness of site plans and maps which has been translated to on the ground implementation of complex site plan prescriptions. (Houston)

SFI Forest Management Objective 15 (Management Review and Continual Improvement): Monthly meetings are held with contractors where progress on achieving SFI certification are discussed (e.g. internal and external audit findings). (Houston)

SFI Fiber Sourcing Objective 2 (Adherence to Best Management Practices): Log purchasing are using digital maps and Avenza to document and inspect potential log purchases. Maps include the property boundary, imagery, and additional data where possible (streams). Inspections are occurring and pins are used to include images and notes.

### Follow-up on Findings from Previous Audits

At the time of the assessment there was a total of two open non-conformities from previous Canfor external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that they: (1) had been implemented as required, and (2) were effective in addressing the root causes of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.

### Areas of Nonconformance

One new minor non-conformity was identified during the SFI surveillance audit of Canfor's woodlands and fibre sourcing operations as follows:

- SFI Forest Management Objective 3 (protection of water bodies) – Management and protection of rivers, streams, lakes, wetlands, other water bodies and riparian areas is required during all phases of management, including



The photo from the Canfor Chetwynd operation demonstrates how Canfor protects forest values that might be impacted by forest management activities. Canfor field personnel use tablets to assist in laying out harvest areas and to identify and mitigate impacts on values. Commonly, harvesting machinery also have similar devices allowing operators real time tracking of location and values at risk.

The blue dot on the tablet identified the machine location in relation to the boundary ribbon in the background. The value is a small wetland protected from harvest by exclusion from the cutblock.

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construction and maintenance of roads and skid trails. Canfor has procedures requiring road and trail construction to maintain water reach, flow and quality. At one cutblock two plugged culverts were observed leading to water flow across the road and erosion and sediment movement.

### Opportunities for Improvement

Five new opportunities for improvement were also identified during the audit as follows:

- SFI Forest Management Objective 3 (protection of water bodies) - At one Canfor operation KPMG noted inconsistencies in stream classification and mapping since the site plan stream classification did not align with the site plan map and the harvest map. Appropriate stream practices were implemented.
- SFI Forest Management Objective 9 (regulatory compliance) – Canfor has a forest management system ensuring conformance to the requirements of the standards. To meet this objective Canfor’s incident tracking system (“ITS”) is used to track actions following incidents and audit findings. A review of incidences logged into ITS at one operation noted that there were no clearly defined root cause analyses completed for 2022 incidents.
- SFI Forest Management Objective 9 (regulatory compliance) – Canfor has a forest management system ensuring conformance to the requirements of the standard. While the audit found that Canfor Fuel Management Guidelines and Checklists procedure had been adequately implemented, an isolated instance at one operation involving a reload yard and a harvest cutblock identified missing spill kits, TDG labels were missing from fuel tanks and a fire extinguisher had not been charged or inspected.
- SFI Fibre Sourcing Objective 1 (biodiversity in fibre sourcing) - The standard requires a program to address Forests with Exceptional Conservation Value in harvests of purchased stumpage. Considering the 2022 Canfor Wood Information Producers Package provided to third parties from whom Canfor purchased logs, there is an opportunity to define and provide addition information on the G1/G2 species identified in the FECV analysis and provided in the information package.
- SFI Fibre Sourcing Objective 2 (Adherence to Best Management Practices) - The Canfor Wood Producer Information package does mention adjusting practices to address weather conditions. There is an opportunity to provide more detailed instruction on best management practices and monitoring related to wet weather conditions.

### Audit Conclusions

The audit found that Canfor’s sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report, and;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the systems continue to be implemented and maintained as required.



At the Canfor Chetwynd operation a road has been deactivated and vehicle access is no longer possible. A notification sign has been posted making road users aware that the road has been deactivated.



As a result, a decision has been reached by the lead auditor to recommend that Canfor continue to be certified to the SFI 2015-2019 forest management and fibre sourcing standards.

### Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by Canfor and reviewed and approved by KPMG PRI. The next 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.

### Focus Areas for the Next Audit Visit

The following have been identified as focus areas for the next audit visit:

- Follow-up on 2022 audit findings.
- Water management planning and practices.
- Review of Canfor's Incident Tracking System
- Field inspection of active harvesting operations.
- Fibre sourcing requirements procedures and practices.



This cutblock at the Chetwynd operation has recently been declared as 'free growing' meaning that approximately 15 years ago the area was harvested and successfully reforested with a mix of tree species ecologically suited to the site and free of deciduous competition and there are no serious health issues.

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