Fort St. John Pilot Project – 2009 Surveillance Audit   August 2009

Background

The Fort St. John Pilot Project (FSJPP) area encompasses the Fort St. John Timber Supply Area (TSA) in the Peace region of northeast BC. The combined assessment on the FSJPP area applies to a defined forest area (DFA) of approximately 4.1 million hectares with an allowable annual harvest of over 2.06 million m³. As part of the commitment to sustainable forest management and forest certification made by the FSJPP participants, an audit team from KPMG Performance Registrar Inc. completed the following assessments of the FSJPP in August 2009:

- A surveillance audit of the FSJPP DFA to the Canadian Standards Association's standard for Sustainable Forest Management (CSA-SFM);

- An audit of the FSJPP Participants' compliance with the requirements specified in the *Fort St. John Pilot Project Regulation*;

- Field assessments of FSJPP Participants' operations in the Fort St. John TSA; and

- Field assessments of Canfor's operations in the Fort St. John TSA as part of a Corporate-wide surveillance audit to the ISO 14001 standard for Environmental Management Systems (EMS).

The Audit

- ***Background –*** The FSJPP was implemented across the Fort St. John TSA in 2001 as a pilot project for an improved regulatory framework for forest practices. The main components of the project include regulatory flexibility to facilitate adaptive approaches to forest management, landscape level planning through an SFM plan, ongoing public involvement through a Public Advisory Group (PAG) and the adoption and implementation of certification systems as surrogates for the existing administrative process.

- The FSJPP participants include BC Timber Sales, Cameron River Logging Ltd., Canadian Forest Products Ltd., Dunne-Za Ventures LP, Louisiana-Pacific Canada Ltd. and Tembec Inc. However, all field operations are conducted by Canfor and BC Timber Sales. All of the participants have consented in writing to take part in the pilot project and be subject to the terms and conditions of the FSJPP Regulation.

- The CSA-SFM standard requires regular audits by an independent, third party registrar to assess ongoing conformance with the standards and the implementation of action plans related to previous assessments. In addition, the *Fort St. John Pilot Project Regulation* requires periodic independent audits of the Participants' compliance with the regulation.

- ***Audit Team –*** The audit was conducted by a two person audit team consisting of two BC registered professional foresters. The audit team leader is a certified environmental auditor and EMS lead auditor and the second team member is an EMS auditor.

- ***Field Audit –*** The team conducted interviews with Participant staff and contractors and examined EMS, CSA-SFM and compliance records, monitoring information and public involvement records. The team also conducted a field

assessment of 37 sites to assess operational planning, harvesting, silviculture and road construction, maintenance and deactivation.

Audit Conclusions

The audit found that the Sustainable Forest Management System (SFM) in use on the FSJPP continues to meet the CSA-SFM standard and that there was a high level of compliance by FSJPP Participants with the *Fort St. John Pilot Project Regulation*. In addition, the Canfor EMS continues to be effectively implemented and supportive of its Corporate CSA-SFM registration. As a result, a decision has been made by the audit team to continue the CSA-SFM certification. Continued CSA-SFM registration demonstrates an ongoing commitment to sustainable forest management and is a significant achievement for the FSJPP participants. The FSJPP Participants' CSA-SFM certification is valid until February 5, 2012 subject to continued conformance with the standard.

Noteworthy Comments

During the course of the surveillance audit, a number of good practices were identified. The following list outlines some of the more notable examples of good practices that were observed by the audit team:

- The Participants' have expedited the referral of proposed and amended blocks to trappers in light of the mountain pine beetle outbreak.

- Good advantage of the existing network of seismic lines is taken during development planning, resulting in a reduced footprint from new permanent access structures.

- The field audit observed good use of grass seeding of roads and seismic lines to stabilize exposed slopes and reduce the risk of sedimentation to streams.

- Good field examples of wildlife tree patches retained for warblers were observed during the field audit.

- Notable effort is made to minimize disturbance around non-classified drainages during active harvesting and skidding.

Follow-up on Open Nonconformities from Previous Assessments

At the time of this assessment there was one open minor nonconformity from previous audits. This was successfully closed by the audit team.

CSA-SFM Areas of Nonconformity

Full conformity was found in relation to the majority of the CSA-SFM and ISO 14001 elements included within the scope of our audit. However, our audit identified 2 minor nonconformities in relation to CSA-SFM elements' 7.4.6 (Operational Procedure and Control) and 7.5.1 (Monitoring and Measurement) as follows:

- The field audit of BCTS operations observed one log fill stream crossing installed on a defaulted fish-bearing stream which was not removed following use by a Donaren mounder in 2007 or following use by planters in 2008. In addition, there was severe erosion of the road surface leading into the stream. No action plan to address either issue had been established and implemented at the time of the audit

Audit Results	
Major nonconformities	0
Minor nonconformities	2
Opportunities for improvement	8

Types of audit findings

Major nonconformities:

Are pervasive or critical to the achievement of the SFM Objectives.

Major nonconformities must be addressed immediately or certification cannot be achieved / maintained.

Minor nonconformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All nonconformities require the development of a corrective action plan within 30 days of the audit, which must be fully implemented by the operation within 3 months.

Opportunities for Improvement:

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

- The field audit of active Canfor operations observed isolated nonconformities respecting fuel handling and Transportation of Dangerous Goods (TDG) regulation requirements for diesel truck box fuel tanks (i.e., one tank without documented evidence of testing or of current certification, two tanks without visible diesel placards and one tank without a capacity rating or specification).

Actions plans to address these findings have been received from the FSJPP Participants and approved by KPMG PRI.

Key CSA-SFM Opportunities for Improvement

Eight opportunities for improvement were identified during the 2009 CSA-SFM and ISO 14001 surveillance audit, including:

- "Stand-level Management Guidelines for Selected Forest-Dwelling Species in FSJ TSA" has been relied upon by the Participants for managing species at risk. However, the guidelines focus on selected Identified Wildlife Management animal species, overlook a number of other red-listed animal species that could potentially exist on the DFA and do not consider red-listed plant species and ecological communities.

- Interviews with Canfor contractors highlighted weaknesses in awareness on the applicable TDG regulation requirements respecting truck box fuel tanks. In addition, the wording in Canfor's 2009 Fuel Management Guideline does not align with TDG requirements, adding further confusion for operators wanting to understand these requirements.

- The 2007 SFM Plan CSA annual report relating to Indicator 34 (Peak Flow Index) states that no new harvesting occurred in the Charlie Lake watershed, however harvesting on one block in the watershed commencing prior to this period ran into the 2007-08 period (BCTS).

- The 2008 CSA public summary audit report was not made widely available to the general public through postings on the Canfor, BCTS or FSJPP public websites.

- Canfor's Harvesting, Roads and Facilities Operational Controls were determined to be vague with respect to what constitutes a "major structure" that would require pre-works and inspections of contractors involved in installation or deactivation operations involving bridges or culverts.

- Rutting and breaching of cross ditches observed during the field audit of two deactivated roads highlighted a gap in the existing BCTS process for inspecting and addressing damage done by site preparation equipment subsequent to roads being deactivated by TSL holders.

- The audit determined that BCTS could improve upon its process for the scheduling of free growing surveys to ensure that they are all conducted prior to the last year of the free growing window (i.e., to avoid the need to submit requests for the amendment of free growing late dates in order to avoid non-compliances, as occurred for several BCTS openings).

The surveillance audit included examination of awareness and implementation of Canfor management systems on active logging sites.

An example of wildlife tree patches retained for wildlife habitat and biodiversity purposes.

Through KPMG PRI, KPMG's Vancouver based forestry group is accredited to register forest companies to ISO 14001, CSA-SFM and SFI certification standards.