

Forest DATE Certification



Canadian Forest Products - Houston Operation

January 2006

Background

As part of Canfor's commitment to sustainable forest management and independent forest certification, an auditor from KPMG Performance Registrar Inc. completed the following assessments of Canfor's Houston woodlands operation in August 2005:

- Periodic assessment of Canfor Houston operations within the Morice Timber Supply Area (TSA) against the requirements of the Canadian Standards Association's standard for Sustainable Forest Management (CSA-SFM); and
- Field assessment of the operation as part of a corporate-wide re-registration assessment to the ISO 14001 standard for Environmental Management Systems (EMS).

The assessment determined that the Sustainable Forest Management System (SFM) and EMS in use at the operation continue to meet the requirements of the CSA-SFM and ISO 14001 standards.

The combination of ISO 14001 and CSA-SFM registration demonstrates a strong commitment to sustainable forest management by the Houston operation and is a significant achievement for Canfor. The combined assessment applies to a defined forest area (DFA) of 470,000 hectares, with an allowable annual harvest of 1,128,029 cubic meters.

The Audit

- **Background** – The ISO 14001 and CSA Z809 standards require regular assessments by an accredited Registrar to assess continuing conformance with the standards and the implementation of action plans related to previous assessments.
- **Audit Team** – The audit was conducted by an accredited SFM/EMS auditor who is also a Registered Professional Forester.
- **Field Audit** – The on-site field audit included interviews with a sample of staff and contractors and examination of EMS and SFM system records, monitoring information and public involvement information. The auditor also conducted field assessments of 14 sites to assess the operation's planning, harvesting, silviculture and road construction, maintenance and deactivation practices.



Good Practices

- The assessment indicates that the SFM and EMS systems continue to be effectively implemented at the operation. No nonconformities were identified during the assessment and all issues associated with nonconformities and opportunities for improvement from previous assessments were found to have been effectively addressed.
- There has been a continued strong focus on mountain pine beetle control at the operation.
- Contractors interviewed during the audit demonstrated a high level of awareness of operational issues and the Company's procedures (e.g., how to deal with MSMA treated trees and coarse woody debris management).
- Appropriate retention levels of coarse woody debris were found on the sample of harvest blocks viewed during the field audit.
- There were low levels of soil disturbance noted on the blocks visited during the audit.
- Road deactivation was effectively implemented on the higher risk roads visited during the audit.
- The latest internal audit was found to be very thorough, well documented and appropriately focused on the environmental risks encountered by the operation (e.g., assessing awareness and implementation of MSMA controls).

Key Opportunities for Improvement

- SFM Indicator #25 (*% of Gross Area Converted to Permanent Access by Licensee*) is intended to track the proportion of the gross forest area impacted by roads. However, as it may take several decades before it becomes apparent that the target will not be achieved this indicator does not lend itself well to monitoring. As such, there is an opportunity to develop interim targets as a means to better track near term progress in relation to this indicator.
- SFM Indicator #57 (*Ecosystem Carbon Storage by Hectare by Year by Licensee*) is a new indicator intended to address issues related to the role of forests in carbon sequestration. Although the indicator and associated targets appear reasonable, the current SFM plan is lacking in detail on how the indicator is calculated.
- The current SFM plan outlines indicator monitoring and performance management requirements to identify and address those situations where targets have not been met. However, the plan lacks a commitment to develop and implement an effectiveness monitoring program to (1) test the assumptions upon which the selection of indicators and targets are based and (2) evaluate whether the indicators and targets that have been selected are effective in achieving the underlying objectives outlined in the plan.
- The audit found that considerable effort has been made by the members of Tweedsmuir Forest Limited in recent years to obtain First Nations participation on the Public Advisory Group (e.g., several written invitations, follow-up phone calls, meetings with various bands, etc.). Despite this effort however, the PAG continues to lack adequate First Nations representation.

CSA-SFM Periodic Assessment and ISO 14001 Re-registration Assessment

Major nonconformities	0
Minor nonconformities	0
Opportunities for improvement	6

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.



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- A number of isolated weaknesses in the implementation of EMS operational controls were noted during the audit:
 - A large non-specification truck box fuel tank was in use on a block in the absence of any evidence that the tank had received the required TDG testing and certification.
 - One processor operator interviewed during the audit had a poor level of awareness of the Company's procedures for handling MSMA-treated trees.
 - A truck box fuel tank used by a roadside piling contractor did not have a visible TDG label (the label was obscured by the contractor's tool box).
 - A cat operating on a harvest block had only one of the required two 5BC fire extinguishers onboard.
- The incident reporting SOP requires that incidents meeting specified requirements be reported, investigated and tracked in the operation's incident tracking system (ITS). In situations where these requirements are not met, incidents are generally handled on a more informal basis. The audit identified an incident on a harvest block where an error in block layout, combined with poor judgment by an equipment operator, resulted in a steep portion of the block being logged conventionally (although the environmental impact associated with the incident is not likely to be significant). Situations such as this incident would likely benefit from implementation of the more formal investigation and corrective and preventive action processes included within the ITS.



The operation has done a good job of focusing its harvesting operations in mountain pine beetle-infested stands.

Other Issues

MSMA Complaint - As indicated in the "KPMG Certification Update – March 2005", KPMG received a complaint in August 2004 regarding the harvesting and processing of MSMA treated trees by the operation.

Our subsequent investigation of the issue determined that there were weaknesses in the ranking of the related environmental aspect that led to the aspect not being considered significant. Consequently, operational controls were not established and implemented to reduce the risk of MSMA treated trees being delivered to the mill site and potentially burned in the beehive burner contrary to permit requirements.

As a result of this determination, the company developed new procedures and revised existing forms to address the issue and trained staff and contractors on these procedures and use of the forms to ensure that MSMA treated trees are located, mapped, marked and excluded from harvest (i.e., incorporated into retention areas where possible or otherwise retained as single trees). Revised forms include the harvesting and roads prework (to prompt supervisors to review with contractors applicable MSMA operational controls), project risk matrix (to reflect the risk associated with this aspect in the determination of the number of required inspections) and inspection/monitoring form (to prompt supervisors to assess the implementation of MSMA controls during inspections – i.e., treated trees were retained).

The procedures also include a final check of deliveries to the sawmill log yard by scalers and log yard staff trained to identify MSMA treated logs to verify that no treated logs are inadvertently delivered. The August 2005 assessment checked the implementation of these procedures in the office, field and sawmill log yard and



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confirmed that the operation is effectively implementing these controls to reduce the risk of harvesting and processing MSMA treated trees (with the isolated exception noted above respecting one operator's weak awareness of MSMA procedures). Consequently the nonconformity was closed.

SLDF Appeal - In October 2004 KPMG received a complaint and associated appeal by the Sierra Legal Defence Fund (SLDF) of its CSA-SFM certification of Canfor's Houston operations. The appeal respected areas of concern around 2 issues which the SLDF contended should have invalidated the conditions for granting the certification of the operation by KPMG. The two issues identified by the SLDF in their appeal are summarized as follows:

- Canfor's efforts to solicit Aboriginal input and involvement in the SFM public consultation process were inadequate to demonstrate that it was meeting the SFM requirement that duly established Aboriginal and treaty rights be respected.
- Canfor's planning processes and practices were not sufficiently comprehensive or detailed to adequately address the SFM requirements that protected areas be respected and sites of special biological significance within the Defined Forest Area be identified and maintained through the implementation of appropriate management strategies.

Our subsequent investigation determined that the original conditions for granting certification were valid as Canfor either met the requirements of the CSA-SFM standard (with respect to Aboriginal and treaty rights and protected areas) or had developed a satisfactory action plan to address a related minor nonconformity issued by KPMG during the original implementation assessment (with respect to special sites). Our August 2005 audit verified that the operation has effectively implemented the action plan designed to address the nonconformity related to special sites and the nonconformity was consequently closed.



Harvest blocks observed during the field audit contained appropriate levels of coarse woody debris and generally had low levels of disturbance.

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