

REPORT Forest Certification



Interfor Corporation—Interior Woodlands Operations 2018 SFI Surveillance Audit

In July 2018 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Interfor Corporation (Interfor)'s Interior Woodlands operations and fibre procurement activities against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

Description of Interfor's Interior Woodlands Operations

Interfor's Interior Woodlands operations are located in the vicinity of three communities in the southern interior of British Columbia and encompass a total area of approximately 1.3 million hectares of Crown land. Interfor's Interior Woodlands Operations include the following:

- Adams Lake Woodlands, which is geographically located in the southern interior of the Province of British Columbia in the Adams Lake and Thompson geographic areas, with the nearest community being the village of Chase. Tenures managed by the operation are Forest Licences A18693, A18694, A74910, A93799, and A93800 and Timber Licence T0888.
- Grand Forks Woodlands, which is located in the Boundary region of the province immediately adjacent to the Canada-USA border. Tenures managed by the operation are Forest Licence A18969 and Tree Farm Licence (TFL) #8.
- Castlegar Woodlands, which is located along the Arrow Lakes and is headquartered in the community of Castlegar. The operation manages TFL #23, TFL #3, and Forest Licences A20192 and A94220.

Interfor's Interior Woodlands have a total AAC (allowable annual cut) of approximately 1.66 million m³/year. Harvest volumes are tracked and reported to government and balanced over the five year cut control period for each licence. The 2018 audit found that the Company's forest harvesting continues to conform 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) plan that addresses the objectives of the SFI forest management standard and includes a variety of targets in relation to them. Government-approved forest stewardship plans that address both timber and non-timber values are in place for each division. In addition, each of the TFLs has a Management Plan (MP) which outlines the management objectives, resource information and inventory data used to support proposed harvest levels which are approved by Government. Various higher level plans developed by government (e.g., Land and Resource Management Plans) also provide direction to forest management within the areas managed by the organization.

The areas covered by Interfor's Interior Woodlands' SFI certification fall within the following WWF (World Wildlife Fund) ecoregions: (1) Cascade Mountains Leeward Forests, (2) Fraser Plateau and Basin Complex, (3) North Central Rockies Forests, and (4) Okanagan Dry Forests with the majority of the stands located in the following biogeoclimatic zones:

- Interior Cedar Hemlock (ICH)
- Montane Spruce (MS)
- Engelmann Spruce-Subalpine Fir (ESSF)
- Interior Douglas-fir (IDF)

The forests managed by the Company are predominantly coniferous with the main commercial tree species harvested being lodgepole pine, Douglas-fir, spruce, western red cedar and subalpine fir. Because of the stand compositions and uniform ages, the forest management approach employed by the Company is predominantly even-aged management: clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas, replanting of harvest areas within a few years with a



mix of ecologically suited tree species using government-approved stocking standards and control of competing vegetation through the use of mechanical means.

Description of Interfor’s Interior Manufacturing Facilities and Fibre Sourcing Program

The mills included within the scope of the Company’s SFI fibre sourcing certification are:

- Adams Lake Lumber sawmill
- Grand Forks sawmill
- Castlegar sawmill

The Company’s fiber sourcing needs vary between facilities. While the majority of fiber is sourced directly from the Company’s own woodlands, approximately 40% is purchased from third parties. Interfor’s Interior Woodlands sources fibre from other organizations (forest companies and B.C. Timber Sales) who hold their own SFM certifications, with a small percentage coming from uncertified private land or woodlots. In addition, a small portion of the Company’s fibre sourcing is obtained through purchase stumpage that is logged by Interfor’s Interior Woodlands contractors under the Company’s environmental management system. All wood is sourced from within the Southern Interior of British Columbia; primarily in the Thompson Rivers, 100 Mile, Okanagan-Shuswap and Selkirk Natural Resource Districts.

Interfor’s Interior Woodlands participates in the WCSIC (Western Canada SFI Implementation Committee) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and purchase wood inspections as necessary. The results are then collated by WCSIC (of which Interfor’s Interior Woodlands 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 fiber sourcing standards, and incorporated an assessment against the SFI program objectives for:

- Forest health and productivity;
- Management of visual quality and recreation benefits;
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Community involvement and landowner outreach;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the 2018 SFI surveillance audit of Interfor’s Interior Woodlands operations included two of the woodlands operations noted above (Castlegar and Adams Lake), as well as fibre procurement activities for the company’s Castlegar and Adams Lake sawmills.

Interfor Interior Woodlands 2018 SFI Surveillance Audit Findings

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	1
New opportunities for improvement	6

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.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

Opportunities for Improvement:

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

The Audit

- *Audit Team* – The audit was conducted by Sylvi Holmsen, RPF, EP(EMSLA) and Bodo von Schilling, RPF, EP(EMSLA). Sylvi is an employee of KPMG PRI, while Bodo is a contract auditor. Both members of the audit team have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, and CSA Z809.
- *2018 SFI Surveillance Audit* – The audit involved an on-site assessment of selected elements of the Company’s SFI program, and included visits to several field sites (11 roads, 11 cutblocks, 11 silviculture sites and 6 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The audit took a total of 16.5 auditor days to complete, ten days of which were spent on-site at 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* – Interfor Corporation, Interior Woodlands Operations holds a multi-site SFI certificate covering a total of three woodlands divisions and associated fibre sourcing activities. Field visits were made to two out of three divisions (divisions Castlegar and Adams Lake) during the course of the audit. This sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- *Interfor Interior Woodlands Operations SFI Program Representative* – Randy Waterous, RFT served as Interfor’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 fiber 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 Interfor’s Interior Woodlands to:

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

Interfor Interior Woodlands 2018 Audit Sample Size	
Roads	11
Harvesting	11
Silviculture	11
Wood procurement	6



The audit involved on-site assessments of selected elements of the Company’s SFI program, and included visits to several field sites to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards.

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	Not in scope for the 2018 audit.
2. Forest Health and Productivity	Ecosystem classification, MPs, FSPs, SFM Plan, cutting permits (CP), site plans (SP), silviculture reports, field inspections, CENGEA reports, terrain stability reports, pre-work records, incident reports, MPB strategies and committees, emergency response plans, FLNRO Compliance and Enforcement reports and correspondence, audit field inspections.
3. Protection and Maintenance of Water Resources	Not in scope for the 2018 audit.
4. Conservation of Biological Diversity	Not in scope for the 2018 audit.
5. Management of Visual Quality and Recreational Benefits	Higher level plans, SFMP, FSPs, MPs, CP, SP, field inspections, visual and greenup assessments, CENGEA reports, audit field inspections
6. Protection of Special Sites	Not in scope for the 2018 audit.
7. Efficient Use of Fibre Resources	Not in scope for the 2018 audit.
8. Recognize and Respect Indigenous Peoples Rights	Not in scope for the 2018 audit.
9. Legal and Regulatory Compliance	SFMP, inspection records, health & safety policy; field inspections, SOPs, pre-work, EMS manual, regulatory compliance reports, incident reports, SAFE certification, audit field inspections.
10. Forestry Research, Science and Technology	SFMP, FFS initiative, field inspections, climate change reports, records of research projects and funding, staff interviews.
11. Training and Education	Not in scope for the 2018 audit.
12. Community Involvement and Landowner Outreach	SFMP, FSPs, WCSIC minutes & resources, stakeholder consultation records, contracts, staff interviews.
13. Public Land Management Responsibilities	Not in scope for the 2018 audit.
14. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	SFMP, management review records, internal audit and related action plans.



The Adams Lake operation has implemented innovative harvesting systems—traction line and tether systems—on steep slopes to increase operator safety and allow the retention of trees rather than a full clearcut.



Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards (cont'd)

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Not in scope for the 2018 audit.
2. Adherence to Best Management Practices	Wood Producer Information Package (which includes fibre sourcing policy) and records of its distribution to wood producers, Log Purchase Agreements, records of implementation of the BMP monitoring system, field inspection of a sample of procurement sites, interviews with procurement staff.
3. Use of Qualified Resource and Qualified Logging Professionals	Not in scope for the 2018 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, interviews with staff.
5. Forestry Research, Science and Technology	SFMP, FFS initiatives, WCSIC, field inspections, climate change reports, records of research projects and funding, staff interviews.
6. Training and Education	Not in scope for the 2018 audit.
7. Community Involvement and Landowner Outreach	Not in scope for the 2018 audit.
8. Public Land Management Responsibilities	Higher level plans, Landscape Unit Plans, SFM Plan; FSPs, MPs, and associated referral processes; site plans, referral of site plans to stakeholders, procurement staff interviews.
9. Communications and Public Reporting	Not in scope for the 2018 audit.
10. Management Review and Continual Improvement	SFMP, management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	NA. No fibre is sourced from outside North America.
12. Avoidance of Controversial Sources Including Illegal Logging	NA. No fibre is sourced from outside North America.
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	NA. No fibre is sourced from outside North America.



Interfor Interior procures fibre from a variety of sources including other licencees and private land. The surveillance audit inspected a sample of procurement sites and noted that, while the private landowners' objective for harvesting varied, the practices met expectations including the protection of riparian areas and the retention of trees.

Good Practices

A number of good practices were identified during the course of the audit, including:

- SFI forest management objective 2 (forest health and productivity): The Adams Lake operation has developed a planting program highlights sheet to provide direction to planting crews and supervisors on planting objectives and specifications. (Adams Lake)
- SFI forest management objective 2 (forest health and productivity): Use of innovative harvesting systems—traction line and tether systems—on steep slopes to increase operator safety and allow the retention of trees rather than a full clearcut. (Adams Lake)
- SFI forest management objective 2 (forest health and productivity): The Interfor Castlegar operation demonstrated a high level of performance regarding fire preparedness including fire preparedness inspection reports, fire drills, fire plans and other initiatives and Interfor staff and contractors had a high level awareness and readiness preparing the operation for a fire emergency. (Castlegar)
- SFI forest management objective 3 (protection and maintenance of water resources): A harvesting contractor on one block had notable systems to control and guide safety and environmental training and practices. The systems, including 'Site Plans' and 'Hazard Assessments' prepared by the Contractor for each phase (e.g. Bunching, skidding, etc.) and related Logging Plan and related Steep Slope Plan, are best practices mitigating the potential impact of activities on water and other forest values. (Castlegar)
- SFI forest management objective 3 (protection and maintenance of water resources): The new Interfor BC Interior Flagging Standard was developed to standardize ribboning colours across all BC Interior operations. While challenging to implement, this initiative will improve consistency in block and road layout and is a strong improvement to Interfor Interior's operational controls with a potential improvement to best practices around water values and other resource features.
- SFI forest management objective 8 (Recognize and Respect Indigenous Peoples' Rights): Interfor has put considerable effort into building relationships with local First Nations and has developed various formal and informal arrangements with First Nations to provide assistance with economic opportunities as well as community enhancement. During the audit period, Interfor achieved significant milestones such as a Memorandum of Understanding with a First Nation including responding positively to enhanced stream riparian protections.
- SFI forest management objective 5 (Management of Visual Quality and Recreational Benefits): Block design to vary boundary shapes and harvest prescriptions which included retention of trees contributed to the achievement of visual objectives along Adams Lake. (Adams Lake)



Interfor Interior operates over a wide range of landscapes including some with visual sensitivity such as Adams Lake near Kamloops and the Arrow Lakes in the West Kootenay Region. Visual quality objectives have been set by government and Interfor employs a range of practices such as block design and retention of trees to manage the visual impact.



Follow-up on Findings from Previous Audits

At the time of this assessment there was 1 open non-conformity from previous Interfor Interior Woodlands external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address the previous audit finding and concluded that it: (1) had been implemented as required, and (2) was effective in addressing the root causes of the non-conformity. As a result, the previously identified non-conformity has now been closed.

Areas of Nonconformance

A total of 1 minor non-conformity was identified during the 2018 SFI surveillance audit of Interfor's Interior Woodlands forest management and fibre sourcing operations, as follows:

- SFI Forest Management Standard performance measures 9.1 and 3.1 require the organization to meet regulatory requirements and protect water resources. The field inspection of one block identified road construction activities in a riparian management area (RMA). While roads are permitted to be constructed within a RMA, it is not clear that Interfor met the conditions to allow road construction within a RMA. Furthermore, during construction of a small section of branch road, the contractor extended the road surface of the road, further encroaching on the RMA (Castlegar).

Opportunities for Improvement

A total of 6 new opportunities for improvement were also identified during the audit, as follows:

- SFI Forest Management Objective 2 (forest productivity) – The Interfor Interior operations EMS includes a requirement for fire extinguishers at refueling sites. However, the EMS does not include procedures regarding fire extinguisher inspections, testing and maintenance.
- SFI Forest Management Objective 15 (management review and continual improvement) – The audit identified an opportunity to improve the organization's processes for investigating and responding to environmental incidents and improving forest management practices. The Interfor Environmental Incident Report Requirements is one important operational control and this procedure requires an incident investigation in the event that a previously unidentified feature is discovered at a site during operations. The field audit identified a situation where, while mitigation measures were implemented, the discovery of a Goshawk nest on a block did not result in an incident investigation (Castlegar)
- SFI Fiber Sourcing Objective 2 (best management practices) – The audit identified an opportunity to improve the fibre sourcing risk assessment and inspection process. The risk assessment form developed by WCSIC and used by Interfor Interior, does not include site specific risk factors that would trigger an inspection. For example, on one private land site examined in the field, there was a creek running through the property. However, because it was private land being cleared for non-forest use, the actual risk assessment section of the form is not required to be completed. Furthermore, the form only addresses performance risk of the supplier and does not address resource features that could be potentially impacted by harvesting activities. (Adams Lake)
- SFI Fiber Sourcing Objective 4 (legal and regulatory compliance) – The audit identified an opportunity for Interfor to consider the risk the fibre sourcing program may have on migratory birds. While Interfor has prepared a Migratory Bird SOP for use in evaluating company operations and mitigating impact to migratory birds, the impact of the company's fibre sourcing activities on migratory birds had not yet been considered.



Riparian areas are biologically diverse and provide habitat for several forest-dwelling species. These areas are identified during the planning phase and are protected (as show above) where necessary through the establishment of riparian reserves.

Photo Credit: Randy Waterous

- SFI Forest Management Standard Objective 3 (water quality) – SFI Forest Management Standard indicator 3.2 requires the Company to implement measures to protect riparian areas. Review of a sample of recent site preparation prescriptions identified an opportunity to improve the documentation of the instructions. On two of the prescriptions, treatment instructions were included for riparian areas, however, there were no riparian features on either block. (Adams Lake)
- SFI Forest Management Objective 2 (forest productivity) – The audit identified an opportunity to improve the completion of the fire preparedness inspection reports. A review of a sample of reports identified inconsistencies in their completion.

Audit Conclusions

The audit found that the Interfor Interior Operations’ 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;
- 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.

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

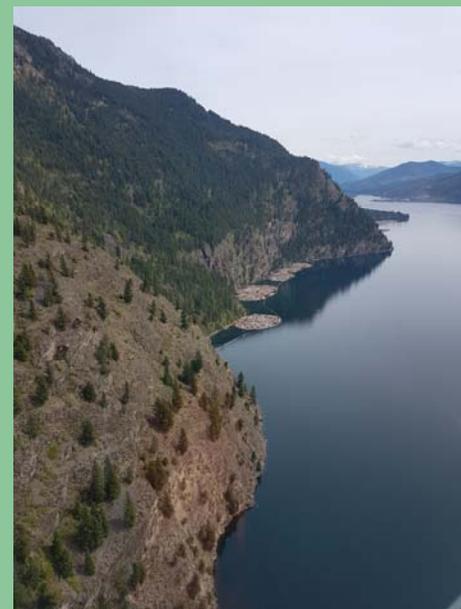
Corrective Action Plans

Corrective action plans designed to address the root causes of the 1 non-conformity identified during the audit have been developed by Interfor’s Interior Woodlands operations 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 issues/potential concerns have been identified as focus areas for the next audit visit:

- Implementation of the action plans developed by Interfor’s Interior Woodlands operations to address all open audit findings identified during previous external audits.
- Implementation of the new Forest Stewardship Plans (Adams Lake)
- Follow up on the use of steep ground, tethered harvesting systems, with a particular focus on fire hazard abatement. (Adams Lake)
- Inspection of field activities in the Nakusp area of the Castlegar operation.



Interfor Interior’s operating areas are located adjacent to the scenic Adams Lake.

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