



Forest Certification REPORT



Interfor Corporation—Coastal Woodlands Operations—2015 SFI Re-registration Audit

Between August 31st and September 4th 2015 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a re-registration audit of Interfor Corporation's (Interfor's) Coastal Woodlands Operations against the requirements of the 2015-2019 edition of the Sustainable Forestry Initiative® (SFI) Forest Management (FM) and Fibre Sourcing (FS) Standards. This Forest Certification Report summary provides an overview of the audit process and KPMG's findings.

Interfor's Coastal Forest Management Program

Interfor's Coastal Woodlands Operations include 6 Timber Supply Areas, 1 Tree Farm Licence, 15 Forest Licences and 35 Timber Licences.

The forest landbase managed by the Company's Coastal Woodlands Operations covers approximately 1.1 million hectares, extending from its Sunshine Coast woodlands operation near Vancouver, up to Prince Rupert, 850 kilometres northwest of Vancouver. All of the operations are covered by government approved forest stewardship plans, which have been written to be consistent with other government approved higher level plans (land and resource management plans). Interfor's Annual Allowable Cut is approximately two million cubic metres per year. The actual harvest level was within the approved Annual Allowable Cut.

The terrain is generally mountainous, and is home to a wide variety of wildlife and plant species, including a number of rare, threatened and endangered species. In terms of ecology, the operations are within the Coastal Western Hemlock biogeoclimatic zone, which is typified by high rainfall and a low frequency of large scale natural disturbances such as fire and wind events. In terms of silviculture, regeneration methods include both natural seed-in from adjacent stands and artificial i.e. tree planting methods. Interfor plants only native tree species, the main species being red cedar and Douglas-fir. In some cases natural regeneration is also used.

Interfor's woodlands operations and associated SFI program are managed from three offices, which are located in Burnaby, Sechelt, and Campbell River BC. KPMG selected Campbell River and Burnaby as the sites to be sampled during the 2015 audit, which is consistent with applicable multisite sampling guidelines. Thirteen days were spent on the audit, of which ten days were spent performing the audit at Interfor's offices and field operations. The remaining three days were spent off-site reviewing documentation and completing the audit reporting.

Interfor's Coastal Fibre Sourcing Program

The company operates two sawmills in the vicinity of Vancouver B.C., one being a cedar mill and the other a white-wood mill. Approximately 70% of the logs cut at these mills are from Interfor's coastal woodlands, with the remainder being purchased under the company's SFI fibre sourcing program.

The fibre that Interfor purchases is largely from other coastal B.C. companies that operate woodlands under sustainable forest certification programs. A limited amount of standing timber is also purchased. The fibre sourcing program includes risk-based field verification of harvest practices.

Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI standard, and incorporated an assessment against all of the SFI Forest Management and Fibre Sourcing objectives.



SUSTAINABLE
FORESTRY
INITIATIVE

SFI-01154



#0746



INTERFOR®

The audit included an assessment of Interfor's forest planning and practices within the area managed by Interfor's Coastal Woodlands Operations, as well as fibre sourcing for the Company's two coastal B.C. sawmills.

The Audit

- **Audit Criteria** – The SFI 2015-2019 Forest Management and Fibre Sourcing standards.
- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA), and Bodo von Schilling, RPF, EP(EMSLA). Yurgen is an employee of KPMG PRI and Bodo is an independent contractor, both have conducted numerous forest management audits under a variety of Standards including SFI, ISO 14001, CSA Z809 and FSC®.
- **2015 SFI Re-registration Audit** – The audit involved an on-site assessment of all elements of the Company's SFI program, and included visits to several field sites (13 roads, 12 cutblocks, 12 silviculture sites and 4 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 18 auditor days to complete, 10 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.
- **Interfor's SFI Program Representative** – Joe LeBlanc, RPF served as Interfor's SFI program representative during the audit.

Use of Substitute Indicators

The audit was based on the indicators in the 2015-2019 version of the SFI Standard. No substitute indicators were used during the 2015 Re-registration Audit.

Audit Objectives

The objectives of the audit were to evaluate the SFM system at Interfor's Coastal Woodlands Operations 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 the Company meets applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Interfor's Coastal Woodlands Operations meets its specified objectives, and;
- Where applicable, identify opportunities for improvement

These objectives were met.

Interfor Coastal Woodlands 2015 SFI Audit Findings

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	3
New opportunities for improvement	4

Table 1: Evidence of Conformity with SFI 2015-2019 Forest Management Standard

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Forest management plan, forest stewardship plan (FSP), site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, FSP, harvest plans, field inspections.
6. Protection of Special Sites	Forest management plan, FSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	Forest management plan, waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Aboriginal Relations, records of consultation with local Indigenous Peoples, pre-audit questionnaire responses, interviews.
9. Legal and Regulatory Compliance	Forest management plan, compliance records, health & safety policy, field inspections.
10. Forestry Research, Science & Technology	Forest management plan, records of research projects and funding, staff interviews.
11. Training and Education	Forest management plan, training records, SFI implementation committee minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	Forest management plan, SFI implementation committee minutes & resources, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.

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.

Table 2: Evidence of Conformity with the SFI 2015-2019 Fibre Sourcing Standard

SFI Fibre Sourcing Objective #	Sources of Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	SFI implementation committee material, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy, 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 Logging Professionals	List of Qualified Resource and Logging Professionals (QLPs), records of proportion of fibre delivered by QLPs, interviews with procurement staff.
4. Legal and Regulatory Compliance	Inspection of a sample of procurement sites, interviews with regulatory agency personnel.
5. Forestry Research, Science & Technology	Records of research projects and funding, staff interviews.
6. Training and education	SFI implementation committee minutes & resources, interviews.
7. Community Involvement and Landowner Outreach	SFI implementation committee minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews.
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 sources outside of Canada/ USA
12. Avoidance of Controversial Sources including Illegal Logging	N/A – applies to sources outside of Canada/ USA
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	N/A – applies to sources outside of Canada/ USA



The audit included site visits to a number of active as well as completed harvest blocks, such as those shown above. Block visits checked for conformance with site level and higher level plans, such as riparian buffers, terrain stability assessment & prescriptions, and grizzly bear habitat protection prescriptions.

Good Practices

A number of good practices were noted during the 2015 SFI Re-registration Audit. The following list outlines some of the more notable examples observed by the audit team:

- SFI FM objective 5 (visual management and recreation) - Through extensive and proactive consultation, the company has engaged a local motorized and non-motorized boating community to improve visual management, including the removal of harvest areas from plans.
- SFI FM Objective 7 (utilization of fibre resources) - The government waste and residue system allows staff to ocularly estimate waste levels, however the company has opted to implement a formal waste & residue survey procedure which provides a more accurate result.
- SFI FM Objective 2 (forest productivity) Typically in British Columbia forestry companies pile harvesting slash and burn it, for fire risk reduction purposes as well as to increase the plantable area. Rather than burning all slash piles, Interfor has a system to determine whether this is necessary. This results in piles being left where suitable, providing benefits to habitat, biodiversity, and nutrient capital. As well in a number of blocks slash was piled so as to minimize the footprint (i.e. taller narrow-based piles rather than short & wider piles), increasing the productive area available for planting.

Follow-up on Findings from Previous Audits

At the time of this assessment there was one open non-conformity from previous audits. The audit team reviewed the implementation of the action plans and found that they had been effectively implemented. As a result, all of the non-conformities identified during previous audits have now been closed.

Areas of Non-conformance

A total of three minor non-conformities were identified during the re-registration audit of Interfor's coastal woodlands operations. These included:

- SFI FS Objective 10 (continual improvement) - The internal audit program considered some but not all of the SFI 2015-2019 Fibre Sourcing objectives.
- SFI FS Objective 2 (adherence to best management practices) and 6 (training) - For the purchase wood program, not all of Interfor's wood suppliers currently have written agreements that specifically address BMPs and the use of qualified logging professionals.
- SFI FS Objective 6 (training) the SFI FS standard requires understanding of roles and responsibilities for all SFI FS objectives, however in some cases this responsibility was not clear.

New Opportunities for Improvement

Four new opportunities for improvement were identified during the 2015 Re-registration audit. These included:

- SFI FS Objective 10 (continual improvement) - There is an opportunity to improve the documentation of the fibre sourcing program to increase staff understanding of how the fibre sourcing requirements are met.



SFI Forest Management Objective 3 has requirements for a program to protect water quality. Interfor has developed procedures to achieve this, and the audit included site visits to recently constructed stream crossings such as shown in the above photos to verify conformance with water protection procedures.

New Opportunities for Improvement—continued

- SFI FM Objective 9 (legal compliance) —The camp inspection program does not prompt checking of the inspection port or vacuum gauge (these indicate internal leaks) for large double-walled fuel storage tanks. As well, at one camp there was no awareness that inspection ports/ vacuum gauges exist on these tanks.
- SFI FM objective 3 (protection of water resources)—On one cutblock the audit noted that there was an inconsistency in regards to the classification of a stream between the site plan and biologist’s report. The internal peer review process did not identify this. (Note that the correct buffer was applied.)
- SFI FM Objective 4 (biodiversity) — The audit noted that there is currently no refresher training component to the species at risk training.

Corrective Action Plans

Corrective action plans designed to address the root cause of the non-conformities identified during the audit have been developed by Interfor’s woodlands operations and reviewed and approved by KPMG PRI. The 2016 audit will include a follow-up assessment to confirm that the corrective action plans developed to address the issue have been implemented as required.

Audit Conclusions

The audit found that Interfor’s coastal woodlands operations meet the requirements of the 2015-2019 version of the SFI Forest Management and Fibre Sourcing standards in all material respects, except as noted in this report. As a result, a decision has been made to grant certification to the SFI Forest Management and Fibre Sourcing standard for the next 3 years. Interfor’s coastal woodlands SFI certification is valid until October 5, 2018.

Contacts:

Chris Ridley-Thomas, RPBio, EP(EMSLA) (604) 691-3088
 David Bebb, RPF, EP(EMSLA) (604) 691-3451

This report may only be reproduced by the intended client, Interfor corporation, with the express consent of KPMG. Information in this issue is of a general nature with respect to audit findings and is not intended to be acted upon without appropriate professional advice. © 2015 KPMG. All rights reserved.