



REPORT Forest Certification



Interfor Corporation—Interior Woodlands Operations—July, 2015

In July 2015, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI recertification audit of Interfor Corporation's (Interfor's) Interior Woodlands operations against the requirements of the 2015-2019 edition of the Sustainable Forestry Initiative® (SFI) standard. 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 conduct forest operations through three distinct operations in the southern interior of British Columbia, all of which are covered under SFI Forest Management and Fibre Sourcing certificates issued by KPMG PRI that are valid until August 22, 2018. The total area subject to certification is approximately 975,000 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 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 Licence A20192.

The woodlands operations are located in the southern half of the Montane Cordillera ecozone 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 forest types are coniferous with the main commercial species harvested being lodgepole pine, Douglas-fir, spruce, western redcedar and subalpine fir. Because of the stand compositions and uniform ages, these stands are managed using even-aged silvicultural systems. The stands are harvested and planned for reforestation using government-approved stocking standards that are ecologically based.

Each division has a Forest Stewardship Plan (FSP) that establishes the objectives for key timber and non-timber values to guide forest management in each of the operating areas. 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. In the case of the Forest Licences, the allowable annual harvest levels are determined by Government based on Government-conducted timber supply reviews that are completed every 5 to 10 years in



each of the Province’s Timber Supply Areas. Interfor’s allowable annual cut for the Interior Woodlands Operations is approximately 1.5 million m³/year. Harvest volumes are tracked and reported by government and balanced over the five year cut control period for each licence. For the operations sampled, the harvest levels were below the allowable cut.

Description of Interfor’s Interior Sawmill Operations

Interfor’s Interior Woodlands Operations operate three sawmills that are associated with each of the woodlands operations. These sawmills are located in Chase, Grand Forks and Castlegar. These sawmills primarily produce random length lumber for the domestic and U.S market and more specialty products for overseas markets. All divisions source their fiber through both the operations’ long term tenures (quota) with the Provincial government, and through the purchase of fiber from other sources.

The three sawmills consume approximately 2,270,000 m³, of which, 38% is obtained through the procurement program. Fibre is purchased from certified Crown land sources, some non-certified Crown land sources, and a very minor amount from private land, all from within the Southern Interior of British Columbia; primarily in the Thompson Rivers, 100 Mile, Okanagan-Shuswap and Selkirk Natural Resource Districts. A small volume of this fibre comes from purchased stumpage on Crown land. Most of the fibre is purchased from wood suppliers, however, a small amount is purchased as standing volume. Interfor harvests these stands using its own logging contractors and applies the Company’s environmental management system to these operations.

The three sawmills produce 690,000,000FBM of lumber annually.

Interfor participates in the WCSIC Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and completing purchase wood inspections as necessary.

Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI standard, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Forest health and productivity;
- Protection and maintenance of water resources;
- Conservation of biological diversity;
- Management of visual quality and recreation benefits;
- Protection of special sites;
- Efficient use of fibre resources;
- Recognize and respect Indigenous Peoples’ rights;
- Legal and regulatory compliance;
- Forestry research, science and technology;



Interfor operations manage for a wide variety of forest management objectives including visual quality.

Interfor Interior Woodlands Field Audit Sample Size	
Roads	11
Harvesting	10
Silviculture	7
Log dumps	1
Wood procurement	2

- Training and education;
- Community involvement and landowner outreach;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the 2015 SFI recertification audit of Interfor’s Interior woodlands operations included all of the woodlands operations noted above, as well as fibre procurement activities for the three Interfor sawmills.

The Audit

- **Audit Team** – The audit was conducted by Sylvi Holmsen, RPF, EP(EMSLA) and Del Ferguson, PGeo. Both team members have conducted numerous forest management audits in BC under a variety of standards including SFI, ISO 14001 and CSA Z809.
- **SFI Recertification Audit** – The audit involved a two day off-site review of the documents supporting the sustainable forest management system and ten auditor days on-site from July 6-10, 2015 to assess all elements of the Company’s SFI program, and included visits to several field sites to evaluate conformance with the requirements of the current SFI standards.
- **Multi-site Audit Sampling** – Interfor Corporation, Interior Woodlands Operations holds a multi-site SFI certificate covering a total of three woodlands divisions and their associated sawmills. Field visits addressing forest management and fibre sourcing were made to two out of three divisions (Adams Lake and Castlegar (Nakusp field office)) during the course of the audit. The sample size and selection was consistent with IAF MD-1. The audit sample was selected based on geographic distribution, previous audit findings, the need for an element of randomness and the timing of the last external audit at each site.
- **Surveillance Audits** – Annual SFI surveillance audits are conducted by the audit team to ensure that SFI requirements continue to be met.
- **Interfor Interior Woodlands Operations SFI Program Representative** – Randy Waterous, RFT served as Interfor’s SFI program representative during the audit.

Use of Substitute Indicators

No substitute SFI indicators were used during the audit.

Audit Objectives

The following audit objectives were included within the scope of the audit:

- An SFI certification audit to evaluate the Company’s conformance with the requirements of the 2015-2019 versions of the SFI Forest Management and Fiber Sourcing standards.

Interfor Interior Woodlands SFI Certification Audit Findings	
Major non-conformities	0
Minor non-conformities	1
Opportunities for improvement	8

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.

Findings: Interfor Corporation—Interior Woodlands Operations—July, 2015 Page 4

Audit Conclusions

The audit found that:

- The Company’s Interior Woodlands Operations meet the requirements of the 2015-2019 version of the SFI standard in all material respects. As a result, a decision has been made to grant certification to the SFI standard for the next 3 years. Interfor Interior Woodlands Operations’ SFI certification is valid until August 22, 2018.

Evidence of Conformity with the SFI 2015-2019 Forest Management Standard

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 standard are presented in Table 1 below.

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	Sustainable Forest Management Plan (SFM Plan), Forest Stewardship Plans (FSPs), Management Plans (MPs), land use plans, SFI Monitoring Report, Cut control reports, CENGEA reports, Timber Supply Analysis, VRI.
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	Field inspections of riparian/streams/roads, review of site plans & harvest plans; under the FSP through soil hazard ratings/disturbance limits and riparian management measures, Environmental Management System (EMS), regulatory agency inspections, standard operating procedures (SOP), pre-work records, inspection records, audit field inspections, CP, SPs, FSPs, MPs, CENGEA reports
4. Conservation of Biological Diversity	Higher level plans, SFM Plan, FSPs, Landscape Unit Plans, site plans; Innovative Forest Practices Agreement (IFPA) and associated Timber Supply Review (TSR), EMS Handbook, field inspections, identified wildlife management strategies, species at risk lists and information, CENGEA reports, GAR orders, general wildlife measures, archeological assessments, CP, SPs, audit field inspections, noxious weed management plan, oundary Weed Committee, invasive plant committee.



The audit examined road construction and maintenance, harvesting, silviculture, log dump operations and log procurement activities at the Adams Lake and Nakusp operations.



Evidence of Conformity with the SFI 2015-2019 Forest Management Standard (cont'd)

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
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	Higher level plans, SFMP, FSPs, harvest & site plans, special site inspections, archeological assessments, CP, SP, audit field inspections.
7. Efficient Use of Fibre Resources	SFMP, waste reports, field inspections, audit field inspections
8. Recognize and Respect Indigenous Peoples' Rights	SFMP, records of consultation with local First Nations, pre-audit questionnaire responses, interviews with Company staff and representatives of local First Nations.
9. Legal and Regulatory Compliance	SFMP, inspection records, health & safety policy; IL-MA regulatory referrals, field inspections, SOPs, pre-work, EMS manual, regulatory compliance reports, incident reports, SAFE certification, audit field inspections
10. Forestry Research, Science & Technology	SFMP, FFS initiative, field inspections, climate change reports, records of research projects and funding, staff interviews.
11. Training and Education	SFMP, EMS Handbook, training records, WCSIC minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	SFMP, FSPs, WCSIC minutes & resources, stakeholder consultation records, contracts, staff interviews.
13. Public Land Management Responsibilities	SFMP, FSPs, MPs, and associated referral process, site plans, referral of site plans to First Nations, water users, ranchers and local property owners, staff interviews.
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.



Interfor provides regular training to staff and contractor crews including training on species at risk. As a result of the training, one of the logging crews was able to identify a badger den which they reported to the company.

Evidence of Conformity with the SFI 2015-2019 Fiber Sourcing Standard

The primary sources of evidence assessed to determine conformity with the SFI Fiber Sourcing Standard are presented in the following table:

SFI Fiber Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fiber Sourcing	Higher level plans, SFM Plan, FSPs, Landscape Unit Plans, site plans; Innovative Forest Practices Agreement (IFPA) and associated Timber Supply Review (TSR), identified wildlife management strategies, species at risk lists and information, GAR orders, general wildlife measures, archeological assessments, noxious weed management plan, Boundary Weed Committee, invasive plant committee, Wood Producer Information Package, interviews with procurement staff.
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, inspection of a sample of procurement sites, interviews with procurement staff.
3. Use of Qualified Resource and Qualified Logging Professionals	List of Qualified Resource and Logging Professionals included in the Wood Producer Information Package, records of proportion of fibre delivered by source, interviews with procurement staff.
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 initiative, field inspections, climate change reports, records of research projects and funding, staff interviews.
6. Training and Education	SFMP, EMS Handbook, training records, Wood Producer Information Package, WCSIC minutes & resources, log procurement policy, interviews with staff and contractors.



The audit included field inspections of completed and active harvesting, road construction and site preparation activities and interviews with equipment operators on active operations.

Evidence of Conformity with the SFI 2015-2019 Fiber Sourcing Standard (cont'd)

SFI Fiber Sourcing Objective #	Key Evidence of Conformity
7. Community Involvement and Landowner Outreach	SFMP, FSPs, WCSIC minutes & resources, stakeholder consultation record, wood procurement program, contracts, Wood Producer Information Package distribution, risk assessment, inspection results, staff interviews.
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	Certification summary report, annual report to SFI Inc.
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.



The audit included field inspection of a sample of purchase wood blocks to confirm adherence to best management practices and regulatory requirements.

Good Practices

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

- SFI FM Objective 11 (training) – The audit identified effective contractor self-reporting of incidents and monitoring activities.
- SFI FM Objective 11 (training) – Regularly scheduled meetings with staff and contractors to discuss safety and environmental management system (EMS) concerns/incidents allows for continuous communication on safety and EMS-related items .
- SFI FM Objective 11 (training) – The Interior Woodlands Operations have implemented comprehensive annual contractor day training programs.
- SFI FM Objective 2 (forest productivity) – The audit identified several instances of proactive responses of crews to site specific conditions on active operations, such as voluntary shutdowns during increasing fire risk and the identification and protection of previously unidentified wildlife habitat features.
- SFI FM Objective 2 (soil productivity) – The operation is developing and testing a decision tree for assessing site level risks for terrain stability and for determining the need for further, more detailed assessments.
- SFI FM Objective 11 (training) – Interviews with crews, including an inexperienced operator, on active operations indicated high levels of awareness of site specific conditions affecting operations.
- SFI FM Objective 13 (public involvement) – The audit indicated that Interfor is responsive to stakeholder concerns and where features of interest are identified, Interfor has worked to accommodate stakeholder requests by altering plans and including protection measures in the site plans.
- SFI FS Objective 2 (adherence to BMPs) – Interfor implements its EMS on purchase wood blocks where Interfor logging contractors are doing the harvesting and being supervised by Interfor staff.
- SFI FM Objective 11 (training) – The Adams Lake operation completes annual EMS field trips which are attended by most staff. The field trips focus on reviewing a sample of sites and site plans in the field and discussing the outcomes. These field trips provide a good opportunity for communication and learning among staff as well as driving EMS and process improvements.
- SFI FM Objective 3 (water quality) – Feller buncher and site preparation operators use tablets in their equipment so that operators have real time information on map location.
- SFI FM Objective 3 (water quality) – The operation recently revised the Road Design and Construction Standards document to provide a more consistent approach across the interior operations.



Interviews with equipment operators indicated a high level of awareness of site specific conditions affecting their work.



The audit examined Interfor reforestation activities and noted that stands are promptly reforested with ecologically appropriate species.

Areas of Nonconformance

One minor non-conformity was identified during the SFI re-certification audit of Interfor’s Interior Woodlands Operations. This included:

- SFI FM/FS Objective 11/6 (Qualified Logging Professionals) – The SFI standards require the organization to have written agreements for the use of qualified logging professionals and/or wood producers that have completed training programs and are recognized as qualified logging professionals .
 - While Interfor has Log Purchase Agreements with suppliers and Logging Contracts with the company’s logging contractors, the agreements do not specifically require suppliers or contractors to use or be qualified logging professionals. However, the Logging Contracts include clauses that require the contractor crews to be trained and to follow the EMS. Interfor’s logging contractors receive regular training from Interfor and meet the WCSIC definition of qualified logging professionals.

The Company’s approved corrective action plan to address the non-conformity identified during the audit is to revise the terms and conditions in the agreement templates.

Opportunities for Improvement

A total of 8 new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:

- SFI FM/FS Objective 1 (SFMP) – While the SFMP has recently been updated to the new SFI standards, there is an opportunity to improve the discussions related to TFL 3 inventories and update the SFMP indicators and related reporting to assess performance against both standards.
- SFI FM/FS Objectives 9,12/1,4,7 (SFI Wood Producer Information Package) – The audit identified opportunities to improve the communication of wood purchase policies and information to wood suppliers including ensuring consistency of the information distributed throughout the interior operations, communication of Interfor’s commitment to comply with social laws, and communication of information regarding how wood suppliers may raise concerns either through Interfor or through WCSIC.
- SFI FS Objective 6 (Sustainable Forest Management and Log Procurement Policy) – The audit identified an opportunity to update the Sustainable Forest Management and Log Procurement Policy to reflect the new SFI standards. The SFI standard requires a written statement of commitment to the SFI 2015-2019 Fiber Sourcing Standard. While the Policy addresses key elements of the Fiber Sourcing Standard and makes a general reference to SFI certification, it does not specifically commit to the Fiber Sourcing Standard.
- SFI FM/FS Objectives 9/2,4 (Log Purchase Program) – The audit identified opportunities to improve the log purchase program by ensuring the purchase agreements address all of the requirements in the standard such as the use of best management practices and ensuring that the company has access to regulatory compliance information for its wood suppliers.



Where features such as culturally modified trees are identified during block planning activities, these features are protected through adjustments to block boundaries or by including them in wild-life tree patches.

- SFI FS Objectives 2 (Purchase Wood Risk Assessment) – The audit identified opportunities to improve the purchase wood risk assessment process by more clearly defining the wood supplier and the source of the wood, assessing if the logger or wood supplier is a qualified logging professionals, and, where the suppliers are not identified by Interfor as qualified logging professionals evaluating the suppliers against the WCSIC training policy to determine if the suppliers meet the recommended training and can be considered as qualified.
- SFI FM Objective 3 (Fuel Handling) – The audit identified an opportunity to improve the awareness and monitoring of fuel handling practices to ensure that truck box fuel tanks meet TDG certification and labelling requirements.
- SFI FM Objective 8 (First Nations Consultation) – The audit identified an opportunity to improve the relationship and communications with First Nations. While the audit confirmed that Interfor has developed relationships with most of the First Nations in their operating areas through a variety of mechanism such as service agreements and the development of contracting opportunities, in the Castlegar operations, these arrangements appear to be less developed.
- SFI FM Objective 3 (Major Structures Risk Assessment) – The audit identified an opportunity to improve the implementation of the road and major structures inventory and risk assessment program. The Interfor Interior Woodlands operations have made substantial progress in updating the inventories and implementing the risk assessment process for most areas. However, risk rating of some areas is still underway and needs to be completed. In the absence of completed inventories and risk ratings, the operations have interim plans to inspect higher risk areas in 2015.

Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformity identified during the audit have been developed by Interfor 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.



Harvesting prescriptions in drybelt Douglas-fir areas specify the retention of leave trees. The audit determined that the prescription requirements had been met on the ground.



Some areas require stumping for control of root diseases. Field inspections of a sample of these areas during the audit noted that other resource features were protected or maintained during the stumping operations.

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, Company ABC, 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.