



TimberWest Forest Corporation—2014 SFI Re-certification Audit

In April 2014 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a re-certification audit of TimberWest Forest Corporation (TimberWest)'s forestry and wood procurement operations against the requirements of the 2010 - 2014 edition of the Sustainable Forestry Initiative® (SFI) standard. In order to ensure a more efficient audit process, audits of TimberWest's conformance with the requirements of ISO 14001:2004 and PEFC ST 2002:2013 were conducted at the same time. This Certification Summary Report provides an overview of the process and KPMG PRI findings that relate to SFI 2010-2014.

Description of TimberWest's Timberlands Operations

TimberWest's private timberland operations are situated on Vancouver Island, British Columbia, Canada. The operations currently encompass approximately 325,000 hectares (804,000 acres) stretching from the Sooke area in the south to the Campbell River area, lying mid-island, along the east coast. Much of the land is in relatively large contiguous holdings.

The private timberland operations are managed by the Company from two separate operations: North Island Timberlands and South Island Timberlands. The private forest lands comprise a mix of old growth and second growth timber, with second growth making up the majority of the current harvest (approx. 95% in 2013).

TimberWest's public timberland operations are managed by the Company's North Island Timberlands Division from its field office located in Campbell River, BC. These public land operations include Tree Farm Licence 47 (TFL 47), two Forest Licences (FLs) and two Timber Licenses (TLs) with an annual allowable harvest of approximately 700,000 cubic meters. As with the private timberlands, second growth makes up the majority of the harvestable landbase (approximately 90% in 2013).

In addition, timberlands management, planning and timber procurement staff and the Environment and Resource Integration group consisting of scientific experts are located at the Company's Nanaimo Office on Vancouver Island.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard and incorporated a full scope assessment against the SFI program objectives for:

- Forest management planning;
- Forest 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 forest resources;
- Fibre sourcing
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement in the practice of sustainable forestry;



- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

Scope of Certification

Forestry, logging and related operations on TimberWest’s public (TFL 47, FL A29159, FL A20913, TL T0769, TL T0883) and private lands including planning, roads, harvesting, silviculture, log hauling and sorting and procurement of timber.

The 2014 Re-certification Audit

- **Audit Team** – The 2014 re-certification audit was conducted by a three person audit team including Dave Bebb, RPF, EP(EMSLA), Yurgen Menninga, RPF, EP (EMSLA) and Mike Alexander, RPF, EP(EMSLA). Dave and Yurgen are both are KPMG PRI staff members and have conducted forest management audits under a variety of standards including SFI, ISO 14001, and PEFC chain of custody (CoC). Mike is a consultant (and former employee of) to KPMG PRI with considerable experience in conducting forest management and CoC audits.
- **Audit Approach** - Annual SFI, ISO 14001 and PEFC CoC audits are conducted to ensure that action plans are implemented and the requirements of these standards continue to be met. Audits are based on the collection of sufficient and appropriate audit evidence (including review of documents and records, staff and contractor interviews and visits to a sample of field sites) to reach conclusions regarding conformance with the requirements of the standard(s) against which the audit is being conducted.
- **TimberWest SFI Program Representative** – Mr. Domenico Iannidinardo, RPF, RPBio, PEng. served as the SFI program representative during the audit.
- **Audit Sample** - The audit involved document review, interviews and inspection of a large sample of field sites (32 roads, 39 harvest blocks, 24 silviculture sites, 4 log sorts and 4 wood procurement sites).

Use of Substitute Indicators

No substitute indicators were used during the audit.

Audit Objectives

The objective(s) of the audit were to evaluate the environmental, SFM and CoC system(s) at TimberWest to:

- Determine their conformance with the requirements of ISO 14001:2004, SFI 2010-2014 and PEFC ST 2002:2013;
- Evaluate the ability of the systems to ensure that TimberWest meets applicable regulatory requirements;
- Evaluate the effectiveness of the systems in ensuring that the Company meets its specified environmental, SFM and CoC objectives, and;
- Where applicable, identify opportunities for improvement.

TimberWest Forest Corporation 2014 SFI Re-certification Audit Findings

Open non-conformities from previous audits	1
Major non-conformities	0
Minor non-conformities	0
Opportunities for improvement	1

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, which must be fully implemented by the operation within 3 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.

Findings: TimberWest Forest Corporation—2014 SFI Re-certification Audit

Audit Conclusions

The audit found that TimberWest Forest Corporation’s environmental, SFM and CoC systems:

- Were in full conformance with the requirements of the ISO 14001, SFI and PEFC CoC requirements included within the scope of the audit, except where noted otherwise in this report;
- Continue to be effectively implemented, and;
- Are sufficient to systematically meet the commitments included within TimberWest’s environmental, SFM and CoC policies, provided that the systems continue to be implemented and maintained as required.

As a result, a decision has been reached by the audit team to recommend that TimberWest Forest Corporation continue to be certified to the ISO 14001, SFI and PEFC CoC standards.

Evidence of Conformity with SFI 2010-2014

SFI Objective #	Key Sources of Evidence of Conformity
1. Forest Management Planning	Long term timber harvest plan (LTHP), Forest Stewardship Plan (FSP), cut control records, site plans, field inspections, staff interviews.
2. Forest productivity	Site plans, silviculture reports, field inspections, staff interviews.
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans, watershed-specific equivalent clearcut area (ECA) calculations, staff and contractor interviews.
4. Conservation of Biological Diversity	LTHP/FSP, site plans, species at risk training materials, TFM database, GIS, staff and contractor interviews.
5. Management of Visual Quality and Recreational Benefits	LTHP/FSP, harvest plans, field inspections, visual impact assessments, staff interviews.
6. Protection of Special Sites	LTHP/FSP, harvest & site plans, special site inspections, TFM database, GIS, staff and contractor interviews.
7. Efficient Use of Forest Resources	LTHP/FSP, waste reports, field inspections, staff and contractor interviews.
8. Landowner Outreach	Procurement information package, interviews with procurement staff.
9. Use of Qualified Resource and Logging Professionals	Procurement information package, interviews with procurement staff.



The audit involved document review, staff and contractor interviews and inspection of a large sample of field sites (32 roads, 39 harvest blocks, 24 silviculture sites, 4 log sorts and 4 wood procurement sites) to assess conformance with the requirements of the SFI, ISO 14001 and PEFC CoC standards.

Findings: TimberWest Forest Corporation—2014 SFI Re-certification Audit

SFI Objective #	Key Sources of Evidence of Conformity
10. Adherence to Best Management Practices	Procurement information package, interviews with procurement staff, procurement wood monitoring records, inspection of a sample of procurement sites.
11. Promote Conservation of Biological Diversity, Biodiversity Hot-spots and Major Tropical Wilderness Areas	N/A. TimberWest does not procure wood from outside of North America.
12. Avoidance of Controversial Sources including Illegal Logging	N/A. TimberWest does not procure wood from outside of North America.
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	N/A. TimberWest does not procure wood from outside of North America.
14. Legal and Regulatory Compliance	Sustainability policies, incident tracking system, available records of regulatory agency enforcement actions, environmental management plan (EMP), health & safety policy, field inspections, staff and contractor interviews.
15. Forestry Research & Technology	Research records, staff interviews, inspection of a sample of research field sites.
16. Training and Education	Training needs matrix, training records, Western Canada SFI Implementation Committee (WCSIC) minutes & resources, staff and contractor interviews.
17. Community Involvement in the Practice of Sustainable Forestry	Community involvement records, WCSIC minutes & resources, staff and contractor interviews.
18. Public Land Management Responsibilities	FSPs and associated referral process, site plans, First Nations referral correspondence, records of meetings held with First Nations and local stakeholders, staff interviews, inspection of a sample of field sites regarding which stakeholder concerns had been raised.
19. Communications and Public Reporting	Certification summary report.
20. Management Review and Continuous Improvement	Management review, internal audit, interviews with senior management.



TimberWest maintains an aggressive and effective reforestation program together with a comprehensive, timely and effective vegetation management program. Together these programs result in the achievement of free-growing forest stands far earlier than legally required.

Good Practices

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

- SFI Objective 2 (forest productivity): TimberWest maintains an aggressive and effective reforestation program together with a comprehensive, timely and effective vegetation management program. Together these programs result in the achievement of free-growing forest stands far earlier than legally required.
- SFI Objective 2 (forest productivity): TimberWest has undertaken an innovative research trial to study the efficacy of a selective herbicide spray of young Scotch broom germinants. If proven effective it would enable the early control broom while minimizing the use of herbicide and helping to protect tree seedlings from the damage resulting to from overspray.
- SFI Objective 3 (protection and maintenance of water resources): The audit noted several examples of good riparian management practices (e.g., conservative riparian buffers on several streams, application of watershed-specific ECA targets to all of the Company's private lands, well sized and installed bridges and culverts, etc.).
- SFI Objective 4 (conservation of biological diversity): The audit found that the Company had retained several Douglas-fir vets (some of which were in clumps) on a number of harvest blocks in the Chonat Lake area of Quadra Island, despite there being no formal requirement to do so.
- SFI Objective 5 (management of visual quality and recreational benefits): The Company's recent development of a campsite at Upper Quinsam Lake is helping to expand its network of private forest land campsites that are available for public use.
- SFI Objective 8 (landowner outreach): During the past year the Company has provided approximately 146,000 tree seedlings produced from improved seed to wood suppliers (many at no cost) for the reforestation of purchase wood sites.
- SFI Objective 10 (adherence to best management practices): Review of the Company's purchase wood inspection program found that it is based on a very high sample size relative to the total number of sites from which TimberWest purchases wood.
- SFI Objective 14 (legal and regulatory compliance): The audit found a very high level of compliance with regulatory and EMS requirements on the sites included in the field sample.
- SFI Objective 15 (forestry research, science & technology): Operational research trials are now being documented on the Company's Timberweb website as a means to help ensure that the results of this work are communicated to new staff and those working at other operations.
- SFI Objective 18 (public land management responsibilities): The South Central Coast Order (SCCO) defines old growth forest as a stand of trees 250 years or older. However, this definition is general in nature and requires professional judgment to apply, particularly in areas of the southern Great Bear Rainforest that are dominated by small remnant patches of old growth forest and scattered individual old trees. The audit found that the Company has made considerable efforts in working with the provincial government and local stakeholders on Sonora Island (e.g., several meetings, temporary deferral of a number of developed harvest blocks, hiring of independent consultants, etc.) in attempting to: (1) come up with a definition of an old growth stand that is agreeable to all parties, and (2) address their concerns regarding old forest retention under the SCCO.
- SFI Objective 18 (public land management responsibilities): TimberWest has provided considerable resources towards the funding of First Nations youth camps in Jackson Bay over the past few years (provision of accommodation, use of Company vehicles, etc.).



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Follow-up on Findings from Previous Audits

At the time of this assessment there was 1 open SFI-specific minor non-conformity and 6 SFI-specific opportunities for improvement from previous external audits. The audit team reviewed the implementation of the action plans developed by TimberWest to address these issues and found that they had been effectively implemented in the large majority of instances. As a result, all of the opportunities for improvement identified during previous audits have now been closed. However, although the Company has made good progress towards addressing the open minor non-conformity (which related to weaknesses in the periodic inspection and pressure testing of large specification fuel tanks), a few action items remain to be completed before this finding can be closed. The 2015 audit will include a review of these outstanding actions to assess their implementation and effectiveness.

Areas of Nonconformance

The 2014 re-certification audit did not identify any non-conformities in relation to the requirements of the SFI 2010-2014

Opportunities for Improvement

The 2014 re-certification audit identified a total of 1 opportunity for improvement in relation to the requirements of the SFI 2010-2014 standard, as follows:

- SFI performance measure 3.2 includes a requirement to map riparian features and identify these on the ground through flagging or other means. However, the following isolated weakness was noted in relation to this requirement:
 - The audit found that a P4E (non-fish bearing) stream located in a recent harvest block was not shown on operational maps, although it had been flagged in the field.
 - According to the TimberWest Contract Requirements unmapped streams are to be reported to the contract manager. This was not done as required. However, the practices associated with this stream were appropriate (the stream was felled/yarded away as prescribed for an adjacent P4E stream).

Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities and opportunities for improvement identified during the audit have been developed by TimberWest 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.



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Contacts:

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

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