



# Forest Certification REPORT



## TimberWest Forest Corporation—2016 SFI Surveillance/Certificate Upgrade Audit

In May 2016 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a full scope surveillance/certificate upgrade audit of TimberWest Forest Corporation (TimberWest)'s forestry operations against the requirements of the Sustainable Forestry Initiative® (SFI) 2015-2019 forest management 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 the SFI 2015-2019 forest management standard.

### 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 (803,000 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 forest and second growth timber, with second growth making up the majority of the current harvest (approx. 95% in 2015).

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 690,000 cubic meters. As with the private timberlands, second growth makes up the majority of the harvestable landbase (approximately 90% in 2015). A portion of the landbase covered by these forest tenures is located on the BC mainland coast and is subject to the ecosystem-based management requirements of the Great Bear Rainforest Order.

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

The areas covered by the TimberWest SFI certification fall within the following WWF ecoregions: (1) Central Pacific Coastal Forests, and (2) British Columbia Mainland Coastal Forests. The forests managed by TimberWest are predominantly coniferous with the main commercial tree species being Douglas-fir, western hemlock, western red cedar, Sitka spruce, grand fir and balsam fir.

The forest management approach employed by TimberWest is based primarily on even-aged management, ground and overhead cable-based harvesting systems, clearcut harvesting with the retention of reserves of standing trees (either within or adjacent to harvest areas), replanting of harvest areas with a mix of ecologically suited tree species and control of competing vegetation through the use of government-approved chemical herbicides and/or mechanical means. Controls are in place to help reduce reliance on chemical brush control where feasible to do so.

TimberWest sells logs on the open market and does not operate any forest products manufacturing facilities.



### Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management 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 forest resources;
- Recognize and respect Indigenous Peoples’ rights;
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement and landowner outreach;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

### Scope of TimberWest’s SFI Certification

TimberWest’s SFI 2015-2019 forest management certification covers forestry, logging and related operations on the Company’s public (TFL 47, FL A29159, FL A20913, TL T0769, TL T0883) and private lands including planning, roads, harvesting, silviculture, log hauling and sorting. The Company’s existing SFI 2015-2019 forest management certificate is valid until May 14, 2017.

### The 2016 SFI Surveillance/Certificate Upgrade Audit

- **Audit Team** – The 2016 SFI surveillance/certificate upgrade audit was conducted by a two person audit team comprising Dave Bebb, RPF, EP(EMSLA) and Yurgen Menninga, RPF, EP(EMSLA). Dave and Yurgen are both 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).
- **2016 SFI Surveillance/Certificate Upgrade Audit** – The audit included an off-site document review, interviews and inspection of a large sample of field sites (26 roads, 22 harvest blocks, 11 silviculture sites, 4 log sorts, 2 camps, 1 fire tool/spill equipment cache, 1 research trial and 1 Northern Goshawk reserve). The SFI portion of the audit took approximately 17 days to complete, 12 of which were spent on-site. The balance of audit time was spent preparing the audit plan, completing off-site reviews of selected documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Multi-site Audit Sampling** – TimberWest holds a multi-site SFI 2015-2019 forest management certificate covering both its South Island (private timberlands) and North Island (private timberlands and Crown forest tenures) operations. Both sites were included in the 2016 audit sample. This sample size meets IAF requirements regarding audit sampling for multi-site certifications.

#### TimberWest Forest Corporation 2016 SFI Surveillance/Certificate Upgrade Audit Findings

Open non-conformities from previous audits	0
Major non-conformities	0
Minor non-conformities	1
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. 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.

- **TimberWest SFI Program Representative** – Mr. Domenico Iannidinardo, RPF, RPBio, PEng. served as the SFI program representative during the audit.

### Use of Substitute Indicators

No substitute indicators were used during the audit.

### Audit Objectives

The objective(s) of the SFI audit were to evaluate the sustainable forest management (SFM) system at TimberWest to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management standard;
- Evaluate the ability of the system to ensure that TimberWest meets applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that the Company meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

### Audit Conclusions

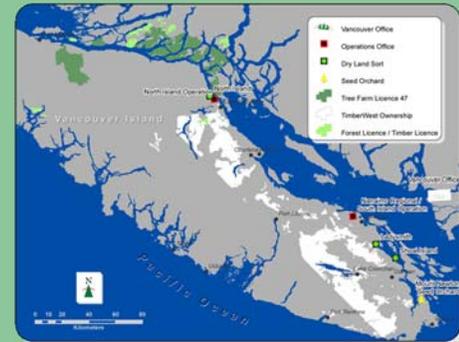
The audit found that TimberWest Forest Corporation’s SFM system:

- Was in full conformance with the SFI 2015-2019 requirements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included within TimberWest’s environmental and SFM policies, provided that the system continues to be implemented and maintained as required.

In addition, the audit found that the scope of TimberWest’s SFI forest management certification is appropriate.

As a result, a decision has been reached by the audit team to recommend that TimberWest Forest Corporation be upgraded to the SFI 2015-2019 forest management standard with the same expiry date as the Company’s existing SFI 2010-2014 certificate.

NB: Our assessment by its nature is a sample and is not intended to be as comprehensive as our client’s internal audits. It is possible for nonconforming issues to remain undetected. Our next assessment will verify that TimberWest’s internal audits have continued to operate as the primary mechanism to ensure that the Company’s management system remains effectively implemented and continues to improve.



Overview map showing the location of TimberWest’s private and Crown timberland operations.

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

The primary sources of evidence used to assess conformity with the requirements of the SFI 2015-2019 forest management standard are presented in the following table.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	TimberWest Private Forest Land Management Strategy (PFLMS), 2015 TimberWest Private Lands LTHL Analysis, Private Lands 10 Year Plan, Timber Supply Review (TSR) AAC Rationale, Forest Stewardship Plan (FSP), TFL 47 Partition Harvest Plan, cut control records, site plans, field inspections, staff interviews.
2. Forest Health and 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, staff and contractor interviews.
4. Conservation of Biological Diversity	PFLMS/FSP, site plans, species at risk training materials, The Forest Manager (TFM) database, GIS, staff and contractor interviews, field inspections.
5. Management of Visual Quality and Recreational Benefits	PFLMS/FSP, harvest plans, field inspections, visual impact assessments, staff interviews.
6. Protection of Special Sites	PFLMS/FSP, harvest & site plans, special site inspections, TFM database, GIS, staff and contractor interviews.
7. Efficient Use of Forest Resources	PFLMS/FSP, waste reports, field inspections, staff and contractor interviews.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff and representatives of local Indigenous Peoples.
9. Legal and Regulatory Compliance	Sustainability policy, incident tracking system, available records of regulatory agency enforcement actions, environmental management plan (EMP), health & safety policy, field inspections, staff and contractor interviews.
10. Forestry Research, Science & Technology	Research records, staff interviews, inspection of a sample of research field sites.



The 2016 audit included an off-site document review, interviews and inspection of a large sample of field sites (26 roads, 22 harvest blocks, 11 silviculture sites, 4 log sorts, 2 camps, 1 fire tool/spill equipment cache, 1 research trial and 1 Northern Goshawk reserve).

SFI Forest Management Objective	Key Evidence of Conformity
11. Training and Education	Training needs matrix, training records, Western Canada SFI Implementation Committee (WCSIC) minutes & resources, staff and contractor interviews.
12. Community Involvement and Landowner Outreach	Community involvement records, WCSIC minutes & resources, staff and contractor interviews.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Certification summary report.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans, interviews with senior management.



The Company's North Island Operation continues to devote considerable staff time and resources towards the development and implementation of procedures to address the requirements of the recently released (January 2016) Great Bear Rainforest Order.

## Good Practices

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

- SFI Forest Management Objective 1 (forest management planning): TimberWest is in the process of obtaining LiDAR (Light Detection and Ranging) data for all of its Crown tenures and private forest lands. Once this process is complete (expected by fall 2016), this data will be used by TimberWest to develop various derivative products (e.g., tree heights, crown closure, terrain, etc.) that will be used to supplement the traditional forest inventory data maintained by the Company. (Corporate)
- SFI Forest Management Objective 1 (forest management planning): Company staff use a detailed planning checklist (some sections of which self-populate based on data contained in TFM) that is used to help ensure that known resource values that overlap with proposed cutblocks are identified and managed appropriately. (Corporate)
- SFI Objective 3 (protection and maintenance of water resources): It is standard Company practice at remote camp/log sort locations to locate fuel such that if a spill were to occur it would be directed to a rainwater collection system that includes oil/water separators. This was observed at the Hemming Bay log sort fuel storage area where a berm had been built to direct flow away from the ocean to the log sort water management system. (North Island Operation)
- SFI Objective 4 (conservation of biological diversity): Interviews with Company staff and inspection of a sample of temporary Northern Goshawk reserves that had been established by TimberWest on the Company's private timberlands found that TimberWest continues to exercise a high degree of due diligence regarding the management of this threatened species. (Corporate)

- SFI Objective 4 (conservation of biological diversity): The Company's North Island Operation continues to devote considerable staff time and resources towards the development and implementation of procedures to address the requirements of the recently released (January 2016) Great Bear Rainforest Order. (North Island Operation)
- SFI Objective 15 (management review and continual improvement): The Company's October 2015 ISO 14001, SFI and PEFC CoC internal audit was very thorough and well documented. (Corporate)

### Use of Certification Documents and Marks

The audit found that TimberWest is effectively controlling the use of the certification documents and marks. The KPMG PRI ISO 14001 mark as well as the PEFC logo continue to be applied to PEFC certified sales invoices. However, no certification labels or marks are applied directly to the logs sold by the Company.

### Follow-up on Findings from Previous Audits

At the time of this assessment there were 0 open SFI-specific non-conformities and 3 open 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. As a result, all of the previously identified SFI-specific findings identified during previous audits have now been closed.

### Areas of Nonconformance

The 2016 TimberWest SFI surveillance/certificate upgrade audit identified 1 minor non-conformity in relation to the requirements of the SFI 2015-2019 forest management standard, as follows:

- SFI 2015-2019 Forest Management Performance Measure 8.1 requires that Program Participants provide a written policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples. The Company's interactions with First Nations are guided by a written First Nations Liaison Strategy that was last updated in March 2016. This document indicates that it is TimberWest's policy to recognize and respect the rights of Indigenous Peoples. The audit noted that TimberWest continues to make significant efforts on both its private timberlands and Crown licences in working with local First Nations to develop MOUs, build business relationships and mentor/train First Nations representatives to enable them to become more involved in forest management on their traditional lands. However, the TimberWest First Nations Liaison Strategy is an internal document that has not been shared with the First Nations whose traditional territories overlap the Company's private timberlands and Crown tenures, either directly or by posting it on the Company website. As such, the SFI requirement to "provide" a written policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples has not been met. (Corporate)

Note: In June 2016 the SFI Interpretations Committee issued an interpretation which clarified that the intent of SFI 2015-2019 Forest Management Performance Measure 8.1 is for the Program Participant to make the policy available to the public or interested party.



TimberWest has recently constructed a logging truck wash station near the community of Youbou as a means to help address the concerns of local residents regarding airborne dust.

## Opportunities for Improvement

The 2016 TimberWest SFI surveillance/certificate upgrade audit identified 1 opportunity for improvement in relation to the requirements of the SFI 2015-2019 forest management standard, as follows:

- TimberWest has developed a number of operational controls that are designed to help meet applicable regulatory requirements, one of which is the TimberWest Fuel Management Guide. The audit found that the requirements of the Fuel Management Guide addresses the large majority of regulatory requirements related to the management of fuel and industrial waste and had been implemented as required in most instances. However, the following isolated exceptions were noted:
  - The audit noted a contractor’s truck with a slip tank on an active harvest block that had no drip containment in place, and the 1202 TDG placard was weathered. (North Island Operation)
  - An inspection of an active logging camp observed 2 used batteries that although placed on a pallet had not been protected from the weather. (North Island Operation)

## 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 external audit (which is planned for spring 2017) 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 the Company to address all of the open findings from previous audits.
- Development and implementation of changes to Company procedures that are necessary to address the incremental requirements of the recently released Great Bear Rainforest Order.
- TimberWest’s existing ISO 14001 and SFI certificates expire on May 14, 2017. As a result, the 2017 TimberWest audit will include full scope recertification audits against the requirements of these standards.



Review of the Company’s reforestation records found that the TimberWest’s reforestation program continues to meet SFI requirements. The large majority of sites are reforested within 2 years of harvest with a mix of preferred and acceptable species.

### Contacts:

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

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