



REPORT Forest Certification



Interfor Corporation, Coastal Woodlands Operations — 2016 SFI Surveillance Audit

From September 12-16, 2016 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Interfor Corporation (Interfor)'s Coastal Woodlands Operations and fibre procurement activities against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fibre sourcing standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

Description of Interfor Corporation's Coastal Woodlands Operations

Interfor Corporation's Coastal Woodlands Operations are located on the coast of British Columbia, and encompass a total area of 1.1 million hectares. The company's SFI program is managed from Interfor's offices located in the communities of Campbell River, Sechelt, and Burnaby BC.

Interfor Corporation's coastal woodlands have a total AAC (allowable annual cut) of approximately two million m³/year. The 2016 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 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. In addition, government-approved forest stewardship plans that address both timber and non-timber values are also in place. Various higher level plans developed by government (e.g., the Great Bear Rainforest higher level plan, Land and Resource Management Plans, etc.) also provide direction to forest management within the areas managed by the organization.

The areas covered by Interfor Corporation's coastal woodlands SFI certification fall within the following ecoregions: (1) British Columbia Mainland Coastal Forests, and (2) Central Pacific Coastal Forests.

The forests managed by the Company are predominantly coniferous, with the main commercial tree species being western red cedar, yellow cedar, western and mountain hemlock, grand fir, Douglas-fir, and Sitka spruce.

The Company's forest management approach is based on even-aged management with the retention of reserves of standing trees either within or adjacent to harvest areas. Ground-based, cable, and helicopter harvesting systems are employed. Harvest areas are replanted within a few years with a mix of ecologically suited tree species, and competing vegetation is controlled through the use of government-approved chemical herbicides as well as mechanical means.

Description of Interfor Corporation's Manufacturing Facilities and Fibre Sourcing Program

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

- Acorn sawmill located in Delta, BC
- Hammond sawmill, located in Maple Ridge, BC

Interfor Corporation's coastal operation sources fibre from coastal BC.



The Company’s fiber sourcing needs vary between facilities. While the majority of fiber is sourced directly from the Company’s own woodlands, approximately 30% is purchased from third parties. The large majority of wood purchases are from organizations (e.g., forest companies and B.C. Timber Sales) who hold their own SFM certifications, with a small percentage coming from uncertified private land. In addition, a small portion of the Company’s fibre sourcing is obtained through purchase stumpage that is logged by Interfor Corporation contractors.

Interfor Corporation participates in the Western Canada SFI Implementation Committee (WCSIC) 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 Corporation 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 fibre sourcing standards, and incorporated an assessment against a sample of SFI objectives. The sampled objectives are shown in Tables 1 and 2 of this report.

The scope of the 2016 SFI surveillance audit of Interfor Corporation’s woodlands operations included the company’s coastal woodlands, purchase wood sites on Vancouver Island, as well as visits to the company’s offices in Campbell River, Sechelt, and Burnaby BC

The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA), and Branden Beatty, RP Bio. Both auditors are employees of KPMG PRI, and between them have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2016 SFI Surveillance Audit** – The audit involved an on-site assessment of elements of the Company’s SFI program, and included visits to several field sites (18 roads, 16 cutblocks, 3 camps/log sorts, and 2 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2016 Interfor Corporation audit took a total of 16.5 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.
- **Multi-site Audit Sampling** – Interfor’s Coastal Woodlands holds a multi-site SFI Forest Management certificate covering a total of two woodlands operations, with one woodlands office located in Campbell River and the other in Sechelt BC. Visits were made to both of these offices during the course of the audit. All SFI Fiber Sourcing activities are managed through the Company’s head office in Burnaby, which was also visited. The sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.

Interfor Corporation, Coastal Woodlands Operations. SFI Surveillance Audit Findings

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	2
New opportunities for improvement	3

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.

- *Interfor Corporation's SFI Program Representative* – Joe LeBlanc, RPF, Senior Forester, served as the company'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 Corporation — Coastal Woodlands Operation to:

- Determine conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure the company's woodlands operations meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that Interfor Coastal Woodlands Operations meets its specified SFM objectives.

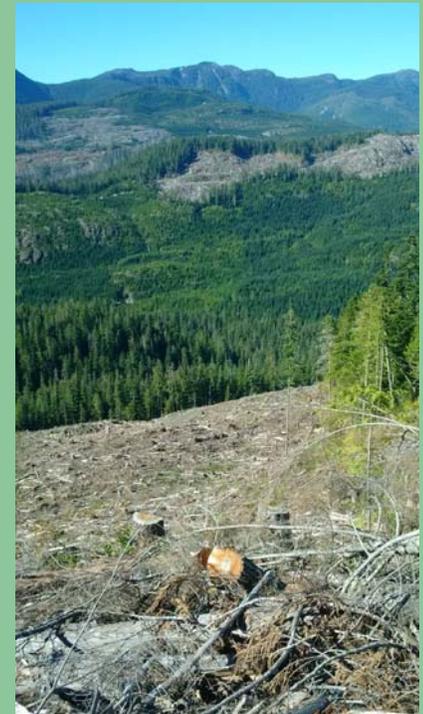


The audit included an assessment of this active road construction site, verifying conformance to road design specifications, water management, stream crossings, and operator awareness regarding the SFM program and associated responsibilities.

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

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 2016 audit
2. Forest Health and Productivity	Not in scope for the 2016 audit
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Not in scope for the 2016 audit
5. Management of Visual Quality and Recreational Benefits	Forest management plans, Forest Stewardship Plans, visual quality assessments, harvest plans, field inspections.
6. Protection of Special Sites	Not in scope for the 2016 audit
7. Efficient Use of Fibre Resources	Forest management plans, harvest waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples Rights	Not in scope for the 2016 audit
9. Legal and Regulatory Compliance	Forest management plans, regulatory compliance records, health & safety policy, field inspections.
10. Forestry Research, Science and Technology	Not in scope for the 2016 audit
11. Training and Education	Not in scope for the 2016 audit
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	Not in scope for the 2016 audit
14. Communications and Public Reporting	Not in scope for the 2016 audit
15. Management Review and Continual Improvement	Internal audit and related action plans, management review records.



The cutblock in the foreground was purchased as standing timber under Interfor's fibre sourcing program. Interfor had completed an inspection to assess implementation of best management practices around water quality impact. The SFI audit verified the results of the inspection.

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

SFI Fibre Sourcing Objective #	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, monitoring system records , inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	Not in scope for the 2016 audit
4. Legal and Regulatory Compliance	Inspection of a sample of procurement sites, compliance records.
5. Forestry Research, Science and Technology	Not in scope for the 2016 audit
6. Training and Education	Not in scope for the 2016 audit
7. Community Involvement and Landowner Outreach	SFI Implementation Committee minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	Not in scope for the 2016 audit
9. Communications and Public Reporting	Not in scope for the 2016 audit
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 Fibre Sourced from Areas without Effective Social Laws	N/A – applies to sources outside of Canada/ USA

Good Practices

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

- SFI Forest Management Objective 10 (research) – Interfor is working with the government research branch on a notable study on genetic selection of cedar seedlings based on natural resistance to deer browse.
- SFI Forest Management Objective 13 (public land management responsibilities) — The Sechelt office has developed a good working relationship with a local adventure guiding company, and regularly consults with the operator on topics such as adjacent harvesting, noise concerns from brushing crews and also helicopter activity.
- SFI Fibre Sourcing Objective 6 (training) – The Log Supply group has developed a well-documented purchase wood program which is simple, clear and effective in demonstrating conformance to the requirements, and was found to be supported good staff awareness of their responsibilities.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of three open non-conformities from previous external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that they: (1) had been implemented as required, and (2) were effective in addressing the root cause of these non-conformities. As a result, all of the previously identified non-conformities have now been closed.

Areas of Nonconformance

A total of two minor non-conformities were identified during the SFI surveillance audit of Interfor Corporation's coastal woodlands and fibre sourcing operations. These were:

- SFI Forest Management Objective 9 (regulatory compliance) – Regulations require that following harvesting the fire hazard be assessed. While these were found to be occurring as needed in most cases, fire hazard assessments were found to be overdue for some harvest blocks.
- SFI Fiber Sourcing Objective 7 (landowner outreach) – the audit found that an outdated version of the landowner outreach information package is provided to log sellers, and it does not align with the current version of the SFI Fiber Sourcing standard.

Opportunities for Improvement

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

- SFI Forest Management Objective 9 (regulatory compliance) – to ensure compliance with legal requirements, the company has a formal inspection program covering a range of activities, one of which is around fuel storage and handling. At a remote fuel storage site the audit noted areas of fuel staining and

issues with a piping fitting that the inspections had not identified, as well as a mat of vegetation that obscured some of the piping hindering inspection.

- SFI Forest Management Objective 5 (visual quality) – While visual impact assessments are completed for visually sensitive harvest blocks, there is an opportunity to improve documentation demonstrating how the specific visual quality objectives are met.
- SFI Forest Management Objective 15 (continual improvement) – While audit findings are analyzed for root cause and systemic trends by the certification committee, the same process is not applied to regulatory compliance findings.

Audit Conclusions

The audit found that the Interfor Corporation’s coastal woodlands operation’s 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 continues to be implemented and maintained as required.

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

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