



Interfor Coastal Woodlands Operations – 2011 SFI Surveillance Audit

Between September and October 2011, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a surveillance audit of International Forest Products Limited's (Interfor's) Coastal Woodlands Operations against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard. This Certification Summary Report provides an overview of the audit process and KPMG's findings.

Interfor's Coastal Woodlands Operations

Interfor's Coastal Woodlands Operations include 1 Tree Farm Licence and 15 Forest Licences, authorizing it to harvest approximately 1.98 million cubic metres of Crown timber every year. The Company also holds cutting rights on 39 Timber Licences from which it expects to harvest a limited volume (less than 20,000 cubic metres) of wood in 2011.

The forest landbase managed by the Company's Coastal Woodlands Operations covers approximately 1.83 million hectares, extending from its Sunshine Coast woodlands operation near Vancouver, up to Prince Rupert, 850 kilometres northwest of Vancouver. However, the actual timber harvesting landbase where the Company carries out forest harvesting is less than 20% of this area. The remainder is comprised of non-commercial and inoperable forest and reserves, private land and protected areas.

The area consists primarily of coastal temperate rainforest, approximately 45% of which is old growth forest and 55% is second growth (i.e., stands less than 140 years of age). 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.

Audit Scope

The 2011 SFI surveillance audit involved a limited scope assessment against the following objectives of the 2010-2014 edition of the SFI standard:

- Forest management planning;
- Conservation of biological diversity;
- Efficient use of forest resources;
- Landowner outreach;
- Adherence to best management practices;
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Community involvement in the practice of sustainable forestry, and;
- Management review and continual improvement.

The audit included a review 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 coastal B.C. sawmills.



The Audit

- *Audit Criteria* – The audit was conducted against the requirements of the SFI 2010-2014 standard.
- *Audit Team* – The surveillance audit was conducted by Dave Bebb, RPF, EP (EMSLA) and Bodo von Schilling, RPF, EP(EMSLA). Dave is an employee of KPMG PRI, and has conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC. Bodo is a contract auditor with considerable experience in conducting audits against a range of certification standards including SFI.
- *SFI Surveillance Audit* – The 2011 SFI surveillance audit involved an on-site assessment of Interfor’s SFI program, and included visits to several field sites (22 roads, 18 harvesting blocks, 16 silviculture sites, and 3 fuel storage sites/log dumps/camps) to evaluate the extent to which the Company’s forest management plans and practices conform to the requirements of the SFI standard.
- *Interfor’s SFI Program Representative* – Gerry Fraser, MPM, RPF served as Interfor’s SFI program representative during the audit.

Use of Substitute Indicators

The audit was based on the indicators included in the 2010-2014 version of the SFI standard. No substitute indicators were used during the 2011 surveillance audit.

Audit Objectives

The objectives of the 2011 SFI surveillance audit were to assess:

- The extent to which the Company’s sustainable forest management (SFM) system conforms to selected requirements of the 2010-2014 version of the SFI standard.
- Interfor’s efforts to address the findings of previous SFI audits.

Audit Conclusions

The audit found that the Interfor Coastal Woodlands Operations SFM system:

- Was in full compliance with the SFI requirements included in the scope of the audit, except where noted other wise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included in the Company’s SFM plan, provided that the system continues to be implemented and maintained as required.

Interfor Coastal Woodlands 2011 SFI Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	1
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, 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.

Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in Table 1 below.

SFI Objective #	Primary Sources of Evidence of Conformity
1. Forest Management Planning	SFM plan, Forest Stewardship Plans (FSPs), provincial forest inventory program (VRI), Timber Supply review (TSR) process, allowable annual cut (AAC) determinations and related rationales, cut control records, staff interviews.
2. Forest Productivity	Not in scope for the 2011 SFI surveillance audit.
3. Protection and Maintenance of Water Resources	Not in scope for the 2011 SFI surveillance audit.
4. Conservation of Biological Diversity	SFM plan, FSPs, strategic level reserve designs (SLRDs), draft Landscape Unit plans, environmental management system (EMS) operational controls, review of site plans & logging plans, interviews with a sample of staff and contractors, inspection of a sample of field sites.
5. Management of Visual Quality and Recreational Benefits	Not in scope for the 2011 SFI surveillance audit.
6. Protection of Special Sites	Not in scope for the 2011 SFI surveillance audit.
7. Efficient Use of Forest Resources	Phase inspection reports and block-specific waste survey results, interviews with a sample of staff and contractors, inspection of a sample of recently completed harvesting areas.
8. Landowner Outreach	SFI information package and records of its distribution to landowners and other suppliers of purchase wood, Western Canada SFI Implementation Committee (WCSIC) training policy, WCSIC website and related links, staff interviews.
9. Use of Qualified Resource and Logging Professionals	Not in scope for the 2011 SFI surveillance audit.
10. Adherence to Best Management Practices	2011 purchase wood records, 2010 WCSIC wood purchase monitoring report, staff interviews.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas	Not in scope for the 2011 SFI surveillance audit.
12. Avoidance of Controversial Sources including Illegal Logging	Not in scope for the 2011 SFI surveillance audit.



Many of Interfor's coastal woodlands operations are located in remote areas of coastal BC that are only accessible by boat, floatplane or helicopter.



SFI Objective #	Primary Sources of Evidence of Conformity
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	Not in scope for the 2011 SFI surveillance audit.
14. Legal and Regulatory Compliance	SFM plan and related 2010 monitoring results, corporate environmental, social and health & safety policies, EMS non-compliance records, inspection of a sample of field sites.
15. Forestry Research & Technology	SFM plan and related 2010 monitoring results, WCSIC meeting minutes, 2010 SFI progress report, records of forest research and related project reports, staff interviews.
16. Training and Education	Not in scope for the 2011 SFI surveillance audit.
17. Community Involvement in the Practice of Sustainable Forestry	SFM plan and related 2010 monitoring results, WCSIC meeting minutes, correspondence related to community and school outreach programs, staff interviews.
18. Public Land Management Responsibilities	Not in scope for the 2011 SFI surveillance audit.
19. Communications and Public Reporting	Not in scope for the 2011 SFI surveillance audit.
20. Management Review and Continual Improvement	SFM plan, corporate management review, internal audit reports and associated action plans, interviews with a sample of Company staff.



The audit noted a number of examples where the Company and its contractors had effectively implemented its procedures to identify and protect special sites, such as the First Nation's plank tree depicted above and the goshawk next shown below.



Good Practices

A number of good practices were noted during the 2011 surveillance audit. The following list outlines some of the more notable examples observed by the audit team:

- SFI Objective 3 (protection and maintenance of water resources) – The audit noted several examples of effective riparian management practices (e.g., several examples of recent road construction with good drainage control, effective job by contractors keeping ditches free-flowing during active harvesting operations, effective and timely road deactivation on the large majority of sites visited).
- SFI Objective 4 (conservation of biological diversity) – The Company continues to expend considerable time and effort in working with other Coast Forest Conservation Initiative (CFCI) companies, government, First Nations and ENGOs in attempting to fine-tune the ecosystem-based management (EBM) requirements contained within the South Central Coast and Central and North Coast Orders and ensure a balanced approach to SFM.
- SFI Objective 6 (protection of special sites) – The audit noted a number of examples where the Company and its contractors had effectively implemented its

procedures to identify and protect special sites (e.g., culturally modified trees (CMTs), goshawk nests, a plank tree, etc.).

- SFI Objective 7 (efficient use of forest resources) – A logging contractor at the Company’s Clowhom operation was found to have utilized a home-made device to help the loader “sweep up” logging slash (branches, tops, etc.) from the road and roadside areas to facilitate piling of this material in slash piles.
- SFI Objective 14 (legal and regulatory compliance) – The audit found a high level of compliance with the applicable EMS and regulatory requirements on the sample of roads, harvesting blocks and silviculture sites inspected during the 2011 surveillance audit.
- SFI Objective 14 (legal and regulatory compliance) – A particularly thorough safety orientation was provided by Company staff in connection with the Purcell Point audit site visit.
- SFI Objective 16 (training and education) – The contractor employees interviewed during the audit demonstrated a high level of awareness of applicable EMS requirements and the site-specific environmental issues present.
- SFI Objective 17 (community involvement in the practice of sustainable forestry) – The audit found that the Company has been working with local high schools over the past year to provide forestry work experience for 5 students.

Follow-up on Findings from Previous Audits

There was 1 open non-conformity (related to weaknesses in the indicators included the Interfor Coastal Woodlands SFM Plan) from previous audits at the time that the 2011 surveillance audit took place. The audit found that the Company had effectively implemented the action plan developed to address this issue. As a result, all of the findings from previous external audits have now been closed.

New Areas of Nonconformity

One new minor non-conformity was identified during the 2011 surveillance audit of Interfor’s Coastal Woodlands Operations, as follows:

- SFI Objective 2 (forest productivity) – SFI 2010-2014 Performance Measure 2.4 requires the Company to establish and implement a program to protect forests from damaging agents such as wildlife, pests and diseases. In addition, Performance Measure 3.1 includes a requirement to implement riparian best management practices, including those related to spill prevention and response. Interfor has developed various emergency preparedness procedures and guidelines that help to address the requirements of these Performance Measures. However, inspection of a sample of active field sites identified a number of instances of missing or inadequate emergency response equipment.

New Opportunities for Improvement

A total of 4 new opportunities for improvement were identified during the 2011 surveillance audit. These included:

- SFI Objective 16 (training and education) – Interfor has developed and implemented a program to ensure that staff and contractors are competent to fulfill their responsibilities under the EMS and SFI standard. Review of recent training records and inspection of a sample of field sites found that these had been implemented as required and were effective in the large majority of instances. However, 2 isolated weaknesses in contractor training and awareness were noted during the audit.



The 2011 SFI surveillance audit involved an on-site assessment of Interfor’s SFI program, and included visits to several field sites (22 roads, 18 harvesting blocks, 16 silviculture sites, and 3 fuel storage sites/log dumps/camps) to evaluate the extent to which the Company’s forest management plans and practices conform to the requirements of the SFI standard.



- SFI Objective 3 (protection and maintenance of water resources) – Interfor’s road deactivation SOP indicates that temporary (seasonal) deactivation is required at locations where there is a risk of erosion. However, field inspection of a partially harvested block in the Company’s Clowhom operating area found that: (1) the contractor had not completed the required seasonal deactivation of on-block roads at the end of the 2010 operating season, and (2) neither the road deactivation SOP nor the Company’s corrective action process were effective in ensuring that the required seasonal deactivation was completed by the contractor. Note: A spring 2011 inspection of the roads in this block by Company staff found that no erosion had occurred as a result of the lack of seasonal deactivation, and the incident was closed without any further action taking place.
- SFI Objective 20 (protection and maintenance of water resources) – Interfor’s SFM Plan includes a target of < 15% in relation to indicator 31 – percent of area treated by herbicide over total area harvested. However, the current methodology for calculating performance in relation to indicator 31 is prone to wide fluctuations, particularly in years where harvesting levels are reduced due to poor markets. As such, an approach that utilizes a rolling average of the area harvested over the previous 5 years might result in more meaningful monitoring results in relation to this indicator.
- SFI Objective 3 (protection and maintenance of water resources) – The Transportation of Dangerous Goods (TDG) Regulations require that mobile specification tanks greater than 450 receive an internal and external visual inspection by a registered facility every 60 months. These requirements are reflected in Interfor’s Fuel Handling & Storage Guidelines. However, there is currently no TDG requirement (and hence no requirement in the Company’s Fuel Handling & Storage Guidelines) to inspect fuel tanks that are 450 litres or less, other than those that are used to transport gasoline. Most of Interfor’s contractors utilize truck-mounted tidy tanks that are 450 litres or less in size to transport diesel, and are therefore exempt from the formal testing and inspection requirements applicable to larger tanks. However, some of these smaller tanks are beginning to show signs of wear, and would benefit from a voluntary visual inspection process, notwithstanding the lack of such a requirement under the current TDG Regulations.



The audit found an overall high level of compliance with regulatory and SFI requirements, including those related to the reforestation of harvested areas with a mix of ecologically appropriate species within defined timeframes.



Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by Interfor’s Coastal Woodlands Operations 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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