



REPORT Forest Certification



Interfor Corporation, Coastal Woodlands Operations — 2017 SFI Surveillance Audit

From September 11-15, 2017 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 within the British Columbia Mainland Coastal Forests and Central Pacific Coastal Forests ecoregions. 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 1.7 million m³/year. The 2017 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 forests managed by the Company are predominantly coniferous, with the main commercial tree species being western red cedar, yellow cedar, western hemlock, amabilis fir, Douglas-fir, and Sitka spruce. The Company applies a forest management approach 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. Harvested areas are planted with a mix of ecologically suited tree species and where appropriate natural regeneration is used, 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 lands. 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 which are shown in Tables 1 and 2 of this report.

The scope of the 2017 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 BC.

The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA), and Dennis Lozinsky, RPF, EP(EMSLA). Yurgen is an employee of KPMG PRI and Dennis is a consultant, and between them they have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2017 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 (14 roads, 14 cutblocks, 2 bridge sites, 3 camps/log sorts, and 3 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2017 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 certification covering the main forest management operations office located in Campbell River with a small field office in Sechelt, and the log purchase group based in Burnaby B.C. A visit was made to the Campbell River office where log purchase personnel were also interviewed. The Sechelt field office was not visited but was audited remotely. The sample size is consistent with IAF requirements regarding audit sampling for multi-site certifications.
- **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.

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	1
New 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.

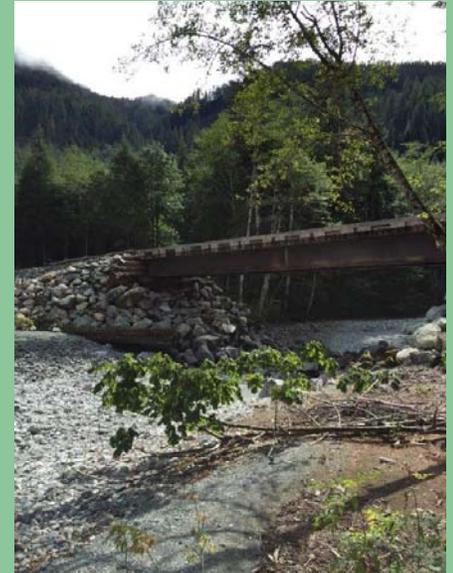
Opportunities for Improvement:

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

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.



This bridge was assessed during the audit for conformance to the engineered plan, as well as appropriate management of environmental values.

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.

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

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Not in scope for the 2017 audit
3. Protection and Maintenance of Water Resources	Not in scope for the 2017 audit
4. Conservation of Biological Diversity	Forest management plan, Forest Stewardship plans (FSPs), site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Not in scope for the 2017 audit
6. Protection of Special Sites	Forest management plan, FSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	Not in scope for the 2017 audit
8. Recognize and Respect Indigenous Peoples Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company.
9. Legal and Regulatory Compliance	Forest management plan, compliance records, health & safety policy, field inspections.
10. Forestry Research, Science and Technology	Not in scope for the 2017 audit
11. Training and Education	Not in scope for the 2017 audit
12. Community Involvement and Landowner Outreach	Not in scope for the 2017 audit
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Not in scope for the 2017 audit
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



The road shown above was confirmed to have been constructed in accordance with the prescription developed by a terrain stability specialist to manage risk of slope failure. This section of road is at 26% grade and accesses a hanging valley with several cutblocks which were also assessed during the audit.

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	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by QLPs, interviews with procurement staff.
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 2017 audit
6. Training and Education	Not in scope for the 2017 audit
7. Community Involvement and Landowner Outreach	Not in scope for the 2017 audit
8. Public Land Management Responsibilities	Records of cooperative public land planning processes, process, site plans, records of plan referrals to local stakeholders, staff interviews.
9. Communications and Public Reporting	Not in scope for the 2017 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



The audit included site visits to a number of harvest blocks covered under the Company's Fibre Sourcing program, to ensure that best management practices were implemented.

Good Practices

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

- SFI Forest Management Objective 4 (biodiversity) – On a watershed on the west coast of Vancouver Island the company has collaborated with a local First Nation as well as an ecosystem restoration organization to assess fish habitat restoration priority, and also complete identified projects. This has included groundwater monitoring as well as introducing rock & wood debris structures which has changed one particular side channel from a 5m wide featureless dry gravel bed to a series of isolated pools with a high density of fingerling salmon.
- SFI Forest Management Objective 8 (indigenous rights) — In one area yew trees have been identified as having value for First Nations. During recent harvest in the area the company as well as harvest contractor made extra efforts to protect western yew trees that were present in the understory to ensure they were retained following harvest.
- SFI Fibre Sourcing Objective 6 (continual improvement) – The fibre sourcing group has implemented a supplier ledger which was found to be an effective means of tracking log supply contracts and supporting records to ensure conformity with the SFI Fibre Sourcing requirements.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of two 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

The following new minor non-conformity was identified during the SFI surveillance audit of Interfor Corporation’s coastal woodlands and fibre sourcing operations:

- SFI Forest Management Objective 9 (regulatory compliance) – To achieve compliance with regulatory requirements the Company specifies that harvesting inspections will occur following each harvesting phase (road construction, harvesting, deactivation for example). While in most cases these were found to have been completed as required, for two inspections reviewed either the form was incomplete, or results on the ground did not match the inspection record.

Opportunities for Improvement

The following new opportunity for improvement was also identified during the audit:

- SFI Forest Management Objective 3 (water quality) – In one block assessed a weakness in implementing the company’s riparian protection procedure was identified. Specifically logs were decked in a manner inconsistent with the prescription designed to protect streamside vegetation—however no streamside vegetation was actually impacted.



These photos show a side channel of a stream restoration project (see good practice in the text at left). The large boulders on the top photo and logs on the lower photo were installed based on a biologist’s recommendation to create pools which were previously absent. The person in the lower photo is observing fish in a small pool at the end of the dry summer season, demonstrating the habitat enhancement was successful.

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.

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 Corporation 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.

Focus Areas for the Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Large fuel storage sites & fuel/oil housekeeping at log dumps.
- Planned changes to the electronic system for recording field inspections.

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