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2501 – 14th Avenue
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February 14, 2011

Dear Darcie and Dave:

Re: Revised 2010 CSA Z809-2002 Re-certification and SFI 2005-2009 Periodic Assessment Report for BCTS Okanagan-Columbia Business Area:

- **CSA Z809-2002 Recertification Assessment (Okanagan DFA)**
- **SFI Surveillance Assessment (Columbia Forest District)**

Our revised CSA Z809 and SFI 2010 Audit Report for BCTS - Okanagan-Columbia Business Area is attached. The report documents the results of the audit that took place during the period October 18-21, 2010.

We value the ongoing working relationship that we have with BCTS - Okanagan-Columbia Business Area, and appreciate the assistance provided to the audit team by BCTS staff and LPCs during the audit process.

If you have any questions regarding the results of the audit or what is required in the way of corrective actions, please call me at the phone number listed below.

Yours truly,

Gregor Macintosh RPF, CEA(SFM)
KPMG Performance Registrar Inc.
(250) 480-3510

Enc: CSA Z809 and SFI 2010 Audit Report for BCTS Okanagan-Columbia Business Area



**CSA Z809-2002 Re-certification
& SFI 2005-2009 Periodic Assessment Report for
BCTS - Okanagan-Columbia Business Area
October 21, 2010
(Revised February 14, 2011)**

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A. Client Information

Client Name:	BCTS - Okanagan-Columbia Business Area
Audit Criteria:	CSA Z809-02 SFI 2005-2009
Scope of Registration:	CSA Z809: B.C. Timber Sales – Okanagan-Columbia Business Area’s operations and responsibilities under the Okanagan Sustainable Forest Management Plan within the Okanagan Defined Forest Area. SFI: BCTS sustainable forest management planning and practices in the Revelstoke TSA, Golden TSA, TFL 23, TFL 55 and TFL 56.
Client Representative:	Darcie Annesley, Certification Standards Officer Dave Gill, Planning Forester
Assessment Number:	CSA-Z809: #2276.26 SFI: #PRI-SFIS-028

B. Document Review Findings

A document review was conducted for the CSA Z809-2002 re-certification audit. The review did not identify any issues with respect to the CSA Z809-2002 standard. The document review did however identify some observations with respect to the CSA Z809-2008 and BCTS TOC SFM documentation. These observations were summarized in a report and issued to BCTS TOC before the onsite audit. Note: the Okanagan Columbia SFM process of which BCTS TOC is a participant has moved to the CSA Z809-2008 standard. The document review served as a gap analysis for the next BCTS TOC CSA audit which will be to the CSA Z809-2008.

C. Audit Details

Type of Audit:	CSA Z809-2002 Re-certification and SFI 2005-2009 Periodic Assessment
Dates of Surveillance Audit:	October 18-21, 2010
Date of Next Assessment:	Summer/Fall 2011
Audit team:	Lead auditor: Gregor Macintosh Audit team members: Dennis Lozinsky
Audit Report Distribution:	BCTS - Okanagan-Columbia Business Area KPMG PRI audit files SFI Inc.
Audit objective(s):	The objectives of the audit was to evaluate the environmental and sustainable forest management system at BCTS - Okanagan-Columbia Business Area, its implementation, effectiveness and conformance with the requirements of CSA Z809-2002 and SFI 2005-2009. These objectives were met.

Audit scope:	<p>The scope of the audit included: The elements of CSA Z809 and SFI outlined in the audit plan. Activities conducted under the Company’s management system during the period October 14 2009 – October 17 2010. Visits to the following BCTS TOC operations: Site 1. Mugford operating area Site 2. Harris operating area Site 2. Notch Hill operating area Site 3. Chum operating area Site 4. TFL 23 (Upper Arrow) operating area Site 5. Skaha operating area Site 6. Shelter Bay FSR Site 7: 201 FSR</p>														
Audit sample size:	<p>Number of field activities assessed during the audit:</p> <table> <tr> <td>Harvesting:</td> <td>10</td> </tr> <tr> <td>Road:</td> <td>8</td> </tr> <tr> <td>Road Deactivation.:</td> <td>2</td> </tr> <tr> <td>Site Prep (Mechanical):</td> <td>1</td> </tr> <tr> <td>Site Preparation (Chemical):</td> <td>1</td> </tr> <tr> <td>Brushing (Mechanical):</td> <td>1</td> </tr> <tr> <td>Survey:</td> <td>1</td> </tr> </table>	Harvesting:	10	Road:	8	Road Deactivation.:	2	Site Prep (Mechanical):	1	Site Preparation (Chemical):	1	Brushing (Mechanical):	1	Survey:	1
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Survey:	1														

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

- The TSL EMS Binders reviewed for the blocks assessed in the field were well organized containing all the required documentation with records properly completed.
- Information regarding harvesting activity is effectively communicated in detailed LPC documents and logging summaries. Additionally, BCTS TOC planning and forest practices staff do a good job of ensuring critical site factors are communicated to LPCs by highlighting these aspects on the TOC logging plan maps.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were no open minor non-conformances from previous audits.

Non-conformities

Major non-conformities

No major non-conformities were identified during the audit.

Minor Non-conformities

The following minor non-conformities were identified during the audit:

1. **Minor non-conformity:** TOC-2010-NC-01
Standard/Element(s): CSA Z809 7.3.4 / SFI Objective 11/ ISO 14001 4.3.2
Client Procedure: Fuel Handling Guideline, Inspections (Green Book)

The audit identified the following non-conformity in the TOC Fuel Handling Environmental Field Procedure and field audit of large TDG tanks identified the following non-conformance:

a) The Fuel Handling Environmental Field Procedure (EFP-06) contains errors and omissions with respect to TDG > 450 L:

- The guide incorrectly refers to large tanks as 450 L or greater.
- The guide omits requirements for required Certification Safety Marks on tanks for TDG > 450 L.

b) The BCTS Project Supervision Procedure (EFP-02) requires that inspections review conformance with the EMS EFPs as well as legislation such as the Transportation of Dangerous Goods Act (TDG). However, audit of harvest operations at A86891 identified a suspect diesel tidy-tank > 450 L without required Certification Safety Marks. The LPC stated the tank capacity was at least 500 L. The LPC and BCTS TOC staff had not verified compliance with TDG regulations.

2. **Minor non-conformity:** TOC-2010-NC-02
Standard/Element(s): CSA Z809-02: 7.3.3.1 (Shared Responsibility)
Client Procedure: OSFM Plan

The CSA Z809 standard (element 7.3.3.1) requires that the organization: (1) ensure that all parties necessary to address the CSA SFM elements for the DFA are involved in the process, and (2) clearly describe the respective roles and responsibilities of the parties involved.

There are several licensees operating within the DFA (the area under the OSFM plan), not all of which are required to implement the SFM plan or report on their performance under it. However, the audit found that the participating licensees have yet to conduct a formal assessment to determine the risk posed by the forest management activities of non-participating licensee to the achievement of the targets for the DFA.

3. **Minor non-conformity:** TOC-2010-NC-03
Standard/Element(s): CSA Z809-02: 7.3.6.1
Client Procedure: OSFM Plan

CSA Z809-02 element 7.3.6.1 requires the organization to develop DFA-specific performance measures that address all of the CSA SFM elements. However, although the audit found that the OSFM plan included indicators and targets in relation to most of the CSA SFM elements, a gap was identified in relation to CSA SFM element 1.2 (Species Diversity).

The OSFM plan includes 3 targets (7, 8 & 9) in relation to species at risk. However, although a species explorer query indicated that there are a number of rare plants that are likely to occur within the plan area, the targets noted above do not currently address their identification and protection.

4. **Minor non-conformity:** **TOC-2010-NC-04**
Standard/Element(s): CSA Z809-02: 7.3.7
Client Procedure: OSFM Plan

CSA Z809 element 7.3.7 requires the SFM plan to include documentation of the current status and forecasts for each indicator. While the OSFM plan does not include descriptions of the current status of the indicators and targets, the current status for some of the indicators is shown as Assessment Results in the 2009 OSFM Plan Monitoring Report. However, the current status has not been assessed and documented for the following indicators and targets that are new to the 2010 OSFM plan - Indicators 1.1.1; 1.1.2; 1.4.1; 3.1.2; and 5.2.2.

5. **Minor non-conformity:** TOC-2010-NC-05
Standard/Element(s): CSA Z809-02: 7.3.6.1, 7.3.7 d)
Client Procedure: OSFM Plan

CSA Z809 element 7.3.6.1 requires that forecasts be prepared for the expected responses of each indicator to each alternative strategy. Assumptions and analytical methods used for making each forecast must be described. In addition, CSA Z809 element 7.3.7 d) requires documentation of the current status and forecasts for each indicator, including a description of the assumptions and analytical methods used for forecasting.

Our audit found that in relation to Criterion 1, the underlying SFM plan strategy is to move the forest to a relatively balanced age class distribution. Within this context, biodiversity objectives are to be achieved (primarily) by:

- Maintenance of existing BEC zones (over which licensee influence is identified as “limited”).
- 70% of free growing areas having 3 or more tree species.
- Age class targets for Age Class 1-5 (1-100 yrs) of at least 10.0% of the THLB.
- Retention of approximately 119,000ha of OGMAs.
- Maintenance of wildlife tree patches and stubs on harvested blocks.
- 100% conformance to site plans to manage for and/or protect important habitat for IWMS species and species identified as rare in the OSLRMP and KBLUP.
- FSP strategies for riparian area management, wildlife tree retention, coarse wood debris and old growth management.

- Conformance with stocking standards.

However, while the specific actions to be undertaken are clearly documented, the forecasting information provided in the OSFM plan is in some cases limited to a quantitative re-statement of actions (e.g., Indicator 1.1.4 - 100% of harvested cut-blocks to have wildlife tree patches 80% of which are to have 2-5 stub trees per hectare) or a statement as to the intent of the action (e.g., Indicator 1.1.2 - Diversity and abundance of naturally occurring tree species on the landscape).

As a result, the OSFM plan currently lacks forecasting information as to the effects of these actions on ecosystem diversity and wildlife habitat over time that is specific to the DFA as defined within the OSFM Plan. Also, we note that OSFM Plan (encompassing the Okanagan and portions of the Arrow TSAs) was developed at a different scale than that of TSR 3 (Okanagan TSA) and with different assumptions. Therefore, TSR 3 forecasting assumptions may not be directly applicable with respect to the data and actions developed under OSFM Plan - Section 5 for the maintenance of wildlife habitat.

The above weakness in forecasting also leaves a number of the indicators and/or targets lacking in clarity as to their purpose and ability to provide information on the effectiveness of the plan over time. The indicators and targets of concern in this regard are:

- Indicator 1.1.1 (Ecosystem area by type) – As the BEC system is an ecological classification system that describes the late seral plant community that is expected to exist on zonal sites within a given subzone, it does not describe the plant community that actually exists on a site at a given point in time. Licensees operations within the plan area have no ability to impact the presence, geographic distribution or relative abundance of the BEC subzones that occur within the DFA. As such, the contribution of targets #1 & #2 to assessing SFM performance over time is unclear.
- Indicator 1.1.2 (Forest area by type or species composition) – The target (# 4) developed in relation to this indicator is restricted to species composition at free growing. How this relates to the relative abundance of forest types on the DFA over time is not stated.
- Indicator 2.2.1 (Additions and deletions to the forest area) – The target (#14) is restricted to measuring on-block permanent access structures (PAS) As a result, the cumulative, landscape-level impact of these block-specific targets over time is unclear.

6. **Minor non-conformity:** TOC-2010-NC-06
Standard/Element(s): CSA Z809: 7.5.2, 7.5.4
Client Procedure: TOC 2010 Internal Audit
Location: BCTS TOC

The CSA Z809 (element 7.5.4) and ISO 14001 (element 4.5.5) standards include requirements for conducting internal audits to assess whether the system: (1) conforms to planned arrangements for environmental management, including the requirements of ISO 14001 and CSA Z809, and (2) has been properly implemented and maintained. In addition, element 7.5.2 of the CSA Z809 standard requires that the organization establish and maintain procedures for initiating and completing corrective and preventive actions to address non-conformities identified through inspections and internal audits.

The 2010 BCTS – TOC internal audit (July 2010) included a limited scope CSA Z809-2008 audit of performance under the OSFM plan. However, review of the internal audit report found that while it identifies various non-conformities related to weaknesses in forest practices, it does not reference the applicable BCTS procedures that are designed to prevent these occurrences. As a result, the audit report does not clearly identify whether the findings relate to a failure to follow existing procedures, ineffectiveness of an existing procedure or the lack of a procedure.

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement:** TOC-2010-OFI-01
Standard/Element(s): CSA Z809-2008 7.3.3 Rights and Regulations
Client Procedure: Okanagan SFM Plan (April 2010)

The audit identified the following isolated example of weakness in the current Okanagan SFM Plan. The standard requires that the organization shall ... (a) respect the legal rights and responsibilities of other parties in the DFA that are not part of the certification applicant. It is not apparent that this requirement is addressed in the April 2010 SFM Plan.

2. **Opportunity for improvement:** TOC-2010-OFI-02
Standard/Element(s): CSA Z809 7.6 Management Review / SFI 2005-2009 Objective 13 Continual Improvement
Client Procedure: TOC Management Review

The audit identified the following isolated weakness with respect to the TOC Management Review meeting minutes. While all Management Review agenda items were addressed in the TOC July 2010 meeting minutes, it is not possible to see what was actually discussed for many of the Agenda items as little detail is provided.

3. **Opportunity for improvement:** TOC-2010-OFI-03
Standard/Element(s): CSA Z809 7.4.6 Operational Control / SFI 2005-2009 Objective 4 Biodiversity
Client Procedure: EOP 1 – Planning & EOP 2 – Licensees and Permittees Operations

A site review of TSL A86894 KBS identified an opportunity for improvement regarding stand level biodiversity. Although diameter limit specifications for leave trees in the SP and pre-work may be effective for ensuring sufficient basal area, the audit observed stumps from trees that may have been in excess of 65 cm the diameter limit for leave trees in this block. Also, a diameter limit for leave trees does not address the requirement for spatial distribution of leave trees.

4. **Opportunity for improvement:** TOC-2010-OFI-04
Standard/Element(s): CSA Z809 7.3.4 / SFI 2005-2009 Objective 11.2
Client Procedure: BCTS Client Self Inspection Report CHK 011, TSL and Permit operations Inspection Report CHK 007

The SFI and CSA Z809 standards identify requirements for SFM programs to provide for rights and safety of workers or DFA workers. The audit identified a weakness regarding LPC inspections and documenting fulfillment of OHS regulation 26.16 - Slope Limitations, i.e., risk assessment and procedures where equipment may exceed manufacture specification.

5. **Opportunity for improvement:** TOC-2010-OFI-5
Standard/Element(s): CSA Z809 7.3.6.1
Client Procedure: OSFM Plan

CSA SFM element 1.3 (Genetic Diversity) requires that genetic diversity be conserved by maintaining the variation of genes within species. The SFM plan references 3 indicators (1.1.2, 1.1.3, 1.2.3) and 3 targets (#3, #4, #7) in relation to this element. However, review of these indicators and targets (which address rare ecosystems, focal species and tree species diversity at free growing) and the associated SFM plan text found that they are largely focused on species and ecosystem diversity, and do not clearly address the issue of genetic diversity of all (tree and non-tree) species.

Audit conclusions

The audit found that BCTS - Okanagan-Columbia Business Area's environmental and sustainable forest management system:

- Was in full conformance with the requirements of the CSA Z809-2002 and SFI 2005-2009 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 the BCTS TOC environmental and SFM policy, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the audit team to recommend that BCTS - Okanagan-Columbia Business Area be recertified to the CSA Z809-2002 standard and continue to be certified to the SFI 2005-2009 standard.

Once we have received and approved any required corrective action plans, the CSA Z809-2002 certification file will be subject to a KPMG Independent Technical Review as required by our accreditation. Provided the Independent Technical Reviewer approves the recommendation, BCTS Okanagan Columbia Business Area will receive a certificate of registration in approximately 4 weeks from the date of corrective action plan approval.

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

E. Corrective Action Plans

Written corrective action plans that are designed to address the root causes of all identified non-conformities are required within 30 days of the closing meeting. These will be reviewed by KPMG PRI for adequacy, and either approved or returned for revision.

A template for BCTS Okanagan Columbia Business Area to develop the required corrective action plans will be provided for this purpose. Please complete the appropriate section of this template and e-mail your proposed corrective actions to the KPMG PRI lead auditor for review.

F. Focus Areas for Next Audit Visit

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

- Action taken to address the non-conformances from the 2010 audit.
- Monitoring of effectiveness of achieving VQOs.
- 2010 & 2011 silviculture programs.