

Canfor Vavenby 2012 Audit Report March 8, 2012

SUMMARY OF AUDIT FINDINGS

- **Objectives**
- **Findings**
- **Conclusions**

Objectives

- **First surveillance audit of Canfor's multi-site ISO 14001:2004 certification.**
- **Multi-site (excluding FSJPP and TFL 48) certification audit against the requirements of CSA Z809-08.**
- **Multi-site certification audit against the requirements of PEFC ST 2002:2010.**
- **Follow-up on the status on open findings from previous external audits.**

Findings

- **Operational Strengths**
- **Status of Previous Non-conformities**
- **New Findings**

Operational Strengths

- **Vavenby staff have made good progress in restarting woodlands and sawmilling operations after a lengthy curtailment. Although some minor gaps in FMS implementation still exist (as noted in the balance of this report), contractor awareness and implementation of operational controls was quite good given the limited period of time that has elapsed since the division recommenced operations.**
- **Good contractor crew awareness of site-specific environmental issues noted at the active sites visited during the audit.**
- **The FMS 2011 FMG management review, which included a review of SFM performance at the Vavenby operation, was thorough and well-documented.**
- **The audit noted a number of sites where stubbing had been used along streams and wetter areas as a means to restrict skidder access.**

Status of Previous Non-conformities

The status of the open minor non-conformities identified during previous audits is as follows:

ISO 14001/CSA Z809:

- **2009-NC-04** (weaknesses in the measures (indicators) included in the Vanderhoof SFM plan, including the lack of a carbon monitoring plan): Although this finding was specific to Vanderhoof, the corporate portion of the action plan required the development of a carbon strategy for Canfor's FMG that will provide direction to SFM plan indicators for carbon storage and uptake). **The Company's progress towards the development of a corporate carbon strategy will be evaluated during the upcoming PG/TFL 30 site visit. NC remains open.**

Status of Previous Non-conformities

ISO 14001/CSA Z809:

- **2010-NC-01** (lack of continuous improvement in the Quesnel SFM plan): **Not applicable to Vavenby.**
- **2010-NC-03** (weaknesses in the implementation of fuel tank inspection procedures by contractors): Inspection of a sample of field sites found that the required contractor fuel tank inspections had been completed. **NC closed with respect to Vavenby.**
- **2010-NC-04** (weaknesses in the measures (indicators) included in the Quesnel SFM plan): **Not applicable to Vavenby.**

Status of Previous Non-conformities

ISO 14001/CSA Z809:

- **2010-NC-06** (lack of clear strategies in the PG SFM plan to achieve landscape level biodiversity targets, e.g., seral stage, patch size, etc.): **Not applicable to Vavenby.**
- **2011-NC-01** (weaknesses in the Mackenzie SFM plan related to how the plan deals with licensees who are not signatory to the plan): **Not applicable to Vavenby.**

Status of Previous Non-conformities

PEFC CoC:

- **1480.11-NC-A2-01** (More volume was sold with a CoC claim from the Mackenzie sawmill during June 2011 than was produced at the mill that month): **Chip volume credit account and chip certification statements are not managed by the Vavenby operation.** Further follow-up of this issue required during the PG and Vancouver office site visits.
- **1480.11-NC-A2-02** (Incomplete implementation of the PEFC logo use SOP at various facilities, i.e., lack of awareness of the SOP by facilities management, weaknesses in quality control checks in relation to the use of the PEFC logo on lumber and lumber wrap, PEFC logo and licence number not included on bills of lading, etc.): The audit found that: (1) the Vavenby shipping supervisor had not been trained in the use of the PEFC logo use SOP, and consequently was not aware of the requirement for logo use quality control checks, and (2) recent bills of lading with a PEFC claim did not include the PEFC logo and licence number as required under step 4.3 of the PEFC Logo Use SOP. **NC remains open with respect to Vavenby.**

New Findings

Non-conformities

- **CSA Z809-08 element 7.3.5 requires the SFM plan to include documentation of the current status and forecasts for each indicator. However, the NTF SFM plan does not include descriptions of the current status for many of the indicators but rather reports on current status in the annual SFM plan monitoring reports. While data respecting current status has been documented in previous annual monitoring reports for the three predecessor plans for a number of the indicators, because a number of indicators in the NTF SFM Plan are new to the Merritt and/or Lillooet TSAs (as they have been carried over from the Kamloops TSA SFM plan without an analogous pre-existing indicator established for one or both of the other 2 TSAs), the current status has not been assessed and documented as required by the CSA Z809-08 standard for a number of these indicators (e.g., indicators 1.1.1, .1.1.2, 1.1.4, 1..2., 1.2.3, 1.2.4, 1.4.1, 2.2.2, 3.1.1, 3.1.2, 3.2.1, 3.2.2, 5.1.1, 5.2.1, 5.2.2, 5.2.4, 6.3.1, 6.3.2, 6.3.3, 6.4.1, 6.4.2, 6.4.3 and 6.5.2). (Minor NC)**

New Findings

Non-conformities

- **CSA Z809-08 element 6.1 requires that forecasts be prepared for the expected responses of each indicator to applicable strategies, and that the methods and assumptions used for making each forecast be described. In addition, CSA Z809-08 element 7.3.5 requires that the SFM plan include the current status and forecasts for each indicator, including a description of the assumptions and analytical methods used for forecasting.**

Our assessment found that in relation to Criterion 1, the underlying NTF SFM plan strategy is to move the forest to a relatively balanced age class distribution. Within this context, biodiversity objectives are to be achieved through various means (e.g., age class targets for Age Class 1-4 of at least 8.5% of the THLB, retention of approximately 195,000 ha of OGMA, adherence to Section 7 notices, etc.). The specific actions to be undertaken are clearly documented in the SFM plan (e.g., 78% of areas declared free growing during the reporting year have 3 or more tree species, 195,995ha of spatially located OGMA, 3,300ha of flammulated Owl habitat, etc.). However, the forecasting information provided in the SFM plan is in most cases limited to a quantitative re-statement of actions (e.g., Indicator 1.1.4 : 91% of harvested cutblocks greater than 10 hectares in size had wildlife tree patches and/or individual leave trees) or a statement as to the intent of the action (e.g., Indicator 1.1.2: Healthy generically diverse ecosystems with a mix of native species). As a result, the SFM 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 that is defined within the plan (which has been developed at a different scale from the TSR assumptions and the data and actions developed under Section 7 for the maintenance of wildlife habitat).

The above weakness in forecasting also leaves a number of the indicators and targets lacking in clarity as to their purpose and ability to provide information on the effectiveness of the plan over time. In addition, the NTF SFM plan does not include any description of the nature or results of the forecasting already completed at different spatial scales than the DFA, and does not indicate a methodology to assess over time how effective this approach is in relation to the plan objectives (in order to facilitate top management's assessment as to whether progress toward SFM is effective per CSA Z809-08 element 7.6). (Minor NC)

New Findings

Non-conformities

- **CSA Z809-08 element 7.2 requires the organization to define policies that include commitments to various aspects of SFM. In addition, these policies must be communicated to employees and contractors and made available to the public. However, the May 2011 version of the Company's environment policy, which is available to the public on Canfor's external website, does not meet all of the content requirements of the standard. Specifically, the policy does not include commitments to:**
 - Respect and recognize Aboriginal title and rights, and treaty rights;
 - Provide participation opportunities for Aboriginal Peoples with rights to and interests in SFM within the DFA;
 - Honour all international agreements and conventions relevant to SFM to which Canada is a signatory, and;
 - Improve knowledge about the forest and SFM, monitor advances in SFM science and technology, and incorporate these advances where applicable.

In addition, while some of these commitments may be addressed in whole or in part by other Canfor policy documents, some of these are quite dated (e.g., Canfor's Forestry Principles) and in need of revision. (Minor NC – Corporate Issue)

New Findings

Non-conformities

- **Element 7.2.2 of the PEFC Logo Usage Rules – Requirements (PEFC ST 2001:2008) require that the PEFC logo be accompanied by the Company’s PEFC licence number, except under exceptional circumstances (e.g., where there is not enough room to include the licence number). However, inspection of a sample of lumber pallets at the Vavenby operation found that they had been covered with lumber wrap that included the PEFC logo but not the Company’s PEFC licence number. Note: The current PEFC Logo Usage Rules define (under element 3.2) on-product label use as “the use directly on tangible products themselves (unpackaged products), products in individual packaging, containers, wrapping, etc. or on large boxes, crates, etc. used for transportation of products”. As such, use of the PEFC logo on lumber wrap is considered to be on-product use. (Minor NC)**

New Findings

Non-conformities

- **Element 2 of Appendix 1 of the current PEFC CoC standard (PEFC ST 2002:2010) requires that the organization use the claim “x % PEFC certified” when communicating the content of PEFC certified material in output products. However, review of a sample of recent bills of lading for lumber produced the Vavenby mill for which a PEFC claim had been made found that they included the statement “This product is PEFC certified from 100% certified raw material in compliance with PEFC Annex 4 chain of custody of forest based products – requirements, certificate number 1480.11.” As such, the claim on these bills of lading is not in conformance with the requirements of PEFC ST 2002:2010. In addition, the wording of the claim makes reference to the previous PEFC CoC standard (Annex 4), which was replaced by PEFC ST 2002:2010 effective November 26, 2011. (Minor NC)**

New Findings

Opportunities for improvement

- **CSA Z809 element 7.3.1 requires the organization to designate a clearly defined DFA to which the standard applies. In addition, CSA Z809-08 element 6.1 requires that the SFM plan include DFA-specific performance requirements. However, as currently written, the text of the NTF SFM plan indicates that there are a total of 6 company-specific DFAs within the plan area. In addition, in the large majority of cases the targets developed in relation to the SFM plan are for the plan area as a whole, and do not relate directly to the various DFAs as currently defined in the plan. As a result, the current DFA definitions included in the NTF SFM plan are not consistent with the requirements of the CSA Z809-08 standard. Further, and to the extent that any of the plan signatories conduct harvesting outside of their traditional operating areas (which the plan currently defines as their individual DFAs), this volume could not be considered as certified, as it is outside of what the participants have defined as being applicable to the SFM plan. This issue has implications for the validity of any chain of custody claims that the participants may choose to make regarding wood that is harvested outside of their traditional operating areas. (Divisional OFI)**

New Findings

Opportunities for improvement

- **CSA Z809 element 6.1 requires the organization to develop DFA-specific performance measures that address all of the CSA SFM elements. CSA SFM Element 1.2 requires species diversity to be conserved by ensuring that habitats for the native species found in the DFA are maintained through time, including habitats for known occurrences of species at risk. The NTF SFM plan includes a total of 4 targets related to species at risk, including #6 (proactive habitat protection targets established in accordance with non-legally binding guidelines and best practices). However, the approach described in the plan is reliant on CDC making known the location of SAR within the plan area, after which the licensees are required to act upon this information. Planning consideration is focused on critical habitat features that are “documented, mapped (GPS/UTM) and field verified”. As such, the SFM plan currently lacks the proactive approach that target #6 implies (e.g., implementation of a formal process to assess planned roads and cutblocks for the presence of SAR during the planning phase as a means to supplement the information obtained from the CDC). (Divisional OFI)**

New Findings

Opportunities for improvement

- **ISO 14001 element 4.4.7 and CSA Z809 element 7.4.7 require the organization to develop and implement emergency preparedness and response procedures to prevent and mitigate the impacts associated with accidents and emergencies. The Company has addressed this requirement through the development of an EPRP (last updated in 2011). This documents specifies the emergency equipment that must be present on active sites, including the contents of spill kits. However, inspection of a sample of active sites during the audit identified the following isolated weaknesses in spill kit requirements:**
 - Block I104 – incomplete spill kits (missing pads) in: (1) a buncher, and (2) a pick-up with a tidy tank.
 - Block D143 – Incomplete spill kit (missing pads) in a processor, although the machine was working in close proximity to a pick-up that had a spill kit that met the FMG spill kit content requirements for pick-ups carrying auxiliary fuel tanks. (Divisional OFI)

New Findings

Opportunities for improvement

- **ISO 14001 element 4.4.5 and CSA Z809 element 7.4.5 outline requirements for document control, which include a requirement that the current version of relevant documents are available at all locations where operations essential to the fulfillment of the SFM requirements and the SFM plan are performed. The 2011 EPRP booklet contains the key operational control documents (EPRP, SWPs, emergency contact information) that field crews are required to follow. The EPRP booklet (as indicated on page 4 of this document) is required to be available when activities are being conducted on Canfor tenured operations. However, inspection of a sample of active sites found the following isolated weaknesses in the availability of the EPRP booklet:**
 - Block D143 – The 2011 EPRP booklet was not present in either of the 2 machines (an excavator and a processor) working on this site that were inspected during the audit.
 - Block I104 – There was no EPRP booklet in 1 out of the 3 machines (a buncher) working on this site that were inspected during the audit.

Note: In some of the above cases the EPRP booklet was present in a pick-up either on-site or in a nearby block. However, it was not readily available to the machine operator. (Divisional OFI)

New Findings

Opportunities for improvement

- **PEFC element 6.3.1 requires the organization to establish documented procedures for its chain of custody system. The Company has addressed this requirement through various procedures, including the SOP for PEFC Logo Use (July 19, 2011 version). However, review of this SOP identified the following weakness in content:**
 - It includes an outdated version of the PEFC Logo Usage Rules (Annex 5) in the reference section. The PEFC Logo Usage Rules were revised in November 2010 and are now called the PEFC Logo Usage Rules – Requirements (PEFC ST 2001:2008).
 - Although the PEFC Logo Use SOP indicates that it was last revised on July 19, 2011, the record of revisions section identifies it as a new document. (Corporate OFI)

Field Sample Coverage

	Number of field samples
Harvesting	8
Roads	7
Silviculture	1

Overall Conclusions

- **Except where noted otherwise in this report, the EMS, SFM and CoC systems continue to:**
 - Be effectively implemented at the operation, and;
 - Conform with the requirements of the ISO 14001:2004, CSA Z809-08 and PEFC ST 2002:2010 standards.

Reporting

- **Our findings will be summarized in ISO 14001/CSA Z809 and PEFC CoC corporate audit reports in August October 2012.**
- **A corporate ISO 14001/CSA Z809 public summary report will be made available for review and comment once all action plans have been approved.**
- **NB: Unless identified at other operations, isolated opportunities for improvement identified at the divisional level will not be brought forward to the corporate audit report.**

Focus Areas for the Next Assessment

- **Implementation of action plans to address open findings from the 2012 and previous audits.**
- **Timing of the 2013 Vavenby site visit so that takes place under snow-free conditions (July/August).**