

Canfor Vavenby 2018 Audit Summary January 21, 2018

SUMMARY OF AUDIT FINDINGS

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

Note: this report is draft pending review of the SFMP and related materials

This is not a formal audit report. Rather, it is a summary of divisional level observations/potential findings that is being provided to the Company in advance of the formal Corporate level audit report in August 2018. The relative significance of the potential audit findings noted in this audit summary may be adjusted depending on the nature of any similar findings that may be identified during site visits to the remaining divisions included in the 2018 audit sample. As such, the findings included in this audit summary should be considered tentative at this time.

2018 Audit Objectives

- **Multi-site surveillance audit against the requirements of ISO 14001.**
- **Multi-site re-certification audit against the requirements of CSA Z809-08.**
- **Multi-site PEFC CoC surveillance audit.**
- **Single site SFI forest management and fibre sourcing re-certification (Wynwood only) and surveillance (DMI embedded quotas only) audits.**
- **Follow-up on the status on open findings from previous external audits.**

Findings

- **Operational Strengths (Good Management Practices)**
- **Status of previous Non-Conformities**
- **New Findings**

Operational Strengths

- **CSA Z809 Element 7.4.6 (Operational Control):** Use of the tethered harvester is allowing the division to access steep ground with visual constraints while maintaining high levels of retention providing good visual screening, and minimizing visible road prism.

Status of Vavenby findings raised in the 2017 audit report

- **2017-PEFC-NC-04** (errors in reporting certified volumes) – this was **closed** shortly after the Jan 2017 audit.
- **2017-NC-01** (Volktrans spill) – actions were implemented, NC **closed** at Vavenby.
- **2017-OFI-01** (subcontractors without EMS training) – current records indicate a sample of contractors are EMS trained, OFI **closed**.
- **2017-OFI-03** (machine free zone not mapped, SP stated a terrain assessment had been completed when it had actually not) – MFZ is typically mapped, no recurrence of SP errors, the Vavenby portion of the OFI is **closed**.
- **2017-OFI-05** (Diesel Exhaust Fluid not in EPRP spill response procedure) – this is now in the EPRP spill response procedure, OFI **closed**.
- **2017-Vavenby-OFI-01** (communicating the changes to harvest plans for the Upper Clearwater to address the concerns of local stakeholders) – no action taken, in terms of communication or harvest, OFI **open**.

New Audit Findings – non-conformities

- **2018-Vavenby-NC-01:** CSA Z809 element 7.5.1 (monitoring & measurement) requires the organization record performance levels and monitor indicators for comparison against targets/forecasts. In the NTF annual monitoring report for 2016 review of information for a sample of targets found it was well supported in most cases.

However for Target 25 (All permanent status roads and associated structures will have inspections and related maintenance completed as scheduled) while the annual report indicates inspections *were* completed as scheduled but maintenance was not for all licensees on the Defined Forest Area, information shows that inspections of Canfor roads were actually *not* completed as scheduled (specifically of 396.748 km of scheduled inspections on FL A18688 only 333.387 were actually inspected).

(Note - as the DFA target states that over 100% of inspections were completed(104.2% to be exact) there appears to be some cases of double counting that make up for missed inspections once the data is aggregated across all reporting licensees.)

New Audit Findings – opportunities for improvement

- **2018-Vavenby-OFI-01:** CSA Z809 element 7.4.6 Operational Controls – while the Contract Worker as well as Contract Supervisor SWPs state “make sure that...resource features (e.g., streams, animal licks, arch sites, etc.) are mapped and located on the ground”, other than nests there is no information provided to logging contractors on what these look like. As well the one European contractors did not know what a bear den looks like.

Field Sample Coverage

	Number of field samples
Harvesting	3
Roads	3
Camps	0
Silviculture	0

Overall Conclusions

- Except where noted otherwise in this audit summary, the SFM and CoC systems continue to:
 - Be effectively implemented at the operation, and;
 - Conform with the requirements of the CSA Z809-16 standard.
- Nothing has come to the auditor's attention during the 2018 Vavenby site visit that would individually preclude the certification of the Company to the CSA Z809-16 standard.
- The conclusions reached during the Vavenby site visit are preliminary in nature, and will need to be considered with those from all of the other 2018 site visits before a corporate level conclusion is reached.

Reporting

- Our findings will be summarized in the corporate audit report once all applicable site visits have been completed.
- A corporate 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. However, we will still be following-up on these operation-specific issues during future site visits.

Focus Areas for the Next Assessment

- **Implementation of action plans to address findings included in this report as well as the upcoming company-wide multi-site report that apply.**
- **Actions taken by the Company to address the results of the hydrologic and terrain stability assessments completed for proposed cutblocks in the Upper Clearwater area (i.e., modifications to blocks identified as potentially posing an elevated risk to downstream resources, implementation and effectiveness of the Trophy Mountain FSR and NSR road upgrade plan).**