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## Forest Management Certification Reassessment Report for:

Canadian Forest  
Products Ltd. (East Kootenays)  
In  
Cranbrook, British Columbia,  
Canada

Report Finalized:	October 15, 2014
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Certificate code:	RA-FM/COC-001348
Certificate issued:	October 29, 2014
Certificate expiration:	October 28, 2019
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## Acronyms

AAC	Annual Allowable Cut
AMA	Access Management Area
ATV	All-terrain Vehicle
BMP	Best Management Practice
CRSC	Concerned Residents of Sheep Creek
CCVF	Cultural and Conservation Value Forest
CoC	Chain of Custody
COPI	Creating Opportunities for Public Involvement – data based recording all public interactions
COS	Conservation Officer Service
DCS	Documented Control System
DFA	Defined Forest Area
ECA	Equivalent Clearcut Area
FL	Forest Licence
FLNRO	BC Ministry of Forests, Lands and Natural Resources Operations
FM	Forest Management
FMG	Forest Management Group (Canfor)
FMP	Forest Management Plan
FPB	B.C. Forest Practices Board
FSC	Forest Stewardship Council
FSR	Forest Services Roads
HCV	High Conservation Value
HCVF	High Conservation Value Forest
MFLNRO	Ministry of Forests, Lands and Natural Resource Operations
NCR	Non-conformity Report
NGO	Non-government Organization
NRFL	Non-renewable Forest Licence
OBS	Observation
OGMA	Old Growth Management Area
RA	Rainforest Alliance
RONV	Range of Natural Variation
SFMP	Sustainable Forest Management Plan
TSA	Timber Supply Area
TFL	Tree Farm Licence
WIM	Woodland Information Management (System)
WTP	Wildlife Tree Patch

# 1. INTRODUCTION

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the Rainforest Alliance. The purpose of the assessment was to evaluate the ecological, economic and social performance of Canadian Forest Products Ltd. (East Kootenays), herein referred to as Canfor, in a defined forest area in the East Kootenay region of British Columbia. This is the second forest management re-assessment of this landbase as defined by the Principles and Criteria established by the Forest Stewardship Council™ (FSC®).

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report contains four main sections of information and findings and several appendices. Sections 1 through 4 of the report plus appendix I will become public information about the forest management operation and comprise a public summary of the full report that may be distributed by Rainforest Alliance or the FSC to interested parties. The remainder of the appendices are confidential, to be reviewed only by authorized Rainforest Alliance and FSC personnel bound by confidentiality agreements. A copy of the public summary of this report can be obtained on the FSC website at <http://info.fsc.org/>.

A key purpose of the Rainforest Alliance auditing is to recognize conscientious land stewardship through independent evaluation and certification of forestry practices. Forestry operations that attain FSC certification may use Rainforest Alliance and FSC trademarks for public marketing and advertising.

## Standard Conversions

1 mbf = 5.1 m<sup>3</sup>  
1 cord = 2.55 m<sup>3</sup>  
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm  
1 foot = 0.3048 m  
1 yard = 0.9144 m  
1 mile = 1.60934 km  
1 acre = 0.404687 hectares

1 pound = 0.4536 kg  
1 US ton = 907.185 kg  
1 UK ton = 1016.047 kg

## 2. SCOPE OF THE CERTIFICATE

The scope of the forest lands evaluated for inclusion into this certificate include the following Canfor operating areas:

- Cranbrook operation of FL A19040 in the Cranbrook TSA,
- Creston operations of FL A20212 (including NRFL A80321) in the Kootenay Lake TSA,
- Canal Flats operations of FL A18978 in the Invermere Timber Supply Area,
- Managed Forest 72 in the Invermere Timber Supply Area,
- Tree Farm Licence 14 near Parson; and
- Elko/Sparwood operations of FL A19040 in the Cranbrook TSA.

The scope of the certificate does not cover the forest areas that have been associated with Canfor's Radium sawmill.

The Forest Licences and the Tree Farm Licence have been issued to Canfor by the government of British Columbia. These are long-term tenures on Crown land, meaning the land ownership remains with the provincial government. Forest licences are volume based, while the TFL is area based. Harvesting takes place according to an annual allowable cut (AAC). For the FLs, that AAC comes from an area assigned to Canfor from within the TSA. The Managed Forest is land privately held by Canfor.

A map of these operating areas is included as Appendix IX. Within or adjacent to this area are the communities of Cranbrook, Creston, Kimberly, Elko, Fernie, Sparwood, Elkford, Parson, Spillimacheen, Brisco, Edgewater, Golden, Canal Flats, Skookumchuck, Windermere, Invermere, Radium Hot Springs, Fairmont Hot Springs, Wasa, Yahk and a host of smaller communities.

The operating areas are within the asserted traditional territory of the Ktunaxa Nation Council, which includes four Bands in Canada – St. Mary's Band, Lower Kootenay Band (YaqunNakiy), Tobacco Plains Band and Akisqnuq Band. The operating areas are also within the asserted traditional territory of the Shuswap Band, which is affiliated with the Shuswap Nation Tribal Council. There are no treaties that address their claims to the land or resources. Comprehensive land claims covering a large area, including Canfor's operating areas, are currently being negotiated.

More detailed information about Canfor and the areas covered by the certificate is provided in Section 4.0 and in Appendix I and II of this report.

## 2.1 Scope of the certificate

Forest management enterprise (FME) information:			
<b>FME legal name:</b>	Canadian Forest Products Ltd. (East Kootenays)		
<b>FME legal jurisdiction:</b>	British Columbia		
<b>Type of legal entity</b>	Corporation		
<b>Contact person (public):</b>	Chris Stagg		
<b>Address:</b>	5162 Northwood Pulp Mill Road Prince George, British Columbia V2L 4W2		
<b>Tel/FAX/email:</b>	(250) 962-3414/ christopher.stagg@canfor.com		
<b>Website:</b>	<a href="http://www.canfor.com">http://www.canfor.com</a>		
<b>Reporting period:</b>	Previous 12 month period	<b>Dates</b>	

A. Scope of Forest Area			
Type of certificate:single FMU		SLIMF Certificate not applicable	
Group or Multiple FMU	Number of group members (if applicable):		
	Total number of Forest Management Units FMUs: (if applicable, list each below):		
	FMU size classification within the scope:		
		# of FMUs	total forest area of FMU's
	< 100 ha		ha
	100 – 1000 ha		ha
	1000 – 10 000 ha		ha
	> 10 000 ha		ha
	SLIMF FMUs		ha
<b>Group Certificate:</b> List of FMUs included in the certificate scope provided in <b>Appendix IV-a:</b>			
<b>Single/Multi-FMU Certificate:</b> List of each FMU included in the certificate scope:			
FMU Name/Description		Area	Forest Type
			Location Latitude/Longitude <sup>1</sup>
Kootenay Region		1,194,031ha	Natural
			N 49 31" W 115 46"

B. FSC Product categories included in the FM/CoC scope (FSC-STD-40-004a)			
<input checked="" type="checkbox"/>	Level 1	Level 2	Species
<input checked="" type="checkbox"/>	W1 Rough Wood	W1.1 Roundwood (logs)	See section C.
<input type="checkbox"/>	W1 Rough Wood	W1.1 Roundwood (logs)	
<input type="checkbox"/>	W2 Wood charcoal		
<input checked="" type="checkbox"/>	W3 Wood in chips or particles	W3.1 Wood chips	See section C.
<input type="checkbox"/>	W4 Impregnated/treated wood	W4.1 Impregnated roundwood	
<input type="checkbox"/>	W5 Solid wood (sawn, chipped, sliced or peeled)	W5.1 Flitches and boules	
<input type="checkbox"/>	Non Wood Forest Products	[enter from FSC-STD-40-004a v2-0]	

## C. Species and Sustainable Rate of Harvest (AAC)

<sup>1</sup>The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.

Latin name	Common trade name	Annual allowable cut	Actual harvest (2013)	Projected harvest for next year
<i>Picea Engelmannii</i>	Engelmann spruce	m3	m3	m3
<i>Pinus contorta</i>	Lodgepole pine	m3	m3	m3
<i>Pseudotsuga menziesii</i>	interior Douglas-fir	m3	m3	m3
<i>Larix occidentalis</i>	Western larch	m3	m3	m3
<i>Pinus ponderosa</i>	Ponderosa pine	m3	m3	m3
<i>Abies lasiocarpa</i>	Subalpine fir (balsam)	m3	m3	m3
Total AAC		1,019,914 m3	1,283,983 m3	1,068,800 m3
Total annual estimated log production:			1,019,914 m3	
Total annual estimates production of certified NTFP:			0 m3	
(list all certified NTFP by product type):			m3	

D. FMU Info	
Forest zone	Temperate
Certified Area under Forest Type	
• Natural	1,194,301 ha
• Plantation	0 ha
Stream sides and water bodies	26,009 Linear Kilometers

E. Forest Area Classification	
Total certified area (land base)	1,194,301ha
1. Total forest area	748,931ha
a. Total production forest area	412,283 ha
b. Total non-productive forest area (no harvesting)	336,648 ha
• Protected forest area (strict reserves)	336,648 ha
• Areas protected from timber harvesting and managed only for NTFPs or services	0 ha
• Remaining non-productive forest	0 ha
2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)	445,370 ha

F. Ownership/Management Classification	
Ownership Tenure	Public (and minor private)
Management Tenure (list primary tenure type for group certificates)	private managem
Certified area that is: Privately managed	1,194,301ha
State/Public managed	0 ha
Community managed	0 ha

G. Forest Regeneration	
Area or share of the total production forest area regenerated naturally	ha
Area or share of the total production forest area regenerated by planting or seeding	ha
Area or share of the total production forest are regenerated by other or mixed methods (describe) All sites are a combination of natural stocking mixed in with planted stock.	100 %

H. High Conservation Values identified via formal HCV assessment by the FME and respective areas
--

Code	HCV TYPES <sup>2</sup>	Description:	Area
HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	Multiple areas spread throughout the DFA. Most HCVF's have values from several categories within them.	549,000 ha
HCV2	Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.	Multiple areas spread throughout the DFA. Most HCVF's have values from several categories within them.	184,978 ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.	Multiple areas spread throughout the DFA. Most HCVF's have values from several categories within them.	32,865 ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).	Multiple areas spread throughout the DFA.	190,960 ha
HCV5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).	Multiple areas spread throughout the DFA.	195,511 ha
HCV6	Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).	First Nation HCVFs (CCVFs). Non-aboriginal cultural areas included in HCV5. Some CCVFs also included in HCV5.	90,155 ha
Number of sites significant to indigenous people and/or local communities			59

#### I. Pesticide Use

☒ FME does not use pesticides. (delete rows below)

## 2.2 Exclusion and/or Excision of areas from the scope of certificate

X	Applicability of FSC partial certification and excision policy
<input type="checkbox"/>	All forest land owned or managed by the FME is included in the scope of this evaluation.
<input checked="" type="checkbox"/>	FME owns and/or has management involvement in other forest land/properties (forest management units) not being evaluated. <b>If yes, complete sections A &amp; D below.</b>
<input type="checkbox"/>	Is any portion of the forest management unit (s) under evaluation for certification being excised from the scope of the evaluation? <b>If yes, complete sections B, C &amp; D below. Conformance with FSC-POL-20-003 <i>The Excision of Areas from the Scope of Certification</i> shall be documented below.</b>
A. Comments / Explanation for exclusion of FMUs from certification:	
Finding: Canfor manages portions of privately owned lands by Tembec which are part of Tembec's Managed Forests. The owner of the lands has not chosen to have the lands FSC certified. Canfor's Radium License A18979 has undergone a pre-assessment and will not be included in the certificate until the license's undercut volume is captured following a 3 year curtailment of operations.	
B. Rationale for excision of area from FMU(s) included in scope of evaluation:	

<sup>2</sup>The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.



*Note: Rationale shall be consistent with one of the permitted conditions specified in FSC-POL-20-003, under which such certifications may be permitted.*

Finding:

C. Summary of conformance evaluation against requirements of FSC-POL-20-003

Finding:

D. Control measures to prevent contamination of certified wood with wood from excluded/excised forest areas.

Finding: Timber marking and scaling procedures are used to track the wood's origin.

**Forest Management Units Excluded From Evaluation**

<b>Forest area</b>	<b>Location</b>	<b>Size (ha)</b>
Canfor's Radium License A18979	Radium Hot Springs area (Invermere TSA)	85,000

### 3. ASSESSMENT PROCESS

#### 3.1 Certification Standard Used

Forest Stewardship standard Used for assessment:	FSC Certification Standards for British Columbia (October 2005)
Local Adaptation: (if applicable)	

#### 3.2 Assessment team and qualifications

Auditor Name	Jeremy Williams	Auditor role	Lead Auditor, Social
Qualifications:	<p>Jeremy earned a B.Sc.F. from the University of Toronto's Faculty of Forestry (1979) and a Ph.D. from the same Faculty with a specialization in Forest Economics (1986). He successfully completed QMI's environmental lead auditor course for ISO 14000 in 2000, and in 2009 took the Rainforest Alliance Lead Auditor training course. Dr. Williams is a Registered Professional Forester in Ontario (# 1562).</p> <p>Dr. Williams has a wide range of experience in forest management in Canada, and has worked in most provinces and territories, as well as internationally. Within Ontario, he is familiar with both the Great Lakes-St. Lawrence and boreal forest types. He has participated in 31 Independent Forest Audits, including more than 15 as lead auditor. He has also undertaken several FSC assessments and a half dozen annual audits. One indicator of the breadth of his experience was his role as a technical writer for the 2004 FSC National Boreal Standard, and subsequent involvement in preliminary activities related to updating the standard. Other recent, relevant work has included an assessment of the MNR's approach for assessing sustainability in forest planning, co-authoring a vision document that played an influential role in the revision of Ontario forest tenure, developing a conceptual forest management plan for the Chapleau Crown Game Preserve, and preparation of a gap analysis of the NBS prior to its revision. Jeremy has completed the Rainforest Alliance Lead Auditor training course in 2009, and has led 15 FSC evaluations for Rainforest Alliance.</p>		
Auditor Name	Tawney Lem	Auditor role	Social Auditor
Qualifications:	<p>Tawney Lem is an assessor focused on Indigenous and socio-economic issues. Since 2003, she has been contracted by Rainforest Alliance on over 55 assessments, re-assessments, annual audits and gap analyses in four Canadian provinces. Tawney served on the FSC Canada National Risk Assessment working group, and was contracted by the FSC Policy Standards Unit with one other consultant to conduct a global study on the impacts of large-scale forestry planning, and policy development and analysis, with clients from Indigenous groups, government, and the not-for-profit sector. Ms. Lem has a bachelor's degree in Political Science from the University of British Columbia, and a Certificate in Dialogue and Civic Engagement from Simon Fraser University. She has completed Rainforest Alliance's lead assessor training, and the ISO 9001 Quality Management Lead Auditor training.</p>		
Auditor Name	Chris Wedeles	Auditor role	Ecologist

Qualifications:	Chris Wedeles (M.Sc, Associate R.P.F). Chris is a wildlife biologist specializing in the relationship between forest management and wildlife ecology. Chris has been a professional consultant since 1986 and for the last sixteen years has been a partner in ArborVitae Environmental Services Ltd. In his consulting career Chris has worked on forest-related projects in every province in Canada. Chris has led or participated in 19 FSC assessments/audits and approximately 40 Independent Forest Audits in Ontario. Chris frequently acts as team leader for FSC and IFA assessments/audits; he is also a certified ISO auditor. Other recent relevant experience includes: being a technical writer in the development of FSC's National Boreal Standard (NBS), participating in a project to assess the wood-supply and ecological effects of the NBS, conducting a gap analysis on the NBS in anticipation of the Standard's revision, participating on the Science Panel to review the Standard's applicability to boreal caribou and, authoring recently-published reports on forest fragmentation, effects of forest management on birds, and effects of roads on forest ecosystems.		
Auditor Name	John Cathro	Auditor role	Forester
Qualifications:	John is a Registered Professional Forester in British Columbia, with 20 years experience as an independent consultant with industry, government, communities and First Nations. John has worked within the certification framework for 15 years developing standards, assisting companies in obtaining certification and conducting forest management and chain of custody assessments and audits. John has successfully completed training in carbon, chain of custody, forest management auditing and Lead Auditor ISO 14001 training. John is a certified Lead Auditor and has completed over 190 FM and CoC audits and assessments. John is currently Co-Chair of FSC Canada. John is on the Board of Directors and is Co-Chair of FSC Canada.		

### 3.3 Assessment schedule (including pre-assessment and stakeholder consultation)

Date	Location /main sites	Main activities
May 13 - June 23, 2014	Assessor offices and Canfor office	Notification of the re-assessment (submissions to newspapers, direct mail-outs, web postings, emails and phone calls)
June 9 – June 20	Assessor offices and Canfor office	Selection of field sites, begin to arrange on-site interviews, development of field schedule, review of evidence and past reports, begin phone interviews
June 22	Cranbrook	Re-assessment team travel
June 23	Cranbrook – Canfor office	Opening meeting with Canfor representatives, re-assessment field work begins
June 23 – 27	Various locations throughout the operating area	Field visits, stakeholder interviews and meetings with First Nations
June 27	Cranbrook – Canfor office	Re-assessment team meeting, closing meeting with Canfor representatives, re-assessment team travel
June 30 – July 18	Assessor offices	Report writing and continued consultation with stakeholders and First Nations
July 28 –August 15	Rainforest Alliance office and Assessor offices	Rainforest Alliance review of draft report, team revisions
August 19	Canfor office	Draft report submitted to Canfor for review and comment
September 17	Assessor offices	Team leader makes revisions based on consultation with other team members
October 15	Rainforest Alliance offices	Rainforest Alliance completes final version of report and prepares Public Summary Report
October 15	Rainforest Alliance Offices	Rainforest Alliance makes Certification decision.

Total number of person days used for the assessment: **28.5**  
= number of auditors participating **4X** average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation

### 3.4 Evaluation strategy

The re-assessment is a complete evaluation of the defined forest area (DFA) against the FSC B.C. standard, and while the forest has been assessed previously, this is the first full assessment of the DFA since the forest licences changed hands from Tembec to Canfor in 2012. Canfor is a solid wood products oriented company, whereas Tembec is pulp-oriented, and Tembec's Skookumchuck pulp mill was not included in the asset sale; it was later sold to Paper Excellence. With Canfor's acquisition of the Tembec assets, changes were made to the harvest method (all operations shifted from tree-length to cut-to-length), corporate management systems, and the level of operations increased significantly. On the other hand, there is considerable continuity in that many of the staff at Cranbrook and the sawmills are previous Tembec staff (and some worked for earlier predecessor companies). This affected the emphasis of the evaluation, in that it tended to focus more on the operational and management aspects that changed with the change in ownership.

The differences in harvest method and level since the change of ownership of the Tembec assets, as well as other factors, occasioned a considerable number of stakeholder comments to the re-assessment team. As a result, the lead assessor had many opportunities to discuss the management of the forest with stakeholders, he was available to meet with most people who provided comments and who wished to meet. Where certain types of stakeholders were not prominent amongst those who provided comment, the lead assessor made efforts to contact some representatives of the relevant user groups (e.g. guide-outfitters). A sample of regional ENGO's were contacted and asked if they wished to provide input; they were content to let local ENGO's carry the ball on this forest.

The First Nations consultation assessor attempted to contact and meet representatives from each Aboriginal community on the forest, and was successful in doing so. In-person meetings were held with representatives of each community.

Field site locations were selected based on two main criteria: location within the FMU and ecological and operational attributes to be evaluated. The north and central portions of the FMU were selected for the re-assessment because recent audits had focussed on the south and south eastern portions. So, day one of the field tour was in TFL 14 and day 2 was in the Canal Flats operating area.

Field sites to evaluate ecological and operational attributes were selected based on the findings in previous audits, feedback from stakeholders and the need to see as many different types of operations as possible. As a result, sites were chosen based on these attributes:

- Active logging (cable and ground based) and road building sites;
- Areas recently planted;
- Areas (roads and blocks) that are laid out and not yet logged / built, with a priority for areas that have been laid out to address specific issues, particular values, stakeholder concerns
- Areas with ecosystem rehabilitation
- Areas that address values identified by stakeholders
- Areas that have been investigated by Compliance & Enforcement
- Areas that have been investigated by the Forest Practices Board
- Areas affected by the flood event in 2013
- Areas with higher than normal waste / larger than normal waste piles
- Areas with higher than normal site degradation and where rutting may be an issue
- Salvage and control treatments related to mountain pine beetle
- Riparian buffers and stream crossings

### 3.4.1 List of FMUs selected for evaluation

FMU Name	Rationale for Selection
Canfor East Kootenays (excluding Radium)	This is the only FMU within the certificate.

### 3.4.2 List of management aspects reviewed by assessment team:

Type of site	Sites visited	Type of site	Sites visited
Road construction	2	Illegal settlement	
Soil drainage	2	Bridges/stream crossing	2

Workshop		Chemical storage	
Tree nursery		Wetland	1
Planned Harvest site		Steep slope/erosion	1
Ongoing Harvest site	2	Riparian zone	2
Completed logging	3	Direct seeding	
Soil scarification		Weed control	
Planting site	1	Natural regeneration	1
Felling by harvester	2	Endangered species	1
Felling by forest worker	1	Wildlife management	
Skidding/Forwarding	2	Nature Reserve	
Clearfelling/Clearcut	3	Key Biotope	
Shelterwood management		Special management area	1
Selective felling	2	Historical site	
Sanitation cutting	2	Recreational site	1
Pre-commercial thinning		Buffer zone	1
Commercial thinning	2	Local community	
Logging camp			

### 3.5 Stakeholder and Indigenous Group consultation process

The purpose of the stakeholder consultation strategy for this assessment was threefold:

- 1) To ensure that the public is aware of and informed about the assessment process and its objectives;
- 2) To assist the field assessment team in identifying potential issues; and,
- 3) To provide diverse opportunities for the public to discuss and act upon the findings of the assessment.

This process is not just stakeholder notification, but wherever possible, detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visits, or for that matter, after even a certification decision is made. Rainforest Alliance welcomes, at any time, comments on certified operations and such comments often provide a basis for field assessment.

On May 2, the First Nations consultation assessor sent letters to each of the First Nations, and on May 13, Rainforest Alliance emailed a public notification to its list interested stakeholders, which are included in the table below. A notice of evaluation was also posted on the Rainforest Alliance website, and approximately 1150 letters were mailed directly to stakeholders with an interest in the DFA.

In addition to the mail out of the public notice, individual letters were also sent to Indigenous organizations and communities. In-person meetings were held with all organizations and communities who expressed interest in participating in the re-assessment.

Contact Type (NGO, government bodies, local inhabitant, contractor etc.)	Persons/Groups Notified (#)	Persons consulted directly or provided input (#)
National/International NGOs	49	1
Local/Regional NGOs		2
Local Community members		26
Govt Agency	11	2
Labor Union		1
Indigenous Groups	14	17

Tenure Rights Holder	2	0
Other	55	0

## 4. ASSESSMENT FINDINGS AND OBSERVATIONS

### 4.1 Stakeholder comments received

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. The table below summarizes the issues identified by the assessment team with a brief discussion of each based upon specific interview and/or public meeting comments.

<b>FSC Principle</b>	<b>Stakeholder comment</b>	<b>Rainforest Alliance response</b>
<b>P1: FSC Commitment and Legal Compliance</b>	No stakeholder comments received related to Principle 1.	No response required.
<b>P2: Tenure &amp; Use Rights &amp; Responsibilities</b>	One group expressed concerns about their business dealings with Canfor (e.g. profit sharing, wood scaling, volume owed, wood not being harvested according to the agreed to schedule).	The team documented these concerns. There was no evidence that these concerns constituted a 'dispute' according to the definition provided in the FSC BC Standard. Accordingly, this was viewed as a business-to-business issue, which is outside the scope of certification and therefore outside the scope of the re-assessment.
	One local tenure holder stated that his trapline is completely cut over and there are no fur-bearers left. While he said he does not want to shut down operations and he knows that forest management is a balancing act, he also feels totally helpless about what has been happening to his trapline.	In view of numerous similar comments provided to the re-assessment team from trappers, <b>NCR 01/14</b> has been issued.
	One local organization of local rights holders stated that they have decided it is not worthwhile going through the standard consultation process with the Company. They seem to listen but nothing changes and it is apparent that it is a waste of time to meet with them.	
<b>P3: Indigenous Peoples' Rights</b>	One Indigenous group expressed concern that Canfor had requested an additional change to an agreement that was all ready to be signed.	The parties were able to resolve this issue, and confirmation was provided to the Team that the agreement was signed.
	One Indigenous group and several First Nation communities expressed that a consultation process is in place with Canfor. Canfor is forwarding road and block permit applications to the First Nations, but the First Nations are providing few responses back to Canfor. This is despite the fact that	Internal communications were reviewed, and there is evidence that Canfor has followed the consultation process established by the Indigenous group, which also applies to the associated First Nation communities. Based on the communities' comments, this process should be reviewed for



	<p>the communities have resource rights and special sites that may be impacted by the permits. As an example, one community expressed concern that their trapline and some historical trails had been negatively impacted. Communities cited their lack of response to permit applications as being due to:</p> <ul style="list-style-type: none"> <li>• a lack of capacity,</li> <li>• belief that an Indigenous group was responding on their behalf, and</li> <li>• the sense that responding would not lead to any change in management practice (company rights supersede aboriginal rights).</li> </ul>	<p>effectiveness, and Canfor and the Indigenous group plan to review the consultation process in the coming months. In addition to this, Canfor and the communities should review the efficacy of their consultation process, and adjust the process as needed. Communities should also be familiarized with the FSC BC Standard requirements regarding free and informed consent. <b>OBS 01/14</b> has been written.</p> <p>Regarding the community that expressed concern about trapline and trail damage, the team reviewed internal communications showing evidence that Canfor has been trying to organize a meeting with the community. <b>NOTE 03/14</b> has been written.</p>
	One Indigenous group expressed concern about the potential for harvesting in the Grave Prairie to impact significant sites.	The team reviewed this area on maps and determined that Grave Prairie is not located within the certified area.
	One First Nation community expressed concern that harvesting had destroyed an important berry site that was used by the community for generations. There was an agreement for no logging to take place in this watershed for 20 years.	The team reviewed the history of harvest for the area noted by the community. There has been no harvesting in the identified area since 2003. Canfor is aware of the community's interest in the area and has committed to conducting field tours with the community prior to any future harvest. <b>NOTE 03/14</b> has been written.
	Several First Nation communities noted that they have additional information that should be added to the CCVF report.	There is an opportunity for communities to share this information through referrals and other ongoing communication with Canfor, however this has not been done to date. <b>OBS 01/14</b> has been written.
	One First Nations community expressed concern that the timeframes given for responding to permit applications were too short since their lands committee only met once a month.	There is an opportunity for communities to jointly develop the consultation process with Canfor. This has been done at the level of the Indigenous group, but less so at the associated community level. <b>OBS 01/14</b> has been written.
	One stakeholder strongly encouraged Canfor to adopt the Southern Interior Regional Drinking Water Team's recognized better practices for avoiding the creation of drinking water health hazards.	The re-assessment team appreciates the comment and through this note is passing it on to Canfor. Because the standard speaks to forest practices but not drinking water standards, the suggestion is not something that the re-assessment can act on further, as it is outside the scope of this certificate.
<b>P4: Community Relations &amp; Workers' Rights</b>	One stakeholder suggested that Canfor should give consideration to mitigating air quality impacts of dust	Canfor provided its 2014 dust control program decision matrix, which showed that 11 of 14 road segments

	<p>from resource roads, especially feeder roads (i.e. leading to log storage areas and mills sites) that pass near residential populations.</p>	<p>identified for potential dust reduction were treated. The other three were deemed to be lower priority and were not treated, including the first 10 km of the Kootenay by-pass, and parts of the White Forest Services Road (FSR). The stakeholder was not specific about particular areas that required dust control, however it is clear that the Company performs a meaningful amount of it. No non-conformance is identified.</p>
	<p>One stakeholder said that Canfor shut down the Parsons field office that it had inherited when it purchased Tembec's assets which had a very detrimental effect on the town, since there were approximately 6 full-time people employed there. The staff were either laid off or bought out and were not offered other positions in the Company.</p>	<p>Canfor has reduced the staff headcount at Parsons from approximately six people when it purchased Tembec's assets to one person at the time of this assessment. For the most part, Parsons staff were given severance and or early retirement packages in line with legal requirements. Union rules limited the ability of the Company to offer other employment to staff being laid off. No non-conformance has been identified.</p>
	<p>Numerous people commented that Canfor does much of their work in-house, and therefore has let go many of contractors that were formerly engaged by Tembec. Contracts that are being tendered have been reduced in size and do not respect the economy of scale needed to gear up for contracts.</p>	<p>Canfor provided spending data for 2013 and a summary of spending between 2009 and 2013, inclusive. In 2013, local spending on contractors was 92%, including spending on both the FSC and Radium areas (they could not be readily disaggregated). For purchased goods and services excluding contractor payments, 71.1% was spent locally. Canfor's data showed that local spending, as a percentage, increased significantly compared to when Tembec owned the assets, and the auditors understand that total dollar spending has also increased significantly under Canfor.</p> <p>A comparison of the harvest contractor companies that were engaged by Tembec on the DFA at the time of the sale to Canfor, with those contractors engaged now, showed that seven of nine contractors were still engaged and most if not all had larger harvest contracts, as Canfor has increased the harvest level in the DFA. All seven remaining contractors were local; the two that were no longer active exited the sector according to Canfor staff. There was one new contractor engaged which was a larger contractor active in operations across BC; this new contractor was brought in to help</p>

		with the higher harvest level implemented by Canfor. No non-conformance has been identified.
	One stakeholder expressed concern that short log logging has resulted in many local contractors (loggers, haulers) being pushed out of the market and replaced by larger contractors from as far away as Merritt and Campbell River that are better equipped for this new type of logging.	See Rainforest Alliance response to previous comment.
	Several individuals expressed concern with the added costs passed on to contractors when Canfor changed to the cut-to-length and sort-to-species system. A few individuals also said that contractors were now paid less, despite having more responsibilities.	In view of the numerous comments on this issue, the re-assessment team carefully reviewed the Log Rate Model and changes to the model since Canfor purchased Tembec's assets. The Company provided evidence that it is responsive when there is a need for modifications, and Canfor also recognized that the transition to cut-to-length and the calibration of the Log Rate Model to the East Kootenays region was challenging, and some contractors found it to be especially so. However, the Company stated that they needed the contractors to be healthy in order for Canfor to be healthy, and they felt that the rates paid were fair. Much of the data used to calibrate the model was provided directly by the contractors. Moreover, many of the same harvest contractors operating on the forest at the time of the asset sale are still there and most have larger contracts with Canfor. No non-conformance has been identified.
	Several individuals noted that a reduced rate for pulp is paid to contractors, despite having to handle it more.	The Company reviewed its Log Rate Model with the assessors and commented that there is a large amount of pulp now moving to the Skookumchuk mill, which suggests that the issue is no longer relevant. The Company has recognized that as expected, it would take some time to get a fair Log Rate model in place, especially since contractors were required to move to a cut-to-length system. No non-conformance has been identified.
	One contractor expressed concern about the harvesting rate model. In particular, the model does not account for regional and operational variations. Discussions on the model have been delayed, which has had negative cost implications for the contractor.	The Company reviewed its Log Rate Model with the assessors and provided a list of changes that had been made to the model since Canfor's acquisition of the Tembec assets closed. There were a number of changes that had been made to the model as a result of contractor input, and the Company

		also said that they use as much contractor-supplied information as possible to calibrate the model. No non-conformance has been identified.
	One stakeholder suggested that there is a 'chill' in the valley and that the Company blacklists contractors that speak out or make waves. As a result he said this stakeholder doubts that contractors would agree to meet with the audit team.	From RA's perspective, this comment seems to encapsulate the negative sentiments expressed by a wide range of stakeholders regarding Canfor's business practices. Clearly, the large volume of comments expressing concern that Canfor was replacing local suppliers and contractors with non-local suppliers, and the comments related to rates paid to contractors, indicate that some people question the company's concern for local businesses and communities. While the assessment team did not find evidence to support these types of comments from stakeholders, it is nonetheless a concern that Canfor is viewed in the manner.
	One Indigenous group expressed concern that there had not been any significant progress on meeting the social and economic targets (employment and training) set in the previous agreement with the company. The group is taking a "wait and see" approach, hoping for change once their new agreement with Canfor is finalized and has begun to be implemented.	RA will monitor the implementation of the agreement as part of subsequent audits. <b>NOTE 02/14</b> is written.
	Several First Nation communities expressed concern that Canfor does not provide a right of first refusal for the communities to work on the licence areas that they have entered into a contract with Canfor on. The intent of these licences is capacity building, but they have purely become a log purchase agreements.	While the specific concern regarding a lack of right of first refusal is a business matter outside of the scope of the standard, the larger issue that is within scope is the concern that a mechanism intended for capacity building in Aboriginal communities is not meeting the original intent. <b>OBS 02/14</b> has been written.
	One First Nations community expressed that it was very pleased with their economic agreement with Canfor, and that the agreement was a solid foundation for their future relationship.	No response required.
	A representative of one community expressed concern that Canfor did not call in order to inform the municipal fire staff when and where they were burning slash piles. Finally, after he spoke with the Company, the Company called "once or twice".	The person could not say whether Canfor's more recent calls were indicative that the company was going to be more communicative. No non-conformance has been identified.
	<b>P5: Benefits from the Forest</b>	Two communities expressed concern with the high level of fuel build-up near their communities and in the
		The re-assessment team considers this an issue that is more squarely within the BC Ministry of Forests,

	<p>forests within the watersheds that supplied the community's drinking water. A severe fire could have impacts ranging from disrupting the town's water supply (necessitating the construction of a water treatment facility) to potentially destroying some or all of the community. Suggestions that had been made to mitigate the risk had received little consideration in past years.</p>	<p>Lands, and Natural Resources Operations' (FLNRO's) mandate to address. No non-conformance has been identified.</p>
	<p>A stakeholder provided evidence that raised the potential that the allowable harvest level has been over-calculated on at least some of the certificate area; the evidence supported the hypothesis that the timber yield was 40% sawlog and 60% waste versus the assumption used in the timber supply analysis of 60% sawlog and 40% waste.</p>	<p>The re-assessment team noted that net-downs to the allowable annual cut (AAC) are made to meet the requirements of the FSC standards. These include landscape level net downs for elements such as High Conservation Value Forests as well as stand level attributes such as riparian reserves and wildlife habitat areas. However, as noted in <b>NCR 03/14</b>, wood waste is not being minimized. According to field observations and waste assessments reviewed during the re-assessment, while excessive, this wood waste does not constitute 60% of the timber yield and does not have an impact on the AAC.</p>
	<p>Several individuals commented that Canfor seems understaffed. Specific concerns included staff not having the time to fulfill commitments (e.g. providing promised information, completing promised actions), and contractors not receiving adequate oversight.</p>	<p>The re-assessment team noted that Company staff worked very hard and there is a minimal amount of slack in the system. A number of the non-conformances that have been identified in this re-assessment seem to have at least part of their origin due to a lack of timely updating. For example, see <b>NCR's 07/14, 09/14, and 12/14</b>.</p>
	<p>Several individuals commented that Canfor is heavily production oriented, and they questioned whether environmental and other values were being compromised. Individuals also expressed concern about a perceived acceleration in the harvest rate, questioning whether the rate was sustainable in the long run.</p> <p>In a similar vein, one stakeholder wrote "<i>The evidence of a fast cut is disturbing and locals are now discussing and questioning Canfor's long term goals and their social, economic, and environmental commitment in the East Kootenay.</i>".</p>	<p>The re-assessment team notes that logging is inherently a production-oriented business. As to whether environmental and other values are being compromised, the re-assessment team has identified a number of non-conformances which address deficiencies in the meeting the requirements of the standard. Refer to section 3.3 below.</p> <p>The allowable annual cut (AAC) was 22% above the levels that can be permanently maintained. However, the FSC standards allow for the average of the present and projected annual timber harvests to equal the long-term harvest level over a ten-year period. The Company provided evidence to show that the annual harvest rate will be reduced in coming</p>

		years to ensure that this decadal average is met.
	<p>Numerous individuals and groups expressed concern about the amount of waste left in cut blocks, noting that debris and burn piles are of a significant size and very unsightly ("bigger and messier than they used to be"), and questioned whether all of the merchantable timber was being taken during the harvest.</p> <p>At least six residents and several representatives of stakeholder organizations felt that the Company has challenges in terms of waste/slash piles in the bush. The respondents who responded uniformly felt that there was still far too much wood wasted and left in huge unsightly slash piles. The organizational representatives were somewhat more circumspect in their opinion but delivered essentially the same message.</p>	<p>The re-assessment team noted during the field tour, in interviews with contractors and in reviewing waste assessments that wood waste is not being minimized. There are several primary reasons for this: First, the price for pulpwood paid by the primary customer, Paper Excellence, fluctuates. As a result, when prices are low they may not be sufficient to cover the cost of harvest and transportation. Second, the Company has recently moved to a cut to length system where logs are manufactured to length on the landing. This has been a learning experience for many contractors and as a result, some wood is being wasted. Third, roadside logging with smaller landings leaves less room to manufacture logs into the multiple sorts required. The result is that some of the smaller pulp logs end up on the waste pile. Finally, the rates Canfor pays to contractors do not always make it cost effective to produce logs suitable for the pulp mill, and as a result some pulp logs end up on the waste pile. For these reasons <b>NCR 03/14</b> has been written.</p>
	<p>Residents near Canal Flats complimented Canfor and the logging contractor (Seals Logging) for recent winter logging (completed early 2014). The logging operation was exceptional; Canfor's public process described as diligent and productive. In the opinion of the residents, Canfor listened to and understood the local residents' concerns and combined these concerns with best forest practices and then translated all into a silviculture prescription that was acted on to the letter by local logging contractors.</p>	<p>No further response required.</p>
<b>P6: Environmental Impact</b>	<p>A stakeholder organization commented that Canfor does not seem to make provision to maintain "weighted equivalent clearcut area (ECA) to less than 25%".</p>	<p><b>NCR 07/14</b> was issued because Canfor's Watershed Tracking Master Spreadsheet is out of date; several watersheds have an ECA above 25% and there was no evidence that a hydrologic assessment has been completed and made publicly available.</p>
	<p>One community and a group of residents expressed concern with the aggressive approach taken by Canfor in its operations and noted that some</p>	<p>B.C. law allows a company to cut its full five-year allocation of timber over very short time periods, and the comments received are in part</p>

	<p>residents have expressed their views that the Company shows little concern for existing trails and use areas.</p>	<p>questioning this. An examination of the FSC standard requirements and legal requirements concluded that the Company met the conditions of both in this respect. No non-conformances have been identified.</p>
	<p>One resident felt that there was an excessive amount of erosion caused by soil disturbance created by the Company's operations, including huge ruts left on roads, and steep hillside cuts that lead to excessive erosion and infiltration of invasive weeds.</p>	<p>The re-assessment team noted during the field tour evidence of on-block erosion that was likely caused by logging during wet conditions. Canfor staff explained that the Company conducts operations year round, including during spring break-up. In addition, the re-assessment team noted evidence of inadequate culvert placement and use of roads built to temporary standards. While grass seeding to avoid erosion and minimize the spread of invasive plants has been used successfully in the past, this practice has been curtailed in recent years. For these reasons <b>NCR 06/14</b> has been written.</p>
	<p>One resident was concerns with the impacts of operations on the nests of migratory birds, and suggested that greater efforts need to be taken to reduce damage.</p>	<p>Concerns related to migratory birds are dealt with partly through adherence to the Migratory Bird Convention Act. No transgressions of that Act were noted for Canfor. In addition, a number of bird species are identified as HCVs and Species of Management concern. For those species, Canfor puts an emphasis on habitat protection, among other strategies. No non-conformances have been identified.</p>
	<p>Several individuals commented that Canfor is not using any cable operations. The company is heavily harvesting the easy ground and leaving the steeper terrain.</p>	<p>The re-assessment team visited one cable-based operation during the field tour, and the operator explained that he does quite a bit of cable logging for the Company. The choice of how to balance the less expensive ground-based blocks with the more expensive cable-based operations involves many variables. There was no evidence that the Company is excluding the cable-based operations. No non-conformances have been identified.</p>
	<p>Several individuals and organizations commented that cutblocks seemed to be getting a lot larger in size, or that cut blocks were being aggregated with little to separate them. Others noted that with Canfor's roadside logging approach clearcuts "are excessively long and large" and have negative impacts on visual quality and recreation.</p>	<p>Canfor's strategy to manage clearcut block size is based on the Range of Natural Variation Strategy contained in the Sustainable Forest Management Plan (SFMP). The 2013 Sustainability Report notes that targets associated with smaller patches are being met, but targets associated with larger clearcuts are not – strict adherence to the Strategy would result in more large clearcuts than are being implemented. Generally, targets associated with</p>

		<p>smaller size classes (&lt; 40, 40-80, 40-250 ha) are being met, whereas targets associated with large block sizes (80-250, 250+, 250-1000, 1000+ ha) are being met less often. Canfor staff attribute the pattern to social resistance to large clearcuts and to concerns about extent of soil disturbance and erosion. No non-conformances have been identified.</p>
	<p>Several individuals expressed concern about the absence of a cessation of logging during spring break up. They cited examples of skidders sinking, and deep rutting in the mud.</p>	<p>The Company does log during break-up. The reason provided is that logging contractors want to have steady work and there is a need to maintain a regular volume of logs to the mills, and meet species requirements for manufacturing. The re-assessment team noted during the field tour evidence of on-block erosion that was likely caused by logging during wet conditions. Canfor staff explained that the Company conducts operations year round, including during spring break-up. For this reason <b>NCR 06/14</b> has been written.</p>
	<p>A concern was expressed that the list of species of management concern does not adequately address non-forest species.</p>	<p>Non-forest species of management concern are addressed in the HCV assessment where all red and blue listed species and SAR are identified as HCVs. No non-conformances have been identified.</p>
	<p>A question was asked as to how cumulative impacts on wildlife, particularly relating to landscape connectivity across watersheds, is being addressed.</p>	<p>This re-assessment found the results of previous audits remain valid in that connectivity and related ecological functions and concerns are being addressed in Canfor's management approach.</p> <p>Connectivity is a recurring theme through a number of planning elements and their associated objectives including:</p> <ul style="list-style-type: none"> <li>• HCVs identified in the 2013 Biodiversity Elements update which address: riparian ecosystems, old and mature forest, low elevation passes through high mountains/migration routes, migratory concentrations of species;</li> <li>• Strategies for management of species of concern including: implementation of the SAR orders for woodland caribou, grizzly bear, designation of endangered forests, management of road access and riparian corridors for wolverine;</li> <li>• implementation of management of riparian reserves and management</li> </ul>



		<p>zones as in the Riparian Strategy of the SFMP.</p> <p>Canfor's reserve network incorporates static and dynamic reserves. Static reserves include: caribou no harvest areas, endangered forests, old growth and mature management areas, wildlife habitat areas, riparian reserves, whitebark pine stands, deciduous stands, unstable terrain, inoperable terrain, and old cedar, hemlock and balsam stands. Dynamic reserves include wildlife tree patches, riparian management areas, and HCVFs.</p>
<b>P7: Management Plan</b>	No stakeholder comments related to Principle 7.	No response required.
<b>P8: Monitoring &amp; Assessment</b>	<p>One Indigenous group expressed concern about the use of Preliminary Field Reconnaissance (PFR) surveys being used instead of directly conducting Archaeological Impact Assessments on blocks with moderate to high archaeological potential. Specific concerns included the potential for sites to be missed, inconsistent notification prior to PFRs being conducted, and not being involved in management strategies if a site was found during a PFR. The effectiveness of PFRs is not being reviewed.</p> <p>One Indigenous group and several First Nation communities expressed a lack of knowledge of whether management strategies were adequately protecting their interests (e.g. archaeological sites, CCVFs).</p>	Both of these issues relate to monitoring. Discussions between Canfor, Indigenous groups and First Nation communities have only recently started, and a monitoring program has not yet been developed. <b>NCR 10/14</b> has been issued.
<b>P9: Maintenance of High Conservation Value Forest</b>	A concern was expressed that the monitoring protocol was vague, lacks a clear timeline and does not contain measureable objectives. Concern was also expressed that the assessment of HCVs need to be updated every 5 years and that annual monitoring should be carried out.	<p>All assessments and annual reports conducted since 2009 have found that the monitoring program for the DFA meets the criterion's requirements. This re-assessment evaluation concluded likewise. Management and monitoring reports are produced annually and summarize specific monitoring activities. Effectiveness monitoring reports that address the Criterion's requirements are also produced annually.</p> <p>The need for updated HCV assessment report, as required in Indicator 9.1.7 is identified as a finding in this report and <b>NCR 12/14</b> has been issued. Meeting the requirements of that NCR will require production of an</p>

		updated effectiveness monitoring report.
<b>P10 - Plantations</b>	No stakeholder comments related to Principle 10.	No response required.

## 4.2 Summary of Evaluation Findings for FSC Forest Criteria

PRINCIPLE 1: Compliance with law and FSC Principles					
Criterion 1.1 Respect for national and local laws and administrative requirements					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has a good record of compliance with local laws and administrative policies.				
Criterion 1.2 Payment of legally prescribed fees, royalties, taxes and other charges					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor is fully up-to-date with payment of all stumpage and other fees, royalties, taxes and other charges.				
Criterion 1.3 Respect for provisions of international agreements					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor respects provisions of binding international agreements.				
Criterion 1.4 Conflicts between laws and regulations, and the FSC P&C					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	After 10 years of certification, no situations have been identified where Canfor's compliance with the law would preclude compliance with the FSC BC Regional Standard or vice versa.				
Criterion 1.5 Protection of forests from illegal activities					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has measures in place to protect against illegal harvest, settlement and most other unauthorized activities.				
Criterion 1.6 Demonstration of a long-term commitment to the FSC P&C					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has demonstrated a long-term commitment to FSC and the Principles and Criteria.				
PRINCIPLE 2: Tenure and use rights and responsibilities					
Criterion 2.1 Demonstration of land tenure and forest use rights					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor's licences that have been issued by the BC government clearly define the Company's right to harvest timber on the subject landbases, as well as requirements for maintaining the licences. Canfor's commitment to FSC has been described under indicator 1.6.1. The company was found to be in conformance with all indicators under this criterion.				
Criterion 2.2 Local communities' legal or customary tenure or use rights					

Conformance		Nonconformance	X	NCR #(s)	01/14
Finding (strength/weakness)	The Company is aware of the customary rights and uses of many stakeholders and Aboriginal communities, and uses its COPI system to notify people of opportunities to provide comment and of upcoming operations. The Company has not asked customary tenure or rights holders to delegate control or whether they are willing to provide their consent for Canfor's forest management approach. The re-assessment team received a great number of public and stakeholder comments which indicated a lack of agreement with Canfor's management approach. NCR 01/14 has been issued.				
<b>Criterion 2.3 Disputes over tenure claims and use rights</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	There have been no issues related to tenure claims or use rights that have been classed as being disputes either by the Company or in previous FSC audits. A relatively general dispute resolution process exists – its generality befits the potential range of disputes that might arise. Conformance with the indicators under this criterion is identified.				
<b>PRINCIPLE 3: Indigenous peoples' rights</b>					
<b>Criterion 3.1 Indigenous peoples' control of forest management</b>					
Conformance		Nonconformance	X	NCR #(s)	02/14
Finding (strength/weakness)	Since the transition of the licences from Tembec to Canfor, Ktunaxa and Canfor have been working to establish their relationship. A signed Protocol Agreement between the parties has resulted from their efforts. Implementation of the Protocol and associated agreements will contribute towards Ktunaxa controlling/delegating control over forest management. Additional discussions are needed to clarify some of the consultative processes with the Ktunaxa Nation and communities (see OBS 01/14, and NCR 10/14). Canfor has yet to develop a relationship with, and determine the interests of, two additional First Nations that have recently asserted territory in the licence areas (NCR 02/14).				
<b>Criterion 3.2 Maintenance of indigenous peoples' resources or tenure rights</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	There are several processes in place to identify the resource rights of Ktunaxa, but there is an opportunity to continue refining these processes (OBS 01/14). Monitoring is now needed to confirm that these rights are not being diminished (NCR 10/14). One Ktunaxa community expressed concern about impacts to their trapline (NOTE 02/14). The relevance of this Indicator to the two additional First Nations who have asserted territory in the licence areas still needs to be determined by Canfor (NCR 02/14).				
<b>Criterion 3.3 Protection of sites of special cultural, ecological, economic or religious significance to indigenous peoples</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	There are several processes in place to identify sites of significance to Ktunaxa. Monitoring is required to confirm that these sites are not being diminished (refer to NCR 10/14). One Ktunaxa community expressed concern about impacts to historical trails (NOTE 03/14). The relevance of this Indicator to the two additional First Nations who have asserted territory in the licence areas still needs to be determined by Canfor (refer to NCR 02/14).				
<b>Criterion 3.4 Compensation of indigenous peoples for the application of their traditional knowledge</b>					
Conformance	X	Nonconformance		NCR #(s)	

Finding (strength/weakness)	Based on a review of documents and interviews with Canfor and Ktunaxa, traditional knowledge as defined by the FSC BC Standard has not been shared. Therefore no change to the previous finding of conformance was identified.				
As noted in Indicator 3.1.1, two additional First Nations have asserted territory in Canfor's licence areas. If these First Nations share traditional knowledge with Canfor, compensation will be required.					
<b>PRINCIPLE 4: Community relations and workers rights</b>					
<b>Criterion 4.1 Employment, training, and other services for local communities</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor is in conformance with all of the indicators in this Criterion. Local procurement is desirable for many reasons and most forest companies have a high proportion of workers living locally, and also procure a large proportion of services locally, especially when the local area includes a major regional centre such as Cranbrook.				
<b>Criterion 4.2 Compliance with health and safety regulations</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The Company has a comprehensive health and safety program that covers employees as well as contractors and their employees. The Company is in conformance with all indicators under this Criterion.				
<b>Criterion 4.3 Workers' rights to organize and negotiate with employers</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The Canfor hourly employees are unionized, as was the case under Tembec, and are represented by the United Steelworkers (Local 1-405). On December 20, 2013, the USW members ratified a new five-year contract with Interior Forest Labour relations Association members, which includes Canfor in the East Kootenays. The agreement includes a number of improvements.				
<b>Criterion 4.4 Social impact evaluations and consultation</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The Company relies on its COPI system to handle its consultation. There does not seem to be a written plan or schedule of the provision of notice, however the company generally sends out several notices annually to all people and entities in the COPI address database, as well as notifications to those who may be affected by harvesting operations as blocks get queued up for active operations. The Company also provided a great deal of evidence that it is responsive when comments come in, and it tries to work out an acceptable compromise. The Company also maintains an open door policy. The Company was found to be in conformance with the indicators in this criterion, notwithstanding the large volume of negative input provided to the re-assessment team through the stakeholder engagement process.				
<b>Criterion 4.5 Resolution of grievances and settlement of compensation claims</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	There are no grievances that have been tabled, nor have there been during the period since the previous re-assessment. As a result, the Company is in conformance with the indicators under this Criterion.				
<b>PRINCIPLE 5: Benefits from the forest</b>					
<b>Criterion 5.1 Economic viability taking full environmental, social, and operational costs into account</b>					
Conformance	X	Nonconformance		NCR #(s)	

Finding (strength/weakness)	Canfor is a financially sound company from all appearances. Staff are very attuned to financial performance and the financial implications of decisions, while at the same time considering other factors. The large investments that Canfor is putting into two of its regional mills are powerful indicators that the Company intends to operate in the area for a long time to come. The Company is in conformance with all indicators under this criterion.				
<b>Criterion 5.2 Optimal use and local processing of forest products</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor is attuned to its economic performance and places a high priority on maximizing it. The Company has demonstrated that it undertakes sophisticated analyses to assist it with meeting its goals. The Company also offers for sale other forest products (wood based) to other businesses in the area.				
<b>Criterion 5.3 Waste minimization and avoidance of damage to forest resources</b>					
Conformance		Nonconformance	X	NCR #(s)	03/14
Finding (strength/weakness)	Canfor does not adequately minimize wood waste. NCR 03/14 is issued. Canfor does a good job of avoiding damage to standing timber and other resources in the course of harvesting operations.				
<b>Criterion 5.4 Forest management and the local economy</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Conformance was found with both of the indicators under this criterion.				
<b>Criterion 5.5 Maintenance of the value of forest services and resources</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The Company recognizes and takes measures to maintain, and in some cases, enhance ecosystem services, although there is room for improvement with regard to erosion prevention as indicated in NCR 06/14.				
<b>Criterion 5.6 Harvest levels</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has completed timber supply analyses that project sustainable levels of harvest from each of its operating areas. Canfor's current harvest in 2013 was 21% higher than the projected long-term harvest levels across all operating areas. This is within the 25% allowance in the FSC standard, and Canfor was below the 5-year average for the long-term harvest levels across all operating areas. The FSC Cut Control 5 year period began in 2013.				
<b>PRINCIPLE 6: Environmental impact</b>					
<b>Criterion 6.1 Environmental impacts evaluation</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Working from the strong base of the positive results of previous assessments, all indicators in this Criterion were in conformance. A key to the good performance was the Woodlands Information Management GIS system which contains a wealth of structured and comprehensive spatial data.				
<b>Criterion 6.2 Protection of rare, threatened and endangered species</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has a good system in place for tracking the status of species and ensuring that appropriate protection is provided for SAR. All indicators in this criterion were found to be in conformance.				

<b>Criterion 6.3 Maintenance of ecological functions and values</b>					
Conformance		Nonconformance	X	NCR #(s)	04/14, 05/14
Finding (strength/weakness)	All indicators were found to be in conformance with the exception the two that relate to soil and site damage (NCR 04/14 which addresses limiting site damage and NCR 05/14 which addresses mitigation). In addition, Observations are provided for Indicators 6.3.4, 6.3.5, and 6.3.7 drawing attention to the need to ensure that complete strategies for silviculture, patch size, interior habitat and seral stage management are included in the forthcoming SFMP. Finally NOTE 04/14 is issued for indicator 6.3.12 drawing attention to the need for future audits to view access management sites in the field inspection portion of future audits.				
<b>Criterion 6.4 Protection of representative samples of existing ecosystems</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has a good system in place which provides protection to an appropriate representative range of ecosystems. All indicators in this Criterion were found to be in conformance.				
<b>Criterion 6.5 Protection against damage to soils, residual forest and water resources during operations</b>					
Conformance		Nonconformance	X	NCR #(s)	06/14, 07/14
Finding (strength/weakness)	Canfor continues to maintain guidelines and standard operating procedures to address environmental issues and avoid control erosion and protect water resources (6.5.1 to 6.5.6). However, as a result of observations and review of evidence provided, there is inadequate control of human-induced sediment sources. As a result NCR 06/14 is issued. In addition, the Watershed Tracking Master spreadsheet has not been maintained and contains incomplete information. As a result, this spreadsheet does not serve as a tool for helping to maintain watershed integrity. As a result NCR 07/14 is written.				
<b>Criterion 6.5b Riparian ecosystems and all their functions shall be maintained or restored.</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has completed a full set of riparian assessments for all areas within their certificate and is implementing the regimes described in these assessments.				
<b>Criterion 6.6 Chemical pest management</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor does not use chemicals in its forest management operations. Canfor continues to work diligently with suppliers of seedlings to reduce chemical use in the nurseries and to reduce application of FSC highly hazardous chemicals.				
<b>Criterion 6.7 Use and disposal of chemicals, containers, liquid and solid non-organic wastes</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor disposes of waste products appropriately.				
<b>Criterion 6.8 Use of biological control agents and genetically modified organisms</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor does not use biological control agents in the FMU.				
<b>Criterion 6.9 The use of exotic species</b>					

Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	There is no use of exotic tree species in forest management. Canfor has worked with seed suppliers to develop grass seed mixes that meet this FSC Criterion.				
<b>Criterion 6.10 Forest conversion to plantations or non-forest land uses</b>					
Conformance		Nonconformance	X	NCR #(s)	08/14
Finding (strength/weakness)	Canfor does not convert forest land to plantations. Since 2011, 663 ha (0.06%) been converted to non-forest uses. In all cases, other land managers converted this land, including BC Hydro, Panorama ski hill and Fording Coal Mine, and therefore the conversion was outside of the control of Canfor. This rate of conversion is safely below the 5% threshold for conversion. However, evidence demonstrating how the other aspects of the requirements of indicator 6.10.1, 6.10.2 and 6.10.3 are met for this limited area is lacking. See NCR 08/14.				
<b>PRINCIPLE 7: Management plan</b>					
<b>Criterion 7.1 Management plan requirements</b>					
Conformance		Nonconformance	X	NCR #(s)	09/14
Finding (strength/weakness)	Canfor's Sustainable Forest Management Plan (2005) meets the requirements of this Criterion. However, Canfor anticipated in 2012 that a new SFMP would be completed by the fall of 2012. This revision has not been made yet, and thus NCR 09/14 is issued.				
<b>Criterion 7.2 Management plan revision</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has not yet revised the 2005 SFMP. This is addressed via NCR 09/14. The existing SFMP has been amended on several occasions since 2010.				
<b>Criterion 7.3 Training and supervision of forest workers</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The training that Canfor provides meets the requirements of Criterion 7.3.				
<b>Criterion 7.4 Public availability of the management plan elements</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	The SFMP is available to the public upon request.				
<b>PRINCIPLE 8: Monitoring and evaluation</b>					
<b>Criterion 8.1 Frequency, intensity and consistency of monitoring</b>					
Conformance		Nonconformance	X	NCR #(s)	10/14
Finding (strength/weakness)	All indicators in this Criterion were found to be in conformance, with the exception of indicator 8.1.3, for which NCR 10/14 was issued.				
<b>Criterion 8.2 Research and data collection for monitoring</b>					
Conformance		Nonconformance	X	NCR #(s)	11/14
Finding (strength/weakness)	Canfor has an extensive monitoring program, since it is a very systems-driven company. Most indicators under this criterion were met, however a gap in the design of the monitoring of social impacts was identified, leading to NCR 11/14.				

<b>Criterion 8.3 Chain of custody</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor has documentation that enables it to trace timber from the DFA through to the production of certified forest products.				
<b>Criterion 8.4 Incorporation of monitoring results into the management plan</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Monitoring results are being incorporated into management activities as well as revisions to the SFMP. These results will be included in revised SFMP. Refer to NCR 09/14.				
<b>Criterion 8.5 Publicly available summary of monitoring</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor makes its annual Sustainability Report available to a number of interested parties and to the public on request.				
<b>PRINCIPLE 9: High Conservation Value Forests</b>					
<b>Criterion 9.1 Evaluation to determine high conservation value attributes</b>					
Conformance		Nonconformance	X	NCR #(s)	12/14
Finding (strength/weakness)	There is a strong history of producing comprehensive HCV reports for the East Kootenay. However Indicator 9.1.7 was found to not be in conformance as an updated HCV Assessment Report has not been provided. NCR 12/14 is issued. In addition, OBS 08/14 is issued for indicator 9.1.6 to ensure that Canfor makes comments received on the HCV reports and the response to the comments publicly available.				
<b>Criterion 9.2 Consultation process</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	OBS 09/14 is issued to highlight the necessity of securing community input into the upcoming version of the HCV report.				
<b>Criterion 9.3 Measures to maintain and enhance high conservation value attributes</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Strategy documents which have been prepared for different portions of the DFA provide management approaches to individual HCVs taking their specific attributes into account. Management strategies are sufficiently detailed so as to provide appropriate direction to managers.  Both indicators in this Criterion were found to be in conformance.				
<b>Criterion 9.4 Monitoring to assess effectiveness</b>					
Conformance	X	Nonconformance		NCR #(s)	
Finding (strength/weakness)	Canfor's HCV monitoring program is very high quality and to satisfies the requirements of this Criterion. The program is sufficiently detailed and carried out with appropriately regularity so as to be capable of identifying the need for adjustments in management.  All indicators in this Criterion were found to be in conformance.				
<b>PRINCIPLE 10:Plantations</b>					
PRINCIPLE APPLICABILITY NOTES: Analyses conducted under Tembec's management illustrated that no plantations exist within any of the operating areas. This conclusion remains consistent to date, and therefore there are no areas meeting the definition of "plantation" in the operating areas.					



### 4.3 Identified non-conformances and Nonconformity Reports (NCRs)

A nonconformance is a discrepancy or gap identified during the assessment between some aspect of the FME's management system and one or more of the requirements of the forest stewardship standard. Depending on the severity of the nonconformance the assessment team differentiates between major and minor non-conformances.

- **Major nonconformance** results where there is a fundamental failure to achieve the objective of the relevant FSC criterion. A number of minor non-conformances against one requirement may be considered to have a cumulative effect, and therefore be considered a major nonconformance.
- **Minor nonconformance** is a temporary, unusual or non-systematic nonconformance, for which the effects are limited.

Major non-conformances must be corrected **before** the certificate can be issued. While minor non-conformances do not prohibit issuing the certificate, they must be addressed within the given timeframe to maintain the certificate.

Each nonconformance is addressed by the audit team by issuing a nonconformity report (NCR). NCRs are requirements that candidate operations must agree to, and which must be addressed, within the given timeframe of a maximum of one year period.

NCR#:	01/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 2.2.2			
Report Section:	Appendix II, Criterion 2.2			
Description of Nonconformance and Related Evidence:				
<p>The Company initiates numerous mailouts and notifications to local rights holders and stakeholders. Of the local rights holders on the distribution list, a number of trappers, as well as the East Kootenays Trappers Association have found that the public consultation process has not very well accommodated their needs and preferences. Many trappers interviewed by the assessment team had decided to limit their participation because, in their view, they had obtained little more than marginal results.</p> <p>The definition of free and informed consent from local rights holders in the FSC BC standard states that: “Free and informed consent is considered given by local rights holder(s) where: a) local rights holders have participated in a public participation process under Criterion 4.4 that accommodates their needs/preferences with regard to scope and design (as demonstrated by lack of disputes regarding the process from local rights holders).”</p> <p>Since a number of trappers who participated in the public consultation process did not feel that it accommodated their needs and preferences, and the majority of a large group of local rights holders feel that the ground rules of the process are weighted more heavily in the Company's interest, and so decline to participate, the Company is not considered to have obtained free and informed consent from all local rights holders.</p> <p>For these reasons, the re-assessment team concludes that this situation is not consistent with conformance with the standard requirements for indicator 2.2.2. This NCR is classed as minor because the Company's system for engaging with local rights holders and other stakeholders is in place and being implemented.</p>				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.			

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
<b>Timeline for Conformance:</b>	By the next annual audit
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
Comments (optional):	

<b>NCR#:</b>	02/14	<b>NC Classification:</b>	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 3.1.1			
Report Section:	Appendix II, Criterion 3.1			
<b>Description of Nonconformance and Related Evidence:</b>				
<p>Since the last audit, two additional First Nations have asserted territory in Canfor's licence areas. The Adams Lake Band's assertions were made known to Canfor eight months ago (Fall 2013). Canfor has made initial contact with Adams Lake and has started information sharing with the Band. Another meeting with Adams Lake is planned shortly. Canfor has not yet contacted the Neskonlith Indian Band, due to only receiving knowledge of the Band's assertion one week prior to the re-assessment (June 2014).</p> <p>Canfor is not yet aware of either Band's interests, and therefore cannot yet demonstrate recognition and respect for these two Bands. Once the interests of the Bands have been established, Canfor will also need to demonstrate conformance with all relevant areas of the FSC BC Standard.</p> <p>This non-conformance is considered minor because as soon as Canfor was made known (by the Provincial government) about the Adams Lake Band's interests, Canfor took immediate action to make contact and provide information to the Band. Relationships will take time to develop, but evidence shows that Canfor has taken the necessary steps to begin this process.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>			
<b>Timeline for Conformance:</b>	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
<b>NCR Status:</b>	<b>OPEN</b>			
Comments (optional):				

NCR#:	03/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 5.3.1			
Report Section:	Appendix II, Criterion 5.3			
Description of Nonconformance and Related Evidence:				
At several sites visited on the field tour, excessive wood waste was observed and discussed. Canfor staff stated that wood waste is diminishing but also that it continues to be an issue. At one field tour site, the re-assessment team and Canfor staff observed a processor operator creating a large pile out of material that				

could have been sent to the pulp mill. The pup mill was about 8 km from this site. The processor operator explained that the landing was not large enough to manufacture the number of sites required and that he was using this material to build a bed of logs that could be used as a landing.

Canfor provided evidence of one assessment for cutblock WAS 002 for which the Company was billed for avoidable waste. Information provided by the Ministry of Forest, Lands and Natural Resource Operations confirmed that some of Canfor's avoidable waste has been in excess of regional allowable benchmarks.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
<b>Timeline for Conformance:</b>	By the next annual audit.
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
Comments (optional):	

NCR#:	04/14	NC Classification:	Major	Minor X
Standard & Requirement:		FSC-BC Regional Standard (Oct. 2005), Indicator 6.3.14		
Report Section:		Appendix II, Criterion 6.3		
Description of Nonconformance and Related Evidence:				
Data provided in Canfor's Sustainability Report does not provide conclusive findings that benchmark levels of soil disturbance identified in the indicator are not being exceeded. Field observations, data provided on from silvicultural survey results associated with Indicator 8.2.3, and supplemented by considerable concern expressed by stakeholders lead to the conclusion of non-conformance with indicator 6.3.14.				
Corrective Action Request:		Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.		
Timeline for Conformance:		By the next annual audit.		
Evidence Provided by Organization:		PENDING		
Findings for Evaluation of Evidence:		PENDING		
NCR Status:		OPEN		
Comments (optional):				

NCR#:	05/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.3.15			
Report Section:	Appendix II,Criterion 6.3			
Description of Nonconformance and Related Evidence:				
In the course of the site visits, the re-assessment team saw several circumstances in which soils were compacted or rutted, and in which road construction was relatively poorly executed so that excess land within the rights-of-way was degraded. In addition, the re-assessment team received several expressions of concern of this nature during consultations. Canfor's Sustainability Report indicates that the target of achieving less				

than 10% detrimental site disturbance in harvested areas is being achieved, however the discussion in the report provides no data to substantiate the conclusion. The silvicultural survey results provided as evidence for Indicator 8.2.3 indicate that disturbance in plots used to assess soil disturbance is frequently exactly 10%, and although many are less than 10%, a number of plots are in excess of that benchmark. The re-assessment team saw no evidence of efforts to rehabilitate areas with soil disturbance. Canfor is not in conformance with indicator 6.3.15.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
<b>Timeline for Conformance:</b>	By the next annual audit.
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
Comments (optional):	

NCR#:	06/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.5.7			
Report Section:	Appendix II, Criterion 6.5			
Description of Nonconformance and Related Evidence:				
<p>Field observations of plugged culverts, culverts too short for the road constructed and perched culverts suggest that the implementation of systems to control erosion and sedimentation is inadequate. Also, some of the recently constructed roads appear to be constructed to temporary standards despite the fact that there does not appear to be plans in place to deactivate these roads. For example, the FMG Bridge Management System (April 2014) is relatively new and has not been fully implemented across the FMU. In fact, the FMG Bridge Management Communication presentation to staff (April 2014) indicates that steps to address all of the issues raised In the FPB investigation have not been completed. Also, the FMG Structure Management System (April 2014) is still in draft format.</p> <p>In addition, the 2013 Forest Practices Board Special Investigation on Bridges found some bridge construction and maintenance inadequacies including lack of sediment control, holes in the running deck and approach gravel, rip rap encroaching in the stream and constricted channel at crossings. The Forest Practices Board concluded that, in some cases, design and construction inadequacies resulted in sedimentation being delivered to creeks.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	07/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 6.5.8			
Report Section:	Appendix II, Criterion 6.5			
Description of Nonconformance and Related Evidence:				
<p>The re-assessment team reviewed the Watershed Tracking Master spreadsheet that provides information on the Equivalent Clearcut Area (ECA) for each watershed within the FMU. Several of these watersheds have an ECA in excess of 25%. No evidence was provided for some of these that a publicly available hydrologic assessment has been completed.</p> <p>The Watershed Tracking Master spreadsheet contains out-of-date information.. As a result, this spreadsheet does not serve as an adequate tool to inform Canfor staff about potential increases in peak flow resulting from management activities.</p>				
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	08/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicators 6.10.1, 6.10.2, 6.10.3			
Report Section:	Appendix II, Criterion 6.10			
Description of Nonconformance and Related Evidence:				
Since 2011, 663 ha (0.06%) been converted to non-forest uses. In all cases, other land managers converted this land, including BC Hydro, Panorama ski hill and Fording Coal Mine, and therefore the conversion was outside of the control of Canfor. While this rate of conversion is safely below the 5% threshold for conversion, it is unclear how the other aspects of the standard requirements are met for this limited area.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

<b>NCR#:</b>	09/14	<b>NC Classification:</b>	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 7.1.1			

Report Section:	Appendix II, Criterion 7.1
<b>Description of Nonconformance and Related Evidence:</b>	
<p>Canfor has initiated work to revise and update this Sustainable Forest Management Plan to fully reflect current management. Evidence was provided and reviewed that demonstrates the breadth of the revision underway. This includes specific management strategies and guidance and data sheets for 19 stand and landscape level ecological indicators as well as 20 social and economic indicators.</p> <p>The SFMP was written to cover the period 2005 to 2010. Canfor anticipated in 2012 that a new SFMP would be completed by the fall of 2012 (or prior to the next annual audit). However, this revision has not been made yet. The indicator requires that the FMP is updated at least every 5 years.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
<b>Timeline for Conformance:</b>	By the next annual audit.
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
Comments (optional):	

NCR#:	10/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 8.1.3			
Report Section:	Appendix II, Criterion 8.1			
Description of Nonconformance and Related Evidence:				
The Ktunaxa Nation has expressed an interest in monitoring items including, but not limited to: CCVFs, archaeological sites (post harvest), and the effectiveness of Preliminary Field Reconnaissance surveys in site identification. Discussions between Canfor and Ktunaxa have recently started, but a monitoring program addressing these elements has not yet been developed.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	11/14	NC Classification:	Major	Minor X
Standard & Requirement:		FSC-BC Regional Standard (Oct. 2005), Indicator 8.2.7		
Report Section:		Appendix II, Criterion 8.2		
Description of Nonconformance and Related Evidence:				

The Ktunaxa Nation has not yet been involved in the design, implementation and evaluation of a monitoring program. Until this is complete, Canfor's monitoring does not yet address social impacts identified through consultation with Ktunaxa.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
<b>Timeline for Conformance:</b>	By the next annual audit.
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
<b>NCR Status:</b>	<b>OPEN</b>
Comments (optional):	

NCR#:	12/14	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-BC Regional Standard (Oct. 2005), Indicator 9.1.7			
Report Section:	Criterion 9.1			
Description of Nonconformance and Related Evidence:				
Since different forests within the existing DFA came into this certificate at different times, previous HCV assessments which have been completed range from 2004 to 2012. Therefore, the most current information synthesized in a complete report is dated and not consistently up-to-date. Although annual updates are produced, and monitoring reports are also produced annually, this is insufficient to meet the requirement of the indicator.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

#### 4.4 Conformance with applicable nonconformity reports (Reassessments Only)

The section below describes the activities of the certificate holder to address each applicable nonconformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in non-conformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:



Status Categories	Explanation
Closed	Operation has successfully met the NCR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the NCR.

☐ Check if N/A (there are no open NCRs to review)

<b>NCR#:</b>	01/13	<b>NC Classification:</b>	Major	Minor X
Standard & Requirement:	FSC BC Regional Standard, Indicator 3.1.2			
Report Section:	Appendix IV, Criterion 3.1			
<b>Description of Non-conformance and Related Evidence:</b>				
At present there is no Protocol Agreement in place that outlines the nature of the relationship between Canfor and the Ktunaxa Nation Council. An agreement has been requested by Ktunaxa. RA is aware that both parties desire to complete an agreement and that some elements of the previous agreement remain in place while negotiations continue. However the absence of an agreement when one is requested is a non-conformity with Indicator 3.1.2.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.			
<b>Timeline for Conformance:</b>	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none"> <li>Interviews with representatives from the Ktunaxa Nation and Canfor;</li> <li>The final draft of the Protocol Agreement between Canfor and Ktunaxa Nation.</li> </ul>			
Findings for Evaluation of Evidence:	The re-assessment team confirmed that the Protocol Agreement fulfilled all requirements of Indicator 3.1.2. The parties signed the Protocol Agreement on July 2, 2014. The requirements of this indicator have been met.			
<b>NCR Status:</b>	<b>CLOSED</b>			
Comments (optional):				

<b>NCR#:</b>	02/13	<b>NC Classification:</b>	Major	Minor X
Standard & Requirement:	FSC BC Regional Standard, Indicator 6.3.9			
Report Section:	Appendix IV, Criterion 6.3			
<b>Description of Non-conformance and Related Evidence:</b>				
Canfor provided evidence of conformance to retention targets in the Standard but identified that in about 20% of the blocks reviewed where sufficient pre-harvest snags were available to meet the target, the snag target was not met post-harvest (6.3.9). This is a non-conformance with Indicator 6.3.9 which requires 25% of the retention to be snags where those are present in the stand prior to harvest.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.			
<b>Timeline for Conformance:</b>	Prior to the re-assessment.			



Evidence Provided by Organization:	<ul style="list-style-type: none"> <li>• Data and analyses based on harvest blocks approved for the 2013 and 2014 operations years.</li> <li>• Field inspections.</li> </ul>
Findings for Evaluation of Evidence:	For each block, data on green trees and snags per hectare were provided, as well as the level of planned retention. For blocks for which too few snags were available (i.e. present in the block) to achieve the minimum snag targets identified in 6.3.9, the prescription was augmented to include stubbed trees so that the target could be achieved. Field inspection of > 10 blocks in which harvesting had been conducted in the past year, or where harvesting was ongoing, verified use of stubs where appropriate and overall achievement of snag (plus stub) levels were sufficient to meet the requirements of the indicator.
NCR Status:	<b>CLOSED</b>
Comments (optional):	

#### 4.5 Observations Issued in the Re-Assessment

**Observations** can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or NCR during a 5 year re-assessment).

<b>OBS 01/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 3.1.4
<p><b>Description of Findings Leading to Observation:</b> Some Ktunaxa communities expressed concern about a general lack of contact with Canfor. These communities have interests in the licence areas, and opportunities to communicate these interests exist through the referral (information sharing) process. However, for various reasons (lack of capacity, belief that commenting will not make a difference, miscommunication between the communities and Nation on strategic vs. operational responsibilities) the communities have not communicated these interests to Canfor. The Ktunaxa Consultation Matrix is a key document that guides Canfor's information sharing interactions with the Ktunaxa Nation. The matrix also has some bearing on the internal interactions between the Nation and Ktunaxa communities, and how the communities interact with Canfor. The Ktunaxa indicated to the audit team that the Consultation Matrix would be reviewed with Canfor in the Fall of 2014. The community concerns cited above should be included in these discussions. This issue is an Observation versus a non-conformance since Canfor has implemented the system as designed by Ktunaxa. Concerns raised by Ktunaxa communities indicate that an effectiveness review would be timely.</p>	
<p><b>Observation:</b> In addition to the review of the Ktunaxa Consultation Matrix, Canfor and the Ktunaxa communities should review the efficacy of their information sharing processes, and adjust these processes as necessary. Canfor should also ensure communities are familiar with the FSC BC Standard requirements on free and informed consent.</p>	

<b>OBS 02/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 4.1.4
<p><b>Description of Findings Leading to Observation:</b> Several First Nation communities expressed concern that on licence areas that they have entered into a contract with Canfor on, the capacity building intent of the agreements is not being achieved because Canfor has not provided a right of first refusal for the communities to work on the licence areas.</p>	
<p><b>Observation:</b> Canfor and the affected communities should review the intent and implementation of the contracts on licence areas where the communities' feel that the capacity development objectives are not</p>	

being met. The parties should make any adjustments as required in order to better achieve the capacity development goals.

<b>OBS 03/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 6.2.4
<b>Description of Findings Leading to Observation:</b> Discussions with operational staff indicated good awareness of SWPs. However, one exception to this related to the recently-developed Ecosystem Restoration Best Management Practices (BMPs). Although the audit team viewed some impressive efforts at restoration of open forest and open range conditions, discussions with operations staff indicated an incomplete awareness of the BMPs.	
<b>Observation:</b> Canfor should ensure that all operations staff are trained and aware of the practices contained in the Ecosystem Restoration BMPs.	

<b>OBS 04/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 6.3.4
<b>Description of Findings Leading to Observation:</b> In preparation for the 2014 update to the SFMP, Canfor is preparing a revised Seral Stage Strategy, a draft of which was provided to the re-assessment team. The draft is similar to the 2011 update, however it is notably incomplete as several elements, including monitoring and reporting, are not yet included.	
<b>Observation:</b> Canfor should ensure that a complete version of the Seral Stage Strategy is incorporated into the 2014 SFMP.	

<b>OBS 05/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 6.3.5
<b>Description of Findings Leading to Observation:</b> A draft Silviculture Strategy for inclusion in the 2014 SFMP was not provided to the assessment team. Clearly, the SFMP needs to have a silviculture strategy, and the re-assessment team understands that it is the intention of Canfor to complete the strategy prior to inclusion in the updated SFMP.	
<b>Observation:</b> Canfor should ensure that a complete version of the Silviculture Strategy is incorporated into the 2014 SFMP.	

<b>OBS 06/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 6.3.7
<b>Description of Findings Leading to Observation:</b> A draft Range of Natural Variability Strategy for inclusion in the 2014 SFMP was provided to re-assessment team. It does not contain comparable strategic direction related to maintenance of ecological communities as does the existing RNV strategy, however, the re-assessment team recognizes that the revised version is in draft form.	
<b>Observation:</b> Canfor should ensure that a complete version of the Range of Natural Variation Strategy is incorporated into the 2014 SFMP.	

<b>OBS 07/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 6.3.10
<b>Description of Findings Leading to Observation:</b> The draft strategies provided include a patch size strategy and an interior habitat strategy. These are expected to provide up-to-date direction for incorporation into the new SFMP. Although the patch-size strategy is reasonably advanced, neither is in a final form.	
<b>Observation:</b> Canfor should ensure that complete versions of the Patch Size Strategy and Interior Habitat Strategy are incorporated into the 2014 SFMP.	

<b>OBS 08/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 9.1.6
<b>Description of Findings Leading to Observation:</b> Indicator 9.1.6 requires making comments received, and management response to the comments publicly available. This is an important component of the transparency of the development of HCVs. Canfor is required to update their HCV report as per NCR 12/14.	
<b>Observation:</b> Canfor should ensure that it makes comments received on the HCV reports and the response to the comments publicly available.	

<b>OBS 09/14</b>	<b>Reference Standard &amp; Requirement:</b> FSC BC Regional Standard, Indicator 9.2.1
<b>Description of Findings Leading to Observation:</b> The April 2013 Draft Terms of Reference for the ongoing HCV Review and Update does not provide an indication of how community input is to be addressed.	
<b>Observation:</b> Canfor should ensure that it has made adequate efforts to secure community input into the HCV report for the East Kootenays.	

#### 4.6 Notes Issued in this Re-Assessment

<b>NOTE 01/14</b>	<b>Reference Standard:</b> FSC BC Regional Standard, Indicator 1.1.3
<b>Note:</b> Future audit teams should confirm the results of internal company incident tracking, as well as record of compliance to legislation with compliance and enforcement staff, in particular with regards to timber utilization and deteriorating standards of road construction and maintenance.	
<b>2015 audit team response:</b> PENDING	

<b>NOTE 02/14</b>	<b>Reference Standard:</b> FSC BC Regional Standard, Indicator 3.1.2
<b>Note:</b> Future audit teams should review implementation of the Protocol Agreement between the Ktunaxa Nation Council and Canfor to ensure that the terms of the agreement are adhered to by both parties.	
<b>2015 audit team response:</b> PENDING	

<b>NOTE 03/14</b>	<b>Reference Standard:</b> FSC BC Regional Standard, Indicator 3.2.1
<b>Note:</b> Future audit teams should review the outcome of meetings between Canfor and the Tobacco Plains Indian Band to determine if measures have been taken to maintain the interests of the community.	
<b>2015 audit team response:</b> PENDING	

<b>NOTE 04/14</b>	<b>Reference Standard:</b> FSC BC Regional Standard, Indicator 6.3.12
<b>Note:</b> Future audit teams should inspect sites where access management measures are in place and assess the extent to which they are achieving the objectives of the SFMP and related documents.	
<b>2015 audit team response:</b> PENDING	

<b>NOTE 05/14</b>	<b>Reference Standard:</b> FSC BC Regional Standard, Indicator 7.4.1, 7.4.2
<b>Note:</b> Future auditors to ensure that Canfor has provided the public an opportunity to review and provide input to the revised SFMP.	
<b>2015 audit team response:</b> PENDING	



## 4.7 Certification Recommendation

Based on a thorough review of FME performance in the field, consultation with stakeholders, analysis of management documentation or other audit evidence the Rainforest Alliance assessment team recommends the following:

<b>Certification requirements met;</b> Upon acceptance of NCR(s) issued above	<input checked="" type="checkbox"/>
<b>Certification requirements not met</b>	<input type="checkbox"/>
Subject to conformance with minor NCRs (if applicable), the FME has demonstrated that their described system of management is being implemented consistently over the whole forest areas covered by the scope of the evaluation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments:	
FME's management system, if implemented as described and subject to conformance with minor NCRs (if applicable), is capable of ensuring that all the requirements of the certification standards are met across the scope of the certificate	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments:	
Issues identified as controversial or hard to evaluate.	Yes <input type="checkbox"/> No <input type="checkbox"/>
Comments: None.	
Description of activities taken by the FME prior to the certification decision to correct major or minor nonconformity(s) identified during the assessment.	
Certificate type recommended:	<input checked="" type="checkbox"/> Forest management and Chain of custody <input type="checkbox"/> Forest management only (no CoC)

Once certified, the FME will be audited annually on-site and required to remain in conformance with the FSC principles and criteria as further defined by regional guidelines developed by Rainforest Alliance or the FSC in order to maintain certification. The FME will also be required to fulfill the corrective actions as described below. Experts from Rainforest Alliance will review continued forest management performance and conformance with the corrective action requests described in this report, annually during scheduled and/or random audits.

## 5. CLIENT SPECIFIC BACKGROUND INFORMATION

### 4.1 Ownership and land tenure description (legal and customary)

Canfor's operating areas that are assessed in this report include:

- Cranbrook and Elko/Sparwood operation of FL A19040 in the Cranbrook TSA
- Creston operations of FL A20212 in the Kootenay Lake TSA,
- Canal Flats operations of FL A18978 in the Invermere Timber Supply Area, and
- Managed Forest 27 in the Invermere Timber Supply Area and Tree Farm Licence 14 near Parson and various Non Replaceable Forest Licences (NRFLs) in the TSA's.

The three Forest Licences have been issued to Canfor by the government of British Columbia. These are long-term tenures on Crown land, meaning the ownership remains with the provincial government. Forest Licences are volume based. Forest Licences are granted for 15 years and are replaced with a new FL every 10 years provided performance requirements are met. They are considered long-term tenures. They are volume-based tenures that allow Canfor to harvest, grow, process, sell and distribute a specified volume of wood products annually from the three TSAs. Canfor retains the reforestation responsibility until trees are free growing and has responsibility for road construction, deactivation and maintenance within the area of its operations. Canfor harvests their assigned annual cut from their assigned operating area in each TSA. These operating areas have no formal legal status but are clearly identified and mapped areas of land within which Canfor has, for many years, had the exclusive rights to cut the timber resources. Other forest companies also have forest licences and are allowed to harvest a specified volume each year from other areas within each of the TSAs. Like Canfor they also have discrete operating areas in other locations in the TSA.

Tree Farm Licence 14 is a long-term forest tenure issued by the government of British Columbia to Canfor for forest management purposes. The area-based tenure allows Canfor to harvest, process, sell and distribute wood products derived from the forest area. Canfor retains the reforestation responsibility until trees are free growing and has responsibility for road construction and maintenance within the TFL.

Managed Forest 27 is land privately held by Canfor, over which they have full control of its operations.

Canfor's operating areas are within the asserted territory of four Bands (St. Mary's Band, Lower Kootenay Band (YaqunNakiy), Tobacco Plains Band and Akisqnuq Band) that are affiliated with the Ktunaxa First Nation, and the Shuswap Band, which is affiliated with the Shuswap Nation Tribal Council. Recently, both the Neskonlith and Adams Lake Band has asserted traditional territory over the northern area of the Invermere TSA's. Both these bands are affiliated with the Shuswap Nation Tribal Council also. There are no signed treaties that address these bands' claims to ownership of the land. Comprehensive land claims covering a large area including Canfor's operating areas, and being negotiated with governments.

### 4.2 Legislative and government regulatory context

#### *Forest Licences and Tree Farm Licence*

The British Columbia Ministry of Forests, Lands and Natural Resource Operations (FLNRO) represents the government and the people of British Columbia in ensuring that Canfor complies with the provisions of the *Forest Act*, *Forest and Range Practices Act* and a host of other provincial legislation. FLNRO compliance and enforcement staff inspect Canfor's operations and investigate any observed violations of legislation.

Canfor's foresters and forest technicians are governed by the provisions of the *Foresters Act* in the preparation of forest management plans and the supervision of all forest operations. Forest Professionals have been given increased responsibility for stewardship, as the provincial government has placed an increased reliance on professionals, and reduced the oversight and approval role of government.

The provincial government takes a lead role in strategic land-use planning and has led the development of the Kootenay Boundary Land Use Plan to provide broad management direction in this

region for more than 10 years. In the past, the provincial government also led local level planning processes to resolve conflicts and develop locally appropriate forestry practices. The provincial government no longer provides this service; however, Canfor participates in a number of forums and planning tables to help fill this gap.

Canfor interacts with many other provincial and federal government agencies that issue tenures, manage resources and enforce many environmental and social legal requirements on the Crown lands that comprise the forested and non-forested landscapes within Canfor's Kootenay operating areas. These include responsibilities for range tenures, water use tenures, mineral exploration tenures, commercial recreation tenures, guiding and trapping tenures and public use agreements. Government ministries have responsibility to manage rare species, protect habitats and establish protected areas. They also enforce provisions related to worker safety and labour standards. Canfor has legal rights and responsibilities provided by its Forest Licences and TFL but must also interact with many other licensed users and with government agencies that use and manage other forest resources on the same landbase.

#### *Managed Forest*

Tembec owns private land in MF 471 and but must comply with the Private Forest Land Regulation and the BC Assessment Act that regulate activities on private lands that have a "Managed Forest" designation. Canfor has an agreement with Tembec, Teck and NCC to manage portions of the Managed Forest or agreements to harvesting rights. Recently, Tembec has sold portions of its Managed Forest to another party.

### **4.3 Environmental Context**

Canfor's Kootenay operating areas cover a wide range of sites from the slopes of the Rocky Mountains to the dry valley bottom in the Rocky Mountain Trench and through the steep valleys of the Purcell Mountains in south-eastern British Columbia. It is an area of complex and rugged topography with many lakes, streams and rivers, high peaks, glaciers and avalanche tracks. The forest types are diverse. They include open grasslands, very dry and open forests, as well as closed canopy forests on steep mountainsides and sub-alpine and alpine vegetation in six Biogeoclimatic zones –Alpine Tundra (AT); Engelmann Spruce-Sub-alpine fir (ESSF) and Montane Spruce (MS) at high elevations; Interior Cedar Hemlock (ICH) at moderate elevations and in wetter areas; Interior Douglas-fir (IDF) ecosystems in valley bottoms and on the slopes of the Rocky Mountain Trench; and Ponderosa Pine (PP) in the very dry valleys and low slopes in the Rocky Mountain Trench.

The dominant tree species are lodgepole pine, interior Douglas-fir, western larch, Engelmann spruce, sub-alpine fir (balsam) and Ponderosa pine (yellow pine). Other conifers occurring in the operating area are whitebark pine, white pine, western hemlock and western redcedar. There are small amounts of aspen, paper birch and cottonwood.

The area is internationally known for its concentration of ungulate species including elk, mule deer, whitetail deer, moose, Rocky Mountain bighorn sheep and mountain goat. Other large mammals found within the operating area include mountain caribou, grizzly bear, cougar, wolves, coyotes and black bear. Smaller furbearers include beaver, mink, muskrat, otter, marten, skunk, weasel, badger, wolverine, bobcat, lynx, squirrel, and fox.

Numerous species of wildlife (fish, birds, amphibians and mammals) found within the operating areas have been designated as Red Listed (Endangered or Threatened) or Blue Listed (Species of Concern). The American badger, mountain caribou and Rocky Mountain tailed frog are red-listed species that are of significant management concern. The grizzly bear, bighorn sheep, flammulated owl, westslope cutthroat trout and bull trout are Blue-listed species that are of significant concern within the area. These are all addressed in Principle 6 in Appendix III. Many of the other listed species are wetland or grassland birds, or are species that are rare within the area and not thought to be impacted by forestry activities.

Natural disturbances such as fire, insects, and disease have produced a mosaic of seral and structural stages and age classes in the forests throughout the area. There were numerous fires that coincided

with European settlement and numerous large fires have occurred in recent years as well (1985, 2003 and 2014). In recent years, an unprecedented outbreak of mountain pine beetle attacked vast areas of forest with lodgepole pine trees throughout eastern, southern, and central British Columbia, including Canfor's operating areas. The mountain pine beetle is one of the dominant factors influencing forest management in this area.

The operating areas are bordered by, or in close proximity to, twenty-two Provincial Parks. These parks contribute to the significant recreational activity on the operating area and are a component of the representation of forest ecosystems and protection of high conservation values as described in Principles 6 and 9 in Appendix III.

#### 4.4 Socioeconomic Context

Canfor's operations take place around or adjacent to numerous communities in the region. These include: Cranbrook, Creston, Kimberly, Elko, Fernie, Sparwood, Elkford, Parson, Spillimacheen, Brisco, Edgewater, Golden, Canal Flats, Skookumchuck, Windermere, Invermere, Radium Hot Springs, Fairmont Hot Springs, Wasa, Yahk and a host of smaller communities.

Canfor's operating areas are not just important from a forest management perspective. These lands are also important to communities for water sources, nature parks, recreational trails, viewscapes, forest dependent businesses, and other tenure and use rights holders.

The regional economy is quite diversified with forestry, mining, ranching, agriculture and tourism operations forming the main bases for year-round employment and economic activity for these communities. Government is also an important employer. Recreation and tourism-oriented businesses and the service sector are expanding quickly with major ski hills and destination resorts for both summer and winter recreation opening within some of Canfor's operating areas. Coal mining is also expanding. The total population of the area is estimated to be 55,000 and is growing.

Forestry is not the only or dominant economic activity in the region, but it is important. Canfor has the largest share of timber from the Cranbrook TSA and the second largest from the Kootenay Lake TSA. It owns most of the processing capacity within the region, with dimension lumber sawmills in Elko, Radium Hot Springs and Canal Flats. Canfor is the largest forest industry employer in the area and is a significant contributor to the local economy throughout the Kootenay region. Since Canfor's acquisition of Tembec assets in the Kootenays, there has been a significant increase in

There are many other tenure holders within the operating area – guide-outfitters, trappers, ranchers, water users, commercial recreation users, miners – as well as very active environmental interest groups, an extensive number of active public recreational user groups and concerned local residents who have lived in the area for many years. In addition, woodlot licensees, other Forest Licence holders and private land-owners have rights and interests in lands adjacent to Canfor's operating areas that can be affected by Canfor's forest management activities. .

The growing population and the influx of new residents attracted by the lifestyle and recreational and outdoor opportunities are creating significantly different social and economic expectations and demands on Canfor's forest management than in the past. There is an increased emphasis on visual resource management along the highway corridors, and increased demands for wildlife protection as well as a desire for access to backcountry areas. The public demands on Canfor are increasing but often some demands are in conflict with others. This provides significant challenges to Canfor.

#### 4.5 Workers

##### Number of workers including employees, part-time and seasonal workers:

Total workers	653 workers (provide detail below)	
• Local Full time employees (a:b)	579 Male	59 Female
• Non - Local Full time employees (c:d)	0 Male	0 Female
• Local Part time workers (e:f)	13 Male	2 Female
• Non- local part time workers (g:h)	0 Male	0 Female



Worker access to potable water on the work site	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Full time employees making more than \$2 a day	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Number of serious accidents (past 12 month period)	0	
Number of fatalities (past 12 month period)	0	

## APPENDIX I: Public summary of the management plan

(NOTE: To be prepared by the client prior to assessment, Information verified by assessment team)

<b>1. Main objectives of the forest management are:</b>	
To be the dominant global provider of wood products solutions to our highly valued customers while protecting the environment and creating long-term social, cultural and economic benefits for the Kootenay Region and its people, employees and shareholders.	
Primary priority:	To manage forests to maintain and enhance the long-term health of forest ecosystems, while providing ecological, economic, social and cultural opportunities for the benefit of current and future generations through implementation of the strategies described in Canfor's Kootenay Region Sustainable Forest Management Plan
Secondary priority:	To provide overarching planning guidance and direction for Operational plans which are submitted to government agencies for approval.
Other priorities:	; ;
<b>Forest composition:</b>	
<p>1) The <b>Rocky Mountain Forest (RMFD) District</b> is over 2.6 million hectares in size and stretches from Parson in the north to the BC/Montana border in the south and Alberta border on the east. Tree species in the area range from subalpine larch and Engelmann spruce in the high elevation areas, lodgepole pine and Douglas-fir in the mid and lower elevations, to the classic western larch and ponderosa pine forests of the low country trench. The district is composed of two timber supply areas (TSA). The <b>Cranbrook</b> and <b>Invermere TSAs</b>. Canfor's <b>Tree Farm Licence (TFL) 14</b> is considered a separate timber supply area within the northern portion of the district.</p> <p>a) The forests of the <u>Cranbrook TSA</u> are dominated by Lodgepole pine, Douglas-fir, Western larch, Engelmann spruce, and Subalpine fir or Balsam, Ponderosa pine and very dry open grasslands.</p> <p>b) The <u>Invermere TSA</u> includes open grasslands, very dry open forests, closed canopy forests on steep mountainsides and Sub-alpine and Alpine vegetation in six Biogeoclimatic zones. The predominant commercial tree species are Lodgepole pine (40%), Interior Douglas-fir (28%), Engelmann spruce (13%), Western larch (7%), Sub-alpine fir (Balsam) (4%). Other conifers occurring in the operating area are Ponderosa pine (yellow pine), whitebark pine, white pine, western hemlock and western redcedar. There are small amounts of aspen, birch and cottonwood.</p> <p>c) Common forest types on <u>TFL 14</u> are lodgepole pine, Douglas-fir, Engelmann spruce, Sub-alpine fir, mixed in with the less common cedar, hemlock, whitebark pine, larch, aspen and cottonwood.</p> <p>d) Managed Forest (<u>MF</u>) <u>72</u> is privately owned land adjacent to the Invermere TSA, with similar forest types.</p> <p>2) In the <b>Kootenay Lake Forest (KLFD) District</b> and <b>TSA</b>, Douglas-fir, Western larch, Engelmann spruce, Sub alpine fir, Lodgepole pine, Western red cedar and Western hemlock predominate; while Western white pine, Ponderosa pine, White bark pine, Aspen, Birch and Cottonwood occur in smaller amounts.</p>	
<b>Description of Silvicultural system(s) used:</b>	
Canfor uses a combination of Even and Uneven Age management systems. Primary systems include clear-cuts with reserves and clear-cuts. Wildlife trees or wildlife tree patches often constitute the standing reserve trees in the clear-cut with reserves systems. Shelterwood and Seed-tree (Even Age) management systems are also utilized.	
Uneven Age Management systems include lodgepole pine removal in select stands, or group selection in Douglas-fir and Ponderosa pine forests	
<b>2. Silvicultural system</b>	<b>% of forest under this management</b>
Even aged management	98 %

Clearcut (clearcut size range 0.5-100 ha)	ha
Shelterwood	ha
Uneven aged management	2 %
Individual tree selection	ha
Group selection (group harvested of less than 1 ha in size)	ha
Other types of management (explain): Clear-cut with reserves	20-30 ha
<b>3. Forest Operations</b>	
3.1 Harvest methods and equipment used:	A majority of the harvesting is done with mechanical fallers (75%), hand-falling (7%) or a combination of the two on various sites. Ground-skidding (85%) is the primary skid method and may be combined with cable (15%) where they are processed cut-to-length for transport by truck. Helicopter forwarding has been employed in the past but recent economics have made helicopter logging unfeasible.
3.2 Estimate of maximum sustainable yield for main commercial species:	1,019,914 m3/yr
3.3 Explanation of the assumptions (e.g. silvicultural) upon which estimates are based and reference to the source of data (e.g. inventory data, permanent sample plots, yield tables) upon which estimates are based upon.	
Detailed Timber Supply analyses are carried out every five years as required by law and may be extended to 10 years by the Provincial Chief Forester. These are based upon detailed inputs of current forest management practices, inventories, silviculture, and harvesting. Sophisticated modeling systems forecast all inputs and present long-term (300+ year) sustainable harvest levels for each management unit (i.e. Timber Supply Area). The fourth Timber Supply Analysis for the Invermere and Cranbrook TSA's is currently underway.	
3.4 FME organizational structure and management responsibilities from senior management to operational level (how is management organized, who controls and takes decisions, use of contractors, provisions for training, etc.).	
The Senior VP of Operations oversees the General Manager of Kootenay Operations and has as a direct report, the General Manager, South Region Fibre. The GM of South Region Fibre oversees the Operations Manager, Planning and Strategic Fibre Manager, Valuation Coordinator, Silviculture Coordinator and Trucking and Residual Fibre Superintendent. The Planning, Permitting and Log Purchase Coordinators all report directly to the Planning and Strategic Fibre Manager. These positions oversee their respective operations, silviculture, planning and permitting supervisors.	
3.5 Structure of forest management units (division of forest area into manageable units etc.).	
Canfor's Forest Management Group (FMG) is divided into various regions. The Kootenay region is a separate business group which administers all Canfor forest licenses within the Kootenay region.	
3.6 Monitoring procedures (including yield of all forest products harvested, growth rates, regeneration, and forest condition, composition/changes in flora and fauna, environmental and social impacts of forest management, costs, productivity and efficiency of forest management).	
Canfor's Kootenay Region Sustainable Forest Management Plan describes detailed monitoring protocols for each strategy (summary included in SFMP Appendix 8). An annual report (Sustainability Report) summarizes the results of the ongoing monitoring plan). In addition, various Management Systems track detailed legal obligations and other day to day business aspects of the operations.	
3.7 Management strategies for the identification and protection of rare, threatened and endangered species.	
As detailed in the Sustainable Forest Management Plan strategies, approved government operational plans, permits, and licensee documents required by law.	
3.8 Environmental safeguards implemented, e.g. buffer zones for streams, riparian areas, seasonal operation, chemical storage, etc.	
As detailed in the Sustainable Forest Management Plan strategies, approved government operational plans, permits, and licensee documents required by law.	
Other Sections may be added by the FME	

## APPENDIX IX: FME map(optional)

