

CAN/CSA Z809-2016 External Audit Report Summary

12 Month Maintenance/Transition Assessment of Western Forest Products Inc. North Island Forest Operation, Mid Island Forest Operation, Englewood Forest Operation, Port Alberni Forest Operation and Stillwater Forest Operation April 2018

Western Forest Products Inc. (WFP) underwent a 12 month maintenance/transition assessment of their sustainable forest management (SFM) system to the CAN/CSA Z809-2016 Sustainable Forest Management Standard from April 16 – 19 and 25 – 27, 2018. The audit was conducted by PricewaterhouseCoopers LLP (PwC) with the scope being the Defined Forest Area for the Stillwater Forest Operation (Tree Farm License No. 39 Block 1 in the vicinity of Powell River, BC) as well as at the WFP Timberlands Corporate Office located in Campbell River, BC. These two sites formed the 2018 sample for this multisite registration with both office and field assessments occurring at Stillwater Forest Operation and office review occurring at the WFP Timberland Corporate Office.

The assessment comprised of 10.0 man-days onsite and 1.5 man-days for offsite work. Activities assessed at Stillwater Forest Operation included the following forest management activities: planning (office review), harvesting (4 active sites, 3 completed sites), road construction/maintenance (1 active sites, 5 completed sites) and planting/silviculture (3 completed sites). In some cases, single field sites reviewed had multiple activities occurring and/or completed activities which have been included in sample numbers presented. The objective of the audit was to confirm the management system complies with the applicable elements of the Standard; to confirm the organization complies with its own SFM policies and procedures; to confirm the management system is suitable and effective for the organization; and to confirm the management system enables the client to achieve its own SFM objectives.

The scope of the multisite certification is as follows: The forest management processes, including harvesting, planning, road construction, silviculture and the transportation of logs managed through the Timberlands Corporate and the timberlands offices managing the Defined Forest Areas (DFA) of North Island, Mid-Island, Englewood, Port Alberni and Stillwater. The Defined Forest Areas within scope are: Tree Farm License TFL6, Managed Forests MF29, MF31, MF61, Forest License FL A94737, T0860, T0592 at WFP's North Island Forest Operation; TFL 37 and TFL 39 Block 2 at WFP's Central Island Forest Operation; TFL 44 at WFP's Port Alberni Forest Operation and TFL 39 Block 1 at WFP's Stillwater Forest Operation. A total of 849,714ha are included in WFP's CSA SFM forest area with an annual allowable cut of 4,442,864m³.

The audit team included James Lucas, RPF, (EMS LA - Lead Assessor), Jeff Koch, RPF (EMS LA – Assessor) and Shawn Ellsworth, RPF (EMS LA - Assessor). The WFP SFM representative was Will Sloan, RFT. The audit involved field tours and office visits (interviews and file reviews) of the Stillwater Forest Operation and office visits (interviews and file reviews) at the WFP Timberlands Corporate Office. Interviewees included 5 WFP staff, 12 contractors working on the DFA and 6 public advisory group members. One of the public advisory group accompanied the audit team on one of the field tour days. Two government officials from the British Columbia Ministry of Forests, Lands, Natural Resource Operations and Rural Development Compliance and Enforcement Branch were interviewed during this

audit and WFP's compliance record for the Stillwater Forest Operation was examined. A concern was voiced collectively by the public advisory group members interviewed that they felt the Stillwater Forest Operation 2018 Sustainable Forest Management Plan (SFMP) and related 2017 SFM indicator performance could have been reviewed in a more timely fashion with them by WFP. After further discussions with WFP staff, corporate reporting deadlines related to sustainable forest management across all operations affect when final SFM indicator results can be released and discussed with the public advisory group. Since the 2017 SFM indicator performance is contained in the 2018 SFMP, reviews of both these items were held until required corporate SFM information was finalized following corporate reporting timelines. The review of both the 2017 SFM performance and 2018 SFMP was ongoing as of the audit and an Opportunity for Improvement (OFI) was issued as a finding.

Requirements assessed included the scope of the Stillwater Forest Operation 2018 Sustainable Forest Management Plan which includes 2017 SFM indicator performance versus targets.

SFM REQUIREMENTS ASSESSED

Defined Forest Area (DFA) – Stillwater Forest Operation (TFL 39, Block 1 – Field & Office Review) & Timberlands Corporate Office (Office Review)

Elements Audited	Indicators Reviewed	Office/Field
<u>Element 1.1</u> – Ecosystem Diversity	<u>1.1.1</u> : Ecosystem Area by Type <u>1.1.3</u> : Forest Area by Species Composition <u>1.1.4</u> : Degree of Within-Stand Structural Retention	Office Office Office/Field
<u>Element 1.2</u> – Species Diversity	<u>1.2.1</u> : Degree of Habitat Protection for Selected Focal Species, Including Species at Risk <u>1.2.3</u> : Proportion of Regeneration Comprised of Native Tree Species	Office Office/Field
<u>Element 1.4</u> – Protected Areas and Sites of Special Biological, Geological or Cultural Significance	<u>1.4.1</u> : Protection of Sites of Special Significance <u>1.4.2</u> : Proportion of Identified Sites with Implemented Management Strategies	Office/Field Office/Field
<u>Element 2.1</u> – Forest Ecosystem Condition and Productivity	<u>2.1.1</u> : Reforestation Success <u>2.1.3</u> : Additions and Deletions to the Forest Area	Office/Field Office
<u>Element 3.1</u> – Soil Quality and Quantity	<u>3.1.1</u> : Level of Soil Disturbance <u>3.1.2</u> : Level of downed woody material	Office/Field Office/Field
<u>Element 3.2</u> – Water Quality and Quantity	<u>3.2.2</u> : Proportion of Forest Management Activities Consistent with Prescriptions to Protect Identified Water Features <u>3.2.3</u> : The annual number of EMBC reportable spills	Office/Field Office
<u>Element 4.1</u> – Carbon Uptake and Storage	<u>4.1.1</u> : Net Carbon Uptake	Office
<u>Element 5.2</u> – Communities and Sustainability	<u>5.2.1</u> : Level of Participation and Support in Initiatives that	Office

	Contribute to Community Sustainability <u>5.2.3</u> : Level of Direct and Indirect Employment <u>5.2.4</u> : CAG is Informed of Corporate Policy, Program Changes, and Initiatives in a Timely Manner <u>5.2.6</u> : Number of People Reached Through Educational Outreach	Office Office Office
Element 6.1 – Fair and Effective Decision-Making	<u>6.1.1</u> : Level of Participant Satisfaction with the Public Participation Process <u>6.1.2</u> : Evidence of Efforts to Promote Capacity Development and Meaningful Participation in General <u>6.1.3</u> : Availability of Summary Information on Issues of Concern to the Public	Office Office Office
Element 6.2 - Safety	<u>6.2.2</u> : Evidence that a Worker Safety Program has been Implemented and is Periodically Reviewed and Improved	Office
Element 7.2 – Respect for Aboriginal Forest Values, Knowledge and Uses	<u>7.2.1</u> : Evidence of Efforts to Promote Capacity Development and Meaningful Participation for Aboriginal Individuals, Communities, and Forest Based Companies <u>7.2.2</u> : Evidence of Understanding and Use of Aboriginal Knowledge Through the Engagement of Willing Aboriginal Communities, Using a Process That Identifies and Manages Culturally Important Resources and Values	Office Office

Previous Nonconformity Update

Previous assessment results were reviewed. There were three Minor Nonconformities that remain open, one from the 2016 audit and two from the 2017 audit.

Each of these Minor Nonconformities have acceptable actions plans in place to close them by the 2019 audit or prior to.

All other previous nonconformities have been closed.

Results of the 2018 Assessment

There were 5 Minor Nonconformities identified.

480-A1-NC-01: Water management on one harvest unit did not meet WFP's EMS SOP's. Additionally, a short culvert on one mainline hauling road (tributary to an S-3) was observed which did not meet WFP SOP's and could result in sedimentation downstream if not addressed.

480-A1-NC-02: Due to recent changes in personnel responsibilities, the bridge inspection process is not up to date with regard reviewing 2017 inspections & planning 2018 inspections.

480-A1-NC-03: Backpack pump cans should be filled with water and ready for use at the beginning of fire season. For purposes of WFP equipment readiness, Fire Season starts April 1 and ends October 31. Contractors should have awareness of what spill reporting requirements are. Two backpack pumps were found with no water in them on one road heading. It was noted that it was early in fire season at that time and there was still some snow on-site. In addition, the employees one contractor below the site supervisor level were unclear as to what volumes they would report in the event of a spill.

480-A1-NC-04: Management review action items are to be entered within the Issue Tracking System (ITS) and tracked to completion as per the requirements of the WFP Timberlands EMS Manual Section 18 – Management Review. Eight action items from the Stillwater Forest Operation Western Forest Products CSA / EMS Annual Review 2017 Year End Report January 1st – December 31st, 2017 (dated Feb 14, 2018) are overdue for completion and have not yet been entered into ITS.

480-A1-NC-05: SFM Indicators 1.1.1 (Ecosystem area by type), 1.1.3 (Forest area by seral stage or age class) and 1.1.4 (Degree of within-stand structural retention) all have inconsistent data or inconsistent reporting of 2017 results. This finding was subsequently closed post audit.

WFP has provided action plans for each of the above nonconformities and will implement the plans prior to the 2019 audit.

There were 3 Opportunities for Improvement identified:

480-A1-OFI-01: Three SFM indicators of the sample set reviewed were deemed to have potential improvements that could be incorporated:

1) SFM Indicator 1.2.3 (Proportion of regeneration comprised of native species): Noble fir planted as a test for one unit in the DFA in 2017 - although Noble fir is an "acceptable" species under silviculture regulation, it is not a native species to the Stillwater area which caused them to miss the 100% target for planted species which were native (actual was 99.8% of planted species were native). WFP may wish to review this indicator with the PAG to build in some flexibility as the operation may wish to test plant other acceptable species in the future to build in some stand resiliency in the future.

2) SFM Indicator 5.2.3 (Level of direct and indirect employment): Consideration could be given to reducing the current target from +/-25% based on man-years of employment. 2009 – 2017 results show that -15% (2017) and +14% (2011) were the lows and highs for this indicator outside of an outlier value in 2010 (+29%). The current variance allows another +/-10% outside the target.

3) SFM Indicator 6.1.2 (Evidence of efforts to promote capacity development and meaningful participation in general): Current target for this indicator is ≥ 10 CAG and public meetings with and possible variance of 4 meetings. Consideration could be given to reducing the current variance from ≥ 4 for number of CAG and public meeting as meeting numbers have historically easily met the target since 2009.

4) SFM Indicator 5.2.3 (Level of direct and indirect employment). Consideration could be given to reviewing potential options for firewood salvage opportunities in support of this indicator.

480-A1-OFI-02: WFP may wish to review of legal implications of changes to signed RPF silviculture instructions by the silviculture forester at Stillwater.

480-A1-OFI-03: The Stillwater Community Advisory Group (CAG) has been actively involved in reviewing 2017 SFM indicator performance as well as reviewing changes to the draft 2018 WFP Stillwater SFM Plan which incorporates changes from the 2008 to 2016 versions of the standard. There is a perception from CAG members interviewed that these reviews should have taken place earlier. Upon further discussion with WFP Stillwater staff, there are corporate reporting deadlines in place which affect when required information for SFM indicator annual results can be analyzed by staff which affects when this information can be rolled out to CAG for review. Due to the fact the SFM indicator annual performance is reported in an annually updated SFMP, these deadlines have caused the review time lag which CAG is concerned with.

Consideration should be given to explaining to CAG WFP corporate timelines for reporting which affect the review of the current draft as well as future SFMPs and indicators.

Good Management Practices

The following good management practices were noted:

- 1) Comprehensive Community Advisory Group (CAG) website that includes CAG meeting minutes, meeting agendas, terms of reference, membership list and will soon contain an updated version of the SFMP.
- 2) Strong knowledge of two main contractors' staff with regards to how their work affects sustainable forest management practices.
- 3) Excellent windfirming efforts across the Stillwater DFA to protect standing timber seen during field audit.
- 4) Block post-harvest inspections are well documented and of high quality.
- 5) Comprehensive WFP steep grade management plan reviewed for the roads in one harvest unit.
- 6) Comprehensive log grade sorting utilizing stakes between sorts seen in one harvest unit.
- 7) Ministry of Forests, Lands, Natural Resource Operations and Rural Development Compliance & Enforcement staff interviewed were complimentary with regards to the WFP Stillwater Forest Operation self-reporting process for occurrences which may have potential environmental impacts.

Conclusion of the Assessment

Western Forest Products Inc. will to be registered to the CAN/CSA Z809-2016 Sustainable Forest Management Standard. All of the applicable requirements of the standard were considered to be adequately implemented. The current certification was issued on May 15, 2017 and will expire on May 14, 2022. The next audit will be scheduled for April, 2019 and will focus on sampling the Englewood and Port Alberni Forest Operations which were not sampled in 2018. For further information on the WFPs SFM system please view the WFP website (<http://www.westernforest.com>) or contact Will Sloan, RFT at wsloan@westernforest.com.