

REPORT Forest Certification



ArdeW Wood Products Ltd. – CSA Z809 Surveillance Audit November 2008

In November 2008, an auditor from KPMG Performance Registrar Inc. (KPMG PRI) carried out a CSA Z809 surveillance audit of ArdeW Wood Product Ltd.'s operations within the Merritt Timber Supply Area (TSA) against the requirements of the Canadian Standards Association Z809-02 (CSA Z809) standard. An ISO 14001 re-registration assessment was conducted at the same time. This Certification Summary Report provides an overview of the process and KPMG's CSA Z809 findings.

Description of ArdeW Wood Product Ltd.'s Operations:

ArdeW's Crown land woodlands operations are situated in southern interior BC, Canada and currently comprise forest licences' FL A18039, FL A55524 and FL A65442 in the Merritt Timber Supply Area (TSA), which is part of the Southern Interior Forest Region of BC.

Six statutes form the legal framework for forest management on Crown lands in BC: the Forest Act, the Forest and Range Practices Act (FRPA), the Forest Practices Code of British Columbia Act (FPC), the Ministry of the Forests Act, the Wildfire Act and the Foresters Act. Numerous other provincial and federal acts, regulations, guidelines and policies also have implications for forestry operations on Crown lands. Replaceable and non-replaceable forest licences in BC are tenures granted by the BC Minister of Forests under the authority of the Forest Act. The allowable annual cut (AAC) of each timber supply area (TSA) is determined by the provincial Chief Forester at least once every 5 years.

FRPA and its regulations in particular set the requirements for planning, road building, logging, reforestation and grazing and define planning processes and prescribe levels of protection for forest values. Forest licensees are required to develop a Forest Stewardship Plan (FSP) to meet the requirements of FRPA. ArdeW Wood Products Ltd. received approval of their Forest Stewardship Plan on July 12, 2007.

FRPA took effect on Jan. 31, 2004. Any activities already approved under the pre-existing FPC were grandfathered and continue to be governed by the FPC Act and its regulations. Once transition is complete all forest licensees will operate solely under FRPA, with previous plans (i.e., Forest Development Plan (FDP)) being replaced by FSPs developed under FRPA.

Working with a group of public stakeholders (the SFM Advisory Group), a Sustainable Forest Management Plan (SFMP) was developed by 14 licensees operating in the Merritt TSA in 2000 to 2001. Other licensees have since joined as participating licensees under the SFMP since the initial plan was developed. ArdeW has been a participant under the SFMP since the plan's development and pursued and received CSA Z809 certification on December 12, 2007.



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The SFMP, which encompasses the entire Merritt TSA, serves as a roadmap to current and long-term forest management in the DFA by setting DFA-specific ecological and social values, objectives, indicators and targets that address the national SFM Criteria and Elements established by the Canadian Council of Forest Ministers. The SFMP reflects the bounds established by any higher level plans and through the regulatory framework described above. ArdeW ensures that all lower-level plans it is responsible for developing (i.e., its FSP and all site level plans) are consistent with the commitments made in the SFMP.

ArdeW has also developed its own SFMP that is complimentary to the Merritt TSA SFMP. ArdeW’s SFMP provides additional information respecting how the company will achieve, monitor and measure the indicators and targets contained in the Merritt TSA SFMP. It also provides a description of ArdeW’s DFA. The ArdeW DFA is covered by a replaceable Forest Licence (FL A18039) which has an AAC of 64,469 m3. A portion of the AAC for FL A18039 was awarded as uplift volumes in recent years to enable the Company to respond to (1) the mountain pine beetle epidemic in the TSA and (10,354 m3) and (2) increased available volumes associated with implementing resource management techniques which enhance forest productivity or availability under the Merritt Innovative Forest Practices Agreement (19,015 m3). These additional uplift volumes are set to expire in August 2011. The additional operating areas in ArdeW’s DFA are comprised of two non-replaceable Forest Licences’ FL A55524 (under Nicola-Pacific Forest Products Ltd.) and FL A65442 (under Applied Timber Management Ltd.) awarded to harvest smallwood timber types. The AACs on FL A55524 is 67,500 m3 and on FL A 65442 is 17,000 m3, bringing the current total AAC for ArdeW’s 3 FLs to 148,969 m3.

ArdeW’s Crown land woodlands operations are managed by the company from its office in Merritt, BC.

Audit Objectives and Scope

The following audit objectives were included within the scope of the audit:

- A CSA Z809 surveillance audit to evaluate the operation’s conformance with selected requirements of the 2002 edition of the CSA Z809 standard.
- An ISO 14001 re-registration audit against all requirements of the ISO 14001:2004 standard.

The Audit

- *Audit Team* – The CSA Z809 surveillance and ISO 14001 re-registration audits of the Company’s operations in the Merritt TSA was conducted by Craig Roessler, RPF, CEA(SFM), EMS(LA). Mr. Roessler is a KPMG PRI auditor who has conducted numerous forest management audits under a variety of standards including CSA Z809, ISO 14001 and SFI.
- *CSA Z809 Surveillance Audit/ISO 14001 Re-Registration Audit* – This CSA Z809 surveillance audit involved an on-site assessment of selected elements of the Company’s CSA SFM system and in its implementation in conjunction with a re-registration audit of the Company’s environmental management system to ISO 14001. ArdeW was originally certified to ISO 14001 in December 2002. The audit included visits to a number of field sites to evaluate the extent to which the

Audit results

Major nonconformities	0
Minor nonconformities	0
Opportunities for improvement	6

Types of audit findings

Major nonconformities:

Are pervasive or critical to the achievement of the SFM Objectives.

Major nonconformities must be addressed immediately or registration cannot be achieved / maintained.

Minor nonconformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All nonconformities (major and minor) require an action plan within 30 days and must be addressed by the operation.

Opportunities for Improvement:

Are not nonconformities but are comments on specific areas of the SFM System where improvements can be made.

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operation’s forest management plans and practices conform to the requirements of the CSA Z809 standard.

- *Surveillance Audits* – Annual surveillance audits are conducted by the audit team to ensure that CSA Z809 requirements continue to be met.
- *CSA Program Representative* – Todd Chamberlain, RFT served as ArdeW’s CSA Z809 program representative during the audit.

Audit Conclusions

The audit found that:

- The operation’s B.C. woodlands operations meet the requirements of the 2002 edition of the CSA Z809 standard in all material respects. No nonconformities were identified during the audit. As a result, a decision has been made to grant continued registration to the CSA Z809 standard. ArdeW’s CSA Z809 certification is valid until December 11, 2010.
- The operation’s EMS continues to be effectively implemented and meets the requirements of ISO 14001:2004 in all material respects. No nonconformities were identified. As a result, a decision has been made to grant continued registration to the ISO 14001 standard. ArdeW’s ISO 14001 certification is valid until December 16, 2011.

Good Practices

During the course of the audit, a number of good practices were identified. The following list outlines some of the more notable examples of good practices that were observed by the audit team:

- The noteworthy practice of rehabilitating and planting landings and on-block roads minimizes the environmental risks associated with maintaining on-block roads and maximizes the productive area occupied by planted trees.
- Low levels of site disturbance observed in the field overall.
- The operation’s silviculture program is effectively managed and implemented with good controls and records to promote compliance with requirements (including seedlot reviews to ensure past reforestation complied with seed transfer guidelines).
- The operation’s primary contractor has replaced all old tidy tanks with new, double-walled tanks to help minimize the risks associated with fuel spills.
- Excellent review and documentation of key elements of the operation’s EMS during the EMS/SFM annual review was observed.
- SFM Advisory Group meeting minutes are well documented to reflect detailed discussion of indicators, status of targets and monitoring results.
- On-the-ground environmental performance was very good overall, indicating effective operational controls and implementation of EMS, operational and monitoring requirements and excellent levels of operational awareness overall.



The Company implements exemplary road rehabilitation and reforestation practices.



Noteworthy field example of Douglas-fir retention on a recently harvested block.

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Follow-up up on Open Nonconformities from Previous Assessments

At the time of this assessment there were no open nonconformities from previous audits that required closure.

Areas of Nonconformity

Full conformance was found in relation to the requirements of the CSA Z809 standard. No nonconformities were identified during the surveillance audit.

Opportunities for Improvement

The following 6 opportunities for improvement were identified during the CSA Z809 certification audit:

- Although the audit confirmed that adequate records exist to demonstrate conformance to the requirements of CSA Z809 and ISO 14001, isolated weaknesses in records were noted during the audit (i.e., management review meeting minutes from last review not fully documenting inputs; training tracking table not fully updated to reflect recent staff and contractor training; regen performance survey records for two blocks not including discussion of isolated under-stocked areas; and the Emergency response test schedule form not being used).
- While the audit verified that the operation will make the results of independent certification and surveillance audit reports available to the public upon request, an opportunity exists to establish an improved process for externally communicating the results of these audits to make them more widely and readily available. In addition, although the SFMP and annual monitoring reports are available to the public on the Merritt TSA certification website, ArdeW is not directly providing this SFM information via its website or via a functional link to the Merritt TSA website.
- While the operation has made significant progress in addressing the issues respecting the identification and management of species at risk, the following weaknesses with the current approach for identifying and managing SAR were noted during the audit:
 - The operation still risk ranks the associated environmental aspect within its EMS as non-significant.
 - The related indicator in the SFMP (Indicator 6 – protection given to identified wildlife) and associated appendix which lists the identified wildlife species present in the Cascades Forest District does not include or reference a number of identified red- and blue-listed wildlife species, red-listed plant species and red-listed ecological communities present in the Forest District.
 - The FSP restricts planning consideration to Sec. 7 identified wildlife species. Consequently it is not clear if all rare wildlife, plant species and plant communities are being considered and reflected in the operation’s planning, development and layout processes.
- The audit identified the following weaknesses in the Merritt SFMP and underlying indicators, targets and/or monitoring approaches:
 - **Indicator 2** (conformance to riparian management area commitments) – Although one of the underlying targets applies to conformance with riparian



The Company has strong controls in place to promote adherence to silviculture obligations, including regen delay and free growing standards.

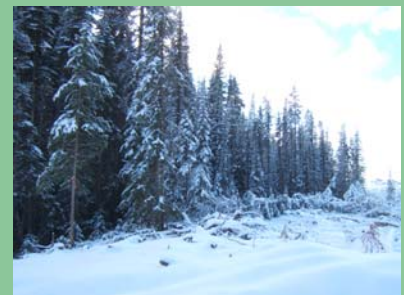


Low levels of site disturbance were observed during the field audit. Also shown in photo are wildlife tree patches as well as stub trees growing marking a recreation trail.

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commitments involving temperature sensitive streams and associated tributaries, reported monitoring results reflects overall conformance with riparian commitments and does not clearly specify the level of conformance involving known temperature sensitive streams.

- **Indicator 3** (blocks with wildlife trees/stubs or wildlife tree patches) – The underlying target is not particularly ambitious (i.e., any level of retention would ensure conformance) and is not explicitly linked to meeting regulatory requirements or commitments in FSPs.
- **Indicator 6** (protection given to identified wildlife) – As indicated above, the measure is narrowly focused on identified wildlife species and as such does not capture species at risk present on the DFA in a broader sense.
- **Indicator 30** (number of written comments from First Nations related to Forest Plan proposals and the number of responses) **and Indicator 31** (number of written comments from stakeholders related to Forest Plan proposals and the number of responses) – Monitoring results in the 2007 annual monitoring report for the targets underlying these two indicators do not include discussion on whether there were any written concerns that were not incorporated into Forest Plans and correspondingly whether associated letters of explanation were provided (SFMP discussion implies that this is a component of the targets).
- **Indicator 34** (Forest age class distribution) – There is no historical biological natural disturbance basis to this target and it likely does not reconcile with what could reasonably be accomplished on the DFA given the current mountain pine beetle epidemic.
- A number of the SFMP targets are written as actions rather than desired future states of the indicators, including **Indicators' 19** (total output of forest products from sawmills), **20** (operating level of timber processing facilities), **22** (percent of cutblocks in known scenic areas with visual impact assessments completed), **23** (number of FDP/FSP meetings), **25** (Number of information exchanges occurring with First Nations), **27** (Maintain number of extension activities offered to reach individuals) and **29** (Number of business initiatives and partnerships). Consequently, providing the SFMP participants report out on these targets (i.e., simply list the initiatives, meetings, etc.) they will be achieved even if in real terms there were actual diminutions from one year to the next.
- The descriptions of the strategies, legal requirements and basis for target underlying a number of indicators in the SFMP references only Forest Practices Code but not relevant Forest and Range Practices Act requirements.



Numerous examples of effectively protected streams were observed during the audit, including (as shown) a recently installed arched culvert which allows fish passage and a reserved riparian buffer strip.



There is continued strong emphasis on harvesting mountain pine beetle-infested lodgepole pine stands.

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