

Validation Report

The Board of Experts declares that it has validated the following certificates of International Forest Products Ltd (Interfor), Vancouver B.C., Canada, for their Coastal Woodlands Operations, with a total area of 3,030.215 ha and the related Chain of Custody against the criteria as laid down in the Keurhout Verification Procedure for SFM, version October 2002 :



This report may only be issued integrally

General:

- KPMG Certificate for ISO 14001, (not numbered), dated October 3, 2002, valid until October 2, 2005, including forest operations and facilities

Coastal Woodlands Operations:

- KPMG Certificate for the Sustainable Forest Initiative, (not numbered), dated January 2, 2004, valid until January 14, 2009,

CoC certificates:

CoC Certificate No. SCS-COC-00285, issued June 2001, valid until June 2006, in conformity with FSC standard, and CoC Certificate No. SCS-COC-00300, issued June 2001, valid until June 2006, in conformity with a neutral model based on FSC C&I, covering both the following sites:

- Adams Lake Lumber Sawmill, Chase BC,
- Hammond Cedar Sawmill, Maple Ridge BC,
- MacKenzie Seizai Sawmill, Surrey, BC,
- Western Whitewood Sawmill, New Westminster, BC
- Fields Sawmills, Courteney, BC
- Acorn Forest Products Sawmill, Delta BC,
- Albion Processing Centre, Maple Ridge, BC
- Cedarprime, Sumas, Washington
- Fraser Remanufacturing New Westminster, BC
- Saltair Timber Products, Chemainus, BC

Additional CoC certificates

- KPMG COC certificate (not numbered) for Acorn Sawmill, issued April 2002, valid until April 2007, based on generic criteria,
- KPMG COC certificate (not numbered) for Western Red Cedar Group, issued April 2002, valid until April 2007, based on generic criteria,
- KPMG COC certificate (not numbered) for McKenzie Seizai, issued April 2001, valid until April 2006, based on generic criteria.

The following documents have been included in the validation:

1. BC Forest Outreach Network. BC Forest Facts (brochure).
2. BC Forest Outreach Network, 2003. BC Coast Report (brochure).
3. BC Forest Outreach Network, 2004. BC Forest Report (brochure).
4. Fern, February 2004. Footprints in the forest. Current practice and future challenges in forest certification.
5. Form Ecology Consultants ; Comparison of the Willamette SFI standard and the Keurhout requirements for sustainable forestry. Final report. June 2000.
6. Interfor, June 1998. Silvicultural prescription for licence FL A16841, Prince Rupert, North Coast.
7. Interfor, May 2001. Copy of the FSC CoC-certificate.
8. Interfor, June 2001. Copy of the SCS CoC-certificate.
9. Interfor, July 2001. North Coast Forest district. Forest Development Plan (Final) 1999-2003.
10. Interfor, November 2001. Tree Farm Licence 45. Approved Management Plan No. 4, effective for the period November 1, 2001, to October 31, 2006.
11. Interfor, 03/10/02. Copy of the ISO-14001:1996 certificate.
12. Interfor, 2003. Map showing the Crown Land on the B.C. coast which is licenced to Interfor and included in the Defined Forest Area covered by the certifications.
13. Interfor, 2003. List of licences within the Defined Forest Area.
14. Interfor copies of the KPMG CoC-certificates (April 2003-2004)
15. Interfor, 02/01/04. Copy of the renewed SFI certificate.
16. Interfor, 2004. Interfor's Sustainability Report – Certified Sustainable (brochure).
17. Interfor, 2004. Coastal TSA's and TFL's Annual Allowable Cuts Within Interfor's Operating Areas to August 2004
18. Interfor, 2004. Variable Retention Guide and Defenition.
19. Interfor, 2004. Interfor Coastal Woodlands Variable Retention . Variable Retention Forest Science Forum, April 2004, Nanaimo, BC (presentation).
20. Interfor, 2004. Interfor Operations within the DFA (map).
21. Interfor, 2004. Interfor Operable Summary.
22. Interfor, 2004. Operability Analysis for Interfor Charts and TFL's
23. Interfor, September 2004. Sustainable Forest Management Plan. EMS Program # 5.
24. Keurhout, 20/09/2001. Toetsings Rapport # 1 m.b.t. Interfor.
25. Keurhout, 10/10/2001. Acceptatiebesluit (ref: 01205) m.b.t. Coastal Woodlands, Interfor.
26. Keurhout, 28/08/2002. Verification Report # 2 on Interfor.
27. Keurhout, 21/11/2002. Verification Report # 3 on Interfor.
28. Keurhout, 30/09/04. Analyse antwoorden van INTERFOR/KPMG n.a.v. vragen KH m.b.t. herbeoordeling
29. KPMG, January 15th, 2001. AF&PA SFI Program Third Party Verification Audit of Interfor's Coast Forest Operations. Final Audit Report
30. KPMG, October 11th 2001. SFI-Periodic Assessment # 1 of Interfor's Coastal Woodlands Operations.
31. KPMG, 2002. Certificate of Registration to the EMS Standard ISO 14001: 1996. International Forest Products Ltd, Coastal Woodlands Operations. Issue Date October 3, 2002.
32. KPMG, 06/10/03. Periodic Assessment # 1 Report on ISO 14001-1996.
33. KPMG, 17/12/03. AF&PA SFI Program Third Party Re-Verification audit of International Forest Products Limited Coastal Woodlands Operations. Final Audit Report.
34. KPMG, 2004. Certificate of Verification to the Sustainable Forestry Initiative Program. International Forest Products Ltd, Coastal Woodlands Operations. Renewal Date January 2, 2004.
35. Land Use Coordination Office, 2001; Land use planning in British Columbia (brochure).
36. Land Use Coordination Office, 2001; British Columbia Protected Areas, Strategy update (brochure).
37. Ministry of Forests BC, November 1993. British Columbia Forest Practices Code. Rules.
38. Ministry of Forests BC, November 1993. British Columbia Forest Practices Code. Discussion paper.
39. Ministry of Forests BC; January 2000. Tree Farm Licence 54. Rationale for AAC determination.
40. Ministry of Forests BC; October 2000. North Coast Timber Supply Area. Rationale for AAC determination.
41. Ministry of Forests, BC, November 2001. Tree Farm Licence 45. Rationale for Annual Allowable Cut (AAC) Determination. Effective November 1, 2001.
42. Ministry of Forests, BC, November 2004. Fraser Timber Supply Area. Rationale for Annual Allowable Cut (AAC) Determination. Effective August 1, 2004.
43. Ministry of Forests BC; British Columbia's Forests and their management (brochure), September 2003
44. SCS, April 2001. Neutral CoC Report for Interfor ; CoC registration number SCS-COC-00300 Sawmill Facilities and Manufacturing Facilities; Scientific Certification Systems, Oakland California, USA
45. S-FOR-S, 2004. Dossierstudie "Herbeoordeling Interfor Coastal Operations, Canada"

Correspondence integrated in the validation:

46. Ministry of Forests BC. Letter of L Pedersen (Chief Forester BC) to Interfor dd 19/12/00
47. Interfor. Letter to VVNH dd 01/05/01
48. Interfor. Letter to Keurhout dd 26/06/01
49. Keurhout. Letter (ref: 01160) to Interfor/VVNH dd 26/07/01
50. Keurhout (ref: 2004/29) letter to KPMG dd 20/04/04
51. Mail KPMG aan KH dd 30/04/04
52. KPMG. Letter to KH dd 10/05/04
53. Keurhout. Letter (ref: 2004/35) to KPMG/Interfor dd 17/05/04
54. Interfor. Letter to KH dd 21/05/04
55. Keurhout. Letter (ref: 2004/42) to KPMG/Interfor dd 10/06/04
56. Keurhout. Letter to Interfor and KPMG dd 25/08/04
57. Interfor. Letter to KH dd 14/09/04
58. KPMG. Letter to KH dd 29/09/04
59. Keurhout. Mail to Interfor dd 25/10/04
60. Keurhout. Mail to KPMG dd 25/10/04
61. Interfor. Mail to KH dd 26/10/04
62. KPMG. Mail to KH dd 26/10/04
63. KPMG. Mail to KH dd 27/10/04

Introduction

The validation has been carried out against the Keurhout Protocol for the Verification of Sustainable Forest Management (version October 2002), based upon the Netherlands Government minimum requirements. In relation to its four validation requirements, the Board of Experts has noted the following:

Validation 1: Requirements regarding the management system

The criteria of validation 1 are considered to be sufficiently met through compliance to the combination of criteria of the SFI standard and the legally prescribed conditions of the Forest Practices Code. The management body is committed to the long-term objectives of Sustainable Forest Management and ensures that properly trained personnel conduct the forest management. Interfor's management system has been certified against ISO Guide 14001-1996, covering forest operations and facilities. Therewith requirement No. 1 has been met. For specific aspects of the management plan that require some improvement however, reference is made to validation 2.

Validation 2: Requirements regarding the performance of forest management

The Board of Experts has gathered information on various matters concerning sustainable forest management, the SFI system, the legal and regulations context and on Interfor's forest management approach. Where questions were raised, Interfor and certifying organisation KPMG submitted answers through the above mentioned letters and documents and additional e-mails.

General considerations

The above mentioned management area has - with certain conditions - been accepted to the Keurhout Hallmark System before and was reassessed now, as the former certificate was expired and a new certificate had been issued by the certifier (KPMG). KPMG assessed especially the Interfor management performance with help of the SFI standard and the ISO 14001 requirements. Over the last years, Interfor forest management has been guided by SFI criteria, trying to comply with set indicators of that system.

The planned performance however, is also directed by two other important factors: the legal context and the company's general management policies. Recently the Forest Practices Code was of great importance as it provided a system of regulations which had to be complied with by law. Compliance is checked by Government Agencies and offences or non-compliance are fined. As from January 2004, the Forest Practices Code will be replaced by the new Forest and Range Practices Act, taking into consideration a bridging period. Through the new system the Government will set the targets, but leave a greater degree of responsibility with the companies to define the ways to reach those targets. This will increase the importance of the other factor, the company's own management policies. Interfor has chosen for sustainable forest management and is one of the companies developing and implementing strategies to contribute to a process of improved forest management. As a result, Interfor has among others adopted the introduction of Variable Retention (VR) techniques in at least 50 % of the harvesting units of its productive forest base. Thereby the company significantly reduced the forest area where clearcuts are applied. In addition, Interfor is involved in experiments regarding size and composition of retention patches and research on effects on forest regeneration, wind throw and pests, thereby contributing to the further development of VR techniques and the knowledge base with regard to sustainable forest management.

The Coastal Woodlands Operation Program of Interfor includes 4 tree farm licences, 9 renewable forest licences, 1 timber sale licence and 88 coastal timber licences. For forest management planning purposes all these “timber supply units” are considered as separate FMU’s, for which separate forest development plans (FDP’s) have been developed. Those plans consider so-called “higher level plans” at provincial and landscape level, like Land Resource Use Plans and Landscape Unit Plans. As from April 2005 FDP’s will be replaced by Forest Stewardship Plans (FSP’s), which will pay special attention to measurable, verifiable results. Implementation of FSP’s is subdue to government control.

The actual performance of the forest management may be affected by external elements like weather conditions, natural disasters, social unrest, economic constraints and market developments, etc and by internal factors like quality of planning, efficiency of operations, level of training and understanding of personnel. Actual performance is presented in separate annual reports, written by the company and with input of the public Stakeholder Group. In addition, an annual audit is implemented by KPMG, which results in a surveillance report. These reports should be the main source of independent information on actual performance to be validated by Keurhout.

In former occasions, Keurhout already acknowledged positive developments at Interfor, from relative major scale clearcut logging operations towards the implementation of VR techniques in at least part of the DFA. These techniques are an important step in the right direction to change from a generalised treatment, applied at a major scale, to a specific treatment, based on specified objectives for a particular planning unit and in relation with the specific site conditions.

These positive developments should be viewed in the Canadian context (enormous scale of the forest area and widely accepted room for a certain segregation of functions), including the importance of the wood sector for employment and for national income and including the difficult market conditions.

The predominance of information on the content and applicability of regulations and systems in stead of what had been achieved through it, have been the main reason for Keurhout’s extensive efforts to receive more insight in the Canadian and BC developments concerning forest management. Information on the resulting state of the forests and on the achievements in terms of quantified projections related to specified objectives per planning unit were almost lacking, among others in the KPMG audit report and map provided by Interfor. In this respect, there is still room for improvement.

The Keurhout Board of Experts is not only interested in the relation between harvest operations or retention harvest and the official regulations, but also in the effects on the various forest qualities in terms of quantified projected components per planning unit.

Sustainable forest management (SFM) and special management areas

In the Canadian context the conditions for SFM are generally met at the landscape level. At that level certain areas may be designated for special management categories. In the DFA such special areas have been designated as e.g. Wildlife Habitat Area or Old Growth Management Area. As such areas distinguish themselves by a specific combination of management objectives and require specific management activities and management restrictions. Although such areas are mentioned in plans and reports and although total areas per type of special management area are known, it is not clear to what extent specified objectives and their projected components have been systematically and/or consistently formulated in relation to site potentials or site qualities and to what extent those areas have been explicitly identified and indicated in the field. In other words: there remains some vagueness about specified objectives and their projected results in relation to specific geographical planning units. This is partly due to a certain degree of officially accepted segregation of functions. A multi-function approach, with clearly identified objectives and projected results per planning unit or homogeneous planning zone, would be helpful to plan and understand long-term management goals.

Representation of ecotypes

Important areas have been set aside for conservation. However, certain part of them appear to coincide with otherwise “unproductive or non-accessible” forest land. Therefore it remains unclear to what extent those special management zones provide a representative basis for the conservation of the different ecotypes present in the DFA. In addition, there may be some “double-counting” as specific sites may have more than one conservation objective, while integration of functions is not explicitly mentioned. Clear maps which identify specific areas with a certain combination of management goals would be most helpful to provide insight, both for the forest managers, Keurhout and the public.

Variable Retention and Clear Cut

Interfor is implementing the retention harvest system in a flexible way, with a continuous process of auditing and checking. The distribution, size and quality of retention patches are monitored through a program developed in 2003, with a variety of standardised procedures for the evaluation of ecological impact of VR harvest. In addition Interfor implements long term research on impact of VR harvesting. Theoretically VR systems show major differences in intensity and form, from retaining a few trees per hectare to harvesting a few per hectare, and from leaving disperse trees or lines of trees to retaining groups. Operations at Interfor show a relative preference for the application of group retention above individual retention. This is considered positive, as major effects may be expected with respect to maintenance of original forest conditions and hereby provision of conditions for the fulfilment of ecological and social functions. On average, approximately 17 % of the forest is retained while applying VR. Cutblocks of over 2 ha require internal retention under the system. Part of the VR varieties though, is referred to as “clearcut with reserves”. In addition, an important part of the harvest units (almost 50 %) is still harvested by clearcut. It is not yet clear how Interfor will deal with full-scale introduction of VR on the medium term and/or long term.

Old Growth

A special concern has been raised by the fact that an important part of the harvest still comes from old growth forest. From a multi-functional point of view this concerns the most valuable part of the forest. The question can be raised whether sufficient Old Growth forest is being reserved to guarantee the sustainability of all relevant ecological and social functions and processes on the long term. In line with the earlier remarks on ecotypes, it is not clear to what extent representative areas of old growth of different forest types are being reserved, especially where it concerns operable old and mature seral stages.

Secondary Forests

VR techniques are implemented when harvesting in approximately 50 % of the secondary forest, resulting in a variable percentage of the trees being left. Over 500 ha of future “older growth” forest have been retained this way of which the major part is supposed to be left for at least another rotation (80-100 years). The harvested sites are mostly replanted with selected material of a few species, creating relatively mono-functional stands. In addition, most important is what happens after harvest and regeneration. For example, which management measures will be taken to promote forest qualities related to maturing trees and to maturing parts of the plantations? And to what extent are these approaches consistent? Such information should be deductible from (long term) management plans.

Peer Review

The SFI system, as part of its normal procedure, requires a peer review of the assessment reports. Interfor has incorporated a public stakeholder group and a science advisor to its SFI program to provide on-going feedback and guidance to the SFM plan, the implementation and monitoring through annual internal (company) and external (KPMG) audits. However, feedback from the public stakeholder group is not necessarily of a scientific and or professional level, while time constraints sometimes affect revisions by the science advisor.

Hallmark adjudication

It is Keurhout's impression that adjudication to the Keurhout Hallmark will further enhance the process of improving Sustainable Forest Management in the DFA.

Based on the above, the following Keurhout conditions have been formulated, in order to stimulate transparency and continuous forest management improvements in its DFA:

- Keurhout condition 1.

All (special) management zones in the DFA should be clearly identified on maps (1:25,000) and in the field.. Specified objectives and related specific management measures should be clearly identified per geographical management unit in accordance with site conditions, and should be integrated in the management plans and made available to the public within a year from this reassessment, not later than December 2005.

- Keurhout condition 2.

A peer review by a Canadian forestry expert, with local experience in the field of forest investigation and management and familiar with the above mentioned approach, should confirm within a year from this reassessment, not later than December 2005, the existence and preliminary use of planning units as mentioned in condition 1. The review will include field implementation of VR techniques and dealing with conservation and development of Old growth forest characteristics. The detailed ToR should be established in co-ordination with Keurhout.

Provided that arrangements have been taken to fulfil these conditions, validation requirement No 2 is considered to be met.

Validation 3: Requirements regarding the certifying body

The certification body, KPMG Performance Registrar Inc, Vancouver, BC, Canada, is accredited by the Standards Council of Canada for certification against ISO-14001 and the SFI-standard. The quality of the SFM audit reports is reasonable, but leaves room for improvement as more insight could be provided on the forest management performance.

Reporting by the certifier

The SFM-reassessment report of the certifier provides compliance scores at objective and performance measure level. In the accompanying text main findings are presented including good practices, non conformities and future points of concern. Although "all issues" of the standard are audited systematically, insight in the actual performance of the forest management remains limited. As a result, the Keurhout BoE had to find an important part of the information required for its assessment from other sources than the report of the certifier. The certifier did not specifically report on previously set Keurhout conditions; this information was provided afterwards though and to the satisfaction of the Board of Experts.

Keurhout considers it primarily the responsibility of Interfor to assure that the certifier provides sufficient substantiation and reports on the special concerns, requirements and eventual conditions set by Keurhout. Interfor should therefore:

- a. include those additional elements in the ToR for the certifier,
- b. require that the audit reports provide sufficient details to allow insight in the results of forest management and
- c. provide Keurhout with full copies of audit reports.

Based on the above observations requirement No 3 is considered to be met.

Validation 4: Requirements regarding the chain of custody

The CoC certificates were still valid and were therefore not assessed again. The quality of the relevant audit reports has been considered to be adequate at a previous occasion.

Herewith validation requirement No 4 has been met.

Conclusion:

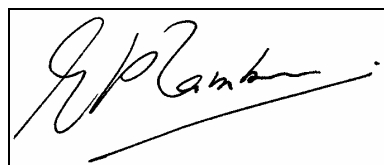
On this ground, and under the conditions as specified above, which have to be closed out within a year from the issuance of this reassessment report, the Board of Experts concludes that the validation requirements have sufficiently been met. Therefore, it concludes to admit timber with the announced certificates into the Keurhout chain of custody system as long as the certificates remain valid.

Date: December 13th, 2004

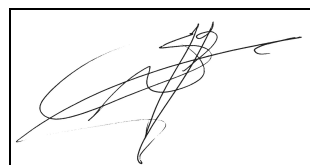
Signed:

Ir. E.P. Zambon

Prof.Dr.Mr. C.J. Jepma



(Secretary)



(Chairman)