



Forest Certification REPORT



ANC Timber Ltd — 2015 Surveillance Audit

In October 2015, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of ANC Timber Ltd's (ANC's) woodlands operations against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fibre sourcing standards. To provide for a more efficient audit, an ISO 14001 surveillance audit was conducted at the same time. This Certification Summary Report provides an overview of the process and KPMG's findings.

Description of ANC Timber Ltd's Woodlands Operations

ANC's woodlands operations are located in west-central Alberta, Canada, and encompass a total area of 340,000 hectares. This is comprised of ANC's area-based Forest Management Agreement (FMA89000026) area, as well as the company's volume-based Quota Areas (W06 and W02). The existing allowable annual cut on ANC's FMA and Quota Area tenures totals 1.0 million cubic meters.

The woodlands operations that are included within the scope of the Company's SFI certification are covered by a forest management system that addresses the Objectives of the SFI forest management standard and includes a variety of targets in relation to them. The woodlands operations are covered by government-approved harvest plans that address both timber and non-timber values. These are developed to be consistent with higher level plans such as the Detailed Forest Management Plan which provide direction to forest management within the areas managed by the organization.

The forests managed by the Company are within the boreal forest eco-region, and are made up of conifer as well as deciduous stands. Common tree species are pine, spruce, balsam, trembling aspen, and poplar.

The forest management approach employed by the Company is based on even-aged management, ground-based harvesting systems, clearcut harvesting with the retention of reserves of standing trees, post-harvest regeneration of deciduous species through natural suckering, and in the case of conifer species regeneration through planting with a mix of ecologically suited tree species.

Description of ANC Timber's Manufacturing Facilities and Fibre Sourcing Program

The company operates a paper mill near the community of Whitecourt, Alberta. Most of the logs for the mill are sourced from the company's SFI-certified timberlands, with the remainder being purchased from other crown-land operators (most of which are also SFI-certified).

The Company participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases, and completes purchase wood inspections as necessary. The results are then collated by WCSIC (of which the Company is a member) in order to identify trends in performance and opportunities for improvement.



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Audit Scope

The scope of the audit covered the following:

- The objectives of the SFI standard noted in a table later in this report and the organization's activities and management system processes that pertain to them.
- Activities conducted under the Company's management system between November 20, 2014 and October 9, 2015.

The Audit

- **Audit Team** – The audit was conducted by Mike Alexander, RPF, EP(EMSLA), as lead auditor, and Del Ferguson, P.Geo. Both Mike and Del are contractors to KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2015 SFI Surveillance Audit** – The audit involved an on-site assessment of a sample of elements of the Company's environmental management system (EMS) and SFI program, and included visits to several field sites (6 roads, 7 cutblocks, and 9 silviculture sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The audit took a total of eight auditor days to complete, seven days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **ANC's SFI Program Representative** – Kevin Wilchak, RPFT, served as ANC's SFI program representative during the audit.

Use of Substitute Indicators

No substitute indicators were used during the audit:

Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system at ANC Timber to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that ANC Timber meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that ANC Timber meets its specified SFM objectives.

Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

ANC Timber Ltd SFI Surveillance Audit Findings	
Major non-conformities	0
Minor non-conformities	5
Opportunities for improvement	2

Types of audit findings

Major non-conformities:
Are pervasive or critical to the achievement of the SFM Objectives.

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

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

Opportunities for Improvement:
Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

Findings: ANC Timber Ltd's—2015 Surveillance Audit

Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	N/A – not in scope for 2015
2. Forest Health and Productivity	SFM Plan, forest management plans, Ground Rules, Annual Reforestation Plan, surveys, field inspections
3. Protection and Maintenance of Water Resources	N/A – not in scope for 2015
4. Conservation of Biological Diversity	SFM Plan, Ground Rules, Forest Management Plans, Natural Disturbance Program, wildlife habitat datasets, field inspections
5. Management of Visual Quality and Recreational Benefits	N/A – not in scope for 2015
6. Protection of Special Sites	SFM Plan, Forest Management Plans, Ground Rules, special site maps
7. Efficient Use of Forest Resources	N/A – not in scope for 2015
8. Recognize and Respect Indigenous People's Rights	SFM Plan, forest management plans, first nations consultation records, company policies
9. Legal and Regulatory Compliance	SFM Plan, Environmental Management System (EMS), internal audit compliance assessment
10. Forestry Research, Science and Technology	N/A – not in scope for 2015
11. Training and Education	SFM Plan; training needs matrix; training records, interviews
12. Community Involvement and Landowner Outreach	N/A – not in scope for 2015
13. Public land Management	SFM Plan, forest management plans, EMS
14. Communications and Public Reporting	N/A – not in scope for 2015
15. Management Review and Continual Improvement	SFMP, management review, internal audit



The recent harvest block shown in the photo was prepared for regeneration by disc-trenching. The machine operator identified the wet soils in the foreground and elected not to trench the area, avoiding soil degradation.

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SFI Fibre Sourcing Objective #	Sources of Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	SFI implementation committee purchase wood information package, records of involvement in regional conservation efforts
2. Adherence to Best Management Practices (BMPs)	Fibre sourcing policy, written fibre sourcing agreements, records of implementation of the BMP monitoring system.
3. Use of Qualified Resource and Logging Professionals	N/A – not in scope for 2015
4. Legal and Regulatory Compliance	SFM Plan, EMS, internal audit compliance assessment summary.
5. Forestry Research, Science & Technology	N/A – not in scope for 2015
6. Training and education	SFM Plan, EMS training needs matrix, training records, SFI implementation committee purchase wood information
7. Community Involvement and Landowner Outreach	N/A – not in scope for 2015
8. Public Land Management Responsibilities	SFM Plan, forest management plans, EMS
9. Communications and Public Reporting	N/A – not in scope for 2015
10. Management Review and Continual Improvement	SFMP, Management Review, internal audit, ANC SFI Implementation Matrix.
11-13. Applies to sourcing fibre from outside Canada/USA	N/A

Good Practices

A number of good practices were identified during the course of the audit. Examples included:

- **SFI Forest Management Objective 11 / Fibre Sourcing Objective 6 (training and education)** – A very high level of awareness regarding relevant EMS and SFI requirements was found with ANC staff as well as contractors.
- **SFI Forest Management Objective 4 / Fibre Sourcing Objective 1 (biodiversity)** – Significant collaborative work continues to be done by ANC staff as part of the Alberta Caribou recovery teams, with the objective of developing practical range and action plans.



The audit included a verification of stand survey results for the vintage harvest area shown above.

Areas of Nonconformance

The following five minor non-conformities were identified during the audit:

- **SFI Fibre Sourcing Objective 2 (adherence to best management practices)** — There are no written agreements requiring the use of best management practices.
- **SFI Fibre Sourcing Objective 6 / Forest Management Objective 11 (training and education)** — The company has a commitment statement to the SFI standard, but it references the outdated version of the standard.
- **SFI Fibre Sourcing Objective 6 / Forest Management Objective 11 (training and education)** — there are no written agreements with harvest contractors and suppliers for the use of qualified logging professionals.
- **SFI Fibre Sourcing Objective 6 / Forest Management Objective 11 (training and education)** — The SFI training material provided covers most but not all the required topics, specifically in regards to rare forested natural communities.
- **SFI Forest Management Objective 8 (indigenous people's rights)**— Although the company has effective communication with First Nation stakeholders, there is no written policy acknowledging their commitment in recognizing and respecting the rights of First Nations peoples.

Opportunities for Improvement

The following two opportunities for improvement were identified during the audit:

- **SFI Forest Management Objective 2 (forest health and productivity)**— Isolated occurrences of un-burned logging slash were noted, creating a potential fire hazard.
- **SFI Fibre Sourcing Objective 1 (biodiversity)**— The fibre supplier information material has yet to be updated to reflect some minor wording changes from the new SFI standard.

Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by ANC and reviewed and approved by KPMG PRI. The next audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.

Audit Conclusions

The audit found that:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the systems continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that ANC Timber Ltd. be certified to the SFI 2015-2019 forest management and fibre sourcing standards.

Focus Areas for the Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Completion of caribou protection plans, and the implication on timber supply
- Planned expansion of the fibre sourcing program
- New road construction and maintenance plan

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