



ANC Timber Ltd — 2016 Re-certification Audit

From October 18-21, 2016, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-certification 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 re-certification 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 (AAC) on ANC's FMA and Quota Area tenures totals 1.0 million cubic meters, and the 2016 audit found that the Company's forest harvesting continues to conform to the AAC applicable to these operations.

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. In addition, government-approved annual operating plans that address both timber and non-timber values are also in place. Various higher level plans approved by government (e.g., Detailed Forest Management Plans) also provide direction to forest management within the areas managed by the organization.

The areas covered by the company's SFI certification fall within the following WWF ecoregions: (1) Alberta-British Columbia foothills forests, (2) Canadian Aspen forests and parklands, and (3) Mid-Continental Canadian forests. The main commercial tree species are lodgepole pine, white spruce, balsam fir, trembling aspen, and poplar.

The company's forest management approach is based on even-aged management with the retention of reserves of standing trees within the harvest areas, using ground-based harvesting systems. On deciduous harvest areas regeneration occurs mostly naturally, while on coniferous harvest areas regeneration occurs naturally or by replanting with a mix of ecologically suited tree species. Where needed, competing vegetation is controlled through the use of government-approved chemical herbicides.

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

The company operates a paper mill near the community of Whitecourt, Alberta. ANC harvests timber from its own woodlands, and also purchases a minority of its volume from other suppliers most of which hold their own SFM certifications. Following harvest ANC's logs are provided to another company (which is also certified to the SFI forest management and fibre sourcing standards), which provides an equivalent volume of wood chips to the ANC mill.

The Company participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all



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wood purchases, and completes purchase wood inspections as necessary. The results are then collated by the Western Canada SFI Implementation Committee (WCSIC) to identify trends in performance and opportunities for improvement.

Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fibre sourcing standards, and incorporated an assessment against the SFI program objectives shown in the tables on pages 3-5 of this report. The scope of the 2016 SFI re-certification audit included all of ANC Timber's woodlands operations, as well the company's fibre procurement activities.

The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA), and Neil MacEachern, RPF, EP(EMSLA). As staff members of KPMG PRI, both Yurgen and Neil have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2016 SFI Re-certification Audit** – The audit involved an on-site assessment of all elements of the Company's environmental management system (EMS) and SFI program, and included visits to several field sites (7 roads, 7 cutblocks, and 6 silviculture sites, and 3 fibre sourcing sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The audit took a total of 11 auditor days to complete, 8 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.

ANC Timber Ltd.'s 2016 SFI Re-certification Audit Findings	
Open non-conformities from previous audits	1
Major non-conformities	0
Minor non-conformities	4
Opportunities for improvement	3

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 will be followed up at the next annual audit.

Opportunities for Improvement:

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

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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	Forest management plans, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	Field inspections, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Forest management plan, site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, harvest plans, field inspections.
6. Protection of Special Sites	Forest management plan, site plans, special site inspections.
7. Efficient Use of Forest Resources	Forest management plan, field inspections.
8. Recognize and Respect Indigenous People's Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, pre-audit questionnaire responses, interviews with Company staff and representatives of local Indigenous Peoples.
9. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections.
10. Forestry Research, Science and Technology	Forest management plan, EMP, records of research projects and funding, staff interviews.



Examples of low volume black spruce stands being harvested by ANC, in accordance with the government's caribou management strategy.

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SFI Forest Management Objective #	Sources of Key Evidence of Conformity
11. Training and Education	Forest management plan, EMP, training records, SIC minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	Forest management plan, EMP, SIC minutes & resources, community and landowner outreach records, staff interviews.
13. Public land Management	Records of cooperative public land planning processes, forest management plan, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	Management review records, internal audit and related action plans.

SFI Fibre Sourcing Objective #	Sources of Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff, inspection of a sample of procurement sites.
2. Adherence to Best Management Practices (BMPs)	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Logging Professionals	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by QLPs, interviews with procurement staff.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites.

SFI Fibre Sourcing Objective #	Sources of Key Evidence of Conformity
5. Forestry Research, Science & Technology	Records of research projects and funding, staff interviews.
6. Training and education	Training records, SIC minutes & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	SIC minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews.
9. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
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, including:

- SFI Forest Management Objective 2 (site productivity) – ANC has an extensive site preparation program as part of its silviculture activities, which allows the company to minimize its use of herbicide.
- SFI Forest Management Objective 10 (research & technology) – One of the harvesting contractors was found to be advanced in the use of GPS maps on bunchers and skidders, including the foreman marking sensitive/steep/wet areas on the electronic map and the operators uploading the updates promptly.
- SFI Forest Management Objective 11 (training and awareness) – A high level of awareness regarding relevant SFI requirements was found with all staff and contractors interviewed during this assessment.

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of five open non-conformities from previous ANC external SFI audits. The audit team reviewed the status of the action plans that were developed by the Company to address these previous audit findings and concluded that in four of the five cases they: (1) had been implemented as required, and (2) were effective in addressing the root causes of these non-

conformities. For one previously identified non-conformity relating to the company's commitment statement to the SFI Fibre Sourcing standard, progress had been made in implementing the actions, which had not, at the time of the audit, been fully completed, and as a result, this non-conformity remains open for assessment at the next audit.

Areas of Nonconformance

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

- SFI Forest Management Objective 8 (indigenous people's rights) – ANC procedures specify that archaeological sites are to be mapped and buffered in the company's GIS. While this was found to be generally occurring correctly, in one case a site was not shown in the GIS (though it had been buffered and protected in the field).
- SFI Forest Management Objective 4 (biodiversity) – In regards to species at risk, ANC maintains a document listing imperiled and critically imperiled species. While these were mostly correct, the audit found errors in some of the rankings. As an example, the document failed to identify one species as imperiled, and as a result available occurrence information had not been accessed.
- SFI Fibre Sourcing Objective 2 (adherence to BMPs) – While the SFI fibre sourcing standard specifies that fibre purchase agreements require the *use* of best management practices, the ANC purchase agreements only require a working *knowledge* of BMPs.
- SFI Fibre Sourcing Objective 6 (training and education) – While the SFI fibre sourcing standard specifies that fibre purchases include written agreements for the use of qualified logging professionals, the ANC agreements include an exception to this.

Opportunities for Improvement

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

- SFI Forest Management Objective 8 (indigenous people's rights) – The company hires consulting archaeologists to locate and provide management strategies to protect archaeological sites. These are communicated to ANC when found on a site by site basis, and then summarized in a report and provided to ANC following government review, which is often several months afterwards. The audit noted the sites and strategies in the report are not confirmed against the earlier information and associated protective actions.
- SFI Forest Management Objective 4 (biodiversity) – ANC has a noxious weed program, which tracks known sites and treatment actions. It was noted that some site-specific information that was identified by contractors and would be useful for the next year's assessment & treatment program is not formally documented.
- SFI Forest Management Objective 4 (biodiversity) - The audit noted that while the company has various documents supporting the species and ecosystems at risk program, the species' habitat is not described. Doing so would aid in locating these species in the field.

Corrective Action Plans

Corrective action plans designed to address the root causes 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 ANC Timber’s Ltd.’s sustainable forest management system and fibre sourcing program:

- 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 re-certified to the SFI 2015-2019 forest management and fibre sourcing standards.

Focus Areas for the Next Audit Visit

The following topic has been identified as a focus area for the next audit visit:

- Caribou protection plans, and the implication for timber supply

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