



Forest Certification REPORT



ANC Timber Ltd — 2017 Surveillance Audit

From November 15-17, 2017, 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 (AAC) on ANC's FMA and Quota Area tenures totals 1.0 million cubic meters, and the 2017 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 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.



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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 2017 SFI Surveillance 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 Michael Alexander, RPF, EP(EMSLA). Yurgen is a staff members of KPMG PRI and Michael is an independent contractor to KPMG PRI, and both have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2017 SFI Surveillance 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 (5 roads, 6 cutblocks, and 1 silviculture sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The audit took a total of 7 auditor days to complete, 6 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.'s 2017 SFI Surveillance Audit Findings

Open non-conformities from previous audits	0
Major non-conformities	0
Minor non-conformities	1
Opportunities for improvement	1

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.

Findings: ANC Timber Ltd’s—2017 Surveillance Audit

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	N/A – not in scope for 2017
2. Forest Health and Productivity	N/A – not in scope for 2017
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	N/A – not in scope for 2017
5. Management of Visual Quality and Recreational Benefits	Forest management plan, harvest plans, field inspections.
6. Protection of Special Sites	N/A – not in scope for 2017
7. Efficient Use of Forest Resources	Forest management plan, waste reports, field inspections.
8. Recognize and Respect Indigenous People’s Rights	N/A – not in scope for 2017
9. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, interviews with regulatory agency personnel.
10. Forestry Research, Science and Technology	N/A – not in scope for 2017
11. Training and Education	N/A – not in scope for 2017
12. Community Involvement and Landowner Outreach	Forest management plan, EMP, SIC minutes & resources, community and landowner outreach records, staff interviews.

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Findings: ANC Timber Ltd's—2017 Surveillance Audit

SFI Forest Management Objective #	Sources of Key Evidence of Conformity
13. Public land Management	N/A – not in scope for 2017
14. Communications and Public Reporting	N/A – not in scope for 2017
15. Management Review and Continual Improvement	Forest management plan, 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.
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	N/A – not in scope for 2017
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, interviews with regulatory agency personnel.
5. Forestry Research, Science & Technology	N/A – not in scope for 2017
6. Training and education	N/A – not in scope for 2017

SFI Fibre Sourcing Objective #	Sources of Key Evidence of Conformity
7. Community Involvement and Landowner Outreach	SIC minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	N/A – not in scope for 2017
9. Communications and Public Reporting	N/A – not in scope for 2017
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 – applies to sourcing outside of Canada/USA, which ANC does not do.

Good Practices

A number of good practices were identified during the course of the audit, including:

- SFI Forest Management Objective 7 (Efficient Use of Fiber Resources.) – The company is running a trial to reduce the minimum log diameter from the existing 4” down to 3”, and is working with other mills that consume the logs to explore this option.

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 they: (1) had been implemented as required, and (2) were effective in addressing the root causes of these non-conformities.

Areas of Nonconformance

The following minor non-conformity was identified during the 2017 audit:

- SFI Forest Management Objective 9 (forest health & productivity) – ANC procedures specify that all spills over one litre are to be reported to ANC staff, however the audit found there had been a spill by a contractor exceeding this but it was not reported to ANC.

Opportunities for Improvement

The following opportunity for improvement was identified during the audit:

- SFI Forest Management Objective 3 (water quality) - For an environmental incident where a machine crossed a minor drainage in a location where a crossing was not planned, it was noted that the corrective actions did not include a review with operators of other planned crossing locations.

Corrective Action Plans

Corrective action plans designed to address the root causes of the non-conformity 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.

In addition, the audit found that the scope of the Company's SFI certification standards is appropriate.

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:

Snow-free assessment (to observe potential impacts to soils, silviculture, as well as road reclaim)

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