

Forest Certification UPDATE



AV GROUP

(AV Nackawic Woodlands and AV Cell Woodlands)
New Brunswick Canada

AV Nackawic and AV Cell are part of a group of companies (AV Group), which are focused on producing specialty pulp products to service the textile and paper industry. The Group is a member of the Aditya Birla Group of India. AV Group consists of two strategically located pulp mills located in Atholville, NB and Nackawic, NB. The operations in the North are found on License #1 and in the South License #8 and Freehold lands.

The Aditya Birla Group is in the League of Fortune 500. It is anchored by a work force of 100,000 employees, belonging to 25 different nationalities. In India, the Group has been adjudged "The Best Employer in India and among the top 20 in Asia" by the Hewitt-Economic Times and Wall Street Journal Study 2007. Over 60 per cent of its revenues flow from its overseas operations.

BACKGROUND

During the period of October 27-October 31 2014, AV Group underwent a re assessment audit to the Sustainable Forestry Initiative (SFI[®]) Standard 2010-2014. The registration cycle is over 3 years with surveillance audits conducted annually. This report summarizes the audit process and results of the SAI Global surveillance audit.

SCOPE OF CERTIFICATION

Forest management activities- woodland operations; harvesting and silviculture; woodland roads and structures on the Crown Licenses 1, 8 and on the company's Freehold and wood procurement outside of mill wood yard. Objectives 1-10 and 14-20.

EXECUTIVE SUMMARY

The SFI Program third-party re-assessment audit was undertaken by SAI Global. SAI Global is an independent third party registrar that is accredited by the ANSI-ASQ National Accreditation Board (ANAB) for registrations to SFIS 2010-2014. This ensures the integrity and credibility of the audit process.

The audit assessed active and completed harvest operations through interviews with AV Group staff and contractors. The audit also assessed the SFIS and supporting EMS documentation, records at the AV Group office. The audit used site visits and interviews with contractors logging private timber sales to assess the AV Group’s procurement system.

THE AUDITORS

The SAI Global audit team who performed the audit consisted of Daniel Martin, Lead auditor and Pierre Levac (auditor). Both auditors are registered Forest Engineers.

KEY AREAS OF NON-CONFORMANCE

In total, there were 6 instances of non-conformance.

NC No.	Type	Clause No.	Clause Description
2014-01	Major	20.1.2	There is no evidence that a system for collecting, reviewing, and reporting to management regarding progress in achieving SFI 2010-2014 Standard objectives and performance measures has been fully implemented.
2014-02	Minor	10.1.3	The contract with YSC Marketing Board requires the use of best management practices. It has been witnessed that the BMP’s are not effectively implemented.
2014-03	Minor	14.1.2	The SOP-09 has incomplete information related to the requirements for mobile diesel fuel tanks and their trailers and the presence of high pressure compress gas cylinder in a service truck.
2014-04	Minor	14.2.1	There is evidence that the Health and Safety Policy is not entirely implemented.
2014-05	Minor	14.2.2	Procedure 443.02 does not describe how to manage a situation where a complaint is received in writing, describing how to manage the documentation related to the complainant and how a copy of the

SFIS 2010-2014

Periodic Assessments

Major non-conformances: 1
 Minor non-conformances: 5
 Opportunities for Improvement: 7
 Positive Aspects: 3

Major Non-Conformances

Pervasive or critical to the achievement of the SFI objectives.

All major non-conformances require an action plan to be implemented by the auditee within 90 days of an initial audit and subsequently 60 days or registration cannot be achieved/maintained

Minor Non-Conformances

Isolated incidents that are non-critical but must be addressed before the next surveillance audit to maintain compliance to the SFI standard.

Opportunity for Improvement

Are not non-conformances but are comments on specific areas where improvements can be made.

Positive Aspects

Areas that are deemed to be of best practices

2014-06	Minor	20.1.1	complaint and response is forwarded to SAI Global within 45 days of the complaint. The monitoring of the use of best management practices is not effective.
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KEY OPPORTUNITIES FOR IMPROVEMENT

- OFI 3.1.4 – Consider filing all relevant documentation in individual block folders.
- OFI 7.1.1 - Consider including a summary of utilization and waste determination in the Freehold annual report.
- OFI 10.1.3 - Consider revising Schedule D of the Agreement for purchase of wood products in Canada' with YSC, as it refers to the First Edition of the document Best Management Practices: A Practical Guide for New Brunswick's Private Woodlots.
- OFI 14.1.1 - Consider recording on a central basis all the forestry related agreements that may relate to land management.
- OFI 16.1.2 - Consider evaluating the understanding of roles and responsibilities when operators have changes in their work instructions (eg: single grip operators that have to process standing timber versus timber that has been previously felled).
- OFI 16.1.2 (2) - Consider completing the process of Job description for the Planning forester.
- OFI 20.1.1 – Consider including the requirement of having fire suppression as well as a spill kit stored with the fuel, instead of on the fuel dispensing area.

POSITIVE ASPECTS

- Capital projects for road and bridge installations on Licenses 1 and 8.
- Commitment and availability of the employees and contractors during the audit.
- Commitment by North Shore Marketing Board to achieve effective BMP implementation.

EVIDENCE OF CONFORMITY

Evidence that was assessed to determine AV Group conformity with the SFIS 2010-2014 standard appears below:

SFI-01 Forest Management Planning

The current forest management plans being implemented are the following:

License 1 – 25 year management plan, 2007-2031(April 2007)

License 8 – 25 year management plan 2007-2031 (March 2007)

Freehold – 25 year management plan 2008-2032 (April 2008)

Forest management plans are based on sustainable supplies of timber for an 80-year period and the source of that sustainable supply is mapped for a minimum of 25 years. Performance on the implementation of the forest managements plans is reviewed annually.

SFI-02 Forest Productivity

During block layout, a visual assessment is done of the established regeneration. This will allow the validation of the planned harvest prescription. Harvest prescriptions are designed to protect the natural regeneration when it is present. Following the harvest, a field assessment is conducted on all harvested areas.

There are no plans to plan exotic species in New Brunswick.

The organization is committed to ensure the protection of forests from damaging agents such as fire, pests, disease and invasive exotic plants and animals through appropriate management techniques and judicious use of chemicals, to maintain and improve long-term forest health and productivity.

SFI-03 Protection and Maintenance of Water Resources

All the contractors installing pipes for AV Group have Watercourse Alteration Certification. Installations on Crown fall under the DNR management permit. Installations on Freehold fall under the Company blanket permit, under the Forest Planner's name. Each stream crossing installation are diligently inspected.

Contact provision specify conformance to Best Management Practices. The Company implements a monitoring system to ensure compliance.

A plan is implemented to address wet-weather events. There is a commitment to ensure sufficient fiber inventory during sensitive operating periods to mitigate adverse effects to soil and water quality during sensitive times of the year.

Rivers and streams are adequately identified on maps. Depth to water table maps are also used to plan harvesting and identify the potential of unmapped streams. All mapped information is validated on the field prior to implementation of harvest activities.

SFI-04 Conservation of Biological Diversity

Sensitive Species Awareness training has been provided to all staff and contractors (and their employees). The Company has implemented a Standard Operating Procedure to address species at risk. Through the Vision document that defines the criteria related to planning / protection / conservation as well as the forest inventories. Integration is ensured through the modeling process as defined by the Department of Natural Resources. The same process is applied to the Freehold.

SFI-05 Management of Visual Quality and Recreational Benefits

Visual quality is managed through the Forest Management Planning process for both Crown lands as well as Freehold. The requirements and commitments are defined in the Forest Management Policy as well as standard operating procedures. Clear cut size is reported annually. Recreational opportunities are provided to the public on Crown land as well as Freehold.

SFI-06 Protection of Special Sites

Information is stored in the GIS. Catalogued sites appear on management plan maps. The Company has a special sites program. Sensitive species awareness training was provided to all staff.

SFI-07 Efficient Use of Forest Resources

For the crown land, the DNR final inspections reports for the license 1 and 8 were reviewed for 2013-2014. Both reports at section 2.1 identify that there are no issues related to harvest residue or underutilization of species. AV Group being a user of low grade qualities, all the fiber potential is being processed primary for the production of pulp of biomass for energy.

It was witnessed on the field, that all contractors receive a work order for each block that specifies wood utilization for all species. Training related to wood product specification was provided to all contractors and employees in the spring of 2014. At this time, all species and grades are being marketed.

SFI-08 Land Outreach

Sustainable Forestry Initiative Implementation Committee, Wood Producer Information Package, SIC brochure. Verified contracts signed with wood producers and contractors.

SFI-09 Use of Qualified Resource and Logging Professionals

Sustainable Forestry Initiative Implementation Committee, SIC brochure. Verified contracts signed with wood producers and contractors. There are provisions in the contracts encouraging the use of certified or qualified logging professionals.

SFI-10 Adherence to Best Management Practices

Sustainable Forestry Initiative Implementation Committee, Wood Producer Information Package, SIC brochure.

Following field verifications, the audit team concluded that BMP's are not effectively implemented on all private woodlots supplying fiber to AV Group. A minor NCR was raised on this issue.

A program to address adverse weather conditions is appropriate. There is no evidence that it is not adequately implemented.

Auditors verified the Fiber Procurement Policy, approved by Alan Hitzroth, President and CEO of AV Group, dated September 20, 2012. The policy is made available on the internet.

SFI-11 Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas

AV Group does not source fiber from outside North America.

SFI-12 Avoidance of Controversial Sources including Illegal Logging

AV Group does not source fiber from outside North America

SFI-13 Avoidance of Controversial Sources including Sources without Effective Social Laws

AV Group does not source fiber from outside North America

SFI-14 Legal and Regulatory Compliance

The continuous inspection / monitoring process demonstrate a continuous commitment to legal compliance. Every spring, there is a training session given to all contractors and their employees, where a review of the SOP and the change in the regulation is review.

The DNR also performs monitoring of the activities. At this time, the latest review indicates full compliance situation for both licenses.

Following field verifications, the audit team concluded that the Company does not comply with all legal and regulatory requirements in regards fuel tanks as well as compressed gas cylinders and tanks. A minor NCR was raised on this issue.

It was determined that the health and safety policy is not entirely implemented. The issue was not wide spread as was determined to be relatively isolated. A minor NCR was raised on this issue as well.

At this time the procedure 443.02 in place is incomplete to describe how to manage any situation where a complaint is received in writing, in order to describe how the management of the documentation related to the complainant and how a copy of the complaint and response is forward to SAI Global within 45 days of the complaint.

SFI-15 Forestry Research & Technology

Sample of research reports, Regen survey records, Government submission records, Inspection records, Interviews. All the projects selected are part of the subjects targeted by the standard.

SFI-16 Training and Education

AV Group website, EMS manual and SOPs, Sustainable Forest Management & Environmental Policies, Health and Safety Policy, Wood Producer Information Package, meeting minutes. The field verification allowed to conclude that for the vast majority, supervisors and employees have adequate knowledge in regards of their role and responsibilities. An opportunity for improvement was provided in order to consider evaluating the understanding of roles and responsibilities when operators have changes in their work instructions. All contractors and their employees have been trained/retrained in the spring of 2014. An opportunity for improvement was also provided for the Company to consider defining the new roles and responsibilities for the forest planner.

SFI-17 Community Involvement in the Practice of Sustainable Forestry

AV Group is a member of the Maritime SIC. The Company is involved in the distribution of BMP manuals as well as dash calendars with the Maritime IC hotline phone number. The Company is also a contributor to Ducks Unlimited. There are several structures on the Freehold land to create wetland habitat. The company was involved in a variety of educational tours.

SFI-18 Public Land Management Responsibilities

The Company is involved in consultation with various stakeholders in regards to its forest management activities on Crown lands as well as its Freehold lands. The Company was also involved in the Private Land Task Force.

SFI-19 Communications and Public Reporting

The 2013 public summary report is available online at the following address:

<http://www.sfiprogram.org/sfi-standard/audit-reports/av-group-includes-av-nackawic-woodlands-and-av-cell-woodlands-november-2013/>

The SFI annual progress report was submitted to SFI Inc in March 2013. Records are adequately maintained. Past reports are archived and available upon request.

SFI-20 Management Review and Continual Improvement

The company ensures that forest management activities are adequately implemented upon start-up through the use of check lists and inspections. Following the field visit, the audit team concluded that the monitoring of the use of best management practices is not effective. A minor NC was raised on this issue.

There is no evidence that an internal audit was held for 2013-2014, as per the Organization's internal audit procedure (EMS 4.5.5 Internal Audit, revision date Oct 2013). The internal audit procedure was not effectively implemented for the 2013-2014 operating season, as required in section 5.1 (Audit Schedule). A major NCR was raised on this issue.

CERTIFICATION DECISION

Corrective actions taken to resolve the major non-conformance has been reviewed and found to be fully satisfactory in meeting the requirements of SFIS 2010-2014. In regards to the minor NCR's, the root cause analysis and action plans are accepted as submitted. Implementation shall be verified at the next surveillance audit. As a result AV Group (AV Nackawic Woodlands and AV Cell Woodlands) will be recommended for continued registration.



Acton road construction and bridge.

SAI Global forestry specialist group registers/certifies forest companies to ISO 14001, OHSAS 18001, CSA Z809 and CSA Z804 SFM, SFIS, SFI CoC, PEFC CoC. SAI Global registers/certifies forest companies to FSC FM and CoC. The group, led by Sylvain Frappier, Technical Manager - Forestry, consists of a highly qualified team of professional foresters, technical and industry experts. Contact certification.americas@saiglobal.com for more information.

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