

ANC Timber Ltd Woodlands Operation—September 2013

In September 2013, 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 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard. 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 Area (FMA89000026) and 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.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Forest productivity;
- Protection and maintenance of water resources;
- Conservation of biological diversity;
- Management of visual quality and recreation benefits;
- Protection of special sites;
- Efficient use of forest resources;
- Fibre sourcing (landowner outreach, adherence to best management practices, promotion of conservation of biological diversity, etc.);
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement in the practice of sustainable forestry;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the audit of ANC's woodlands operations included all of the woodlands operations noted above, as well as fibre procurement activities for the pulp and paper mill located in Whitecourt, Alberta.



- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA) and Del Ferguson, P.Geo. Yurgen is an employee of KPMG PRI, and has conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC, and Del is a contractor to KPMG PRI.
- **SFI and ISO 14001 Re-certification Audit** – The audit involved an on-site assessment of applicable elements of the Company’s environmental management system (EMS) and SFI program, and included visits to a number of field sites to evaluate conformance with the requirements of the current ISO 14001 and SFI standards.
- **Surveillance Audits** – Annual ISO 14001 and SFI surveillance audits are conducted by the audit team to ensure that SFI requirements continue to be met.
- **ANC’s SFI Program Representative** – Peter Winther, RPF, 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 following audit objectives were included within the scope of the audit:

- An SFI re-certification audit to evaluate the Company’s conformance with the requirements of the 2010-2014 version of the SFI standard.
- An ISO 14001 re-certification audit against all requirements of ISO 14001:2004.

Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in Table 1 on the following page.

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

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, which must be fully implemented by the operation within 3 months.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

Opportunities for Improvement:

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

SFI Objective #	Key Evidence of Conformity
1. Forest Management Planning	Detailed Forest Management Plan (DFMP), General Development Plan (GDP), Annual Operating Plan (AOP), Geographic Information System (GIS), Operational Maps, Sustainable Forest Management Plan (SFMP)
2. Forest Productivity	ANC SFI Implementation Matrix, SFMP, DFMP, OGR, Vegetation Management Program, Emergency Response Plan, ANC reports regarding silviculture treatments, Reforestation Program, Reforestation Plan
3. Protection and Maintenance of Water Resources	OGR, Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	DFMP, OGR, ANC SFI Implementation Matrix, Species At Risk training materials and training staff/contractor training records, Biodiversity Program
5. Management of Visual Quality and Recreational Benefits	ANC SFI Implementation Matrix, SFMP, DFMP, OGR, Block size summary report, Reforestation Plan
6. Protection of Special Sites	SFMP, FSP, harvest & site plans, special site inspections.
7. Efficient Use of Forest Resources	ANC SFI Implementation Matrix, Block inspections
8. Landowner Outreach	Western Canada SFI Implementation Committee (WCSIC) Info Packet, List of Qualified Loggers
9. Use of Qualified Resource and Logging Professionals	WCSIC Info Packet, List of Qualified Loggers
10. Adherence to Best Management Practices	WCSIC Info Packet, List of Qualified Loggers, Inspection form
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas	<i>N/A – applies to wood sourced outside of Canada & USA</i>



Of the three field days during the audit, one day was spent assessing the farther reaches of operations by helicopter, which allows more coverage.

SFI Objective #	Key Evidence of Conformity
12. Avoidance of Controversial Sources including Illegal Logging	<i>N/A – applies to wood sourced outside of Canada & USA</i>
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	<i>N/A – applies to wood sourced outside of Canada & USA</i>
14. Legal and Regulatory Compliance	Environmental Incidents, Inspections, Internal audit report, ANC SFI Implementation Matrix, SFMP, DFMP,
15. Forestry Research & Technology	SFMP, Research reports
16. Training and Education	SFMP, DFMP, GIS
17. Community Involvement in the Practice of Sustainable Forestry	ANC SFI Implementation Matrix
18. Public Land Management Responsibilities	ANC SFI Implementation Matrix, SFMP, DFMP, First Nations consultation logs
19. Communications and Public Reporting	ANC SFI Implementation Matrix, SFMP, SFI Annual Report
20. Management Review and Continual Improvement	SFMP, Management review, Internal audit, ANC SFI Implementation Matrix



This block had recently been surveyed for stand performance, and the audit verified the reasonableness of the results including species, health, and stocking.

Good Practices

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

- SFI Objective 18 (public land management responsibilities) - There is a robust system in place for documenting First Nations consultation.
- SFI Objective 16 (training and education) - the company has changed the refresher training frequency for some topics from every three years to annually, which more thoroughly establishes the content.

Areas of Nonconformance

A total of two SFI minor non-conformities were identified during the audit:

- SFI Objective 8 (Landowner Outreach): The material provided to wood sellers was found to be outdated and not contain all content required by the current SFI standard.
- SFI Objective 20 (Management Review and Continual Improvement): The results from prior internal as well as external audits were not documented on the form that the EMS provides.

Opportunities for Improvement

- No opportunities for improvement were identified.

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:

- The ANC's woodlands operations meet the requirements of the 2010-2014 version of the SFI standard in all material respects. As a result, a decision has been made to re-certify ANC Timber Ltd. to the SFI standard.
- The Company's EMS continues to be effectively implemented, and all elements of the EMS meet the requirements of ISO 14001:2004 in all material respects.



The audit included an assessment of new road construction and drainage crossings such as this for adherence to best practices.

Contacts:

Chris Ridley-Thomas, RPBio, CEA (604) 691-3088
David Bebb, RPF, CEA (604) 691-3451

This report may only be reproduced by the intended client, ANC Timber Ltd., with the express consent of KPMG. Information in this issue is of a general nature with respect to audit findings and is not intended to be acted upon without appropriate professional advice.
© 2013 KPMG. All rights reserved.