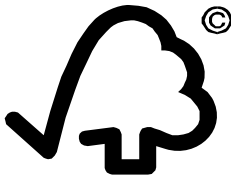




SmartWood Headquarters
65 Millet St. Suite 201
Richmond, VT 05477 USA
Tel: 802-434-5491
Fax: 802-434-3116
www.smartwood.org

Audit Managed by:
Canadian Regional Office
P.O. Box 1771
Chelsea, Quebec J9B 1A1
Tel: 819-827-8278
Fax: 819-827-0464
Contact person: Alexandre Boursier
Email: aboursier@ra.org



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FM-06 January 2009



**Rainforest
Alliance**

SmartWood Program

Forest Management
2009 Annual audit
Report for:

**Alberta-Pacific Forest
Industries Inc.**

In
Alberta, Canada
(North of Lac La Biche and
Athabasca)

Report Finalized:	August 20, 2009
Audit Dates:	June 15-17, 2009
Audit Team:	Brenda Hopkin Glen Dunsworth Krista Iverson
Certificate code(s):	SW-FM/COC-001626
Certificate issued:	September 12, 2005
Organization Contact:	Shawn Lindballe
Address:	Box 8000 Boyle, Alberta, Canada T0A 0M0

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1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Alberta Pacific Forest Industries Incorporated, hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood's website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of CAR(s) issued below
<input type="checkbox"/>	Certification requirements <u>not met</u>:
Additional comments:	
Issues identified as controversial or hard to evaluate.	

2.2. Changes in the forest management of the FME and the associated effects on conformance with the standard

There are no changes to the land area under AI-Pac's control within the Forest Management Area (FMA). AI-Pac's practices in the field remain the same as at the time of the assessment.

A reassessment against the National Boreal Standard will occur in the spring of 2010.

2.3. Stakeholder issues

As in the past two years, the consultation with Environmental stakeholders during the 2009 Annual Audit focused on efforts related to furthering candidate protected area identification on

the FMA. No CARs have resulted, but a note to future audits has been suggested for the 2010 Reassessment.

For the 2009 Annual Audit, Principle 4 “Community Relations and Worker’s Rights” and Principle 8 “Monitoring and Assessment” were assessed. This audit addressed further work on past audit findings; stakeholder issues raised to the company since the last audit; contractors interviews; and interviews with a number of members of the current Landscape Advisory Group (LAG). No issues were raised during this audit. A comprehensive stakeholder outreach will be conducted by SmartWood during the 2010 Reassessment.

2.4. Conformance with applicable corrective action requests

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major CARs are not met. The following classification is used to indicate the status of the CAR:

Status Categories	Explanation
Closed	Operation has successfully met the CAR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the CAR.

Check if N/A (there are no open CARs to review)

CAR 01/08		Reference to Standard: 9.1
Nonconformance		Further work and consultations are required to complete the inclusion of non-aboriginal communities in the assessment of HCVs. Furthermore, management actions for the HCVs associated with non-aboriginal communities (which were part of the subject of Condition 9.1b, discussed below) have not yet been implemented because the values themselves have not yet been finalized.
Major	Minor X	
Corrective Action Request: AI-Pac shall: <ul style="list-style-type: none"> • have completed its efforts to identify HCVs based on consultations with non-aboriginal communities. • have identified and begun implementation of measures to maintain and/or enhance applicable conservation attributes of the HCVs identified through consultations with non-aboriginal communities. 		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		AI-Pac has provided a list of non-aboriginal communities surveyed and the feedback from those communities relative to HCVF needs and location. Our interview of Cindy Bizon, Community Relations Coordinator, confirmed that those contacted included local lodges, trappers, outfitters and recreation users totaling 31 individuals with only 7 individuals responding. Documentation was provided that no additional HCVFs were identified as a consequence of consultation.

	The AI-Pac trapper coordinator handled trapper's inquiries directly and the issues here were site specific and not HCVF specific. Future actions stemming from this consultation process are to use surveys again in future stakeholder involvement (open houses, mail-outs, and targeted stakeholder groups). The audit team felt sufficient work has been completed on non-aboriginal consultation to close the CAR.
CAR Status:	CLOSED
Follow-up Actions (if app.):	

CAR 02/08		Reference to Standard: 9.4
Nonconformance		The Company has produced a document to be used as evidence for addressing this CAR. ¹ The document describes the company's management strategies for HCVs, and provides monitoring information at varying levels of detail for different HCVs. Some of the monitoring actions identified are melded with management actions (e.g. monitoring for Landscape Level Forests includes "continue to develop an access development map of the forest companies' expected future road needs to facilitate government and industry synergy in road corridor planning"), so it is difficult to determine distinct monitoring components for all the HCVs. Furthermore, the document does not specifically address all the HCVs identified in the two reference documents which identify HCVs on the Forest ^{2,3} . We note, however, that the two documents are not entirely consistent in their identification of HCVs. Discussions with the company were hampered by inconsistencies between the two HCV documents and did not resolve all the issues associated with the identified monitoring program.
Major	Minor X	
Corrective Action Request: The Company shall prepare a reference list of all HCVs on the Forest, which addresses HCVs from all six categories.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		AI-Pac staff provided an HCVF Reference List document describing all HCVFs and their associated Categories (Cat 1-4, Cat5-6), as well as an HCVF Categories 1-6 Master locations 2005-2010 document, and an associated HCVF location map. In addition they have created a master HCVF spreadsheet that provides the crosswalk between each HCVF, their Categories, the specified HCVF conservation attributes, how effectiveness monitoring is being done, the specific effectiveness measures and the Adaptive Management Feedback mechanism that will be employed. The audit team felt that these documents in combination and, in particular, the master spreadsheet, provide sufficiently detailed information to allow this CAR to be closed.
CAR Status:		CLOSED

¹ Alberta-Pacific Forest Industries Inc. High Conservation Forest Monitoring. Preliminary 2008 Results. 13 p.

² Dyer, S.J. 2004. High Conservation Value Forests (HCVF) within the Alberta-Pacific Forest Management Area: A Summary Report. Alberta-Pacific Forest Industries. 25 p.

³ Timony, K. 2003. An Environmental Assessment of High Conservation Value Forests in the Alberta Portion of the Mid-Continental Canadian Boreal Forest Region. Report prepared for World Wildlife Fund and Alberta-Pacific Forest Industries. 153 p.

Follow-up Actions (if app.):	
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CAR 03/08		Reference to Standard: 9.4
Nonconformance		The original assessment of the forest, which led to Condition 9.4 being identified, did not include a condition specifically attuned to the requirements of Indicator 9.4.2. Therefore, we do not find that the lack of evidence related to a comprehensive monitoring program warrants a Major CAR. Nonetheless, there is clearly a need for the company to revisit its monitoring program and ensure that all the elements of Criterion 9.4 are addressed.
Major	Minor X	
Corrective Action Request: The Company shall, where applicable, implement an HCV monitoring program. The monitoring program shall occur at an appropriate frequency to verify the condition of the HCV.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		It is important in the context of CAR 03/08 to distinguish between what is implementation monitoring and what is effectiveness monitoring. AI-Pac staff provided as evidence an Overview of Management and Monitoring Strategies for HCVFs Categories 1-6 document as well as a Note to Auditors on Monitoring Strategies and Preliminary Results and Action Plans for HCVFs Categories 1-4 document. These in themselves did not provide a complete picture of the linkage between management strategies and monitoring in an adaptive management context. However, the master spreadsheet (HCV Matrix Table Master) submitted as evidence for CAR 02/08 provides the necessary clarity on the specific elements of the HCVF monitoring program, the frequency and scale, and the linkage to the Adaptive Management feedback process dealing with effectiveness. The audit team felt that the monitoring program is well considered with clear linkages to effectiveness monitoring and operational feedback and that this CAR should be closed.
CAR Status:		CLOSED
Follow-up Actions (if app.):		

2.5. New corrective actions issued as a result of this audit

CAR 01/09		Reference to Standard: 4.4.1 & 4.4.2
Non-conformance		In all accounts, interviewees stated that AI-Pac provides sufficient information upon which stakeholders can provide input. Many stakeholders felt that their information was utilized to modify plans; however, none could confirm that they had received any confirmation or response from AI-Pac stating how their input was considered. AI-Pac staff indicated that both documented and undocumented input from stakeholders is often addressed within revised plans, however, they were unable to show a process or provide evidence to prove this on a regular basis. As per the definition of "meaningful" in the FSC Boreal Standard, and Indicator 4.4.2, AI-Pac has not demonstrated that they have considered and responded to input received from stakeholders.
Major	Minor X	

Corrective Action Request:	
<p>AI-Pac shall demonstrate that all input relevant to forest management from the various public participation processes that they engage in is reviewed and, where appropriate, addressed. All stakeholders shall receive acknowledgment of their input.</p>	
Timeline for conformance:	Prior to next annual audit

CAR 02/09		Reference to Standard: Criteria and indicator 8.1
Non-conformance		<p>It is clear that the company has used its extensive investment in “directed studies” since 1990 to define their retention strategies and deployment. These studies conducted in forests similar to the operating area provide a comprehensive assessment of key questions related to the maintenance of biodiversity in the aspen mixed-wood forest including questions related to ecosystem dynamics, the role of fire salvage, the comparison of fire and harvest residuals and the effects of forest fragmentation. This collection of studies provided a strong academic basis for the ecological rationale behind the retention methods at the stand level and the spatial harvest pattern and sequence at the landscape level.</p> <p>However, with respect to monitoring the effectiveness of operational practices the company has assumed that there is sufficient similarity in the study site conditions that they are representative of the harvest area and operational harvest practices and that implementation monitoring is sufficient to confirm effectiveness. Criteria 8.1 states “the frequency and intensity of the monitoring should be determined by the scale and intensity of the operations as well as the relative complexity and fragility of the affected environment. Monitoring should be consistent and replicable over time to allow comparisons of results and assessment of change.” The Intent Box for P8 also clearly states the “applicant is to concentrate on monitoring the effectiveness of activities and the impact of activities on key values.”</p> <p>From the evidence provided the audit team is uncertain that the “directed studies” reflect both the “scale and intensity of forest management” or the “relative complexity and fragility of the affected environment” without some form of confirmatory monitoring of operational blocks. The audit team feels explicit confirmation of the effectiveness of operational practices as implemented to meet sustainability objectives is critical and needs to be planned and implemented. The audit team feels a CAR is required.</p>
Major	Minor X	
<p>Corrective Action Request: AI-Pac shall develop a monitoring plan for operational blocks that allows comparison of results with those from “directed studies” and that this assessment of change is linked to an adaptive management process.</p>		
Timeline for conformance:	Prior to next annual audit	

2.6. Audit observations

Observations are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a

particular issue that, if not addressed, could turn into a CAR in the future (or a pre-condition or condition during a 5 year re-assessment).

Observation 01/09	Reference Standard & Requirement: 8.5 and 8.2
<p>The company website sections for Forestry and Environment need to be updated with monitoring data related to Indicator 8.2 where the sharing of data does not compromise confidentiality or proprietorship. (the sustainability report is published every 2 years, a 2007-08 report is being released in the fall of 09; the 05-06 version is the most current report to date). In addition links to the newly acquired Alberta Biodiversity Monitoring Program protocols and reports should be posted; the HCVF effectiveness monitoring matrix and Science Team leaders names and biographies should be included.</p>	

2.7. Audit Notes

Notes for future annual audits are recorded for the benefit of future audit teams. They are items that were not fully addressed in this assessment and do not constitute non-conformance. They warrant monitoring by future audit teams.

Notes addressed in this audit:

Note 01/07	Reference Standard & Requirement: 3.1.2
<p>Future annual audits should check to ensure that Aboriginal groups have continued to verify that their interests have been incorporated into forest management planning. <u>Explanation:</u> Assessment of the measures implemented to address Condition 3.1b identified the need to continue to engage Aboriginal groups in forest management planning.</p>	
Evidence to Close Note: Pending.	
Note Status:	Open
Follow-up Actions (if app.):	Carried forward as Note 01/07

Note 02/07	Reference Standard & Requirement: 3.1.2
<p>Once the Treaty Land Entitlement process has been completed (estimated for mid 2009) future annual audits should check if additional agreements are required with those Aboriginal groups that are newly autonomous. <u>Explanation:</u> Assessment of the measures implemented to address Condition 3.1b identified the need to ensure that any newly autonomous Aboriginal groups should be engaged in the forest management process.</p>	
Evidence to Close Note: Pending.	
Note Status:	Open
Follow-up Actions (if app.):	Carried forward as Note 02/07

Note 03/07	Reference Standard & Requirement: 4.4.1-4.4.7
<p>During the next annual audit (2008) the CES (Community Engagement Strategy) and LAG (Landscape Advisory Group) should be reviewed for compliance with Criterion 4.4. This review should include interviews with members of the LAG and other stakeholders.</p> <p><u>Explanation:</u> In reviewing Condition 4.4a during the 2009 audit, the audit team noted that the next review of Principle 4 should include more direct interaction with members of LAG and other stakeholders.</p>	
<p>Evidence to Close Note:</p> <p>The 2009 Audit concentrated on the CES and the LAG. The CES provides clear and concise direction to AI-Pac as to how to engage communities and stakeholders. The auditor was able to attend a LAG meeting and was able to interview a number of members of the LAG. Interview questions concentrated on the requirements of the standard 4.4.4 – 4.4.7, as suggested by the Note. Both the CES and the LAG were found to be in compliance with Criterion 4.4.</p>	
Note Status:	Closed.
Follow-up Actions (if app.):	

Notes for future audits:

Note 01/09	Reference Standard & Requirement: 3.1.2
<p>Future annual audits should check to ensure that Aboriginal groups have continued to verify that their interests have been incorporated into forest management planning.</p> <p><u>Explanation:</u> Assessment of the measures implemented to address Condition 3.1b identified the need to continue to engage Aboriginal groups in forest management planning.</p>	

Note 02/07	Reference Standard & Requirement: 3.1.2
<p>Once the Treaty Land Entitlement process has been completed (estimated for mid 2009) future annual audits should check if additional agreements are required with those Aboriginal groups that are newly autonomous.</p> <p><u>Explanation:</u> Assessment of the measures implemented to address Condition 3.1b identified the need to ensure that any newly autonomous Aboriginal groups should be engaged in the forest management process.</p>	

Note 03/07	Reference Standard & Requirement: 4.4
<p>A comprehensive stakeholder outreach should be completed by the certifying body for the 2010 Reassessment. The review should include an extensive review of Aboriginal involvement with forest management as per the Indicator 4.4.3.</p> <p><u>Explanation:</u> Stakeholder concerns addressed in past audits have only been those raised from CARs and/or by those stakeholders that have actively engaged SmartWood prior to the audit. To address the wide spectrum of concerns and/or comments, SmartWood should complete an outreach similar or more extensive than the 2004 Assessment.</p>	

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	Brenda Hopkin	Auditor role	Lead Auditor
Qualifications:	Brenda is a forestry graduate from the University of Alberta. She has been working as a self employed forestry consultant for the last 20 years. She provides services in forest management planning, legislation and certification. For the last 10 years she has specialized in Sustainable Forest Management (SFM), which includes work with SFM Criteria & Indicators as well as forest certification schemes (ISOFSC, CSA, and ISO). Brenda's services in certification include assisting groups understand and achieve certification, as well as a certification assessor and specializing under FSC. Her primary clients are forest companies in BC and Alberta, the BC Ministry of Forests & Range, as well as a project with the South African Government.		
Auditor Name	Glen Dunsworth, B.Sc., M.Sc., R.P.Bio	Auditor role	Regular Auditor
Qualifications:	Glen has over 25 years experience in forest renewal, biodiversity and forest genetics research in coastal British Columbia and Alberta. His post-graduate training was in Forest Genetics followed by a two year period leading a reclamation breeding program for native woody species on the Great Canadian Oil Sands site in Fort McMurray. His exposure to a wide range of operational silvicultural problems related to stand establishment began with MacMillan Bloedel in 1978 and he has continued with the Land Use Planning Advisory Team to the present. Glen has 15 years experience in forest renewal and genetics and for the last 8 years has worked almost exclusively in landscape ecology and conservation biology. During 1999 to 2004 he led the Ecology Team for the Forest Project – MacMillan Bloedel's and Weyerhaeuser's phasing-in of variable retention and stewardship zoning. The Team won the Ecological Society of America Corporate Award for Excellence in 2002. He was responsible for the development and implementation of the Adaptive Management and Monitoring Program in support of the Forest Project. Glen is currently a forest ecology consultant and has worked on two CSA certifications and five FSC audit teams in coastal BC.		
Auditor Name	Krista Iverson, BSF, MPA	Auditor role	Regular Auditor
Qualifications:	Krista has a B.Sc. in Forestry and a MPA with a specialty in Dispute Resolution. In her work as an environmental consultant she worked on sustainable forestry management and First Nations consultation in both BC and the Yukon. In addition to her operational forestry experience, she has a background working on treaty negotiations and the softwood lumber dispute with the BC Provincial Government. She is a SmartWood trained FSC Forest Management auditor and has worked on and observed several audits across BC. She has managed the Western Canada and Maritimes SmartWood portfolio of clients since early 2009.		

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
June 8-12	Auditors' offices	Review of documents, scheduling of interviews, preparation of materials. (BH, GD, KI)

June 14	Travel	Travel to Athabasca (BH,GD)
June 15	AI-Pac office	Opening meeting. Interviews with AI-Pac staff and review of evidence (BH, GD).
June 15-16	AI-Pac Office	Interviews with AI-Pac staff and review of evidence (BH, GD).
June 15-16	AI-Pac FMU	Field visits with AI-Pac staff (GD).
June 17	AI-Pac Office	Exit meeting (BH, GD).
June 23-July 20	Auditors' offices	Awaiting information from auditee, further review of documents and phone interviews with stakeholders/staff. Report writing (BH, GD, KI)
July 20	SmartWood office	Draft report sent to AI-Pac
	AI-Pac office	AI-Pac review and comment on draft report.
	Auditors' offices	Discussions with company re. initial findings; consideration of additional evidence; revision of preliminary report. (BH)
August 20	SmartWood office	Final Report

Total number of person days used for the audit: 15.4

= number of auditors participating **2** X number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation **5.5**

3.3. Sampling methodology

Field sites were sampled specifically to allow evaluation of the CARs from 2008 and the elements of Principle 8 relating to monitoring. A field tour with Shawn Lindballe, Shawn Wasel, Elston Dzus, Dave Cheyne, Matthew Smith and Cal Dakin, Jim Schieck and Erin Bayne (Alberta Biodiversity Monitoring Program, ABMI) was conducted on June 14. The tour included site visits of the following:

- Calling Lake Fragmentation Study- 1000 Road: explanation of the work done and the duration of the project and continuity with other agencies. Also an explanation by J. Schieck of the ABMI protocols for sampling and measurement of biodiversity elements.
- Understory Harvesting Study- Rock Lake Tower Road: demonstration and discussion of the strip thinning approach in conifer mixed wood stands, how these strips are regenerating and some of the conifer quota issues.
- Planning Unit 75-23-4: a review of an older operational block previously designed for two-pass logging and now being converted to the aggregated approach. Reviewed retention of structure in both patches and dispersed retention.

On June 15 Glen Dunsworth conducted a tenure-wide aerial reconnaissance by both fixed-wing and helicopter with Shawn Lindballe, Shawn Wasel, Elston Dzus, and Cal Dakin. The group traveled from Athabasca over the Calling Lake Fragmentation Study, over the Pelican Mountains and the Pelican Lake HCVF and then followed the Athabasca River North over the Caribou HCVF to the Athabasca Benchmark site which is part of the Option 60,000 area. The field review team then proceeded over the oil sands to Ft. Mc Murray and switched to two helicopters and reviewed the Gypsy-Gordon Benchmark site and visited on-site a SAGD (Steam Assisted Gravity Drilling) well site reclamation and a trial site testing treatment alternatives. On return to Ft. McMurray the team did an aerial review of active, new and older retention blocks.

3.4. Stakeholder consultation process

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
NGO (including members of LAG)	4	4
First Nation (members of LAG)	2	2
Contractor – harvesting	2	2

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	National Boreal Standard (August 6, 2004)
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	
Implications for FME:	Not Applicable – no new requirements