Corrective Action Request Verification Report

<table>
<thead>
<tr>
<th>Organization Name:</th>
<th>Alberta-Pacific Forest Industries Inc.</th>
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<tbody>
<tr>
<td>Certificate Code:</td>
<td>SW-FM/CoC-001626</td>
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<tr>
<td>Location:</td>
<td>Boyle, Alberta, Canada</td>
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<tr>
<td>Report Date:</td>
<td>August 18, 2010</td>
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I. AUDIT PROCESS

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 twelve FSC audit teams in Western Canada.

Audit date: August 16-18, 2010

Review process:

Desk Audit: Questions and phone discussion with Al-Pac; review of major CAR and National Boreal Standard; review of evidence package.

Al-Pac submitted documents on August 12, 2010 including:
- A report (8pg) outlining how Al-Pac had addressed the major CAR in three parts: assessment; engagement and strategy development; and implementation;
- An updated set of HCVF maps (6 pg);
- A modified/revised HCVF Management and Monitoring Strategies (2010-2015) document (18 pg);
- An HCVF PowerPoint presentation used in the engagement meetings (29 pg); and
- Minutes of engagement meetings with quota holders and Oil and Gas sector companies.
Audit overview: The major CAR is met and closed. A minor CAR, CAR 04/10 is issued.

Changes to procedures since last audit: The changes to procedures include a revised HCVF Management and Monitoring document, and a revised engagement process that will include overlapping tenure holders in developing and implementing future HCVF strategies and responses to monitoring.

II. CAR REVIEW

<table>
<thead>
<tr>
<th>MAJOR CAR 01/10</th>
<th>Reference to Standard: Indicator 9.3.3 and Criterion 9.3</th>
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<tr>
<td>Non-conformance</td>
<td>Description of non-conformance:</td>
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<td>Major X Minor</td>
<td>The team concluded that Al-Pac has not demonstrated that the management strategies and planning processes intended to maintain HCVs are being implemented fully nor is there a very high probability that they will secure the long-term maintenance of all conservation attributes and thus does not meet this Indicator. Al-Pac has not been able to demonstrate it is able to “implement specific measures that ensure the maintenance and/or enhancement of the applicable conservation attributes consistent with the precautionary approach.”</td>
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Corrective Action Request:

MAJOR CAR 01/10: Al-Pac shall demonstrate that there is a very high probability of securing the long-term maintenance or the restoration of the applicable conservation attributes in all High Conservation Value Forests. This shall include:

i. Identifying any activities currently occurring within HCVF’s that are not consistent with the applicable management strategies;

ii. Initiating engagement with quota holders and overlapping non-forestry tenure holders with respect to activities that do not meet the management strategies; and

iii. Initiating development of strategies to restore, maintain or enhance high conservation values in all HCVFs.

Timeline for conformance: Prior to re-certification.

Evidence to close CAR: At the time of the assessment Al-Pac had clearly identified HCVFs and had developed a comprehensive Management Strategies and Monitoring process to evaluate their specific management practices as they affected the sustenance of conservation values in each of the HCVFs. With respect to NBS indicator 9.3.3, this process did not formally include the awareness and involvement of overlapping tenure holders and interviews with those parties indicated they were unaware of the existence of the HCVFs or the management strategies or both. This led the re-assessment team to conclude that the “very high probability that they will secure the long-term maintenance and restoration of all conservation attributes” could not be achieved and as a consequence a Major CAR was issued.

Al-Pac has approached this Major CAR with specific actions for each of the three parts listed (i to iii) and each are reported here separately.

1. **Identifying any activities currently occurring within HCVF’s that are not consistent with the applicable management strategies.**

   Al-Pac conducted an HCVF specific analysis of the impact of linear features, oil and gas plants and well sites, and future harvest blocks. The linear features impacts were first classed by their potential detrimental effect on the HCVF conservation values (i.e. lack of consistency with management strategies) and then assessed either in terms of linear feature density or area of disturbance within each HCVF using a GIS analysis. Tabular summaries of these impacts were provided for each HCVF as well as an overall summary table.

   The work yet to be completed is the development, in concert with overlapping tenure holders, of HCVF targets for these impact components and associated management action thresholds. This work should be
completed in the future engagement process and strategy development. CAR 01/10 is issued.

2. **Initiating engagement with quota holders and over-lapping non-forestry tenure holders with respect to activities that do not meet the management strategies.**

Al-Pac has initiated engagement discussions with key companies of the overlapping tenure holders. Specifically they have identified 4 of the 9 quota holders (the top 60% of the forest quota holder conifer volume allocation; Alberta Plywood, Vanderwell, Millar Western and Bobcel Lumber); have had meetings with their staff to inform them of the HCVF locations and the specific management strategies for each; and have invited them to participate in the Al-Pac led process to develop management strategies and implement a monitoring program. Engagement of the oil and gas sector and other overlapping tenure holders was initiated in a similar fashion by strategically focusing on the major companies included in the Oil Sands Leadership Initiative (OSLI) in July and August, 2010. The OSLI includes five companies (ConocoPhilips Canada, Nexen Inc., Statoil Canada Ltd., Total E&P Canada Ltd. and Suncor Energy Ltd.) comprising approximately 48% of the anticipated oil sands production coming from the FMA in the next 5 years. These companies are also members of the Boreal Leadership Council.

In both cases (forestry and oil and gas sectors) the presentations on HCVFs were well received and understood. In the forestry case there was significant interest in investigating group certification under FSC and commitment to participating in Al-Pac’s development of HCVF management strategies and monitoring. The oil and gas sector was similarly interested in working with Al-Pac and provided suggestions for revisions to the management Strategy and Monitoring documents were suggested that would better incorporate overlapping tenure holders in management and monitoring of HCVFs.

Al-Pac intends in the Fall of 2010 to include engagement with other overlapping tenure holders, management agencies and interest groups (see CAR 04/10).

3. **Initiating development of strategies to restore, maintain or enhance high conservation values in all HCVFs.**

Al-Pac found during the engagement discussion that although the term “high conservation value forests” was not well understood, the ecological attributes associated with these forests were familiar to most attendees and companies. Many companies were involved with management and monitoring strategies of their own that were directly or indirectly relevant to the Al-Pac HCVFs. Al-Pac provided as evidence a revised management Strategies and Monitoring for HCVFs document with highlights to reflect the changes and additions captured in the first round of engagements. This process has yet to be completed.

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<th>CAR Status:</th>
<th>Closed</th>
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<tr>
<td><strong>Follow-up Actions (if app.):</strong></td>
<td><strong>CAR 04/10:</strong> Al-Pac shall create conditions with a very high probability of securing the long-term maintenance or the restoration of applicable conservation attributes.</td>
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III. New Corrective Action Requests, Observations, and Notes

<table>
<thead>
<tr>
<th>CAR #: 04/10</th>
<th>Reference Standard #: Indicator 9.3.3</th>
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<tr>
<td>Non-compliance:</td>
<td>Description of non-compliance: Al-Pac has identified HCVFs which are located in areas that are impacted by overlapping tenures on the FMA Area. Though Al-Pac has initiated discussions with overlapping tenure holders not all significant overlapping tenure holders have been contacted and informed of the engagement process, HCVF locations, management strategies and monitoring program. In addition, HCV management and monitoring strategies (including, as appropriate, targets, management action thresholds, and specific future mitigation actions) have not yet been revised through consultation with overlapping tenure holders.</td>
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<td>Major □ Minor ☒</td>
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Corrective Action Request: Al-Pac shall create conditions with a very high probability of securing the long-term maintenance or the restoration of applicable conservation attributes.

Timeline for Compliance: By the second annual audit.

Due to the high number of outside parties that are required to be involved in this process, a two year timeline is established for this CAR.

IV. CONCLUSIONS

Audit Conclusions:

☑ CAR(s) closed
☐ No follow-up required
☑ New CAR issued (document new noncompliance in CAR table below)

☐ CAR(s) open

☐ Company shall be suspended (Major CAR is not met)

☐ Minor non-conformance has become a major non-conformance (see CAR tables below)

Comments/ Follow-up actions at next audit:

Report Approved by: Krista West, FM Associate, Western Canada

Date: September 8th, 2010

NOTE: Report approval is required when auditor is not an authorized to approve SW reports or when the audit conclusion is suspension of the certificate.