

FSC Certification Report for:

The NIPISSING FOREST

Under the Sustainable Forest Licence of:

NIPISSING FOREST RESOURCE MANAGEMENT

Certificate Number: SCS-FM/COC-00055N

SCS Forest Conservation Program
(An FSC-Accredited Certification Program)

Date of Field Audit: **June 16 – 20, 2008**
Date of Report: **July 10, 2008**
Report Finalized: **Sept 10, 2008**
(Updated October 2009, See section 3.1)
Previous FSC Certification: May, 2003 – May, 2008

Lead Auditor: Walter Mark

Scientific Certification Systems
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Client Contact: Peter Street, pstreet@nipissingforest.com

Organization of the Report

This report of the results of our evaluation is divided into two sections. Section A provides the public summary and background information that is required by the Forest Stewardship Council. This section is made available to the general public and is intended to provide an overview of the evaluation process, the management programs and policies applied to the forest, and the results of the evaluation. Section A will be posted on the SCS website (www.scsertified.com) no less than 30 days after issue of the certificate. Section B contains more detailed results and information for the use of the Nipissing Forest.

Foreword

Scientific Certification Systems, a certification body accredited by the Forest Stewardship Council (FSC), was retained by Nipissing Forest Resource Management Inc. (NFRM) to conduct a certification evaluation of its Nipissing Forest. Under the FSC/SCS certification system, forest management operations meeting international standards of forest stewardship can be certified as “well managed”, thereby enabling use of the FSC endorsement and logo in the marketplace.

In June 2008, an interdisciplinary team of natural resource specialists was selected by SCS to conduct the evaluation. The team collected and analyzed written materials, conducted interviews and completed a 5 day field and office audit of the subject property as part of the certification evaluation. Upon completion of the fact-finding phase of the evaluation, the team determined conformance to the 56 FSC Criteria in order to determine whether award of certification was warranted.

This report is issued in support of a recommendation to award FSC-endorsed certification to Nipissing Forest Resource Management Inc. for the management of its Nipissing Forest. In the event that a certificate is awarded, Scientific Certification Systems will post this public summary of the report on its web site (www.scscertified.com) no later than 60 days after the report is finalized.

Section A- Public Summary and Background Information

1.0 GENERAL INFORMATION

1.1 FSC Data Request

Applicant entity	Nipissing Forest Resource Management
Contact person	Peter Street, General Manager
Address	P.O. Box 179, 128 Lansdowne Avenue E., Callandar, Ontario POH 1H0
Telephone	1-705-752-5430
Fax	1-705-752-5736
E-mail	pstreet@nipissingforest.com
Certificate Number	SCS-FM/COC-00055N
Certificate/Expiration Date	5/16/2008 – 5/16/2013
Certificate Type	<i>Single</i>
Number of FMUs in scope	1
Location of certified forest area	North Bay, Ontario
Latitude	<i>46 Degrees 19Minutes 16 Seconds N</i>
Longitude	<i>79 Degrees 27 Minutes 37 Seconds W</i>
Forest zone	Temperate Mixed
Total forest area in scope of certificate	843,546 hectares
Total forest area in scope of certificate which is:	
privately managed ¹	843,546 hectares
state managed	
community managed ²	
Number of forest workers (including contractors) working in forest within scope of certificate	120
Area of forest and non-forest land protected from commercial harvesting of timber and managed primarily for conservation objectives	78,964 ha
Area of forest protected from commercial harvesting of timber and managed primarily for the production of NTFPs or services	0
Area of forest classified as 'high conservation value forest'	52,144 ha in reserves
List of high conservation values present ³	
Chemical pesticides used	glyphosate
Total area of production forest (i.e. forest from which timber may be harvested)	548,012 ha
Area of production forest classified as 'plantation' for the purpose of calculating the Annual Accreditation Fee (AAF)	0
Area of production forest regenerated primarily by replanting ⁴	0
Area of production forest regenerated primarily by natural regeneration	548,012
List of main commercial timber and non-timber species included in scope of certificate (botanical name and common trade name)	Maple, oak, beech, pine, hemlock, white & yellow birch, black cherry, ash, spruce, aspen and other merchantable species.
Approximate annual allowable cut (AAC) of commercial timber	732,431 m ³ /yr

List of product categories included in scope of joint FM/COC certificate and therefore available for sale as FSC-certified products (include basic description of product - e.g. round wood, pulp wood, sawn timber, kiln-dried sawn timber, chips, resin, non-timber forest products, etc.)	Roundwood, pulpwood, saw logs, chips, bark and sawdust.
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¹ The category of 'private management' includes state owned forests that are leased to private companies for management, e.g. through a concession system.

² A community managed forest management unit is one in which the management and use of the forest and tree resources is controlled by local communities.

³ High conservation values should be classified following the numbering system given in the ProForest High Conservation Value Forest Toolkit (2003) available at www.ProForest.net

⁴ The area is the *total* area being regenerated primarily by planting, *not* the area which is replanted annually. NB this area may be different to the area defined as a 'plantation' for the purpose of calculating the Annual Accreditation Fee (AAF) or for other purposes.

Conversion Table English Units to Metric Units

Length Conversion Factors

<u>To convert from</u>	<u>to</u>	<u>multiply by</u>
mile (US Statute)	kilometer (km)	1.609347
foot (ft)	meter (m)	0.3048
yard (yd)	meter (m)	0.9144

Area Conversion Factors

<u>To convert from</u>	<u>to</u>	<u>multiply by</u>
square foot (sq ft)	square meter (sq m)	0.09290304
acre (ac)	hectare (ha)	0.4047

Volume Conversion Factors

Volume

<u>To convert from</u>	<u>to</u>	<u>multiply by</u>
cubic foot (cu ft)	cubic meter (cu m)	0.02831685
gallon (gal)	liter	4.546

1 acre	= 0.404686 hectares
1,000 acres	= 404.686 hectares
1 board foot	= 0.00348 cubic meters
1,000 board feet	= 3.48 cubic meters
1 cubic foot	= 0.028317cubic meters
1,000 cubic feet	= 28.317 cubic meters

Breast height = 1.4 meters, or 4 1/2 feet, above ground level

Although 1,000 board feet is theoretically equivalent to 2.36 cubic meters, this is true only when a board foot is actually a piece of wood with a volume 1/12 of cubic foot. The conversion given here, 3.48 cubic meters, is based on the cubic volume of a log 16 feet long and 15 inches in diameter inside bark at the small end.

1.2 General Background- Management Systems, Land Use, Monitoring System

This report covers the first five-year recertification audit of the Nipissing Forest under the Sustainable Forest Licence (SFL) of Nipissing Forest Resource Management Inc. (NFRM) pursuant to the FSC (Forest Stewardship Council) and SCS (Scientific Certification Systems) guidelines for recertification audits as well as the terms of the forest management certificate and chain of custody certificate awarded by SCS in May 2003 (SCS-FM/COC-00055N). All certificates issued by SCS under the aegis of the FSC require, at a maximum periodicity, annual audits and recertification every five years ascertaining ongoing compliance with the requirements and standards of certification.

The Nipissing Forest extends over 11,932 square kilometres and has a permanent population of approximately 86,000. The city of North Bay has a population of 53,000 and is a supply and communications centre for much of North-eastern Ontario. North Bay is a focal point for a ring of smaller, nearby communities. The Nipissing Forest is composed of 80 full townships and portions of four other townships. It is bounded on the north by the Temagami Crown Management Unit; by Sudbury District on the west; by Parry Sound District and Algonquin Park to the south; and by Pembroke District and the Ottawa River to the east. The Ottawa River stretches the full length of the eastern boundary of the forest.

Private land comprises 23 percent of the total area of the Nipissing Forest and is concentrated in the southern and central-western part of the area. Its contribution to the overall wood supply in the management unit is minimal. The forest in the eastern part of the management unit was cleared in the past for agricultural activities; that has resulted in hundreds of hectares of idle marginal agricultural land that could make a significant contribution to the district's future wood supply with proper management.

There are 18 existing or soon-to-be-regulated provincial parks, either partly or entirely, within the boundaries of the Nipissing Forest. The parks are: Amable du Fond, Alexander Lake Forest, Chiniguchi, French River, Jocko River, Kenny Forest, Manitou Islands, Marten River, Mashkinonje, Mattawa River, Ottawa River, Restoule, Samuel de Champlain, South Bay, Sturgeon River, Temagami River, West Sandy Island, and Widdifield Forest. There are 21 conservation reserves, either partly or entirely, within the Nipissing Forest.

Two First Nations, Dokis and Nipissing are situated in the western and central parts of the forest respectively. Two other aboriginal communities, the Mattawa-North Bay Algonquins and the Antoine First Nation, are located in the Mattawa area. The Temagami First Nation is located north of the Nipissing Forest, but use parts of the Nipissing Forest for traditional uses. The provincial government has no land use jurisdiction on the Indian Reserves, but timber extraction is an important activity on these lands and many band members are involved in timber management on the adjacent Crown lands.

The Nipissing Forest is in the Great Lakes-St. Lawrence (GLSL) forest region, which is a transitional forest region between the Hardwood Forest Region to the south and the Boreal Forest Region to the north. The boreal forest, covers much of northern Canada, extending

from the Yukon to Labrador, and is characterized by conifers, such as black and white spruce, jack pine, and balsam fir, and shade-intolerant hardwoods, such as trembling aspen and white birch. The GLSL forest extends across central Ontario and southern Quebec. The growing season is longer and the climate milder in the GLSL forest, so it has a greater diversity of tree species. Deciduous species include sugar maple, yellow birch, as red oak, red maple and largetooth aspen. Conifer species include red and white pine, hemlock, and white cedar. The transition zone between the two forest regions is characterized by a mix of the species common to each zone. In the northern portion of the Nipissing Forest, the boreal elements are more common, with boreal conifer species and intolerant hardwoods more common than in the south. In the southern and central portion of the forest tolerant hardwoods are more common. Red and white pine forests are spread across the forest.

Like most Ontario forests, the Nipissing Forest supports a variety of wildlife species. As with the tree species, the diversity of wildlife in the Forest reflects the fact that it is in a transition forest and species from both regions are present. Moose, a common boreal ungulate, are found throughout the Forest, except in the heavily populated or agricultural areas. White-tailed deer, generally a GLSL species, are found primarily in the southern portion of the Forest. The Loring deer yard, located in the southern portion of the Forest, is one of the province’s most important deer wintering areas. The 2004 FMP notes that the sole endangered species to be found on the Nipissing Forest is the bald eagle.

Information about historic condition on the Nipissing Forest is available from Ontario Land Surveyor (OLS) records. In the late 1800’s and early 1900’s surveyors established township lines and other legal boundaries as part of the settlement process. Surveyors followed pre-determined bearings through the forest, marking township boundaries, road allowances and lot corners. When doing this, they recorded information on land type, landform, soil productivity, and forest cover. Detailed descriptions of forest cover included species (in order of abundance), relative ages, health and diameter at breast height of the trees they encountered. This 1890 (circa) forest condition is the basis of comparison to the present forest condition. The current forest condition and species composition is shown in Figure FMP 2.4 below.

Figure FMP 2.4 Working Group Summary

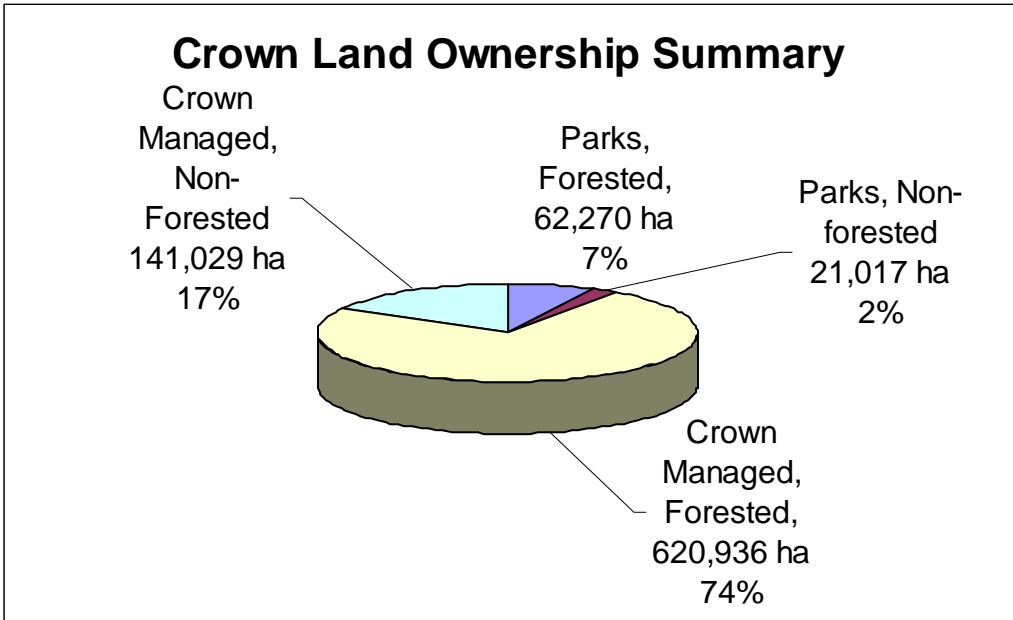
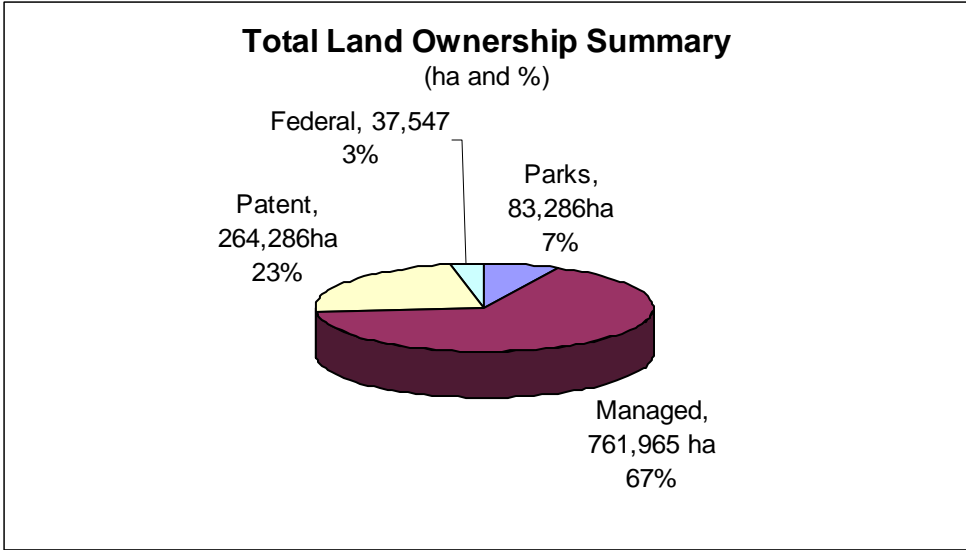
Crown Managed			Parks and Protected Areas		
Working	Productive Forest		Working	Productive Forest	
Group	ha	%	Group	ha	%
Hard Maple	103,856	19%	Poplar	10,282	19%
Poplar	98,218	18%	White Pine	8,582	16%
White Birch	75,426	14%	Hard Maple	7,872	15%
White Pine	61,832	11%	White Birch	7,702	14%
Black Spruce	49,584	9%	Black Spruce	3,798	7%
Cedar	25,751	5%	Jack Pine	3,308	6%

Soft Maple	25,042	5%	Soft Maple	2,199	4%
Balsam Fir	20,942	4%	Cedar	2,157	4%
Jack Pine	20,522	4%	Yellow Birch	1,633	3%
Yellow Birch	20,283	4%	Hemlock	1,327	2%
Red Pine	15,766	3%	Red Pine	1,062	2%
Hemlock	11,012	2%	Balsam Fir	1,045	2%
White Spruce	9,210	2%	White Spruce	836	2%
Oak	3,890	1%	Larch	683	1%
Spruce (mixed)	3,035	1%	Oak	617	1%
Maple (mixed)	2,166	0%	Ash	226	0%
Larch	1,492	0%	Spruce (mixed)	84	0%
Ash	1,080	0%	Maple (mixed)	122	0%
Other Hwd	200	0%	Other Hwd	10	0%
Scots Pine	13	0%			
Total	549,320	100%	Total	53,544	100%

Population increases since the 1800's, timber harvesting and fire suppression have changed the composition of the Nipissing Forest. Before human intervention, it is estimated that there were natural fire intervals, for stand replacing fire, of about 75 years in most stands in the Great Lakes-St. Lawrence Forest Region. This interval has now grown to nearly 600 years due to the advent of modern fire suppression programs (source: 1994-1999 North Bay FMP). Planned harvests show movement towards emulation of natural disturbance frequency by size class through the application of the Natural Disturbance Pattern Emulation Guide (NDPEG). Pre- and post-fire suppression records are used to guide size of harvest area, in an effort to make the future forest disturbance sizes look more like they did in the past.

The Nipissing Forest is just over one million hectares including forested area, water and other non-forested areas. Crown managed land accounts for 67% of the total management unit is; 23% is patent land; 7% is in parks and other protected areas; and 3% is under federal jurisdiction. There are 845,251 ha of Crown managed area, including land and water; of this 10% (83,286 ha) is in parks, protected areas and conservation reserves and 761,965 ha is Crown managed area. Overall, 48% (549,320 ha) of the Nipissing Forest is classified as Crown productive forest, available for timber production, with the remaining 52% consisting of other land types (water, non-forested land, patent, federal, Crown parks and non-productive Crown forest). (Source 2004 FMP)

Figure FMP 2.3 Land Ownership Summary



Prior to 1996, the Forest was managed by the MNR on behalf of the Crown. In 1996 Nipissing Forest Resource Management Inc. (NFRM) was awarded a Sustainable Forest Licence (SFL) to manage the Forest. The Forest is now managed by NFRM on behalf of its shareholders. NFRM is owned by a group of shareholders which are: R. Fryer Forest Products Ltd., Goulard Lumber (1971) Limited, Tembec Industries Inc. (Mattawa Division), Hec Clouthier and Sons Inc., and Grant Forest Products Inc. (Englehart). The SFL, under the Crown Forest Sustainability Act, is administered by the Ontario Ministry of Natural Resources (OMNR), North Bay District Office. There are also 10 independent operators that have overlapping licence agreements with NFRM (four of which are First Nation or Aboriginal Communities). These include Behnke Farms Inc., Dokis Bay Indian Corporation,

Bruno Quenneville, Gerard Liard, Emile Janveaux Forest Products Ltd., Lucien Groulx & Son Planing and Saw Mill Ltd., Madadjiwan E.D. Corporation, Nbisiing Forestry Inc., Antoine Algonquin Community Services Corporation, and Scott Gray.

Pursuant to FSC and SCS guidelines, recertification audits require a comprehensive examination of the full scope of the certified forest operations.

At the time of the June 2008 recertification audit, there were eight open Corrective Action Requests and 2 open Recommendations, the status of NFRM's response to which was in part the focus of the recertification audit (see discussion, below, for a listing of those Recommendations and their disposition as a result of this recertification audit).

1.3 Management Objectives

The management plan provides objectives related to a number of areas.

Forest Diversity Objectives - composition, age class structure and old growth.

- Move towards a species composition distribution more similar to that at the time of pre-logging and pre-fire suppression (all Crown forest).
- Move towards a forest with a more even amount of area in each age class, with relatively less area in the older age classes.
- Double the amount of area in the old growth age classes in each forest uni. This objective is for the entire Crown forest and the intent is to meet the objective as soon as possible, without exerting undue hardship on the forest industry. The stand level objective is to retain old growth features in stands when conducting harvesting operations.

Social and Economic Objectives

The intent stated in the forest management plan is to ensure economic viability for NFRM Inc. and its Licensees, while also providing for a wide range of sustainable benefits for others who use the forest for social, economic or cultural reasons.

- Provide a sustainable, continuous and predictable wood supply from the forest that will meet, as closely as possible and for as long as possible, the current recognized industrial demand of the forest.
- First Nations and Aboriginal Communities will be involved in forest management and benefit economically through partnerships, employment opportunities and new business relationships.
- Respect the presence of resource-based tourism on the Nipissing Forest.
- Respect the presence of other commercial businesses on the Nipissing Forest.
- Protect cultural and spiritual values, and high potential cultural heritage values, in the Nipissing Forest that are identified in the values mapping system.

- Minimize the potential impact of forest operations on recreation areas that are identified on the values map.

Vulnerable, Threatened and Endangered species

All management plans in Ontario must provide protection for values which are dependant on forest cover, such as wildlife and water quality or fish habitat values.

- Maintain habitat and protect critical sites for any vulnerable, threatened, endangered or species of special consideration known to occur on the Nipissing Forest.
- Conduct required fish and wildlife surveys in support of the 2004 Forest Management Plan.
- Maintain the quality and quantity of moose habitat over the five-year term of the plan.
- Maintain the habitat, especially the quality and quantity of winter cover, for deer in the Loring Deer Yard
- Provide for habitat for species that benefit from shoreline disturbance, such as beaver and mink.
- Protect water quality and fish habitat within watercourses and waterbodies affected by forest management.

Silviculture Objectives

An overall objective is to deliver an effective silviculture program that will result in a continuous yield of forest crops of the species, quantity, and quality required by the wood-using industries for which the Nipissing Forest is a source of supply.

- Ensure silvicultural activities create the desired future forest condition. The desired condition is made up of the forest tree species and age classes as described in the forest diversity objectives.
- Conduct enhanced forest management activities on the Nipissing Forest.
- Develop a comprehensive silviculture effectiveness monitoring program.

1.4 Silviculture

Silviculture prescriptions show the planned silvicultural treatments for each forest unit. Forest units are treated with different intensities depending on the objective for each particular site. The general prescription guidelines are included in Table 11 in the FMP (Figure 11. Planned Silvicultural Treatments for Each Forest Unit). Silvicultural systems in use include: clearcut, seedtree, shelterwood and selection.

1.5 Land Outside Scope of Certification

All of the lands in the Nipissing Forest are included in the certification.

1.6 Pesticide Use

The only pesticide use on the forest for the past five years has been herbicide use and that has been only glyphosate. The herbicide use is generally for two purposes. The first is to enhance vegetation types that are underrepresented when compared to the historical context on the forest. These include white pine, red pine, and red oak. Table 1.4.1 shows the use herbicides for this purpose over the past five years. The large increase in 2007 is due to the blowdown events that occurred in pine types in 2006 and 2007.

TABLE 1.6.1 Application of herbicide intended to enhance or maintain white pine, red pine, or red oak

Year	Total Area (ha)	Total Pesticide (kg)
2003	453.5	754.9
2004	42.9	82.3
2005	118.5	199.3
2006	666	1147.5
2007	1581.5	2539.7
TOTAL	2862.4	4723.7
AVERAGE	572.5	944.7

The other use of herbicides is to control competing vegetation in other situations that do not involve enhancement of white pine, red pine, or red oak. Most of this is in treatment of jack pine harvest areas. Table 1.4.2 shows the use of herbicides for the past five years for this purpose. Once again there is an increase shown in 2007 due to the blowdown salvage operations.

TABLE 1.6.2 Application of herbicide to control competition other than for white pine, red pine, or red oak

Year	Total Area (ha)	Total Pesticide (kg)
2003	47.2	24.3
2004	50.7	77.4
2005	20.2	36.7
2006	94.7	152.0
2007	170.2	313.4
TOTAL	383.0	603.8
AVERAGE	76.6	120.8

1.7 Guidelines/Standards Employed

This recertification audit utilized the Great Lakes/Saint Lawrence (GLSL) Interim Standard Version 2.0 June 2008 by Scientific Certification Systems. The scope of this standard includes both natural and plantation forests. This standard fully incorporates the indicators of the FSC Canada GLSL Field-Tested Draft Standard (April 2007). Once the FSC Canada GLSL Standard has been officially accredited by the FSC for use in the GLSL region, all further evaluations will be done against said standard. This standard complies with all applicable FSC International policies, standards, and advice notes. The May 2004 Draft 1.0 Version of the FSC Canada Standards for Well Managed Forests in the Great Lakes St. Lawrence Forests of Ontario and Quebec (GLSL) was utilized on previous audits to evaluate the management of the Nipissing Forest. The 2008 standard is currently under review and is available in the revised form as a Field-Tested Draft, April, 2007 on the FSC Canada website (www.fsccanada.org).

1.8 Chain of Custody Certification

During the 2008 recertification audit, SCS conducted a joint forest management and chain of custody certification evaluation of the Nipissing Forest. The chain of custody scope of the Nipissing COC Certificate covers the stump to mill yard gate. That is, chain-of-custody begins with the severing of a standing tree to produce a merchantable log and ends with that log leaving the custody at the mill yard gate.

During the fieldwork for the forest management evaluation, the team investigated the manner by which NFRM can maintain chain of custody over the logs that leave the forest gate to assure that only logs from the Nipissing Forest would carry the certified status. The team noted that NFRM and the shareholders are subject to the MNR bill of lading system used on all Crown lands. There are four copies of the transport tickets, noting the number of logs or weight, and where the load originated. The MNR and contractors control these. The loader of the trucks maintains the original blue copy of the tickets. The three remaining tickets are held by the trucker and accompany the load of logs to the mill to verify load specifications, after which a copy is given to the mill and to the MNR; also the logging and trucking contractors each keep a ticket. Regardless of where the logs are transported, their origin can be traced with the ticket system. With this legally required bill of lading, the potential of contamination with uncertified logs is eliminated at least until the logs reach the mill yard gate at the mill.

Two loaded trucks were stopped as part of this audit. The first was at Goulard harvest operation (Block 102) and the driver Rock Goulet (owner and operator) was interviewed about the Bill of Lading, and the BOL for the load was checked. The required information had been filled in on the BOL, including the date of the load (18-06-2008), the township of origin, the block number (Block 102 in this case), the species, and the MNR Approval Number for the load, in this case 906545. Each copy of the BOL also included a stamp with the following information: "Nipissing Forest FSC-SCS-FM/COC-00055N. There were the expected three copies of the BOL on board the truck. There were identifying marks painted

on one logs from each section of the load, which was utilized at the mill yard to determine the appropriate drop area for the load. The second interview was with Martin Lemelin at Janveaux Block 85. The BOL (#1140449) included all the required information.

It was concluded on review of the chain of custody procedure that the chain of custody certification awarded to NFRM to cover logs that leave “stump” to “mill yard gate” should be retained.

2.0 SURVEILLANCE DECISION AND PUBLIC RECORD

2.1 Assessment Dates

Since the 2007 annual audit, there were audit activities undertaken on the following dates:

- On January 22, 2008 discussions started on possible dates and audit team members for the 2008 recertification audit.
- On April 24, 2008 Peter Street agrees to audit team composition and Peter Street and the audit team agree to dates of the 2008 recertification audit for NFRM. The audit team composition consisting of Walter Mark, Central Coast Forestry, Grover Beach, California, USA as lead auditor along with Peter Higgelke and Terry Dawyd of KBM Forestry Consultants Inc., Thunder Bay, Ontario, Canada.
- On May 19, 2008 the notice of the upcoming audit was sent to stakeholders by SCS and forwarded to others by Peter Street of NFRM.
- On June 5, 2008 Peter Street of NFRM provides audit team members Walter Mark and Peter Higgelke with a summary of actions for the past year.
- On June 6, 2008 Peter Street of NFRM provides audit team members with an update on evidence for the past year, new policies and new approval documents for planning and timber harvest available at the following FTP site: <ftp://24.109.92.119/>.
- On June 10, 2008 a conference call was held to finalize the agenda for the annual audit with Peter Street, Peter Higgelke and Walter Mark.
- On June 16 – 20, 2008, an SCS audit team (Mark, Higgelke, and Dawyd) conducted the recertification audit of NFRM, including on-site inspections of field operations as well as extensive interviews with NFRM management, field personnel, stakeholders, agency personnel, and contractors.

2.2 Assessment Personnel

For this Recertification audit, the team included Dr. Walter R. Mark, Peter Higgelke, and Terri Dawyd. Dr. Mark acted as the team leader. Peter Higgelke was a member of the certification audit team for the Nipissing Forest in 2002 and has served on the past four annual audits. Dr. Mark has participated as a member of the audit team for the past four annual audits on the Nipissing Forest. Terri Dawyd was participating in her first FSC audit.

Dr. Walter R. Mark: Dr. Mark is a professor of forestry at California Polytechnic State University, San Luis Obispo and former Director of Swanton Pacific Ranch, the University’s

FSC Certified school forest. Dr. Mark specializes in forest health and silviculture. Dr. Mark is a consultant for Scientific Certification Systems and is responsible for the audit. Dr. Mark is a registered professional forester in California (RPF No. 1250) with over 35 years of forestry experience in public and private forestry and higher education sectors. He acted as lead for the 2004 through 2006 Nipissing Forest Annual Audits. He has served as audit team member and leader for several certification, recertification and annual audits over the past several years.

Peter Higgelke: Consulting Forester, Managing Partner of KBM Forestry Consultants Inc. (Ontario). As a principal in KBM, Mr. Higgelke specializes in forest auditing, forest management planning, forest inventory, wildlife habitat supply analysis modeling, business plan preparation, timber harvesting, and forest renewal prescriptions. Mr. Higgelke is a registered professional forester in the province of Ontario, Canada. He has advised First Nations on forest management, forestry negotiations and economic development. In the past he lectured at Lakehead University on integrated forest resources management and GIS applications in forestry. Peter was a member of the SCS team that performed the original FSC certification audit of NFRM in 2002 and participated in the 2004 through 2006 annual audits.

Terri Dawyd: Consulting Forester, KBM Forestry Consultants Inc. (Ontario). Ms. Dawyd specializes in independent forest audits, Aboriginal issues in forestry and other natural resources, and public involvement in forest management on public lands. She also provides valuable support in proposal development, and project execution. In her involvement with the independent forest audit process in Ontario, Ms. Dawyd has been responsible for assessing various audit components including commitment, public consultation, First Nation consultation, system support and elements of forest management planning. She has also played an important role in managing audit logistics including information dissemination, accurate record maintenance and report editing. Ms. Dawyd is of Ojibway decent and a registered member of the Wikwemikong Unceded Indian Reserve located on Manitoulin Island in central Ontario and has worked with Aboriginal organizations in Northwestern Ontario on various forestry projects.

2.3 Assessment Process

The scope of the 2008 recertification audit, as with all recertification audits, included: document review, auditors spending time in the field and office, interviewing management personnel, consultants, and as appropriate, interacting with outside stakeholders.

An FSC Certification Recertification Audit was conducted starting on Monday, June 16, 2008 and concluding on Friday, June 20, 2008. The field stops were selected by the audit team from maps and block activity descriptions provided by NFRM. Stops were selected to look at activities directly related to open CARs and Recommendations, as well as to review a broad spectrum of activities conducted since the last annual audit. The scope of activities during the past two field season has been impacted by the salvage operations resulting from the July 17, 2006 storm related blowdown, another smaller blowdown event in 2007 and a

continuing spruce budworm outbreak. For the current audit, field sites were selected that provided wide coverage of the base of the land in the Nipissing Forest.

Day One – Monday June 16, 2008

The audit started off with a breakfast meeting of the audit team members, Walter Mark, Peter Higgelke, and Terry Dawyd and the general manager of NFRM, Peter Street, Tom MacClean, silviculture forester and Michele Laliberte, forest technician both from NFRM. The general background, purpose and objectives of the recertification audit were discussed; the documentation provided and still needed was discussed, along with items to be specifically visited in the field audit.

Table 2.3.1.a: Day One AM Itinerary

Activities	Licensee/Contractor	Comments
Met with NFRM general manager, Peter Street, NFRM Staff, at NFRM Office in Callandar	NA	Opening session of audit with introductions and background information including purpose and objectives. Review open CARs and Recommendations. Review documentation provided as evidence of action on CARs and Recommendations. Reviewed the version 2.0 of the GLSL standards to be utilized in the audit. Reviewed field audit schedule and participation.

Discussion of the use of the Version 2.0 June 2008 draft of the Great Lakes Saint Lawrence (GLSL) took place, with emphasis on some of the changes that are included in version 2.0 of the standards. Discussions about concerns over the general economic condition of the forest industry in Ontario and the potential impact on the Nipissing Forest including the impact on NFRM budget and staffing, operators and shareholders were held. The shareholder list was provided to the audit team. The general organizational structure and operations of crown SFLs was reviewed. Some general management challenges were discussed including silvicultural and social aspects of transitional forest types, First Nation’s involvement, white pine rehabilitation, market conditions for low quality hardwoods and other products, mill closures, the increase in non-compliances, access issues on the forest and the nature of the forest holdings and the general population within the forest boundaries. The schedule for the next four days and the field sites to be visited was reviewed and updated from the

preliminary itinerary to eliminate some areas where operations had not yet started. Specific discussion on Standard 6.4 the Gap Analysis, aggregate pit monitoring, and activities in the area of silvicultural effectiveness monitoring and regeneration surveys took place and actions were reviewed. The CARs and Recommendations that remain open from previous audits were reviewed and the lines of evidence provided were reviewed for completeness.

After lunch with several of the NFRM staff and the audit team, the audit team members (Peter Higgelke and Walter Mark) along with NFRM manager Peter Street departed from the NFRM offices for the first day of field site visits of the Nipissing Forest.

Table 2.3.1.b: Day One PM Itinerary

Activities	Licensee/Operator	Comments
<p>Stop 1 Restoule road use area, TEMBEC Blocks 51, 52, and 53. This is a very controversial proposed area of activity included in the 2009 FMP for the Nipissing Forest.</p>	<p>TEMBEC</p>	<p>The new draft 2009 FMP includes harvest activity in the Restoule area of the Nipissing Forest. Harvest activities have not taken place in this portion of the forest for approximately 25 years, since the closure of the mill on Odirizzi Road. The road utilized to deliver logs to this mill crosses private land the current landowners have denied access on this road. There are several alternatives under consideration for access to the blocks. One of these would utilize existing public roads and cross a one-lane bridge in the area of Restoule. This has raised many concerns with the local community. A public information gathering was held to discuss the options and over 100 individuals from the Restoule area attended to listen to the presentation and to provide their input. The final resolution of the access to the blocks is still pending.</p>

Day Two – Tuesday, June 17, 2008

Tuesday started with a breakfast meeting with the audit team and Peter Street of NFRM present. The discussion at the breakfast meeting centered on the increase in non-compliance FOIPs during the 2007-08 time period. Most of the increases were from two sources, TEMBEC and Behnke Farms Inc. Many of the increases were from authorizations for transportation of wood from the woods to mills. Included in these were expired haul authorizations, mixed species loads where one species was specified and hauling to destinations not authorized.

The Tuesday portion of the audit was devoted to field audit visits in the northwestern portion of the Nipissing Forest with a departure from North Bay at 7:30 am. The participants included the audit team (Walter Mark, Peter Higgelke, and Terry Dawyd); Claude Goulard and Nicole Seguin of Goulard Lumber Ltd.; Clayton Goulais of Nbissing Forestry Inc.; NFRM staff: Peter Street, Michelle Laliberte, and Tom MacLean.

Table 2.3.1.c: Day Two Itinerary

Activities	Licensee/Operator	Comments
<p>Stop 23 in documentation binder at Grant Block #36, transferred to Nbissing Forestry Inc. This block is a winter black spruce harvest.</p>	<p>Nipising Forestry Inc.</p>	<p>This stop consisted of a clearcut in black spruce with NDPEG harvested in the winter of 2008. The harvest was a winter operation and some blowdown from the 2006 and 2007 storms was present. A large water crossing installation was examined. This crossing was well installed, but the installation took place prior to a cultural heritage assessment on the site. As soon as this was determined, a contract was set up with Woodland Heritage Services Limited to conduct the assessment. No cultural heritage values were found during the survey. The unit was a winter operation, however, approximately six loads of logs remain in the unit. These will be hauled when the road dries adequately to allow a summer haul.</p>
<p>Stop 26 in documentation binder at Nbisiing Salvage Block #892 and Goulard Block #26</p>	<p>Goulard Lumber Ltd</p>	<p>Block #892 was a budworm salvage operation assigned to Nbisiing and harvested by Goulard Lumber Ltd. The prescription was clearcut with NDPEG. An old garbage dump</p>

		<p>was uncovered during the road construction along the road. This had been cleaned up some, but quite a bit of garbage was still present in the area. This is an MNR responsibility, since they covered up an old cottager landfill at this site in the past. There was extensive rutting discovered during the inspection in different places in the unit, but most extensive around a black ash lowland complex. Better protection could have been afforded this resource through more careful timing or unit layout.</p> <p>Block #26 harvesting by Goulard Lumber was also reviewed at this location. This unit was very well done, with careful skidding and felling to protect the residual stand.</p> <p>CAR 2008.1</p>
<p>Unscheduled stop to meet and talk with Jean and Gerard Liard operating under the Gerard Liard independent operator overlapping licence agreement.</p>	<p>NA</p>	<p>The Gerard Liard overlapping licence agreement includes 0.5% of the allocated cut on the Nipissing Forest. Two brothers Gerard and Jean Liard operate the company and work on both Nipissing Forest and private lands in the area. They perform a complete set of logging operations including road construction, felling and skidding and own their own logging equipment. They contract the trucking and sometimes they have a problem securing trucking due to the small number of loads produced. They normally produce around 200 loads per year. They also operate a commercial firewood business.</p>
<p>Unscheduled stop to meet and talk with Gordon Mitchell. Mr.</p>	<p>NA</p>	<p>Mr. Mitchell signed an RSA with NFRM 4-5 years ago. His</p>

<p>Mitchell is a local outfitter running a hunting and fishing lodge. He sits on the board of directors of the Northern Ontario Tourist Outfitters (NOTO).</p>		<p>operating season is from May through October. Some of his main concerns at the time were road maintenance and impacts on his bear stand locations. He stated he has had no problems with NFRM over conflicts and that they have been very responsive when he has asked questions and made requests. Agreement has been reached on every concern brought forward. Working relationships with NFRM staff (Michele Laliberte) have been good.</p>
<p>Stop 24 in documentation binder at Goulard Block #23 and the Gibbon's access road reconstruction.</p>	<p>Goulard Lumber Ltd.</p>	<p>This was salvage in a spruce budworm damaged stand. The slash was piled and burned following cutting and hauling. NFRM has made substantial improvements in handling of roadside slash over the past few years. Some of the issues in the stand were moose overwintering habitat and a trapper cabin and routes. This unit had very undulating ground and the road location and construction had a major impact on the hydrologic function. Many instances of the road blocking flow and of flow running across the road surface were observed. Road location and construction need to be modified in units like this to retain hydrologic function. Several water crossings were upgraded on the road as part of the reconstruction process. All installations were well done. The site of a large beaver dam infringing on the right of way was visited and discussed. The dam is to be breached and a water crossing installed.</p> <p>CAR 2008.2</p>

<p>Stop 17 in documentation binder at Goulard Block 21.</p>	<p>Goulard Lumber Ltd harvest, Outland tree planting contractor</p>	<p>This site was planted in 2008 by Outland, a silvicultural contractor. The new regeneration assessment process was reviewed at this site along with the site preparation and plantings. The site was planted with a mixture of species including black and white spruce and white and jack pine. Site preparation was done with chains to topple existing poplar competition on the site. The toppled poplars had little suckering present. This was a good example of the use of alternative methods to herbicide in site preparation.</p>
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In the evening of day two, two members of the audit team, Terri Dawyd and Walter Mark attended the LCC meeting at the MNR offices in North Bay. The meeting was attended by 9 LCC members and 3 MNR representatives (Dave Minden, Elwyn Behnke, Lorie Reed, John McNutt, Tracy Cain, Jan Vandermeer, Andy Straughau, Lloyd Anderson, and Gail Laird) Also in attendance were NFRM staff Ric Hansel and MNR staff Randy Morrison, Guylaine Thauvette, and Mary Lou McKeen. The main topics of discussion were the Restoule Road access, the AOC proposed in the FMP for cottage lakes, and the 2007-08 FMP amendments filed by NFRM. Good participation was observed by the LCC members. The group discussed the poor attendance of some LCC members, especially the First Nation representatives. The representative from TEMBEC announced that the Mattawa facility would be closing on a temporary basis for an initial period of 10 weeks. A re-evaluation will be made in the first part of July. The shutdown caused the layoff of 52 workers and 5 staff members. The Huntsville mill facility will be cutting back to 1 shift per day; however, the facility is currently closed due to weather limitations on log deliveries.

Day Three – Wednesday, June 18, 2008

On Wednesday the field audit was concentrated on the northeastern portion of the Nipissing Forest. The participants included the audit team (Walter Mark and Peter Higgelke); LLC alternate member, Tracy Cain; NFRM staff: Peter Street, Tom MacLean, Rick Hansel, and Ian Kovacs; TEMBEC Forester, John McNutt.

Table 2.3.1.d: Day Three Itinerary

<p>Stop 10 in documentation binder at Behnke Block 113</p>	<p>Behnke Farms.</p>	<p>The visit at this site started with an inspection of a bridge installation over Fournier Creek. The previous culvert crossing had washed out. The road was upgraded to a secondary access road, which qualified the bridge replacement for funding. The bridge MOU will be transferred from NFRM to the cottages. The installation was done by Bruno Roy – Isidore Roy Lumber. The bridge installation was well done; however, silt containment fencing from the construction activities was left in the stream channel.</p> <p>REC 2008.2</p> <p>The block had a salvage operation in fall 2007 to recover value from the blowdown events of 2006 and 2007. The species harvested were white, red, and jack pine. The site is an excellent pine site and site preparation is scheduled for this summer and planting for August, 2008. The block will be raked and planted. Some of the funding came from the Forestry Futures funds as part of a contract to treat 600 to 700 ha of blowdown sites over three years.</p> <p>Another older MNR crossing was inspected that had recently had a load restriction placed on it. This restricts harvest access and resulted in the inability of salvage of a hardwood blowdown site. The crossing was perched and did represent a fish barrier.</p>
<p>Stop 16 in documentation binder TEMBEC Block 108</p>	<p>Redbridge Forestry</p>	<p>This was a planting inspection on a clearcut with NDPEG following blowdown. The stand had been white pine and poplar. More than</p>

		<p>half of the block will be moving to white pine uniform shelterwood. Part of the block was jack pine and black spruce. The site is a good site for pine restoration and some planting has taken place with no need for site preparation. Planting crews used local outfitter housing during the planting operations.</p>
<p>Stop 12 in documentation binder at Tembec Block 102</p>	<p>TEMBEC</p>	<p>This was harvested in fall 2007 using a white pine shelterwood seeding cut. The prescription called for 50% cover. Discussion on the spacing took place and generally most agreed that a 40% of height spacing might have been better, due to the narrow crowns of the trees. Understory competition of red maple and birch may lead to tending needs in the future.</p> <p>Further along in the unit a hardwood shelterwood area was reviewed. This area had many AOCs and values identified prior to harvest operations and during the marking. These included brook trout lakes, vernal pools, and a spring. The AOC marking around these and the new AOC protection for brook trout lakes were discussed.</p>
<p>Unscheduled stop to meet and talk with Mike and Julie Shepard, outfitter and RSA signatories.</p>	<p>NA</p>	<p>A lengthy discussion took place between the audit team members and the Shepards. They have operated in the area for six years and have many concerns about the impacts of forestry operations on their hunting, fishing and lodge operations. They have been working with industry and NFRM and feel that they have improving relationships with both. Rick Hansel has kept them informed of planned activities and seek their</p>

		input prior to operations. Their RSA includes features to protect skyline views, road buffers and identification and buffers around other features important to their business.
Stop 15 in documentation binder at TEMBEC Block 105	TEMBEC – Janveaux Forest Products	The activity was a white pine and hardwood shelterwood harvest. There were two non compliances where the cutting boundaries were not observed. One resulted in cutting of trees beyond the marked boundary, but still on Crown lands. The non-compliance reports were filed. A major concern that was dealt with on the operation was the viewshed from the Ottawa River to be sure that there was not a visual impact. The unit has a boundary with the Ottawa River Park. There were other issues in the stand with bear baiting stations and moose habitat. Discussions with logging contractor workers showed that they were in compliance.
Unscheduled stop in TEMBEC Block 102	TEMBEC – Janveaux Forest Products	Loading and hauling operations from this block were checked as part of the chain of custody audit. Rock Goulet an owner operator truck driver was interviewed and the bill of lading documentation was checked. Required papers, safety equipment and licences were present.
Unscheduled stop in TEMBLEC Block 109	Andy Montreuil	Planting and site preparation site where the unit had been clearcut and shelterwood harvested between 2004 and 2006. Blowdown salvage in 2006 delayed the site preparation until 2007. Part of the unit was treated and planted in with 580,000 seedlings planted in the spring and another 2000,000 planted in the fall. The post planting assessment

		form was reviewed.
Unscheduled stop at water crossing.	TEMBEC	This was a crossing required on McConnell Lakes Road. A beaver moved into the area and plugged the pipe. Water washed across the road, MNR provided a new larger culvert and TEMBEC installed the culvert.

Day Four – Thursday, June 19, 2008

The Thursday portion of the audit was devoted to field audit visits in the eastern portion of the Nipissing Forest with a departure from North Bay at 7:30 am. The audit team split up for the morning with Walter Mark going to the MNR offices in North Bay to meet with various MNR personnel. The field audit for the first two stops of the day included Peter Higgelke of the audit team; NFRM staff: Peter Street, Ian Kovacs, and Tom MacLean; and John McNutt of Tembec. At stop 20, Walter Mark and Megan Smith Project Forester of the Southern Science and Information section of the MNR joined the field audit.

Walter Mark met first with Mary Lou McKeen, Supervisor of Planning and Information Management. The FMP planning process for the 2009 FMP was discussed. The First Nations have a role in the process. There is an Aboriginal Working Group which meets quarterly and more often during the planning process. These are well attended except by the Nipissing representative. Major issues with the First Nations include meeting times, access restrictions, and allocations. Currently the process is in Stage III, public review of operations planning and Aboriginal review of the identification of values. The plan preparation is progressing with a scheduled draft due on July 15 to go to the Nipissing LCC and then to the MNR for a 60-day review period. The process is two to four weeks behind schedule, and the new plan must be in place by April 1, 2009. If the new plan is not approved by April 1, 2009, then operations will cease until the new plan is adopted. Mary Lou indicated that there was a shared vision held by the SFL licensee and the MNR, even though there were differences. The planning process is more challenging with SFLs on the Crown Forests, as opposed to MNR managed Crown Forest Units.

The next meeting was with Kim Groenendyk, District Manager; Randy Morrison, Supervisor of the Nipissing Area; and Randy McLaren, Forestry Tech Specialist. The first topic was the increase in non-compliance issues on the Nipissing Forest. Generally compliance is considered good by the MNR, but there are a couple of operators who do not seem to show as much concern as is needed. The MNR is working with Peter Street and NFRM to get the non-compliances under control. Some progress is being made. The MNR has looked at the staff cutbacks made on the NFRM and plan to issue a comment on the cutbacks to Peter Street. They feel that the cutbacks will not help in the compliance area. A presentation on compliance and non-compliance was made to the LCC. There was a large increase in non-compliances in the 2007-08 year. Part of the increase may have been due to a better understanding of the role of the SFL in reporting non-compliance. The process is undergoing

undergoing revision and next year the reports from the SFL will either report in compliance or an operating issue, there will be no more in compliance with comments. As a result, there may be another increase in non-compliance for 2009-10. For the spring compliance training for the SFL, Peter Street asked what should be included, the MNR recommended an emphasis on authorization to haul, since many of the non-compliance situations in the past year were for this. There have been very few on-the-ground silvicultural non-compliance reports, most are due to administrative staff work not being done. For each non-compliance reported there must be a remedy in the form of: a warning, an administrative penalty, an order (stop work, compliance, or repair), or formal charges.

The current market conditions and the stress this is placing on the forest industry in Ontario was discussed. A cooperative spirit will be required by all parties to make sure that the forest resources are protected and that the industry and the SFL survives this market downturn. Many operators are having financial difficulties meeting payments, fuel costs, and payroll. Many mill operations have cutback or ceased operations, on SFL has been returned to the MNR for management.

Table 2.3.1.e: Day Four Itinerary

Activities	Licensee/Operator	Comments
Stop 9 in documentation binder at Behnke Block 185	Behnke Logging and Trucking Limited	A salvage harvest was performed in this block. Due to the history of high non-compliance of Behnke and the number of user groups (residents, cottagers, fish culture station, snow mobilers) interested in the area, considerable supervision and guidance was provided by NFRM staff to Behnke in this block. Strict road use conditions were applied and skid trails and landing were located to minimize impacts on other user groups.
Stop 8 in documentation binder at Janveaus Block 85	Janveaux Forest Products	A harvest operation was in progress during the field audit. The area consisted of several types including hardwood shelterwood, white pine shelterwood and white pine seed tree. Forest operations were being performed in accordance with requirements including utilization, skid trail location and use, and damage to residuals. An aggregate pit was examined and had been properly treated for

		requirements for temporarily inactive pits.
Stop 20 in documentation binder at the Red Oak Research and Demonstration Area in Phelps Township	NA	<p>Megan Smith presented the research efforts. In 2004 the red oak stands in the area were scheduled for harvest. The NFRM staff, Ian Kovacs, realized the special nature of the stand and that there was no oak regeneration present in the stand. The first action was to contract with a feller buncher to remove the understory from the stand. The understory had some planted white pine present. Acorns were collected and about 140,000 were available for planting.</p> <p>Several studies were implemented by a group of participants including MNR, Jiffy Products, Nipissing University.</p> <p>Studies included trials to look at</p> <ul style="list-style-type: none"> - Seed predation - Sprout management - Mixed pine and oak management - Growth and yield of mid-tolerant species - Affect of opening size - Mechanical, herbicide, fire and control for tending effectiveness - Stocking - Shelterwood closure - Acorn holding and germination - Impact of fertilization - Season of planting <p>This research is an important response to inputs on oak management from past FSC audits.</p>
Stop 7 in documentation binder	Janveaux Forest	This unit was a hardwood uniform

at TEMBEC Block #94	Products	<p>shelterwood harvest. There were several problems with access off a main highway. There were gravel pits in the units that had some non-compliance issues, including excessive damage to the residual stand, lodged trees, garbage, right of way too wide and two category 14 gravel pits. There were white cedar logs left in the unit due to lack of market. These were scaled and released for fire wood. A broad winged hawk nest was found during the road construction phase and the work was stopped and a seasonal work restriction and AOC were established. Due to the marking and prescription there was much small diameter material in the harvest.</p> <p>REC 2008.3</p>
Stop 6 in documentation binder at TEMBEC Block # 97	Janveaux Forest Products	<p>This unit was a hardwood uniform shelterwood harvest. Natural regeneration was planned for the unit. There were white cedar logs left in the unit and decked along the road, due to lack of market. These were scaled and released for fire wood. Many of the logs appeared to be cull logs and would have been better left in the forest instead of skidding to the landing.</p> <p>There was a temporary crossing that was pulled during the winter. There was debris left in the channel and the banks required stabilization.</p> <p>REC 2008.1 and REC 2008.3</p>

Day Five – Friday, June 20, 2008

The Friday portion of the audit was devoted to field audit visits in the central portion of the Nipissing Forest with a departure from North Bay at 8:00 am. Audit team members Peter Higgelke and Walter Mark; Peter Street and Tom McLean from NFRM were present. Scott Spence of Grant Forest Products and Michele Laliberte from NFRM joined the group at the first stop.

Table 2.3.1.e: Day Five AM Itinerary

Activities	Licensee/Operator	Comments
<p>Stop 27 in documentation binder at TEMBEC Blocks # 62</p>	<p>Grant Forest Products</p>	<p>This was a clearcut harvest of poplar and conifers with NDPEG. Insular and peninsular patches composition included primarily maple. There were good candidate areas for red pine restoration in areas where poplar was growing on sandy soils. This was a mechanized harvest with full tree skidding. There was new road construction involved to access the white birch stand. At the back of the unit there was a patch of yellow birch that was very wet. This was recognized and the skidding in this area was delayed. The harvesting was very well done and Scott Spence of Grant Forest Products accompanied the field audit team for this unit.</p> <p>There have been a number of issues in the harvest block. These include: an oil spill from equipment parked over the winter, a Category 14 gravel pit too close to a cut boundary (which was actually a peninsular patch), cutting of uncut maple trees, mixing of maple logs into logs of white birch. The amount of maple in the loads and decks was very minimal. The provincial log scaler was brought to the site to scale the maple logs and he indicated there was too little to</p>

		bother with scaling.
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This concluded the field visit portion of the annual audit.

The team met to work on the findings to present at the exit meeting for the rest of the day until the 3 pm exit meeting.

An exit meeting was held at the NFRM Offices on Friday afternoon. At that time the preliminary results of the annual audit and the resulting draft CAR's and Recommendations were discussed.

2.4 Total Time Spent on Audit

The Recertification Audit of the NFRM required a total of 21.5 person days. This time was broken down as follows:

- Pre-audit preparation, including review of standards, review of past audit reports, preparation of templates and review forms, and review of documentation provided by NFRM – 2 person days.
- Conduct field audit of NFRM - 15 person days
- Consultation with stakeholders – 0.5 person days
- Preparation of Draft Recertification Audit Report – 3 person days
- Review of comments and revision of Recertification Audit Report – 1.0 person days

2.5 Status of Corrective Action Requests and Recommendations

There were seven outstanding CAR's from the 2007 annual audit for the Nipissing Forest.

There were two outstanding Recommendations from the 2006 annual audit.

Auditor Observation/Non-Conformity:
Auditor interviews with employees of contractors provided evidence that the observance of some of the Ontario labor laws were not being followed. Evidence indicated that legislated limits on the total hours worked per week and the pay of overtime were not observed. Contracts observed in previous audits specified this requirement for contractors; however, the evidence from worker interviews indicated non-compliance with the contract language. NFRM must verify that the terms of the contracts are followed by the contractors and that efforts are made by contractors to ensure that their employees are aware of Ontario's employments standards.
CAR 2007.1:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all contractors operating on Nipissing Forest are complying with Provincial labor regulations and that contractors are

making their employees aware of provincial employment standards.
Reference: FSC 1.1, 4.2, 4.2.1
Status at July 10, 2008:
This CAR is closed as of July 10,2008.

Auditor Observation/Non-Conformity:
During the 2008 audit in the field, contractors equipment was checked and it was determined that the fuel tanks for refueling equipment did not comply with some provincial regulations (e.g., tanks not parked on areas free of ground vegetation and combustible materials). All tanks observed during the 2008 audit had the proper ULC tags affixed to them. . The requirements for fuel handling were shared with the harvesting companies at the 2008 Spring Compliance Meeting hosted by NFRM. The requirements are also included in all silvicultural contracts. Significant improvement has been made in this area; however, some requirements remain unmet in the field.
CAR 2007.2:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all contractors operating on Nipissing Forest are complying with Provincial regulations for fuel handling.
Reference: FSC 1.1, 5.3, 6.7
Status at July 10, 2008:
This minor CAR will remain open and be checked during the 2009 annual audit.

Auditor Observation/Non-Conformity:
Due to the timing of the field audit in 2008, there were no active spray operations on the forest. The application of herbicides is seasonal and only effective at certain times of the year. As a result there was no opportunity available for observation or interviews with contractors performing chemical application. The training and contractual requirements for contractors was reviewed. Under the FSC standards training programs for staff handling chemicals must be provided. No verification of corrective action was possible due to the timing of the audit. To observe active spray operations in the field, future audits will have to be scheduled during late summer or early fall. If future audits are scheduled at a time of the season where chemical applications are not in progress then another form of verification will have to be established.
CAR 2007.3:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all contractors operating on Nipissing Forest are complying with Provincial regulations requiring that all workers receive proper training before handling and working with herbicides and other chemicals.
Reference: FSC 1.1, 4.2, 4.2.1, 6.7.3
Status at July 10, 2008:
This minor CAR remains open and will be reviewed in the 2009 annual audit.

Company Action/Auditor Observation:
During the course of the field audit, several aggregate pits were examined. This included

aggregate pits in Categories 9 and 14, where operations were completed, suspended and active. In all cases, rehabilitation standards had been followed including proper sloping of pit walls and distribution of overburden onto completed pits. Following the 2007 field audit, NFRM provided photo documentation that all aggregate pits observed in non-compliance during the audit were rehabilitated.
CAR 2007.4:
By the 2008 recertification, NFRM must take steps to assure that all inactive gravel/aggregate pits on the forest are in compliance with Provincial regulations such as proper sloping of the pit walls; documented evidence must be conveyed to SCS that all pits have been brought into compliance with Provincial regulations.
Reference: FSC 1.1, 4.2, 4.2.1
Status at July 10, 2008:
This CAR is closed as of July 10, 2008

Company Action/Auditor Observation:
During the audit in the field, the newly implemented plantation monitoring methods and field plots (TSP) were reviewed and visited. NFRM provided block assessment tables of assessment of tree planting by the planting contractor. The schedule for assessment of regeneration efforts provides for survey of success of plantation establishment and tending needs in years one, two and five. A review of the SEM system developed and currently used by NFRM that incorporates risk, site, and intensive silviculture into a protocol to develop a system of monitoring took place during the audit. This is work in progress with discussion about ways to improve the process beyond the current status. In addition the NFRM silviculture forester is on the provincial task force for SEM.
CAR 2007.5:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has instituted further modifications and improvements to their silvicultural effectiveness monitoring (SEM) program so as to assure more systematic and timely monitoring of regeneration adequacy
Reference: FSC 7.1.5, 8.1.1, 8.1.3
Status at July 10, 2008:
This CAR is closed as of July 10, 2008

Company Action/Auditor Observation:
During the audit in the field, numerous new crossings installations were observed. All new installations observed met the provincial guidelines for water crossing installations.
CAR 2007.6:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all stream crossings designed and constructed on Nipissing Forest are in full compliance with Provincial Crown Land Guidelines and best management practices such that aquatic resources are not being adversely impacted.

Reference: FSC 4.5.2, 6.5.2, 6.5.3
Status at September 7, 2007:
This CAR is closed as of July 10, 2008.

Company Action/Auditor Observation:
NFRM provided the herbicide use records for the past five years disaggregated by method of application and for use in restoration of white pine, red pine and red oak versus use for competing vegetation control in all other uses as requested. The newly implemented Version 2.0 GLSL standard no longer requires a continuous reduction in herbicide use in Criteria 6.6.

CAR 2007.7:
At the time of the 2008 re-certification audit, NFRM must provide annual herbicide use data for the past 5 years that is disaggregated into two categories: <ul style="list-style-type: none"> • Applications intended to enhance or maintain white pine, red pine, and red oak regeneration • Applications associated with competition control in all other circumstances Data must be disaggregated by application method.

Reference: FSC 6.6 and all 6.6.x indicators
Status at July 10, 2008:
This CAR is closed.

Company Action/Auditor Observation:
Evidence was provided to document the dialogue among NFRM, SCS, and FSC Canada regarding this conflict between FSC standards and provincial directives. The resolution of this in included in the GLSL Ver. 2.0 standards, where the reference to “continuous reduction in herbicide use” has been removed.

CAR 2007.8:
Within 3 months of receipt of the 2007 annual surveillance report, NFRM must initiate dialogue with FSC-Canada, in collaboration with SCS, aimed at resolving the conflict between Provincial directives to increase white pine within Nipissing Forest and FSC GLSL Regional Indicator 6.6.3 which requires “continuous reduction in herbicide use.”

Reference: FSC 1.4, 6.2.2, 6.2.3, 6.6.2, 6.6.3
Status at July 10, 2008:
This CAR is closed as of July 10, 2008

Recommendation 2006.1:
NFRM should work with the MNR to obtain updated FRI information for the forest.
Company Action/Auditor Observation:
The current FRI data is nearly 20 years old. NFRM has worked to update this data set with additional information to provide a better dataset for the 2009 FMP. This updated data set has been certified for the and is therefore determined to be adequate for planning. The amount of updating of the existing old database is admirable and does provide an adequate

although not the most desirable basis for forest planning. Efforts to date include field assessment of white pine stands, free-to-grow assessments, aerial inventory of blowdown and spruce budworm damaged areas, aerial surveys of moose aquatic feeding habitat, a forecast of depletions and blowdown. Future planning efforts badly need an updated FRI data set. The Ministry of Natural Resources has scheduled the Nipissing Forest to be flown for the Provincial Forest Resource Inventory in summer 2008. The updating of the FRI is a three-year process from start to finish, so the entire new database set will not be available until 2010 at the earliest. This is not in time for the 2009 FMP process. NFRM is planning to ask the MNR to delay the flights so that the FRI data will be updated and current for the 2014 FMP cycle.

Reference: FSC 8.2.4

Status at July 10, 2008:

This recommendation remains open. Good progress has been made and the MNR has stated a target date for FRI updates. Although the CAR is directed at NFRM, responsibility for FRI scheduling and completion lies with the MNR.

Recommendation 2006.2:

Within one year of the receipt of the gap analysis report from the MNR, NFRM should implement the appropriate resource protection areas based on the candidate areas identified.

Company Action/Auditor Observation:

NFRM has made good progress toward meeting the overall condition for the completion and implementation of the gap analysis. The efforts resulted in the Ontario Parks completing the gap analysis and providing that information in January 2007. NFRM and VFM have made a joint proposal to Ontario Parks for gap mitigation. The MNR and Ontario Parks are working on “disentanglement” of proposed parks and protected areas. No additional information has been received by NFRM from either the MNR or Ontario Parks on their gap proposals or on the disentanglement process.

Reference: FSC Criterion 6.4

Status at July 10, 2008:

This recommendation remains open until the process of disentanglement and transfer of appropriate identified areas to fill legitimate gaps are completed. Although the CAR is directed at NFRM, cooperation from MNR and Ontario Parks is needed for it to be addressed.

2.6 General Observations

According to the NFRM Trend Analysis Report there was an overall decline in utilization of harvest area during the 2004 FMP, this decline and the blowdown event of 2006 have contributed to these figures missing targets set forth in the FMP. The softwood lumber dispute with the United States continues to result in poor markets for red and white pine. The large volume of red and white pine that entered the market after the blowdown in July 2006 had an immediate impact to lower the price for quality red and white pine logs and lumber. The market has still not recovered. The housing downturn in the United States has contributed to the softening of the current market. The FMP includes a large area allocated

with low volume/low quality material. While markets for white birch and dense hardwood pulp continued strong, the price is too low to support additional volumes being harvested in these areas. The renewal rate on pine was reduced to assist in the salvage operations; however, this does raise some questions for future funding for re-establishment efforts. Some of the effects of this lowered renewal rate have already been observed in the regeneration efforts on the forest. One additional mill in the area has closed since the 2007 audit and others appear to be having financial problems and may be in danger of closing or reducing shifts. All of this has contributed to a declining timber industry in the area. There is an opportunity being discussed for the construction of one or more cogeneration plants and a wood pellet plant that would provide a market outlet for low quality hardwood materials. If these plants were to be built and could pay for this material, it would greatly enhance the opportunities to meet the cut levels set forth in the plan, as well as to meet the goals for red and white pine restoration on these sites.

The shareholders in the SFL are Grant Forest Products Inc., R. Fryer Forest Products Ltd., Goulard Lumber (1971) Limited, Tembec Industries Inc., and Hec Clouthier & Sons Inc. These shareholders now hold 86.6 percent of the harvesting rights on the SFL. The total harvest right of independent operators is 5.3 percent. First Nations harvesting rights are 8.1 percent. Concerns over the ability of NFRM to implement the activities in the 2009 FMP do exist because of the shortfall of harvests.

NFRM has had some substantial budget cuts since the last annual audit. These cuts have resulted in cuts to its forest technician staff time and a departure from the salary agreement for its professional foresters. Prior to the last audit, the overall staff was organized into three teams under the general manager: Harvesting and Roads, Planning, and Silvicultural. This seems to have been a very effective transition and has increased the monitoring efforts, even so, a new CAR related to monitoring silvicultural effectiveness and a new CAR related to water crossings were issued. An increase in non-compliance did occur as part of the salvage operations in the red and white pine. Most of these were in the category of administrative non-compliance related to hauling without the proper authority and harvesting under expired authorizations.

The lawsuit filed against NFRM which was settled in its favor since the 2005 annual audit and appealed is now settled. The final resolution of this issue about cutting rights was resolved in favor of NFRM.

2.7 New Corrective Action Requests and Recommendations

There were three new minor corrective action requests issued as a result of the 2008 recertification audit.

There were three new recommendations issued as a result of the 2008 recertification audit.

Auditor Observation/Non-Conformity:
The SCS Team observed excessive rutting at one of the stops during the recertification field tour. Additional skid trail location problems were observed on the forest and more

<p>guidance by the forestry staff working with the operators should provide substantially better skid trail planning and layout.</p> <p>The audit team was provided with a PowerPoint presentation entitled Careful Logger Training utilized during the compliance training of Spring 2005. The content of this PowerPoint covered all the applicable planning and layout information. This training program should be repeated.</p>
<p>CAR 2008.1:</p>
<p>NFRM must develop and implement a plan to locate skid trails to minimize rutting potential. Operators need to be educated about skid trail location and rutting to enable determination by the individual of rutting potential and to discuss alternatives with the NFRM forestry staff, such as relocation or halting work on an area until conditions change.</p> <p>A higher standard for rutting in AOC's and those near watercourses, RSA's, cottages, HCVs, and adjacent to parks is required.</p>
<p>Reference: FSC 6.3.10</p>
<p>Status at July 10, 2008:</p>
<p>This is a new minor CAR. This item will be reviewed in the annual audit in 2009.</p>

<p>Auditor Observation/Non-Conformity:</p> <p>At Goulard Block 23 of the 2004-2009 FMP, a number of instances were reviewed of road construction that had been performed with insufficient regard for drainage, particularly in lowland areas where no obvious water course was visible. Road construction had involved building up the road base with material and, where lowland drainages were present, caused an impediment to natural water flows and flooding on the upslope side of the road. In the opinion of the auditors these situations require remedying.</p>
<p>CAR 2008.2:</p>
<p>By the time of the 2009 annual audit, NFRM must ensure that drainages impediments caused by road development in Goulard Block 23 of the 2004-2009 FMP have been remedied to permit water to flow without encumbrances caused by road development.</p>
<p>Reference: FSC 6.3.6, 6.3.7, 6.3.10 and 6.5.1</p>
<p>Status at July 10, 2008:</p>
<p>This is a new minor CAR and will be reviewed in the 2009 annual audit.</p>

<p>Auditor Observation/Non-Conformity:</p> <p>During the annual audit in 2007 the audit team recognized that the stakeholder consultative process for HCV's had not been completed. Discussions with NFRM indicated that the first opportunity for this consultation would take place during the 2009 FMP process. Further discussions during the 2008 recertification audit led to the determination that this consultation, including consultation with the First Nations has not taken place.</p>
<p>CAR 2008.3:</p>
<p>HCV Public stakeholder consultation must take place as part of the process for the</p>

preparation of the 2009 FMP. First Nations must be consulted in the 2009 FMP process to obtain their input on the inclusion of cultural resources as HCV's.
Reference: FSC 9.2.1
Status at July 10, 2008:
This is a new minor CAR and will be reviewed in the 2009 annual audit.

Company Action/Auditor Observation:
During the field audit portion of the 2008 recertification audit at the stop in Tembec Block # 97 a temporary crossing decommissioning site was visited. The temporary bridge had been removed during the winter. There was netting and straw in the stream channel and there were banks that needed rehabilitation. The site needed remediation work to clean it up and to prevent soil and sediment deposition into the stream.
REC 2008.1:
Water crossing decommissioning which has occurred during the winter period should be inspected after the spring thaw to determine if rehabilitation and clean-up are required. The Tembec crossing removal checklist should be utilized to review the removal during the inspection following the spring thaw.
Reference: FSC 6.3.4, 6.3.5, 6.3.6, 6.3.7, 6.3.10, and 6.5.1
Status at July 10, 2008:
This is a new recommendation and will be reviewed in the 2009 annual audit.

Company Action/Auditor Observation:
During the recertification audit in the field, the new bridge constructed in the Behnke salvage block # 113 was inspected. Silt fencing material utilized during the construction to keep soil and sediment out of the watercourse was left in place in the streambed following completion of the bridge construction.
The FOIP includes a compliance question "Has debris been left in a water body or water course?"
REC 2008.2:
All construction materials introduced into a water crossing which are not part of the installation during the installation of a water crossing should be removed prior to completion of work at the site. No construction materials not intended to remain as part of the installation should be allowed to remain.
Reference: FSC 6.3.4, 6.3.5, 6.3.7, 6.3.10, and 6.5.1
Status at July 10, 2008:
This is a new recommendation and will be reviewed in the 2009 annual audit.

Company Action/Auditor Observation:
During the course of the recertification field audit, several examples of unutilized material were observed. In general this material was made up of logs of species that had little or no market value under current market conditions. Cull logs were also observed which had been skidded to road landings and left in decks at roadside.

REC 2008.3:
Efforts should be made to minimize the number of non-merchantable trees that are felled, and felled cull logs should be left in the woods, instead of skidding them to the landing.
Reference: FSC 1.1, 4.2, 4.2.1, 5.1.1
Status at July 10, 2008:
This is a recommendation and will be reviewed in the 2009 annual audit.

2.8 General Conclusions of the 2008 Recertification Audit

Based upon information gathered through site visits, interviews, and document reviews, the SCS audit team concludes that NFRM’s management of the Nipissing Forest in Ontario, Canada continues to be in strong overall compliance with the FSC Principles and Criteria, as elaborated by the June 2008 Version 2.0 Interim Standards for the Great Lakes and St. Lawrence Region of Ontario, Canada. That is, and while there remain aspects of the management program that are somewhat deficient relative to the standard of certification, the SCS audit team has concluded from this annual audit that NFRM’s forest management program is in general conformance with FSC Principles 1 through 9 (Principle 10 is not applicable as NFRM’s operations are classified as “natural forest management” under the FSC definitions). As such, continuation of the certification is warranted.

2.9 Strengths and Weaknesses Relative to FSC Principles

Table 2.9.1, on the following page, contains the evaluation team’s findings as to the strengths and weaknesses of the subject forest management operation relative to the FSC Principles of forest stewardship. The table also presents the corrective action request (car) numbers and recommendation (rec) numbers related to each principle.

Principle/Subject Area	Strengths Relative to the Standard	Weaknesses Relative to the Standard	CAR/REC #s
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> ▪ Regulatory compliance of NFRM is very high. The number of compliance orders is generally very low. ▪ Monitoring for timber theft is consistent and thorough. ▪ NFRM staff has an active involvement with FSC Canada. ▪ NFRM has an excellent staff which is committed to good forestry. All staff members exhibit good integrity and dedication to doing a good job 	<ul style="list-style-type: none"> ▪ There are many issues with contractors for shareholders. NFRM does not have direct supervision authority over shareholder contractors and these are the individuals who may cause compliance issues. ▪ There has been an increase in the number of compliance issues in the past year, due largely to the large scale salvage operations and timing of permits. ▪ Some of the NFRM forestry staff is also staff on the Sudbury Forest. This results in a very large commitment. 	<ul style="list-style-type: none"> • CAR 2007.2 • CAR 2007.3 • REC 2008.3
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> ▪ The land is all Crown land and tenure thereto has been granted by Ontario to NFRM in the SFL. Therefore, a clear right of tenure exists. SFLs have a term and extensions are linked to the IFS process. ▪ The Nipissing Forest is utilized extensively for many resource benefits by the public. These have been well protected through cottager agreements and RSA's. The forest continues to provide exceptional public use opportunities. ▪ NFRM has done an extraordinary job of planning for the forest. The FMP is currently under revision. This process includes extensive opportunities for public input. 	<ul style="list-style-type: none"> ▪ No weaknesses were observed in this area. 	

P3: Indigenous Peoples' Rights	<ul style="list-style-type: none"> ▪ NFRM is committed to including First Nations in forest management planning and operations ▪ NFRM also has developed an Agreement of Understanding with the First Nations. Signed agreements are in place with Antoine First Nation, Mattawa/North Bay Algonquins and Dokis First Nations. ▪ Each First Nation has a representative on the 2009 FMP planning team with good participation levels by all but one. ▪ The First Nations are represented on the Board of Directors of the Nipissing Forest. 	<ul style="list-style-type: none"> ▪ No weaknesses were observed in this area. 	
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> ▪ There are many opportunities provided to the public for input. The record of extensive public consultation in the planning and implementation of the plans is exemplary. ▪ Through timber, recreation, and habitat the Nipissing Forest is key to many local communities. NFRM has worked very hard to accommodate and compromise to maintain these values for the communities. 	<ul style="list-style-type: none"> ▪ Technician staff time reductions took place this year and forester salaries were reduced from the agreed to levels. This causes some concern on the part of the staff and may negatively impact field operations. ▪ NFRM has signed Resource Stewardship Agreements with 35 tourism outfitters which recognizes and provides for protection of their values on the forest 	<ul style="list-style-type: none"> ▪ CAR 2007.3 ▪ REC 2008.3
P5: Benefits from the Forest	<ul style="list-style-type: none"> ▪ NFRM and the various contractors utilized on the Nipissing Forest demonstrate excellent utilization. The recovery of merchantable material was observed to be good. A wide range of products are harvested over a large number of species. ▪ The residual damage from forestry operations was observed to be very low overall. ▪ The sustained yield analysis is very thorough and shows a clear commitment to sustainable forestry practices. 	<ul style="list-style-type: none"> ▪ The current pricing structure for softwoods is not advantageous to good forestry practices and sustainable economic viability. ▪ Pulpwood operations are the most economical at the current time and some species are not desirable for pulping and therefore not completely utilized. ▪ Some cull decks and decks on non-merchantable species were observed during the audit. 	<ul style="list-style-type: none"> ▪ CAR 2007.2 • REC 2008.3

P6: Environmental Impact	<ul style="list-style-type: none"> ▪ NFRM has prepared an excellent FMP and sustainability analysis and is implementing the FMP on the ground. ▪ NFRM has access to good data on VTE species and plans to protect their habitat. ▪ NFRM has an extensive GIS based mapping system. ▪ NFRM has included in the FMP a good plan to increase old-growth white pine and to increase white and red pine overall on the forest. The goal is to return to a historical level of red and white pine. ▪ NFRM provides excellent protection of streams and water bodies and other AOC's in their forestry operations. ▪ Ontario Parks has completed and provided the GAP Analysis for the Nipissing Forest and the adjacent Sudbury Forest. . There is a current proposal from the NFRM and VFM for lands to fill some of the identified gaps. 	<ul style="list-style-type: none"> ▪ In order to complete the gap analysis and land transfer, there is a disentanglement process occurring now with Ontario Parks and MNR working through this effort. Until this is complete the new protected areas cannot be transferred. ▪ Road construction in some forest types has caused impediments to natural drainage functions. 	<ul style="list-style-type: none"> ▪ CAR 2008.1 ▪ CAR 2008.2 ▪ CAR 2007.2 ▪ CAR 2007.3 ▪ REC 2008.1 ▪ REC 2008.2 ▪ REC 2006.2
P7: Management Plan	<ul style="list-style-type: none"> ▪ NFRM has a full suite of planning documents. ▪ FMP process and product are exemplary. ▪ The public and First Nation involvement in the FMP process and continued involvement in the annual operations planning is exemplary. ▪ NFRM hosts contractor training programs for the contractors and operators on the Nipissing Forest. These include sessions on compliance, logging damage, water crossing installation, AOC's, marking, silvicultural effectiveness, regeneration, contractor training requirements, aggregate pit requirements, health and safety requirements for employees, and other topics that change from year-to-year to adjust for the past year's activity and problem areas. 	<ul style="list-style-type: none"> ▪ NFRM needs to implement SOPs for new operations, contractors, and operators to make certain that they are aware of and implement the expectations and legal requirements for forest operations. 	
P8: Monitoring & Assessment	<ul style="list-style-type: none"> ▪ Various monitoring occurs through Free-to-Grow surveys, sale administration, and compliance monitoring. ▪ NFRM participates in the development of several sampling initiatives including planting assessments, regeneration assessments and free-to-grow surveys 	<ul style="list-style-type: none"> ▪ The FRI is not up-to-date for the Nipissing forest, although the flights are scheduled. NFRM does update the data through the other partial surveys that are completed annually. 	<ul style="list-style-type: none"> • REC 2006.1

<p>P9: Maintenance of High Conservation Value Forest</p>	<ul style="list-style-type: none"> ▪ NFRM has an excellent HCV Report and plan. ▪ The HCV report is available on the Nipissing Forest website for download. Anyone who has an interest has access to the report through the website at http://www.nipissingforest.com/fsc/fsc.htm. ▪ Old Growth increase planned throughout the time frame of the planning, 160 years. 	<ul style="list-style-type: none"> ▪ Public and expert review of HCV Report and opportunity for presentation of additional HCV is not complete. The LCC is reviewing the plan as part of the update of the Forest Management Plan. The First Nations need to review the HCV Report for completeness and to provide input. ▪ Implementation of the HCV plan is not complete. ▪ Monitoring of the HCV is done as part of the annual operations in areas near HCV attributes. 	<ul style="list-style-type: none"> • CAR 2008.3
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3.0 ANNUAL AUDITS

3.1 2009 Annual Audit

3.1.1 Assessment Dates

The field portion of the 2009 annual audit took place on August 26 - 28, 2009. A total of 9.5 auditor-days were spent reviewing documentation, performing the field assessment, and writing the annual audit report.

3.1.2 Assessment Personnel

Dr. Walter R. Mark, RPF # 1250: Dr. Mark is a professor of forestry at California Polytechnic State University, San Luis Obispo and former Director of Swanton Pacific Ranch, the University's FSC Certified school forest. Dr. Mark specializes in forest health and silviculture. Dr. Mark is a consultant for SCS and was the lead auditor for the audit. Dr. Mark is a registered professional forester in California with over 35 years of forestry experience in public and private forestry and higher education sectors. He has served as audit team member and leader for certification, recertification, scoping, and annual audits over the past several years.

Peter Higgelke: Consulting Forester, Managing Partner of KBM Forestry Consultants Inc. (Ontario). As a principal in KBM, Mr. Higgelke specializes in forest auditing, forest management planning, forest inventory, wildlife habitat supply analysis modelling, business plan preparation, timber harvesting, and forest renewal prescriptions. Peter is a registered professional forester in the province of Ontario. He participates regularly in Independent Forest Audits in Ontario and has advised First Nations on forest management, forestry negotiations and economic development. In the past he lectured at Lakehead University on integrated forest resources management and GIS applications in forestry. Peter was a member of the SCS team that performed the original FSC certification audit in 2003.

3.1.3 Assessment Process

The scope of the 2009 annual audit, as with all annual audits, included: document review, auditors spending time in the field and office, interviewing management personnel and, as appropriate, interacting with outside stakeholders. The purposes behind these various modes of information collection were to ascertain ongoing conformance with the FSC GLSL Standards and to assess the adequacy of response to any open CAR or REC.

The following site visits of the 2009 surveillance audit were conducted August 26 - 28, 2009:

Day One - August 26, 2009 Wednesday

1300 Opening of Audit

This audit started in the field, due to the ending of the Sudbury Forest Annual Audit midday on Wednesday. The two forests are adjacent to one another in Ontario, and the general manager of both forests is the same individual, although representing different companies. This audit of the

Nipissing Forest involves personnel, policies, and practices of Nipissing Forest Resource Management, Inc.

In route to the first field site, the audit team of Walter Mark and Peter Higgelke, accompanied by Peter Street, met Tom Maclean, silviculture forester and Michele Laliberte, forest technician both from NFRM.

At Stop 37 in the itinerary Dwight Fryer and Paul Pitre from R. Fryer Forest Products, Ltd joined the audit group.

Table 2.3.1.a: Day One PM Itinerary

Activities	Licensee/Contractor	Comments
Stop 1 (Field Map Stop 36), Block 09-040	R. Fryer Forest Products, Ltd and Jean Brunet	Stop 37 was a 2008 white pine shelterwood harvest. There were 20 to 25 loads of pulpwood remaining in the block that had been seized by the MNR on May 20, 2009. The wood was still in the block at that time due to the market situation. Due to poor markets, DOMTAR was not taking pulpwood at the time the logs were yarded and were ready for hauling to the mill. The wood was seized by the MNR due to lack of payment of stumpage and renewal fees which were due from R. Fryer Forest Products, Ltd. Prior to the seizure, the wood at landings at the back of the block were forwarded to landings near the road. The roads in the block were seasonal roads designed for winter logging. The seizure of the wood did not make sense to the audit team, since the stumpage and renewal fees would have been paid by DOMTAR upon delivery. The seizure prevented this payment from occurring and also resulted in the loss of product, due to degradation on the site. In addition the contractor who did the falling and yarding has not been paid and cannot be paid until the product is delivered. In the current economic situation, this puts an extreme hardship on small operators. REC 2009.1
STOP 2 (Field Map Stop 37), Block 09-040	R. Fryer Forest Products, Ltd	This was a 2008 harvest where several non-compliances were issued by the MNR. Several of these were reviewed in the field and the ultimate resolution of these was discussed. When so many non-compliances were issued in

		<p>in one harvest operation, Peter Street contacted the MNR District Office in North Bay and went to visit the site to review them with the acting District Manager. Upon this review, the District Manager determined that some of them were, in fact, “in compliance situations”, and some of them were “non-compliance”. One of the non-compliances was for harvesting a stand not included in the prescription. This happened due to an error by the forest technician when checking which stands were included. One was inadvertently left out, when the error was detected a new FOP was submitted, however; the RPF did not sign for approval. The MNR used the approved FOP and issued a stop order, even though the operator had pulled out of the stand voluntarily until the revised FOP could be signed. Another stop work order was issued where yarding was occurring over rock in the block. This is designated as a fragile resource and requires protection. Once again the operator voluntarily pulled out of the area before the stop work order and flagged all the areas to protect them from further yarding operations. The audit team questions the actions of the MNR in dealing with this particular operator. Would similar treatment occur regardless of the operator involved? The voluntary stoppage of work in the designated areas and the apparent cooperation of the operator did not appear to receive adequate recognition.</p>
<p>Stop 3 (Field Map Stop 24), Block 09-047</p>	<p>Feret Forestier</p>	<p>This stop was a white birch clearcut operation with NDPEG. The planning documents identified pockets of black ash within the harvest boundaries that required special protection as identified in the FMP. In spite of the special considerations planned for the black ash, there were additional areas of black ash that were not identified prior to operation and were yarded through. This yarding caused extensive rutting in the black ash areas, that exceeded the standards set for rutting and did not provide the protection required under the FMP. (CAR 2009.1) The unit included</p>

		cultural resources and these were identified and protected on the site. The operators did not have a spill kit on site. (CAR 2009.2)
Stop 4 (not on the field map), Goulard Block 04-023	Goulard Lumber Ltd.	This stop was to review a site identified in the 2008 Recertification Audit where hydrologic function was impaired by road construction. This was the subject of CAR 2008.2, which specified a site review in the 2009 annual audit. The hydrologic function issues had been repaired, although it was evident to the audit team that this repair had very recently been completed. Slash piles that had been originally designated for burning were still on site, and were now to be ground for hog fuel.

Day one ended with a conversation during the drive to Callander about the Richard Graus lawsuit. His lawsuit brought against NFRM was lost by him in court. This individual refused to sign an overlapping licensing agreement. The MNR ombudsman informed the plaintiff that he had not followed procedure under the Crown Sustainability Act. This lawsuit has gone no further.

Day Two –August 27, 2009 Thursday

The second day of the audit started off with a breakfast meeting of the audit team and Peter Street at 6:30 am. The field tour group included Peter Street, Michele Lalibert, and Tom Maclean of NFRM, Andy Strong, Co Chair of the Nipissing Forest LC representing silvicultural contractors, John McNutt of TEMBEC joined the group at stop 8, Mark Bouthillier of TEMBEC joined the group at Stop 9, and Peter Higgelke and Walter Mark of the FSC audit team.

Table 2.3.1.b: Day Two Itinerary

Activities	Licensee/Contractor	Comments
Stop 5, (Field Map Stop 43), Grant Block under 2004 FMP	TEMBEC	This block was previously assigned to Grant Forest Products but was given up by them to TEMBEC to lower their management fees. The unit was a hardwood shelterwood in low quality site and included white birch clearcut with NDPEG. Yellow birch was identified in the unit and was retained. The unit was not completed, but there was plan to come back under the next FMP as an amendment. This unit was harvested during extremely wet periods and the MNR expressed concerns. There was some rutting found on the unit. CAR 2009.1. Conifers were retained on the

		site for moose habitat. Skidding damage and residual stand damage were minimal on the site.
Unscheduled stop 6 at a Category 14 aggregate pit.	NA	This pit was in compliance. There was a discussion about the CAT 14 pits on the Nipissing Forest. An inventory of CAT 14 pits was conducted. The inventory revealed a total of 243 pits on the forest. As part of this effort, NFRM has developed an inventory form and put the CAT 14 pits into the database for access to check on compliance as well as to identify aggregate sources in the future.
Unscheduled stop 7 to interview pesticide applicator	Zimmer Air Service	An opportunity presented itself to interview a pesticide applicator service on the Nipissing Forest. The applicator was Zimmer Air Service, who was scheduled to provide aerial application of vantage and trichlopyr for release. Documentation of the prescription for the application was reviewed. The operational plan included personnel, communications, safety, and security of the site. The MSDS documentation was present on site. Spray maps by block were provided. The PPE of the crews was checked for knowledge of the requirement and the presence of the equipment on site, and all were found to be in compliance. This addresses CAR 2007.3.
Stop 8, (Field Map Stop 41), Sand Dam Road	TEMBEC	This stop was made to look at culvert replacement required due to beaver dam washouts. The beaver dam when broken washed out 3 culverts on this road. The replacement is a multiuser agreement among the cottagers/ TEMBEC/ DOMTAR, with a cost sharing of 1/2 industry, 1/4 cottagers, and 1/4 MNR. The agreement will include monitoring of beaver activity above the crossings on a daily basis. Some issues exist with the availability of the pipes within the time frame allowed for crossing installations on CWF.
Stop 9, (Field Map Stop 19), Block 09-196	TEMBEC	This was a block with multiple silvicultural operations including, hardwood final removal and seeding cuts and white birch clearcuts.

		<p>Full tree skidding was utilized in the seeding cut and the final removal as an exception. The exception monitoring plan was put together in cooperation with the MNR. There was an early detection of excessive damage in the regeneration on the site by NFRM staff. This was reported to the MNR and TEMBEC shutdown operations and met with NFRM to work out a solution. This operation was a new type of operation and included chipping in the forest. There were some non-compliance issues with this operation with regard to skid trails and the designation of the areas with regard to harvest type, clearcut vs. seed cut. This resulted in a seed cut area left with no seed trees. CAR 2009.3 This type of innovative operations should be recognized for the positive potential it may have in the future sustainability of forest operations in this area.</p>
<p>Unscheduled stop at Block 04-102</p>	<p>NA</p>	<p>This was a site off God's Lake Road where slash piles were being chipped as an alternative to burning. This material would go to a cogeneration plant as hog fuel. This provides a nice alternative to burning slash piles.</p>
<p>Stop 10, (Field Map Stop 40), Block 09-210</p>	<p>TEMBEC</p>	<p>This was a road extension project for extension of LaSalle Road by 5km to Otter Tail Creek. There were numerous cross drains installed to allow for hydrologic function. There were only two water crossings and those installations were done well. A 20m ROW was allowed for the road, when measured the ROW was under the allowed width.</p>
<p>Stop 11, (Field Map Stop 8), Block 09-210</p>	<p>First Nations Silvicultural Contractor</p>	<p>This stop was to look at a manual tending of white spruce to remove competition within 2m of crop trees. Cuts were to be made at 50 cm to prevent basal sprouting. Snow load breaks the stem if it is left this height. The cost per ha was \$385-\$395, compared to herbicide alternatives: aerial \$110/ha, air blast \$230/ha, or backpack spray \$220-\$300/ha. This stop provides evidence of the interest in working with First nation</p>

		contractors and to utilize alternatives to pesticides when possible.
Stop 12, (Field Map Stop 17, Block 09-210)	Janveaux	<p>This unit was designated as white birch in the inventory and the white birch was clearcut. There was little market for poplar when the unit was cut, so poplar was left for NDPEG. About 50% of the stand was white pine and a combination of seeding cut and preparatory cut were made in the white pine components. There was still pulpwood on the site and it was being transported to the mill as the mill would accept loads of white birch. This was an area where conversion to white pine makes sense and following the operations, the white birch will be deleted on the inventory and it will be put into the inventory as white pine uniform shelterwood or white pine seed tree.</p> <p>This site brought up the shortcomings of the current inventory. The FRI update is in the process with one-half the forest flown last year and the 2nd half this year. It will take about 3 years to prepare the new inventory. This schedule will put the inventory in place too late for the 5 yr review, but in time for the next plan.</p>

Day Three –August 28, 2009 Friday

The third day of the audit started off with a breakfast meeting of the audit team and Peter Street at 6:30 am. The field tour group included Peter Street, Frank Siemar, Mark Lockhart, and Tom Maclean of NFRM, Andy Strong, Co Chair of the Nipissing Forest LC representing silvicultural contractors, Tom Clothier was met at Klock’s Road, and Peter Higgelke and Walter Mark of the FSC audit team. The audit team split at Klock’s Road to allow for an increase in field stops during the audit.

Table 2.3.1.c: Day Three Itinerary

Activities	Licensee/Contractor	Comments
Stop 13, Unscheduled stop at Klock’s Road.	Herb Shaw and Sons (Trucking Company)	A load of poles was leaving the site and this opportunity was utilized to check on the chain of custody process. The load was poles and required special load signage on the truck, which was present. The load limit for poles is 24m. All documents and safety equipment

		was present on the truck.
Stop 14, Unscheduled stop at bridge needing replacement	NA	This site was used to discuss the new standards for water crossings requiring greater channel capacity. Going from the current 30ft channel width to the new required 40ft span ups the cost of the replacement bridge by 50%. Standards for bridges block the use of some alternatives that do not have engineering mating abutments with bridges.
Stop 15, Unscheduled stop at Cat 9 aggregate and rock pit	Clothier	This was a small pit used to provide sand and rock to be used for the bridge replacement. All was in order at the pit.
Stop 16, (Field Map Stop 31), Block 09-131	Clothier	This stop was a commercial thinning in a red pine plantation which had been established by the MNR in the 1960's. There are about 2000ha of stands like this that have been identified by NFRM. Between 1998 and 2000 pre-commercial thinning were done on between 1900 and 2000ha. When this was done there were quite a few areas of unmapped plantations, so these were thinned at the time. These were not mapped at the time and this has caused some problems in the commercial thinning, since the areas were not included in the plan and the MNR was concerned with the operations in these areas. Agreement was reached that this was the right thing to do and the work went ahead without requiring amendment to the FMP and the AWS
Stop 17, (Field Map Stop 14), Block 09-128	Clothier	This was a white pine uniform shelterwood first removal cut. The unit had a seeding cut 12-14 years ago. Prior to the current harvest the pre-survey indicated good patchy regeneration. There was pretty heavy understory competition present in the stand, and the marking was difficult to see. This area will be examined and plans made for treatment to obtain the necessary regeneration. Tentative plans include aerial herbicide treatment and chains, followed by planting in the understocked portions.
Stop 18, (Field Book Stop 26), Block 09-221	Janveaux	This block was a mixed block of poplar with advance regeneration of pine and red pine

	plantations. The poplar was clearcut with protection of the advance conifer regeneration. Red pine was thinned from below. The area was initially found in non-compliance with comments, and later this was revised to in compliance.
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The field portion of the audit was concluded with the drive back to the NFRM Office.

Nipissing Forest Resource Management Personnel interviewed during the 2009 Surveillance Audit

Peter Street
 Mark Lockhart
 Tom Maclean
 Michele Lalibert
 Frank Siemar

3.1.4 Status of Corrective Action Requests

There were five open CAR's and five open REC's on the Nipissing Forest from past audits.

CAR:

Auditor Observation/Non-Conformity:
During the 2009 audit in the field, contractors equipment was checked and it was determined that all the fuel tanks for refueling equipment complied with provincial regulations. All tanks observed during the 2009 audit had the proper ULC tags affixed to them. . The requirements for fuel handling were shared with the harvesting companies at the 2008 Spring Compliance Meeting hosted by NFRM. The requirements are also included in all silvicultural contracts. Review of contracts demonstrated the use of the fuel tank requirements in the contract language.
CAR 2007.2:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all contractors operating on Nipissing Forest are complying with Provincial regulations for fuel handling.
Reference: FSC 1.1, 5.3, 6.7
Status at August 28, 2009:
This minor CAR is closed.

Auditor Observation/Non-Conformity:
Due to the timing of the field audit in 2008, there were no active spray operations on the forest, as a result this CAR could not be reviewed during that audit and remained open until the 2009

Annual Audit. During the 2009 Annual Audit one spray contractor, Zimmer Air Services Inc. was interviewed. During that interview all documents associated with the spray operations were reviewed, including the certifications of the individuals working for the contractor. The documentation and planning for the operations were very complete.
CAR 2007.3:
By the time of the 2008 re-certification audit, NFRM must provide documented evidence to SCS that it has taken actions necessary for assuring that all contractors operating on Nipissing Forest are complying with Provincial regulations requiring that all workers receive proper training before handling and working with herbicides and other chemicals.
Reference: FSC 1.1, 4.2, 4.2.1, 6.7.3
Status at August 28, 2009:
This minor CAR is closed.

Auditor Observation/Non-Conformity:
Rutting was observed during the course of the 2009 Annual Audit. This rutting was only present in one small area in one unit on the forest and there has been substantial improvement in the reduction of rutting on the forest. This is especially impressive considering the wet logging season that occurred in 2009. The training that was started and continues has been successful. A new rutting standard has been implemented on the Nipissing Forest that seems to be easier to interpret by operators. Rutting that was observed was associated with a particular forest type and this type is identified in the FMP for special attention. This special attention is covered in a new CAR for 2009.
CAR 2008.1:
NFRM must develop and implement a plan to locate skid trails to minimize rutting potential. Operators need to be educated about skid trail location and rutting to enable determination by the individual of rutting potential and to discuss alternatives with the NFRM forestry staff, such as relocation or halting work on an area until conditions change. A higher standard for rutting in AOC's and those near watercourses, RSA's, cottages, HCVs, and adjacent to parks is required.
Reference: FSC 6.3.10
Status at August 28, 2009:
This minor CAR is closed. A new related minor CAR, CAR 2009.1 is opened

Auditor Observation/Non-Conformity:
At Goulard Block 23 of the 2004-2009 FMP, was visited again during the 2009 Annual Audit to confirm that the road construction problems observed during the 2008 audit were remedied. Work had been performed to provide drainage across the road where blockages had been observed in the prior audit. These included some additional culverts and some places where fords were established to provide drainage. While these were not installed until just prior to the audit dates, the repairs were made.
CAR 2008.2:
By the time of the 2009 annual audit, NFRM must ensure that drainages impediments caused by road development in Goulard Block 23 of the 2004-2009 FMP have been remedied to permit

water to flow without encumbrances caused by road development.
Reference: FSC 6.3.6, 6.3.7, 6.3.10 and 6.5.1
Status at August 28, 2009:
This minor CAR is closed.

Auditor Observation/Non-Conformity:
The stakeholder consultative process for HCV's was completed during the 2009 FMP process. Documentation of this and the consultation with the First Nations for HCV's was provided to the audit team. Included were the minutes of the meeting with the Aboriginal Working Group and the LCC. Signed documents with the First Nations were also included in the documentation package.
CAR 2008.3:
HCV Public stakeholder consultation must take place as part of the process for the preparation of the 2009 FMP. First Nations must be consulted in the 2009 FMP process to obtain their input on the inclusion of cultural resources as HCV's.
Reference: FSC 9.2.1
Status at August 28, 2009:
This minor CAR is closed.

Recommendations:

Company Action/Auditor Observation:
The current FRI data is nearly 20 years old. NFRM has worked to update this data set with additional information to provide a better dataset for the 2009 FMP. This updated data set has been certified for the and was therefore determined to be adequate for planning. The amount of updating of the existing old database is admirable and does provide an adequate although not the most desirable basis for forest planning. Efforts to date include field assessment of white pine stands, free-to-grow assessments, aerial inventory of blowdown and spruce budworm damaged areas, aerial surveys of moose aquatic feeding habitat, a forecast of depletions and blowdown. Future planning efforts badly need an updated FRI data set. The Ministry of Natural Resources scheduled the Nipissing Forest to be flown for the Provincial Forest Resource Inventory in summer 2008. In reality half of the forest was flown in 2008 and half in 2009. The updating of the FRI is a three-year process from start to finish, so the entire new database set will not be available until 2011 at the earliest. Problems with the older FRI dataset continue to affect current operations when expected forest types are not present.
Recommendation 2006.1:
NFRM should continue to work with the MNR to obtain updated FRI information for the forest.
Reference: FSC 8.2.4
Status at August 28, 2009:
This recommendation remains open. Good progress has been made and the MNR has stated a target date for FRI updates. Although the REC is directed at NFRM, responsibility for FRI scheduling and completion lies with the MNR.

Company Action/Auditor Observation:
NFRM has made good progress toward meeting the overall condition for the completion and implementation of the gap analysis. The efforts resulted in the Ontario Parks completing the gap analysis and providing that information in January 2007. NFRM and VFM have made a joint proposal to Ontario Parks for gap mitigation. The MNR and Ontario Parks are working on “disentanglement” of proposed parks and protected areas. No additional information has been received by NFRM from either the MNR or Ontario Parks on their gap proposals or on the disentanglement process.
Recommendation 2006.2:
Within one year of the receipt of the gap analysis report from the MNR, NFRM should implement the appropriate resource protection areas based on the candidate areas identified.
Reference: FSC Criterion 6.4
Status at August 28, 2009:
This recommendation remains open until the process of disentanglement and transfer of appropriate identified areas to fill legitimate gaps are completed. Although the REC is directed at NFRM, cooperation from MNR and Ontario Parks is needed for it to be addressed.

Company Action/Auditor Observation:
During the field audit portion of the 2008 recertification audit at the stop in Tembec Block # 97 a temporary crossing decommissioning site was visited. The temporary bridge had been removed during the winter. There was netting and straw in the stream channel and there were banks that needed rehabilitation. The site needed remediation work to clean it up and to prevent soil and sediment deposition into the stream.
REC 2008.1:
Water crossing decommissioning which has occurred during the winter period should be inspected after the spring thaw to determine if rehabilitation and clean-up are required. The Tembec crossing removal checklist should be utilized to review the removal during the inspection following the spring thaw.
Reference: FSC 6.3.4, 6.3.5, 6.3.6, 6.3.7, 6.3.10, and 6.5.1
Status at August 28, 2009:
This recommendation is closed and has been elevated to CAR 2009.2 .

Company Action/Auditor Observation:
During the recertification audit in the field, the new bridge constructed in the Behnke salvage block # 113 was inspected. Silt fencing material utilized during the construction to keep soil and sediment out of the watercourse was left in place in the streambed following completion of the bridge construction. Photographic evidence of the clean-up of the bridge site was provided to the audit team to confirm that the work had been done.
REC 2008.2:
All construction materials introduced into a water crossing which are not part of the installation during the installation of a water crossing should be removed prior to completion of work at the

site. No construction materials not intended to remain as part of the installation should be allowed to remain.
Reference: FSC 6.3.4, 6.3.5, 6.3.7, 6.3.10, and 6.5.1
Status at August 28, 2009:
This recommendation is closed.

Company Action/Auditor Observation:
During the course of the recertification field audit, several examples of unutilized material were observed. Unutilized material was not found during the 2009 field audit. In addition the grinding operations that are currently underway on the forest to produce hog fuel have increased the level of utilization. Much material that was previously burned on site is now utilized for fuel.
REC 2008.3:
Efforts should be made to minimize the number of non-merchantable trees that are felled, and felled cull logs should be left in the woods, instead of skidding them to the landing.
Reference: FSC 1.1, 4.2, 4.2.1, 5.1.1
Status at August 28, 2009:
This recommendation is closed.

3.1.5 General Observations

NFRM continues to manage the Nipissing Forest in a manner that is exemplary with regard to the FSC standards for GLSL Standards, the critical ecological values of the forest, and for the highly regulated Province of Alberta. NFRM prepared and received approval for a new FMP. That process included opportunity for public, stakeholder, First Nation and multiple agency comment and review. All of the NFRM staff interviewed were professional, well trained, well versed in the issues, knowledgeable of the challenges in forest management in the future, and committed to managing the Nipissing Forest for a variety of benefits in a sustainable manner.

Over the course of the past few years there have been many challenges in the forest products industry in Alberta and the continued downturn in the housing market, and resulting reduction of the forest products market, has added to the difficulties. The number of saw mills available for processing lumber has decreased and has had an impact on the potential buyers of logs from the Nipissing Forest. The market for all lumber is down; the FSC certified pulp market has been very important to sustaining the forest operations. The level of sale activity for 2008-09 is down approximately 20% from the previous year. It is expected to drop to 50% of the regular harvest for 2009-10, with markets weak for all but birch and hardwood pulp.

In spite of the difficulties NFRM continues to operate in a positive and effective manner. Staff levels are currently at full staffing. Some contracting has been reduced to cut costs and keep the

full-time staff employed. Last winter the four technician positions were cut to 80% with a four day work week. If the projected reduction in harvest occurs in 2009-10, there may have to be some cuts from the current staffing level.

There are some other potential areas of reduction with further reductions in operations. The most obvious is the impact on the allowable cut from the forest. This in turn reduces revenues available for all types of operations. At least one of the shareholders is behind in payment of renewal fees to NFRM. The Overlapping Licence Agreement will not be signed until the renewal fees are brought up to date. Renewal rates were reduced by 20% during the current year of operations to help market the wood and reviewed expense areas that are considered for silvicultural expenses, for example AOC marking and slash piling are now included as operational expenses. The balance in the Renewal Trust Account is healthy, which also was a consideration in the reduction of the renewal rates. The restoration efforts for white and red pine are more carefully evaluated prior to restoration efforts. Sites which are marginal in their potential are not earmarked for restoration efforts and expenses. This seems to be a good strategy and should yield more return on the investment. When the past and ongoing efforts of NFRM in management and restoration are reviewed, the variability in resources, the social concerns, and the value placed on resources other than timber are obvious.

The one controversial issue that was brought out in the 2008 annual audit was the plan to haul logs on Hawthorne Road, through the community of Restoule. The plans were opposed by the community of Restoule and the plan went to the Regional Director's level in MNR. The plan was denied by the Regional Director and the announcement was made at a meeting of the opposition in Restoule. Tembec is reviewing the decision to see if there will be any further attempt to use the public road system in that area for log hauling. No actions have been taken yet.

3.1.6 New Corrective Action Requests and Recommendations

Three new Corrective Action Requests are issued as a result of this annual surveillance audit.

Auditor Observation/Non-Conformity:
<p>The audit team observed areas where black ash was present in harvest blocks and they were once again the source of rutting in those blocks. This has been observed in past audits and CAR's and REC's have been issued with regard to rutting. In response NFRM implemented a new rutting standard for the forest and this seems to be working well in areas, except those with species that grow in wet areas, like black ash.</p> <p>In recognition of the special problems associated with species like black ash, NFRM included a heavy equipment exclusion from wet areas in the FMP. The following is the excerpt from the FMP regarding this issue: "No heavy equipment (e.g. skidders) shall be operated within any wet site identified on the annual operational maps unless the Ministry of Natural Resources is notified in writing at least 5 days before work begins</p>

within the wet site. Wet sites include alder & black ash swales, treed muskegs, grassy meadows and wetlands not connected to a water body”. From the field site visits during the audit, it is apparent that the presence of these areas is not adequately designated on the planning and harvest maps provided to the operators. Nor is the resource identified adequately on the ground with flagging or paint to protect the resource.

CAR 2009.1:

By the time of the 2010 annual audit, NFRM must develop a workable approach to the establishment of the on the ground protection of wet sites that conforms to the 2009 FMP language. This must include a procedure for discovery of such sites by NFRM staff, marking crews and operators. The compliance training must include a training portion on recognition of wet areas and the species that indicate wet areas.

Reference: FSC 6.1.2, 6.1.7, 6.3.8, 6.3.10, and 6.3.11

Status at August 28, 2009:

This is a new Minor CAR. This item will be reviewed in the annual audit in 2010.

Auditor Observation/Non-Conformity:

During the field audit portion of the 2008 recertification audit at the stop in Tembec Block # 97 a temporary crossing decommissioning site was visited. The temporary bridge had been removed during the winter. There was netting and straw in the stream channel and there were banks that needed rehabilitation. The site needed remediation work to clean it up and to prevent soil and sediment deposition into the stream. No actions have been taken on the forest to develop a system to make certain that this type of problem does not reoccur. Several instances of poor removal and rehabilitation were observed on the field audit again in 2009.

CAR 2009.2:

Water crossing decommissioning which has occurred during the winter period must be inspected after the spring thaw to determine if further rehabilitation and clean-up are required. A system such as the Tembec crossing removal checklist must be developed and adopted to review the removal during the inspection following the spring thaw.

Reference: FSC 6.3.4, 6.3.5, 6.3.6, 6.3.7, 6.3.10, and 6.5.1

Status at August 28, 2009:

This is a new minor CAR. This CAR is an upgrade from REC 2008.1. This item will be reviewed in the annual audit in 2010.

Auditor Observation/Non-Conformity:

During the field audit a stop was made at the site designated as site 24 on the field stop list provided by NFRM. This site was an operation in a white birch clearcut. The operator had no spill kit on site to deal with any equipment leaks or spills. This is a violation of provincial regulations. Spill kits must be on site with each piece of equipment operating on crown forest lands.

While the contract specifies that all provincial regulations be followed, past audits have

shown that many contractors either do not choose to follow requirements or do not know what the requirements are for operating on crown forest lands.
CAR 2009.3:
NFRM must emphasize this requirement, along with the already existing emphasis on fuel systems in the spring contractor training and in the contracting letters and the actual contracts. This will be demonstrated in the content of the training program and in the language of the contracting documents.
Reference: FSC Criterion 1.1.1, 6.7.1, 6.7.3, and 6.7.4
Status at August 28, 2009:
This is a new minor CAR. This item will be reviewed in the annual audit in 2010.

One new Recommendation is issued as a result of this annual surveillance audit.

Auditor Observation/Non-Conformity:
A growing problem observed on the annual audit is the extension of winter operations into the regular harvesting season. This requires the use of road and skid trail systems which were designed and constructed for winter operations only. Often these road and trail systems are inadequate for regular season operations due to wet conditions or the presence of temporary stream crossings designed for winter use only.
Recommendation 2009.1:
NFRM should develop a procedure to include inspection and evaluation of winter operations roads, where an extension of the operating period will take operations into the regular operating season. The evaluation should result in the development of a list of required upgrades to the road and trail system prior to the extension of the operations.
Reference: FSC Criterion 6.3.10 and 6.3.12
Status at August 28, 2009:
This is a new Recommendation. This item will be reviewed in the annual audit in 2010.

3.1.7 General Conclusions of the Annual Audit

Based upon information gathered through site visits, interviews, and document reviews, the SCS audit team concludes that NFRM's management of the Nipissing Forest in Ontario, Canada continues to be in strong overall compliance with the FSC Principles and Criteria, as elaborated by the June 2008 Version 2.0 Interim Standards for the Great Lakes and St. Lawrence Region of Ontario, Canada. That is, and while there remain aspects of the management program that are somewhat deficient relative to the standard of certification, the SCS audit team has concluded from this annual audit that NFRM's forest management program is in general conformance with FSC Principles 1 through 9 (Principle 10 is not applicable as NFRM's operations are classified as "natural forest management" under the FSC definitions). As such, continuation of the certification is warranted.

4.0 SUMMARY OF SCS COMPLAINT INVESTIGATION PROCEDURE

The following is a summary of the SCS Complaint Investigation Procedure, the full version of the procedure is available from SCS upon request. The SCS Complaint Investigation Procedure is designed for and available to any individual or organization that perceives a stake in the affairs of the SCS Forest Conservation Program and that/who has reason to question either the actions of SCS itself or the actions of a SCS certificate holder.

The SCS Complaint Investigation Procedure is a first-stage forum and mechanism for hopefully resolving issues, thereby avoiding the need to involve the FSC. A complaint may come from either clients (e.g., forestland owner, mill owners, manufacturer or retailer, brokers) or from other parties such as interested stakeholders. To have standing under this Procedure, complaints must be in writing, accompanied by supporting evidence, and submitted within 30 days of the date in which the action triggering the complaint occurred.

The written complaint must:

Identify and provide contact information for the complainant

Clearly identify the aggrieved action (date, place, nature of action) and which parties or individuals are associated with the action

Explain how the action is alleged to violate a FSC requirement, being as specific as possible with respect to the applicable FSC requirement

In the case of complaints against the actions of a certificate holder, rather than SCS itself, the complainant must also describe efforts taken to resolve the matter directly with the certificate holder

Propose what actions would, in the opinion of the complainant, rectify the matter.

Written complaints should be submitted to:

Dr. Robert J. Hrubes

Senior Vice-President

Scientific Certification Systems

2000 Powell Street, Suite 1350

Emeryville, California, USA94608

Email: rhrubes@scscertified.com

As detailed in the SCS-FCP Certification Manual, investigation of the complaint will be confidentially conducted in a timely manner. As appropriate, corrective and preventive action and resolution of any deficiencies found in products or services shall be taken and documented.