Forest Management
2010 Annual audit Report for:

Eastern Ontario Forest Group
In
Kemptville, Ontario, Canada

Report Finalized: May 28, 2010
Audit Dates: March 8 - 10 2010
Audit Team: Dean F. Johnson, RPF
Val Colden

Certificate code(s): SW-FM/COC-000232
Certificate issued: January 28, 2008

Organization Contact: Scott Davis, RPF
Address: 10 Campus Dr.
PO Box 2111
Kemptville, ON
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### Standard Conversions

1 mbf = 5.1 m\(^3\)
1 cord = 2.55 m\(^3\)
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm
1 foot = 0.3048 m
1 yard = 0.9144 m
1 mile = 1.60934 km
1 acre = 0.404687 hectares

1 pound = 0.4536 kg
1 US ton = 907.185 kg
1 UK ton = 1016.047 kg
1. INTRODUCTION

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

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

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

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company’s conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:

- Certification requirements **met**, certificate maintenance recommended

  Upon acceptance of CAR(s) issued below

<table>
<thead>
<tr>
<th>Certification requirements <strong>not met:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional comments: None</td>
</tr>
<tr>
<td>Issues identified as controversial or hard to evaluate: None</td>
</tr>
</tbody>
</table>

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

There were two significant changes that took place related to the management structure of the FME. On April 1st 2009 an EOFG staff person assumed the Forest Certification Coordinator position, and as on May 1st 2009, the position of General Manager of the Eastern Ontario Management Group was filled.

After 2 years of rapid growth (42% in 2007 and 2008 totaling 39,752 ha of certified forests), 2,014 ha of forest was added in 2009 representing an additional 6% to the certified forest base. Additions were: 3 new Eastern Ontario Forest Owners, 3 new SD&G properties, and several new Terry Murray properties located in Renfrew County. The total area of certified land in the EOFG
program now stands at 41,776 ha (34,570 ha of Community Forest, and 7,206 ha of private land).

Last year a serious and common concern of forest managers and the Certification Working Group was the closure of mills that purchase low quality material used for the production of pulp, paper and fibreboard. The forest industry continues to struggle throughout all of eastern Ontario (and beyond) as the market situation remains stagnant for low quality hardwoods. The pulp mills and fibreboard mill have not re-opened forcing an ongoing disruption of traditional product flow to markets. Low quality material is being shipped long distances creating economic uncertainty for eastern Ontario forest managers. On a positive note, the pine and hardwood sawmills in the area have continued to operate allowing a continuation of product harvesting according to the Forest Managers operating plans. The pine sawmills utilize logs to a four inch top so no pulpwood market is required for these species.

Several feasibility studies have been conducted for the construction of pellet mills at various locations in eastern Ontario, but so far ground has not been broken. Other potential new markets under study for the usage of low quality material are either stand alone co-generation opportunities or co-generation linked with existing industry.

2.3. Stakeholder issues

<table>
<thead>
<tr>
<th>Comment</th>
<th>SmartWood Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>A stakeholder commented that forest diversity is not taken into account to the degree that he would like to see when developing cutting plans. The stakeholder indicated that the forests are being managed by forestry people and that forest diversity is being downgraded as a result. The stakeholder also indicated that life science studies and value assessments should be carried out on all community forests before any logging takes place.</td>
<td>It appears that the forest manager is meeting or exceeding provincial requirements and FSC standards in terms managing for biodiversity of the forest. Life science studies are part of the program discussions in the newly formed Lanark County Community Forest Working Group. Life science studies are carried out on parcels scheduled for harvest. It would be a major undertaking and perhaps unreasonable to conduct a life science study on the entire forest at once. An encouraging step took place when the Community Forest Working Group was formed. The working group consists of 9 members, representing the public, the MNR, council, the county, and field naturalists. All voices will be heard when decisions are being made regarding issues related to forest management.</td>
</tr>
</tbody>
</table>

2.4. Conformance with open corrective action requests

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

<table>
<thead>
<tr>
<th>Status</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Operation has successfully met the CAR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the CAR.</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>CAR 01/09</th>
<th>Reference Standard &amp; Criteria: COC 1, COC 2, CoC 3, COC 4, COC 5, COC 6, GC9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonconformance</td>
<td>The EOFG’s chain of custody procedures are not strong enough anymore. On product labelling is applied to FSC pure Maple Syrup, however, no summary or sales information is recorded, not does invoicing include the EOFG’s CoC number and FSC Claim description.</td>
</tr>
<tr>
<td>Major</td>
<td>Minor X</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**  
The EOFG shall update its CoC procedures to better reflect the current membership situation. In particular, a summary of participants using FSC Trademarks and associated claims shall be listed and summary sales information provided.

**Timeline for conformance:**  
By the next annual audit.

**Evidence to close CAR:**  
On-product trademark use is limited to maple syrup producers. A new sticker which includes the FSC Pure label was created and approved by SmartWood. However, no changes were made to CoC procedures and the organization did not provide a list of participants using FSC trademarks for promotional use. The organization provided a summary of maple syrup production for 2009. While templates were provided, summary sales information for wood sales was not provided.

**CAR Status:** OPEN

**Follow-up Actions (if app.):**  
See Major CAR 01/09.

---

### 2.5. Audit observations

**Observations** are very minor problems or the early stages of a problem which does not of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a CAR in the future (or a pre-condition or condition during a 5 year re-assessment).

<table>
<thead>
<tr>
<th>OBS 01/10</th>
<th>Reference Standard &amp; Requirement: COC 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the time of the audit, one group member FMU was observed to still be using the old FME bills of lading, which lack the FSC Pure claim. The group member had only recently received the new FME bills of lading and was using up existing stock.</td>
<td></td>
</tr>
</tbody>
</table>

**Observation:**  
FME should ensure that all group members are using bills of lading which identify the
certificate code and FSC claim (FSC Pure) for all sales of certified wood.

**OBS 02/10**  
**Reference Standard & Requirement: COC 5.2**

During the audit, letterhead for a sub-group was seen by the auditor which included a use of the FSC trademarks which does not meet current trademark use requirements. The responsible personnel indicated that it had been approved by SmartWood several years earlier.

**Observation:**
FME should ensure that all FSC trademark use by group members and affiliated personnel meets current FSC trademark use requirements.

**OBS 03/10**  
**Reference Standard & Requirement: COC 3.3**

The Group Manager provided a volume summary table for wood products sold over the audit period. At the time of the finalization of the report, only 2 county forests had submitted their volume information.

**Observation:**
FME should ensure that the wood volume summaries for the period of April 1\textsuperscript{st} 2009 to March 31\textsuperscript{st} 2010 are up to date by the next annual audit. Volume summary information should always be maintained up to date.

**OBS 04/10**  
**Reference Standard & Requirement: FSC-STD-30-005 V1-0 Group Certification**

The FME will be evaluated against the new Group Certification standard FSC-STD-30-005 v1-0 during their 2011 annual audit.

**Observation:**
FME should ensure that their systems and procedures have been updated to meet the requirements of the FSC-STD-30-005 by their next annual audit.

### 2.6. New corrective actions issued as a result of this audit

<table>
<thead>
<tr>
<th>MAJOR CAR 01/09</th>
<th>Reference Standard &amp; Criteria: COC 1, COC 2, CoC 3, COC 4, COC 5, COC 6, GC9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonconformance</td>
<td>The EOFG’s chain of custody procedures are not strong enough</td>
</tr>
<tr>
<td>Major X</td>
<td>Minor</td>
</tr>
<tr>
<td>---------</td>
<td>-------</td>
</tr>
<tr>
<td>anymore. On product labelling is applied to FSC pure Maple Syrup, however, no summary or sales information is recorded, not does invoicing include the EOFG’s CoC number and FSC Claim description.</td>
<td></td>
</tr>
</tbody>
</table>

**2010**: On-product trademark use is limited to maple syrup producers. A new sticker which includes the FSC Pure label was created and approved by SmartWood.

However, no changes were made to CoC procedures and the organization did not provide a list of participants using FSC trademarks for promotional use.

The organization provided a summary of maple syrup production for 2009. While templates were provided, summary sales information for wood sales was not provided.

**Corrective Action Request:**
The EOFG shall updates its CoC procedures to better reflect the current membership situation. In particular, a summary of participants using FSC Trademarks and associated claims shall be listed and summary sales information provided.

**Timeline for conformance:**
Three months from the finalization of this report (August 28, 2010).

**Evidence to close CAR:**
Prior to the finalization of the report, the Manager provided:
* a County Forest annual tracking form detailing the volume of wood harvested over the past fiscal year (only 2 county forests have reported at the time of the audit, as the fiscal year has just ended).
* a Maple Syrup tracking form which lists the producers, the amount produced (L), and logo used (FSC Pure) for 2009.
* a current list of certified members
* an updated Group CoC procedure document which details:
  a) the bill of lading system for wood harvested by group members;
  b) requirements for labeling

The requirements of this CAR have been met.

**CAR Status:**
CLOSED

**Follow-up Actions (if app.):**
See OBS 03/10.

<table>
<thead>
<tr>
<th>CAR 01/10</th>
<th>Reference Standard &amp; Criteria: 7.3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonconformance</strong></td>
<td></td>
</tr>
</tbody>
</table>
Regarding training in the community forests, there are training programs in place which are given to the contractors in meetings prior to the annual start-up of operations. It was found however, that this training was incomplete related to avoiding damaging to the environment. All training was not adequately passed along to the forest workers. Contracts between the forest manager and the logging contractors included penalties for various cutting infractions, but did not cover avoiding damage to the environment and how to proceed in the event this damage was likely to occur.

Related to training, supervision was also found to be inadequate specific to avoiding potential damage to the environment. Once damage was realized, proper steps were not taken fast enough to avoid damage of a larger magnitude.

The EOFG and the community forest manager both acknowledged the current problems associated with training and supervision and indicated that work has already begun to ensure a situation like this does not re-occur.

**Corrective Action Request:**
The EOFG shall develop procedures to ensure that adequate training is given to both the supervisors and forest workers in order to meet the standard requirements as outlined in 7.3.1.

**Timeline for conformance:** By the next annual audit.

**Evidence to close CAR:** PENDING

**CAR Status:** OPEN

**Follow-up Actions (if app.):**

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**CAR 02/10**

**Reference Standard & Criteria:** COC 1.3

FME sells standing timber to logging contractors who are not covered in the scope of the certificate. Contractors use FME bills of lading which include the FME’s FSC certificate code and FSC claim. Contractors are not provided with the FSC claim and certificate code on sales documentation (timber sale contracts).

**Corrective Action Request:**
FME shall develop and implement procedures to ensure that:

a) All logging contractors who use FME’s bills of lading are covered under the certificate scope; and

b) The FSC claim (FSC Pure) and certificate code shall be included on sales documentation such as timber sale contracts when standing timber is sold to a logging contractor who is not included in the scope of the certificate.

**Timeline for conformance:** By the next annual audit.

**Evidence to close CAR:** PENDING

**CAR Status:** OPEN

**Follow-up Actions (if app.):**
3. AUDIT PROCESS

3.1. Auditors and qualifications:

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Dean Johnson, RPF</th>
<th>Auditor role</th>
<th>Lead Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications:</td>
<td>Dean is a professional with 30 years of diversified forest industry experience in woodlands, manufacturing, and senior level management. He has an extensive and well-balanced background in forest management and plant management in Canada and the United States. His career and proven track record has led to the formation of D.F. Johnson &amp; Associates, a consulting Company specializing in high quality professional services in both forest and mill operations. Dean has recently joined the SmartWood Canada audit team and has completed 2 audits in 2009</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Val Colden</th>
<th>Auditor role</th>
<th>Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications:</td>
<td>Val Colden, BScFE is a SmartWood CoC senior auditor, task manager and report reviewer. She has completed more than 100 SmartWood chain of custody audits and previously worked for the FSC International Centre. This is her first forest management audit.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /Main sites</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 4th and 5th 2010</td>
<td>Dean Johnson's Office</td>
<td>Preparation for Audit</td>
</tr>
<tr>
<td>March 8, 2010</td>
<td>Opening Meeting and field visit</td>
<td>Maple Syrup Operation, Renfrew County Property, Terry Murray Properties.</td>
</tr>
<tr>
<td>March 9, 2010</td>
<td>EOFG Office and field</td>
<td>Larose Forests, SD&amp;G Community Forests.</td>
</tr>
<tr>
<td>March 10, 2010</td>
<td>Field and Closing Meeting</td>
<td>SD&amp;G Private Forests, Limerick Forests, Lanark County Forest.</td>
</tr>
<tr>
<td>April 9th, 2010</td>
<td>Draft report sent to SmartWood.</td>
<td></td>
</tr>
<tr>
<td>May 28th, 2010</td>
<td>Report finalized.</td>
<td></td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 12

= number of auditors participating 2 \* number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 6

3.3. Sampling methodology:

A total of 15 forest sites on 8 different community / private forests were visited over a 3 day period with time spent with each forest manager and staff. When setting up the field visits, priority was given to active sites ensuring all forest types were represented in the audit.

Evidence pertaining to the open CAR and Observations was provided to the audit team prior to and during the field audit. Interviews were held with staff, forest managers and stakeholders to
verify the accuracy of information provided and to request clarification as required. Additional communication and requests for information occurred in the weeks following the field audit.

3.4. Stakeholder consultation process

<table>
<thead>
<tr>
<th>Stakeholder type (i.e. NGO, government, local inhabitant etc.)</th>
<th>Stakeholders notified (#)</th>
<th>Stakeholders consulted or providing input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Workers / Forest Managers</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>NGO's / Community Groups</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Government / Municipality</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

3.5. Changes to Certification Standards

| Forest stewardship standard used in audit: | Great Lakes - St. Lawrence Standard  
SmartWood NTFP Standard - Maple Syrup Addendum Mar 07 |
| Revisions to the standard since the last audit: | ☑ No changes to standard.  
☐ Standard was changed (detail changes below) |
| Changes in standard: |  |
| Implications for FME: | Conformance to new requirements verified |
APPENDIX VI: SmartWood Database Update Form

**Instructions:** For each FSC certificate, SmartWood is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit SW auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (http://www.fsc-info.org)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the SW office to update the FSC database.

Is the FSC database accurate and up-to-date?  **YES ☑ NO ☐**
(if yes, leave section below blank)

**Client Information** (contact info for FSC website listings)

<table>
<thead>
<tr>
<th>Organization name</th>
<th>Eastern Ontario Forest Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Contact</td>
<td>Scott Davis</td>
</tr>
<tr>
<td>Primary Address</td>
<td>P.O Bag 2111</td>
</tr>
<tr>
<td>Address</td>
<td>10 Campus Drive Kemptville, ON</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:sdavis@eomf.on.ca">sdavis@eomf.on.ca</a></td>
</tr>
<tr>
<td>Title</td>
<td>Certification Coordinator</td>
</tr>
<tr>
<td>Telephone</td>
<td>(613) 258-8422</td>
</tr>
<tr>
<td>Fax</td>
<td>(613) 258-8363</td>
</tr>
<tr>
<td>Webpage</td>
<td><a href="http://www.eomf.on.ca">www.eomf.on.ca</a></td>
</tr>
</tbody>
</table>

**Forests**

<table>
<thead>
<tr>
<th>Change to Group Certificate</th>
<th>☑ Yes ☐ No</th>
<th>Change in # of parcels in group</th>
<th>93 total members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total certified area</td>
<td>41776 Hectares (or)</td>
<td>Acres</td>
<td></td>
</tr>
</tbody>
</table>

**Species** (note if item to be added or deleted)

<table>
<thead>
<tr>
<th>Scientific name</th>
<th>Common name</th>
<th>Add/Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Products**

<table>
<thead>
<tr>
<th>Product type</th>
<th>Description</th>
<th>Add/Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>