Forest Management
2007 Annual audit
Report for:

Ecotrust Canada (Vancouver Island Ecoforestry Group) in Vancouver, BC, Canada

Certificate code: SW-FM/CoC-1758
Audit Dates: December 11, 2006
Report Finalized: Jan 17, 2007
Auditors: Bodo von Schilling
Operation Contact: Mike Vitt
Address: Ecotrust Canada, Suite 200, 1238 Homer Street, Vancouver, British Columbia, Canada
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Standard Conversions
Delete if all only metric units are used
1 acre = 0.405 hectares
1 foot = 0.3048 Meters
1 mile = 1.60934 Kilometers

1 mbf = 5.1 m³
1 cord = 2.55 m³
1 Gallon (US) = 3.78541 Liters
1. AUDIT PROCESS

1.1. Auditors and qualifications:

Bodo von Schilling is a Registered Professional Forester in British Columbia, Canada. He was trained by SmartWood as a FSC Lead Auditor. Bodo is also accredited by the Canadian Environmental Auditing Association as Sustainable Forest Management (CEA(SFM)) auditor and Environmental Management Systems (EMS(LA)) lead auditor. Mr. von Schilling is a senior forest management consultant with extensive experience with forest and environmental management in Canada since 1983. Bodo was the Canada Regional Manager for SmartWood from 2001 to 2003 and continues to work as a contract auditor with SmartWood. He has participated in 28 audits as auditor or contract monitor and these audits occurred across Canada and in the USA. Bodo participated in 5 reviews or field tests of FSC Regional Standards under development, including the FCS Regional Certification Standards for British Columbia – Small Operations Standards. He has also worked on over 33 Chain of Custody audit projects as auditor or contract monitor in Canada, the USA and Asia. Mr. von Schilling was lead auditor for the Ecotrust Canada - Vancouver Island Ecoforestry Group (EC – VIEG) FSC forest management assessment in the summer and fall of 2005.

1.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2006</td>
<td>Assessor’s Office</td>
<td>Review of past assessment report and CARs, preparation for interviews, preparatory calls to Ecotrust Canada and SmartWood.</td>
</tr>
<tr>
<td>December 11 2006</td>
<td>Ecotrust Canada Office, Vancouver, B.C., Canada</td>
<td>Current status of certificate, changes to the certification management system, results of manager’s monitoring of members, status of SmartWood CARs, review of principles 8 and 10, status of CoC and group certificate.</td>
</tr>
<tr>
<td>December 2006</td>
<td>Assessor’s Office</td>
<td>Continued gathering of audit evidence through telephone interviews and emails, analysis of evidence, findings, draft audit conclusions and report, assist SmartWood in completing the audit report as required.</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 1,5
= number of auditors participating 1 times total number of days spent for the audit 1,5
1.3. Sampling methodology:

<table>
<thead>
<tr>
<th>FMU or Site audited</th>
<th>Rationale for selection</th>
<th>Group FMU belongs to and number of FMUs in the group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecotrust Canada office, Vancouver, BC, Canada</td>
<td>All documentation and personnel are located within, or center their work from, the main office. The documentation relating to the forest manager’s activities that are pertinent to the audit were gathered at the EC office.</td>
<td>Ecotrust Canada is the group certificate holder and the group has one member, Mr. A Hopwood, WL 0082 at Courtenay, BC, Canada.</td>
</tr>
</tbody>
</table>

The FSC certification assessment occurred in the summer and fall of 2005. The assessment considered:

- Policies and procedures and documentation of the group manager’s activities and performance (Ecotrust Canada) against the Small Operations Standard
- Performance of group member Woodlot License 0082 at Courtenay BC relative to group manager’s policies and procedures as well as against the Small Operations Standard
- Performance of potential group member Woodlot License 1557 at Shawnigan Lake BC relative to group manager’s policies and procedures as well as against the Small Operations Standard. Susan Paul withdrew from the Group shortly after the certification assessment.

The Ecotrust Canada main office at Vancouver, BC, Canada was visited during the annual audit. This site was selected since all documentation is housed at this location, and all personnel work directly in, or from this site. The materials pertaining to the audit related to the activities and performance of WL 082 were gathered at the Ecotrust Office for the audit. During the audit the following components were focused on:

- Current status of certificate including a summary of current members, potential members and status of the supply chain;
- Changes to the certification management system including new policies and procedures, significant new plans/assessments/documents of group members;
- Results of manager’s monitoring of the one group member including status of the CARs issued by the Group Manager against the one member;
- Current status of SmartWood CARs; and
- Evaluation of conformance of the group manager and the one member against the criteria of Principles 8 and 10 as well as the status of CoC and group certificate.

Principle 8 was chosen for the criteria level evaluation of conformance for the following reasons:
• Several of the CARs issued by the Group Manager against group members and by SmartWood against the Group Manager pertained to monitoring, so there were efficiencies in addressing monitoring from first principles; and
• The Group Manager has prepared and implemented new policies and procedures regarding monitoring so there were efficiencies in addressing all criteria and indicators associated with the Principle.

For this annual audit a field review did not take place due to the following circumstances:
• CARs being assessed were based largely on policies and procedures rather than being field-based;
• Principles being assessed (P8 and 10) were largely office-based rather than field-based;
• The original audit considered the field performance of the one group member. This group member has been FSC certified by another certification body under his own certificate since 2000.

The following personnel associated with EC VIEG were interviewed:
• Mr. Mike Vitt, Forestry Program Manager, Ecotrust Canada; and
• Mr. Al Hopwood, EC VIEG Member, forest manager of WL 082.

1.4. Stakeholder consultation process

The annual surveillance audit interviewed the primary contact from Ecotrust Canada and the one group member. No stakeholders were interviewed. The stakeholder consultation process was limited for the following reasons:
• At the assessment one group member and one potential member were considered. In 2006 there was only one confirmed group member and the potential group member has withdrawn. While the Group Manager has identified a significant number of potential group members, the Group Manager states that none are likely to become members in the near future;
• There have not been any significant changes in Group Manager policies or procedures;
• The original assessment did not identify any significant stakeholder concerns; and
• The one group member has an on-going stakeholder consultation process and this process has not revealed any significant stakeholder concerns.

Should the number of group members increase in the future, SmartWood will implement a more rigorous stakeholder consultation process.

1.5. Changes to Standards (if applicable)

The original assessment in 2005 and this annual surveillance audit were conducted against the ‘Indicators for Compliance with the FSC Principles and Criteria for Small Operations in British Columbia’. This paper will refer to the

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

The original assessment was conducted on WL 082 as a confirmed group member. The assessment also considered one potential group member, WL 1557 who withdrew from the Group after the assessment. For this reason, the CARs that applied to WL 1557 will not be pursued in this annual surveillance audit. When WL 1557 becomes a member of the EC VIEG then the original assessment CARs pertaining to WL 1557 will be examined.

Ecotrust Canada (EC) has a new Forestry Program Manager, Mr. Mike Vitt. The primary contractor providing technical advice is Mr. Doug Hopwood RPF who remains in place. Mr. Doug Hopwood is not related in any way to the forest manager of group member Mr. Al Hopwood. Other contractors active with EC VIEG during the assessment are no longer contractors for EC. Given that Mr. Doug Hopwood remains in place and active with the program and also considering the size of the group, SmartWood has no concerns with the changes in personnel.

The Group Manager has not changed the policies and procedures used to manage the certificate to any significant extent. The following are new policies or procedures of which SmartWood became aware during the 2006 annual surveillance audit:

- The Group Manager has updated the ‘Member Handbook’ since the original assessment. EC VIEG is currently using Version 2.0 (28 July 2005). The annual audit specifically considered section 4 ‘Policy on Seedling Procurement’. Further changes to the Handbook are anticipated;
- ‘Guide to Developing a Monitoring Plan (November 29 2006)’ which includes the ‘VIEG Members Annual Monitoring Form’. A completed monitoring form from WL 082 dated November 29 2006 was also considered in the audit;
- ‘EC VIEG annual monitoring questionnaire – DRAFT 1’ (November 30 2006);
- Draft Monitoring Policy
- ‘Woodlot 0082 – Review of CARs and Observations’ by Doug Hopwood RPF, November 28 2006;
- ‘SmartWood-FSC Annual Audit: Progress Report on CARs’ (November 28 2006);
- ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’ and accompanying ‘Rationale Statement for the VIEG Guide to Managing Within RONV’ (November 27 2006);
- ‘Assessment of Riparian Ecosystem Management on Woodlot 82’ by Doug Hopwood RPF, dated July 15, 2005; and
2.2. Stakeholder issues

SmartWood did not conduct a stakeholder consultation associated with the 2006 annual surveillance audit. No stakeholder issues have been identified.

2.3. Compliance with applicable corrective actions

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 noncompliances being upgraded from minor to major noncompliances with compliance required within 3 months or face suspension or termination of the SmartWood certificate. The following classification is used to indicate the status of the CAR:

<table>
<thead>
<tr>
<th>CAR Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Certified operation has successfully met the CAR and addressed the underlying noncompliance.</td>
</tr>
<tr>
<td>Open</td>
<td>Certified operation has not met the CAR; underlying noncompliance is still present. CAR becomes a Major CAR with a 3 month deadline for compliance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAR #: 1/05</th>
<th>Reference Standard #: 6.1.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Minor</td>
<td>The Group Manager has not considered whether or not the management rationale results in minimal environmental impacts.</td>
</tr>
</tbody>
</table>

Corrective Action Request: Ecotrust Canada shall ensure that the forest manager of WL 1557 has put in place a strategy for addressing stand level forest attributes compatible with RONV and applicable to the woodlot as a whole. Some of the stand level forest attributes to be considered include canopy complexity, live wildlife trees, snags and coarse woody debris. The strategy must consider tree species diversity in regenerating stands, canopy complexity, live wildlife trees, snags and coarse wood debris, and describe actions taken to address: environmental impact, restoration, landscape considerations, management objectives, maps, descriptions, HCVF, inclusion in the management plan and monitoring.

Timeline for Compliance: By the end of Year 1

Audit findings: The CAR pertains to WL 1557. The manager of WL 1557 withdrew from the group after the assessment. For this reason alone SmartWood is prepared to close the CAR.

EC has addressed this matter with the following policy and/or procedures:

- ‘Guide to Developing a Monitoring Plan’ (November 29 2006);
- ‘EC VIEG annual monitoring questionnaire – DRAFT 1’ (November 30 2006)
Group Manager has established policy regarding the management of RONV that resolves this CAR. EC has provided the following policy:

- ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’; and

The auditor reviewed the ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’ and found the document to address the gaps identified in the 2005 assessment. The Guide provides the following:

- Landscape level assessment of RONV;
  - Criterion 6.1.4 requires the forest manager to consider the management unit context and the Guide requires the forest manager to do so;
  - The Guide provides guidance to the forest manager to consider old forests, old forest attributes, mature plus old forest, early seral forests and interior forest habitat;

- Stand level assessment of RONV;
  - Stand-level RONV and the land use context;
  - Snags and wildlife trees;
  - Coarse woody debris;
  - Tree species diversity; and
  - Canopy gaps and understory vegetation.

The auditor reviewed the ‘Rationale Statement for the VIEG Guide to Managing Within RONV (November 27 2006)’ and found that the Group Manager provided the following:

- An explanation of the context of RONV within the Standard;
- Guiding Principles;
  - The use of the FSC-BC Guidance Document;
  - A discussion of the FSC-BC definition of ‘compatible with natural disturbance regimes, patterns or the range of natural variability’;
  - The use of and limitation of the Forest Practices Code Biodiversity Guidebook (September 1995);
  - The use of the ‘average operator principle’ which is the same discussion as above regarding the ‘average forest manager’; and
- Rationale are provided for each aspect of the ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’.

The auditor reviewed the Guide and the Rationale and found that these documents provide forest managers with guidance to meet Indicators 6.1.2, 6.1.4, 6.3.5, 6.3.6, 6.3.7, 6.3.8 and 6.3.9 (and provides a foundation for 6.1.5) as these section pertain to RONV. The auditor reviewed the Standard, FSC guidance documents, background documents such as the Biodiversity Guidebook and considered that the Guide and Rationale address the Standard and provide a supportable rationale.

While the Guide and Rationale seem reasonable, SmartWood is not able to test the use of the new Group Manager’s policy until these procedures are used by several Group Members. The Guide and Rationale do not apply to WL 0082, currently the only group member, since the manager is implementing a restoration strategy across his Management Unit which includes maintaining snags, coarse woody debris, continuous forest cover, vets and 10% full cycle trees. In other words the WL 082 management
strategy and rationale address the requirements of the Standard to manage in a manner that is compatible with RONV without engaging the Group Manager’s new policy.

SmartWood considers that while the Guide and Rationale seem reasonable practical and sound in a paper review, SmartWood cannot judge its suitability until the Guide has been used by VIEG members and reviewed by the Group Manager. SmartWood is as concerned that small operations adequately consider RONV in planning as that small operations avoid becoming so encumbered by restrictions to harvesting as to become economically non-viable. SmartWood expects the Group Manager will assist VIEG members to strike a reasonable balance between ecological and economic considerations.

The CAR requires monitoring of stand-level forest attributes. See the discussion of monitoring under CAR 6/05. The ‘Guide to Developing a Monitoring Plan’ is a self-monitoring form and requires the forest manager to report on changes to conditions of the forest, changes to flora and fauna and high conservation forests. The ‘EC VIEG annual monitoring questionnaire’ has the group manager asking the forest manager for updates regarding retention of wildlife trees/CWD, seral stage distribution and HCVF.

SmartWood is satisfied that EC has met all aspects of the CAR even though the Guide has not yet been used.

The ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’ states that EC will develop a ‘Seral Stage Projection Tool’ to assist forest managers to project seral stage distribution over the next 5-20 years. SmartWood considers this to be an important tool to allow forest managers to address RONV in planning. A CAR has been written for EC to prepare this tool prior to accepting the next EC VIEG member.

Finally, SmartWood commends Ecotrust Canada in developing a very thorough and detailed Guide and Rationale to assist members of the EC VIEG to address RONV in planning. RONV is a challenging concept for forest managers to incorporate into planning even on large management units. On small operations the challenge is that much more significant. SmartWood hopes that the tool developed by EC will take some of the challenges out of interpreting the Small Operation Standard for forest managers.

| Status: closed |
| Follow-up Action (if applicable): CAR # 1/06: Ecotrust Canada will complete the ‘Seral Stage Projection Tool’ to assist members of the Vancouver Island Ecoforestry Group to project seral stage distribution over a 5-20 year planning horizon. |

Note for future audit: SmartWood will examine the new policies and procedures regarding the consideration of RONV in forest management planning at a future annual surveillance audit.

| CAR #: 2/05 | Reference Standard #: 6.2.1 |
| Non-compliance: Major [ ] Minor [x] |
| SmartWood notes inconsistency between similar CARs written by the group manager for WL 082 and WL 1557. The WL 1557 CAR addresses management strategy and monitoring while the CAR for WL 082 addresses only the assessment. The CAR for WL 082 refers to red/blue, threatened, endangered, species of concern flora/fauna while the CAR for WL 1557 refers only to red and blue listed plant and animal species. |

Corrective Action Request: Ecotrust Canada shall ensure that the forest managers of WL 082 and 1557 have conducted assessments of red and blue listed, threatened and endangered species, species at risk and/or plant communities, and as appropriate, map the results and establish a management strategy and a monitoring plan.
Audit findings: EC conducts ‘Member Intake Audits’ (see monitoring discussion under CAR 6/05) that considers the performance of every member against every indicator of the Small Operations Standard. The 2005 assessment noted inconsistencies between the CARs written by the group manager against the forest managers of WL 082 and WL 1557 regarding the identification, mapping, management and monitoring of existing or potential habitat of red-listed, blue-listed, endangered or threatened species, or species of special concern, or red- or blue-listed plant communities.

SmartWood notes that the shortcoming of the CAR issued by EC was regarding WL 1557 which has opted not to become a VIEG member.

EC issued a CAR on WL 082 to conduct assessments of red and blue listed species and plant communities, map them, and establish management strategies and a monitoring plan. EC provided a ‘Woodlot 0082 - Review of CARs and Observations’ which documented the actions taken by EC and the forest manager relative the intake audit CARs. EC provided the forest manager with an updated list of relevant of red-listed, blue-listed, endangered or threatened species, or species of special concern, or red- or blue-listed plant communities.

The forest manager of WL 082 has updated his list of ‘Fauna and Flora of Woodlot Licence W0082’ to November 2006 considering existing or potential habitat of red-listed, blue-listed, endangered or threatened species, or species of special concern, or red- or blue-listed plant communities. The forest manager has generated a list of fauna and flora species, identified occurrence on WL 082 over many years, mapped them and established management strategies.

EC has established a new monitoring and reporting procedure for EC VIEG members. The ‘Guide to Developing a Monitoring Plan (November 29 2006)’. The policies and procedures require member forest managers to create their own monitoring plan or adopt the procedure prepared by EC. The Guide requires forest managers to review and affirm Table 3 of the Toolkit annually which deals with “…critical habitat for regionally or provincially significant species …” and “… rare or unique ecosystem types, species at risk, or potential habitat of species at risk …”.

EC has established a new monitoring and reporting procedure for EC VIEG members: ‘EC VIEG annual monitoring questionnaire – Draft 1 November 30 2006’. The Group Manager contacts each group member annually and goes through the questionnaire. The draft questionnaire asks “Presence of red- or blue-listed species or natural plant communities”. The manager of WL 082 has adopted the Guide as the monitoring plan for WL 082 but has not yet completed his review of the Toolkit Table 3. See CAR 2/06 under the discussion of CAR 6/05 below.

SmartWood interviewed EC staff and confirmed that they are aware that they must be consistent in issuing CARs in the member intake audit. SmartWood considers this CAR as closed.

Status: closed
Follow-up Action (if applicable): None

<table>
<thead>
<tr>
<th>CAR #: 3/05</th>
<th>Reference Standard #: 6.4.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major □ Minor ✔</td>
<td>With regard to WL 082 the forest manager has less than 1% of the woodlot designated as reserve. For WL 1557, the forest manager is not sure of the amount of reserve currently on the woodlot.</td>
</tr>
<tr>
<td>Corrective Action Request: Ecotrust Canada shall ensure that the forest managers for WL 082 and 1557 establish, document and map protected reserves and riparian management areas, and provide</td>
<td></td>
</tr>
</tbody>
</table>
management objectives consistent with restoration or no harvesting and a description of the
management strategy. This shall be documented in the management plan. If the area in protected
reserves on WL 082 does not meet the 8% requirements the Group Manager must ensure that the forest
manager provides a written rationale as to why the forest management strategy for managing toward
late seral forest effectively meets the characteristics of a reserve.

Timeline for Compliance: By the end of Year 1

Audit findings: Since WL 1557 declined to participate in the EC VIEG SmartWood will consider this
aspect of the CAR as closed.

EC issued a CAR regarding documenting protected reserves on WL 082. EC provided a ‘Woodlot 0082
- Review of CARs and Observations’ which documented the actions taken by EC and the forest
manager. The auditor reviewed the documentation provided by the group manager and also discussed
the issue with the forest manager of WL 082. SmartWood confirms that indicator 6.4.2 has been met
and that the rationale supporting the approach taken by the forest manager has been documented. The
following provides clarity to the information presented in the 2005 assessment:

- The definition of protected reserves in the Standard and indicator itself allow harvesting in
  protected reserves for restoration purposes. The forests of WL 082, including the RMZs, are
closed second growth stands. The management plans provide a rationale for restoration to
restore ecosystem function;
- WL 082 has 12% of its area in designated Riparian Management Areas;
  - Riparian Reserve Zone on S4 portion of Supply Creek;
  - Riparian Management Zone (RMZ) on other streams/reaches and wetlands;
- The restoration or conservation objectives of WL 082 for RMZs are;
  - To maintain and or enhance stream water quality and riparian ecosystem functions by
    retaining a minimum of 25 m²/ha basal area;
  - To maintain and or enhance wind-firmness in riparian forests through partial cutting;
  and
  - To restore old forest attributes through partial cutting.

EC has implemented new policies regarding monitoring. Annually the group manager contacts each
forest manager to complete the ‘EC VIEG annual monitoring questionnaire’. The questionnaire asks the
forest manager to reveal any changes regarding protected reserves.

Status: closed

Follow-up Action (if applicable): None

CAR #: 4/05  Reference Standard #: 6.5.12

Non-compliance:
Major ☐ Minor ☒ To ensure the independence of his riparian assessment, the Group Manager
must have the assessment peer reviewed by a third party as a Minor CAR.

Corrective Action Request: Ecotrust Canada shall have the riparian assessment completed for WL 082,
independently peer reviewed and the results used to improve management.

Timeline for Compliance: By the end of Year 1

Audit findings:

Mr. Doug Hopwood updated the assessment dated July 15 2006 incorporating the review comments
from the ‘Peer Review of “Assessment of Riparian Ecosystem Management on Woodlot 82”’ by Karen
Price and dated June 29 2005.
The auditor considered the peer review document against the original and revised assessments and is satisfied that EC adequately considered the review comments. One of Ms. Price’s review comments was translated into a recommendation by Mr. Doug Hopwood. Doug Hopwood recommended that the forest manager of WL 082 should set a minimum target for permanent retention in RMZs including some patches of untreated forests within the RMZ. In an interview the forest manager stated that he has not currently considering specifying a minimum target for permanent retention in RMZs. His management strategy remains the same. Full cycle trees are to be permanently retained and these trees are marked as full cycle trees prior to the second harvest pass.

EC has implemented new policies regarding monitoring. Annually the group manager contacts each forest manager to complete the ‘EC VIEG annual monitoring questionnaire’. The questionnaire asks the forest manager to reveal any changes regarding riparian area management.

Status: closed
Follow-up Action (if applicable): None

<table>
<thead>
<tr>
<th>CAR #: 5/05</th>
<th>Reference Standard #: 6.6.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>The Group Manager was unable to assess this indicator at the time of the Member Intake Audit and has requested additional information from the forest managers. Group manager does not have a pesticide policy.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request: The Group Manager shall formulate and distribute to group members a policy requiring members to source tree seedlings from proper seedlots and, where possible, free of pesticides. Group members should document their efforts to purchase pesticide-free seedlings. If seedlings treated with pesticides are used, the type of pesticide treatments shall be documented and forest workers involved in tree planting notified that seedlings were treated with pesticides.

Timeline for Compliance: By the end of Year 1

Audit findings: EC has established a new policy ‘Policy on Seedling Procurement’. The policy was included in the Member Handbook Version 2.0 dated 28 July 2005 and distributed to the group member. The policy meets the requirements of indicator 6.6.3.

EC issued a CAR to the forest manager of WL 082 to follow indicator 6.6.3. EC documented the status of the CARs issued to WL 082 in the report ‘Woodlot 0082 – Review of CARs and Observations – November 28 2006’. EC documented that no seedlings were planted on WL 082 in 2006. Most of the seedlings planted on WL 082 come from one nursery and this nursery has stated that they cannot produce competitively priced seedlings without minimal pesticide use. The forest manager states that he has used less than 1000 seedlings on WL 082 in the history of the management unit and has no market leverage with such low numbers.

EC has established a new monitoring procedure and policy: ‘EC VIEG annual monitoring questionnaire – DRAFT 1’ (November 30 2006). The questionnaire asks questions regarding the use of pesticides on the management unit.

SmartWood notes that the policy does not address the proper use of seedlots. The forest manager of WL 082 states that he is obligated to use proper seedlots under forest regulations. SmartWood is satisfied that forest managers must source seedlings from proper seedlots under regulation and that an additional policy is not required.

Status: closed
CAR #: 6/05  Reference Standard #: 8.1.1

Non-compliance:

| Major | Minor [x] | Group manager does not have a monitoring plan. |

Corrective Action Request: Ecotrust Canada shall ensure that the forest managers of WL 082 and 1557 prepare monitoring plans. The monitoring plans must meet content requirements of BC Small Operations Standard indicator 8.1.2.

Timeline for Compliance: By the end of Year 1

Audit findings: The 2005 assessment noted significant gaps in the performance of the group manager and the forest manager regarding monitoring. EC has implemented significant changes. The monitoring by the group manager and the forest manager now includes the following policies and procedures:

- SmartWood assessment and annual surveillance reports
- Guide to Developing a Monitoring Plan (November 29 2006);
- EC VIEG annual monitoring questionnaire – DRAFT 1 (November 30 2006)
- Draft Monitoring Policy
- SmartWood-FSC Annual Audit: Progress Report on CARs (November 28 2006); and

The Group Manager states that EC has distributed SmartWood’s assessment report to the one group member and plans to distribute SmartWood’s assessment and surveillance reports to all VIEG members. SmartWood notes that this has not been included in the VIEG Member Handbook Version 2.0. A CAR has been written to formally include this action.

According to the VIEG Member Handbook Version 2.0 the following steps are taken as new members are accepted and SmartWood considers these actions to be monitoring, particularly in the context of small operations:

- The ‘Initial Screening’ and ‘Application’ allows EC to gather some basic information regarding eligibility under the Small Operations Standard.
- The ‘Management Plan Audit’ and the ‘Field Audit’ are completed by EC staff or contractors.
  - A field visit is a requirement of the procedure
  - Collectively EC refers to this process as the ‘member intake audit’
  - Once completed, the group manager will have reviewed plans and practices of the individual group manager against each of the indicators of the Small Operations Standard.
  - The group manager issues CARs and Observations to bring planning and practices under conformance with the Standard
  - Group manager annual ‘Review of CARs and Observations’ of each member

For the audit SmartWood reviewed the report: ‘Woodlot 0082 – Review of CARs and Observations (November 28 2006). The group manager listed each CAR and Observation from the member intake audit in 2005 and recorded the progress.

In a similar process EC reported the progress of CARs issued by SmartWood during the 2005 assessment. The report: “SmartWood-FSC Annual Audit: Progress Report on CARs” listed each CAR and provided a detailed analysis of progress towards addressing the issues raised. SmartWood is satisfied with this process.

EC has developed a Draft Monitoring Policy. A full audit of each member against each indicator of the standard occurs during the member intake audit. This process is repeated every five years. Each group
member has a monitoring plan. If a member does not have their own monitoring plan EC provides them with a Guide to Developing a Monitoring Plan which includes an annual monitoring template. The forest manager provides the group manager with this report. Annually the group manager conducts a telephone interview with each group member. Every two years EC will visit each group member personally to conduct the interview. The auditor reviewed the ‘Member Handbook Version 2.0’ and noted that this document does not reflect the new monitoring policies and procedures. SmartWood has written a CAR requiring EC to finalize policies and procedures associated with the monitoring program and update the Member Handbook with this information.

EC had developed a ‘Guide to Developing a Monitoring Plan (November 29 2006)’. This Guide provides an explanation for the requirements of Principle 8 Monitoring under the Small Operations Standard. Members can develop their own monitoring plans or use the VIEG Members Annual Monitoring Form as provided in the Guide’.

SmartWood reviewed the VIEG Members Annual Monitoring Form against indicator 8.1.1 and is satisfied that the indicator and criteria 8.1, 8.2 and 8.3 have been met.

The forest manager of WL 082 completed the ‘VIEG Members Annual Monitoring Form’ on November 29 2006. In an interview he stated that he likes the form and considers that it meets his desire to monitor important aspects of his woodlot without the burden of complex records or documentation. SmartWood is satisfied with the procedure but notes that the forest manager of WL 082 has not completed all questions on the form. While SmartWood is not issuing a CAR to have this report completed, SmartWood expects the 2006 form to be finished soon. SmartWood will review all Member Annual Monitoring Forms at annual surveillance audits.

EC will complete the ‘EC VIEG annual monitoring questionnaire’ with every member. The Draft Monitoring Policy explains how the group manager will use the form. The form is intended to be completed by telephone but EC may complete it in person with the group manager under certain time lines so as to limit the time between field visits. SmartWood notes that the EC VIEG annual monitoring questionnaire and Monitoring Policy are draft documents. SmartWood has written a CAR for EC to complete these documents. Furthermore, EC has not yet used the form. SmartWood expects EC to have completed the questionnaire and used it for the 2007 annual surveillance audit.

SmartWood considers that all aspects of the CAR have been addressed.

Status: closed

Follow-up Action (if applicable):

CAR # 2/06: Ecotrust Canada will complete the ‘EC VIEG annual monitoring questionnaire’ and ‘Monitoring Policy’, update the ‘VIEG Member Handbook’ with all of the new monitoring policies and procedures and implement all aspects of the monitoring policy and procedures prior to the next annual surveillance audit.’

Note for future audits: SmartWood will review the forest manager’s monitoring forms and questionnaire conducted by the group manager at the annual surveillance audit.

| CAR #: 7/05 | Non-compliance: Major ☑ Minor ☐ | Reference Standard #: 8.2.3 |
| Data concerning growth rates, regeneration, forest health, productivity, condition of the forest, and disturbances resulting from forest operations is incomplete or out of date. | Corrective Action Request: Ecotrust Canada must ensure that the forest manager of WL 1557 conducts |
regeneration surveys on opening 7C and communicate with the Ministry of Forests to ensure that
regeneration surveys are conducted on the previously harvested area adjacent to the processing mill.
Timeline for Compliance: By the end of Year 1

Audit findings: The forest manager of WL 1557 decided not to join the EC VIEG.
Status: closed
Follow-up Action (if applicable):
Note for future audits: If in the future this operation joins the program, SmartWood will follow up on
this matter at an annual surveillance audit.

CAR #: 8/05   Reference Standard #: CoC 1
Non-compliance: Group members do not have written documented COC control procedures.
Major [x] Minor [ ]
Corrective Action Request: Ecotrust Canada shall require every member to have a completed
documented control procedure available prior to acceptance into the group. The documented control
procedure must be tailored to the forest management operation and must address the separation and
identification of FSC wood, outsourcing, shipping and sales documents, records, logo use and
compilation of information for annual audits
Timeline for Compliance: By the end of Year 1

Audit findings: SmartWood reviewed the Member Handbook Version 2.0 section 1 Chain of Custody
Requirements. Appendix I provides ‘Guidance for Developing a Chain of Custody System’. The group
manager has provided a solid policy and guidance for forest managers to develop their chain of custody
systems.

The 2005 assessment noted that the forest manager of WL 082 did not have a ‘documented control
system’. The group manager and the forest manager explain that the chain of custody system at WL 082
is very simple. No outsourcing is contemplated. Where processing occurs, it is done on-site by a
contractor and only materials from WL 082 are handled. All materials produced from WL 082 are
certified so there is no need to keep a separate system for certified materials. The manager is involved
in all aspects of the operation and tracks products to the forest gate making labeling issues irrelevant.
Logs are scaled as required by the Forest Act and scales are reported to the Ministry of Forests. Loads
can be tracked to customers.

The forest manager of WL 082 provided SmartWood with the invoice form which records the FSC
certification information. The forest manager of WL 082 also provided an inventory of materials sold as
certified (including certificate numbers) and materials sold where customers did not require certified
materials.

SmartWood noted that the invoice and inventory documents kept by the forest manager of WL 082
quoted his old certificate number. The group manager must ensure that these forms are updated to
reflect EC’s FM/CoC number.

Status: closed
Follow-up Action (if applicable): CAR # 4/06 Ecotrust Canada will ensure that the forest manager of
WL 082 updates chain of custody forms to reflect the Ecotrust Canada FM/CoC number.
2.4. New corrective actions issued as a result of this audit

<table>
<thead>
<tr>
<th>CAR #: 1/06</th>
<th>Reference Standard #:  6.1.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Ecotrust Canada has established a new ‘Guide to Managing within RONV in Small Forest Operations in NDT 1 and NDT 2’. EC has committed to producing a ‘Seral Stage Projection Tool’ to assess the projected seral stage distribution for the next 5 – 20 years.</td>
</tr>
<tr>
<td>Major □ Minor X</td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>Within one year Ecotrust Canada will complete the ‘Seral Stage Projection Tool’ to assist members of the Vancouver Island Ecoforestry Group to project seral stage distribution over a 5-20 year planning horizon.</td>
</tr>
<tr>
<td>Timeline for Compliance:</td>
<td>Within one year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAR #: 2/06</th>
<th>Reference Standard #:  8.1.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Ecotrust Canada responded to CAR 6/05 which required EC to establish monitoring policies and procedures. These have now been established but have not yet been implemented. The one group member filled in the ‘Guide to Developing a Monitoring Plan’ but did not complete all of the questions.</td>
</tr>
<tr>
<td>Major □ Minor X</td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>Ecotrust Canada will complete the ‘EC VIEG annual monitoring questionnaire’ and ‘Monitoring Policy’, update the ‘VIEG Member Handbook’ with all of the new monitoring policies and procedures and implement all aspects of the monitoring policy and procedures prior to the next annual surveillance audit.</td>
</tr>
<tr>
<td>Timeline for Compliance:</td>
<td>Within one year.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CAR #: 3/06</th>
<th>Reference Standard #: CoC # 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>During the course of the audit SmartWood noted that Chain of Custody forms used by the the forest manager of WL 082 quote an old FM/CoC number. Ecotrust Canada must ensure that the new FM/CoC number is used.</td>
</tr>
<tr>
<td>Major □ Minor X</td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>Ecotrust Canada will ensure that the forest manager of WL 082 updates chain of custody forms to reflect the Ecotrust Canada FM/CoC number.</td>
</tr>
<tr>
<td>Timeline for Compliance:</td>
<td>Within one year.</td>
</tr>
</tbody>
</table>

2.5. Audit observations

<table>
<thead>
<tr>
<th>Observation</th>
<th>Reference Std #</th>
</tr>
</thead>
<tbody>
<tr>
<td>No observations noted during audit</td>
<td></td>
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</tbody>
</table>

2.6. Audit decision

Ecotrust Canada has maintained certifiable performance in Principles 8 and 10, and the Chain of Custody.

Two minor CARs have been written (1/06, 2/06) as as consequences to new minor non-compliances found during this annual audit. In each case Ecostrust Canada has undertaken significant changes to policies and procedures that closed the original CARs. New minor issues have been identified and are addressed with minor CARs.
There is one new CAR that has been issued relating to Chain of Custody (3/06). The issue, while significant, relates to one member and is a unique situation and the matter is not systemic in nature. The Minor CAR will rectify the situation.

Based on this summary, and based on the condition that the manager meet the stipulated CARs, the auditor recommends that Ecotrust Canada remain certified.