Forest Management
2006 Annual Audit
Report for:

Northshore Forest Inc.
in
North shore of Lake Huron,
Ontario, Canada

Certificate Code: SW-FM/CoC-1544
Audit Dates: July 11-12, 2006
Report Finalized: November 13th, 2006
Auditors: Jeremy Williams
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**Standard Conversions**

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:
This audit was performed by ArborVitae Environmental Services Ltd (AVES). The lead auditor was Jeremy Williams, and Mr. Chris Wedeles reviewed conditions related to principle 9. Both men are equal partners in AVES, which they founded in 1996.

Dr. Jeremy Williams, R.P.F. – Team Leader and Forester. Jeremy is a registered professional forester in Ontario and holds a Ph.D. in forest economics. Jeremy is a trained ISO auditor, and has participated in 17 Independent Forest Audits in Ontario, including seven as leader. He has also participated in a Smartwood FSC assessment on the Spanish Forest, two certification accreditation reviews for FSC, and a test of the CSA standard in Ontario. Jeremy has worked across Canada, in all provinces except PEI, and works internationally. He is currently a member of the Board of Trustees of the Komi Model Forest in northwestern Russia. Other recent relevant experience includes: being a technical writer in the development of FSC’s National Boreal Standard (NBS), participating in a project to assess the wood-supply and ecological effects of the NBS, and participating in a project to review and recommend modifications to Ontario’s forest management guides.

Chris Wedeles – Ecologist. Chris is a wildlife biologist specializing in the relationship between forest management and wildlife ecology. Chris has been a professional consultant since 1986, including and during the last ten years as a partner in AVES. In his consulting career Chris has worked on forest-related projects in every province in Canada, although his deepest expertise relates to Ontario’s forest management system. Chris has led or participated in approximately 30 Independent Forest Audits in Ontario, and is a certified ISO auditor. He has completed three previous FSC assessments, serving as the team leader for two. Other recent relevant experience includes: being a technical writer in the development of FSC’s NBS, participating in a project to assess the wood-supply and ecological effects of the NBS, and leading a project to review and recommend modifications to Ontario’s forest management guides.

1.2. Audit schedule

The field work for the annual review took place on July 11 & 12 in and in the vicinity of the Northshore Forest. A one-day truck tour of the forest was undertaken primarily to assess Condition 6.3c, and the lead auditor interviewed relevant company staff (primarily the Company superintendent Mr. Bunce and the Company forester, Mr. William Moryto) during the field tour and at the office. The audit team also interviewed MNR staff, and a small number of First Nations community members. Greater input was sought from First Nations but was not obtained.
### Date

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late June/early July</td>
<td>Toronto</td>
<td>Preparation work and initial phone contact with relevant First Nations</td>
</tr>
<tr>
<td>July 12</td>
<td>Northshore Forest</td>
<td>Field tour &amp; interviews with company staff</td>
</tr>
<tr>
<td>July 13</td>
<td>Northshore Forest &amp; environs</td>
<td>Interviews/ meetings with relevant First Nations, and meetings with Company staff as required.</td>
</tr>
<tr>
<td>July 14 – Aug 3</td>
<td>Toronto</td>
<td>Follow up contact with Company and First Nations; preparation of draft report.</td>
</tr>
<tr>
<td>Aug 3</td>
<td>Toronto</td>
<td>Submission of draft report to Smartwood for review</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 7

### 1.3. Sampling methodology

This annual review was concerned with the evaluation of 13 Conditions from the 2005 certification assessment that the Company was required to address by the end of Year 1 of certification. The Company also requested that Conditions 6.3b, 6.5a and 6.5b be evaluated; 6.5a and 6.5b were not scheduled to be addressed until the second annual audit, and Condition 6.3b was not scheduled to be addressed until the end of Year 3 of certification, but the Company felt it had addressed them. This review also evaluated two principles at the Criterion level – Principles #1 and #10 were selected.

This review consisted of document review, interviews with Company staff, First Nations representatives, and MNR staff at the Blind River Area Office and the Espanola Area Office. Electronic copies of relevant documents were provided to the audit team and retrieved from an ftp site on June 26, 2006. These were reviewed prior to the site visit, and this review formed the basis for questions directed to the Company staff via e-mail and telephone prior to the audit site visit, and in person during the site visit.

<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>Company office</td>
<td>This is where Company staff work from, and where all relevant documentation is stored.</td>
<td></td>
</tr>
<tr>
<td>Sites in the Northshore Forest</td>
<td>A set of 10 representative sites that had been harvested during 2005 and 2006, when the NDPE guidelines took effect on the Northshore Forest, were selected to review in order to assess Condition 6.3c.</td>
<td>Northshore Forest Inc.</td>
</tr>
</tbody>
</table>
The Company prepared an initial list of ten sites that had been harvested using the clearcut system in a range of forest units (i.e. forest types) by a range of licensees. There had only been one year of harvesting since the certification assessment, and selection of sites was limited to those that were within one day’s travel and to areas where there was a reasonable range of sites and operators in relatively close proximity. The sites inspected were located on spur roads off Highways 108, 638, and 546, which are the highways that run north from Highway 17 to the community of Elliott Lake and further northwards.

Of these sites, the assessor deemed it necessary to review 7 of the selected sites; the sites that were not viewed were additional sites in the mixedwood and hardwood forest units; on the initial sites viewed in these forest units, the NDPE requirements were exceeded. The list of sites that were viewed is provided in Appendix 1 (Confidential).

1.4. Stakeholder consultation process

The national representative of Smartwood Canada and the assessor did not feel it was necessary to publicly inform either specific stakeholders, or members of the public, that the review was being undertaken. Public announcement are not required by FSC for annual audits. However, a number of First Nations representatives and local MNR staff were consulted.

<table>
<thead>
<tr>
<th>Stakeholder type (NGO, government, local inhabitant etc.)</th>
<th>Number of stakeholders informed</th>
<th>Number of stakeholders consulted or providing input</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provincial government</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Local First Nations</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

1.5. Changes to Standards

The original certification assessment was based on the Forest Stewardship Council (FSC) Canada Working Group National Boreal Standard (Version 3.2). In addition, some components of the Standards for the Great Lakes-St. Lawrence Forests of Ontario and Quebec (March 2004 Draft) were incorporated into the review. Since the original assessment field work, the National Boreal Standard was accredited by the Board of FSC (in August 2004). There are no significant differences between Version 3.2 and the accredited National Boreal Standard.

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

Since certification, there have not been any changes in the area of the Northshore Forest, the Board structure of the Company, the management or silvicultural systems. The only change of note is that the 2005 Forest Management Plan, came into effect on April 1, 2005, which is after the field work for the Certification
Assessment was undertaken. The Certification Assessment team reviewed a draft version of this plan.

2.2. Stakeholder issues
Because there was no consultation with stakeholders outside of the discussions associated with assessing compliance with the Conditions being assessed, no issues are raised in this section of the report. The comments and perspectives provided by the interview subjects are described in the discussion under the relevant conditions.

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 Condition a finding is presented along with a description of its current status using the following categories. Failure to meet Conditions will result in non-compliances being upgraded from minor to major non-compliances 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</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Closed</strong></td>
<td>Certified operation has successfully met the CAR and addressed the underlying noncompliance.</td>
</tr>
<tr>
<td><strong>Open</strong></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>

Six indicators from the draft GLSL Standard were incorporated into the certification assessment but did not enter into the consideration of the conditions assessed here.
CAR #: Condition 3.1c
Reference Standard #: Criterion 3.1 National Boreal Standard (Version 3.2)
Non-compliance: Minor
Corrective Action Request:
*NFI shall establish a clear and separate policy that provides corporate direction to guide the development of working relationships with aboriginal peoples.*
Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: NFI considers there to be five First Nations with an interest in the Northshore Forest: Mississauga, Sagamok Anishnawbek, Serpent River, Thessalon, Whitefish River (Birch Island) First Nations. These five First Nations are located on or adjacent to the Northshore Forest. However, the Northshore Forest is within the Robinson-Huron Treaty area, which has outstanding land claims. The audit team was informed that there are roughly 40 First Nations who fall under the Robinson-Huron Treaty and that they collectively claim the Treaty area.

Northshore Forest Inc has prepared a First Nations Forest Policy that recognizes the desire of these five First Nations to improve their economic conditions and commits the Company to assist them in identifying and developing forest-based opportunities that are consistent with the work that the Company performs. The Policy was developed by Northshore Forest Inc and used language that is consistent with that in the Company’s business plan, which is a document that is approved by MNR. The First Nations were not consulted during the development of this policy; since the Policy is that of the Company, and is a statement of direction that was already being followed, as per the business plan, the assessor concurs that consultation in the development of this document was not required. This Condition can therefore be closed.

The Policy explicitly applies only to five First Nations which are described as “recognized” on the Northshore Forest. These are the five First Nations that are recognized by the MNR as having an interest in the Forest.

There is at least one other First Nation with interest on the Northshore Forest. Wikwemikong Unceded Indian Reserve is an Unceded nation, meaning Wikwemikong did not relinquish title to its land by treaty or other means (Wikwemikong Unceded Indian Reserve #26 Native Values Documentation Update, Final Report Nov 2004). Two tracts of land constitute the Reserve – the main area consists of the eastern part of Manitoulin Island, and the second area is Point Grondine, located roughly 50 km east of the eastern boundary of the Northshore Forest, on the Georgian Bay coast.

The First Nations assessor who participated in the certification assessment concluded that Wikwemikong met the criteria of having an interest in the Northshore Forest. However, the final certification report excluded Wikwemikong from the First Nations with which the Company is required to interact. The auditor reviewed the justification for the decision, taken at the original assessment, to limit the required Company interaction to five First Nations, but with new evidence brought forward by Wikwemikong representatives during this annual audit, concluded that there is sufficient evidence to indicate that Wikwemikong has an interest in the Northshore Forest and should not be excluded from consultation/ discussion with the Company. The auditor believes other First Nations might also have an interest and should not be excluded either. *CAR 01/06 is issued to insure Northshore Forest Inc. policy establishing its corporate direction regarding the development of working relationships with aboriginal*
peoples does not exclude some of the potentially affected First Nations, like Wikwemikong.

The evidence demonstrating Wikwemikong’s interest in the Northshore forest consists of:

- E-mail statements from the Wikiwemikong Forest Manager that Wikiwemikong uses the Northshore forest for a variety of activities. It was reported that many people in Wikwemikong use the Northshore Forest, including hunters, fishermen, medicine & crafts people, and recreationalists;
- Native Values Report for the Spanish Forest discusses Wikiwemikong’s use of the Spanish and Sudbury Forests – since the Wikiwemikong people have to pass through the Northshore Forest to get to these other 2 forests, it is highly likely use is made of the Northshore;
- Oral discussion with one Wikiwemikong rep who stated that he felt strongly that Wikiwemikong had an interest in the Northshore.

The Aboriginal Task Team process is specifically limited to the five First Nations on or adjacent to the Northshore Forest, and because the assessor concludes that Wikiwemikong is an affected First Nation in the meaning of the boreal standard, CAR 02/06 is issued to insure the Wikiwemikong Unceded Indian Reserve is invited to specify its interest in the Northshore forest, so that these interests can be considered in the management of the Northshore forest.

It is difficult to obtain independently verifiable information regarding indicators of the level of interest on the part of Wikiwemikong and the auditor recognizes there is still work to be done to confirm this level of interest. Wikiwemikong’s participation in the Task Team would shed light on the First Nation’s interest on the Northshore forest.

Status: Closed
Follow-up Action (if applicable): New CARs 01/06 and 02/06 are issued.

<table>
<thead>
<tr>
<th>CAR #: 3.3</th>
<th>Reference Standard #: Criterion 3.3 National Boreal Standard (Version 3.2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Minor</td>
</tr>
</tbody>
</table>

Corrective Action Request:

*NFI shall, in concert with the MNR and local First Nations, develop a strategy to build upon the relative success to date in identifying Aboriginal values and ensure that these values are identified and protected in the operational forest management plans. Where they meet the definition of High Conservation Value Forests, these values shall be incorporated into the HCVF report for the Northshore Forest.*

Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: The Company has engaged the five First Nations that are identified as having an interest on the Northshore Forest. After the certification report was finalized, the manager of Northshore Forest wrote to each of the five First Nations asking them if they were interested in discussing a formal agreement or business arrangement. No responses were received. Approximately six weeks after sending the letters, the manager wrote again inviting representatives from each of the five First Nations to a workshop to discuss business and other opportunities. Representatives from four of the five First Nations and the Northshore Tribal Council attended the Oct 18 2005 workshop. The workshop identified current First Nations activities on the forest, relevant FMP objectives, First Nations’ obstacles and concerns, and short and longer term opportunities. A subsequent meeting in January 2006 identified six potential activities, some of which were training based, and a May 2006 meeting reviewed progress.
Of the opportunities identified, First Nations tree planting had employed approximately 35 people, and a spacing project and cone collection would create further employment.

The May meeting also reviewed what High Conservation Value Forests (HCVFs) were, and discussed the potential for there to be First Nations values that would contribute to the identification or expansion of HCVFs. The Company informed the assessor that the First Nations representatives were interested in the HCVF concept but needed to consult within their communities before bringing forward values that might be suitable for consideration in HCVFs.

In conclusion, the approach that has been taken has been to engage First Nations through a Task Team approach focused on identifying and furthering business opportunities, with Northshore Tribal Council and MNR support. There have been some direct benefits from this and the meetings have provided a useful forum to communicate amongst the parties. Three First Nations have discussed the HCVF concept and are consulting within their communities to determine what if any response they might make. The auditor concludes this CAR can be closed.

However, this process is specifically limited to the five First Nations on or adjacent to the Northshore Forest, and because the assessor concludes that at least one other First Nations (Wikwemikong) is affected, in the meaning of the boreal standard, CAR 02/06 was issued to allow the opportunity for that First Nation to identify its values on the Northshore Forest. However, it must be recognized that there is still work to be done to verify whether or not there are other affected First Nations. This will have to be further reviewed at future annual audits.

**Status:** Closed

**Follow-up Action (if applicable):** CAR 02/06 is issued

**CAR #: 5.4**

**Reference Standard #:** Criterion 5.4 National Boreal Standard (Version 3.2)

**Non-compliance:**

<table>
<thead>
<tr>
<th>Major</th>
<th>Minor</th>
</tr>
</thead>
</table>

**Corrective Action Request:**

*NFI shall continue work with MNR to ensure that tourism-related components of values maps are up-to-date.*

**Timeline for Compliance:** *By the end of Year 1 of certification.*

Audit findings: NFI, and other SFL-holders in the area (Clergue Forest Management, Algoma Forest), met with MNR on August 3, 2005 to discuss a variety of issues with NRVIS, including lack of information on the currency of coverage, values being submitted but not being entered, access to NRVIS. A subsequent meeting was held on February 15, 2006. The Company now has one staff person (W. Moryto) who is eligible to access NRVIS and add new values directly, which will bypass the internal sequence of command within MNR. The forest superintendent also informed the assessor that the District and Company now hold semi-annual meetings to review values and ensure that new ones are captured and added to the NRVIS system.

**Status:** Closed

**Follow-up Action:** None.
CAR #: 6.2  
Reference Standard #: Criterion 6.2 National Boreal Standard (Version 3.2)

Non-compliance: Minor

Corrective Action Request:

*NFI shall ensure that staff of all the Overlapping Licensees working on the forest receive species-at-risk training, and that the training program is being implemented.*

Timeline for Compliance: By the end of Year 1 of certification.

Audit findings: Species at risk training for the Overlapping Licensees has taken several forms. Domtar’s staff biologist, Dr. K. Szuba, provided 30 minutes of species at risk training to the operators at the annual operations planning team meetings held in April of 2005 and 2006. All overlapping licensees and mills with directives are invited to the annual meetings and while attendance is very good, it is not mandatory for the licensees to attend. As a result NFI holds a pre-startup meeting with every licensee individually each year also to ensure that they have received coverage of these topics.

A field card with photos of species at risk that could be seen on the Northshore Forest has been produced by Dr. Szuba and distributed to all operators. The assessor feels that the card is very well done and provides ready information that should help an operator identify species at risk.

Status: Closed

Follow-up Action (if applicable): None.

CAR #: 6.3 b  
Reference Standard #: Criterion 6.3 National Boreal Standard (Version 3.2)

Non-compliance: Minor

Corrective Action Request:

*NFI shall have completed an assessment of the status of Larch on the forest and of the effects of current management on Larch. If it is found that a serious decline from pre-industrial conditions has occurred (more than 66%), NFI shall prepare a plan for increasing the abundance of Larch to a level approximating its pre-industrial abundance. The plan for increasing Larch abundance shall be incorporated into the next FMP.*

Timeline for Compliance: By the end of Year 3 of certification.

Audit findings: The Company has prepared a report on the status of larch on the Northshore Forest, as stipulated in the condition. Reductions on the order of those experienced on the Northshore Forest, from approx 2.3% to about 0.1 – 0.2% prevail throughout northeast Ontario. The Company report presents evidence that the introduction and subsequent damage caused by the larch sawfly has been responsible for a major amount of this decline, and the assessor accepts this argument. As result, the assessor does not feel that it is incumbent on the Company to try to restore the abundance of larch towards pre-industrial levels, since the pest situation facing the species has changed for the worse.

Status: Closed

Follow-up Action (if applicable): None.
CAR #: 6.3 c  |  Reference Standard #: Criterion 6.3 National Boreal Standard (Version 3.2)
---|---
Non-compliance:  |  
Major  | Minor  
Corrective Action Request:

\textit{NFI shall ensure that all the operators on the forest are implementing retention levels in their cutting areas which meet or exceed the requirements of the draft plan.}

Timeline for Compliance: \textit{By the end of Year 1 of certification.}

Audit findings: Seven harvest areas in five different forest units were viewed – all of which were cut in 2005 and 2006. In all cases, retention levels were judged to have exceeded the requirements of the NDPEG and in some cases, they were well above requirements. This is because operators were not sure of what a suitable post-harvest stand should look like, and so erred on the conservative side. Maps of the post harvest areas were reviewed and the area of peninsulas and islands was estimated ocularly and by referring to maps where the features were large enough to have been mapped; sites were visited in the field and retention levels viewed and documented with photographs. Company plot data was also provided which coincided with appearance. The superintendent reported that Dr. Brian Naylor, Forest Habitat Program Leader, MNR, Southern Science & Information, had visited the Northshore Forest to test a residual plot measurement system – one of the biggest challenges in implementing the standard is that field staff and operators do not have a sense of what a post-harvest forest with appropriate residuals should look like. The Company has developed a laminated card for the operators to use in the field to help them assess whether the amount of residual structure being left is sufficient. We note that the Company was not partially harvesting peninsulas or expecting to re-enter harvested stands to harvest the allowed portions of islands or peninsulas once regeneration reached 3 m in height – this is not economically feasible.

Status: Closed
Follow-up Action (if applicable): None.

CAR #: 6.3 d  |  Reference Standard #: Criterion 6.3 National Boreal Standard (Version 3.2)
---|---
Non-compliance:  |  
Major  | Minor  
Corrective Action Request:

\textit{NFI shall incorporate direction about the retention of burned habitat into its SOPs and/or environmental policies.}

Timeline for Compliance: \textit{By the end of Year 1 of certification.}

Audit findings: The revised SOP for harvesting (Operation Procedures for Harvesting – 9) state that the NDPE Guidelines will be applied to all stands planned for harvest, including salvage areas. This ensures that islands and peninsulas, and other residual timber, will be left unharvested on-site. The proportions of the area to be left as islands and peninsulas will be based on the NDPE requirements for the original (pre-fire) forest units on the burned areas.

Status: Closed
Follow-up Action (if applicable): None.
CAR #: 6.3 e  
Reference Standard #: Criterion 6.3 National Boreal Standard (Version 3.2)

Non-compliance:  
Major ☒ Minor □

Corrective Action Request:

*NFI shall, in a revised core area report:*

1. Identify a minimum core size consistent with the intent of the indicator;
2. Document that all cores meet or exceed the minimum core size;
3. Provide information on core sizes;
4. Ensure that core areas identified in the forest do not include waterway provincial parks or narrow areas (less than 400 m of terrestrial habitat) unless they are surrounded by other core areas; and,
5. Ensure that the minimum total core area remains above 20% of the terrestrial portion of Crown forest.

Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: NFI prepared a revised core areas report in order to address the condition. (Moryto, W. and K. Szuba. 2006. Core areas in the Northshore Forest. Version 2.0; May 22, 2006.) As with the previous version of the report, an analysis of core areas for this indicator is only conducted for the boreal portion of the forest, since the widespread use of the selection and shelterwood harvest systems in the Great Lakes – St. Lawrence portions of the forest provides continuous, or near continuous cover that meets the intent of the indicator.

The indicator is focused on forested area and the Company’s current analysis considers productive Crown forest land. Since areas of water, muskeg, rock, alder and non-forest are not considered to contribute to the achievement of core area, they are excluded. In the previous version of the core report, the area of the landbase that served as the denominator was approximately 602,000 ha and excluded water and non-forest. Table 1 shows the calculation of core areas by type of area, in the initial submission.

**Table 1. Summary of Core Areas (version 1 of the analysis)**

<table>
<thead>
<tr>
<th>Core type</th>
<th>Area (ha)</th>
<th>% Crown Forest (excl. water)</th>
<th>% of Core area on Northshore Forest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks and Protected Areas</td>
<td>63,740</td>
<td>10.6</td>
<td>52.1</td>
</tr>
<tr>
<td>Marten Cores</td>
<td>43,920</td>
<td>7.3</td>
<td>35.9</td>
</tr>
<tr>
<td>Additional Core Areas identified to meet FSC requirements</td>
<td>14,681</td>
<td>2.4</td>
<td>12.0</td>
</tr>
<tr>
<td>Total Core Area</td>
<td>122,341</td>
<td>20.3</td>
<td>100</td>
</tr>
</tbody>
</table>

In version 2.0, the landbase considered in the analysis is 559,395 ha; it appears that the non-productive forest area has been removed in version 2.0. Table 2 shows the area of cores by type under the current analysis.

**Table 2. Summary of Core Areas (version 2.0)**

<table>
<thead>
<tr>
<th>Core type</th>
<th>Area (ha)</th>
<th>% of Core area on Northshore Forest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks and Protected Areas</td>
<td>48,966</td>
<td>42.8</td>
</tr>
<tr>
<td>Marten Cores</td>
<td>41,914</td>
<td>36.6</td>
</tr>
</tbody>
</table>
The report prepared by the Company meets the requirements of the Condition, however the assessor is troubled that the actual amount of identified core area has shrunk. Suitable non-productive forest areas will also contribute to core areas, and should not be ignored in the identification and analysis of cores.

Status: Closed.
Follow-up Action (if applicable): Observation: The calculation of core areas in the next certification assessment should include productive and non-productive forest.

CAR #: 6.3 f  Reference Standard #: Criterion 6.3 National Boreal Standard (Version 3.2)
Non-compliance:  
Major ☒ Minor ☒
Corrective Action Request:

*NFI shall develop definitive and detailed direction for operational staff on the protection of ephemeral and intermittent streams. Training materials related to appropriate protection are to be developed and incorporated into NFI’s operator training packages.*

Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: Operating procedures for access and harvesting were updated in April 2006 and now include direction concerning ephemeral streams. The Access OP requires that ephemeral streams be avoided during access planning and construction but if construction is to be near or to cross an ephemeral stream, appropriate measures must be taken to mitigate impacts. These appropriate measures are those contained in the riparian guide, or, if it must be crossed, in the water crossing guide.

The Northshore superintendent informed the assessor that a committee of MNR, Company, and some licensee staff had reviewed the issue and is working on developing implementable direction regarding ephemeral streams. This has been incorporated into the training materials. The expectation is that they will be identified during tree marking or the pre-site inspection, although if they are not but are found during operations, then they will be treated in the same way that other values are treated that are discovered during the course of operations. These steps are judged to meet the condition.

Status: Closed.
Follow-up Action (if applicable): None.

CAR #: 6.5 a  Reference Standard #: Criterion 6.5 National Boreal Standard (Version 3.2)
Non-compliance:  
Major ☐ Minor ☒
Corrective Action Request:

*NFI shall update its Policy and Procedures Manual to provide operational direction for the full range of specified requirements under Indicator 6.5.1.*

Timeline for Compliance: *By the end of Year 2 of certification.*

The certification report listed a number of specific areas that were identified where requirements were...
judged to be lacking in the operational direction provided by the Company. These are:

- Slash pile burning or redistribution such that all slash piles on the unit are managed in one of these ways (e.g., conditional direction to “return slash to cut area” and “burning where practical” not strong enough to meet standard especially in light of recent insurance restrictions that have resulted in loss of slash pile burning);
- Prompt regeneration of abandoned roads, landings, and skid trails;
- SOPs related to minimizing nutrient loss on sensitive sites address use of at-stump de-limbing or slash redispersal;
- Identification of sites and watersheds sensitive to negative hydrological impacts during the planning process;
- Use of partial harvest systems on wet sites;
- Avoiding haul roads on steep slopes;
- Specifications for proper culvert repair and replacement;
- Specific direction regarding damage to sites of cultural significance; and
- Consultation with Indigenous Peoples in SOP development.

The Company has modified its operational procedures so that some of these areas are specifically addressed, while in other cases, the Company contends that direction provided in the Forest Management Planning Manual, the forest management guides, and other sources of direction satisfactorily address the issues identified. A slash management operational procedure was developed in April 2006 (OP #23) and satisfactorily addresses slash pile burning, and suggests alternate slash management measures such as redistribution. The silvicultural OP (OP #10) stipulates that all areas are to be renewed as promptly as practical; culvert repair is addressed through the water crossing guide and also referred to in the access OP (OP #8). The Company did not feel it was appropriate to have an OP related to nutrient loss minimization – slash management was addressed previously (OP #23) but the Company did not feel it could tell the operators to change their equipment so they could delimb at stump. The assessor agrees that potential gains in nutrient retention due to at-stump delimming do not warrant a change in equipment. Similarly, the assessor agrees with the Company that it is not practical to write an OP to minimize roads on steep slopes – this is a rather obvious thing to avoid when building a road but on the other hand, sometimes cannot be avoided. The key is to minimize environmental damage, and the access OP contains direction in that regard, as does the forest access road guide. Finally, the assessor agree that it is not appropriate for the Company to consult First Nations with respect to its internal SOPs – the guides and planning manuals, as well as FMPs, all have opportunities for First Nations consultation.

There are many manuals that deal with mitigating negative hydrological impacts, including the riparian guide and water crossing guides. Ops give direction to avoid negative impacts as well.

The use of partial harvesting approaches on wet sites is usually accomplished using the CLAAG system on lowland conifer areas – the silvicultural guides provide guidance on the application of the system, while the harvest OP (OP #10) includes measures to prevent rutting and other types of site damage. The new (April 2006) Site Disturbance Assessment OP (OP #24) also provides some direction for minimizing site damage during operations. Operation Procedures for Access and Harvesting (OP 8 & 9) provide direction regarding actual and high potential cultural heritage sites.

Status: Closed.
Follow-up Action (if applicable): None.
CAR #: 6.5 b  
Reference Standard #: Criterion 6.5 National Boreal Standard (Version 3.2)

Non-compliance:  
Major [ ] Minor [X]  

Corrective Action Request:  

_NFI shall develop contractual or administrative mechanisms to ensure that Overlapping Licensees are obliged to implement NFI operating procedures for harvesting and access._

Timeline for Compliance: _By the end of Year 3 of certification._

Audit findings: Operating procedures for access and harvesting were updated in April 2006 and now include a description of the responsibilities of Northshore Forest Inc and the Overlapping Licensee. The Company has several means at its disposal to ensure that Overlapping Licensees follow operating procedures. The requirements in the SOPs have been aligned with the MNR forest management guides and with the terms and conditions in Appendix C of the AWS, which OLL’s are required to sign. The Company conducts compliance inspections and out-of-compliance operators face penalties, including in some cases monetary fines. The Company stated that it is well aware that there are several operators who have been responsible for a disproportionate amount of non-compliances, and recent fines have proven to be effective in improving performance. The Company states that it has the mechanisms to ensure compliance on the part of all OLL’s, and the assessor agrees.

Status: Closed.
Follow-up Action (if applicable): None.

CAR #: 6.6 a  
Reference Standard #: Criterion 6.6 National Boreal Standard (Version 3.2)

Non-compliance:  
Major [ ] Minor [X]  

Corrective Action Request:  

_NFI shall produce a report that:_

_i._ Identifies the volume of active ingredient and the area treated by all herbicides in all aspects of forest management (i.e. tending and site preparation) for the most recent six years (1999-2004); and  

_ii._ Sets a benchmark to determine trends in herbicide use for a series of metrics including at least the following: volume of all herbicides; total volume of active ingredient; area of tend; method of treatment based on data from the most recent six year period (1999-2004).

Timeline for Compliance: _By the end of Year 1 of certification._

Audit findings: The Company has prepared a report that shows the weight of active ingredient used in each of the last six years (2000-2005), as well as the volume of concentrate and areas tended. Two herbicides are used – Vision (glyphosate) and Release (triclopyr); 97% of the herbicide is applied aerially. There is no real trend evident in herbicide use, since the areas tended varied from year to year based on competition levels and the timing and levels of preceding activities in previous years.

Status: Closed
Follow-up Action (if applicable): None.
### CAR #: 6.6 b

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Major [ ] Minor [X]</th>
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**Corrective Action Request:**

**NFI shall:**

1. Propose quantitative targets for reduction in pesticide use over the next five year period. The targets shall be supported by quantitative analyses examining the costs and benefits associated with alternative levels of reduction. The factors to be considered in this analysis should include:
   - Financial implications associated with alternative measures of vegetation control including costs/benefits of applying less herbicide and/or treating less area;
   - Employment implications created by using other vegetation control means; and,
   - Examination of predicted changes in forest structure as a result of foregone herbicide applications and/or altered vegetation management; and,
   2. Ensure that the analysis identified in i) above is subject to a credible independent review.

**Timeline for Compliance:** *By the end of Year 1 of certification.*

**Audit findings:** The Company prepared an analysis of different potential metrics that could be used to set herbicide use targets, including those listed in Condition 6.6a. The Company decided to use area treated as its metric for target setting, on the grounds that it is easier to understand and is directly related to harvest and renewal area. The Company also informed the assessor that it is close to the lowest effective concentration of active ingredient on the sites it treats – this is a result of its previous efforts to minimize use of herbicide and to reduce costs.

The Company reviewed various approaches that could be used to develop targets for herbicide use. Herbicides are used to reduce competing vegetation where softwood species are regenerating, and the use of herbicide is seen as being an important part of the Company’s effort to maintain, and in some cases (i.e. where the objective in the Forest Management Plan calls for the area to be increased to more closely approach levels in the pre-industrial forest), increase the component of conifer on the forest. The prospects for increasing the use of manual tending techniques are limited by cost and lack of available, qualified personpower. An analysis of three options was undertaken: the program in the current forest management plan, a complete elimination of the use of herbicide, and a 10% reduction in planned levels. The 10% reduction is cost neutral, because some of the more expensive ground spraying is avoided, while some additional manual tending is done. As a result, there is little impact on the future forest condition. The selected alternative would likely generate more employment than the current plan operations. These analyses were reviewed by three credible reviewers, who agreed with the findings and expressed concern that the scale back in herbicide use could threaten other plan objectives, such as white pine restoration. The analysis and 10% reduction in future use meet the condition and conform to the intent of the standard.

**Status:** Closed.

**Follow-up Action (if applicable):** None.

### CAR #: 6.7

<table>
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<tr>
<th>Non-compliance:</th>
<th>Major [ ] Minor [X]</th>
</tr>
</thead>
</table>

**Corrective Action Request:**
NFI shall have completed a review of its policies and procedures related to chemicals and waste management and shall revise them as required to ensure that the following topics are more thoroughly addressed:

- Collection, storage, and disposal of waste in an environmentally appropriate manner;
- Adherence to a waste recycling practices;
- Spill prevention;
- Emergency cleanup of spills; and,
- Prevention and prohibition of littering of any materials.

Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: Operating Procedures on Waste Management and Disposal (OP #7) have been revised – these are consistent with Regulation 347 of the Environmental Protection Act, and therefore the measures in the OP have not changed, but the description has been improved. Spill cleanup is addressed (OP #6) by providing instruction to limit additional discharge into water and provision of contact numbers for cleanup / control agencies. One thing not clear is what defines a major spill – additional steps are required for a major spill but it is not clear how that is determined. Spill prevention is covered under the WHMIS and Fuel Handling and Transport OPs (OPs #4 & #5).

There is not a specific written SOP for garbage or litter as it is covered under the Public Lands Act (Section 27-1) and is a specific check list item in the compliance checklist, and is addressed in the Annual Work Schedules. The assessor agrees with the Company’s assumption is that a specific SOP would not be necessary if it was already covered in legislation, mandatory manuals, FMP’s or AWS. The assessor concludes that the revised Ops meet the condition.

Status: Closed.

Follow-up Action (if applicable): None.

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**CAR #: 8.5**

<table>
<thead>
<tr>
<th>Non-compliance:</th>
<th>Major ☐ Minor ❑</th>
</tr>
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**Corrective Action Request:**

*NFI shall develop a strategy to make a summary of the results of monitoring, including High Conservation Value monitoring, on the Northshore Forest available to the public by the most appropriate means.*

Timeline for Compliance: *By the end of Year 1 of certification.*

Audit findings: The Company revised its monitoring strategy, which includes a discussion of dissemination of results. The vehicles cited for making results available are the Annual Reports, the compliance report summaries, the Independent Forest Audits, and the MNR State of the Forest Report. There is no mention of how monitoring results of HCVFs will be made available – the processes cited above to not provide space in the report templates for this information. It is also noted that the Company does not have a web site nor is the HCVF report available on the Domtar web site.

Status: Closed

Follow-up Action (if applicable): Observation: The Company should provide a more highly visible way of making its HCVF report readily accessible and available to members of the public than its current approach.
CAR #: 9.1  
Reference Standard #: Criterion 9.1 National Boreal Standard (Version 3.2)

Non-compliance:  
Major ☐ Minor ☑

Corrective Action Request:

NFI shall:

1. Modify its approach to identifying HCVs on the Forest and modify its HCV assessment report to include all HCVs that meet the relevant criteria independent of whether the values
   - Occur in forested or non-forested habitat;
   - Are demonstrably affected by management activities or not; or,
   - Have management strategies in place or not; and,

2. Identify management strategies to maintain or enhance those HCVs that NFI affects or likely affects through its management activities. The strategies shall be developed with appropriate technical input and in consultation with interested and affected parties.

Timeline for Compliance: By the end of Year 1 of certification.

Audit findings: The company produced a revised HCVF report for the Northshore Forest (Version 2.0, June 9, 2006). As was the case with the previous report, this document was very thorough. In it, the company paid heed to the direction given in the CAR. All aspects of the CAR have been considered in developing the revised report. So this CAR can be considered closed.

However, the auditors note that the report still contains nuances of the qualities which originally led to the CAR being identified. For example, in several places, the role of management is identified in the report’s deliberations regarding the designation of a potential HCV. Also, the report refers to the location of the HCV (i.e. forest or non-forest) in several instances. We note, however that these considerations were not used in a definitive manner in deciding on whether a value merited the designation of HCV, so the CAR can be considered closed.

We found that the report presents an inclination towards excluding potential values rather than including them. For example, in instances where the HCV National Framework (Appendix 5 of the Standard) presents somewhat unclear direction on how to assess an HCV question, the report has a tendency to pay heed to the direction favouring exclusion of an HCV under consideration. For example, Question 8 states “Does the forest contain naturally rare ecosystem types?” The rationale for the question, given in the main table of Appendix 5, states “The forest contains many unique species and communities that are adapted only to the conditions found in these rare forest types (emphasis ours)”. Neither the main question, nor any of the associated DEFINITIVE or GUIDANCE questions refer to the fact that the ecosystems must be forest types, however the assessment draws heavily on this consideration, excluding from HCV designation three non-forested communities identified as rare and meeting the consideration identified in the DEFINITIVE question. In our opinion, a document with an inclination towards including values and perhaps using more of a precautionary approach may have included the rare non-forested ecosystems.

However, our concerns regarding the tendency of the report to favour exclusion rather than inclusion of values cannot detract from the fact that the company considered all the HCVF questions, and provides evidence of its deliberations for all the decisions made. The Auditor found sufficient evidence to close this CAR.

However, the auditor believes the HCVF should be the focus of next year’s annual audit. Furthermore,
we believe it would be helpful for “fresh eyes” to be brought into the assessment.

### Follow-up Action (if applicable)

Note for future audit: Principle 9 should be evaluated as part of the 2007 annual audit.

### 2.4. New corrective action issued as a result of this audit

<table>
<thead>
<tr>
<th>New CAR 01/06</th>
<th>Reference Standard #: Criterion 3.1 National Boreal Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major ☑ Minor ☒</td>
<td>NFI has a policy that establishes its corporate direction regarding the development of working relationships with aboriginal peoples, but might exclude some of the affected First Nations.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**

The NFI shall revise its policy that establishes its corporate direction regarding the development of working relationships with aboriginal peoples so that it does not exclude other First Nations.

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

<table>
<thead>
<tr>
<th>New CAR 02/06</th>
<th>Reference Standard #: Criterion 3.3 National Boreal Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance: Major ☑ Minor ☒</td>
<td>Sites of special cultural, ecological, economic or religious significance to the Wikwemikong Unceded Indian Reserve are not clearly identified, and therefore not recognized or protected by forest managers.</td>
</tr>
</tbody>
</table>

**Corrective Action Request:**

NFI shall build upon the relative success to date in identifying Aboriginal values and invite Wikwemikong Unceded Indian Reserve to specify their interest in the Northshore Forest so that values are identified and protected in the operational forest management plans. Where they meet the definition of High Conservation Value Forests, these values shall be incorporated into the HCVF report for the Northshore Forest.

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

### 2.5. Audit observations

Observations are very minor problems or the early stages of a problem that does not of itself constitute non-compliance, but which the auditor considers may lead to a future non-compliance if not addressed by the client.

<table>
<thead>
<tr>
<th>Observation</th>
<th>Reference Std #</th>
</tr>
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<tbody>
<tr>
<td>NFI should offer to include other First Nations in the Aboriginal Task Team to build upon the relative success to date in identifying Aboriginal values and ensure that these</td>
<td>3.3</td>
</tr>
</tbody>
</table>
values are identified and protected in the operational forest management plans. Where they meet the definition of High Conservation Value Forests, these values should be incorporated into the HCVF report for the Northshore Forest.

| The calculation of core areas in the next certification assessment should include productive and non-productive forest. | 6.3e |
| The Company should provide a more highly visible way of making its HCVF report readily accessible and available to members of the public than its current approach. | 8.5 |

### 2.6. Notes for future audit

Principle 9 should be evaluated as part of the 2007 annual audit.

### 2.7. Audit decision

Northshore Forest has met all of the conditions that were to be satisfied within the first year of certification, and has met three other conditions that had later timeframes. One new condition has been imposed that must be addressed by the end of Year 2 of certification. This may also have implications for other Conditions related to Principle 3 that were required to be addressed in subsequent years.