

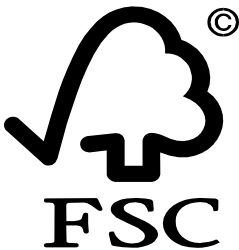
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Practical conservation through certified forestry

Forest Management 2006 Annual audit Report for:

Algoma Forest in Sault Ste. Marie, Ontario

Certificate Code:	SW-FM/CoC-1550
Audit Dates:	June 26 - 28
Report Finalized:	December 25, 2006
Auditors:	Bruce Byford R.P.F. Rob Foster, Ph.D. J.P. Gladu
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1. AUDIT PROCESS

1.1. Auditors and qualifications:

Bruce Byford R.P.F. – Team Leader – Forester. Bruce Byford is a Licensed Professional Forester (Ontario) and President of Arbex Forest Resource Consultants Ltd. He has over 26 years experience as a consulting forester and project manager. Mr. Byford has extensive experience in forest management planning, wood supply analysis and forest audit and program evaluations. Mr. Byford has participated as Lead Auditor and forestry specialist on eleven Independent Forest Audits and several certification and chain of custody assessments for SmartWood.

Dr. Rob Foster – Wildlife and Ecology Assessor. Dr. Foster is co-founder and principal of Northern Bioscience, an ecological consulting firm offering professional consulting services supporting ecosystem management, planning, and research. Dr. Foster has over a decade of research and work experience in northern Ontario on a variety of projects with direct or indirect links to forest management planning. Dr. Foster played a lead role in the analysis and development of the ecosite and wetland ecosystem classifications for northwestern Ontario. Dr. Foster participated in five Independent Forest Audits (IFA) and one Sustainable Forestry Initiative (SFI) audit in Ontario. Dr. Foster completed SmartWood lead auditor training served as the ecologist on a multi-disciplinary team field-testing the draft FSC boreal standards. Dr. Foster was the wildlife and ecology assessor for the Clergue's Algoma and Wawa Forest FSC certification audit.

J.P. Gladu – First Nations Issues Assessor. Mr. Gladu has focused on Aboriginal lands and resource issues nationally and internationally for the past twelve years. He has worked for provincial and federal governments, industry, non-government organizations as well as First Nations. Mr. Gladu has worked both on the ground with First Nation communities on their initiatives as well as higher level planning with national and regional Aboriginal organizations. His current consulting company, Aboriginal Strategy Group is focused on building relationships amongst the aforementioned organizations. Mr. Gladu has been involved with the FSC process as a Policy Forester with the National Aboriginal Forestry Association, as well as a peer reviewer for a number of audits. Mr. Gladu completed FSC auditor training in 2001 and has provided training services for the First Nation Assessor Program.

1.2. Audit schedule

This audit consisted of a field and desk review of the forest management operations of Clergue Forest Management Inc. (CFMI). Two auditors spent two days in the field inspected forest operations. Following the field audit a documentation review and interviews was completed by the full audit team.

Date	Location /main sites	Main activities
June 27,2006	Clergue Forest Management Office	Record Reviews and interviews with forest management staff.
June 27, 2006	Field Site Inspections	Four site inspections on the Algoma Forest
September - October, 2006	Assessors Offices	Drafting of the audit report
Total number of person days used for the audit: 9 = number of auditors participating 3 times total number of days spent for the audit 3		

1.3. Sampling methodology:

FMU or Site audited	Rationale for selection	Group FMU belongs to and number of FMUs in the group
Clergue Office	Records and staff operate from the Clergue office in SSM.	N/A
Field Sites Algoma Forest	Four sites were selected in the Algoma Forest to determine the status of forest management practices on the Algoma Forest and ascertain Clergue Compliance with FSC principles and criteria.	N/A

The office of Clergue Forest Management Inc. was visited during the annual audit as the office contains all records and documents relevant for the deliver of forest management on the Algoma Forest. During the audit the following components were focused on:

1. Full evaluation of the CARs from the 2005 assessment that had a scheduled completion date of 1 year
2. An update on work towards CARs from the 2005 assessment that had a scheduled completion date of 2 years
3. Evaluating select criteria and related indicators for three selected Principles.

For the criteria level evaluation of conformance, Principles 1, 2, 8, and 10 were selected based on the following rationale:

- Some of the CARs arising from the 2005 assessment were related to the selected principles and there were some efficiencies in addressing all criteria and indicators associated with that Principle
- Budget and field time was limited.

1.4. Stakeholder consultation process

Stakeholder type (NGO, government, local inhabitant etc.)	Number of stakeholders informed	Number of stakeholders consulted or providing input
First Nations	<p>Notice of the Annual Audit was placed on the SmartWood Website.</p> <p>First Nations were also advised by telephone of the pending audit.</p>	Two First Nations Chiefs and a First Nation Forest Technician were interviewed during the audit process.

1.5. Changes to Standards (if applicable)

For those portions of the Forest which are boreal in nature, the Draft National Boreal Standard Version 3.2, was used for the delivery of the certification audit. The National Boreal Standard was accredited by the Forest Stewardship Council (FSC) in August 2004. The accredited version of the standard is similar in content to version 3.2.

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

There were no changes in the forest management of the FMO

2.2. Stakeholder issues

No stakeholder issues were reported at the time of the annual audit.

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 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:

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

CAR #: Condition 1.1	Reference Standard #: 1.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	CFMI did not adequately document its long term commitment to adhere to FSC Principles and criteria and integrate FSC National Boreal Standard principles and criteria into annual operations prior to the development of the 2010 forest management plan.
Corrective Action Request: CFMI must demonstrate a long term commitment to adhere to FSC Principles and criteria and integrate FSC National Boreal Standard principles and criteria in the 2010 Forest Management Plan and annual operational plans developed for the current management term (2005-2010).	
Timeline for Compliance: By the end of year one	

Audit findings: CFMI has updated its mission statement to include the following “ Clergue will demonstrate that the Algoma Forest is a well managed forest through the acquisition and maintenance of Forest Stewardship Council (FSC) certification and the results will be available to the public”. The Mission Statement was posted in the CFMI reception area and in individual staff member offices. Planning has yet to begin for the 2010 Forest Management Plan. The commitment to FSC principles was evidenced in the CFMI “Operational Considerations and Procedures Manual 2006-2007” which included fact sheets and operational procedures for water crossings, wood turtle protection, water crossing removals and AOC prescriptions.

Status: closed

Follow-up Action (if applicable): none.

CAR #: Condition 3.1	Reference Standard #: 3.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	CFMI was required to document its efforts to confirm with First Nations their interest in entering into MOU agreements with respect to forest management.
Corrective Action Request:	
Clergue Forest Management Inc. shall provide documentary evidence of its effort to confirm with First Nations their interest in pursuing the MOU agreements developed by CFMI.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Clergue Forest Management Inc. has developed and signed a Memorandum of Understanding (MOU) with Michipicoten First Nation. The MOU covers a range of issues from developing Economic Opportunities to an open dialogue on understanding the role of Traditional Ecological Knowledge. The relationship between Clergue and Michipicoten First Nation continues to be strong and forward moving.

As a result of new leadership in the communities of Garden River First Nation and Batchewana First Nation, relationship development around forestry has slowed. Efforts to establish communication lines between Clergue and the communities has been initiated through correspondence and direct dialogue with the Chiefs; however, fulfilling Condition 3.1 will require additional effort and time. It is however important to note that an economic relationship continues to evolve between Clergue and a long standing harvest and silviculture operator in the community of Garden River.

The auditors believe that Clergue is making a sincere effort to confirm First Nation interests in the Algoma Forest as is reflected in the current MOU with Michipicoten First Nation and efforts to initiate dialogue with new First Nation leadership in the

communities of Garden River and Batchewana. Because of these efforts and the evolving economic relationship with Garden River, this CAR can be closed.

Auditors are cognizant that considerable time and effort is required to establish relationships with First Nations and build trust amongst all parties. Under the exceptional circumstances of leadership renewal within the community of Batchewana First Nation, a new CAR, similar to closed Condition 3.1, is issued with a narrower scope requiring CFMI to confirm with Batchewana First Nation their interest in pursuing the MOU agreement developed by CFMI.

Status: Closed

Follow-up Action (if applicable):

New CAR 1/06: Clergue Forest Management Inc. shall provide documentary evidence of its effort to confirm with Batchewana First Nation their interest in pursuing the MOU agreement developed by CFMI.

CAR #: Condition 3.2	Reference Standard #: 3.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	First Nations have historically had a limited role in forest management planning process on the Algoma Forest.
Corrective Action Request:	
CFMI in cooperation with the OMNR and affected First Nations shall develop and implement a strategy to facilitate a greater involvement of local First Nations in the forest management planning process. Elements of this strategy must include a process/mechanism for the exchange of information (e.g. values maps) and a reporting system that documents FN rights, concerns, issues and interests and the CFMI response/action.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Traditionally, Michipicoten First Nation has been active in participating on the forest management planning process. The community continues to be active in the FMP process as described in their MOU with Clergue.

The communities of Garden River First Nation and Batchewana First Nation have traditionally avoided participation on the forest management planning teams as the leadership feels there is little benefit and no opportunity for accommodation of interests in the planning. There is little evidence to suggest a strategy has been developed between Clergue and the OMNR to address this shortfall.

The involvement of local First Nations in forest management is a complex issue. Often First Nations prefer to address forest management as a nation to nation issue. Clergue's

progress on involving the Garden River and Batchewana First Nation in the management issue has also been complicated by recent leadership changes within the communities. Clearly, time is required to build trust and establish a working relationship between parties. Progress towards the achievement of this condition has also been affected by the fact that Clergue is currently not in a management planning process and FN leadership has not currently assigned community involvement in the forest management planning process as a priority at this time.

Auditor believe that the leadership changes within the communities and current status of the forest management planning process (i.e. implementation as opposed to planning) is an exceptional circumstance which mitigates against the achievement on this condition as drafted. Clergue Forest Management Inc. in concert with the Ontario Ministry of Natural Resources shall continue to ascertain the interest of affected First Nations in co-developing an innovative approach to gaining First Nation participation in forest management planning processes. If a First Nation indicates an interest in pursuing a strategy to facilitate greater meaningful participation, then CFMI must in good faith co-develop strategies.

Status: open

Follow-up Action (if applicable):

Because the circumstances leading to this Condition not being closed are beyond the control of the FMO, Condition 3.2 is extended until the next annual audit.

CAR #: Condition 3.4	Reference Standard #: 3.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Traditional Ecological Knowledge has not been incorporated into the forest management planning process or operations on the Algoma Forest.
Corrective Action Request: CFMI shall develop a strategy to determine and document the interest of local First Nations in participating in the collection and integration of Traditional Ecological Knowledge. In instances where First Nations have expressed an interest in integrating TEK in the planning process, CFMI will develop and implement a collaborative process with the OMNR and FN to collect TEK data and information and integrate this information into the 2010 Forest Management Plan	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Condition 3.4 has been met with regards to Michipicoten First Nation. Clergue will be required to ascertain interest from Garden River First Nation and Batchewana First Nation.

We are cognizant that considerable time and effort is required to establish relationships with First Nations and build trust amongst all parties. We therefore recommend that under the exceptional circumstances of leadership renewal within the communities that a one year deferral of Condition 3.4 be extended to Clergue Forest Management Inc. CFMI will be required to fully engage the First Nation communities to document their interest in TEK collection and integration during this period.

Status: open

Follow-up Action (if applicable):

Because the circumstances leading to this Condition not being closed are beyond the control of the FMO, Condition 3.4 is extended until the next annual audit.

CAR #: Condition 4.2	Reference Standard #: 4.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Health and safety record keeping needed improvement.
Corrective Action Request: Clergue shall assess its health and safety records and provide an annual summary report that can be used as the basis for any potential corrective actions.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: CFMI has developed and implemented a "Safety Audit Database" in Microsoft Access to maintain health and safety records for the forest. The database is comprehensive and provides for the evaluation and assessment of safety issues. An annual summary report was produced (Annual Review and Analysis of Safety Performance (2004-2005)). The report is divided into three sections/ Part 1 addresses the dates which the harvest contractors conducted safety audits and summaries safety infractions. Part 2 summaries whether the contractors have completed there monthly safety audits and Part 3 lists safety infractions which occurred on specific logging sites. Two operators did not complete reports for the first 6 month period following certification. A process has been implemented to ensure reporting timelines are adhered to appropriate follow-up actions can be implemented.

Status: closed

Follow-up Action (if applicable): none.

CAR #: Condition 6.2	Reference Standard #: 6.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Safeguards to protect endangered wood turtles and their habitat on the Algoma Forest are inadequate.
Corrective Action Request:	

Clergue in consultation with OMNR shall modify wood turtle prescriptions in the 2005-2010 FMP to better address all habitat requirements of the species (not just hibernacula) and the impact of roads on turtle populations.

Timeline for Compliance: By the end of year one of certification

Audit findings: The prescription has been modified to include a 300 m AOC (and 200 m reserve) around known nesting areas and a 300 m timing and road construction restriction on watercourses with a high potential to support wood turtles. OMNR is currently conducting additional research on wood turtles that will support management on the Algoma Forest.

Status: closed

Follow-up Action (if applicable): none

CAR #: Condition 6.3.f	Reference Standard #: 6.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Connectivity between important wildlife habitats and key landscape features on the Algoma Forest needs to be assessed to ensure that adequate connectivity is being maintained as required by Indicator 6.1.13.
Corrective Action Request:	
Clergue shall assess connectivity on the Algoma Forest in either the FMP or a separate report.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Clergue has a draft consultant's report on habitat connectivity on the Algoma Forest, which includes an assessment of landscape metrics, disturbance patch sizes, old forest retention and other components of connectivity. Therefore the Condition can be closed.

Some research cited in the draft report indicate that connectivity is less important than habitat quantity, unless the landscape contains less than 20-30% cover. Landscape metrics for forested habitat in general are comparable to regional averages, but some forest units may be fragmented given the long history of logging on the Algoma Forest. It would be useful to compute landscape metrics or at least spatially depict individual forest units, particularly those that are HC VF or may be under-represented with respect to the historic condition e.g., conifer-dominated forests on the southern portion of the Algoma Forest.

While relatively comprehensive, the draft report has no map and the final report would need to be more spatially explicit. In particular, connectivity of existing protected areas,

possible movement corridors for woodland caribou in the coastal zone, and the impacts of large blocks of adjacent private lands on connectivity should be more thoroughly assessed. The report should be explicit enough to serve as a benchmark for future comparison and how connectivity is considered in other criteria e.g., HCVF (P9.3) and protected areas networks (P6.4), should also be discussed. An Observation is issued.

Status: Closed

Follow-up Action (if applicable):

Observation 01/06: Connectivity report should be finalized and include maps or any other tool so that the report can be a practical tool for forest management planning.

CAR #: Condition 6.3.h	Reference Standard #: 6.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Riparian reserves on the Algoma Forest with AOC prescriptions that follow Ontario's Timber Management Guidelines for the Protection of Fish Habitat may have widths of 30 to 50 m on low slopes, which do not meet the NBS requirement for a total reserve width of 65 m. The NBS allows for alternative prescriptions if they have equivalent protection of values, but no evidence was provided to support current practices on the Algoma Forest.
Corrective Action Request:	
Clergue shall demonstrate that existing reserves provide an equal level of protection for riparian values or increase the width of 30 and 50 m reserves to be consistent with the FSC requirements.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Clergue has prepared a brief report summarizing riparian buffer prescriptions on the Algoma Forest and providing rationale for the approach taken. AOC prescriptions for the FMP are developed with the input of the OMNR biologist and Clergue forester and are based on the "best available science" for Ontario conditions. Riparian values on the Algoma Forest are considered adequately protected where narrower than the FSC standard 65 m reserve.

Status: closed

Follow-up Action (if applicable): none.

CAR #: Condition 6.3.i	Reference Standard #: 6.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	A requirement existed for CFMI to train woodlands staff with respect to the identification and protection of ephemeral and intermittent streams.
Corrective Action Request: Clergue will in consultation with OMNR develop direction and training for operational staff on appropriate identification and protection of ephemeral and intermittent streams.	
Timeline for Compliance: By the end of year one of certification	

<p>Audit findings: Clergue has included 3-page section in their Operation Considerations and Procedures Manual: 2006-2007 AWS on the identification and protection of intermittent and ephemeral streams. This manual is provided to all contractors and briefly reviewed at each annual health and safety meeting. The section is based on best management practices developed in Maine but OMNR has recently produced a new Stream Permanency Guidebook that would be more appropriate addressing inconsistent identification and mapping of permanent/intermittent/ephemeral streams on the Algoma.</p> <p>Although the OMNR biologist has done some field training in the past with Clergue, additional training is required to ensure appropriate protection of stream values. No consultation or cooperative training with OMNR has been undertaken since the certification audit to address inconsistent identification of permanent/intermittent/ephemeral streams in the field. However, new evidence was presented to the auditors before finalization of this report. CFMI sent the OMNR a formal letter requesting they worked together to prepare an action plan to address the training issue. Therefore, this CAR can now be closed. A new Note for future audit is being issued.</p>	
Status: Closed	
Follow-up Action (if applicable): Note for future audit: Auditors will have to verify CFMI worked together with the OMNR to develop direction and training for operational staff on appropriate identification and protection of ephemeral and intermittent streams.	

CAR #: Condition 6.5	Reference Standard #: 6.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Clergue needs to improve its road construction and water crossing installation and maintenance, and minimize disturbance to the natural environment during harvesting (e.g. rutting).
Corrective Action Request: Clergue will develop and deliver training programs to contracted operators and	

woodlands staff detailing the environmental requirements and obligations of FSC forest certification, particularly with respect to the protection of the forest environment during harvesting operations.

Timeline for Compliance: By the end of year one of certification

Audit findings: Clergue has developed a more extensive (100+ page) Operation Considerations and Procedures Manual that is provided to all contractors and briefly reviewed at each annual health and safety meeting (200+ attendees) with employees, contractors, and OMNR. They have also developed a quick review placards for operators for FSC field requirements regarding residual tree retention, AOCs, site disturbance, roads, water crossings, gravel pits and landings. Field inspections by the auditors observed some room for continued improvement but no significant problems.

Status: closed

Follow-up Action (if applicable): Note for future annual audits: Review field operations for continued improvement with respect to the protection of the forest environment during harvesting operations.

CAR #: Condition 6.6	Reference Standard #: 6.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Written justification of current levels of herbicide use was lacking, and low or declining use of herbicides could not be demonstrated due to lack of adequate trend data.
<p>Corrective Action Request: Clergue shall prepare a report that:</p> <ul style="list-style-type: none"> • compiles information on herbicide use since 2000, which identifies the volume of active ingredient and the area treated; • outlines Clergue policy and procedures to minimize use of herbicides and justify under what conditions their use is essential to meet silvicultural objectives; • develops benchmarks on herbicide use against which future performance can be measured; and • sets quantitative targets for meaningful continuous reduction in herbicide use for tending and site preparation. 	
Timeline for Compliance: By the end of year one of certification	

Audit findings: As required, Clergue has prepared a report detailing recent use of chemical pesticides (herbicides) on the Algoma Forest. Herbicide use is selective on the Algoma Forest and is based on field assessments of seedling survival rates, seedling growth, density of natural trees and competition levels on individual blocks. From 2000 to 2004, 83% of the clearcut areas were artificially regenerated through planting, and of that 48% of the clearcut harvest area was chemically tended. The PIC report indicates

that conifer abundance has declined on the Algoma Forest due to past selective harvest, and restoring conifer on mixedwood or hardwood sites is difficult due to deciduous competition. To maintain forest sustainability and meet conifer-enhancement objectives, herbicide use is required on some sites given current vegetation management alternatives. Opportunity #1 stands are degraded mixedwood stands, typically with a high deciduous component due to historic high-grading of conifer. Additional funding is available to harvest these low-volume stands provided that the stands are improved, which typically requires herbicide use to restore the historic conifer component. CFMI will likely harvest an increasing proportion of these stands in the new FMP, particularly on the Wawa portion of the forest

Indicator 6.6.3 states “The applicant demonstrates continual reduction of chemical pesticide use with an eventual goal to their complete phase-out over time. Chemical pesticides are used only when their use is essential to meet silvicultural objectives and when non-chemical management practices are not available, ineffective in achieving silvicultural objectives, or prohibitively expensive, taking into account environmental and social costs, risks and benefits”. Clergue intends to maintain or increase current levels of herbicide application on the Algoma Forest in the future.

Benchmarks have been established for maximum herbicide use in a single year (1641 kg A.I.) and a 4-year running average (1400 kg A.I.) based on past trends. The annual maximum benchmark is based upon 2002 levels; this was an atypical year when a backlog of untreated areas was being sprayed, including some Opportunity #1 areas. As a result, 2002 had the greatest annual use in the 2000 to 2005 period, much higher than the average for this period. The use of a running average to account for back log in treatments is a sound one and a 3-4 year running average is reasonable since most stands are treated within that time frame. However, dropping the 2001 and 2004 years for calculation of a running benchmark is not well-justified, since part of the purpose of a running average is account for yearly vagaries.

Both the annual and running benchmarks area are based on herbicide use that include Opportunity #1 stands (how much is not stated). However, the targets of 1641 and 1400 kg A.I. that is proposed exclude Opportunity #1 sites and would therefore represent an increase in actual herbicide use for non-Opportunity #1 stands. Total herbicide use may rise in the next 15 years if harvesting of Opportunity #1 sites increases (as is planned).

Little justification was presented to the auditor as to why this benchmark was chosen, but the FSC standard does not require the FMO to provide such justification. Although the current level and selective use of herbicide on the Algoma Forest is low, and may be acceptable given silvicultural objectives, the FSC standard does require the FMO to commit to reduce its use of chemical pesticides, which the FMO did not do. For that reason, the CAR can not be closed and is upgraded with a six months timeline.

Status: Open

Follow-up Action (if applicable): Condition 6.6 upgraded to a Major CAR with a 6 months

timeline.

CAR #: Condition 8.3	Reference Standard #: 8.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	A system for tracking certified wood from the stump to the forest gate was not in place.
Corrective Action Request: Clergue shall provide to SmartWood evidence that it has in place a system for tracking wood from the stump to the forest gate. Such procedures must be approved by SmartWood prior to the sale of FSC certified product.	
Timeline for Compliance: By the end of year one and prior to the sale of any FSC certified product	

Audit findings: Clergue tracks all Crown timber harvested on the Algoma Forest through a bill of lading system. The bill of lading system is approved and audited annually by the Ministry of Natural Resources.

Harvesting operations including wood hauling are carried out under the direction of the approved Forest Management Plan for the Algoma Forest for the term 2005 to 2010. Annual operations are identified in an Annual Work Schedule that is drawn from the FMP and approved by the MNR District Manager. To permit the harvesting of wood and hauling, the MNR then issues cutting approvals. The MNR specifically approves the destinations that wood may be hauled to including the type of wood measurement. The MNR requires this procedure and protocol to ensure that all Crown wood harvested is measured for the payment of Crown charges and posting in annual reports.

Clergue implements a wood tracking system through the issuance of bills of lading directly to contractors harvesting wood on the Algoma Forest. The bill of lading book specifies that the Algoma Forest is FSC certified. The FSC certification number is printed on each one of the bills of lading. Each bill of lading has 4 parts; 1 copy for Clergue, 1 copy for the harvest contractor which is used a part of a system for tracking wood and payment to the harvest contractor, 1 copy which resides in the bill of lading book and 1 copy for the destination point (receiving mill). Bill of lading books are identified by cutting approval and block number. The book specifies that "a bill of lading is required for each load. Bills of lading must be fully completed prior to departure from the cutting area. Clergue tracks the issuance of books and requires that the harvest contractors' sign for books they receive. The harvest contractors must return all used and unused books to Clergue. Books are returned periodically during the year and these books are then forwarded to the MNR. The MNR then reconciles the issuance/returned books.

Wood received at mill gates are clearly marked as FSC certified on the bill of lading. Companies that market FSC certified products have approved “chain of custody” protocols that track the wood into the mill yard and subsequently for processing.
Status: closed
Follow-up Action (if applicable): none.

CAR #: Condition 8.5	Reference Standard #: 8.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Public summaries of the results of monitoring activities on the Algoma Forest did not exist.
Corrective Action Request: Clergue shall make public summary of the results of all monitoring activity on the Algoma Forest.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: Clergue has provided a public summary of the results of monitoring activities on its website. The web page developed provides web links to the various provincial programs (i.e. forest operations and inspection program and the independent audit process). Some of the information posted is specific to CFMI operations (i.e. Independent Audit Report) while others is more generic in content (i.e. forest inventory program).
Status: closed
Follow-up Action (if applicable): none.

CAR #: Condition 9.1	Reference Standard #: 9.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	The HCVF report did not include all potential HCVs, particularly those in non-forested habitat, unlikely to be affected by forest management activities, or with adequate existing management strategies. Management strategies were not developed for all HCV’s to ensure their maintenance.
Corrective Action Request: Clergue shall : a) ensure that its approach to identifying HCV’s on the Forest includes all HCVs that meet the relevant criteria independent of whether the values: <ul style="list-style-type: none"> · Occur in forested or non-forested habitat · Are demonstrably affected by management activities or not; or · Have management strategies in place or not; and b) Develop strategies with technical input and consultation with interested parties to	

identify management strategies to maintain or enhance those HCV's that Clergue affects through management activities.

Timeline for Compliance: By the end of year one of certification

Audit findings: The HCVF report has been revised to address most of the issues raised by the certification audit, apart from a weakness in the development of management strategies. A new CAR (01/06) was issued.

Species occurring in non-forested habitat are now treated as HCVs and excluded from forestry operations when encountered. Values that currently have adequate management in place or are unlikely to be impacted by forest management are now also included, which is consistent with the approach taken on many other FSC-certified SFLs across the boreal.

An annotated table listing all HCVFs on the Algoma, with reasons for inclusion, as well as links (e.g. FMP table numbers) to descriptions of management and monitoring actions would be helpful.

Environment Canada's and OMNR's Partners in Flight (PIF) initiative has recently released the draft Ontario Landbird Conservation Plan for the Boreal Hardwood Transition which identifies priority species whose ranges overlap with the Algoma Forest. There may be regionally declining species whose habitat on the Algoma Forest may qualify as HCVF under Question #4 (NBS Appendix 5) of the NBS. The Algoma Forest has some large, relatively unfragmented forests along the Lake Superior coast and in the central portion of the SFL as shown in Figures 5 and 6 of the HCVF report. Further analysis should be undertaken to determine if these meet the 50,000 ha FSC threshold and other criteria for regionally significant large unfragmented forests. They could potentially be HCVs and/or contribute to meeting indicator 6.3.12. An analysis (e.g., spatial overlays) of HCVs that individually do not meet HCVF status but collectively constitute a HCVF has not yet been undertaken (Question 19, NBS Appendix 5) but is intended to be addressed during a gap analysis of protected areas.

Conversely there are possibly some values identified as HCVFs that may not meet the criteria, even though they may be managed as AOCs. They do not appear rare enough to warrant HCVF designation. Nest sites of common forest raptors whose population are stable and habitat is abundant are considered HCVs in the report since they are managed as AOCs. However, additional rationale needs to be provided how they meet the criteria Question #3 (i.e., Does the forest include critical habitat containing globally, nationally or regionally significant seasonal concentrations of species?) since these are individual stick nests of common species. Moose aquatic feeding areas are considered HCVF even though Table 6 of the HCVF reports that moose populations are healthy on the Algoma Forest and habitat for these animals is widely available. Unless there is a significant concentration of MAFAs where they are

otherwise limiting at the local or landscape level, they should probably not be treated as HCVFs. Spruce-dominated mixedwoods have declined on the Algoma Forest according to the PIC report and are currently considered HCVF, although they have not been reduced in area to such an extent that they are vulnerable, nor are the populations they contain likely unsustainable due to isolation or other factors. The true rarity of NaturServe's Tamarack Coniferous Organic Swamp Type community is questionable, however HCVF designation does not significantly alter management of this forest type anyways since it is not harvested and unsuitable for road-construction.

Socioeconomic values need to be considered in the HCVF report, and recreation trails have been identified as a class of potential HCVs under Category 6: Forest areas fundamental to meeting basic needs of local communities. Trapline, snowmobile and x-country ski trails for example, represent a significant economic impact for local communities and individuals, however their locations are numerous, poorly documented, and often inaccurately mapped. Additional text that discusses these possible HCVs, including procedures that are being taken for identifying, mapping, and protecting significant trails, is required. How these efforts relate to public consultation for the next FMP should be presented.

The procedures used to identify values, confirm in them in the field, and determine appropriate the management actions and monitoring needs to be explained. CAR 01/06 was issued to insure proper strategies for managing HCVFs are developed. It should include an explanation of how the report will be kept current (i.e. a living document), to ensure that new values are appropriately identified and managed. For example, new occurrences of values may be found in the field or the status of a species could change (e.g. be listed as Endangered). It should also include how this procedure is integrated with the FMP process with respect to values, and perhaps provide a link to OMNR FMP and/or NHIC websites. For example, values can be entered on the NHIC websites, which could then be incorporated into the HCVF and forest management planning. Finally, the complete HCVF report (text, appendices, maps, figures) needs to be made available to the public, for example as pdf document on the Clergue website.

Status: closed

Follow-up Action (if applicable): A new CAR is issued as follows:

CAR 02/06 : Before the next annual audit, CFMI shall develop strategies with technical input and consultation with interested parties to identify management strategies to maintain or enhance those HCV's that Clergue affects through management activities.

CAR #: Condition 9.2.b	Reference Standard #: 9.2
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	The management plan (FMP) or HCVF report lacks the required description of specific measures
Corrective Action Request:	

Clergue shall incorporate in the HCVF report the specific strategies and management actions to ensure the maintenance and/or enhancement of all HCVs consistent with the precautionary approach.

Timeline for Compliance: By the end of year one of certification

Audit findings:

Clergue incorporated strategies and management actions to insure maintenance and /or enhancement of some HCVs in the HCVF report, but not for all of them. For that reason, Condition 9.2.b was upgraded to a Major CAR with 6 months timeline.

The procedures used to identify values, confirm in them in the field, and determine appropriate the management actions and monitoring still needs to be explained for some HCVs. It should include an explanation of how the report will be kept current (i.e. a living document), to ensure that new values are appropriately identified and managed. For example, new occurrences of values may be found in the field or the status of a species could change (e.g. be listed as Endangered). It should also include how this procedure is integrated with the FMP process with respect to values, and perhaps provide a link to OMNR FMP and/or NHIC websites. For example, values can be entered on the NHIC websites, which could then be incorporated into the HCVF and forest management planning. Finally, the complete HCVF report (text, appendices, maps, figures) needs to be made available to the public, for example as .pdf document on the Clergue website.

Status: open - major non-compliance

Follow-up Action (if applicable):

Condition 9.2.b is upgraded to a Major CAR with a 6 months timeline.

CAR #: Condition 9.3	Reference Standard #: 9.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Safeguards to protect endangered wood turtles and their habitat on the Algoma Forest are inadequate.
Corrective Action Request:	
Clergue in consultation with OMNR shall modify wood turtle prescriptions in the 2005-2010 FMP to better address all habitat requirements of the species (not just hibernacula) and the impact of roads on turtle populations.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: The prescription has been modified to include a 300 m AOC (and 200 m

reserve) around known nesting areas and a 300 m timing and road construction restriction on watercourses with a high potential to support wood turtles. OMNR is currently conducting additional research on wood turtles that will support management on the Algoma Forest.
Status: closed
Follow-up Action (if applicable): none.

CAR #: Condition 10	Reference Standard #: 10
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Criterion 10.1 of the draft GLSL standard requires that the FMP include objectives and justification for plantation establishment, as well as mapping and identifying the planned management practices and rotation age of each plantation. The 2005-2010 FMP provided offers only a very brief justification for plantation management and makes no reference to existing plantations
Corrective Action Request: Clergue shall provide a report which provides detailed information on the extent of and management objectives for historic and planned plantation areas. This report should provide a detailed discussion of plantation management strategies on the Forest and demonstrate that existing plantation management strategies on the Algoma Forest are consistent with FSC requirements.	
Timeline for Compliance: By the end of year one of certification	

Audit findings: A report on stands identified as plantations during the original FSC certification audit was prepared by Clergue. The origin, current composition, species and stand diversity, and structural attributes are discussed. The future management direction for these stands is presented and is consistent with FSC requirements.
Status: closed
Follow-up Action (if applicable): <u>Note to future annual audits:</u> Verify that plantations report is updated to reflect concerns noted above.

2.4. Extended corrective actions as a result of this audit

CAR #: Condition 3.2	Reference Standard #: 3.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	First Nations have historically had a limited role in forest management planning process on the Algoma Forest.

<p>Corrective Action Request:</p> <p>CFMI in cooperation with the OMNR and affected First Nations shall develop and implement a strategy to facilitate a greater involvement of local First Nations in the forest management planning process. Elements of this strategy must include a process/mechanism for the exchange of information (e.g. values maps) and a reporting system that documents FN rights, concerns, issues and interests and the CFMI response/action.</p>
<p>Timeline for Compliance: By the end of year two of certification</p>

CAR #: Condition 3.4	Reference Standard #: 3.4
<p>Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Traditional Ecological Knowledge has not been incorporated into the forest management planning process or operations on the Algoma Forest.</p>
<p>Corrective Action Request:</p> <p>CFMI shall develop a strategy to determine and document the interest of local First Nations in participating in the collection and integration of Traditional Ecological Knowledge. In instances where First Nations have expressed an interest in integrating TEK in the planning process, CFMI will develop and implement a collaborative process with the OMNR and FN to collect TEK data and information and integrate this information into the 2010 Forest Management Plan</p>	
<p>Timeline for Compliance: By the end of year two of certification</p>	

2.5. Corrective actions upgraded from minor to major as a result of this audit

CAR #: Condition 6.6	Reference Standard #: 6.6
<p>Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/></p>	<p>Written justification of current levels of herbicide use was lacking, and low or declining use of herbicides could not be demonstrated due to lack of adequate trend data.</p>
<p>Corrective Action Request:</p> <p>Clergue shall prepare a report that:</p> <ul style="list-style-type: none"> • compiles information on herbicide use since 2000, which identifies the volume of active ingredient and the area treated; • outlines Clergue policy and procedures to minimize use of herbicides and justify under what conditions their use is essential to meet silvicultural objectives; • develops benchmarks on herbicide use against which future performance can be measured; and 	

<ul style="list-style-type: none"> sets quantitative targets for meaningful continuous reduction in herbicide use for tending and site preparation.
Timeline for Compliance: Within 6 months of finalization of this audit report

CAR #: Condition 9.2.b	Reference Standard #: 9.2
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	The management plan (FMP) or HCVF report lacks the required description of specific measures
Corrective Action Request: Clergue shall incorporate in the HCVF report the specific strategies and management actions to ensure the maintenance and/or enhancement of all HCVs consistent with the precautionary approach.	
Timeline for Compliance: Within 6 months of finalization of this audit report	

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

CAR #: 1/06	Reference Standard #: 3.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	CFMI has not confirmed with Batchawana First Nation their interest in entering into a MOU agreement with respect to forest management.
Corrective Action Request: Clergue Forest Management Inc. shall provide documentary evidence of its effort to confirm with Batchewana First Nation their interest in pursuing the MOU agreement developed by CFMI.	
Timeline for Compliance: By the end of year two of certification	

CAR #: 02/06	Reference Standard #: 9.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	The procedures used to identify values, confirm in them in the field, and determine appropriate the management actions and monitoring needs to be explained
Corrective Action Request: CFMI shall develop strategies with technical input and consultation with interested parties to identify management strategies to maintain or enhance those HCV's that Clergue affects through management activities.	
Timeline for Compliance: Before the next annual audit	

2.7. Notes for future audits

Note for future annual audits related to Criterion 6.5: Review field operations for continued improvement with respect to the protection of the forest environment during harvesting operations.

Note for future annual audit related to Criterion 6.3: Auditors will have to verify CFMI worked together with the OMNR to develop direction and training for operational staff on appropriate identification and protection of ephemeral and intermittent streams.

2.8. 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.

Observation	Reference Std #
Observation 01/06: Connectivity report should be finalized and include maps or any other tool so that the report can be a practical tool for forest management planning.	6.3
Observation 02/06: Clergue should conduct further analysis to verify the assumption that the current forest has more old growth than historic condition because of reduced natural disturbance due to recent fire suppression	6.1 and 6.3
Observation 03/06: Clergue should revise its Standard Operational Field Procedures manual to make sure it addresses all the required management actions for the HCVs mentioned in the HCVF report.	9.3

2.9. Audit decision

CFMI has maintained certifiable performance in Principle 1, 2, 8, and 10 and the Chain of Custody.

Clergue has made efforts to address the P3 CARs but progress has been hampered by FN leadership changes and the priority of issues other than forest management in the affected communities. Because these

circumstances are beyond the control of CFMI, two of the three Conditions related to Principle 3 were extended until the next annual audit (one was closed). SmartWood believes that Clergue has made and will continue to make a sincere effort to confirm First Nation interests in the Algoma Forest. This commitment is reflected in the current MOU with Michipicoten First Nation and efforts to initiate dialogue with new First Nation leadership in the communities of Garden River and Batchewana. A new CAR was issued to insure these efforts are maintained.

Auditors did not find satisfactory evidence to close two Conditions, which were upgraded to Major CARs with a six Months timeline. If these Major CARs can not be closed within that timeline, CFMI's certificate will be terminated.

Based on this summary, and based on the condition that the manager meet the stipulated CARs (extended, minor and majors), the auditors recommend that CFMI remain certified.