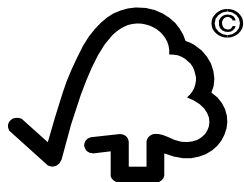


Certified by:



SmartWood Headquarters
65 Millet St. Suite 201
Richmond, VT 05477 USA
Tel: 802-434-5491
Fax: 802-434-3116
www.smartwood.org
Contact person: Jon Jickling
jjickling@ra.org

Audit Managed by:
Canada Regional Office
P.O Box 1771 Chelsea, Quebec
J9B 1A1
: 819-827-8278
Fax: 819-827-0464
Contact person: Alexandre Boursier
Email: aboursier@ra.org



FSC
ACCREDITED
FSC-ACC-004

© 1996 Forest Stewardship Council A.C.

FM-06 April 2007



SmartWood

Practical conservation through certified forestry

Forest Management **2008 Annual audit** Report for:

Algoma Forest in Sault Ste. Marie

Certificate code:	SW-FM/CoC-1550
Auditors:	Nick Baggs, B.Sc.F. R.P.F. Vivian Peachy, B.A.Hon MFC
Audit Dates:	June 18-20, 2008
Report Finalized:	October 9, 2008
Operation Contact:	Tom Crowell
Address:	Clergue Forest Management Inc. 85 Great Northern Road Sault Ste. Marie, Ontario Canada P6B 4Y8 Phone: (705) 942-7706 tom.crowell@clergue.com

TABLE OF CONTENTS

1. INTRODUCTION	3
2. AUDIT FINDINGS AND RESULTS	3
2.1. AUDIT CONCLUSION	3
2.2. CHANGES IN THE FOREST MANAGEMENT OF THE FME	3
2.3. STAKEHOLDER ISSUES	4
2.4. CONFORMANCE WITH APPLICABLE CORRECTIVE ACTION REQUESTS	8
2.5. NEW CORRECTIVE ACTIONS ISSUED AS A RESULT OF THIS AUDIT	20
2.6. AUDIT OBSERVATIONS	21
3. AUDIT PROCESS	22
3.1. AUDITORS AND QUALIFICATIONS:	22
3.2. AUDIT SCHEDULE	22
3.3. SAMPLING METHODOLOGY:	23
3.4. STAKEHOLDER CONSULTATION PROCESS	23
3.5. CHANGES TO CERTIFICATION STANDARDS	23
APPENDIX I: List of visited sites (confidential)	Error! Bookmark not defined.
APPENDIX II: List of stakeholders consulted (confidential)	Error! Bookmark not defined.
APPENDIX III: Forest management standard conformance (confidential) ..	Error! Bookmark not defined.
APPENDIX IV: Chain of Custody Conformance (confidential)	Error! Bookmark not defined.
APPENDIX V: FSC Annual Audit Reporting Form:	Error! Bookmark not defined.
APPENDIX VI: SmartWood Database Update Form	Error! Bookmark not defined.

1. INTRODUCTION

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

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

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

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification requirements <u>met</u>, certificate maintenance recommended Upon acceptance of CAR(s) issued below
<input type="checkbox"/>	Certification requirements <u>not met</u>: Conformance with Major CAR(s) required
Additional comments:	
Issues identified as controversial or hard to evaluate.	

2.2. Changes in the forest management of the FME

An Independent Forest Audit was conducted on the Algoma Forest in 2006 but was still not available for review during this annual audit.

Recent mill closures continue to have serious impact on harvest levels. The Weyerhaeuser Mill in Wawa remains shutdown and the company has notified CFMI of its intention to withdraw from the SFL effective April 1, 2008. Although this has resulted in a minor fibre shortfall of 2,200 m3/yr for Columbia Forest Products in Hearst, steps have been taken to provide Columbia with fibre in the absence of Weyerhaeuser.

On a more positive note, after a period of bankruptcy, St. Mary's Paper Inc. has re-incorporated as St. Mary's Paper Corp. and recommenced operations. The company's

commitment has remained the same although there has been a new emphasis on bio-fuels for co-generation. It plans to build a cogeneration plant and anticipates collecting logging slash and non-marketable timber to use as biofibre. The Provincial Government has made a commitment to provide St. Mary's Paper Corp. with 360,000 tonnes of fibre annually from the Algoma and Northshore Forests.

Wood continues to flow to other shareholder mills (Midway Lumber, Domtar and Boniferro Mill Works) and non-shareholder mills (Dubreilville, Tembec Chapleau and Columbia Rutherglen). However, the Boniferro Mill has experienced periodic temporary shutdowns due to reduced log inventories and poor market conditions.

Within the Algoma Forest's land base, two parcels of forested land totalling 5,400 ha have been added to the Michipicoten First Nation Reserve. There are ongoing discussions regarding the boundary reconfiguration for the Lake Superior Highlands Conservation Reserve (LSHCR) area involving the MNR, First Nations, MNDM, ENGOs and CFMI. These discussions are focussed on adjusting the LSHCR boundary to include the portion of the Lake Superior Shoreline between the existing conservation boundary and the new Michipicoten First Nation Reserve boundary. In turn, portions of the current conservation reserve are expected to become part of the managed forest land base in what is expected to be an area neutral land exchange.

2.3. Stakeholder issues

A number of comments were received from stakeholders about the management of the forest. These are summarized in the following table:

Comment	SmartWood Response
<p>Forestry along the north of Lake Superior west of Wawa is made possible through reduced stumpage rates in association with Opportunity 1 of the Forest Accord and because access has already been provided by mining roads. Otherwise the terrain is too rugged and birch dominance makes harvest uneconomical.</p>	<p>CFMI has used the Ontario Forest Accord Item #11 Opportunity #1 – Salvage cuts in low volume and/or low quality stands to operate in stands that would have been uneconomical to harvest otherwise. The goal of Opportunity #1 operations is to improve the volume and quality of Crown timber on these sites over the long term.</p>
<p>White spruce is a lesser, though significant and impressive component on these sites. Trees reach a large size and are generally well formed and healthy. However, forest operations appear to high-grade spruce and the better birch, leaving lower quality birch, balsam fir and suppressed spruce.</p>	<p>These mixed-age stands are hardwood dominated, having been high-graded previously for their conifer component. The cost of silviculture on these degraded sites, and typically rough terrain, restricts the amount of landbase that can be artificially regenerated. Because of this, CFMI plants conifer on about 50% of the areas harvested, most of which will require chemical tending to manage deciduous competition and improve the long-term quality of growing stock. Those areas left for natural regeneration have been improved as they can now be tracked as even-aged, well-stocked stands.</p>
<p>Since the goal of Opportunity 1 is to reverse the effects of past high-grading practices, it seems perverse that it may be applied to what still appears to be a high grading practice. Dominant spruce should be left on site, or is there a case to be made for poor retention practices?</p>	

	<p>That the perception of high-grading exists in association with the harvesting of these stands in itself warrants examination. In addition, the potential impact of the required level of chemical tending warrants evaluation in relation to the Provincial direction to improve the quality of such stands over time and the competing need to demonstrate continual reduction of chemical pesticide use with an eventual goal to their complete phase-out over time (see CAR 03/08).</p> <p>Since a large portion of the areas in question are located in the Northwestern portion of the Algoma Forest and were not viewed during this annual audit, sufficient time and resources should be allocated to view these areas during next year's annual audit. A note for Future Audits is made in this regard.</p> <p>Note 01/08: The next audit team shall allocate sufficient time and resources to evaluate Opportunity #1 Salvage Cuts in relation to the goal of stand improvement and the competing need to demonstrate continual reduction of chemical pesticide use.</p>
<p>Harvesting practices emphasize the need for large heavy equipment. Excessive wood waste and damage to residual stems is associated with the use of feller-bunchers instead of smaller wheeled skidders.</p>	<p>Wood utilization issues were noted on three field stops. In one instance, several hitches of merchantable trees and scattered merchantable stems were observed within the block. Many trees were felled and topped but not utilized. In the second instance, round wood was accidentally left on winter haul roads (frozen into the ground or hidden by snow) to become visible only after the snow had melted. In the third instance, un-scaled merchantable conifer tree-lengths were used for corduroy.</p> <p>Accordingly, Observation 01/08 has been applied to flag this minor issue for attention.</p>
<p>Unrestricted clear cutting, under the guise of timber management, is destroying habitat for plants and animals. Steep hillsides in the Searchmont area are being readied for serious erosion. The root systems and plant cover, so important to holding the soils on fragile rocky slopes, is being removed. Once the soils are gone, the centuries-old cycle of soil-building will stop. Eroding the hillside and streaming the nutrient riches into the valley</p>	<p>Harvesting operations are performed in accordance with Provincial silvicultural guides and the silvicultural ground rules in the approved forest management plan. Selection, shelterwood and clearcut harvesting are all used on the Algoma Forest, depending on the forest conditions. The observed use of clearcut and shelterwood harvesting was appropriate, with sufficient retention levels of residual forest structures.</p>

<p>bottoms is not sustainable. Clearcutting is damaging to sites. Careful logging is necessary to ensure that harvesting can be done again in the foreseeable future.</p>	<p>Although the erosion of road surfaces was observed in a number of blocks, displacement of soil was limited to intermittent flows. No wholesale erosion of steep slopes was witnessed. Although the installation of cross-drainage structures and/or the use of water bars and cross ditches could potentially reduce this type of surface erosion, many of the roads were winter roads where this would not be feasible. No soil displacement was witnessed within harvest blocks except that associated with the surface erosion of roads. No riparian values appeared to be impacted.</p> <p>In one instance, rutting was observed to have occurred in a small lowland spruce pocket (less than 5 ha) within a much larger block characterized by upland forest conditions. In this case, some soil displacement and compaction have likely occurred but it is unclear whether this would have any long-term impact on soil productivity or water movement within the soil.</p> <p>Accordingly, Observation 02/08 has been applied to flag this minor issue for attention.</p>
<p>Today's harvesting practices emphasize the need for large heavy equipment. One feller-buncher can destroy 10 acres of trees in one day and provide jobs for only three people. Only one harvest of timber products could be realized during an 80- to 100-year rotation.</p> <p>With a harvest of perhaps 25 per cent of the trees within a stand, loggers could return every 20 to 25 years to perpetuity, thereby improving the quality and the growth rates of the stands, not destroying them. Natural habitats of plants and animals would not be seriously damaged and the balance of nature would not be upset.</p> <p>With careful, environmentally-sound partial logging, a dozen people could be employed, and those people and their families could return to harvest four to five times in that same 80- to 100- year period and continue that cycle forever.</p> <p>The net volume of timber harvested under a</p>	<p>Harvesting operations are performed in accordance with Provincial silvicultural guides and the silvicultural ground rules in the approved forest management plan. Selection, shelterwood and clearcut harvesting are all used on the Algoma Forest, depending on the forest conditions. The observed use of clearcut and shelterwood harvesting was appropriate, with sufficient retention levels of residual forest structures.</p> <p>Under the selection and shelterwood systems all species must first be topped/limbed and skidded tree-length. Observed damage to residual trees was not excessive.</p> <p>It is true that the use a feller-buncher requires fewer workers than a conventional cut-and-skid crew using a wheeled skidder. However, insurance costs have become prohibitive for conventional operations due to the high risk to worker safety, and as a result many private land logging contractors remain uninsured and ineligible to work on Crown lands.</p>

<p>Careful logging scenario would yield at least twice as much timber as the one-shot removed-all process.</p> <p>Furthermore, the timber from the partial-harvesting method would be of higher quality, and therefore command a significantly higher return.</p>	<p>Finally, clearcut rotation ages and selection cutting cycles are based on the best available growth & yield information which is used within wood supply models to determine a sustainable level of harvest. This information is updated with the approval of each successive forest management plan.</p>
<p>In the process of identifying the protected areas network approximately 30% of the Algoma land base is removed from possible deferrals due to mining and private land rights. This is a missed opportunity with potential ecological losses for the protected area network.</p>	<p>There are shortcomings with the current removal of land for mining especially as it relates to landscape level planning exercises, like the protected areas network. Mining rights on the forest base are outside of CFMI's influence.</p>
<p>First Nations considerations are not taken seriously and the First Nation's relationship with CFMI has deteriorated in recent years. Interest was also expressed in re-negotiating a MOU with CFMI. In addition, it was felt that CFMI's approach to proposed offset areas impact established trap lines and CFMI has not provided adequate compensation. Also, herbicide spraying impacts other forest values e.g. blueberries. First Nations continue to have issues with human resources.</p>	<p>The MOU previously negotiated with CFMI and a First Nation may no longer fully reflect the interests and concerns of that First Nation.</p> <p>Observation 04/08: CFMI should discuss with the First Nation their level of satisfaction with the existing MOU and whether they are interested in revising it. MOUs or protocol agreements should consider a wide range of issues including economic opportunities, traplines and managing for multiple values.</p>
<p>Comments received from different parties suggest that some confusion exists regarding which Metis group represents the interests of Metis People on the Algoma Forest. More than one group currently purports to fulfill this role.</p>	<p>As of 2007, Metis in the Algoma Forest are formally recognized as Aboriginal. There is disagreement among Metis groups regarding representation. Evidence was provided to auditors regarding the nature of the conflict and the intent of CFMI to work with Metis regarding economic opportunities once the issue of representation is addressed (MNR is currently working on this).</p> <p>Note 02/08: Once Metis representation is confirmed by MNR, CFMI will need to determine interest and discuss economic opportunities with Metis.</p>
<p>With the disbandment of the Northshore Tribal Council (NSTC) forestry arm in April of 2008, concern was expressed that it will be difficult to fill NSTC's role in coordinating, engaging, negotiating and advocating on behalf of the 'resident' First Nations.</p>	<p>There are many mechanisms through which CMFI has engaged First Nations in recent years. Previously, NSTC has represented three of the four First Nations expressing interest in the Algoma Forest.</p> <p>Note 03/08: The next audit team should assess the effectiveness of First Nations engagement in the absence of NSTC's forestry arm.</p>

2.4. Conformance with applicable corrective action requests

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

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

CAR Condition 6.1.a	Reference to Standard: 6.1	
Non-conformance		
Major	Minor X	
Corrective Action Request: Clergue shall incorporate consideration of the management of surrounding forest lands into its management of the Algoma/Wawa Forest with emphasis on impact assessment, connectivity, establishment of core areas and High Conservation Value Forests		
Timeline for conformance:	By the end of year three of certification	
Evidence to close CAR:	<p>A plan was presented as evidence outlining CFMI's approach in considering the management of surrounding forestlands in its management of the Algoma Forest.</p> <p>The Algoma Forest is adjacent to the Martel (2011 FMP), Northshore (2010 FMP) White River and Magpie Forests. All adjacent forests except the Magpie Forest are FSC certified. In addition there are two parks: Lake Superior Provincial Park and Pukaskwa National Park that abut the Algoma Forest.</p> <p>With three of the SFLs FSC certified, there is good interaction and similar management requirements and directions. In preparing for the FMP process CFMI will collect various resources including provincial management manuals and guides, Provincial policies and strategies, IFA's of adjacent areas, statements of interest by regional interests, regional management plans, and wood supply data.</p>	

	<p>It should be noted that CFMI has already collected resources that provide spatially explicit guidance on the land use activities permitted within and beyond the boundaries of an individual SFL. CFMI plans to involve local, regional, and provincial experts and First Nations through the NFI Planning Team.</p> <p>CFMI has a Memorandum of Understanding (MOU) with Pukaskwa National Park that outlines how the two parties will act in a spirit of cooperation and that CFMI practices will attempt to not affect the Park. This MOU was successfully tested during a recent harvest and renewal initiative immediately adjacent to the Park.</p> <p>Specific mention of regarding pro-active management of a small Caribou herd is cited in the Algoma Forest Management Plan, April 1, 2005 to March 31, 2025 (2.4-33). In the absence of an OMNR Recovery Strategy for Caribou a Caribou AOC prescription and management zone identification are targeted for implementation in CFMI's plan.</p> <p>CFMI's 'Environmental Study Report' (2005 FMP planning process) assessed the impacts of road construction for harvest access through Lake Superior Park.</p> <p>Preliminary mapping and the collection of data has allowed CFMI to look at access planning, identification of core areas, GAP analysis, and management of Values such as Marten Core and edge mapping on adjacent forests. Preliminary work has been done on Marten Cores, with specific emphasis on edges. The FSC Core Report indicates static core areas at 25.2% with an additional 2.7% (27.9%) for Marten Cores.</p> <p>CFMI along with other adjacent SFL managers will participate in pilot project to test MNR's yet to be released Landscape Guide. The Guide will enable forest industry and MNR to address ecological attributes best managed at a scale larger than at an individual SFL. Elements of the Guide are available for CFMI's 2010 FMP. Another planning exercise underway is the Gap Analysis efforts to complete the protected areas network. This work is closely tied to the Northshore Forest and there are intentions to involve other adjacent forests.</p> <p>The High Conservation Value Forest Report (Version 3), The Algoma Forest Pre-Industrial Condition (June, 2008) and The Algoma Forest Benchmarking Report (June, 2008) will be used in the 2010 FMP process and CFMI will request similar reports from adjacent forest managers.</p> <p>All of the above demonstrates that CFMI is duly considering the management of adjacent forestlands in its management of the Algoma Forest. Thus, the audit team believes that all elements</p>
--	---

	of this condition have been satisfied and the condition is closed.
CAR Status:	CLOSED
Follow-up Actions (if app.):	None

CAR Condition 6.3.a	Reference to Standard: 6.3
Non-conformance	
Major	Minor X
Corrective Action Request:	
As a component of the planning process for the 2010 Forest Management Plan, Clergue shall spatially depict forest condition over the long term planning horizon.	
Timeline for conformance:	By the end of year three of certification
Evidence to close CAR:	<p>CMFI has provided evidence to demonstrate that it has an understanding of changes that will occur in forest cover over time. Using some general assumptions regarding natural succession and the type of management strategies that are likely to be implemented, the company has made its best effort to depict the future forest condition. The map titled Forest Cover over the Long-Term Planning Horizon depicts a future forest composition showing: a) minimal reductions in tolerant hardwoods, b) slight increases in boreal conifers, c) stable levels of GLSL conifers, and d) some decrease in both Boreal and GLSL mixedwoods.</p> <p>In addition to this long-term spatial depiction of the future forest condition, there are a number of FMP-related products that also help to satisfy the requirements of Indicator 6.3.1. For example, the FMP spatially depicts forest cover (by forest unit and associated habitat type) and models them non-spatially over the long term. Also, algorithms are used to project the occurrence of capable and suitable marten habitat upon which marten cores are spatially depicted over 20 year increments for the first sixty years of wood supply projections.</p> <p>The FMP also depicts the results of operational activities over the plan period including proposed primary road corridors 20 years in advance and projected harvesting and silvicultural operations five years in advance.</p> <p>Although true spatial models are currently in development (e.g., Patchworks), they are very expensive and have proven difficult to implement in other forests. Until such time that they become affordable within the context of a Cooperative SFL, it is unlikely that they will be pursued.</p> <p>Nevertheless, the evidence provided and various standard</p>

	FMP products (e.g., depiction of marten capable and suitable habitat and marten cores) satisfy the requirements of Indicator 6.3.1. Accordingly, the Condition/CAR is closed.
CAR Status:	CLOSED
Follow-up Actions (if app.):	None

CAR Condition 6.3.g	Reference to Standard: 6.3.16	
Non-conformance		
Major	Minor X	
Corrective Action Request:		
<p>Clergue will in consultation with the OMNR develop a comprehensive access management plan that gives due consideration to sensitive values as required by the standard. The plan must describe abandonment and maintenance strategies for all roads and water crossings in the Algoma Forest and assign responsibility for their management.</p>		
Timeline for conformance:	By the end of year three of certification	
Evidence to close CAR:	<p>The FMPM (2004) requires the assembly of information on existing roads on the management unit in the form of a detailed roads inventory. Information is to include the location, responsibility assignment and the use management strategy for each road or road network.</p> <p>For each existing and new road or road that is deemed to be the responsibility of the company, a use management strategy is required. Use management strategies are to include provisions for maintenance, monitoring, access provisions and restrictions that apply to various users, a statement of intent for the timing of responsibility transfer to the Crown, and where applicable, MNR's preliminary indication on decommissioning provisions for the road prior to transfer to MNR, including the potential removal of water crossings and abandonment strategies. For those roads which are deemed to be the responsibility of the Crown, MNR is responsible for developing its own use management strategies under a different planning process for Crown roads.</p> <p>In this way, adherence to the planning process for the 2010 FMP should ensure that Indicator 6.3.16 requirements "to describe abandonment and maintenance strategies for all roads in the forest" are met. It should also provide the framework to enable documentation of strategies "to maintain remoteness in area with sensitive biological or cultural values or for tourism" as is also required by the indicator. Finally, adherence to the planning process should also satisfy a third</p>	

	<p>indicator requirement by ensuring that road building does not occur within protected areas or candidate areas.</p> <p>The company provided ample evidence to demonstrate that it adhered to the requirements of the FMPM (1996) in the preparation of the 2005 FMP and in doing so substantially met these three requirements of Indicator 6.3.16.</p> <p>More specifically, detailed road use management strategies were developed for all primary and secondary roads proposed for use/construction. Although most ensure that road building does not occur within protected areas or candidate areas, there is a proposal to cross the Makwa River system within the recently established Nimoosh Provincial Park consistent with the Ontario Forest Accord Commitment #20.</p> <p>Also, the use of Sand River and Frater Roads within Lake Superior Provincial Park to access harvest allocations on Crown land east of the park remains contentious although use is currently approved under the 1995-2005 Lake Superior Park (LSP) Management Plan. However, this plan is currently under public review and permitted uses of these roads may change as a result of the public review and the approval of a new Management Plan. If this occurs, road use management strategies in the 2010 FMP may require revision to reflect new or changing policy direction. To support the continued use of these roads as the most economical means of accessing harvest allocations, CFMI prepared an Environmental Study Report (ESR) following direction provided in Environmental Assessment Act Exemption Order MNR 59/2 (Provincial Parks Program) and provincial park policy PM 11.03.01 (Implementation Planning). From the ESR an agreement between CFMI and Ontario Parks was made allowing forest industry use of the Sand River Road until September 8, 2008 at which point it will be decommissioned.</p> <p>Generic Area of Concern (AOC) prescriptions appear to provide for adequate protection of values on the Algoma Forest. Concerns expressed by auditors in the original assessment regarding the construction and use of roads in proximity to wood turtle habitat have been substantially addressed through the development of a progressive Wood Turtle AOC prescription (see Table FMP-17).</p> <p>Nevertheless, the key shortcoming described in the original assessment (the lack of abandonment and maintenance strategies for ALL roads in the forest including those in disuse and those not scheduled for use within the term of the plan) still remains so the condition cannot be closed.</p>
--	---

	<p>However, the company and MNR are nearing completion of the Roads Inventory and development of use management strategies for all roads under their responsibility as part of the planning process for the 2010 FMP. It is anticipated this work will be completed and made available for public review at the First Information Centre scheduled for December, 2008. So although this Condition must be upgraded to a Major CAR, the work is well underway and should be completed soon. Accordingly, a six month time frame for completion will be applied to allow for completion of the work, and the need for this work to be subjected to public consultation and government review as part of the legislated planning process.</p> <p>Additionally, the fourth indicator requirement <i>“to maintain levels of remoteness based on achieving a fair and equitable balance based on Independent Expert Input between the ecological, social and economic importance of remoteness and the recreational and operational desire for motorized access”</i> is not necessarily guaranteed by following the planning process. Although use management strategies should normally reflect the trade-offs made to “achieve a fair and equitable balance” of conflicting uses as required by the indicator, they do not normally incorporate independent expert input regarding these matters.</p> <p>Accordingly, a new CAR is issued to address the requirement for incorporating independent expert input. In meeting this new CAR the company must ensure that the independent expert is not a regular or contract employee of the company or the government, and meets normal tests of independence. There are no tests of credentials for an access expert provided by the standard.</p> <p>CAR 01/08: CFMI shall ensure that the comprehensive access management plan developed for the 2010 FMP incorporates independent expert input in relation to remoteness and the need to achieve balance between the ecological, social and economic importance or remoteness and the recreational and operational desire for motorized access.</p>
CAR Status:	OPEN
Follow-up Actions (if app.):	Condition 6.3 g. is upgraded to Major CAR with a 6 month timeline for completion. A new CAR (01/08) is issued.

CAR Condition 6.4	Reference to Standard: Criteria and indicator	
Non-conformance		
Major	Minor X	
<p>Corrective Action Request: Clergue shall have initiated formal discussions with First Nations, ENGO's and other stakeholders to identify gaps in protected area representation, and have approached the provincial government with proposals or options to complete the protected areas network on the Algoma Forest.</p>		
Timeline for conformance:		By the end of year three of certification
Evidence to close CAR:		<p>Since Sept 2007 Clergue Forest Management Inc (CFMI) and OMNR started discussing the process for identifying and analyzing gaps (including methodology and models) in protected area representation on the respective forests. Because the forests are adjacent and objectives similar a joint Northshore Forest Inc. (NFI) and CFMI approach was organized and two workshops (April and June '08) involving ENGOs, LCC members and the MNR occurred. First Nations, although invited, declined participation.</p> <p>Two models, the OMNR's GapTool eco-district model for landform and vegetation types (based on Dr Crins, MNR work) and WWF-CA's AOR Analysis that identifies soils, landscape and climate associations, called Enduring Features, were applied with differing results. The MNR model was originally run in 2004 and was re-run as part of this process. WWF CA's Enduring Features model identified four Enduring Features (High Responsibility) with some site overlap with NFI. Many of these gaps do not correspond with the gaps identified by the MNR model.</p> <p>13% of the Algoma Forest is currently under protected areas. Two gaps equaling approximately 3400 ha were identified on the Algoma Forest using the MNR Model. Enduring features were also identified through WWF's Gap Modeling, however specific information on the size, location and features and their correspondence with deferral areas was not provided at the June 2008 workshop, but has since been presented to CFMI by WWF CA. There was general agreement to continue discussions and since the June workshop additional data has been exchanged. The MNR is satisfied with the gap analysis and expected changes to protected areas.</p> <p>CFMI and WWF Ca have agreed to work together to analyze how deferrals can fill outstanding gaps. ENGOs expressed frustration that the forests open for deferral were limited as compared to the Enduring Feature gaps identified. Another concern is that approximately 30% of the Algoma land base is ineligible for deferral due to mining and private land rights.</p>

	<p>ENGOS and a local LCC member expressed that this was a missed opportunity with potential ecological losses for the protected area network. There is overall satisfaction by participating ENGOS in the process and the involvement of MNR.</p> <p>All parties involved including CFMI are committed to continue with the process. Other expected actions include discussions with Tembec to analyze gaps on the adjacent FSC certified Martel forest. Once gaps are determined a broader consultative process likely to be led by OMNR would occur.</p> <p>No peer review has been conducted, however, while this is a requirement of the standards it was not identified in the CAR. It is the auditor's impression is that more work needs to be done before this can occur.</p> <p>The audit team believes that the requirements of Criterion 6.4 for CFMI to engage ENGOS, First Nations and other stakeholders have been satisfied. Draft proposals have been discussed and there is a commitment by CFMI, the ENGOS involved and the OMNR to continue discussions with the goal of flooring a final proposal. Based on the progress made to date and cooperation of the parties involved the condition is now closed. A new CAR, however, requiring that the process continue, a peer review be initiated and a final protected area representation network proposal be presented to the OMNR, has been issued.</p> <p>CAR 02/08: CFMI shall submit the protected area network proposal for a peer review and then submit the proposal to OMNR for consideration.</p>
CAR Status:	CLOSED
Follow-up Actions (if app.):	A new CAR (02/08) is issued.

CAR 1/07		Reference to Standard: 6.6.3
Non-conformance		CFMI needs to prepare a long-term forecast of their herbicide usage based on their upcoming planning exercise. This will form the basis for long-term verification of compliance to the indicator. The next audit team will be required to verify this forecast prior to the completion of the next FMP, based on information developed in preparation of the plan.
Major	Minor X	
<p>Corrective Action Request:</p> <p>CFMI will provide a long-term forecast (>20 year) of anticipated pesticide use based on development of the next Forest Management Plan; including a time frame for achieving reduction of usage.</p>		

Timeline for conformance:	By the next annual audit
Evidence to close CAR:	<p>This CAR requires the company to provide a long-term forecast of anticipated pesticide use based on development of the 2010 Forest Management Plan; including a time frame for achieving reduction of usage. Although the development of the 2010 FMP has been on schedule, the base model was still under development and awaiting MNR approval at the time of the annual audit. As such, it was not available for test runs of long-term herbicide use. In hindsight, the timeline for meeting the requirements of this CAR was insufficient since the company must follow the provincial FMP production schedule.</p> <p>Nevertheless, the company prepared a 30-year anticipated herbicide use trend line based on the selected management alternative from the 2005 FMP. According to this trend line, herbicide application levels will vary by less than 10% over the 30-year period of the projection, indicative of a flat or slightly increasing herbicide use trend for the selected management alternative. Herbicide use is forecast to rise from 949 A.I. kg/year for years 1 to 5, to 965 A.I. kg/year in years 6 to 10, and 1045 A.I. kg/year in years 11 to 20 before decreasing to 1004 A.I. kg/year for years 21 to 30.</p> <p>The availability of jack pine and spruce plantations for harvest is cited as the reason for the decrease in years 21-30, but it is not clear whether this trend is expected to continue to the point that herbicide use will ultimately fall below benchmark levels for the first five-year term of the projection.</p> <p>Although the company strives to minimize herbicide use due to the high cost of treatment, it must maintain a certain level of herbicide use in order to meet FMP objectives and move the forest composition towards the pre-industrial condition described in the PIC report. On this Forest, the objectives of conifer enhancement and reduced herbicide use appear to contradict each other.</p> <p>Although the various herbicide-use reduction strategies cited constitute a minimum use policy and demonstrate a long-term commitment to using herbicides only when most required, they do not in themselves demonstrate a commitment to the goals of continual reduction with an eventual goal of phase-out over time as required by Indicator 6.6.3. Nor does the 30 year projection in itself demonstrate continual reduction, although there is promise that this might eventually occur.</p> <p>The company has indicated that it will, upon completion of the new base model, run various scenarios that will quantify the future conifer component on the Algoma Forest with and</p>

	<p>without herbicide use. It has also committed to producing a new herbicide use trend line based on the new model.</p> <p>The company should be allowed time to do this, especially since the timeline for meeting the requirements of the current CAR would have resulted in a premature product in relation to the FMP production schedule. However, the company must clearly demonstrate a continual reduction of herbicide use with an eventual goal to their complete phase-out over time as required by the indicator.</p> <p>Accordingly, this CAR is closed and a new CAR issued with wording to ensure that the requirements of the indicator are met.</p> <p>CAR 03/08: CFMI shall define a target that demonstrates continual reduction in pesticide use with an eventual goal of complete phase out.</p>
CAR Status:	CLOSED
Follow-up Actions (if app.):	A new CAR (03/08) is issued.

CAR 2/07	Reference to Standard: 6.1
Non-conformance	The peer review of the PIC analysis was still outstanding although it had been in the hands of the reviewers for about a month at the time of the completion of the audit.
Major Minor X	
Corrective Action Request:	
CFMI must complete the peer review of the PIC analysis and incorporate changes as appropriate.	
Timeline for conformance:	By the next annual audit
Evidence to close CAR:	<p>Evidence was provided to confirm that the PIC Report has been subject to peer review and that suggested changes were incorporated as appropriate. More specifically, four reviewers with diverse backgrounds were asked to review the report. Although not all of the reviewers could be considered independent, at least one fully meets the requirement for independent peer review.</p> <p>Although the original PIC report satisfied most requirements of Indicator 6.1.5, it did not contain calculations of average fire return intervals as explicitly required by the indicator. This was also noted by the independent reviewer. The company subsequently added the summary of natural disturbance</p>

	<p>frequencies by forest unit used in the 2005 FMP knowing that the PIC report would require further update with development of the 2010 FMP. Other comments were largely editorial in nature or provided additional context.</p> <p>Although the audit team shares the sentiment of the reviewer that a large body of historical information exists that could be subjected to further analysis (e.g., historical archives from St. Mary's Paper Ltd.), we also acknowledge the potential expense of such work and recognize that the report as written currently satisfies the requirement of the indicator. Accordingly, the CAR is now closed.</p>
CAR Status:	CLOSED
Follow-up Actions (if app.):	None

CAR 3/07	Reference to Standard: 6.3
Non-conformance	Core area analysis was complete, but used some non-conventional assumptions.
Major	Minor X
Corrective Action Request:	
CFMI shall refine their assessment of FSC core areas to provide a more quantitative estimate in line with conventional understanding of core areas.	
Timeline for conformance:	By the next annual audit
Evidence to close CAR:	<p>In the last annual audit, the original condition to “undertake an analysis of cores on the Algoma Forest and ensure that at least 20% of the landscape is maintained as FSC core habitat” was satisfied. Although the auditor concluded that the amount of core area met and surpassed the requirements of Indicator 6.3.12, he also noted that an unconventional approach was used in the calculation of core area.</p> <p>Most notably, the auditor was concerned that Lake Superior Provincial Park did not provide a balanced distribution of cores across the forest. He also questioned the 100% contribution of park area towards the core area requirements. In addition, the auditor recommended that the company also use marten cores to meet the FSC core area requirements and indicate in the report that core areas may move across the landscape over time. The auditor also recommended that narrow, linear riparian buffers should not be used as FSC cores.</p> <p>Thus, the original condition was closed and a new CAR issued (CAR 03/07) for CFMI to refine their assessment of FSC core areas to provide a more quantitative estimate in line with</p>

	<p>conventional understanding of core areas. To satisfy this CAR, the company provided the audit team with an updated Benchmarking Report for the Algoma Forest dated June 6, 2008.</p> <p>In this report, marten cores were added to the calculations and contributed an additional 1.8% in FSC core area. The text also notes that marten cores helped to distribute FSC core area more evenly across the landscape and increase hardwood representation.</p> <p>Although not included in the calculations, the report also acknowledges the potential contribution of tolerant hardwood forest under selection management towards meeting FSC core area requirements and suggests that additional cores within this forest type could be identified in the future if required. This would further improve the spatial distribution of cores while addressing the over-representation of spruce and under-representation of hardwoods currently reflected in the core area calculations.</p> <p>With respect to the 100% contribution of Lake Superior Park towards core area representation, the company pointed out that no logging has occurred in the park since 1989 and that there has only been one 30 ha fire within the park since then. This supports the assertion that a very small portion of the park area, if any, would be in the pre-sapling or sapling development stages and that the vast majority of park area would be mature and older.</p> <p>FSC Core Area statistics are provided in Table 2 of the report. With 81.2% of its forest area in mature and older age classes, Lake Superior Provincial Park (FSC Cores 12 & 13) compares well to other FSC cores ranging from 53.5% (Core 8) to 95.9% (Core 1). In comparison to cores larger than 8,000 ha, the park compares more favourably (e.g., 53.5%, 73.6%, 82.1%, 82.1%, and 83.1% for Cores 8, 10, 6, 7, and 9 respectively).</p> <p>Although some of the core area calculations and assumptions may still be considered somewhat unconventional, the audit team is satisfied that the revised Benchmarking Report for the Algoma Forest fully meets the requirements of Indicator 6.3.12 and CAR 03/07. Accordingly, the CAR is now closed.</p>
CAR Status:	CLOSED
Follow-up Actions (if app.):	None

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

CAR 01/08		Reference to Standard: Criteria and indicator
Non-conformance		To date, independent expert input has not been incorporated into the company's access planning efforts in relation to remoteness.
Major	Minor X	
Corrective Action Request:		
CFMI shall ensure that the comprehensive access management plan developed for the 2010 FMP incorporates independent expert input in relation to remoteness and the need to achieve balance between the ecological, social and economic importance or remoteness and the recreational and operational desire for motorized access.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 02/08		Reference to Standard: Criteria and indicator Criterion 6.4 National Boreal Standard (Version 3.2)
Non-conformance		CFMI is in mid process in identifying gaps to the protected areas network. This process shall continue with a proposed protected area networked presented to the OMNR. No peer review has been conducted.
Major	Minor X	
Corrective Action Request: CFMI shall submit the protected area network proposal for a peer review and then submit the proposal to OMNR for consideration.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN

CAR 03/08		Reference to Standard: 6.6.3
Non-conformance		CFMI has not demonstrated continual reduction of chemical pesticide use with an eventual goal to their complete phase-out over time.
Major	Minor X	
Corrective Action Request:		
CFMI shall define a target that demonstrates continual reduction in pesticide use with an eventual goal of complete phase out.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

2.6. Audit observations

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

OBS 01/08	Reference Standard & Requirement: 5.3.1
<p>Poor utilization was observed in Block 7307 (Stop 2) and Stop 7400 (Stop 7). In one instance, several hitches of merchantable trees and scattered merchantable stems (hardwood and conifer) were observed within the block. Many trees were felled and topped but not utilized. In the other instance, round wood was left on winter haul roads (frozen into the ground or hidden by snow) to become visible only after the snow had melted. Also, un-scaled merchantable tree-lengths were used for corduroy in Block 7307 (Stop 1). In these cases, harvested wood was not utilized in accordance with the requirements of Indicator 5.3.1.</p>	
<p>Observation: The company should implement procedures to ensure that Clergue Harvest Contractors and their sub-contractors utilize all harvested merchantable and marketable timber, unless left on-site to provide structural diversity and wildlife habitat or for silvicultural reasons.</p>	

OBS 02/08	Reference Standard & Requirement: 6.3.3; 6.5.1; 6.5.2
<p>Rutting was observed in Block 7307 (Stop 1). This occurred in a relatively small lowland spruce pocket (less than 5 ha) within a much larger block characterized by predominantly upland conditions. Although the rutting may have seemed particularly severe due to high seasonal rainfall, the excessive use of tamarack corduroy within the skid trails suggests that conditions were equally wet at the time of harvest, and that site disturbance might have been avoided if harvesting operations were temporarily deferred or relocated to adjacent upland portions of the block until harvest could occur under frozen ground conditions. Although it may have been necessary to continue with road construction to access the rest of the block, harvesting of this area resulted in localized rutting and required the excessive use of corduroy.</p>	
<p>Observation: The company should review its standard operating procedures and method of communicating with Clergue Harvest Contractors to ensure that sensitive lowland areas with the potential for site damage are identified and that due consideration is given to effective options to avoid or minimize site disturbance. Forest workers should receive adequate training to implement standard operating procedures.</p>	

OBS 03/08	Reference Standard & Requirement: 6.3.3; 6.5.1; 6.5.2
<p>Excavation below the water table was observed in Block 7307 (Stop 4) in association with grubbing/ditching operations. It is not clear whether the road builder was aware of the high water table conditions, but this occurrence is nevertheless contrary to the requirements of Indicator 6.3.3.</p>	
<p>Observation: The company should review its standard operating procedures and method of communicating with Clergue Harvest Contractors to ensure that high water table conditions are identified and that excavations do not occur below the water table in association with road grubbing/ditching operations or the excavation of Category 14 aggregate pits. Forest workers should receive adequate training to implement standard operating procedures.</p>	

OBS 04/08	Reference Standard & Requirement: 3.1.1, 3.1.2
The MOU previously negotiated with CFMI and a First Nation may no longer fully reflect the interests and concerns of that First Nation.	
Observation: CFMI should discuss with the First Nation their level of satisfaction with the existing MOU and whether they are interested in revising it. MOUs or protocol agreements should consider a wide range of issues including economic opportunities, traplines and managing for multiple values.	

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Nick Baggs, R.P.F.: Nick Baggs is a registered professional forester specializing in policy review, audit and prescription services. He has worked in forest management and operations since 1982. He is also experienced in the development of certification and various assessment standards in Ontario and British Columbia. Audit related projects include two reviews of the Independent Forest Audit (IFA) Process in Ontario (2001 & 2006), IFA assignments on twenty Ontario forests, ISO 14001 Internal EMS audits, integration of Sustainable Forestry Initiative (SFI) program components into an existing EMS, and update of the Ontario Forest Industries Association Code of Forest Practices. Nick has completed ISO14001 Lead Auditor and SmartWood Lead Assessor training and has participated in several SmartWood FSC certification assessments (one as lead auditor) and more than a dozen annual audits in Ontario.

Vivian Peachey, B.A.Hon MFC: has worked in the forest management sector for the past 10 years specifically as it relates to forest certification. Vivian has a Master of Forest Conservation from UofT and Specialist in International Development. She worked seven years for the Forest Stewardship Council Canada as *Director of Certification Applications and Brand Management* on forest and chain of custody standards and policies. Specialties include green markets and private woodlot management. Vivian has conducted over 80 chain of custody assessments and has taken the SmartWood Lead Auditor training program.

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
June 18, 2008		Arrive in Sault Ste Marie
June 19, 2008	Sault Ste. Marie	Opening meeting, office review, interviews
June 19, 2008	Searchmont	Field visits
June 20, 2008	Sault Ste. Marie	Office review, interviews, closing meeting
June 20, 2008		Depart for Toronto & Kingston
		Draft report submitted to client
		Client feedback
		SmartWood decision

Total number of person days used for the audit for preparation and field work: 5.5 Number of auditors participating 2
--

3.3. Sampling methodology:

SmartWood was contacted by an individual who wished to express concerns regarding harvesting practices and utilization on the Algoma Forest. The individual identified several sites for field inspection, limited by the time available and travel distance from Searchmont. As such, the auditor recognized this as a biased sample which was not necessarily representative of operations across the forest as a whole, and has considered this in his interpretations.

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

3.4. Stakeholder consultation process

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
First Nation	4	3
ENGO	2	2
Industry / Logging	2	1
Local Inhabitant / groups	5	4
Government	3	2

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC-Accredited Canadian National Boreal Standard, dated Aug. 6, 2004
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	
Implications for FME:	Conformance to new requirements verified