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Forest Management
2008 Annual Audit
Report for:

Pineland Forest
in
Timmins Ontario

Certificate code:	SW-FM/CoC-1509
Auditors:	Bruce Byford R.P.F. Dr. Rob Foster
Audit Dates:	December 2nd 2008
Report Finalized:	April 15th 2009
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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	4
2.5.	NEW CORRECTIVE ACTIONS ISSUED AS A RESULT OF THIS AUDIT	8
2.6.	AUDIT OBSERVATIONS AND NOTES FOR FUTURE AUDITS.....	9
3.	AUDIT PROCESS	10
3.1.	AUDITORS AND QUALIFICATIONS:	10
3.2.	AUDIT SCHEDULE.....	11
3.3.	SAMPLING METHODOLOGY:	11
3.4.	STAKEHOLDER CONSULTATION PROCESS.....	11
3.5.	CHANGES TO CERTIFICATION STANDARDS.....	12

1. INTRODUCTION

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

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

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

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:	
<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:	A peer review for the protected areas gap analysis has not yet been completed so the minor CAR (02/07) has been upgraded to a major CAR.
Issues identified as controversial or hard to evaluate.	None

2.2. Changes in the forest management of the FME

The 2007-2008 period has been marked by a significant downturn in Canada's forestry sector and Domtar has not been immune to the economic downturn. The downturn has resulted in the temporary curtailment or closure of mills that receive wood fibre from the Pineland Forest and/or reductions in fibre supply and production levels. have decreased. For example, in September 2006 Domtar was advised by Grant Forest Products to cease all harvest and processing of OSB grade poplar destined to the Grant OSB facility in Timmins. In February of 2007, MNR terminated the Pineal Lake Lumber Co. timber supply agreement, which included the supply of white and red pine sawlogs from the Pineland Forest. This agreement was terminated due to the continuing closure of this mill.

All of these factors have had a significant impact on the level of forest management activities undertaken during this period.

2.3. Stakeholder issues

There have been no direct complaints to SmartWood related to the forest management of the Pineland Forest. Enquiries during the audit did not derive any specific comments on overall management.

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 nonconformance's 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 01/06 (extended)		Reference to Standard: # 3.3
Nonconformance		While there is a system in place to ensure the protection of identified First Nations values, for a number of reasons there has been only partial success at identifying FN values on the forest. Domtar has recognized that value of the current First Nations Task Team and has continued to support it. Domtar should support the Task Team in trying to improve FN values collection on the Forest.
Major	Minor X	
Corrective Action Request: Domtar support a First Nations Task Team meeting that is to present and discuss the opportunity for a collaborative approach to values collection whereby resources could be pooled to areas or types of values that seem to be particularly difficult to identify. It is possible that experiences should be drawn from First Nations that do have large sets of values already identified (e.g., Mattagami, Matachewan).		
Timeline for conformance:		By the next annual audit
Evidence to close CAR:		While Domtar and the OMNR provided financial support for the First Nations Task Team a meeting related to the collaborative approach to values collection did not occur for a number of reasons outside of Domtar's control (i.e. focus on FMP production, economic downturn resulted in lower priority

	<p>of forest management issues etc.).</p> <p>The audit team is however, satisfied that the underlying root issue for the CAR (i.e. need to improve values collection) is being addressed through an on-going cooperative initiative involving the Mattagami, Brunswick House, Chapleau Objibwe and Flying Post First Nations.</p> <p>Values mapping associated with this initiative are expected to be completed in during 2009/2010.</p>
CAR Status:	Closed
Follow-up Actions (if app.):	The next annual audit should verify that values collection project was implemented and partnership agreements related to the values collection initiative are in place.

CAR 03/06	Reference to Standard: # 6.3
Non-conformance	The audit team found that the old-growth targets and projected achievements of the 2006 FMP are not sufficient to meet the requirements of the NBS.
Major	Minor X
Corrective Action Request:	
Domtar shall use PIC benchmarks to develop old growth management strategies consistent with the requirements of Indicator 6.3.5. The strategies shall be developed based on ecologically meaningful forest units or forest unit groupings, and shall be intended for incorporation into the 2011 FMP.	
Timeline for conformance:	Before the third annual audit
Evidence to close CAR:	<p>Domtar have an updated PIC report and the MNR continues to work and provide Landscape level direction through the pending Boreal Landscape Guide (BFolds Analysis of historic condition). The 2011 Pineland FMP will be consistent with Provincial direction, and the boreal standard</p> <p>Initial Strategic Forest Management Model (SFMM) modeling in underway to establish baseline model inputs which identify parameters for retention of old growth. Until the LTMD is approved specific targets relative to old growth cannot be specified. Final targets (for all objectives including retention of old growth, wood supply, habitat supply etc.) will be determined through the SFMM model process which seeks to provide the best balance of plan objective achievement over time.</p> <p>The assessment team is of the opinion that the intent of CAR has been met to the extent possible given the current stage of work in the regulated forest management planning process. A new CAR referencing 5.6.2 of the Standard has been issued with a 2 year time frame due to regulated process.</p>
CAR Status:	Closed
Follow-up Actions (if app.):	CAR 01/08

Condition 6.1		Reference to Standard: 6.1
Non-conformance		
Major	Minor X	
Corrective Action Request:		
Domtar shall provide an updated PIC analysis based on the Pineland Forest and the use of a technically sound model or models to estimate the range of natural conditions likely to have existed in pre-settlement conditions.		
Timeline for conformance:		By the end of Year 3
Evidence to close CAR:		Domtar has provided an updated PIC analysis for the Pineland Forest, has had 3 credible peer reviews of the draft report, and updated the PIC report to address reviewer comments. Natural disturbance patterns were modeled across the Pineland Forest and surrounding Ecoregion 3E boreal forest landscape using Boreal Forest Landscape Dynamics Simulator (BFOLDS). BFOLDS results specific to the Pineland Forest will be available in the near future. A comparison of the current FRI and the historic forest condition was conducted based on Ontario Land Survey notes, supported by Pinto et al.'s (2008) analysis of pre-industrial forest condition in north-eastern and central Ontario forests. Therefore this condition can be closed.
CAR Status:		Closed
Follow-up Actions (if app.):		

CAR 01/07		Reference to Standard: 6.3
Non-conformance		The wording of the standard requires that an expert on access planning be consulted when preparing the plan. There is no definition of the credentials of such an expert, so the company can determine.
Major	Minor X	
Corrective Action Request:		
The company shall have obtained "independent expert" opinion on the access plan as provided.		
Timeline for conformance:		By the next annual audit
Evidence to close CAR:		An independent expert prepared a report "Independent Expert Opinion on the Pineland Forest Access Plan" November 8, 2008. The Independent Expert concluded that the plan is fair and balanced system of maintenance programs and access controls to address the ecological, social, and economic importance of remoteness with the recreational and operational desire for motorized access.
CAR Status:		Closed
Follow-up Actions (if app.):		

CAR 02/07		Reference to Standard: 6.4.1
Non-conformance		Completion of peer review of GAP analysis for protected areas.
Major	Minor X	Progress is being made, and parties are satisfied, but the standard is specific about the need for a peer review. The parties are at the point where a review is possible.
Corrective Action Request:		
Domtar shall complete the peer review of the protected areas gap analysis, and shall approach the government to discuss completion of the protected areas network.		
Timeline for conformance:		By the next annual audit
Evidence to close CAR:		Domtar did not provide any evidence to close this CAR therefore the CAR is upgraded to Major
CAR Status:		Open
Follow-up Actions (if app.):		

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

CAR 01/08		Reference to Standard: 5.6.2
Non-conformance		At the time of the assessment the Long Term Management Direction had yet to be approved by the OMNR. As a result model inputs related to old growth have not been established for the plan term.
Major	Minor X	
Corrective Action Request:		
Domtar shall provide evidence that the analysis and calculation of harvest rates accurately reflects the requirements under other indicators of the Boreal Standard. Specifically Domtar shall provide evidence that constraints related to the provision of targets for old growth for all forest units have been incorporated, where necessary, into the SFMM analysis and the FMP.		
Timeline for conformance:		By the 2010 Annual Audit
Evidence to close CAR:		Pending
CAR Status:		Open
Follow-up Actions (if app.):		

CAR 02/07		Reference to Standard: 6.4.1
Non-conformance		Completion of peer review of GAP analysis for protected areas. Progress is being made, and parties are satisfied, but the standard is specific about the need for a peer review. The parties are at the point where a review is possible.
Major X	Minor	
Corrective Action Request:		
Domtar shall complete the peer review of the protected areas gap analysis, and shall approach the government to discuss completion of the protected areas network.		
Timeline for conformance:		Within 6 months of finalization of this report
Evidence to close CAR:		Pending
CAR Status:		Open
Follow-up Actions (if app.):		

2.6. Audit observations and notes for future audits

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 1/08	Reference Standard & Requirement: 6.2.1
<p>FSC Canada's Ad-Hoc Interpretation Committee recently (March 2008) provided the following direction with respect to Criterion 6.2:</p> <ul style="list-style-type: none"> • When developing the Manager's list in accordance with Indicator 6.2.1, managers should consider including species in addition to those included on regulated federal or provincial species lists • When considering the inclusion of species proposed by non-governmental bodies, the manager should consider: a) the diversity of agencies involved in developing the species list, b) the diversity of vulnerability factors considered, and c) the impact of forest management activities on the relevant vulnerability factors for that species • For species that are on the Manager's list and for which provincial or federal Species Recovery Plans are not in development, or not completed, or not approved, or not adequate, the Manager should prepare its own plan(s). <p>The Partners in Flight (PIF) North American Land Bird Conservation Plan (NAMCLP) (Rich et al. 2004) developed a "Watch List" based on conservation assessments of individual species based on six measures of vulnerability: population size, breeding distribution, non-breeding distribution; threats breeding, threats non-breeding and population trend. Watch List species are characterized by combinations of the following factors: small populations, narrow distribution, high threats and declining trends. These PIF appraisals are considered relevant in how aspects of the NBS related to Species at Risk should be applied in boreal forest assessments. With the report of the Ad-Hoc Committee, SmartWood believes that the PIF categorization of "Watch List" species is consistent with the definition of "species at risk" in the NBS, and that they should be recognized as such on the Pineland Forest.</p>	
<p>Observation: Domtar should modify its forest management and planning so that the habitat of all Partners in Flight (PIF) Watch List Species that occur on the Pineland Forest is managed in a manner consistent with the NBS direction for species at risk, particularly with respect to Criteria 6.2, 9.1, 9.3, and 9.4.</p>	

Note for future audit 01/08: The next annual audit should verify that values collection project was implemented and partnership agreements related to the values collection initiative are in place.

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Bruce Byford R.P.F.

Bruce Byford is a Licensed Professional Forester (Ontario) and the President of Arbex Forest Resource Consultants Ltd. He has 29 years of experience as a consulting forester and project manager. Bruce has been Lead Auditor on thirteen Independent Forest Audits in Ontario. As a consultant to SmartWood, he has participated as a Lead Assessor, Forest Management Specialist and/or First Nations and Socioeconomic assessor on 17 pre-assessments, assessments and annual audits. These mandates have taken place in Ontario, New Brunswick,

Nova Scotia and Quebec. He was also a member of the project team which field tested the Great Lakes St. Lawrence Standard in Ontario. He has completed ISO 14001 Lead Auditor Training and has completed the Forest Assessor Training delivered by SmartWood.

Dr. Rob Foster

Rob is co-founder and principal of Northern Bioscience, an ecological consulting firm offering professional consulting services supporting ecosystem management, planning, and research. Based in Thunder Bay, his primary focus has been in boreal ecosystems and Great Lakes / St. Lawrence forests, with additional experience in the tropics. Dr. Foster has over 15 years of research and work experience in northern Ontario on a variety of projects with direct or indirect links to forest management planning. Since 2000, Dr. Foster has been a biologist on five Independent Forest Audits (IFA) and one Sustainable Forestry Initiative (SFI) audit in Ontario. Rob has undertaken SmartWood FSC lead auditor training, and was the ecologist for a FSC audit of two Ontario SFLs using the FSC national boreal standard and the draft Great Lakes / St. Lawrence standard. He also served as the ecologist on a multi-disciplinary team field-testing the draft FSC boreal standards.

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
02/12/2008	Field Site Visits	Field Audit
03/12/2008	Domtar Office Timmins	Record Review, Interviews
30/01/09	SmartWood office	Draft report received
13/02/09	SmartWood office	Draft report sent to Domtar
27/02/09	SmartWood office	Domtar’s comments on draft report received
14/04/09	SmartWood office	Final report to Domtar

Total number of person days used for the audit:4 = number of auditors participating(2) times total number of days spent for the audit (2)
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3.3. Sampling methodology:

Limited operations occurred on the Pineland Forest during 2007-2008 as a result of the economic downturn in the Canadian forestry sector. Sample sites were therefore selected in areas where the company was currently active. As this was a winter assessment no assessment of recent renewal or site preparation activities was possible.

3.4. Stakeholder consultation process

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
ENGOS	5	5
First Nations	4	2
Government	2	2

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC Canada National Boreal Standard (Canada August 2004 Version)
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