



**FSC Certification Report for the
2004 Annual Audit of:**

**THE NIPISSING FOREST
under the
Sustainable Forest Licence
of
NIPISSING FOREST RESOURCE MANAGEMENT**

Certificate Number: SCS-FM/COC-00055N

**Under the
SCS Forest Conservation Program
(An FSC-Accredited Certification Program)**

**Date of Field Audit: July 5, 6 & 7, 2004
Date of Report: October 15, 2004**

**Scientific Certification Systems
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1.0 GENERAL INFORMATION

1.1 BACKGROUND INFORMATION

NIPISSING FOREST RESOURCE MANAGEMENT INC.
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Callandar, Ontario P0H 1H0

Contact: Peter Street; General Manager
Web page: <http://www.nipissingforest.com/>

1.2 General Background

This report covers the first surveillance audit of the Nipissing Forest under the Sustainable Forest Licence (SFL) of Nipissing Forest Resource Management Inc. (NFRM) pursuant to the FSC (Forest Stewardship Council) and SCS (Scientific Certification Systems) guidelines for annual audits as well as the terms of the forest management certificate awarded by SCS in May 2003 (SCS-FM/COC-00055N). All certificates issued by SCS under the aegis of the FSC require, at a maximum periodicity, annual audits to ascertain ongoing compliance with the requirements and standards of certification.

NFRM is owned by a group of shareholders which are R. Fryer Forest Products Ltd., Goulard Lumber Ltd., Tembec Inc. (Mattawa Division), Hec Cloutier and Sons Inc., and Grant Forest Products (Englehart). The SFL, under the Crown Forest Sustainability Act, is administered by the Ontario Ministry of Natural Resources (OMNR), North Bay District Office. There are also 11 independent operators that have overlapping licence agreements with NFRM.

1.3 Nipissing Forest and Management System

The Nipissing Forest is comprised of approximately 11,470 square kilometres of land managed under an SFL by NFRM. The area of productive forest land within the total area is 8,011 square kilometres. Of the total landbase, 67% is Crown managed, 7% is in parks, 23% is private (patent) land and the remainder consists of First Nations reserves and federal lands. NFRM's forest management activities apply to the provincial Crown portion (48%) of the Nipissing Forest.

The Nipissing Forest is located near the city of North Bay, Ontario and falls within a transitional zone between what are known as the Great Lakes-St. Lawrence and Boreal forest regions of Ontario. The Nipissing Forest has been harvested since the early 1800's with many stands having been harvested two or three times. These factors have resulted in the forest exhibiting a wide range of forest conditions, both in tree species and forest health.

The Great Lakes-St. Lawrence forest region is a northern hardwood/coniferous forest type, commonly including such species as sugar maple (*Acer saccharum*), red maple (*Acer rubrum*), American beech (*Fagus grandifolia*), basswood (*Tilia americana*), white pine, (*Pinus strobus*), hemlock (*Tsuga canadensis*); mid-tolerant hardwoods such as yellow birch (*Betula alleghaniensis*) and red oak (*Quercus rubra*) and ash (*Fraxinus* spp.); and intolerant species such as black cherry (*Prunus serotina*) and red pine (*Pinus resinosa*). The predominant species found in the Boreal forest include conifers such as black spruce (*Picea mariana*) and white spruce (*Picea glauca*), jack pine (*Pinus banksiana*), larch (*Larix laricina*), balsam fir (*Abies balsamea*) and eastern white cedar (*Thuja occidentalis*). The rest is comprised of shade-intolerant hardwoods, which include trembling aspen (*Populus tremuloides*) and white birch (*Betula papyrifera*).

In the tolerant hardwood forest type, the most common harvesting and renewal methods used are the selection and shelterwood silvicultural systems. In white pine and mixed red & white pine forest types the shelterwood silvicultural system is used. Clearcutting is used on the remainder of the Forest (e.g. intolerant hardwood and Boreal conifer).

According to the 2004-2024 Forest Management Plan (FMP), 26 mills receive wood from the Nipissing Forest. However, most of these are not entirely dependent on this Forest for their wood supply. Four mills are physically located within the boundaries of the management unit.

Many wildlife species native to the region are found on the Nipissing Forest including moose, black bear, pine marten, northern flying squirrel, pileated woodpecker, white-tailed deer and a variety of songbirds and raptors. Red-shouldered hawk is known to be a sensitive species found on the Nipissing Forest. Habitat planning is conducted for this and other featured species during the forest management planning process.

The Forest is managed by NFRM under an SFL to carry out forest management and operations on the Crown land portion of the defined forest area. Company responsibilities include all aspects of forest management planning, forest operations, forest renewal activities, monitoring, reporting and self-compliance audits. OMNR staff conduct spot-checks of NFRM's management activities to ensure that the company is in compliance with relevant provincial legislation and the body of regulations and guidelines applying to forest management on Crown lands in Ontario.

Since award of certification in 2003, there have been no significant changes to the Nipissing Forest land base. Some changes with respect to timber harvesting have been initiated through direction from the OMNR. These changes include implementation of the Natural Disturbance Pattern Emulation Guidelines (NDPEG) (OMNR, 2003) which require consideration of and emulation of disturbance patterns (primarily forest fire) including the retention of 25 trees per ha as well as insular and peninsular patches after harvest.

See the 2003 Certification Evaluation Report Public Summary www.scs-certified.com for a more detailed description of the NFRM operation.

Environmental and Socioeconomic Context

DESCRIBE ANY CHANGES IN THE ENVIRONMENTAL AND OR SOCIOECONOMIC CONTEXT SINCE THE LAST AUDIT

The major change in the environmental and social context since the last audit is the adoption of the new 2004 to 2024 FMP. The Local Citizen Committee was expanded to provide a broader representation of interests and was actively engaged with NFRM to provide input to the development of the FMP. Following adoption of the FMP, a new five-year Compliance Strategy and Plan for the Nipissing Forest was implemented. This five year plan is attached for reference. The compliance strategy identifies compliance priorities for NFRM and all Overlapping Licensees during the five years of operations and sets the direction for continuous self improvement. The scope of the five year compliance strategy includes:

- Resource management and planning
- Developing worker awareness and proficiency
- Inspecting and monitoring scheduled activities
- Implementing prevention and corrective measures
- Reporting, reviewing, and evaluating adherence to rules and requirements

See the 2003 Certification Evaluation Report for a detailed description of the environmental and Socio-economic context.

1.4 Products Produced

Standard Forest Units	Silviculture System	% of Forest
Tolerant Hardwood Selection	Selection	15
Mixedwood	Clearcut	14
White Birch, Poplar Mix	Clearcut	12
Spruce/Fir	Clearcut	9
White Pine Uniform Shelterwood	Uniform Shelterwood 3C	11
Tolerant Hardwood Uniform Shelterwood	Uniform Shelterwood 2C	7
Poplar	Clearcut	8
White Pine Seed Tree	Clearcut (Seedtree)	4
Mixed Conifer Lowland	Clearcut	5
Jack Pine Upland Black Spruce Mix	Clearcut	3
Lowland Mixedwood	Uniform Shelterwood 2C	4
Yellow Birch	Uniform Shelterwood 2C	2
Hemlock	Uniform Shelterwood 3C	2
Red Pine	Clearcut	2
Jack Pine	Clearcut	2

Merchantable conifer species such as white pine, red pine, jack pine, and spruce are grown for quality sawlogs, plywood and pulpwood. Fibre from lower quality trees are sold for chip material to be used for OSB, pulp, or fuelwood. Hardwoods such as poplar, maple and white birch are also grown for sawlogs, veneer, chips, and fuelwood. With the opening of Pre-cut Hardwood, some of the lower quality white birch is used for pallet material and fuelwood.

About half of the products harvested off the Nipissing Forest (by volume) are committed to the shareholder mills of Tembec, Grant, Goulard and Fryer. The largest open market mills include Domtar, Inc., Columbia Forest Products, and Ben Holcum & Sons.

A more detailed description is found in the 2003 Certification Evaluation Report.

1.5 Chain of Custody Certification

With respect to NFRM, the chain-of-custody focus is on the “stump to forest gate or mill gate.” That is, chain-of-custody begins with the severing of a standing tree to produce a merchantable log and ends with that log(s) leaving NFRM custody at the mill gate.

As part of this audit, SCS investigated the manner by which NFRM can maintain chain-of-custody over wood fibre to the “forest gate” to assure that only logs from the “defined (certified) forest area” would carry the certified status. The audit team determined that NFRM and all the shareholders are subject to OMNR bill of lading system used on all Crown lands in Ontario. No logs are allowed to be moved from the forest without the proper bill of lading. The four copies of the ticket for each load are held by the trucking contractor, logging contractor, mill and MNR. With such a system, the possible source of contamination with uncertified logs is eliminated, at least until the logs reach the receiving yard of a mill.

It was concluded on review of the chain of custody procedure that the chain of custody certification awarded to NFRM/MNR to cover logs that leave “forest gate” to “sawmill log yard gate” should be retained.

2.0 ANNUAL AUDIT ASSESSMENT PROCESS

Pursuant to FSC and SCS guidelines, annual/surveillance audits are not intended to comprehensively examine the full scope of the certified forest operations, as the cost of a full-scope audit would be prohibitive and it is not mandated by FSC audit protocols. Rather, annual audits are comprised of three main components:

- A focused assessment of the status of any outstanding conditions or corrective action requests;
- Follow-up inquiry into any issues that may have arisen since the award of certification or prior audit; and,

- As necessary given the breadth of coverage associated with the first two components, an additional focus on selected topics or issues, the selection of which is not known to the certificate holder prior to the audit.

In this case, there were eight conditions and nine recommendations issued as part of the initial award of certification in 2003. The preparations and supporting material provided by NFRM in response to the actions taken to address the CAR's and recommendations was outstanding. NFRM clearly has made a concerted effort to address the issues raised by the certification audit. The amount of material covered in the CAR's and recommendations and the time interval that had lapsed since the original certification audit in October 2002 made the first annual audit very extensive.

2.1 Assessment Personnel

For this annual audit, the team included Dr. Walter R. Mark and Peter Higgelke. The audit was lead by Walter Mark.

Dr. Walter R. Mark: Dr. Mark is a professor of forestry at California Polytechnic State University, San Luis Obispo and former Director of Swanton Pacific Ranch, the University's school forest. Dr. Mark's specialty is forest health. Dr. Mark is a consultant for Scientific Certification Systems and is responsible for the audit. Dr. Mark is a registered professional forester in California (RPF No. 1250) with 35 years of forestry experience in the public and higher education sectors. He is in his first year of audits with Scientific Certification Systems.

Peter Higgelke: Consulting Forester, Managing Partner of KBM Forestry Consultants Inc. (Ontario). As a principal in KBM, Mr. Higgelke specializes in forest management planning, forest inventory, wildlife habitat supply analysis modelling, business plan preparation, timber harvesting, forest audits and forest renewal prescriptions. Peter is a registered professional forester in the province of Ontario. He has advised First Nations on forest management, forestry negotiations and economic development. In the past he lectured at Lakehead University on integrated forest resources management and GIS applications in forestry. Peter was a member of the SCS team that performed the original FSC certification audit in 2002.

2.2 Assessment Dates

July 5 – 7, 2004.

2.3 Assessment Process

The SCS annual audit field evaluation commenced in the morning of July 5 and concluded in the afternoon of July 7, 2004 with the following dates and steps:

July 5 Morning—The first half-day was spent in the Callandar office of NFRM and was devoted to certification conditions and recommendations, and to management issues raised over the past year. A group interview was conducted with senior management and field staff including Peter Street, Ric Hansel, Norm Cotham, Iam Kovacs, Tom Boudreau, Frank Simard, Michel Laliberte, and Line Durette. During these discussions, the status of the conditions and recommendations were noted. This phase of the audit involved an office-based general business discussion, GIS overview of the Nipissing Forest and the operations maps for the past two years and discussion of the outstanding conditions and activities on the certified forest since the last annual audit.

At the conclusion of the office discussions, a field itinerary was developed for the afternoon, the following day and the morning of the next day. The intent was to observe a full cross section of field circumstances. The auditors were satisfied that the scheduled on-site field inspections of the forest operations were sufficient in scope and intensity as to provide an adequate factual and observational basis for auditing NFRM's activities on the Nipissing Forest with particular emphasis on sites related to CARs from the initial award of certification.

July 5 Afternoon— The field group consisted of Walter Mark, Peter Higgelke, Peter Street, Ric Hansel, and Tom Clark (a consultant to NFRM).

The field review started at the Pre-cut Hardwood processing plant that produces pallets and firewood from small diameter white birch logs with Carl Holtz, owner and operator. White birch utilization presents a problem on a number of SFLs. The Pre-cut Hardwood plant utilizes low value material and produces high value products from logs that otherwise would be processed into chips.

On the way to the next stop an area of spruce budworm damage was observed. The MNR monitors the level of the insect population and applies controls when necessary. The last control efforts were made in 1999.

The next stop was the Notman Road relocation and water crossing removal site. There were 3.5 km of road relocated to eliminate a major water crossing that had been a repeated problem in the past. The crossing was pulled and the stream and stream banks were rehabilitated through the site. Portions of the old road will be used in future harvests as truck road, so road decommissioning was not done on the entire road.

The next visit was to Block 79 to view a clearcut with retention of 25 or more stems per hectare. Retention requirements under the new NDPEG were reviewed. Animal den protective measures were taken by tree marking crews, demonstrating sensitivity to wildlife features. This unit was originally assigned to be a FN (First Nation) cut block but was declined by all FN contactors.

Next Block 29, harvested in the summer of 2003 with logs left over winter, was visited. This unit is part of the Antoine First Nations allocation and was harvested by Carl Holtz. Block 29 had an Area of Concern (AOC) for moose habitat marked in the harvest block. There was close observation of the AOC boundary in the timber operations.

July 6 All day—The field group for the day consisted of Walter Mark, Peter Higgelke, Peter Street, Ric Hansel, Iam Kovacs Tom Clark, Peter Nitsche (manager of Bancroft-Minden Forest), and Travis Hossack (manager of Mazinaw Lanark Forest), Dave Joannis (Antoine First Nation), and Rob Baker (OMNR).

The first stop of the day was at the Olrige Township harvest and research site. The group was joined here by Al Stinson of the Research Partnership of the Canadian Ecology Centre. This area was clearcut in the late 50's and early 60's and grew back to yellow birch. The latest entry was a release with crop tree marking. Funds for the release operation came from Ontario Living Legacy (OLL) and the Forest Renewal Trust Fund on a 50:50 matching basis. The release operations were done by crews under the supervision of Dave Joannis, a FN silvicultural contractor. Research is being conducted by Al Stinson on the spacing trials for yellow birch. This project is a great example of the desire of NFRM to work with the FN contractors, to develop additional wood markets and to support research.

The next stop was the Mattawa Harvest Block in tolerant hardwoods, where a maple overstory was being converted to yellow birch. This area was marked for harvest and extensive studies on flora, fauna, soils and growth and yield were being conducted. The marking guidelines and stand objectives were discussed.

Block 91 in the Mattawa was an active red oak harvest unit. Eric Gravelle the woods operations supervisor joined us to explain the harvest operations. The harvest was done as an oak shelterwood. Experience has indicated that previous cutting has been too light to achieve desired future forest species composition. This harvest was targeting a leave tree level of 12 m³/ha with the prescription written to follow a crown spacing requirement. Goshawk nests found during the harvest block boundary layout were protected with AOC prescriptions in the nest area. Following harvest, site preparation is planned with mechanical or herbicide use to prepare sites to obtain red oak regeneration. There was a snowmobile and quad trail through the harvest area. Operations had been modified to keep some trails open for use. This provided a good example of the ground personnel recognizing special conditions and modifying practices to accommodate those conditions.

Block 112 was visited next. This block is part of the allocation of an independent operator, Blane Behnke's 1.7% allocation. Blane joined the audit group for the review and discussion of the in-progress operation. Harvest layout was performed according to direction provided by the NDPEG and included 22 ha of leave patches (5 ha of insular and 17 ha of peninsular) and the retention of at least 25 stems per ha in the harvested areas. Wood fibre from this from this harvest block was being delivered to a variety of

processors to secure the best value with white birch logs going to Pre-cut and large poplar logs going for veneer. The other poplar logs had not yet been sold.

The harvest block was on a small piece of Crown land completely surrounded by private land. The application of the NDPEG in this setting caused concern for the operator about the economic impacts on harvest operation (substantially less volume per road kilometre) and whether or not the implementation of the guidelines resulted in better emulation of natural disturbances. The validity of the concern is supported by the fact that the guidelines were developed using disturbance pattern data from the boreal forest and was implemented in the Great Lakes-St. Lawrence forest setting.

Next stop was the white pine competition study site at Suzy Lake. Al Stinson led the group looking at the re-establishment of white and red pine under a uniform shelterwood. This is a cooperative effort with funding from OLL, OMNR, Canadian Forest Service, TEMBEC, and the Canadian Ecology Centre. Several early and significant findings have resulted from the studies regarding spacing in shelterwood cuts and the impact of competition on establishment and growth of white pine reproduction. For example, the studies have demonstrated that early chemical treatment for herbaceous competition reduces the need for subsequent treatments.

Block 107 was visited next. This area was marked for a first removal cut in the fall with full tree logging. The full-tree logging requires additional monitoring to assure that residual stand damage does not occur and that landing size is not excessive. Aerial herbicide application is planned for the control of heavy competition with mechanical site preparation timed to take advantage of the stress seed crop. Five goshawk nest sites were found during block layout and were protected with appropriate AOC prescriptions. The prescription was modified to leave 70% crown cover. This recognition and modification once again demonstrated the interest in protecting wildlife values in the forest.

Also visited in the same block was a first removal cut where the prescribed half crown spacing was not achieved. Re-entry is planned to improve spacing and release regeneration, and to interplant areas lacking adequate regeneration. Aerial application of herbicide is planned in the area to control vegetative competition and obtain red pine survival.

Wayne Smith, regeneration consultant joined the group to lead a tour of planting trials and silvicultural effectiveness plots. The regeneration trials looked at the impacts of 1 and 2 year-old seedlings, cold storage versus winter outdoor storage, depth of planting, mycorrhizal fungus application, and nutrient spiking with soil application of nitrogen. This work is being done to establish a system to inventory for regeneration on the Nipissing Forest. There is currently an Operational Regeneration Survey being conducted on 20-30 K ha to do an ocular survey to declare the free-to-grow status to areas to add these back into the inventory.

The next stop was the McConnell Lakes Campground managed by Andy Montreuil. This is an example of the OLL creating opportunities for First Nation management. Andy also works as a silvicultural contractor for thinning and tree planting.

July 6 Evening— The group for the evening consisted of Walter Mark, Peter Higgelke, Peter Street, Ric Hansel, and Norm Cotham.

Evening discussion was utilized to complete the review of the CAR's and Recommendations from the Certification Audit. Initial audit team reactions and recommendations were discussed.

July 7 Morning— The field group for the day consisted of Walter Mark, Peter Higgelke, Peter Street, Iam Kovacs, and Tom Boudreau.

Traveling to Block 123 the route led along Murical Road. The road right-of-way is deeded to the municipality which shares in the timber revenue based on the percentage of the cut that comes from the ROW. NFRM notifies MNR and credit for the revenue is in the invoice for payment.

Block 123 was visited as an active operation and James Ranger of Madadjiwan First Nation joined the group to participate as the timber operations boss. The present stand condition was a poplar dominated mixedwood with red and white pine. With the intent to favour a pine-dominated future forest condition, the prescription was to retain residual pine for seed and to plant. Skidding with grapple skidders was used to provide better seed bed preparation; however, skid trail density appeared to be a potential problem in some areas. Residual tree damage was observed at a higher than expected rate. This appeared to be from both the feller-buncher and skidding. We witnessed an improvement in areas of the unit that were harvested later, indicating a realization and correction of the problem. Cross drains on interior truck roads in the unit were not maintained well and some plugging appeared. The variety of products coming from the sale was good with sawlogs, pulpwood, poles, and veneer logs are designated.

The last field observations occurred on the return to Callandar with the observation of the Ottawa/Mattawa River System, which is one of the areas designated as a potential HCV. This area was proposed to the OLL Land Use Strategy to become a park/protected area and this recommendation was accepted in the 1999 review process.

July 7 Afternoon—Review with NFRM staff of audit findings with respect to its meeting the terms of the CARs and Recommendations issued as part of the initial award of certification in 2003.

The scope of the 2004 surveillance audit included: document review, field auditors spending time in the field reviewing site-specific results of planning and forestry activities, interviewing management and operations personnel and, as appropriate, interacting with outside stakeholders.

2.4 Guidelines/Standards Employed

For this annual audit, the SCS auditor team evaluated the extent of conformance with the FSC Standards for Well-Managed Forests in the GLSL Forests of Ontario and Quebec, May 2004, Draft 1.0.

3.0 RESULTS, CONCLUSIONS, CORRECTIVE ACTION REQUESTS AND RECOMMENDATIONS

This results section is divided in two sections: 3.1 details the status of conditions that were issued at the time of award of certifications; and, 3.2 details new observations, CARs, and recommendations.

As a result of this annual audit, the team has:

- 1) closed out 5 conditions from 2003
- 2) continued 3 conditions from 2003- although the original due date for compliance with two of these conditions had expired- SCS concluded that the original one-year time frame was too short considering the complexity of the task at hand and that substantial progress has been made.
- 3) stipulated no new corrective action request (CARs)
- 4) closed out 9 Recommendation from 2003
- 5) continued no Recommendations from 2003
- 6) Issued 3 New Recommendations for 2004

3.1 Status of Extant Conditions as a Result of the 2004 1st Surveillance Audit

The conditions issued at the time of award of certification are listed below, along with the audit team's assessment of NFRM's response thereto, and the disposition of the conditions as a result of the certificate holder's responses.

Condition 2003.1:

Within 1 year of award of certification, NFRM, in consultation with interested First Nations, must formalize its organizational commitment to continuing and productive working relationships with local First Nations in a comprehensive First Nations policy statement.

This must include, at minimum, documentation of the following elements:

- A description of long-term strategic direction and management intent;
- The identification of specific opportunities, targets and objectives for First Nations participation in forest management and a process for monitoring achievements and progress;
- A policy for compensation for the application of traditional ecological knowledge in management planning;
- Program and procedures for improving the current understanding and documentation of Native values on the Forest;
- A description of NFRM's approach to facilitating broader community involvement and/or understanding of forest management and opportunities for participation - including an improved understanding of FSC and its implications for management; and
- Evidence of endorsement by NFRM Board of Directors and interested First Nations.

The policy statement should preferably take the form of a stand-alone document that can be used as a communication tool and distributed to interested parties upon request. It may build on and incorporate many of the elements of the forest management planning process and the existing FMP.

Company Action/Auditor Observation:

NFRM chose to pursue an "Agreement of Understanding" with the First Nations in an effort to formalize its commitment to working with First Nations. NFRM shareholders agreed to this strategy. This pursuit was seen by the auditors as an indication by NFRM of its intent to ensure commitment to the First Nations. Although all First Nations were approached with the agreement, only one (Antoine) signed. Negotiations with other First Nations were continuing. The determination to sign or not lies with the First Nations and not NFRM. First Nations have been invited to all the planning meetings and First Nations representatives have been present at all the planning sessions. First Nations representatives participated in the annual audit and to encourage this participation, NFRM paid their salaries for the time involved. The actual and planned allocations to the First Nations have been increased from an overall level of 7.4% to 10% in the FMP. Examples of current First Nations logging operations were visited in the audit. Additional examples of silvicultural contracts past, present and planned were discussed. The information and observations provided by the audit demonstrated a concerted and genuine effort on the part of NFRM to conform the CAR.

Status at July 07, 2004:

This condition is **closed** as a result of this annual audit.

Condition 2003.2:
<p>Within 1 year of award of certification, NFRM, in full co-operation and consultation with interested First Nations communities, must develop and implement a program that contributes to the improved identification and documentation of Native values in areas where forest operations are scheduled to occur. The intent of such a program is:</p> <p>1) to add to the existing body of knowledge with respect to Native values on the Nipissing Forest; 2) to contribute to improvements and refinements in the current modeling approach; and 3) to ensure that native values on the Forest receive appropriate protection.</p> <p>Conformance with this CAR will be ascertained through SCS' review of a written briefing report of the actions taken and confirmation that the plan is being implemented.</p>
Company Action/Auditor Observation:
<p>NFRM has implemented an AOC prescription in the 2004-2024 FMP to address protection of native values on the Nipissing Forest. The planning process included an opportunity for all First Nations to update the native values information in the data base. A NFRM RPF visited all the First Nations to present the native values map as part of the update process. The updated information was shared with Rene Carrier, Provincial Archaeologist, OMNR, and she is working on new modelling based on this update. The NFRM manager is the Ontario Forest Industry Association (OFIA) representative on the provincial committee established to rewrite the cultural heritage guidelines related to forest management activities. Additional specific activities undertaken as part of NFRM effort are listed below:</p> <ul style="list-style-type: none"> • NFRM's "Agreement of Understanding" proposed for all First Nations within the Nipissing Forest and signed by Antoine First Nation includes measures to identify and protect Native values. • Areas identified through the High Potential Cultural Heritage modelling as high potential were investigated by an archaeologist with First Nation participation. • NFRM staff participated in Native Awareness training provided by the Union of Ontario Indians • NFRM co-hosted an Aboriginal & Cultural Heritage Values workshop in North Bay
Status at July 07, 2004:
This condition is closed as a result of this annual audit.

Condition 2003.3:
Within 6 months from award of certification NFRM must cause to be implemented those parts of the Occupational Health and Safety Act that pertain to the selection of at least one health and safety representative and the performance of duties of that person with respect to the Act.
Company Action/Auditor Observation:
NFRM has identified Michel Laliberte as its Health & Safety representative. A letter confirming certification by Ontario Forestry Safe Workplace Association upon completion of a formal evaluation (March 2, 2004) was sent to NFRM on July 19, 2004. Evidence of an on-site inspection of an NFRM silviculture contractor according to guidelines of the Ontario Forestry Safe Workplace Association further supports SWO Certification. NFRM has developed a number of Health & Safety Policies and initiated a series of procedures related to health & safety including training and meetings with contractors. A section on safety policies, which includes a matrix of responsibilities for staff, silviculture, and contractors, has been added to all contracts. A process for recording all safety violations has been implemented. This process includes reporting to MNR if repeated safety violations occur.
Status at July 07, 2004:
This condition is closed as a result of this annual audit.

Condition 2003.4:
Prior to completion of the new FMP, special prescriptions and protection strategies for uncommon hardwood tree species, as listed in Appendix XI of the Standard, must be developed, documented, and implemented.
Company Action/Auditor Observation:
NFRM's response is provided in the 2004-2024 Forest Management Plan by listing species and its strategy to protect them (pages 3-15 and 3-16). The species are: "Locally rare tree species such as silver maple, white elm, black cherry ironwood and burr oak". The strategy outlines training tree markers in the identification of these species and ensuring their retention. Natural regeneration will be promoted and their presence is to be tracked spatially. There was limited opportunity to observe the implementation of this in the marking of trees.
Status at July 07, 2004:
This condition is closed as a result of this annual audit

Condition 2003.5:
Within one year from award of certification, NFRM must develop, implement, and document procedures that ensure that there is no net decline of current levels of 121 year and older white pine over the next 100 years. These procedures must demonstrate management objectives that will increase the presence of old growth white pine to a minimum of 10% of the white pine forest unit on the NFMU in the long term.
Company Action/Auditor Observation:
NFRM established an Old Growth Task Force with specialists and environmental group representation to address the old growth issues. These were incorporated into the 2004-2024 FMP. Goals were set for all forest components and these were incorporated into the modeling effort. The model shows that there will be greater than 12% old growth white pine in 100 years. This is up from the current level of 9%.
Status at July 07, 2004:
This condition is closed as a result of this annual audit.

Condition 2003.6:
Within 3 years of award of certification, NFRM must develop, assure funding for, and implement an ongoing actual forest inventory system to supplement and test accuracy of modeled growth rates and regeneration estimates. The highest priority for this inventory is in complex forest types such as the mid-tolerant hardwoods.
Company Action/Auditor Observation:
NFRM has made good progress toward meeting the overall condition. It continues to participate in a research partnership with the Canadian Ecology Centre with a focus currently on yellow birch. Growth and yield plots have been established to examine impacts of spacing and group selection. Site preparation methods are also being evaluated in these plots. Some changes in marking, especially for retention of overstory red oak and yellow birch, while removing understory, have been implemented. Wayne Smith has been retained to work on establishing a system of permanent plots and to look at silvicultural effectiveness monitoring. Temporary and permanent plots are being established to compare various silvicultural practices. Evaluations of various nursery practices and planting practices and their impact on forest renewal success is being evaluated with field trials.
Status at July 07, 2004:
This condition remains open. Good progress is being made toward meeting the condition.

Condition 2003.7:
Prior to completion of NFRM's 2004-2009 management plan, NFRM must expand upon the HCVF consultative process conducted to date (ensuring that representation gaps as described in the Great Lakes St. Lawrence Standards are addressed) and implement management prescriptions and monitoring techniques for continued protection of identified attributes. This HCVF policy must be integrated into the 2004-2009 management planning process.
Company Action/Auditor Observation:
NFRM hired Tom Clark to work on the HCV identification and management prescriptions. Funding for this was jointly from OLL and NFRM. The report has been presented to NFRM; however, the plan has not been fully implemented. Training packages for field recognition have been produced and are in use. The 2004-2024 FMP has already been implemented and the new HCV prescriptions are not fully part of the FMP. The assessment was completed prior to the adoption of the 2004-2024 FMP. and is included in the objectives and strategies section. The FMP must comply with the format standards of the OMNR and does not easily accommodate all the material specified in the CAR. There are plans to incorporate the HCV information into the website. There are AOCs mapped and prescriptions for them in place. These are all included in the HCV plans and include cultural sites, moose habitat, and rare plant species. Many areas that would have been HCV's were identified in the OLL review program in 1999. These were identified and have been protected since that process awaiting action of the OMNR. Conservation Reserves were also set up as a part of the 1999 process. The Conservation Reserves are no cut areas and are excluded from management considerations of NFRM.
Status at July 07, 2004:
This condition remains open with an extension of one year . Good progress is being made toward meeting the condition; however, not all aspects of the HCV identification, prescription, and monitoring plan have been implemented. This needs further review in the next annual audit. Some portions of the HCV requirements were completed in time for inclusion in the 2004-2024 FMP.

Condition 2003.8:
In the absence of the province completing its network of representative protected areas, NFRM must, within one year from award of certification, take necessary steps to engage in the candidate selection process. It is recommended that the process uses the Room to Grow report as a reference and includes: identification of candidate areas; delineation of candidate areas on maps; strategies and timelines; and removal of the candidate protected areas from the landbase for the 2009 Plan. If is not necessary for NFRM to recalculate the AHA for the 2004 Plan, however, the 2009 Plan must be adjusted accordingly.
Company Action/Auditor Observation:
NFRM has made good progress toward meeting the overall condition. The FSC standard places the burden of doing this work on the SFL holder if the MNR does not complete the network of representative protected areas. NFRM participated in the OLL process in 1999 and 41,231 ha of productive forest was given protected status in that process. There are a large number of existing and proposed provincial parks and conservation reserves on the Nipissing Forest. While some of the areas are yet to be regulated, all have been withdrawn from the operable land base of the Nipissing Forest and are now afforded protection. NFRM should continue to engage the OMNR in discussions to stimulate the province to complete a peer reviewed gap analysis. The OMNR identified a Room to Grow Task Force Team in 2003, which will be leading the coordination and completion of the Room to Grow targets in the province. The HCV report was completed by the consultant, Tom Clark, in April 2004. This report identifies areas and features that are designated as HCV and others that are potential HCVs. The report identifies the characteristics of the HCV; the responsibility for monitoring and inventory; a detailed management prescription; and the current monitoring for compliance, effects, effectiveness, and status. Additional time and an extension of the CAR are appropriate to allow for implementation of the HCV Report and for the Room to Grow Task Force to make substantial progress in their efforts.
Status at July 07, 2004:
This condition remains open with an extension of one year.

The recommendations issued at the time of award of certification are listed below, along with the audit team’s assessment of NFRM’s response thereto, and the disposition of the recommendations as a result of the certificate holder’s responses.

Recommendation 2003.1:
NFRM should make concerted efforts to ensure that stakeholders and forest managers (e.g. MNR) are familiar with the Forest Stewardship Council evaluation process and implications for management.
Company Action/Auditor Observation:
NFRM has worked successfully towards meeting this recommendation. Ontario has adopted a new provincial policy, which dictates that all SFL holders must be certified by an approved certification entity. FSC is one of these entities. Within the planning process, a great deal of work has been done with First Nations, including increased allocations, silvicultural contracts and inclusion in the updating of the planning data base. First Nation representation was evaluated during the audit team field review. The LCC has also been informed about the FSC process and has participated in the annual review field trip. A representative of the OMNR was included on the annual audit process as well. In addition, two other SFL managers were invited and participated in the annual audit. The FSC Certification Report was provided to the OMNR district office for distribution.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.2:
Improve public awareness of the trespass problem, educate the public, the judicial system, and the local mills on the long-term ramifications of illegal logging.
Company Action/Auditor Observation:
NFRM has been working diligently in this area. The OMNR has implemented a press release about the trespass problem and has initiated a TV campaign to increase public awareness. Some trespass cases have been prosecuted and a local investigation is ongoing. There is currently a trespass case underway against NFRM, which was submitted by an adjacent landowner. This trespass occurred before the boundary location process was established. This process should prevent future occurrences of this type. NFRM has attempted to settle this case but it is still pending resolution. To help prevent trespass in the future, OMNR should improve the ownership layer provided to the SFL. OMNR should provide additional layers for use in preventing trespass, such as LUPs, and provide these in a timely manner.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.3:
The MNR North Bay District staff should make a strong commitment, preferably in writing, to supporting the NFRM FSC certification.
Company Action/Auditor Observation:
An announcement was made by the Minister of Natural Resources that all SFLs in the Province must be certified by 2008. Bill Hagborg, District Manager, OMNR North District sent a letter dated July 9, 2004 strongly supporting the FSC certification by NFRM.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.4:
NFRM should collect and review operating procedures related to health and safety from each shareholder to develop a set of Best Practices, and ensure they are applied consistently to all contractors operating on the Forest.
Company Action/Auditor Observation:
NFRM has a new policy statement related to health and safety for all contractors. Silvicultural contractors must adhere to these policies due to their contractual relationship with NFRM. Overlapping licensees are offered training and provided with the new policy documents; however, they are responsible for their own health and safety procedures and NFRM has no authority over them.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.5:
NFRM should demonstrate that it has considered full cost accounting and is making tangible progress towards meeting an implementation goal.
Company Action/Auditor Observation:
NFRM has made significant progress towards full cost accounting and is continuing to move towards the use of this method. The 2004-2024 FMP considers several alternatives while determining which will be the selected management alternative. Renewal rate calculations are done related to the selected alternative.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.6:
NFRM should consider implementing a method of preharvest site inspection, for harvest blocks planned for clearcutting that includes a focus on areas of high potential for the presence of non timber values. The method should provide a similar level of assurance that non timber values will be identified and protected as that provided in blocks where tree marking has taken place.
Company Action/Auditor Observation:
The <i>Forest Management Guide for Natural Disturbance Pattern Emulation</i> , implemented in 2003, covers this recommendation. Several examples of the recognition and protection of non-timber values during sale preparation and logging were observed throughout the field review. These included nesting sites, moose habitat, AOD boundaries, and wildlife den sites.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.7:
NFRM should encourage OMNR to work with the adjacent SFLs and private forests and initiate landscape modelling on a regional scale that would assist in better forest management.
Company Action/Auditor Observation:
The OMNR is in the process of developing a Landscape Level Guide. NFRM participates on a committee that provides input to the forest industry representatives on the writing team. There has been a meeting between the SFLs and OMNR to discuss this. These actions meet the intent of the recommendation.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.8:
The policy to phase out the use of pesticides over time needs an action plan developed to start the reduction process. By identifying and tracking types of herbicide use, NFRM can more accurately show the decline in the use of herbicides and the increased use of more friendly alternatives, such as manual tending.
Company Action/Auditor Observation:
NFRM has engaged in extensive research with the research partnership in order to determine the appropriateness of herbicide use. Considerable analysis of the results, including the publication of those results, has substantiated the efficacy of the herbicide use program, particularly in red and white pine restoration efforts. One study showed that through the application of herbicide early and at appropriate times, the total number of applications can be reduced. This research finding should lead to a reduction in the amount and frequency of herbicide use in restoration activities. The requirement to increase the area of red and white pine in the Nipissing Forest will involve further restoration activities. These restoration activities depend upon herbicide to successfully establish red and white pine. Therefore as long as the SFL is charged with restoring the former acreage of red and white pine, there will be a dependency on herbicide use. The NFRM has summarized all the use of herbicide from 1999 through 2004 and the amount used for restoration was identified.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

Recommendation 2003.9:
NFRM should develop a systemic approach to identifying and monitoring gaps in training for proper implementation and maintenance of the 2004-2009 management plan.
Company Action/Auditor Observation:
A new 2004-2009 Compliance Strategy and Plan for the Nipissing Forest has been adopted. This document details a systematic approach to training and implementation for the five year period. Annual reports provide the necessary monitoring to assure compliance with the plan.
Status at July 07, 2004:
This recommendation is closed as a result of this annual audit.

3.2 Additional Observations, CARs and Recommendations

In addition to the review of outstanding Conditions, the audit focused on LIST ISSUES- EITHER AS TOPICS (E.G., BIODIVERSITY MEASURES) OR SPECIFIC PRINCIPLES AND CRITERIA (E.G., PRINCIPLE 3. Observations related to these Principles are detailed below:

Additional CARs

Based upon this audit, the SCS team concludes that the issuance of no new Corrective Action Requests (CARs) is warranted.

Additional Recommendations

Based upon this audit and the closing of some of the CARs, the SCS team concludes that the issuance of 4 new recommendations is warranted:

Background/Justification: The SCS Team noted that the efforts made to develop continuing and productive working relationship agreements with the First Nations have been progressing well. One agreement had been signed prior to the audit and another following the audit. The 2003.1 CAR has been met; however, continued efforts to obtain additional agreements is the subject of the new recommendation. NFRM has demonstrated compliance with FSC Criterion 3.4 by their efforts, including the payment of the salary of the First Nations' representative on the audit field evaluation. Since completion of agreements with First Nations requires the interest and approval by the First Nations, NFRM must continue the effort to obtain productive working relationship agreements with all appropriate First Nations.	
Recommendation 2004.1	NFRM should demonstrate continued efforts to reaching agreements or other arrangements with all First Nations on the Nipissing Forest.
Reference	FSC Criterion 3.4
Deadline	Next annual audit, summer 2005

Background/Justification: The SCS Team observed severe residual stand damage, problems on cross drainage structures on tertiary roads, skid trail location and coverage problems, and poor application of the tree marking guidelines in Block 123.	
Recommendation 2004.2	Improved oversight by NFRM should be implemented on forest operations, operations layout, and implementation to reduce residual stand damage, improve installation, care and maintenance of cross drainage structures during operations, improve skid trail layout, and assure that the tree marking guidelines are correctly applied prior to harvest. A training program for tree markers should be implemented and monitoring of their mark in sale preparation should be done. This will be demonstrated by field review of logging operations.
Reference	FSC Criterion 5.3
Deadline	Next annual audit, summer 2005

Background/Justification:

The SCS Team observed a trespass issue by NFRM onto adjacent land owner's property during the audit. There is a pending lawsuit and countersuit to settle the trespass. The trespass occurred due to an inaccurate boundary location on the ground. The ownership layer provided to the SFL by the OMNR is often inaccurate. OMNR must work to improve the accuracy of this information. Another potential trespass issue may arise if new LUPs are established and the SFL is not notified by OMNR and provided with timely and accurate data showing the location. A new boundary location approach has been implemented by NFRM in an attempt to prevent further trespasses until accurate data is acquired. As well, NFRM

Recommendation 2004.3	NFRM should work more closely with the OMNR to obtain accurate data related to land ownership and the establishment of LUPs. NFRM should also continue to use the new boundary location methodology to prevent future trespass conflicts.
Reference	FSC Criterion 1.5
Deadline	Next annual audit, summer 2005

3.3 General Conclusion of the Annual Audit

Based upon information gathered through site visits, interviews, and document reviews, the SCS audit team concludes that NFRM's management of its concession on the Nipissing Forest continues to be in overall compliance with the FSC Principles and Criteria. Although aspects of NFRM's management program remain deficient relative to the standard of certification, the SCS audit team has concluded from this annual audit that NFRM's management is in general compliance with FSC Principles 1 through 9.

As such, continuation of the forest management certificate is warranted, subject to ongoing progress in closing out the conditions and CARs, and subject to subsequent annual audits.