



**FSC Certification Report for the
2005 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: June 20 & 21, 2005
Date of Report: August, 2005**

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1.0 GENERAL INFORMATION

1.1 BACKGROUND INFORMATION

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Contact: Peter Street; General Manager
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1.2 General Background

This report covers the second annual 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 around 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. Timber harvesting has been occurring on the Nipissing Forest 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*), 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 and 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, white-tailed deer, black bear, pine marten, northern flying squirrel, pileated woodpecker, 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 plan and 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 a minimum 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.

1.4 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 - 2024 Forest Management Plan. 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

Two additional agreements were signed with First Nations. All five First Nations participate in the North Bay Aboriginal Group meetings with NFRM and MNR. This group meets four times per year on selected topics. Topics in the past have included native values and ground hemlock harvesting.

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

1.5 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.

1.6 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.

The 2005 audit investigated the manner by which NFRM could 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. At that time 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. All of the Recommendations and all but three of the CARS from 2003 certification audit were closed as part of the 2004 annual audit. Three additional recommendations were issued as part of the 2004 annual audit. Preparations and supporting material provided by NFRM in response to the actions taken to address the CAR's and recommendations was again outstanding. NFRM clearly has made a concerted effort to address the issues raised by the certification and annual audits. 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 in 2004 very extensive. The annual audit in 2005 was less extensive, since there were only three CARS and three Recommendations outstanding.

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 acted as lead for the 2004 Nipissing annual audit.

Peter Higgelke: Consulting Forester, Managing Partner of KBM Forestry Consultants Inc. (Ontario). As a principal in KBM, Mr. Higgelke specializes in forest auditing, forest management planning, forest inventory, wildlife habitat supply analysis modelling, business plan preparation, timber harvesting, 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 and participated in the first two annual audits.

2.2 Assessment Dates

June 20 & 21, 2005.

2.3 Assessment Process

The SCS annual audit field evaluation commenced in the morning of June 20 and concluded in the morning of June 22, 2005 with an in transit meeting with Peter Street, Walter Mark and Peter Higgelke. Activities associated with the evaluation were as follows:

June 20 Morning—The annual audit began at the office of Nipissing Forest Resource Management Inc. with a brief discussion about the direction of this year’s audit with respect to required corrective actions and recommendations, and then an overview of the field stops. NFRM staff included in the meeting was Peter Street, Ric Hansel, Norm Cotham, Michel Laliberte, Tom Boudreau, John Yarlasky, and Frank Simard. Peter Street and John Yarlasky from NFRM and the audit team then proceeded to the Klocks Lake Road for Stops 1 through 4.

Stop #1 was located at Block 129 and the field group was joined by Ian Kovacs of NFRM; Andy Strong, a silvicultural contractor; Rob Baker, MNR; Tom and Shannon Clouthier, Hec Clouthier & Sons; Claud Goulard, Goulard Lumber; and Rene Bourgoin; Grant Forest Products. The area was harvested in the spring of 2004 and was one of the first for the harvest licensee, Tom Clouthier & Sons, following the Natural Disturbance Pattern Emulation Guidelines. Slash had been piled and burned in the area and tree planting to red pine and white pine had occurred in the spring of 2005. A follow-up herbicide treatment is planned for the site to release the pine from expected hardwood ingrowth, as part of the rehabilitation site standard to increase the pine component.

Discussion regarding NDPEG and its impact on planning and harvesting was engaged at the site. The licensee had applied an overly conservative approach for the application of NDPEG resulting in more than the required number of residual trees (25 per ha) being left post harvest. The company has decided to return to “normal” operating procedures, believing that the 25 required residual trees per ha will be attained. NFRM captured the insular and peninsular requirements of NDPEG with stream buffers and wetland areas.

Stop #2 demonstrated an “exceptions monitoring program” where NFRM had identified full tree skidding of finely branched trees in a shelterwood. As this practice is not recommended in the silvicultural guides, it becomes an exception and therefore requires monitoring to ascertain impact of the practice. Andy Strong indicated the monitoring methods included the location of one plot per 2 ha in a rectangular grid of 100m x 200m. At each plot location, using a 2 BAF prism, all residual trees with a dbh ≥ 10 cm are recorded and wounding assessments are performed. For sapling size trees, a 5.64m radius plot (100m²) is established at the same location and at points half way between, to assess and record damage. Comparisons between felling and skidding (cable vs grapple)

techniques are being completed. Results of the monitoring are leading NFRM to harvesting prescriptions in these types of stands. NFRM's monitoring program and plans to use the results demonstrates the company's commitment to adaptive management. Some changes that have been implemented already include operator meetings to provide training on exceptions logging with stoppage guidelines; inclusion of operators in compliance meetings; daily meetings with skidder operators; and a reduction in the number of chokers used on skidders to lessen problems of residual stand damage.

Stop #3 was an area scheduled for manual tending in a white pine shelterwood. The area had been harvested in 1995 and mechanically site prepared in 1996. A first removal cut was performed in 1998. Chemical tending with Release (4l/ha) was done in 2000. Regeneration survey in 2004 showed white pine regeneration of 20,000 to 30,000 stems per ha. The area is scheduled for manual tending where crews will be instructed to retain some poplar for future wildlife trees showing NFRM's commitment to forest health.

Unscheduled stop where unmerchandized parts of trees were being dumped on old landing sites to clean up a merchandized yard Land Use Permit area. The LUP was expiring at the end of the month on conditions of it being cleaned up. As part of the "clean up", the permit holder was removing material from the LUP and depositing it on the old landings.

Stop #4 was located in Olrig Township and consisted of NEBIE research plots and yellow birch restoration efforts. Al Stinson of the Forestry Research Partnership joined the audit group at this stop. The NEBIE project is a partnership between the Ontario Ministry of Natural Resources, the Forestry Research Partnership, NFRM and the University of Guelph (<http://www.ulern.on.ca/nebiepublic/NEBIEpublic.html>). The objective of the NEBIE project at this site is to determine the impacts of various silvicultural regimes (natural, extensive, basic, intensive and elite) on the development of high quality yellow birch forests from low quality hardwood stands. NFRM staff have found stands in which the yellow birch component is high enough to permit conversion to this mid-tolerant hardwood. Six replications of the range of treatments are applied in 2ha treatment blocks. The cooperative effort speaks to a commitment to increase the presence of yellow birch stands on the Nipissing Forest by all of the partners to the research project. Approximately 450 ha were completed in the past year, with 1500 ha planned. This work was completed with First Nation contractors with funding from a Forestry Futures Grant. NFRM matches the funds on a 25% basis. The cost of the treatment ranges from \$325 to \$350 per ha.

Stop #5 was located in Lauder Township and provided a sample of NFRM's hardwood management program. The area was managed under hardwood selection and had been harvested as a final removal. The general condition of the forest was poor quality and low yields (58.35m³/ha: 43m³/ha hardwood pulp; 15m³/ha sawlogs; remainder veneer) with 90% of the trees being of poor quality. Tree markers discovered rock piles indicating that the site had once been settled. The site was immediately marked for deferral from harvest and the MNR notified of a potential heritage site. On another area of the same site, the audit team observed a small fire started from sparks from the tracks of logging equipment. The operator was notified to stop operations by noon; however, the crew was not informed and the fire resulted. The logging crew put out the fire. A small amount of rutting, below the standard limits was noted in the same area as the fire. NFRM has adopted the Algonquin Park standards, which exceed the FSC standard and are planning to raise the standards beyond that level.

June 21 The entire day was spent in the field viewing sites that had been part of recent NFRM activities. The field group for the day consisted of the audit team, Walter Mark and Peter Higgleke; NFRM staff including Peter Street, Ric Hansel, and Michel Laliberte; Guylaine Thaurette and Rob Baker from MNR; Faye Johnson from Grant Forest Products, Inc.; Clayton Goulais, Forest Manager for Nipissing First Nation, Rene Bourgoin and Claud Goulard.

Stop #6, the first stop of day 2, was in Block 22 of operated by Goulard Lumber Ltd. Nicole Signin, a Goulard Lumber consultant joined the group for this stop. In the first part of this block we reviewed a timber harvest that was one of Goulard's first attempts under NDPEG. As with Tom Clouthier & Sons' site, an excessive number of residuals were left after harvest (50 vs the required 25 per ha). With experience the numbers will more closely approach the requirement. The management in the future will include planting red, white, and jack pine in the future to increase the pine component as part of the forest management plan to rehabilitate 30 to 40% of the birch/poplar type.

The second part of the block was a white pine site with red pine strips. The trees were 72-85 years old with significant white pine and white spruce advanced understory growth. Tree marking for a seed cut had occurred but there were no immediate plans to harvest the site. Discussion included reserving the site for harvest if required since access was in place.

Stop #7 was located in Goulard Block 10 and was divided into three separate components. On the first part, controls to motorized access were put in place after consultation with tourism lodge owners in the area. The road was an extension to the Namasang Road, and followed an old mining trail, crossing through an AOC to protect a Cultural Heritage value. In order for operations to be permitted to cross through the AOC, NFRM retained the services of an archaeologist to assess the site. Road decommissioning will occur after it no longer is required for forestry purposes with a subsequent three-year monitoring program.

The second part of this stop was spent reviewing a harvest on a mixed jack pine black spruce area with a component of white pine. The white pine was retained as residual to meet the requirements of NDPEG as well as providing a seed source. Openings (e.g. landings) were to be planted to white and red pine. Insular and peninsular requirements of NDPEG were met with moose habitat patches

On the third part of this stop a water crossing and accompanying AOC were examined. The water crossing was a wooden structure that used filter cloth and no cribbing. The stream bed itself had not been disturbed by the installation. No grubbing had occurred within the AOC. All required water crossing and AOC conditions had been respected.

Stop #8 was located in Grant Block 14 which had been harvested in 2002, during the term of the last FMP as a seed tree cut. The area had been mechanically site prepared with chains in 2003 to create suitable microsites for germination and establishment with patchy results. The NFRM staff present engaged in proactive discussion focusing on follow-up treatments to ensure successful forest renewal.

The second part of this stop was in an area where a tree plant had occurred in the spring of 2005. The site had contained a mixture of over-mature jack pine, white pine and a mixture of hardwoods. The white pine were retained for seed trees while the objective was to return the site to the jack pine forest unit. The tree plant was performed by a First Nation group with small jack pine stock (5cm). Results were encouraging from a number of perspectives including the retention of white pine to maintain its presence in the stand.

Stop #9 was a jack pine harvest area which had been left for natural regeneration. The site was located in Grant Block 17.

Stop #10 involved discussions in a potential spruce budworm salvage area. Spruce budworm had damaged or killed much of the balsam fir and white spruce component of an area of several mixed wood stands. An FMP amendment was in process although discussion among the group was divergent with respect to the suitability of harvesting the site since a high component of aspen was present.

Stop #11 was a Free-to-Grow area which had been harvested in 1999 and planted to red pine. A chemical treatment was applied in 2003 for the part outside of a 120m cold water stream buffer within which manual tending was implemented. Stocking results

were variable although sufficient to be classified as Free-To-Grow since minimum standards had been attained.

Stop #12 was a harvest block for the Nipissing First Nation. The number of merchantable species present on the block and the large number of products, over 30, was high requiring large separation and merchandizing landings. The block had been started in February, 2005 and was still being operated. A good example of retention of moose late winter habitat retention was observed. The First Nation operation had been experiencing a high degree of operator turn over, requiring frequent integration of new people into the operation.

The scope of the 2005 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.

A brief summary of the 2004 annual is as follows:

- 1) Five conditions of the 2003 audit were closed.
- 2) Three conditions from 2003 were extended, 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) No new corrective action request (CARs) were stipulated.
- 4) Nine Recommendation from 2003 were closed out.
- 5) No Recommendations from 2003 were continued.
- 6) Three new Recommendations were issued in 2004.

The 2005 audit team then needed to investigate three CARs and three Recommendations. In summary, the 2005 annual audit saw the audit team complete the following:

- 1) One condition of the 2003 audit was closed.
- 2) Two conditions from 2003 remain open and one of those was extended for an additional year. SCS concluded that the original time frame was too short and that significant progress essentially meets the intent of the condition but not all the requirements for full compliance.
- 3) One recommendation from 2004 was closed.
- 4) Two recommendations from 2004 remain open with an extension of one additional year due to changes in conditions from the time of the 2004 annual audit.
- 5) Two new recommendations were issued for 2005.

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

The conditions issued at the time the 2004 surveillance audit 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 2003.6:
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 as evidenced by its participation in the NEBIE Project with particular emphasis on yellow birch stands. 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. NFRM also continues to support Wayne Smith in his work on establishing a system of permanent plots and to look at silvicultural effectiveness monitoring. NFRM still needs to demonstrate how this inventory data is used to supplement and test the accuracy of the modeled growth rates and regeneration estimates.
Status at June 22, 2005:
This condition remains open, since the original condition provided for 3 years for compliance. The progress that NFRM has made toward fulfilling this condition is obvious.

Condition 2003.7:
Prior to completion of NFRM's 2004-2009 management plan, NFRM must expand upon the HC VF 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:
Tom Clark was contracted to prepare a report and recommendations on 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. Due to the timing constraints, 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 were all considered in the HCV report. 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. Recently a solution for the gap analysis, with Provincial Parks completing the analysis, has been reached and the process can now move forward. NFRM worked extensively to facilitate this solution.
Status at June 22, 2005:
This condition is closed. A new recommendation with respect to HCVs has been developed as a result of this annual audit (REC 2005.1).

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 worked hard to resolve this issue through an agreement with the MNR to accept the Provincial Parks proposal to complete the gap analysis. This agreement has been reached and now the gap analysis can be completed to complete the network of representative protected areas.
Status at June 22, 2005:
This condition remains open with an extension of one year.

All recommendations from the original certification audit in 2003 were closed as a result of the 2004 annual audit.

The recommendations issued at the time the 2004 surveillance audit 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 2004.1
NFRM should demonstrate continued efforts to reaching agreements or other arrangements with all First Nations on the Nipissing Forest.
Company Action/Auditor Observation:
In 2004 NFRM had developed and finalized an agreement with the Antoine First Nation. At that time no others would sign. Meetings were held with the other First Nations and through discussions about the issues, NFRM found that the sticking point was that the agreement did not permit the First Nation signee to sell or subcontract its allocation. The agreement was subsequently modified and Matawa and Dokis First Nations have now also signed. NFRM contacted Antoine to discuss the agreement modification and the agreement with the Antoine First Nation was modified to match. This is very commendable progress in the area of agreements with the First Nation groups. As indicated by NFRM, they cannot force First Nation groups to sign, but should continue to work to achieve signed agreements with all FN groups. The Nipissing and the MaTemagami have not signed. NFRM meets four times per year with the North Bay Aboriginal Group and MNR to discuss selected topics of interest to First Nations. Topics of discussion to date include native values and harvesting of ground hemlock. NFRM needs to continue to work with the First Nations to provide opportunities in harvest allocations and other ways, such as funding of the archaeology study of a creek area and working with the First Nation to establish Canada yew harvesting contracts.
Status at June 22, 2005
This recommendation remains open.

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.
Company Action/Auditor Observation:
The auditors had no opportunity to observe operations by the contractor where damage was excessive last year, since that operator has not had any activity since then. NFRM has implemented exception monitoring program for full tree skidding and a comparison between that and tree length log skidding. They also compared conventional versus feller-buncher cutting. They have implemented “tail-gate meetings” with contractors to discuss residual tree damage. The licensees present on the audit indicated they had reduced the number of chokers on cable skidders to reduce residual stand damage as a direct result of findings of the monitoring program. NFRM implemented a tertiary road study to review installations, care, and maintenance. This is a three-year study with the MNR and no problems have been identified as yet. Skid trail layout has been reviewed and NFRM now walks and locates the skid trails. The

number of skid trails has been reduced to minimize residual stand damage. Training was conducted with MNR on the NDPEG marking. The results of monitoring in units with requirements for residual trees per hectare and insular and peninsular patches were included.
Status at June 22, 2005
This recommendation is closed.

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.
Company Action/Auditor Observation:
This continues to be an ongoing problem. NFRM has made some substantial efforts in this area. They have implemented a procedure to write to every adjacent landowner to attempt to achieve a sign-off on and boundary agreements where possible. Written evidence of negotiations with neighbours was provided. MNR has improved in providing information on LUP's with overlays. NFRM had a meeting with the MNR and amended a harvest plan as a result of the information. FIF-MNR changed their policy on access to information on ownership that makes boundary agreements much more difficult to work out. The Surveyor General was told about an error in a past survey and this has caused some land shifts and will cause some additional agreements to be worked out.
Status at June 22, 2005
This recommendation remains open.

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 one new minor 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 no new CARs should be issued and that the issuance of two new recommendations is warranted:

Background/Justification: The SCS Team noted that the efforts made to develop, provide for consultation, and implement HCVs, as outlined in CAR 2003.7 have been substantial. In spite of this the process has not been completed and HCVs have not been fully implemented nor incorporated into the forest management plan. The 2003.7 CAR has been closed as a result of the substantive efforts completed to date. Protection for the HCVs is provided through the 2004-2009 Forest Management Plan and the report prepared by Tom Clarke for NFRM. Continued efforts to provide adequate consultative input and fully integrate the HCV program is the subject of the new recommendation.	
Recommendation 2005.1	NFRM should undertake a broad based consultative process to gain support for the HCV process on the Nipissing Forest. The HCV identification, management, and monitoring of the HCVs must be fully integrated into the forest management planning process.
Reference	FSC Criterion 9.1, 9.2, 9.3, and 9.4
Deadline	Next annual audit, summer 2006

Background/Justification: The SCS Team observed limited rutting at one of the stops on the field tour. Discussions about the rutting included the current policy of a higher standard than required by the FSC standards; however, even higher standards seem to be appropriate, particularly in sensitive areas on the forest. Some skid trail location problems seem to exist on the forest and more guidance by the foresters working with the operators could provide substantially better skid trail planning and layout.	
Recommendation 2005.2	NFRM should develop and implement a plan to locate skid trails to minimize rutting potential. Operators need to be educated about skid trail location and rutting to enable determination by the individual of rutting potential and to discuss alternatives with the forester, such as relocation or halting work on an area until conditions change. NFRM should consider implementation of a higher standard for rutting in AOC's especially those near watercourses, RSA's, cottages, HCVs, and adjacent to parks.
Reference	FSC Criterion 6.5
Deadline	Next annual audit, summer 2006

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 the Crown land forests 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.