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**Bureau Veritas Certification
North America, Inc.
SFI Forest Management Audit Report**

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PQC Code	E01E
Contract Number	US1248870

Certification Audit:		Re-Certification Audit:	X	Surveillance Audit:	#	Scope extension audit:	
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Audit Summary

Introduction

This report summarizes the results of an initial renewal audit of Abitibi River Forest Management Inc.'s (ARFMI) SFI program for forest and land management conducted on the Abitibi River Forest, a large Sustainable Forest License in Northeastern Ontario. Craig Howard, RPF, Bureau Veritas Certification Lead Auditor conducted the audit of the forest on June 20-24, 2016. He was supported by Dr. Kandyd Szuba RPF, Phil Shantz and Brian Callaghan.

Audit Scope, Objectives and Process

The scope of the audit is "Management of Forest Lands". The audit was conducted against the SFI 2015-2019 Standard, Objectives 1 through 15. There were no substitutions or modifications of indicators. The two objectives of the SFI audit were to verify that the Program Participant's SFI Program is in conformance with the SFI Objectives, Performance Measures, and Indicators, and to verify whether the Program Participant has effectively implemented its SFI Standard program requirements on the ground. Standard Bureau Veritas Certification protocols and forms were applied throughout the audit as provided by the most recent version of the Bureau Veritas Certification SFI Auditor Handbook available on the auditor access website

Audit Plan

The field audit was undertaken June 20-25 2016. First Nations consultation were completed July 24-30. A copy of the audit plan was submitted to ARFMI in advance of the audit and then revised in response to field based information and interview schedules. A copy of the audit plan has been appended to this report (Appendix 1) and is retained on file at the Bureau Veritas office in Houston. The first day was spent on document review, covering management planning, GIS, information systems, and standard operating procedures. A preliminary site section sample was made prior to the audit. Three days were spent in the field visiting sites. 41 sites were inspected during the audit.

Company Information

Abitibi River Forest Management Inc. is a forest management company comprised of local shareholders with traditional harvesting or consuming rights on the forest and its predecessors. The shareholders include two large forest products companies (Tembec, and Georgia Pacific) and several

smaller companies who hold timber harvesting rights. This certification is limited to Sustainable Forest License 551832 and its approximately 3,300,000 hectares of Crown lands in Northeastern Ontario.

First Resource Management Group manages the forest under contract to the Abitibi River Forest board. First Resources is responsible for planning, coordination, and oversight on forest management on the Abitibi River Forest. The company maintains all the information necessary to manage the forest including, forest inventories, geographic information systems, compliance monitoring data, silvicultural activity information, harvest volume data and regeneration success data. First Resources operates a rigorous management information system which includes excellent operation procedures and supporting training materials

Audit Results

The audit began with a review of system documentation and information systems. Harvest levels were reviewed to ensure the company is harvesting at a rate consistent with its 2012 Forest Management Plan. Silvicultural records were reviewed for evidence that artificial regeneration occurs within two years of harvest, and natural regeneration within five. Silvicultural standards were reviewed. The company conducts an effective operations monitoring program including a formal internal audit and management review system.

The field audit include 41 sites that were the subject of recent operational activity (i.e. harvest, site preparation, renewal, tending, road construction or maintenance, values protection or free to grow assessment. The sites were selected to include samples from all geographic areas where operations had occurred in the past year.

Objective 1-Forest Management Planning: Management of the ARF follows the FMP Manual which identifies the process that must be followed to conserve biological diversity, as required by the Crown Forest Sustainability Act for Ontario, as well as the Endangered Species Act, Fisheries Act, Migratory Birds Convention Act, Fish and Wildlife Conservation Act and other legislation. A series of forest management guides reflect what must be done to comply with these Acts, including the Forest Management Guide for Conserving Boreal Forest Landscapes, and the Forest Management Guide for Conserving Biodiversity at the Stand and Site Scales.

The forest planning process includes mandatory use of a forest model, that projects forest growth, and the impacts of deletions (due to harvest or natural disturbances) on the sustainable supply of timber resource and ecological features such as wildlife habitat. The planning horizon is 100 years. The plan is optimized so that no critical ecological feature will stray within 20% of the expected bounds of natural variation over the course of the planning period. To date, harvest activity is less than 40% of the calculated annual allowable harvest volume.

Objective 2-Forest Health and Productivity: The results of field visits indicated that Abitibi River Forest Management continues to effectively implement its SFI program in the way it manages the forest. Regeneration treatments were in conformance with the standard. All herbicide applications observed during the audit were very well done, with no drift into off-target areas seen. Harvest sites exhibited minimal impact on soil productivity. Best management practices for water quality were very well implemented. Stand-level elements (e.g. residual structure) were present on all sites. Green-up compliance was observed on all sites, and utilization was generally well done. Field observations confirm that standards and best practices for soil conservation are being applied. The Company demonstrates the judicious use of chemicals and an effective application management program. All herbicide use proposals are published in local newspapers 90 days in advance of the

expected start of operations, and the reports on the exact amounts of herbicides used are published on line in the Annual Report completed by the company.

Objective 3-Protection and Maintenance of Water Resources: MNRF's Stand and Site Guide (2010) contains detailed standards, guidelines and BMPs for working around water and for water crossings on Crown land. These reflect requirements of the federal Fisheries Act and a variety of provincial regulations and requirements. The ARFMI has also developed an Implementation Toolkit with a module (#4) that focuses on the design and installation of effective crossings, and another (#5) that focuses on procedures for road decommissioning.

The program to protect fish habitat and water quality followed in the ARF includes the following aspects: During production of the FMP, detailed, science-based Area of Concern prescriptions are developed from MNRF's Stand and Site Guide and local knowledge (see Table FMP-10 in the FMP). The AOCs are applied to a variety of water types in the ARF (e.g., groundwater recharge areas, large-medium-small lakes and ponds, rivers, streams and ponds with low potential sensitivity to operations, provincially significant wetlands, and self-sustaining trout lakes). These AOCs are applied around each occurrence in the field. Other conditions on individual crossings, such as timing restrictions, are imposed to avoid in-stream work when fish may be spawning (see Table FMP-19 "Road Crossings, Landings, and Forestry Aggregate Pits in Areas of Concern". The Annual Work Schedule includes a table (AWS-1) entitled the "Annual Schedule of Water Crossings to be Constructed/Reviewed " and a Table (AWS-2) entitled the "Annual Schedule of Water Crossings to be Decommissioned".

To further highlight the importance of water quality, the FMP for the ARF contains a specific management objective (#8.3 in table FMP-9) describing how ARFMI will strive to achieve a very high level of compliance to the management prescriptions associated with water.

During development of the FMP, ARFMI and MNRF identified sensitive sites adjacent to water (Areas of concern; AOCs) on maps and the company took AOCs into account when it identified potential cutblock locations, roads, and stream crossings. Specific planned crossings (permanent or temporary bridges, culverts, winter snowpack crossings) are reviewed by MNRF according to the risk that potential locations may harm fish habitat (e.g., is there a high or low risk that it proposed crossing is a spawning area), and changes are made if necessary.

Some unmapped streams may be encountered during the course of operations, and some mapped streams may not be as described in the FMP when viewed on the ground (e.g., a mapped intermittent stream may be a permanent stream in reality). ARFMI has developed a module (#15) to assist field workers to determine the "permanency" of a stream and therefore the type of crossing and the appropriate AOC prescription that applies.

All work near water-based AOCs and on stream crossings is subject to annual compliance monitoring by ARFMI (the company), MNRF certified compliance inspectors, certification bodies, and, at 5-year intervals, crossings are subject to Provincial Independent Forest Audits. Compliance reports are entered into the provincial FOIP system (Forest Operations Information System).

In the ARF, individual shareholders are assigned specific areas (harvest blocks) and specific lengths of road which they are responsible for.

Objective 4-Conservation of Biological Diversity: Management of the ARF follows the FMP Manual which identifies the comprehensive process that must be followed to conserve biological diversity, as required by the Crown Forest Sustainability Act for Ontario and the Class Environmental Assessment for Forestry in Ontario, the Endangered Species Act, Fisheries Act, the

Migratory Birds Convention Act, Fish and Wildlife Conservation Act and other legislation. MNRF prepared a series of comprehensive forest management guides that reflect what must be done to comply with these Acts, including the Forest Management Guide for Boreal Landscapes, and the Forest Management Guide for Conserving Biodiversity at the Stand and Site Scales.

The FMP and HCVF report describe the coarse filter-fine filter program in place to conserve biological diversity in the ARF, consistent with the Acts, regulations, and guides. The coarse filter involves modeling during development of the FMP to ensure all the habitat types (forest type and age class combinations) that naturally occur in the forest (and associated ecosites) are provided on the landscape over time within the bounds of natural variation identified by the MNRF, water is protected, and that harvested sites will contain important wildlife habitat features that emulate natural disturbances (e.g., residual trees and patches, downed woody material). The fine filter involves providing additional protection for sensitive species and sites. For example, SAR (caribou, bald eagle, whip-poor-will, olive-sided flycatcher, and others) are featured species in the FMP and special care and attention is directed toward protecting individual occurrences of these species and providing a natural amount of habitat over the long term.

Objective 5-Management of Visual Quality and Recreational Benefits: The auditors reviewed several specific examples of visual quality consideration in terms of AOC prescriptions. Some of these included:

AE1 - Aesthetics around Scott Lakes Access Point AE2 - Aesthetics around Lake Abitibi AE3 - Restrictions on Grindstone/Shillington Road AE4 - No modified operations on select lakes AE5- Aesthetic reserve along Departure trail AE6 - Aesthetic Reserve at Flood's Landing CANR – canoe route AOC DLCA – Aesthetic reserve around Departure Lake DP – Aesthetic reserve around Dugwall Pit FLT-Aesthetic Reserve along Five-Lakes trail LUP – Aesthetic Reserve around land Use permit sites OC1, OC2, OC3, OC4 – Outpost camp reserves.

The viewscape mapping analysis has been completed and presented at LCC and FN meetings. Road planning has been an issue of particular interest to general public and to cottagers, hunters fishermen and trappers. The Company does a good job of balancing the competing interest.

Objective 6-Protection of Special Sites: MNRF's database of ecological and cultural values was used to develop the FMP for the ARF. The 2012 FMP for the ARF (both phases 1 and 2) lists a large number of people who participated in development of the plans as members of the planning team, plan reviewers, or plan advisors. The list includes a wide variety of MNRF planning specialists and representatives from aboriginal communities. Development of the FMP also included public consultation sessions as required by MNRF's FMP Manual. As a result of this database and, the participation by experts, and consultation with the public & aboriginal people, the FMP includes AOC prescriptions to protect a wide variety of special sites: aesthetic sites, archaeological sites, sites with archaeological potential, canoe routes & portages, classified values, recreational values, trails, cabins & cottages, outpost camps, and tourism lakes. These prescriptions were approved by MNRF, and are marked on operations maps and implemented in the field.

Objective 7-Efficient Use of Fiber Resources: MNRF sets utilization standards for harvested timber and harvested sites in the ARF. The FMP Toolkit (Module 18 - Licensing & Wood Measurement") describes in detail the requirements related to wood utilization and the process that must be followed if an individual stand cannot be fully harvested due to issues of marketability. Utilization is checked by certified compliance inspectors representing ARFMI or MNRF. Inspectors monitor aspects such as stump height, utilization of merchantable timber, and the use of wood chips. FOIP reports indicate

the results of this monitoring. All the FOIP reports are stored in MNRF's database. FRMG analyzes FOIP reports to ensure that operational issues (such as relatively poor utilization if it was to occur) are addressed by ARFMI and acted upon.

At the sites visited during the 2016 audit, wood utilization was good overall.

There is an ongoing program of slash pile management in the ARF and ARFMI attempts to burn all piles. However, in some cases piles cannot be burned because weather conditions were inappropriate during the short timing window when MNRF permits slash pile burning in the ARF.

The FMP describes the efforts made during development of the plan to maximize the proportion of the allowable harvest area that is actually harvested in the ARF over the life of the FMP.

Objective 8: Recognize and Respect Indigenous People's Rights: The following are the indigenous communities with a clearly indicated interest in the ARF: Taykwa Tagamou Nation (TTN), Wahgoshig First Nation, Moose Cree First Nation, Matachewan First Nation, Flying Post First Nation and Mattagami First Nation. There is also Beaverhouse which is an Aboriginal community, which is comprised of individuals registered under the Indian Act but the community has never been recognized as a First Nation by the Government of Canada (most of their Band members are also members of the other local First Nations). ARFI and MNR treat Beaver House akin to a First Nation with respect to consultation and protection of values. TTN and Wahgoshig consider the ARF as the major Forest of interest to them and would have substantial traditional territory within it. Matachewan, Mattagami and Beaverhouse have other Forests of higher priority but do have interests in the southern part of the SFL. Moose Cree has significant interests in the Gordon Cosens Forest and in lands north of the area of the undertaking but also has traditional territory in the north end of the ARF. Flying Post First Nation has an unoccupied Reserve outside of the Forest but historical traditional area within it. Flying Post is located in Northwestern Ontario in the Town of Nipigon and are therefore 1,000 km from the actual Forest. While Flying Post does not have a current interest in the Forest they have indicated they want to be provided forest management planning information on what is occurring on the Forest.

The last indigenous community of interest is the Metis Nation of Ontario which represents Metis people in the region. The Metis Nation of Ontario (MNO) purportedly represents the mixed Aboriginal/French population that are not part of First Nations. The MNO do not have the same legal status as First Nations in Ontario but they have been pushing for greater recognition of what they consider to be their Aboriginal rights. The Province has not yet recognized Metis rights in this part of Ontario but there is some indication that there may be the historical basis for greater recognition beyond that of merely the general public. In and around 2014, MNR indicated that while MNO was not previously invited to be a part of planning teams or to receive the special Native Consultation process under the Crown Forest Sustainability Act they will be offered these processes going forward. ARFI has also reached out to the MNO and indicated a desire to meet and understand each others mutual interests. In speaking with the MNO in 2016, the Consultation Co-ordinator indicated that they have been inundated with consultation by MNRF and were under capacity. However as of early summer 2016, MNO has hired a forestry co-ordinator and indicated that he would help to organize their efforts to participate. It is suggested to ARF to reach out to this individual sometime in the next year.

First Nations control forest management on their Reserves and ARFI does not have forest management rights to these lands and is not seeking them.

The Abitibi River Forest is geographically located within Treaty Nine. First Nations are consulted

with and their interests are accommodated in forest management on crown land in Ontario (and on the ARF) where they maintain Treaty rights. As identified in the NBS, Treaties are living documents and current interpretations of Treaties are to be considered.

Abitibi River Forest Inc. is a co-operative sustainable forest licence company and First Nations are a part of the company. There are currently First Nation representatives on the Board of Directors and First Nations hold both harvest and consumption rights within the Corporation. Three First Nations: Moose Cree First Nation, Wagoshig First Nation and Taykwa Tagamou Nation now control the majority of the harvest on the forest via their harvest right shares. They also have some consumption rights. As First Nations are an integral part of the company that manages the forest they are essentially part of the “applicant”.

Objective 9-Legal and Regulatory Compliance: A comprehensive system of compliance to federal, provincial laws, regulations and policy is demonstrated through the implementation of the Forest management plan and the forest operations compliance inspection program. Oversight is provided in the form of operational compliance inspections, review of results by the Local Citizens Committee, annual FS and SFI audits, internal management reviews by the Board of Directors for ARFMI and a Independent Forest Audit conducted every five years.

Objective 10-Forestry Research, Science and Technology: Personnel from ARFMI and member companies are active participants in Forest Genetics Ontario, Forest Products Association of Canada, and on the Provincial technical Committee. They are monitoring research and literature on Climate change.

Objective 11-Training and Education: The company has a written statement of commitment. Staff and contractor training program is in place. The Company doesn't issue harvest contracts directly as this is the responsibility of the receiving mills. There is a program in place to ensure trained professional loggers are used. It is well done, and based on interviews with operational staff, very effective.

Objective 12-Community Involvement and Landowner Outreach: The company participates in the Local Citizens Committee, in open houses for strategic and annual reviews. Staff and contractor training program is in place. The Company doesn't issue harvest contracts directly as this is the responsibility of the receiving mills. There is a program in place to ensure trained professional loggers are used. Company is an active contributor and supported of SIC. Outreach in the form of LCC minutes, scheduled open houses (Annual operations and FMP) and formal meetings with FM elders by senior company staff

Objective 13: Public Land Management Responsibilities: The Abitibi River Forest is a Crown license in Northeastern Ontario which is managed as per the regulated forestry guidelines (rules). Forest Management Planning includes a significant effort at public consultation which includes a variety of notices and public meetings. The forest has a Local Citizens Committee which has an advisory role in forest management.

First Nations are consulted extensively during preparation of the management plan. All First Nations have been invited to join the board of directors for the forest, two have accepted. Additionally there is day to day contact with the four First Nations which are actively harvesting 2/3 of the timber on this forest.

Objective 14-Communications and Public Reporting: The 2014 and 2015 surveillance report for the Abitibi River Forest is available on the SFI website as required

Objective 15-Management Review: Abitibi River Forest Management Inc. has quarterly board meetings with certification being a standing agenda item. A formal management review of the SFI program is undertaken in fourth quarter of each year.

Findings

Previous non-conformances: Three minor non conformances were issued on the previous surveillance audit.

At the Zavitz 100 and Zavitz 101 sites significant rutting was observed in all low land areas. Skid trails were highly rutted and intersection areas even more so. The rutting pattern was similar across the two large blocks. (3.2.4)

At three locations in the Zavitz area it was found that water crossings were substandard. The first crossing on the Forks Road, had erosion issues - the result of poor road grading. A road was flooded in a seepage area in Zavitz 101. As well, a crossing within Zavitz 101, while properly installed, was compromised by poor grading that created false ditches leading to sedimentation in the stream. (3.2.3)

Through interviewing a dozen or more contractors it became evident that they were not fully conversant with the species which are on the species at risk list. In addition, some shareholders/contractors were in possession of dated training materials that only briefly mention SAR and did not provide a list of such species. (16.1.4).

All of these non-conformances were closed on Feb. 7, 2016.

Non-conformances: Two fuel tanks were found on the Sheldon 105 block which had not been inspected within 5 years as per regulation. An NCR was issued against indicator 9.1-2. This NCR was closed on 3 August 2016.

Opportunities for Improvement: - None observed.

Notable Practices: None observed.

Logo/label use: Abitibi River Forest Management Inc. does not use the Bureau Veritas Certification logo. No unauthorized use of the SFI logo was observed.

SFI reporting: The 2014 and 2015 surveillance audit reports are available on the SFI program website.

Conclusions

Results of the audit indicate that Abitibi River Forest Management continues to implement an SFI program which is effective and efficient and meet the requirements of the standard. Certification should be renewed without delay.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:									
Audit Date(s):		From: 20-24 June 2016, 25-29 July 2016							
Number of SF02's Raised:			Major:		Minor:		1		
Is a follow up visit required:		Yes		No	x	Date(s) of follow up visit:			
Follow-up visit remarks:									
Team Leader Recommendation:									
Corrective Action Plan(s) Accepted		Yes	X	No		N/A		Date:	3 Aug. 2016
Proceed to/Continue Certification		Yes	X	No		N/A		Date:	3 Aug. 2016
All NCR's Closed		Yes	x	No		N/A		Date:	3 Aug. 2016
Standard audit conducted against:									
1)	2014-2019 SFI FM			3)					
2)				4)					
Team Leader (1):		Team Members (2,3,4...)							
Craig Howard		2) Kandyd Szuba							
		3) Phil Shantz							
		4) Brian Callaghan							
		5)							
Scope of Supply: (scope statement must be verified and appear in the space below)									
Management of Forest Lands									
Accreditation's		ANAB							
Number of Certificates		1							
Proposed Date for Next Audit Event									
Date	June 2017								
Audit Report Distribution									
ARFMI: Paul Fantin - paul.fantin@frmg.ca									
Bureau Veritas Certification: Dawn Komnick – Dawn.Komnick@us.bureauveritas.com									

Clause	Audit Report
Opening Meeting	<p>Participants: Paul Fantin, Kandyd Szuba, Bree Andrews, Wayne Pawson, Brian Callaghan, Discussions: Craig Howard, Claude Thibeault</p> <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 3 ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	<p>Participants: Paul Fantin, Kandyd Szuba, Bree Andrews, Wayne Pawson, Brian Callaghan, Discussions: Craig Howard, Claude Thibeault</p> <ul style="list-style-type: none"> ➤ Introductions and appreciation for selecting Bureau Veritas Certification. ➤ Review of audit process - process approach and sampling. ➤ Review of OFIs and System Strengths ➤ Non-conformances - 1 ➤ Date for next audit. ➤ Reporting protocol and timing

		SF02/NA NONCONFORMITY REPORT				
Company Name and Site:					SF02#:	
Abitibi River Forest Management Company Inc					1	
Contract #:		Type of audit (e.g., initial,		Team Leader:		
US.1248870		SFI LM Surveillance		Craig Howard		
Date:		Standard and Clause #:		Team Member:		
November 10/15		SFI 2015 9.1 - 2		Brian Callaghan		
Major	Minor	Other Documents (if applicable):			Company Representative:	
	X	Environmental Code of Practice for Aboveground and Underground Storage Tank Systems Containing Petroleum and Allied Petroleum Products Technical Standards and Safety Act, 2000, S.O. 2000, c. 16			Claude Thibault	
REQUIREMENT OF AUDITED STANDARD:						
System to achieve compliance with applicable federal, provincial, state, or local laws and regulations						
OBSERVED NONCONFORMITY :						
Two fuel tanks were found on the Sheldon 105 block which had not been inspected within 5 years as per regulation						
ROOT CAUSE ANALYSIS AND CORRECTIVE ACTION PLAN (To be completed by the Company. Plan to be submitted in 30 days)						
Corrective Action Plan Date:		2 August 2016	Company Representative:		Paul Fantin	
Root Cause Analysis and Corrective Action						
Root Cause: This was an oversight on the party of the contractor and compliance staff. Corrective Action Plan: All contractors will be reminded of the requirement to have their tanks inspected. The contractor in question will be required to provide proof of tank inspection						
ROOT CAUSE AND CORRECTIVE ACTION PLAN ACCEPTANCE REPORT (To be completed by Bureau Veritas Certification – Verify effective identification of Root Cause and acceptance of Corrective Action Plan)						
Root Cause: The root cause is acceptable. Most tanks inspected were compliant. Corrective Action Plan: The corrective action plan is acceptable.						
Plan Accepted:		Yes	x	No	Comments:	
Auditor:		Craig Howard			Date:	2 August 2016
CORRECTIVE ACTION IMPLEMENTATION						
To be completed by Company – Provide objective evidence. Not to exceed: 90 Days SFI, PEFC <input checked="" type="checkbox"/> PRIOR TO RENEWAL; 1 year FSC <input type="checkbox"/> ; other <input type="checkbox"/> X Days						
Corrective Action Completion Date:		3 August 2016	Company Representative:		Paul Fantin	

Corrective Action Implementation: Contractors have been reminded of the legal requirement to have tanks inspected and the contractor in question is required to have his tanks inspected immediately
 Method used to verify effectiveness of action taken: this will be monitored by ARMU Compliance staff

CORRECTIVE ACTION IMPLEMENTATION ACCEPTANCE REPORT

(To be completed by Bureau Veritas Certification – Acceptance of Corrective Action taken)

Accepted:	Yes	<input checked="" type="checkbox"/>	No		Nonconformance Closed:	Yes	<input checked="" type="checkbox"/>	No	
Follow Up Comments:									
Auditor:	Craig Howard				Date:	4 August 2016			