



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

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Company Name	Domtar Inc.
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PQC Code	E01E-Forestry, logging related
Contract Number	CA 1732893

Certification Audit:		Re-Certification Audit:		Surveillance Audit:	#	Scope extension audit:	
					2		

Audit Summary

Introduction

This report documents the second surveillance audit, and the first audit against the requirements of the 2015-2019 SFI Forest Management Standard, of Domtar Inc.'s forest management program on its 11,868 acres (4804 hectares) private. All parcels are within 80 km (50 miles) of Domtar's pulp and Paper Mill in Espanola, ON. The audit evaluated performance against the requirements all of the Objectives 1 of the 2015-2019 SFI Standard. The forest lands are also certified to the FSC Forest Management standard and a Private Land Management Plan, which has been approved under Ontario's Managed Forest Tax Incentive Program

Audit Scope, Objectives and Process

The scope of the audit is "Forest Management". The properties were acquired by the company starting in the 1940's and the land base was increased as part of an acquisition program in the 1980's. The wood grown is targeted as a source of fiber for the mill, and consequently the main focus of land management has been timber production. The land has also been used by the public or organizations for a variety of recreational programs.

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. The objective of the audit was to confirm the company's conformance to the SFI 2015-2019 Forest Management Standard, and the associated ISO Guide 65 requirements.

The audit included a review of forest management documents detailing adherence to the SFI standard as well as site inspections of 14 distinct parcels, including one site of recent planting.

Audit Plan

A copy of the audit plan was submitted to Domtar in advance of the audit and has been retained on file at BV offices in Houston. A copy of the audit plan has also been appended to this report.

Company Information

Domtar is a multinational forest products company that manufactures pulp, paper, and personal care products from virgin wood and recycled fibre. The company is publicly traded on both the New York and Toronto Stock exchanges. All of the local pulp production is consumed internally to manufacture paper and consumer products. Domtar is the largest integrated marketer of uncoated

freesheet paper in North America with recognized brands such as Cougar®, Lynx® Opaque Ultra, Husky® Opaque Offset, First Choice®, and EarthChoice® Office Paper. Domtar is also a leading marketer and producer of a broad line of incontinence care products marketed primarily under the Attends®, IncoPack, and Indasec® brand names as well as baby diapers. In 2013, Domtar had sales of US\$5.4 billion from some 50 countries. The Company employs approximately 10,000 people.

This audit is focused on the private land held in conjunction with the company's Espanola pulp and paper mill.

Audit Results

As was the case on the previous audits, the company was well prepared for the audit. Documentation was in order and the staff was very familiar with the requirements of the SFI standard. No deficiencies were noted.

A summary of company performance for each of the objectives evaluated follows:

Objective 1-Forest Management Planning: The company has a complete forest management plan that addresses the requirements of the SFI standard. It has been formatted to meet the requirements of the Ontario Managed Forest Tax Incentive program, with unique SFI program additions, such as internal audits and management reviews, added as supplements.

There are two additional documents that provide direction to management on the forest. The first is the approved Forest Management Plan (FMP) for the North Shore Forest. The North Shore Forest is a 1,080,477 ha (2.5 million acres) public forest owned by the Province of Ontario and managed under the auspices of a Sustainable Forest Licence by North Shore Forest Inc. The FMP for the North Shore Forest features public review and government approval, and includes long term (i.e. 120 years) strategic plans for timber and non-timber values as well as operational procedures for forest harvest, renewal and protection of non-timber forest products.

The second operations guidance document is the Guide to Best Management Practices for Forest Operations in Northern Ontario and Manitoba, produced by the SFI implementation Committee for Central Canada. The document includes operational procedures for road construction and maintenance, use of qualified logging professionals, stream crossings, environmental protection of non-timber values, aggregates, harvest (including environmental protection, harvest prescriptions, wood utilization and wasteful practices, and adverse weather), post-harvest operations and forest renewal, management of hazardous materials health and safety and emerging measures and spill response.

Given the relatively small land base, the company has scheduled individual stands for harvest, renewal and tending in accordance with the biological state of each stand. They have opted not to complete a formal wood supply model, which, in the opinion of the auditor, this is appropriate.

Domtar has two staff working in their procurement group that is responsible for management and harvest on their private lands. They are supported on an as needed basis by private consultants or by staff from North Shore Forest Inc.

In summary, the management of the forest is well documented and, in the opinion of the auditor, meets the requirements of Objective 1.

Objective 2-Forest Health and Productivity: Domtar staff maintain responsibility to create renewal prescriptions on a site by site basis. This is done at the time of harvest planning and verified post-harvest to ensure prescription are still valid for site conditions and have a high probability of meeting company objectives in term of future wood supply as well as non-timber objectives (e.g. provision of wildlife or occasionally recreational opportunities. Soil conservation is maintained through implementation of Operating Procedures for Domtar Freehold lands (April 2014). These procedures rely on technical standards listed in the Central Canada SFI Implementation Committee (Guide to best Management Practices for Forest Operations in Northern Ontario and Manitoba 2012) as well as Area of Concern Prescriptions (AOC) that are a formal part of the government approved 2009-2019 Forest management plan for the North Shore Forest. Carbon storage has been addressed briefly in Appendix 6 of the MIFTIP Plan (Non timber values). The basic premise is that the land will be maintained as forested by careful monitor and timely renewal.

There have been no herbicides or other chemicals used on the land base in over 30 years and none are expected in the near term. A non-conformances was issued on the initial audit as the company did not have as specific commitment to meet the requirements of indicator 2.2.2 (use of least-toxic and narrowest-spectrum pesticides necessary to achieve management objectives) and a nonconformance was issue. This was cleared and closed as of the first surveillance audit, and no additional non conformities have been identified.

Objective 3-Protection and Maintenance of Water Resources: The forest management plan has specific Area of Concern (AOC) prescriptions for working around or near water bodies. The Best Management Practices (BMP) guide has 3 sections that address working around water. Water crossings and riparian habitat protection have been effectively managed. These meet local, provincial, and federal requirements with respect to water quality protection. No harvest occurred in the past year.

Objective 4-Conservation of Biological Diversity: The impact of the relatively small parcels of private lands on wildlife habitat is relatively small. All stands have been evaluated for presence of RTE. With the exception of specific sites, on one block, which have been mapped and are specifically managed to maintain white oak growing at the northern edge of its range, all non-timber species identified are also occupants of the much larger adjacent Crown land base. As has been noted in the NSF 2009 FMP, no special management activities, other than protection of nests during breeding season, are required for work in these areas.

Surveys have not been completed for aquatic species but potential impacts on these have been mitigated by buffer zones and operating prescriptions during road construction near streams. Some of the stands were originally planted (circa 1990) for volume production of pulp fibre, and these stands have less inherent biodiversity than would be found in a more natural forest. The impact of these more homogenous stands has been mitigated as natural mortality of planted stock and emergence of natural species understory has developed.

Objective 5-Management of Visual Quality and Recreational Benefits: There are several items that, if considered collectively, meet the standard of a visual quality management program. The NSF 2009 FMP includes views cape analysis from tourism lakes and includes direction for operations around public waterways and highways. Direction in the CCSIC BMP's (pre harvest planning) direct a non-harvest buffer be left "for your neighbors aesthetics". The company has internal direction to leave a 30 m buffer unless the exact the location of the property boundary is known, which

contributes to the sense of visual quality protection. Finally, the company has stated intentions to promptly renew all harvest sites, thereby replacing the view of recent harvest with that of a new and growing forest. Overall the auditor would conclude that the components of a visual quality program are in place.

Objective 6-Protection of Special Sites: Special sites have been identified as HCV as part of the FSC certification. In one case (White oak site) there is a site specific management prescriptions. In one site (Parcel 1502) has been set aside as a trail for public use

Objective 7-Efficient Use of Fiber Resources: There were no harvest operations in the past year.

Objective 8: Recognize and Respect Indigenous People's Rights: The Domtar forest policy has specific reference to working with Aboriginal Communities "**Working with aboriginals...** by making it a priority to develop and maintain working relationships in forest management and wood-fiber processing where we share common public lands with aboriginal communities". The Company has initiated educational support program with local first nation communities that supports both a bursary and graduation award. First Nation loggers are employed on a regular basis on both private land and on surrounding public lands that the company procures wood from.

Company representatives participates on Board of Directors for Sustainable Forest License and as part of that obligation has regular exposure to proceedings to the First Nation Task team (this has been ongoing since 1997). This has provided on ongoing source of insight into traditional knowledge

Objective 9-Legal and Regulatory Compliance: A compliance program is in place for all operational programs. As there have been no operational programs, saving a small tree plant, and no outstanding legal or regulatory issues noted, there is little opportunity to contravene regulation, and excellent evidence of a program in place that would prevent such an occurrence from occurring.

Objective 10-Forestry Research, Science and Technology: Domtar is an active member of the CCSIC, FP Innovation, and the Forest Ecosystem Science Cooperative and the National Council for Air and Stream Improvement (NCASI). Research and technology transfer efforts are visible. NCASI has a list of projects vs SFI indicator. The Company participates in climate change research and the staff is aware of research by NCASI with respect to climate change. Short rotation on the private lands should allow for reaction in a timely manner as process for reacting to climate change matures. In the opinion of the auditor, the company has met the requirements of this objective.

Objective 11-Training and Education: The Company maintains an extensive training list of suppliers that includes a summary of the individuals that have received training on each of the ten CCSIC training modules and the year that training was received. The representative from North Shore Forest Management listed on the training roster is currently directly employed by Domtar. Other supply staff have been trained through the CCSIC training modules. In the opinion of the auditor, the training program for both staff and contractors is effectively implemented and monitored. The requirements of this objective have been met

Objective 12-Community Involvement and Landowner Outreach: Domtar is an active member of the CCSIC.

Objective 13: Public Land Management Responsibilities: This is not applicable

Objective 14-Communications and Public Reporting: The requirements of this objective have been met.

Objective 15-Management Review: Domtar is ISO 14000 and 9000 and an internal audit and management review process has been part of mill and woodlands operations for over a decade. A specific internal audit and management review of the FM program has been completed in advance of the certification audit. The requirements of this objective have been met.

Findings

Previous non-conformances: No non conformances were issued on the last surveillance audit.

Non-conformances: No non conformances were issued on this surveillance audit.

Opportunities for Improvement: None noted

Notable Practices: None noted

Logo/label use: No local logo use takes place. The company has used the SFI logo on its corporate website.

SFI reporting: The company posted the SFI report from the initial and first surveillance audits on the SFI website.

Conclusions

The company has done an effective job of implementing the SFI program. In the opinion of the auditor, the company has presented sufficient evidence to support a recommendation that certification to the SFI forest management standard be granted.

SEE SF61 FOR AUDIT NOTES

Summary of Audit Findings:					
Audit Date(s):	From: June 6 2016			To: June 8 2016	
Number of SF02's Raised:	Major:		0	Minor:	0
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		No		N/A	x	Date:		
Proceed to/Continue Certification	Yes	x	No		N/A		Date:	June 8 2016	
All NCR's Closed	Yes		No		N/A	x	Date:		
Standard audit conducted against:									
1)	2015-2019 SFI FM			3)					
2)				4)					
Team Leader (1):				Team Members (2,3,4...)					
Craig Howard				2)					
				3)					
				4)					
				5)					
Scope of Supply: (scope statement must be verified and appear in the space below)									
<i>Forest Management</i>									
Accreditation's	ANAB								
Number of Certificates	1								
Proposed Date for Next Audit Event									
Date	June 2017								
Audit Report Distribution									
Mike Furniss – (mike.furniss@domtar.com)									
Dawn M. Komnick-Ehmann(dawn.komnick@us.bureauveritas.com)									

Clause	Audit Report
Opening Meeting	Participants: Phil Bunce, Mike Furniss, Craig Howard Discussions: <ul style="list-style-type: none"> ➤ Introductions ➤ Scope of the audit ➤ Audit schedule/plan ➤ Nonconformance types – Major / Minor ➤ Review of previous nonconformances - 0. ➤ Process approach to auditing and audit sampling ➤ Confidentiality agreement ➤ Termination of the audit ➤ Appeals process ➤ Closing meeting timing
Closing Meeting	Participants: Phil Bunce, Mike Furniss, Craig Howard Discussions: <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 ➤ Nonconformances - 0 ➤ Date for next audit. ➤ Reporting protocol and timing



**BUREAU
VERITAS**

Company	Domtar		
Contract Number	CA.1732981	Date:	May 5 2016
Audit Type	Surveillance 2	Audit Dates:	June 6 and 7 2016
Standards	SFI 2015-2019		
Audit Team:	Craig Howard		
SFI/EMS Representative:	Mike Furniss		
Opening Meeting:	Date:	June 6	
	Time:	0800	
	Place:	1 Station Rd., Espanola, Ontario P5E1R6	
Closing Meeting:	Date:	June 7	
	Time:	1200	
	Place:	1 Station Rd., Espanola, Ontario P5E1R6	
Audit Scope:	Forest Management		
Verification Indicators	SFI forest management objectives/EMS elements to be covered (see table below)		

Audit Objectives – SFI Certification shall establish: *Include only the applicable objective-delete the othe.*

Determine conformance of the organization’s SFI program against the SFIS and any additional indicators, and determine whether the organization’s SFI Program Management System and on-the-ground activities conform to the SFIS.

Determine conformance of the organization’s chain of custody program against the SFI CoC standard.

Procedures and Protocols Used:

The certification audit will be conducted under environmental auditing methodologies identified in the 2010-2014 audit procedures section of the SFI standard requirements document. Standard protocols and forms as found in the Bureau Veritas Certification SFI Auditor Handbook will be applied throughout the verification.

Audit Schedule

Date: June 6 2016

Time	Activity	BVC Repr.	Company Repr.
08:00	Opening Meeting	Howard	Furniss
0930	Document review	Howard	Furniss
10:00	Field inspections	Howard	Furniss
1200	Lunch		
16:00	Auditor review	Howard	
17:00	Depart site	Howard	Furniss

Date: June 7 2016

Time	Activity	BVC Repr.	Company Repr.
0800	Document review	Howard	Furniss
11:00	Auditor review	Howard	Furniss
12:00	Depart site	Howard	Furniss