

Kenora Forest

Independent Forest Audit

April 1, 2008 – March 31, 2013

FINAL REPORT



**ArborVitae Environmental
Services Ltd.**

November 22, 2013

Table of Contents

1.0	EXECUTIVE SUMMARY	1
2.0	TABLE OF AUDIT FINDINGS	4
3.0	INTRODUCTION	6
3.1	AUDIT PROCESS AND CONTEXT.....	6
3.2	MANAGEMENT UNIT DESCRIPTION.....	7
3.3	CURRENT ISSUES	9
3.4	SUMMARY OF CONSULTATION AND INPUT TO AUDIT	10
4.0	AUDIT FINDINGS	10
4.1	COMMITMENT	10
4.2	PUBLIC CONSULTATION AND ABORIGINAL INVOLVEMENT	11
4.3	FOREST MANAGEMENT PLANNING.....	14
4.4	PLAN ASSESSMENT AND IMPLEMENTATION	27
4.5	SYSTEM SUPPORT.....	32
4.6	MONITORING	33
4.7	ACHIEVEMENT OF FOREST MANAGEMENT OBJECTIVES & SUSTAINABILITY	37
4.8	CONTRACTUAL OBLIGATIONS	41
4.9	CONCLUSIONS AND LICENCE EXTENSION RECOMMENDATION.....	42
	APPENDIX 1 – AUDIT FINDINGS	44
	APPENDIX 2 – ACHEIVEMENT OF MANAGEMENT OBJECTIVES OF THE 2006 FMP	77
	APPENDIX 3. COMPLIANCE WITH CONTRACTUAL OBLIGATIONS	84
	APPENDIX 4 – AUDIT PROCESS	90
	APPENDIX 5 – LIST OF ACRONYMS	99
	APPENDIX 6 – AUDIT TEAM MEMBERS AND QUALIFICATIONS	101
	APPENDIX 7 – TREND ANALYSIS/YEAR 10 ANNUAL REPORT	102

1.0 EXECUTIVE SUMMARY

This Independent Forest Audit examined the performance of Miitigoog Limited Partnership and the Ontario Ministry of Natural Resources (MNR) in managing the Kenora Forest for the period April 1, 2008 to March 31, 2013. At the beginning of the audit period, the Sustainable Forest Licence (SFL) was held by Weyerhaeuser. In April 2010, the SFL was transferred to Miitigoog LP. Miitigoog is 50% owned by First Nations communities and 50% owned by the traditional forest industry. Miisun Integrated Resource Management Company, wholly First Nations owned, provides planning and management services on the Kenora Forest. This is a significant development in Ontario, being the first SFL-holder that has significant First Nations ownership, and Miisun is the first SFL manager in the province that is wholly First Nations owned. As a result, local First Nations communities have been drawn into forestry. Moreover, at the time of writing, the number of First Nations organizations participating in Miitigoog has grown from the original three to seven communities plus Grand Council for Treaty 3 (the First Nations interest in Miitigoog is fixed at 50%), which is an excellent indicator of the importance of the arrangements.

The audit period covers the last three years of the 2006 FMP, the development and implementation of a one-year contingency FMP (2011-12), and the development and implementation of the first year of the 2012 FMP. The audit examined all forest operations that occurred within the audit period as well as reporting, monitoring, consultation.

The IFAs review the performance of both the SFL-holder and MNR. MNR has many responsibilities related to forest management, including review and approval of key documents such as the FMP, annual reports, annual work schedules, etc., overseeing management of non-timber resources, undertaking compliance inspections, etc. In other words, the accomplishments of both parties with responsibilities related to forest management are covered by the audit.

The audit team consisted of five professionals, each with a wealth of experience in forest management. Between 10 and 58% of all major types of operation undertaken during the audit period were reviewed in the field by the audit team. Site inspections were made by truck and helicopter.

Overall, this audit found that the operations conducted on the Forest were implemented well, renewal was keeping pace with harvesting, and the Company and MNR had good to excellent relationships with the many stakeholders on the Forest. As noted, First Nations involvement was very high and there is a prospect that Miitigoog and Miisun will provide wider economic benefits as they become better established. The development of Miisun is going through a challenging period at this time, with the pending expiration of a contract from MNR to provide forest management services on the neighbouring Whiskey Jack Forest. The harvest from the Kenora Forest was been on the order of 130,000 m³/yr during the period of the 2006 FMP, which is insufficient to support Miisun's present structure. There is a need for MNR and Miitigoog to carefully navigate this situation together, build on the significant progress to date, and recognize that there is a shared responsibility for developing a fair and workable solution.

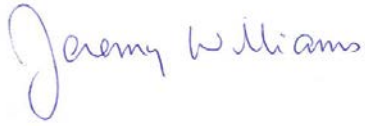
The large number (25) of recommendations issued in this audit is not indicative of the performance of District MNR or the Company. Roughly 15 of the 25 recommendations are directed towards improvements in forest management, whereas the other ten are associated with gaps between performance and regulatory requirements. Another way to parse the recommendations is that 10 are directed at the Corporate levels of MNR, reflecting system-wide issues that manifested themselves on the Kenora Forest. Some of these recommendations are related to improvements that could be made in the forest planning framework, while others reflect relatively recent changes in MNR responsibilities. There were also five recommendations intended to lead to improvements in the administration and content of the Annual Reports, FMP amendments, and Annual Work Schedules and revisions to them. Cumulatively, these five recommendations suggest a need for the Company and MNR to bring their reporting and documentation procedures to a higher standard.

The most serious reservations of the audit team concern the LTMD of the 2012 FMP. The LTMD calls for a significant reduction in the amount of hardwood on the Forest, which entails a significant decline the poplar wood supply. The driving intent behind the LTMD was to shift the Forest in the direction of a modelled estimate of the historical forest, and the audit team feels that the LTMD reflects a disproportionate emphasis on this goal, at the expense of social and economic benefits. The audit team was not comfortable with the negative impacts that the LTMD will have on the Weyerhaeuser Trus-Joist mill, which is the only sizable mill in the area to have operated continuously during the past decade. It uses only poplar, and the Kenora Forest represents the least expensive portion of its wood supply.

There has been a long history of harvesting on the Kenora Forest at levels well below those planned. During the 2006 FMP period, 44% of the planned harvest area was cut, which represents the highest level of achievement during the past 20 years, although it is due in part to a reduction in the planned harvest. The actual harvest area has tended to average 1300 ha/year since the Trus-Joist plant started up. The audit team's investigations led it to conclude that this result is probably due more to a lack of demand than inaccessibility of supply, although with the area north of the English River being unaccessed, and there being no harvesting on the Aulneau Peninsula since 1986, some 25% of the unit has effectively been unavailable. Although the 2012 FMP defers operations on the Aulneau for ten years, the planned harvest is nonetheless set at 3,828 ha/yr, which represents the area determined to be available on an annual basis. The audit team is of the opinion that reaching the planned level of harvest is very unlikely, and the planned harvest should have been set at a markedly lower level reflecting historical levels and the lack of any definite catalyst for increased cutting. An overly optimistic planned harvest level calls into question the achievement of the plan objectives and the assessment of forest sustainability that is a key part of planning. Recommendations were directed locally and to Corporate MNR to address this aspect of planning that does a great disservice to the credibility of the plans and the work of the planning teams.

The audit team evaluated its findings, considered the mitigating factors identified above, and concluded that the positives identified above were sufficient to warrant the conclusion that the management of the Kenora Forest was generally in compliance with the legislation, regulations and policies that were in effect during the term covered by the audit, and the Forest has been managed sustainably during the term of the audit, as defined by the IFAPP. The audit team also concludes that the Forest was managed in

compliance with the terms and conditions of the Sustainable Forest Licence held by Miitigoog LP. The audit team also recommends that the SFL be extended so that its term is restored to the full twenty-year period.



Jeremy Williams
Lead Auditor

2.0 TABLE OF AUDIT FINDINGS

Recommendation on Licence Extension
The audit team concludes that management of the Kenora Forest was generally in compliance with the legislation, regulations and policies that were in effect during the term covered by the audit, and the Forest was managed in compliance with the terms and conditions of the Sustainable Forest Licence held by Miitigoog LP. Forest sustainability is being achieved, as assessed through the IFAPP. The audit team recommends that the Minister extend the term of the licence to 2033.
Recommendations Directed to the SFL Holder/MNR District(s)
1. District MNR shall meet with Kenora Métis Council to discuss benefits from the Forest as described in Condition 34 of the Class Environmental Assessment.
2. MNR Kenora District should use the Ministry's Condition 34 toolkit to work with local Aboriginal communities to try to establish a more expansive system for monitoring jobs for members of Aboriginal Communities that includes direct forestry jobs as well as jobs in forest products manufacturing. It needs to be voluntary for both Companies and Community members and operate within any confines of the law.
4. MNR and the Company shall improve the amendment administration and documentation by having full documentation, completing an enhanced plan amendment summary and fully using the FI portal to post approved amendments.
5. MNR and the Company shall improve AWSs by including a better comparison of planned harvest area to available harvest area. In addition, MNR District shall improve its review of AWSs and documentation of AWS reviews to ensure the AWSs are accurate and all program group input is considered.
6. MNR District shall ensure that all AWS revisions are numbered, maintain an AWS revisions summary to improve tracking of revisions, and use the FI Portal to document all approval pages and AWS revision documentation.
7. The Company shall include a description of the historic forest, and explain how and why it differs from the historic forest used in the 2006 FMP, in the Phase II Planned Operations document that is expected to come into effect on April 1, 2017.
10. The MNR and the Company shall amend the 2012 FMP to remove the inconsistency in the proposed directions of indicator 1(a) and indicator 2(c).
11. If the actual average annual harvest area over the first three years of the plan term is less than 60% of the average annual planned harvest area for Phase I of the FMP, MNR and the Company shall run one SFMM scenario where the long-term annual harvest area is set equal to the actual average annual harvest area during the first three years of the FMP period. The results of this scenario, including the impacts on the achievement of FMP objectives, shall be discussed in the main body of the Year 3 AR report. If the actual average harvest area over the first three years of the plan term is less than 40% of the planned area, the MNR and the Company shall amend the FMP to set the planned harvest area at 65% of the AHA for the remainder of the FMP period.
15. The Company shall continue to develop alternative methods for implementing cleaning treatments, including the development of an aerial herbicide treatment program, and shall implement appropriate tending options consistent with meeting the silvicultural objectives of the 2012 FMP.
18. MNR shall lead a process to decide on how to manage the Aulneau Peninsula after 2022. That process should be completed prior to the start of the process for developing the next FMP to give appropriate consideration to the issues related to management of the Peninsula and so that the decisions made can be factored into the development of the FMP.
19. The Company shall review harvest block layout procedures with all operators conducting harvest and reserve-marking operations on the Forest to ensure that wood is not unnecessarily being left unharvested in areas abutting riparian AOCs on the Forest. In addition, the Company and MNR

<p>shall identify circumstances in which conducting cut-to-shore operations is ecologically appropriate and socially feasible and implement harvesting operations there.</p>
<p>20. The MNR and Company shall develop a streamlined approach to satisfying the requirements of the FMPM which a) reduces the effort required on the part of Company staff to prepare and submit information required for the AWS revision; b) minimizes the delay in operations associated with processing the revision request; and c) ensures continued protection of intermittent streams found during in-block operations.</p>
<p>22. The Company shall develop information that is suitable for the determination and analysis of silvicultural success, and complete this analysis to the extent that the data permits. The results of this analysis, including any shortcomings of the available information, shall be documented in Annual Reports.</p>
<p>23. The Company and MNR District shall correct the 2010-11 Year 10 AR to ensure that it is accurate and improve its assessment and synopsis of forest operations trends and their impact on modeling assumptions, objective achievement and sustainability.</p>
<p>25. The Company shall prepare annual compliance plans for current and future AWSs as per directive FOR 07 02 04 in the 2010 Forest Compliance Handbook.</p>
<p>Recommendations Directed to Corporate MNR</p>
<p>3. Corporate MNR shall examine its EBR procedures for reviewing, approving, and posting EBR notices that publicize FMP public consultation opportunities, with the intent of streamlining the process to avoid unnecessary delays.</p>
<p>8. Corporate MNR shall ensure that the next version of the FMPM identifies the roles and responsibilities of the planning teams and MNR regional and corporate levels in determining the most appropriate basis for setting plan objectives and targets and other components of the FMP.</p>
<p>9. Corporate MNR shall continue to consider how to provide direction to planning teams on how to recognize climate change in FMPs and shall consider the inclusion of information regarding the carbon balance in the Forest over time.</p>
<p>12. Corporate MNR shall review the direction in the 2009 FMPM regarding the determination of the planned harvest level and consider how to revise this direction so that the planned harvest levels are set at realistic levels, and develop a process to allow the plan author to make adjustments to the planned harvest as events play out during the plan term.</p>
<p>13. The MNR FRI section shall work with District MNR and Miisun to ensure that the FRI update for the Kenora Forest will include all information sources that are feasible to use, and are relevant to changes to the Forest during the interval between the date of imagery acquisition and eFRI production. Further, MNR FRI Section shall work with District MNR and Miisun to design and implement a quality assurance program for the eFRI to determine the reliability of key stand attributes.</p>
<p>14. Corporate MNR shall implement measures to ensure that the time interval between imagery acquisition and FRI production is not so long as to jeopardize the quality of the FRI products.</p>
<p>16. Corporate MNR shall develop prescriptions for the protection of Canada warbler and olive-sided flycatcher habitat and mandate their use as a matter of course for all forests in which these species are known to occur.</p>
<p>17. Corporate MNR shall ensure that management direction related to incorporation of newly classified SAR into FMPs shall be promptly developed by Species At Risk Branch or MNR Regional Offices after a species has been designated. This management direction shall be distributed to all planning teams in the species' ranges.</p>
<p>21. Corporate MNR shall add a requirement to the FMPM requiring the SFL-holder to track and report on the by-pass area on an annual basis.</p>
<p>24. Corporate MNR shall review the utility of the Annual Reports since the process streamlining exercise. The review should include consultation with Company and MNR foresters. Corporate MNR should be open to the possibility of revising the annual report content requirements to re-insert information regarding harvesting and silvicultural activities.</p>

3.0 INTRODUCTION

3.1 AUDIT PROCESS AND CONTEXT

The Crown Forest Sustainability Act (CFSA), and one of its Regulations (160/04), directs the Minister of Natural Resources (MNR) to conduct a review of each of the province's managed forests every five years to ensure that the licensee has complied with the terms and conditions of the Crown Forest Sustainability Act, its Sustainable Forest Licence (SFL), its forest management plan and other regulatory requirements. The effectiveness of operations in meeting plan objectives and improvements made as a result of prior IFA results, are also to be assessed. The guiding document which describes the precise manner in which audits are to be carried out is the Independent Forest Audit Process and Protocol (IFAPP), which is produced by the MNR (and is available on the MNR's website). Consistent with the CFSA, the IFAPP requires the audit team to provide a determination regarding the sustainability of forest management and whether the term of the SFL should be extended.

This audit covers the period April 1, 2008 – March 31, 2013, which included the last three years of the 2006 Forest Management Plan (FMP), the one-year duration of the 2011 Contingency Forest Management Plan (CFMP), and the first year of the 2012 FMP. The audit examined all forest operations that occurred within that period as well as the process of developing the CFMP and the 2012 FMP.

The context for the audit is somewhat complicated by the tenure and management transitions which have taken place during the audit period. Trus Joist Weyerhaeuser (Weyerhaeuser) held the SFL for the Forest from 2002 to April 2010, when the SFL was transferred to Miitigoog LP. Weyerhaeuser staff prepared the 2006 FMP and the 2011 CFMP. Miitigoog has contracted management of the Forest to Miisun Integrated Resource Management Company, and Miisun staff led the preparation of the 2012 FMP. Operations on the Forest were the responsibility of Weyerhaeuser for the first two years of the audit period, and of Miitigoog for the last three.

Miitigoog is unique in Ontario, in that it is a co-op SFL with 50% ownership by First Nations. At present seven First Nations share in Miitigoog's ownership and interest in joining has been expressed by others. Miisun is 100% owned and supported by the seven First Nation partners in Miitigoog. The other half of Miitigoog is owned by four forest industry shareholders. The First Nations owners of Miitigoog are:

- Wabaseemoong Independent Nations (Whitedog);
- Ojibways of Onigaming (Onigaming First Nation);
- Ochiichagwe'babigo'inning (Dalles First Nation);
- Anishnabeg of Naongashing (Big Island First Nation);
- Northwest Angle #33;
- Naotkamegwanning (Whitefish Bay First Nation); and
- Shoal Lake #40.

The four industry shareholders in Miitigoog are:

- Weyerhaeuser Company Ltd.
- Kenora Forest Products;
- Wincrief Forest Products Ltd.; and

- Kenora Independent Loggers Association and small mill owners.

Another important note about the context of the IFAs is that they review the performance of both the SFL-holder, and the Ministry of Natural Resources. The MNR has many responsibilities related to forest management, including review and approval of key documents (including the FMP, annual reports, annual work schedules, etc.), overseeing management of non-timber resources, undertaking compliance inspections, etc. In other words, the accomplishments of both parties with responsibilities related to forest management are covered by the audit.

ArborVitae Environmental Services Ltd. undertook this IFA using a five-person team. Profiles of the team members, their qualifications and responsibilities, are provided in Appendix 6. Considerably more detail on the audit process is provided in Appendix 4.

3.2 MANAGEMENT UNIT DESCRIPTION

The Kenora Forest is located in northwestern Ontario in the Kenora administrative district of the MNR (See Figure 1). The Forest is bounded by the Manitoba border on the west, the Whiskey Jack Forest to the east, the Crossroute Forest to the south, and two protected areas (Woodland Caribou Provincial Park and Eagle-Snowshoe Conservation Reserve) to the north.

The town of Kenora (population approx. 15,000) is the business and residential centre of the Forest.

The Forest has been traditionally divided into four Working Circles, which are basically management subunits which recognize forest management, ecological, and socio-economic differences between the discrete areas of the Forest.

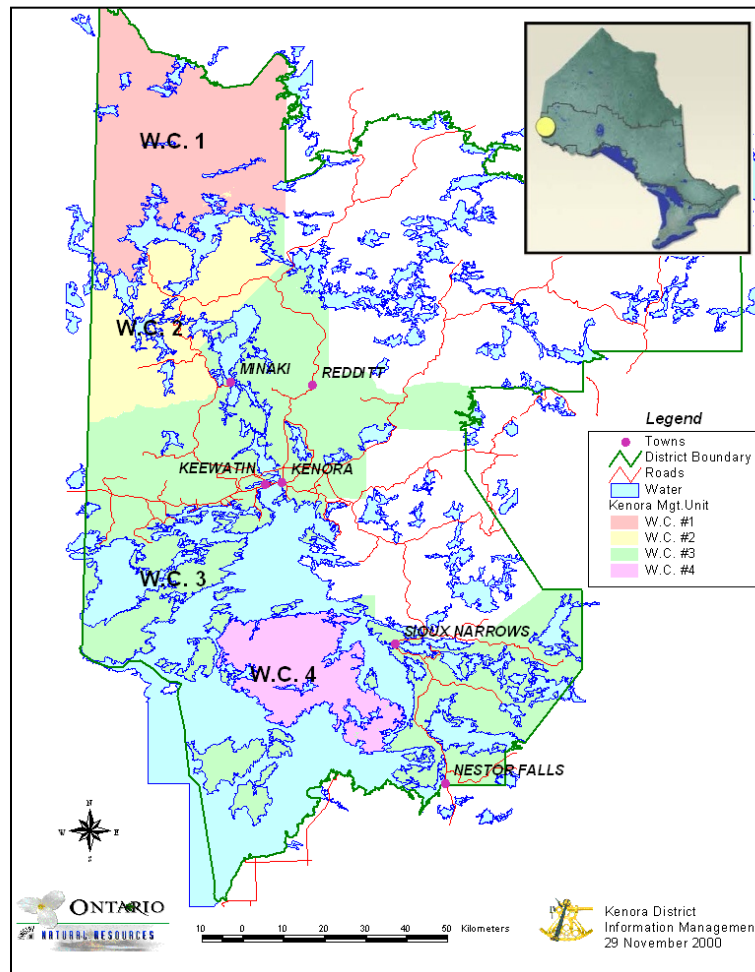


Figure 1. Map of the Kenora Forest showing the four working circles and an inset showing location in Ontario. The Working Circle concept was used in the 2006 FMP, but has largely been abandoned for the 2012 FMP. (Nevertheless, it is a useful short-

hand for identifying regions in the Forest, and has been used selectively throughout this report.) Working Circle One, located north of the English River system has experienced virtually no forest management since it lacks road access from Ontario. Working Circles Two and Three have traditionally experienced most of the management effort on the Forest. The Aulneau Peninsula (former Working Circle Four) is recognized for its unique ecological and social importance in the Forest; relatively little forest management has occurred there. The Aulneau Peninsula is discussed in more detail in Section 4.3.

There are 13 First Nations communities within and adjacent to the boundaries of the Kenora Forest. The Kenora Métis Council also has interests on the Kenora Forest. The six communities within and adjacent to the Forest, which are in addition to the seven identified earlier as partners in Miitigoog, are:

- Big Grassy River First Nation;
- North West Angle #37 First Nation;
- Obashkaandagaang (Washagamis Bay First Nation);
- Wauzhusk Onigum First Nation (Rat Portage);
- Asubpeeschoseewagong Netum Anishinabek (Grassy Narrows First Nation); and
- Iskatewizaagegan No. 39 Independent First Nation (Shoal Lake No. 39).

Table 1 provides an area description of the Forest. There is an abundance of water on the Forest; approximately 36% of the Forest's area is freshwater, with the majority of it in Lake of the Woods. Less than half of the Forest (46%) is Crown productive Forest – the portion of land upon which forest management activities occur.

Table 1. Area (ha) description of the Kenora Forest (Source 2012 FMP)

Land Class	All Land Ownerships ^a	Crown Land
Water	407,359	396,819
Non-forested	12,680	9,112
Non-productive Forest ^b	121,837	110,239
Productive Forest ^c	595,987	525,453
Total	1,137,863	1,041,623

a – includes Crown managed forest, parks, private, and Federal land; b – areas incapable of growing commercial trees, such as muskeg, rock, etc.; c – forest areas capable of growing commercial trees.

The Kenora Forest is ecologically diverse. While most of the Forest is in the Boreal region, elements of the Great Lakes-St. Lawrence forest are present, most notably represented in the occurrence of red pine and white pine. Figure 2 shows the age-class structure of the Forest by forest type. The Kenora Forest is mostly a mixedwood forest, with the hardwood mixed (HMX) and conifer mixed (CMX) working groups comprising 51% of the Forest area. Much of the remaining Forest (43%) is heavily influenced by conifer, exemplified by the jack pine dominated (PJD), jack pine mixedwood (PJM), spruce dominated (SPD), spruce mixedwood (SPM), black spruce lowland (SBL), red and white pine mixedwood (PRW), other conifer lowland (OCL), and balsam fir mixedwood (BFM) forest units. Hardwood working groups include the poplar dominated (POD) with approximately 6% of the Forest and the other hardwoods (OTH), which is usually black ash growing in forested wetlands, comprising some 1% of the Forest.

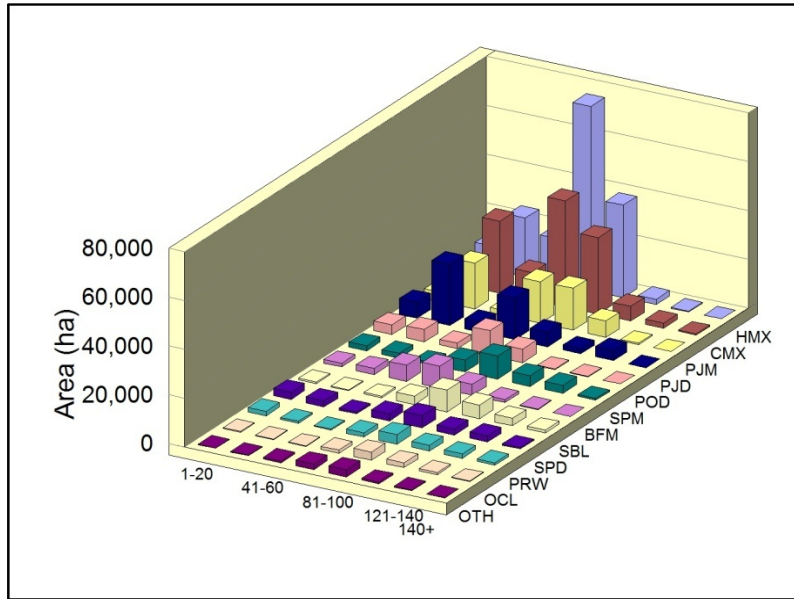


Figure 2. Age class distribution of forest units on the Kenora Forest. (From 2012 FMP, Table FMP-5). See Appendix 5 for definitions of forest units.

The Forest has a tremendous variety of wildlife due to the varied vegetation communities and physiographic conditions. The 2012 FMP reports that 27 vertebrate Species at Risk (SAR) occur on the Forest, and that 63 rare plants occur as categorized by Ontario’s Natural Heritage Information Centre. As an example of the Forest’s diversity, it is the only unit in the province in which four species of ungulates occur (woodland caribou, moose, white-tailed deer, and elk).

Tourism plays a tremendously important role in the area’s economy. The 2012 FMP reports that approximately 500,000 people visit Kenora District for tourism annually, and that there are 362 tourist operators in the District, with about 150 on the Kenora Forest. In addition, there are thousands of cottages throughout the Forest.

The global recession which occurred during the audit period had a significant impact on Ontario’s forest industry, and affected all mills receiving wood from the Kenora Forest. The closure and dismantling of the Abitibi-Consolidated paper mill in Kenora in 2005 and idling of the Domtar Inc. sawmill in Ear Falls and McKenzie Forest Products Inc. sawmill in Hudson in 2008 were major events affecting employment in the area. Since 2008, the Kenora Forest Products sawmill has been closed indefinitely, negatively impacting local employment and income, as did the movement of some mills to one shift per day.

3.3 CURRENT ISSUES

Forecast of Harvest and Objective Achievement

The historic level of achievement of planned harvest on the Forest is very low. Since 1991, only 28.6% of the planned harvest area has actually been cut. Even in the most recent plan period (2006-2011), only 43.7% of the planned area was harvested. The planned harvest area identified in the 2012 FMP is considerably greater than any level which has been cut over the last four plan periods. Although there is some reason for guarded optimism that harvest areas may increase, there are also reasons for caution. The predictions about many objectives for the Forest (FU composition, age-class structure, etc.) are directly related to harvest-level predictions. Inaccurate forecasts of levels greatly decrease the utility of predictions of plan objectives, and of the planning process itself.

Transfer of SFL

As noted above, the SFL for the unit was transferred to Miitigoog LP in April of 2010. While universally viewed as a positive development, there can be issues arise in the transfer of management responsibilities from one entity to another. Ensuring the continuity of management systems with new staff and management structures can be challenging.

Reliance on Working Circles Two and Three

As is described earlier, harvest activities on the Forest have traditionally taken place only on Working Circles 2 and 3. Very little harvesting has occurred in the northern portion of the Forest (WC1) or on the Aulneau Peninsula (former WC 4). The audit team wanted to ensure that the spatially-compressed harvest had not been putting disproportionate harvest pressure on the actively operated portion of the Forest. The traditional undercut on the Forest may be alleviating the pressure to some extent, but nonetheless, the intensity of management focus remains disproportionate.

3.4 SUMMARY OF CONSULTATION AND INPUT TO AUDIT

The audit solicited input from the public, stakeholders, and Aboriginal communities. Five means were used to solicit input

1. Notices were run in two local newspapers soliciting input. The notices gave context to the audit program and this audit in particular and asked for public response to a series of general questions.
2. Targeted mail-outs were directed to two stakeholder groups: all 15 cottager associations in MNR's correspondence database were sent notices regarding the audit requesting their input, and a random sample of 30 of tourism outfitters operating on the Forest was sent similar correspondence.
3. All members of the Local Citizen's Committees (LCC) were canvassed for input into the audit. In addition members of the audit team attended LCC meetings, gave a presentation on the audit program and engaged the committees in discussions regarding the audit.
4. All Aboriginal Communities were sent letters inviting input, and
5. Representatives of all Aboriginal Communities were contacted in person or over the phone to provide opportunities for input and meetings were held with most.

Details regarding the public input are provided in Appendix 4.

4.0 AUDIT FINDINGS

The evidence, analysis and relevant procedures of IFAPP that are associated with all Recommendations resulting from the audit are presented in Appendix 1 of this report.

4.1 COMMITMENT

Because the Kenora Forest is certified to the Sustainable Forestry Initiative standards, this principle is considered by the IFAPP to have been met and was not assessed during this audit.

4.2 PUBLIC CONSULTATION AND ABORIGINAL INVOLVEMENT

Public Consultation Process

MNR led the implementation of the public participation process associated with Phase 1 of the 2012 FMP as well as the contingency plan. The process included providing public notifications, receiving comments, preparation of responses, and the documentation of the process. In general, the process complied with the FMP manual's requirements and met a high standard.

Initial contact with the public consisted of a letter to approximately 900 stakeholders and 1260 property owners in January 2010. Media outlets were notified appropriately, including aboriginal ones. About 37 notices were published or reported on in media. Participation in open houses held in the local communities was reasonable. The audit team reviewed the documentation of the FMP process including open houses and comments or requests for information. MNR responses were timely, professional and courteous.

Submissions to the FMP included a number from cottagers, as the lakes near Kenora are a major cottaging area for Winnipeg. For example, more than 20 comments were received from the Minaki Cottagers Association (MCA) alone. Negotiations were conducted by MNR related to modified operations in the new plan to limit visual impacts and disturbance. The Minaki group ultimately stated "After a series of negotiations MNR and the forest industry agreed to a number of measures ... in theory these measures should meet the requirements of the MCA to protect outdoor recreation values." The group is maintaining vigilance and feels that stakeholders need to: spend time and effort to ensure their goals are achieved, come prepared with solutions to protect their interests, be proactive in monitoring the progress of forest operations, and be prepared to conduct field inspections to assess compliance.

The MCA stated that they do not trust the system, but were still willing to attempt to work things out. The consultation process apparently reached a tentative solution in the minds of the cottagers. A number of the specific public comments were also considered by the audit team in other sections of the audit and are identified in Appendix 4.

There were no requests for an IEA or issue resolution in the 2012 plan, which is an improvement from the 2006 FMP which experienced a request for an IEA following unsuccessful issue resolution.

Local Citizens Committee

During the audit, most the current LCC members were interviewed and auditors attended one of their meetings. The Kenora Forest LCC is responsible for both the Kenora Forest and the Whiskey Jack Forest, and both Forests are considered during each meeting.

Review of the LCC minutes showed the meetings are conducted in a businesslike manner. Action items are stated clearly and followed up on in subsequent meetings. The minutes are recorded with a level of detail that is appropriate and express an understanding of the sense of the subject discussed. When asked, some LCC members commented that the minutes sometimes have been too "polished" on particular issues. As well they stated there are too many acronyms used at times. The auditors felt that

the meeting allows for adjustment of minutes prior to approval. That is the appropriate mechanism for revisions such as these to occur.

There is excellent support by MNR and staff, with a good contingent always attending. Past attendance by District Managers was low but has been rectified. The Company attends almost all of the meetings to provide support.

The LCC carries out its responsibilities well. During the FMP process, the LCC thoroughly discussed the public comments that were provided, and provided guidance to MNR. Amendments, Annual Work Schedules and other products were reviewed promptly. The LCC appointed a representative to the Planning Team who was very engaged and helpful in preparing the plan and reporting back to the Committee.

The LCC has a number of long-standing members. In some LCCs, this can become a problem as members grow complacent and do not take their responsibilities seriously. This is not the case in Kenora. Members are engaged, and because of their experience are able to deal quickly with a large amount of FMP business on two Forests. There are also new members who have brought new perspectives and skills to the group.

The LCC has possible gaps in representation requirements as prescribed by the FMPM: a) anglers and hunters; b) environmental groups and c) water power. The LCC addresses these areas through several appointees who are considered to represent members of the public. The audit team feels the gaps are addressed through the breadth of perspective on the current LCC. The representation requirement is taken seriously by the District Manager and this is shown by the appointees' diverse backgrounds and willingness to express their opinions on the record. The audit team felt that the intent of the representation requirement has been met. The engagement of the LCC and their understanding of some of the esoteric aspects of planning were notable

There was a high level of field and interview participation in this IFA on the part of individual LCC members, and many very pertinent topics were raised which have contributed to some of this audit's recommendations. The LCC also expressed an interest in field visits to sites in the Forest and this should be considered by MNR.

As with any "stakeholder" body, the possibility of conflict of interest (COI) arises. This was identified as a concern by the LCC. The audit team considered the possibility of a "personal benefit" (the central issue with COI) arising from LCC activity. Advising about risk and benefit from forest management are the central purpose of the Committee, and the reason why the planning manual requires the District Manager to convene the LCC. The LCC is advisory only and as such it is very difficult for a true direct personal benefit to be obtained. Clearly members all put forward arguments in favour of their own interests, as that is part of the discussion. MNR staff are well equipped to address this. It is always worthwhile for the members to be careful not to overstate their opinions about risk to resources. The audit team felt that trying to "control" COI could be counterproductive to the purpose of the committee. MNR might consider facilitating an open discussion of COI during an LCC meeting to alleviate some confusion about COI among members of the forest industry.

Aboriginal Consultation

The Auditors conducted interviews and meetings with members/representatives of Aboriginal communities over the course of 6 days from May 8 to 13 and again from July 15 to 20. All communities with an interest in the Forest were contacted and called prior to the audit week. Meetings were held with 8 aboriginal communities / organizations:

- Big Grassy River First Nation
- Anishinaabeg of Naongashiing First Nation No.93 (Big Island)
- Ojibways of Onigaming First Nation
- Wabaseemoong Independent Nations
- Naotkamegwaning First Nation No. 32A (Whitefish Bay)
- MNO Kenora Métis Council
- Grand Council Treaty #3
- Ochiichagwe'babigo'inning First Nation (Dalles)

The community representatives knew the MNR staff well and knew who to contact with questions or concerns. Numerous meetings have been held between Communities and MNR on a range of subjects, including forestry. There are strongly held opinions and concerns about forestry in all communities, ranging from pesticide use to clearcutting.

The recent change of tenure in the Forest has changed the outlook of the Communities to forest governance. Although there is a long history of not being engaged in forestry by some communities, they were generally supportive of Miisun as they work out a new way of doing business. As noted earlier, Miitigoog's First Nations membership has expanded from three in 2010 to seven, with two more interested in joining. The auditors concluded that there is a positive mood regarding the direction of the relationship between MNR and First Nations communities, and the recently appointed District Manager was specifically complimented as "being a breath of fresh air". The auditors note the continued need to build trust; this will take some time.

A common theme with several of the communities was a desire to bid on small blocks of open market wood. They see this as an opportunity to develop capacity within the communities and provide some local wood for various uses. There is an explicit requirement for the District Manager to negotiate this as directed by Condition 34 of the Declaration Order ("(d) providing forest resource licences to Aboriginal people where unallocated Crown timber exists close to reserves). While Miitigoog is able to issue licences to member communities for small amounts of wood, MNR remains responsible for meeting this Condition regarding other communities. The audit team found that MNR staff had not discussed this opportunity with communities that are not part of Miitigoog. The Company has done so, although some community members are more aware of this procedure. The Company has done so, although some community members do not seem aware of this opportunity. As a suggestion, communities could be reminded of this more regularly.

The Métis community in Kenora is very active and MNR has engaged with the Métis Council of Kenora (MCK), a Community Council of the Métis Nation of Ontario (MNO). The audit found that the District had appropriately included the Métis in the discussion of the FMP. MCK expressed concerns related to the FMP, such as their view that there was little support for values collection, but the auditors found that a reasonable effort had been made by MNR.

As an Aboriginal community, Condition 34 applies. At present, there is some generic guidance for District staff about discussion of benefits as required by Condition 34. The need to discuss “benefits” falls to the District staff. During the auditor’s discussion with MCK several unresolved issues were presented that were related to Condition 34. For example the five MCK members present had concerns about a lack of a basic engagement plan; as well as the need for a study of traditional knowledge; and for cultural training for government and Company staff. **Recommendation # 1** addresses the need for discussions related to Condition 34, which could lead to the development of an engagement plan which would recognize some of the issues raised by the MCK and set out a schedule for subsequent meetings with the District Manager.

District staff are responsible for preparing Aboriginal Background Information Reports (ABIRs). Ideally these are prepared with the assistance of the Communities, however as in many places, it is difficult to get participation. MNR District staff used publicly available information to update these reports for the 2012 plan in a way that meets the FMPM technical requirement for ABIRs.

The responsibility to facilitate Aboriginal participation in forestry activities belongs to MNR but the Company is in a good position to play some role in this because they have some control over contracting. The auditors noted that there is very little information about actual jobs for Aboriginal people in downstream manufacturing or with SFL contractors. The Company, the government and the Communities all agreed that it is important to have good information in order to set a milestone to mark future progress. This is addressed in **Recommendation # 2**.

4.3 FOREST MANAGEMENT PLANNING

Planning Team Activities

The planning team was very active during the audit period; its members prepared the 2011 CFMP, 2012 FMP, five Annual Work Schedules (2009-10 to 2013-14) and five Annual Reports (2008-09 to 2011-12).

The planning team had to deal with significant staffing constraints, the transfer of the Kenora SFL from Weyerhaeuser to Miitigoog in 2010, and the significant downturn in the forest industry which led to mill closures. Moreover, MNR was interested in lining up the Kenora and Whiskey Jack Forests for a potential amalgamation. An efficient means of dealing with these issues was having the Kenora and Whiskey Jack planning teams meet as one team. They held 30 planning team meetings between December, 2009 and May, 2012 to prepare the 2011 CFMP and 2012 FMP for the Kenora Forest (and also the 2009-12 Contingency FMP and 2012-22 FMP for the Whiskey Jack Forest).

The combined planning team was very large with up to 26 members. The Kenora planning team had 17 members and was well represented by all disciplines. Five of the 14 First Nation communities invited had planning team representatives who participated (i.e. Wabauskang, Ochiichagwe’babigo’inning, Whitefish Bay, Wabaseemoong, Northwest Angle #37 plus Kenora Métis Council), which was a significant improvement over the 2006 FMP where First Nations did not participate at all.

Planning team activities were well organized with progressive plan input development, good collaboration among planning team members and good operational planning

discussion to address public, stakeholder and First Nations comments. Public review comments were generally acknowledged and addressed.

The planning team had to implement new planning requirements in the 2009 Forest Management Planning Manual and the 2010 Stand and Site Guide. As described later in the discussion of Marten Cores, the planning team's job was complicated by the fact that the Boreal Landscape Guide remains a draft document and is therefore not fully implemented. Because of that, the planning team had to use older planning tools (i.e. Marten Analyst and NDPEG tool). The planning team also used the Ontario Landscape Tool (OLT) to define the natural forest scenario based on landscape guide science.

A variety of training was available to the planning team including organizing for planning, stand and site guide, LTMD, advanced analysis, boreal mixedwood guide, and proposed operations. A steering committee was formed to provide advice to the planning team if needed, but its input was not required. Planning input was provided by 29 plan advisors from the SFL, MNR, MNDR, MCC, and the Kenora LCC as well as 18 plan reviewers who provided a comprehensive review for all program groups.

2011 Contingency Plan Production

The contingency forest management plan (CFMP) proposal was endorsed by MOE on July 30, 2009. The notion behind preparing the CFMP was that a one-year delay in producing the full FMP for the Kenora Forest would synchronize the Whiskey Jack and Kenora Forest Plans and facilitate a merger of the two Forests. The contingency plan was based on the 2006 LTMD and provided one year of planned operations using 2006-26 FMP planned harvest areas.

Even though there were numerous planning team discussions about planned operations, some of the allocated harvest areas in the initial draft plan submission on September 17, 2010 were not accepted. A revised draft was submitted on October 25, 2010, reviewed by MNR, and followed by information centres. After a 30 day public review ended on December 22, 2010, the plan was approved on January 12, 2011.

Overall, the contingency plan process was well-managed and executed, however, an amalgamation with the Whiskey Jack Forest is now an uncertain prospect.

2012 FMP Production

The 2012-22 FMP planning process was also well executed after a slow start and delays in issuing the draft plan review notice.

The planning process began about 3 months later than planned on December 11, 2009 when the first planning team meeting was held. The Terms of Reference was approved on February 1, 2010 and from there the planning process, including preparation of the LTMD, provision of opportunities for public input, and comprehensive review by MNR reviewers went well. Overall, delays during the process led to the draft plan submission on Aug 8, 2011, approximately 3 months later than scheduled. After reaching that milestone, the draft plan public review notice was then delayed six weeks until November 17, 2011 due to delays in issuing Environmental Bill of Rights registry notices. Although the process proceeded in a timely way after that, the delays to that point resulted in a delayed implementation date – April 25, 2012 - resulting in a 25-day shutdown of forest operations.

This delay in plan implementation, and the resultant suspension of operations, could have been avoided with a faster planning start-up and by timely Environmental Bill of Rights (EBR) postings. This is addressed in **Recommendation # 3**.

Individual Environmental Assessment (IEA) Requests

The auditors commend MNR and the planning team for their significant efforts to notify and consult with affected parties including cottagers associations, tourist outfitters, First Nation communities, trappers and the general public during the development of the 2011 CFMP and the 2012 FMP. These efforts contributed to there being no requests for individual Environmental Assessments (IEAs), in contrast to the 2006 FMP, for which the Minaki Lake Cottagers Association requested an IEA, which was resolved.

Plan Amendments

There were only 24 administrative amendments processed during the audit term, due both to low operating levels and good planning. Most of the amendments were associated with the 2006 FMP.

Amendment approval times averaged 19 days, ranging from 1 to 103 days. Amendments to re-classify the Caribou Road and for the June 2012 blow down salvage took longest to approve. Eleven of the amendments were related to harvesting, mostly involving the swap of contingency for regular blocks. This did not appear to be warranted given the low operating levels; since both MNR and the Company have indicated these would be minimized moving forward, no recommendation is provided.

The documentation and records of amendments were wanting. Seven amendments had no amendment number assigned, three amendments were missing, two were duplicates and some amendment records only consisted of an approval page. A lack of numbering and records makes it difficult to track and administer amendment approvals. The amendment summary did not have all of the required information specified by Part C, Section 2.8 of the 2009 FMPM, such as amendment number. Other enhancements to the amendment summary to help administration could include tracking submission date, LCC input, and public consultation results.

Generally amendment request information and approval pages were filed, however some required amendment documentation information was missing as per Part C, Section 2.7 of the 2009 FMPM. This included the District Manager decisions, comments from the LCC, amended plan text, tables and supplementary documentation, and any public comments.

There were no amendments posted on the FI portal or E-FMP website indicating electronic submission of final amendment files is not occurring as required by Section 4.6 of the 2009 FIM technical specifications. Section 5.9.1 of the FIM technical specifications requires amendments to be numbered sequentially and indicates amendments are to be available for public viewing on the MNR website.

The significant problems associated with administration and record keeping of amendments are addressed in **Recommendation # 4**.

Annual Work Schedules

With two exceptions, the AWSs were submitted, reviewed, resubmitted and approved on time to allow continuous operations. The 2011-12 AWS submission was delayed slightly to correspond with the approval of the 2011-12 contingency FMP, and the 2012-13 AWS approval was delayed until April 10, 2012 for implementation April 25, 2012 due to the delay in 2012 FMP approval described above.

Planned harvest areas ranged between 113% and 240% of the AHA and were generally within the 2 year maximum planned operations level. The AWSs present only a very brief discussion of total planned harvest area in terms of percent of available harvest area planned. The audit team had to consult the electronic harvest map layers to obtain annual planned harvest areas; the planned harvest layer submitted with the 2011-12 AWS was found to total 3,607 hectares when only 3,170 hectares was approved in the 2011 CFMP. The error was attributable to reserves being included in the planned harvest layer.

The AWSs would be enhanced by improved tracking of the planned harvest and improved review by MNR, which was very limited for the last three AWS's produced. **Recommendation # 5** is intended to address these considerations.

AWS Revisions

There were only 27 AWS revisions during the audit period and most were associated with amendments. AWS revision documentation generally consisted of the initial request and an approval page which met the certification requirements of the FMPM. The revisions were un-numbered and a total of 16 AWS revisions had no approval page. There were no AWS revisions on the FI portal and only 2 recent AWS revisions were available on the E-FMP website.

According to Part D, Section 3.5.5 of the 2009 FMPM, AWS revisions are to remain available at the sustainable forest licensee office and on the MNR website. These requirements are not being met. AWS administration issues are addressed by **Recommendation # 6**.

There have been a large number of unidentified streams encountered during operations, requiring AWS revisions. This issue is discussed fully in section 4.4 (Areas of Concern) and is addressed in **Recommendation # 20**.

Forest Management Plan Content

The 2011 CFMP and 2012 FMP are thorough documents, and topics that are covered match the content requirements of the FMPM.

Objectives in the Long-Term Management Direction

The components of the Long-Term Management Direction (LTMD) for the 2012 FMP that pertain to the character of the future forest are largely driven by a desire to shift the Forest towards the historic forest (synonymous here with the natural forest), as modelled in BFOLDS and Ontario Landscape Tool (OLT). The LTMD calls for some significant shifts in the Forest, however it is clear from the minutes of the planning team meetings and from discussions with planning team members that there were difficulties calibrating the OLT, which was not used in the previous plan.

Planning team members also stated that they felt that some of the results did not suit the Forest. In the minutes of planning team meeting #4 (Feb 26, 2010), it was reported that the OLT results suggest that the Forest has too much PoDom and not enough conifer dominated stands. Issues with the OLT were not resolved quickly. The minutes for planning team meeting #8 (June 1, 2013) stated that “There is a large difference between the SRNV from OLT and the Base Model Inventory (BMI) for the amount of area in “Conifer”. The [amount of conifer in the] SRNV is much higher than the amount currently found in the Forest. Alternatively, there is a large amount of the ConMx standard forest unit for most age classes compared to the amount required in the SRNV. Small corrections were made in OLT, however the output was relatively unchanged”. By planning team meeting #10 (July 26, 2010), a revised OLT had been provided to the planning team. The planning team had no input into the changes and was not informed of the nature of the changes, and the revised OLT did not fully alleviate the planning team’s concerns. Thus, from the perspective of the planning team, the OLT was a black box. It must be said that a reader of the plan is also left in the dark, because there is no longer a requirement in the FMPM to include a description of the historic forest in the FMP (See **Recommendation # 7**).

It is clear that the historic forest, as modelled by OLT, had a much greater percentage of pure species stands in it than does the current forest. Hence, a key thrust of the LTMD is to reduce the area in the sizeable mixed hardwood (HMX) and mixed conifer (CMX) forest units, as can be seen in Figure 3.



Figure 3. Area by aggregated forest units at four points in time.

The productive forest area in the HMX FU is presently 139,000 ha, representing almost 30% of the productive area in the Forest. By 2112, the LTMD calls for there to be 43,000 ha in the HMX FU, equivalent to 7.4% of the Forest. The area of conifer mixedwood is also forecast to decline by approximately 25,000 ha during this same period. Even though the area of the poplar dominated FU (PoDom) is forecast to

increase from 27,000 to 80,000 ha from 2012 to 2112, it is clear that the LTMD calls for a substantial reduction in the amount of hardwood present in the Forest.¹

One of the key outcomes of these shifts in forest type area is a significant decline in the medium and long-term poplar supply. The planned poplar harvest declines from 150,000 m³/yr in the first plan term to 70,000 m³/yr by 2032 before partially rebounding to 100,000 m³/yr, in 2092. Although the long term is hard to foresee, the medium term impact of this transition can be expected to be negative for the Trus-Joist mill, the main hardwood-using mill in the Kenora region. Unlike other major mills in the area, Trus-Joist, has operated continuously since its start-up in 2002, creating significant local employment. Given the evident problems with the determination of the character of the historical forest, and what the audit team considers to be an undue emphasis placed on trying to re-create the historical forest through management, the proposed reduction in hardwood on the Forest is a major concern for the audit team. The auditors also note that hardwood was to be managed quite differently in the 2006 FMP, where the lowest level of available hardwood harvest was approximately 133,000 m³/year.

From the perspective of the audit team, the planning team placed too much emphasis on trying to attain the natural forest condition indicators from OLT, at the expense of social and economic benefits. **Recommendation # 8** is designed to address this situation.

The case for a concerted effort to return the Forest to a presumed historical state is questionable on several grounds in addition to the potential for it to degrade the mill's long term competitive position. One factor that should give pause is the role that climate change is having, and will have even more strongly, in shaping the Forest. Some members of the LCC made this point in their discussions regarding the FMP, however the FMPM provides no direction on how to begin to recognize the implications of climate change, and so nothing was done in this respect. This is addressed in **Recommendation # 9**.

The FMP also contains direction to double the amount of old forest in the Kenora Forest, by increasing it from a present level of 45,000 ha to 98,000 ha by 2112. However, there is in the FMP a patch size indicator for the presence of mature and old forest, which the LTMD proposes to reduce by 50%. While the plan considers that forest stands enter the mature phase at ages as young as 60 or 70 years, it is difficult to discern the strategic reasons for reducing by half the presence of mature and old forest while more than doubling the amount of old forest. With these two elements of the LTMD working in seeming opposition to each other, at the very least, the outcome will be to fragment the mature and old forest, which is not ecologically desirable. The audit team recommends that this component of the LTMD be re-visited and the FMP be amended to address the inconsistency (**Recommendation # 10**).

In summary, the audit team has significant reservations about some aspects of the LTMD, notably an over-emphasis on Corporately-provided ecological direction (which was considered to be questionable by the planning team) at the expense of social and economic considerations.

¹ It is noted that the minutes from planning team meeting number 4 state that "The Ontario Landscape Tool results suggest that the forest has too much PoDom and not enough conifer dominated stands. "

The Available Harvest Area (AHA) and the Planned Harvest

The available harvest area (AHA) resulting from the LTMD is equivalent to an average annual harvest level of 4,158 ha/year. This was determined to represent a net merchantable harvest volume of 443,000 m³/yr of all species. The planned level of harvest, which is determined for the first ten-year term only, was reduced by 8% from the AHA level to account for the deferral of operations on the Aulneau Peninsula (discussed in detail below). After this adjustment, which was made during review of the draft plan, the planned harvest area was equivalent to an average of 3,828 ha/yr.

Table FMP-7 (projected available harvest area by forest unit) shows that for almost all major FU's, there are some periods of extreme volatility in the available harvest area. For example, in the HMX FU, the available area is 12,060 ha in 2012 and 8,867 ha in 2032, before plummeting to 129 ha in 2052. It rebounds to 7,152 ha in 2072. There are similar low points for many FU's at various times, including in 2012 for the spruce upland FU. This reflects the lack of constraints on area by FU during modelling. It is unusual to see such large swings in available area by FU; most plans have more uniformity from term to term. The sharp changes in this FMP create allocation challenges and could lead to big swings in the levels of some silvicultural operations. The audit team suggests that planning teams ensure that the forest unit composition of the AHA is more balanced over time in future LTMD development.

In reviewing the historic levels of harvest on the Kenora Forest, it is striking how consistently low the actual harvest has been in comparison with planned levels (see table embedded in discussion of **Recommendation # 11**). The actual harvest area has ranged from 922 ha/yr to 1378 ha/yr over the last four complete plan periods (i.e. between 1991 and 2011), and the percentage of the planned harvest area that was actually cut has averaged less than 30% during this period. The highest level of achievement was in the 2006 FMP term, when 44% of the planned harvest area was cut, which primarily reflects a decline in planned harvest from previous plan terms, rather than an increase in the actual harvest.

The level of harvest that is planned for the current term is 275% higher than the harvest area attained during the previous plan period. The audit team is skeptical that the actual harvest will be anywhere close to the planned level. In the Kenora area, the Devlin SPF mill closed permanently in 2005, the Abitibi pulp mill closed permanently in 2006, and Kenora Forest Products (KFP), a mid-sized SPF mill, has been closed since 2008. While there have been indications that the KFP mill might re-open soon, it may not; the proposed date of its opening has been pushed back continuously during the audit. . In addition, the Resolute mill in Fort Frances has recently shut down its newsprint machine and one of its pulp machines, at least on a temporary basis, and so the longer-term status of that mill is uncertain. Based on these factors, the audit team feels that there is a sound basis for being skeptical that the actual harvest level will increase much beyond historic levels during the present planning term.

The audit team recognizes that the habit of planning to harvest the full allocation of timber is deeply ingrained in the MNR and the industry. The 2009 FMPM provides some direction that the full AHA need not always be allocated, for example it states on page A-38 that the target levels for harvest indicators should reflect, among other factors, the level of historic wood utilization. Nonetheless, there is a strong aversion in the sector to setting a planned level of harvest below the AHA.

The audit team feels that it is time to re-evaluate this perspective, because it calls into question the credibility of the FMP's, and more fundamentally, the rationale for forest planning. Key FMP objectives pertain to the nature of the future forest, and when the attainment of these objectives is predicated on an unrealistic or overly optimistic harvest, the ability of the plan to meet the objectives comes into question. In other words, the future forest that the plan is ostensibly designed to create may not be attained, which would represent a key management failure. Moreover, the assessment of sustainability of management that is made during planning is based in large part on the ability of the plan to meet the objectives. If the forecast level of operations is unlikely to be attained, the sustainability assessment is questionable.

Another implication of the lack of realism in setting a planned harvest level is the impact on Miisun and Miitigoog, which derive the majority of their revenue from fees paid on wood that is harvested. The original intention was that Miitigoog would hold the licences for both the Kenora and Whiskey Jack Forests (and in fact that the two Forests would be amalgamated). Now, with the future tenure of the Whiskey Jack Forest being clouded by legal and political issues, it is more important than ever that a realistic harvest forecast be made on the Kenora Forest. Accordingly, the audit team has developed

Recommendation # 11.

As stated above, this approach to setting the planned level of harvest reflects a mode of thinking that the role of the FMP is to identify all of the potential available harvest area, subject to the existing range of ecological, social and operational constraints. However, if that were the main purpose of the plan, then there would be little reason to set long term objectives and to forecast what the future forest should look like. And of course a large amount of effort in developing an FMP goes into objective setting and forecasting.

Although the FMPM does not require the planned harvest to equal the AHA, there is no direction or guidance provided to planning teams on how to approach a situation when the future harvest is likely to be well below the available area. The surplus mechanism is rarely used, and one reservation that planning teams have in using it is that, when the plan is being implemented, if expectedly high harvest levels necessitate an increase in the planned harvest, an amendment is required to bring areas out of surplus and to make them available for harvesting. In the view of the audit team, Corporate MNR should provide more direction on these matters, and seek to streamline the amendment process associated with surplus declaration, or design a new process that is both flexible and efficient. **Recommendation # 12** is intended to achieve this outcome.

Forest Resource Inventory

The current Forest Resource Inventory (FRI) for the Kenora Forest was published in 1999, and is based on aerial photography acquired in 1995 and 1996. For the preparation of the Planning Inventory for the 2012 FMP, the FRI was updated to April 1, 2012 using forecasted and actual harvest areas, silvicultural records and free-to-grow assessment results. The Company maintains good records of depletions, silvicultural activities, and free-to-grow assessments, and updates the inventory annually.

Since the base imagery for this inventory is 17 to 18 years old, this FRI is approaching the end of its useful life, but is still of acceptable quality for the current Phase I FMP. The audit team did not identify any significant problems or issues related to the quality of the

current FRI. However, the Company noted that when the new eFRI is prepared, the resolution of forest stands will be finer (i.e., the average size of stands will be smaller) due to the quality of the new digital imagery. Because the finer resolution will allow smaller areas of pure species composition to be delineated, this will likely result in a higher proportion of pure forest units and a reduction in mixedwood forest units in the new inventory.

In 2010, digital aerial imagery acquired in 2009 for the eFRI project became available for use by the Company and District MNR to aid in operational planning. Production of the updated eFRI is scheduled to be completed sometime between 2015 and 2017.

Concerns were expressed by the Company that due to the length of time between imagery acquisition and FRI publication, which could be as much as eight years, the FRI will not be current even in its first year of use. This issue is addressed in

Recommendation # 13 and Recommendation # 14.

Silvicultural Planning

For each of the three plans that were in place during the audit period (the 2006 FMP, the 2011 Contingency Plan, and the 2012 FMP), the selected areas for silvicultural operations were consistent with the respective plan terms and management objectives. For the 2012 FMP, the silvicultural ground rules (SGRs) were considerably revised and condensed compared with the 2006 FMP. In the 2012 FMP, these revised SGRs more closely take into account the local site and stand conditions, and better reflect the nature of actual operations on the Kenora Forest.

During the development of the 2012 FMP, a significant amount of local information was used to develop managed yield curves and to calibrate the managed successional rules used for SFMM modelling. The information used included historic cruise data from Weyerhaeuser and other local sources, recent free-to-grow survey results, information gained from MNR silvicultural effectiveness monitoring (SEM) data, and the information collected by MNR for a special SEM project that was designed to assess trends and validate successional pathways for managed stands.

Compared to the previous FMP, the overall silvicultural strategy in the 2012 FMP has shifted to a greater emphasis on artificial regeneration and a corresponding reduction in the application of natural regeneration. This is illustrated in Table 2, which compares the proportions of natural regeneration, seeding and planting planned for the respective FMPs and shows the actual proportions achieved in the 2006 FMP term. This shift in strategy is supported by an increase in the area to be treated by artificial regeneration techniques, and a commensurate increase in tending.

Table 2. Comparison of the relative proportions of natural and artificial regeneration between the 2006-2011 and the 2012-2022 FMPs.

Renewal	2006 FMP Planned	2006 - 11 Actual	2012 FMP Planned
Natural Regeneration	60%	61%	43%
Planting	23%	19%	43%
Seeding	17%	20%	14%

The purpose of the change was to accommodate objectives in the 2012 FMP to move the Forest closer to the present understanding of the historic condition, which meant

increasing the pure forest units, both conifer and hardwood, and decreasing the mixedwood forest units (See the section on the Long-Term Management Direction above for a discussion of the historic forest condition).

Area of Concern Planning

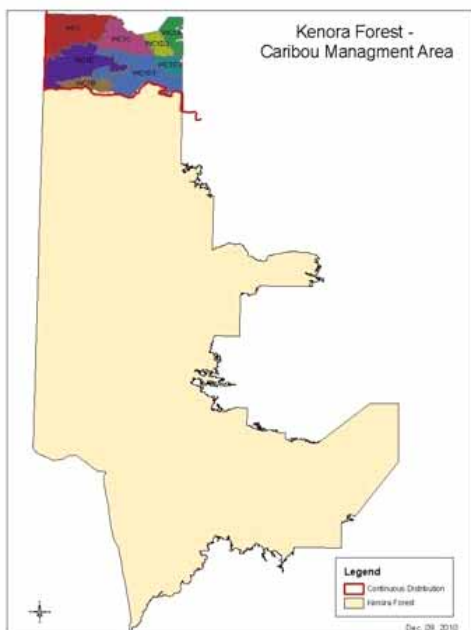
The 2012 FMP incorporated direction on AOCs from the Stand and Site Guide. This represented a reasonable shift from the previous plan as fewer site-specific AOCs were included but a somewhat broader range of values were incorporated. All types of values covered in the previous plan were also covered in the present plan, with the exception of site-specific values on the Aulneau Peninsula that were excluded from the present plan as there is no harvesting planned there during the present plan period.

The audit team reviewed all the AOC prescriptions in the Phase II plan and believes they are appropriate to provide protection for the values they address.

Caribou

The Ministry of Natural Resources' management direction for caribou is outlined in the 2009 document Woodland Caribou Conservation Plan (CCP). Only the very northern portion of the Kenora Forest falls within the zone of continuous distribution as identified the CCP (See Figure 4). Caribou management blocks in that portion of the Forest have

been identified as required by the MNR's mandated management approach, however no operations are planned for that portion of Forest during the 2012 FMP term. The blocks identified in the 2012 plan are the same as those identified in the 2006 FMP.



Given the uncertainty regarding future management direction for caribou in the province which existed during the planning period, (i.e. no habitat regulation for caribou under the ESA was in place during the plan period, , the MNR has only recently released the boreal landscape guide², and a number of commitments made in the CCP have yet to be fully addressed), the auditors concur with the decision of the planning team not to invest considerable energy in refining the management strategy on the Forest as there is at least a reasonable likelihood that management direction will evolve before the next FMP.

Figure 4. Caribou Management Zone in the Kenora Forest.

The audit team notes that at present there is no access into the caribou zone in the Forest as no infrastructure exists north of the English River. A bridge at Caribou Falls, at the north end of the Umfreville Road, is being seriously considered, however a recent vote by Whitedog community rejected this option. Access at the southern edge of the caribou zone exists via a road into Manitoba, and other alternate routes have been considered,

² Since the field audit occurred, caribou have received general habitat protection under the ESA, and the Boreal Landscape Guide has been posted on the EBR. However, as the Landscape Guide is still going through the review process, it is not yet final.

but none seem economically or logistically practical. Given that no harvesting has yet taken place anywhere in the caribou zone and no access infrastructure is in place, the audit team observes that the present circumstances constitute a special situation. Management of caribou habitat in much of the boreal forest is encumbered by existing access infrastructure and a history of previous forest operations leading to fragmented forests. These circumstances can lead to decreases in old, contiguous conifer forests; high moose densities; increased wolf predation; increased human presence, and other circumstances which make caribou management difficult to say the least.

The absence of those pre-existing conditions presents an opportunity for resource managers to implement caribou habitat management in a manner completely consistent with MNR's prescribed management direction. The audit team suggests that MNR and the Company take advantage of these circumstances and treat the caribou zone in the Kenora Forest as a large experimental area. This effort would involve establishing baseline information on caribou habitat use and other ecological metrics in zone, implementing very carefully prescribed management as directed in the CCP, and careful monitoring of caribou, wolf, and moose use and presence in the zone.

Marten Cores

The 2012 FMP implemented the use of marten cores as directed by the MNR's 1996 Marten Habitat Guide. The Guide directs that 10 – 20% of the forest which has the capability to produce marten habitat be maintained in suitable conditions in core blocks of 30 – 50 km². Subsequent interpretations of the Guide's direction have permitted the use of smaller cores with lower quality habitat, provided that a reasonable balance of economic and environmental objectives can be struck and that the intent of the Guide is reasonably pursued.

On the Kenora Forest approximately 12.6% of the capable landbase is in cores, although only 70% of that area (approx. 8.8% of the capable landbase) is in cores larger than 30 km². The fact that the plan addresses marten cores at all is a function of the long delay on the part of the MNR in releasing the boreal landscape guide. The use of marten core habitat requirements as indicators of forest quality is being replaced by more sophisticated landscape measures in the boreal landscape guide. However, as the guide remains 'draft', the requirements of the marten guide are still required to be addressed. The MNR made its original commitment to produce a landscape guide in 2000 and has put off its release for a number of years. The failure of the MNR to release the boreal landscape guide has been addressed in recommendations in many previous IFAs and so is not repeated here. Nonetheless, the audit team suggests and encourages the MNR to live up to its commitments and release the landscape guide expeditiously.

Landscape Indicators and Selected Wildlife Species

The 2012 FMP was produced using the 2009 FMPM and the 2006 FMP was produced using the 1996 FMPM. One subtle, but not unimportant distinction between the two versions of the Manual is the manner in which they address prediction of wildlife habitat values through the use of "selected wildlife species"; these are species for which specific habitat-values are predicted for each forest projection model run. The 2004 FMPM required that "*The selected wildlife species should include as a minimum, the appropriate provincially and locally featured species. Provincial/regional analysis may reveal other species whose habitat is rare and/or diminishing at the Provincial/regional*

level. *Where the management unit is important in maintaining or improving habitat for these species, they will be included as selected wildlife species.*” It was not uncommon for plans produced using that FMPM to use a dozen or more selected wildlife species – Table FMP-6 in the 2006 FMP reported on 23 indicators for selected wildlife species.

Unlike the 2004 FMPM, the 2009 FMPM contains no explicit direction to include selected wildlife species. The 2009 FMPM notes that “*Management objectives may also be developed to address desired forest benefits identified by the planning team and local citizens committee with input from the public (e.g. selected wildlife species).*” The 2009 FMPM does require habitat projections to be made for Species at Risk (as did the 2004 FMPM), but downplays the potential role of selected species. There is understandable rationale for the loss of wildlife-specific habitat indicators, as the draft landscape guide mandates the use of broader landscape-related objectives, which leads to more extensive indicators such as those used in the 2012 FMP (e.g. % of polygons with >60% mature and old forest at the 5,000 ha hexagon scale, crown productive forest by landscape class, etc.). However, while such broad indicators are no doubt ecologically meaningful, the loss of wildlife species-specific indicators is very unfortunate as noted in the review of modelling assumptions in the Year 5 Annual Report for the Forest, by District MNR staff, and by several participants in a recent review of MNR’s assessment of sustainability³. The wildlife-specific indicators provide better communication tools than do the suite of those mandated by the landscape guide, and provide more a readily interpretable and integrative sense of the impact of forest management. For example, it is somewhat incongruous that the FMP recognizes the value of managing for moose and deer habitat by specifically identifying moose emphasis areas and deer emphasis areas on the landbase, and yet includes no moose or deer habitat objectives. The audit team is not advocating doing away with the indicators/objectives identified in the landscape guide, but suggests that the MNR should encourage planning teams to continue using selected wildlife species as indicators and to continue to support their use in FMP modelling.

Species at Risk

The 2012 FMP notes that there are 27 vertebrate SAR whose range overlaps with at least some portion of the Kenora Forest. Specific AOC prescriptions were developed for a number of the species. Those species for which no AOCs were developed include those not confirmed to exist on the Forest (e.g. golden eagle), and those with broad habitat requirements and for which forestry does not pose a specific threat (e.g. white pelican, monarch butterfly).

Only one of the SAR was addressed by species-specific habitat modelling: woodland caribou. The audit team notes there is at least one SAR for which specific modelling should be conducted, but isn’t. The Canada warbler and olive-sided flycatcher were designated as ‘special concern’ by COSSARO in September 2009. The audit team believes that the lack of species-specific modelling for Canada warbler is contrary to MNR’s forest management direction, and that a comparable case may be made for the olive-sided flycatcher. The argument for dealing more explicitly with Canada warbler than is now the case is presented in **Recommendation # 16**.

³ ArborVitae Environmental Services Ltd. and Anne Koven. 2012. Review of the Determination of Sustainability in Forest Management Planning. Report prepared for the Ontario Ministry of Natural Resources. 72 p.

The audit team notes that the requirements to protect the nests of song birds included in the FMPs conditions on regular operations (CRO) would do very little to protect the nests of any species of song birds, including these two SAR. The CRO requires that song bird nests with eggs or young encountered during forest management operations not be destroyed and that disturbance be minimized within 3 m of the nests once they are discovered. In reality this direction is probably useless, as described in **Recommendation # 16**. No one interviewed by the audit team (on many audits, not just this one) could recall instances in which this prescription was applied as it is extremely unlikely that a songbird nest in a tree would be seen by operators of feller-bunchers or similar machinery. So, although the prescription may be well intended, it is highly unlikely that it will ever be applied. The inclusion of this CRO in the FMP does not meet the SAR planning requirements of the FMPM.

Further to the FMPM planning requirements related to SAR, the audit team has identified a broad concern related to the existing FMPM direction for dealing with instances in which no policy direction addresses the habitat requirements for species at risk which occur on the Forest. Ontario's Committee on the Status of Species at Risk in Ontario (COSSARO) has recently reviewed the status of a number of obligate-forest dwelling candidate species which may qualify for SAR status, and according to their schedule for future deliberations, a number of additional species are to be reviewed in the near future. The audit team believes that the FMPM mechanism for incorporating direction on newly-classified species into forest management is inadequate; this is addressed in **Recommendation # 17**.

Aulneau Peninsula

The Aulneau Peninsula, formerly known as Working Circle 4 (Figure 1), has long been recognized as an area of special value for First Nations interests and wildlife habitat. The previous IFA reported that although no wood had been harvested on the Peninsula since 1986, the area had yet been included in successive plans as a potential area for forest operations. That IFA recommended that *"In the development of the next Forest Management Plan, Weyerhaeuser and the Kenora OMNR need to make a decision with respect to the suitability of the ongoing inclusion of the Aulneau Peninsula and WC4 in wood supply calculations"*. To address this recommendation and to address what the 2012 FMP noted were *"uncertainties regarding the future accessibility of the area and availability of the timber for harvest"* a decision was made to defer any operations, including any planned road construction, harvest, renewal or tending activities, from the Aulneau for the 10-year period of the FMP. The audit team concurs with the actions taken related to the 2012 FMP, but is concerned that the FMP process is not ideally suited to make on-going decisions regarding management of the Peninsula. This is addressed in **Recommendation # 18**.

Access

The 2011 CFMP included planned construction of 13.5 km of branch road; no construction of primary road was planned. The branch road was intended to access blocks near Goshawk Lake north of Whitedog, however it was not constructed during the plan term. The 2012 FMP includes planned construction of 39.5 km of branch road, of which 13.3 km is the Goshawk road and the remaining 26.2 km of road is on the Western Peninsula, which extends into Lake of the Woods from its northwestern shore.

The main access feature of the 2012 FMP is the stated intention to access the former Working Circle 1 by constructing 38.7 km of primary road north of the English River, with a crossing at Caribou Falls. There is uncertainty about whether this road will actually be constructed during the plan term due to potential objections from the Wabaseemoong Independent Nations. Harvest allocations from WC 1 make up 16% of the 10-year planned harvest area. The FMP notes that if the Caribou Falls Road is not constructed, the allocations in WC1 will not be made available. This is an appropriate strategy given the previously-identified concerns regarding the potential over-reliance on WC 2+3 for timber in the Forest (See sections 3.3 and 4.4).

The audit team reviewed the road planning information provided in the Supplementary Documentation, including the examination of alternatives and found that the planning requirements have been met.

4.4 PLAN ASSESSMENT AND IMPLEMENTATION

Harvest

Harvesting during the plan period was curtailed by the severe economic recession that originated in the US. In addition to plummeting new house construction in the US, reductions in print-based advertising, declining sales of newspapers and magazines, and a high Canadian dollar severely impacted the Canadian forest sector. Kenora Forest Products (KFP), the main spruce-pine-fir (SPF) sawmill in Kenora, closed in February 2008 and has not operated since, although there are recent indications that it may re-open. In this environment, the Kenora Forest was one of few in Ontario where the harvest level was little changed from the previous five-year plan period. An average of 1387 ha/year was harvested during the 2006 FMP period, an increase of 72 ha/yr over the 2001 FMP period. As a percent of planned harvest, the actual area cut came in at 44% for the 2006 plan period. Compared to the 2001-06 plan period, an increased hardwood harvested offset a declining conifer harvest, reflecting the KFP closure, among other factors. Furthermore, although lack of access during the 2006 FMP period prevented any harvesting in the Aulneau Peninsula (WC #4) or north of the English River (WC #1), the low level of harvest on the Forest was well below the pro-rated allowable level for Working Circles 2 & 3, alleviating any concerns on the part of the auditors that the Company was over-harvesting in the accessible part of the Forest.

The volume harvest increased significantly from an average of 88,000 m³/yr during 2001-06 to 130,000 m³/yr during the 2006-11 period. The actual harvest volume was 40% of planned in the most recent period, which corresponds quite well with the area figure. This suggests that the yield curves are generally accurate for the Forest. Figure 5 (below) shows that the average planned and actual volume yields have been fairly steady in the vicinity of 100 m³/ha, with the exception of 2001-06, when both planned and actual yields were markedly lower.

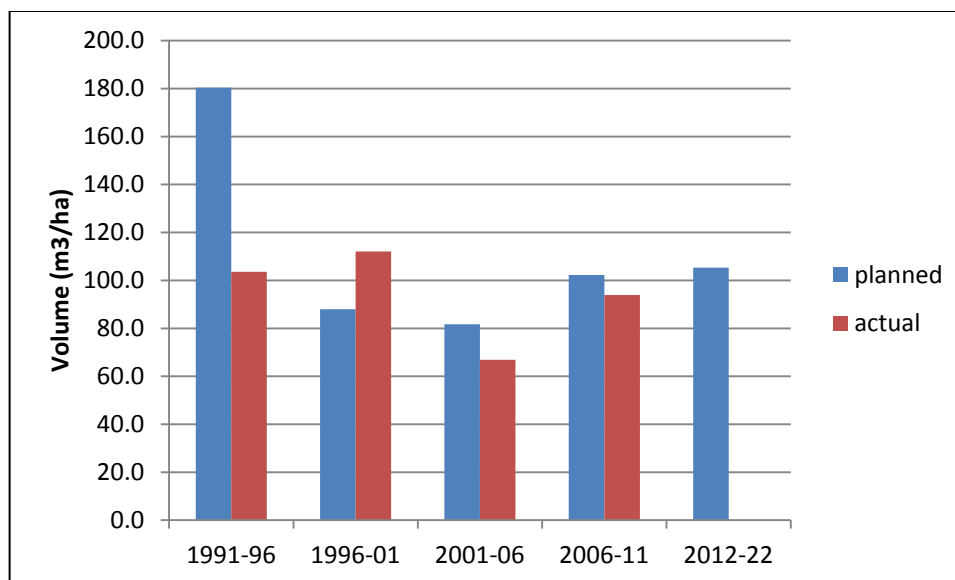


Figure 5. Planned vs. Actual Harvest Volume Yield Over the Four Previous Plan Terms (m³/ha).

Low demand, a long-time challenge for managers of this Forest, remained the main factor affecting the harvest level during the audit period. The mills that remained operational during the period reduced the number of shifts and most took some amounts of downtime. At the same time, the Domtar facility in Dryden began to take increasing amounts of jack pine in chip form – as the primary mill in the area using jack pine, this means that sawlog quality stands are being chipped. Unfortunate as it is to process sawlog material in this manner, the interest from Domtar nonetheless provides opportunities for fuller utilization of a wider range of stand types. Weyerhaeuser, and more recently Miitigoog, have been working to convince its harvest contractors to acquire grinder capability, however none have so far opted to do so. Grinding provides a way to capture additional biomass from a harvest block, avoids the need and cost of managing slash, and provides a more diversified product stream. The Forest would greatly benefit from another source of demand for SPF, such as a re-opened KFP mill.

There were three salvage harvests during the period. The largest one was in response to a July 2012 blowdown that affected more than 1500 ha of mature timber. The amendment request for the latter salvage harvest was submitted by the Company on July 20, 2012; MNR classified the amendment as administrative and provided conditional approval on September 28, with final approval in October. This amendment took 88 days, much longer than the twenty-day average time to be approved due to a need for consultation with the neighbouring Naothkamegwaning First Nation, which resulted in the identification of hitherto unreported cultural heritage values in the planned harvest area. This salvage operation was in progress during the audit week, was viewed in the field and found to be of a high standard, with excellent utilization. The two other salvage amendments issued during the audit process were approved within 19 and 13 days of submission, which represents an efficient turnaround.

All harvesting was done using a single-pass clearcut system. During the first four years of the audit period, a total of 2,470 ha of forest classed as Ecosite ES11 or ES12 was full tree logged, making these areas exceptions to the Silvicultural Ground Rules. These

areas, which are characterized by shallow soils, represent almost half of the total area harvested. The areas were all winter logged and other best practices were applied, such as a minimal use of skid trails, roads and landings. The Company is participating in a regional monitoring program of these exceptions.

The conduct of the harvest operations was generally of a high quality. During the audit period, there were four non-compliances issued for small amounts of wood left in the block (subsequently picked up) and two for minor trespasses into MAFA's. This is a relatively low level of non-compliance. During its field inspections, the auditors observed good utilization, negligible amounts of rutting, sufficient retention of residual trees and patches within harvest blocks. There is a considerable amount of by-pass present on the Forest – the Company staff estimated that it ran from 10-20% across the Forest. There is no longer a requirement to track and report by-pass – this is discussed further in the Section 4.6 below.

The Company's slash management approach was generally effective in recent years – the Company was very pro-active about burning slash and in 2011, it initiated a push to burn the legacy slash on the Forest, left from a two-year period when slash burning was not done in order to conserve the slash for possible use as hog fuel. The auditors saw widespread evidence of the effectiveness of this effort to clear the legacy slash during site inspections. The Company's present slash management approach also includes spreading the debris over nearby roads and landings, or on rock outcrops, or taking it back into the bush, as well as seeking to locate chippers and landings on rock. The auditors did see some slash piles that were mainly composed of chipper debris, which will prove to be a challenge to burn, and also noticed a meaningful number of burned slash piles that had not been planted - it is suggested that the Company continue with its efforts to improve the synchronization of slash burning and renewal.

Silvicultural Operations

The Company has implemented regeneration activities at a rate that is consistent with both the actual levels of harvesting and the silvicultural needs on the Kenora Forest. This is illustrated in Table 3 which compares the planned versus actual harvest, renewal and site preparation achievements for the periods covered by the 2006 FMP and 2011 CFMP. The total area regenerated is consistent with the rate planned for in the respective FMPs when the reduced harvest area is taken into account.

For the 2006 FMP term, the total renewal effort on the Forest was 10,327 ha. This represented 61.3% of the planned five-year effort. However, the actual area harvested during the 2006-2011 FMP term was only 44.7% of the planned area. Therefore, an area equivalent to the entire 5-year harvest area was treated, plus an additional 3,454 ha. In addition to addressing regeneration needs from the 2006 FMP term, silvicultural treatments were also implemented on areas carried over from previous FMPs, principally from the 2001 FMP term. The same trend occurs in the implementation of the 2011 Contingency FMP, with the proportion of actual versus planned regeneration activities exceeding the proportion of actual versus planned harvesting. These additional regeneration efforts have eliminated the backlog of untreated sites from prior FMP terms.

The audit team's review of a sample of these treatments indicated that the silvicultural prescriptions implemented by the Company were appropriate for the site conditions, were generally of good quality, and appeared to have been effective.

Table 3. Comparison of planned versus actual harvest, renewal and site preparation achievements (ha) for the 2006-2011 FMP and the 2011-2012 Contingency FMP.

Activity	2006 FMP Planned Area	Actual Area	%	2011 CFMP Planned Area	Actual Area	%
Harvest	15,297	6,837	44.7%	3,170	1,520	47.9%
Natural Regeneration	10,161	6,295	62.0%	1,800	875	48.6%
Planting	3,849	2,279	59.2%	400	351	87.8%
Seeding	2,845	2,445	85.9%	0	341	na
Total Regeneration	16,855	10,327	61.3%	2,200	1,567	71.2%
Site preparation	4,863	1,739	35.8%	500	393	78.6%

Site Preparation

The total amount of site preparation conducted during the 2006 FMP and 2011 CFMP was less than planned, at 36% and 79% respectively. This was due to the Company's practice of planting without site preparation by planting trees soon after the harvest operation wherever possible, in order to achieve rapid regeneration. This practice helps to reduce the need for herbicide application by giving the trees extra time to become established and grow, especially on less rich sites where the re-growth of competing vegetation is slower and less vigorous. In general, the quality and coverage of site preparation treatments observed by the audit team was adequate to meet silvicultural objectives. The Company had done a good job of working around difficult operating areas, such as steep slopes, exposed bedrock, and very shallow soils over bedrock.

During the 2006 FMP term, the Company planted a total of almost 2 million trees, or approximately 398,000 trees per year, including 78,000 red pine and 32,000 white pine per year. These two pine species account for 27.5 % of the total trees planted on the Kenora Forest, which is consistent with FMP objectives to maintain or enhance the area of red pine and white pine on the Forest. If continued, this level of planting will increase the area of the red pine and white pine forest unit over time.

Tending

In the Kenora Forest, there is presently, and has been historically, considerable public concern regarding the use of herbicides for tending, especially aerial applications. This has resulted in limited use of herbicides for tending treatments in the past two decades. During the 2001 FMP term, ground applications of herbicide were implemented on a relatively small area compared with the total area regenerated. **Table 4** summarizes the planned versus actual areas associated with different tending treatments for the terms of the 2006 FMP and the 2011 Contingency FMP.

The Company's efforts to undertake tending were complicated by the transfer of management responsibilities from Weyerhaeuser to Miisun in conjunction with the SFL transfer, and by the need to train additional personnel to conduct the work. In its field assessment, the audit team found reasonable results, but patchy success in some areas.

Table 4. Comparison of planned versus actual areas treated by various tending activities for the 2006 FMP and the 2011 CFMP (total ha/plan period).

Tending Activities	2006 FMP: Planned Area	2006 FMP: Actual Area	Actual/ Planned	2011 CFMP Planned Area	2011 CFMP Actual Area	2012 FMP Planned Area
Cleaning						
Manual	200	22	11%	100	0	250
Chemical – ground	1,020	433	42%	300	289	1,250
Chemical – aerial	0	0	na	0	0	4,502
Spacing						
Pre-commercial thinning	320	0	0%	0	0	0
Total Tending	1,220	455	37%	400	289	6,002

The need to develop a more efficient and diverse tending program was the subject of a recommendation in the 2008 IFA, and is identified again here in **Recommendation # 15**.

No pre-commercial thinning was conducted by the Company during the 2006 FMP term, despite planning for an area of up to 320 ha. This was due to several factors: a study conducted by the Company indicated little return on investment for pre-commercial thinning treatments on the relatively poor, shallow soil sites common to the Forest; the lack of available sites with appropriate stand conditions; and limited local capacity for implementing these treatments. Accordingly, the planned levels for pre-commercial thinning treatments were reduced to zero in the 2011 CFMP and in the 2012 FMP. This is also consistent with auditor observations in the field that few stands on the Forest require pre-commercial thinning.

Renewal Support

The Company's renewal support program was found to be sufficient for the planned silvicultural program. The Company maintains a good seed inventory which is sufficient for all species and seed zones except for red pine in Zone 11 which was depleted at the time of the audit. However, there was an adequate supply of red pine seed available for Zone 10, which is suitable for use in Zone 11.

Areas of Concern

The audit team inspected 10 different types of AOCs during the course of the audit, primarily by aerial reconnaissance. Additional AOCs were inspected using aerial photographs of the sites viewed by the audit team in the field. The audit team found one minor AOC transgression which was confirmed by a MNR compliance inspector on-site. However, as described above, such non-compliances were not found to be an issue on the Forest by MNR and Company compliance inspectors.

The audit team also inspected seven different water quality AOCs on the ground and measured their width using approximate means. Of the seven inspected, none were found to be too narrow, and three were found to be excessively wide. For example, one AOC with a prescribed width of 40 m around a lake in Block 469 on the Caution Lake Road was estimated to be 70-75m wide. This is not an AOC transgression, but is a concern to the audit team for other reasons. Excessive AOC widths can represent loss of harvestable wood. Furthermore, the audit team notes that there are no instances in

which any of the AWSs which applied to the audit period planned for cut-to-shore operations, even though the Stand and Site Guide is considerably more encouraging of this than its predecessor Fisheries Habitat Guide. These issues are discussed in **Recommendation # 19** (Appendix 1).

Another issue regarding AOCs relates to the need to process AWS revisions for in-block road crossings of intermittent streams found during operations. There has been confusion regarding the requirements, which has caused some frustration on the part of Company staff who find the revised requirements time consuming and of relatively little value. This situation is discussed in **Recommendation # 20**.

Access

During the term of the 2006 FMP, no primary roads were planned for construction and none were built. Also in that plan term, 102.3 km of branch roads were planned for construction and 38.5 km (37.6%) were constructed. This is approximately in proportion to the planned vs. actual level of harvesting. In addition, the Snook Lake primary road (17 km) was decommissioned during the course of the audit term.

During the site visit, the audit team drove on and inspected 17.5 km of the 38.5 km (45%) constructed during the audit term. The audit team drove on approx. 200 km of additional primary, branch, and operational roads. In general roads were found to be reasonably maintained; some rough patches were encountered which will need maintenance in the near future, but no sections were found whose overall quality was out of character with forest access roads.

The Forest received relatively little funding through MNR's Road Construction and Maintenance Agreement Program. For the 2012/13 FY, the Forest received approximately \$573,000. Only 12 of the provinces 43 SFLs received less funding. Funding is allocated to SFLs based on the average of the previous 5 years harvest volume, so the fact that the Forest received relatively little funding is indicative of the low harvest level.

The audit team inspected 5 bridges and approximately 15 culvert installations during the site visits. With some very minor exceptions all they were found to be in good shape. Culverts were of ample size with appropriate use of rip-rap for slope stabilization. During the course of the audit period two instances of non-compliance regarding water crossing installation were noted by the MNR. Both were actioned by the SFL holder and neither resulted in fines.

4.5 SYSTEM SUPPORT

Because the Kenora Forest is certified to the Sustainable Forestry Initiative, the IFAPP allows the auditors to consider the human resource component of this principle to have been met. One recommendation from the previous IFA identified a concern regarding MNR staffing of the biologist's position. MNR's response to this recommendation was reviewed by the audit team and determined to have been addressed satisfactorily.

As is apparent from the several recommendations related to Annual Work Schedules (described in detail in Section 4.3) and Annual Report and Annual Work Schedule documentation (Section 4.6) there is considerable room for improvement with respect to

document quality and management. In general, insufficient effort was found to have been devoted to ensuring initial quality of some documents submitted for MNR review (e.g. the 2010-11 Annual Report, Annual Compliance Plans), and in MNR's review itself (e.g. AWS's). In addition, record management was poor in some cases (e.g. FMP amendments and AWS revisions). These issues are all dealt with in other parts of this report and so are not discussed in detail here.

4.6 MONITORING

By-pass Monitoring

Miitigoog recently asked Miisun to monitor by-pass, since the information gained is useful for business and operational planning. Given the importance of knowing the extent, location and reasons for by-pass, the audit team recommends that MNR add a requirement to FIM and the FMPM requiring the tracking and reporting of by-pass area on an annual review basis (**Recommendation # 21**).

Annual Reports

All five ARs prepared during the audit period were submitted on time. However, the 2010-11 AR was originally approved on March 1, 2012 and then reviewed again, revised and re-approved on June 5, 2013 just prior to this audit. Evidence of the final submission and approval of the 2009-10 AR was not located and this AR has not been posted to the E-FMP website. All five ARs were submitted and approved via the FI portal.

The 2010-11 AR is an important document as it served as the Year 10 AR which is intended to provide a retrospective assessment of management of Forest over the previous plan term. Despite two versions and two MNR reviews this AR still lacks a meaningful discussion about forest operations trends analysis, modeling assumptions, objective assessment and determination of sustainability as described in Part E, Section 4.0 of the 2009 FMPM. There were also discrepancies between the reported areas and information layers submitted (e.g. natural regeneration) that need correcting, and some incorrect data were used in assessing objectives. There are two related issues regarding this document – first that the quality of the report itself is not consistent with the FMPM requirements, and second, that the MNR review was not sufficiently thorough to identify the errors and shortcomings. **Recommendation # 23** has been designed to address these issues.

As part of the Forest Process Streamlining exercise completed in 2006, the requirements of the annual reports were considerably altered. The Process Streamlining report stated “...certain tables include un-necessary information and forest operations”, and “The inclusion of un-necessary information, duplication of effort and the back and forth exchange of the same information provides significant opportunity for streamlining.” (p. 31). As a result, the Streamlining Report recommended: *The review of the FMPM 2004 ... will specifically apply the process streamlining test (PST) to each annual report component with the objective of reducing annual report content ...* (Recommendation 16, p. 31). Implementation of this recommendation led to significant changes in the annual reports. The audit team, and members of the Company find the revised annual reports to be of limited utility. This is addressed in **Recommendation # 24**. The issue of by-pass monitoring is featured specifically in **Recommendation # 21**.

Compliance Planning and Monitoring

The Miiitigoog compliance program is directed by the 10 Year Compliance Strategy outlined in Section 4.7.1 of the 2012 FMP. Annual compliance plans in each AWS are supposed to develop an annual compliance schedule. ARs are expected to assess compliance results. Direction is provided in the 2009 FMPM and the 2010 Compliance Handbook⁴. The 10 year Compliance Strategy met the requirements however the compliance history information covers only the 2003-04 to 2007-08 period - it should have been updated with recent data.

Annual compliance plans in AWSs consist of two general paragraphs which simply state compliance inspections will be completed and submitted via FOIP as per the compliance strategy. The annual compliance plan requirements are not being met, since there was no compliance schedule, compliance program assessment or compliance priority indicated. **Recommendation # 25** has been designed to address this.

Annual reports provide a general assessment of the compliance program results and identify compliance issues and means of improvement. FOIP records indicated that the number of MNR inspection reports was reported incorrectly in table AR-6 (i.e. the differences between the FOIP Actual and AR Actual records, in **Table 5**).

A 2008 audit recommendation directed the MNR District Manager to review the number of compliance inspections taking place on the Kenora Forest and make an assessment of their adequacy. In fact, the number of MNR inspections between 2009-10 and 2011-12 declined to very low levels, partially because the District lost both of its Kenora Forest compliance inspectors. At present, the MNR transformation has left the two positions vacant, leaving two compliance inspectors shared between the Kenora and Whiskey Jack Forests. The MNR District Manager believes forestry-related compliance objectives can be met by assessing and limiting risk using ACOPs, sharing district compliance resources and also due to the reduced operating levels. MNR inspection levels increased dramatically in 2012-13, and based on this, the audit team was satisfied that the 2008 recommendation was adequately addressed.

Table 5 presents MNR ACOP target inspections compared to actual compliance inspections. The number of inspections reported in the Annual Reports is not always accurate – the number of reports provided in the FOIP system is the more accurate figure. It should be noted that MNR plans the level of inspections based on full implementation of operations, and so the number of inspections will be much lower than planned when operating levels are greatly reduced.

Table 5. MNR Planned vs. Actual Compliance Inspections

Year	Plan	FOIP Actual	AR Actual
2008-09	96	10	13
2009-10	29	8	4
2010-11	0	2	0
2011-12	33	3	1
2012-13	44	19	na
Total	202	42	18

⁴ Forest Compliance Handbook, 2010, MNR Queens Printer, 213 pp.

There were significant differences in the number of MNR inspections reported in the ARs versus those included in FOIP which has been addressed by **Recommendation # 23**.

In spite of the planning and reporting difficulties noted above, both MNR and Miitigoog are managing the field portions of compliance well, as evidenced by the good compliance record which was confirmed during the field audit. The auditors noted the recent hiring of an operations manager to lead Company compliance and the positive rapport and communication with MNR.

The Company conducts monthly forest operations committee meetings to review the compliance program issues, best practices, and focus areas, and also holds monthly communications meetings with MNR. Pre-work summaries are prepared for each block and reviewed with each operator at start-up. They also prepare and present an operator training package which is presented at spring start-up, and provide operator training as required (e.g. water crossings).

Numerous FOIP inspections are performed throughout the year and recorded using the "In Field FOIP Date Form" which are compiled into the final FOIP report for the block. The Company also maintains an excellent master block tracker to record and update the status of each block monthly so that compliance requirements are met. This is also provided to MNR to help them schedule audit and spot check inspections.

During the audit period the Company completed 265 compliance inspections and the MNR completed 42. There were 10 non-compliances including one duplicate, and 4 operational issues pending a MNR decision on compliance. There were also 136 operational issues or tasks identified in the compliance reports which most often were used to track the in block storage and movement of wood and other operational follow-up that had to occur prior to closing blocks. Reasons for the non-compliances include 4 loads left in block, 3 improper water crossings, 2 trespasses in MAFA's and 1 failure to report silviculture compliance inspections.

In summary, there were too few MNR inspections during 2009-10 through to 2011-12, due to a lack of compliance inspectors. Recently, staffing responsibilities have been re-organized and the number of compliance inspections increased dramatically in 2012-13. Overall, the compliance program was effective.

Silvicultural Effectiveness Monitoring

The Company has a comprehensive program for silvicultural effectiveness monitoring (SEM) in place to support its field operations, which includes a combination of formal and informal surveys. These include post-harvest forest operations prescription (FOP) surveys to determine treatment needs and the most appropriate prescriptions, informal quality assessment programs for site preparation, formal quality assessment for tree planting and seeding, informal site visits 1-3 years after treatment, tending needs assessments and post-treatment effectiveness surveys for chemical tending treatments, year four regeneration assessments, and free-to-grow surveys. The MNR's SEM program, which is designed to validate free-to-grow surveys conducted by the Company, and to provide ancillary silvicultural information in support of planning, is also good. MNR has installed a series of temporary sample plots on planted sites to assess survival, quality, competition, and other stand and site factors. This data will be also be

used to validate successional pathways for managed stands for future FMP development.

Overall, the free-to-grow assessment program is keeping pace with harvesting and renewal activities such that there is effectively no backlog of sites needing assessment. Field assessments of the areas declared as free-to-grow conducted by auditors confirmed that the declared areas met the required regeneration standards and stand descriptions were accurately reported. The Company does a good job of inventory updating in preparation for forest management planning, including the management of harvesting, silvicultural and free-to-grow records.

Table 6. Summary of free-to grow results for surveys conducted during the audit period (2008-2012).

Forest Unit	Name	Total Area Assessed	Area successfully regenerated	% projected forest unit at free-to-grow	% successfully regenerated
CMX	Conifer Mixedwood	60	59	n/a	98%
HMX	Hardwood Mixedwood	227	227	n/a	100%
HWD	Hardwood Dominated	1,413	1,354	n/a	96%
OCL	Other Conifer	14	12	n/a	85%
PJP	Jack Pine	891	836	n/a	94%
POD	Poplar Dominated	76	76	n/a	100%
PRW	Red Pine and White Pine ST	14	6	n/a	47%
PWD	White Pine SW	175	88	n/a	50%
SBL	Black Spruce Lowland	59	48	n/a	81%
SPU	Spruce Upland	179	151	n/a	84%
UCB	Upland Cedar / Balsam Fir	28	22	n/a	81%
Total		3,075	2,819		92%

Table 6 summarizes free-to-grow results for surveys conducted during the audit period. The regeneration success rates, which are a measure of whether a treated area has met the silvicultural standards for any forest unit were generally good, averaging 92% of the area treated. Areas not successfully regenerated had not met height requirements for the desired species and had been scheduled for re-assessment. At the time of the audit there was little information available for the assessment of silvicultural success rates. Silvicultural success is a measure of whether treated sites had succeeded to a forest unit consistent with that projected by the applicable SGR and associated silvicultural treatment package(s).

This lack of data was due to several factors:

- 1) Information on the SGRs and specific silvicultural treatments that had been conducted, including the numbers and species of trees that had been planted, was not available to the Company for the 1995-2001 and 2001-2006 FMP terms. This was partly due to difficulties in developing relationships between current and future forest units for SGRs, especially from the 2001 FMP, due to their complexity. There were also differences in the scale and accuracy of mapping between the pre-harvest inventory and treatment records and maps;

- 2) There were difficulties in migrating historical silvicultural and free-to-grow records from Weyerhaeuser's Silvicultural Information System into the different GIS and information systems used by Miisun; and
- 3) SGRs in the 2001, 2006, and 2012 FMPs schedule free-to-grow assessments at 10 to 12 years after treatment. Thus, no areas treated during the 2006 and 2012 FMPs have been surveyed yet, and only areas treated during the first two years of the 2001 FMP were eligible for survey at the time of the audit.

It should be noted that SGRs in the 2006 FMP were considerably simplified compared with the SGRs in the 2001 FMP, such that the relationships between pre-treatment and future forest units were much clearer. The 2012 FMP has adopted the Regional standard forest units, which will enhance comparability of results between different management units in the future. Because of these changes, over time the above-mentioned data issues will be resolved.

Despite the above-noted shortcomings in the electronic data from past FMP periods, field staff at both the Company and MNR appeared to have a good knowledge of the outcomes of silvicultural prescriptions, based on considerable local experience. Also, based on our field observations, auditors are of the opinion that both artificially and naturally regenerated stands appear to be succeeding to the projected future forest units in most cases. Miisun is working towards developing appropriate information to analyse silvicultural success. Nonetheless, due to the importance of quantifying silvicultural success as the basis for the validation of successional pathways and the refinement of SGRs during FMP preparation, Recommendation # 22 is issued to address this issue.

4.7 ACHIEVEMENT OF FOREST MANAGEMENT OBJECTIVES & SUSTAINABILITY

Achievement of Objectives

Details of the extent to which the targets and objectives of the 2006 FMP have been achieved are provided in Appendix 2. Most objectives have been met, or will likely be met, including:

- Provision of a sustainable wood supply to the forest industry and local community;
- Working with Aboriginal Peoples to identify and implement operations that will maintain or enhance social and economic benefits;
- Consideration of needs and requirements of other forest users to minimize conflicts;
- Provision of cover for marten and other selected species; and
- Application of silvicultural practices that will maintain the long-term productivity of the forest.

The attainment of objectives related to forest structure and community distribution is more equivocal. This is related both to data and interpretational challenges, and to some degree, lack of harvesting to the extent predicted in the FMP. The target related to movement of the Forest to a natural disturbance frequency template was very likely not met due to the low harvesting levels and the small size of cut-blocks relative to the size of natural disturbances. However, the target related to residual retention with forest patches, a component of the same objective related to emulation of natural disturbances, was likely met, based upon the field observations of the audit team.

Similarly, it is not possible to assess the extent to which targets related to the age-class structure of the Forest have been fully attained. This is due in part to the redefinition of forest units between the plans. The Year 10 AR forecasts that the long-term age class targets will be met, however given that that is based on harvest levels which the audit team believes may not be met, we have significant reservations about the prediction. The AR indicates that short-term progress towards meeting the target has been made for some Forest Units, but not for others.

In sum, therefore, objectives related to available wood supply, silviculture, and socio-economic aspects of forest management have essentially been attained. Limited progress may have been made in meeting some of the ecological objectives, but management is unlikely to have brought the Forest much closer to them during the plan period. However, the audit team believes that the differences between achievements and the targets associated with these objectives are not so severe as to threaten the ecological sustainability of the Forest.

Trend Analysis/Year 10 AR

The IFAPP notes that when a Year 10 AR was prepared during the two years prior to the IFA site visit, that AR satisfies the requirements of the Trend Analysis report for the IFA. The previous plan period (i.e. the 2006 FMP) was five years long, and the 2010-11 AR was required to address the requirements of a Year 10 AR under the 2009 FMPM. Therefore, the 2010-11 AR is deemed sufficient to meet the Trend Analysis requirements.

The AR concludes, that *“Overall, there has been achievement of objectives with respect to moving towards meeting or exceeding the associated desirable levels and targets, although not all to the degree sought following five years of plan implementation. However, there is no net negative impact on the sustainability of the forest. As a result, it is concluded that the implementation of the planned operations provides for the sustainability of the Kenora Forest.”*

In spite of the shortcomings of the AR, identified in **Recommendation # 23**, the audit team is in general agreement with the conclusion provided in that document.

Concerns Regarding Sustainability

This audit has identified a number of concerns regarding management of the Forest and has flagged these in recommendations. The most significant concerns centre primarily, but not solely, on aspects of the 2012 FMP, including:

- the projected harvest levels are considerably beyond anything historically achieved and the implications of falling short of those projections do not auger well for the achievement of the plan’s objectives; and
- the significant proposed reduction in the amount of hardwood on the Forest and the resulting decline in hardwood supply.

An inability to assess silvicultural effectiveness, by comparing the current stand against the original silvicultural prescription, raises the possibility that the renewal program during the 1995-2001 and 2001-2006 plan periods may have veered away from the plan (note that this has also been addressed in a recommendation). The auditors do not think this has happened – the field inspections indicated that appropriate species had

been planted on appropriate sites, there were no records of plantation failures, and the annual reports and previous audit reports did not raise any concerns. The high level of monitoring also suggests that the forest management staff have a good idea of what is happening on the Forest, as well as the continuity of involvement on the part of some key Miisun staff. In summary, the evidence suggests that the level of silvicultural success on the Forest is at least reasonable, and renewal has been undertaken in a manner consistent with past plans and silvicultural direction.

This audit makes five recommendations which identify a need for better administration of AWSs, ARs, FMP amendments, and compliance planning. Another recommendation addresses plan content. Individually, each of these recommendations is of relatively minor significance in the greater scheme of forest management, however when viewed as a whole, these recommendations suggest a need for both the Company and MNR to thoroughly review their practices related to these aspects of forest management planning and reporting. On the bright side, these recommendations should be fairly simple to address as they relate to process requirements which should be easily accommodated by the existing planning and reporting structures of MNR and Miisun.

As with many Forests in the province, this audit has identified a need for the local MNR to continue working with Aboriginal communities to ensure that the intent of Condition 34 is addressed. The formation of Miitigoog means that the partnership can be expected to play a role in this regard, which it intends to do. However this does not absolve MNR of its responsibility, especially regarding communities outside of Miitigoog.

One aspect of concern has not led to a recommendation. Consternation was expressed to the audit team by representatives of Miisun and Miitigoog regarding the economic uncertainty that their organizations face. The low level of harvesting on the Kenora Forest is relevant, since Miisun relies for its revenue on management fees levied on each cubic metre of wood harvested from the Forest. Representatives of Miisun and Miitigoog expressed that they were set up with the expectation that the Whiskey Jack and Kenora Forests would be merged together, with the SFL being held by Miitigoog, thus they would have a larger, more stable source of income. MNR staff acknowledge that discussions revolved around this possibility, but note that no definite commitment was made. Over the last few years it has become apparent that legal action against the province by one of the First Nations on the Whiskey Jack Forest is not going to be resolved quickly, ending hopes of an amalgamation of the Forests any time soon. Although the prospect a merger between the two Forests now looks uncertain, Miitigoog has benefitted from a service contract from MNR to manage the Whiskey Jack. With the term of the service contract expiring, Miitigoog feels vulnerable and very troubled by the fact that what they believed to be a key component of their economic viability now seems tenuous. MNR has suggested to Miisun that it diversify its income stream, which has not borne fruit so far. Miitigoog feels let down by the Ministry, and the audit team recognizes that a setback would resonate poorly in Aboriginal communities across Ontario.

At its core, this issue relates to the economic sustainability of Miitigoog and Miisun. While MNR staff contend that economic sustainability is beyond the defined scope of the IFA, the audit team notes that the sustainability of every FMP is assessed by determining how well the proposed LTMD meets plan objectives, which are required by the CFSA and the FMPM to include socio-economic objectives. Moreover, economic sustainability is a key component of all current definitions of forest sustainability. For this reason, and because of the special circumstances related to the establishment and

operation of the province's first SFL with significant First-Nations involvement, the audit team feels obliged to raise this issue. The audit team recognizes that the MNR must strike a balance between providing competitive advantages to specific companies and facilitating the success of this unique organization. The audit team encourages the Ministry and Miitigoog to continue explore options and opportunities for advancing the development and prospects of Miisun, and thereby Miitigoog.

Positive Factors Influencing Assessment of Sustainability

Management of the Forest during the audit term was extremely challenging as it encompassed some of the most difficult economic times for the sector in recent history. The audit team's review of the management of this Forest identified substantial evidence of sustainable management, including:

- effective and careful implementation of field operations – inspection of both harvesting and silviculture operations identified an overall high level of performance, generally efficient site-based practices and no evidence of site damage or degradation;
- good protection of forest values – inspection in the field revealed good implementation of AOCs, consistent with the small number of minor transgressions noted in Company and MNR compliance inspections;
- the level of overall silvicultural activity was in-line with, or exceeded the level of harvesting;
- the level of harvest was within the bounds of the AHA for all forest units, and was low enough that the concentration of harvest activity in the former WC 2 & 3 was not excessive;
- the special nature of the Aulneau Peninsula was recognized in planning;
- the consultation requirements were met through the planning process, and the LCC is a well-functioning group that contributes in a positive manner; and
- the extraordinary development of the First Nations and industry partnership in Miitigoog and the comparably important feature that the operational management of the Forest is being undertaken by a company which is entirely First-Nations owned.

Conclusion Regarding Sustainability

On balance the results of this audit are favourable. Strong performances in several key areas, including field operations, protection of non-timber values, the development of the First Nations and industry partnership in Miitigoog and the start-up of wholly-First-Nations -owned Miisun are most noteworthy. These outweighed the weak performance in the management and administration of some aspects of reporting, reservations about the LTMD of the 2012 FMP, and the concerns regarding the likelihood of planned harvest levels being realized.

Many of the recommendations identified in this audit are directed at administrative concerns, and a large number of recommendations are directed to Corporate MNR, which reflects the number of broad policy-related concerns that surfaced in this audit. Furthermore, approximately 15 of the recommendations are directed towards improving forest management, whereas only 10 or so recommendations were triggered by shortcomings in relation to regulatory requirements. In other words, the high number of recommendations in this audit is reflective of broader issues showing up on this Forest, which mitigates any concern that the forest may not be sustainably managed. Further, in

spite of the concerns raised regarding the 2012 Forest Management Plan, because what actually happens on the Forest occurs at such a lower intensity than planned, this audit has not identified any critical gaps in management of the Forest of sufficient gravity so as to endanger sustainability of the Forest.

4.8 CONTRACTUAL OBLIGATIONS

The Company's compliance with its contractual obligations is reviewed in detail in Appendix 3. Here we highlight some particularly noteworthy aspects.

Renewal Trust Payments: The minimum balance requirement was met for four years of the audit period. The exception was March 31, 2011, when the account balance was 4% less than the required minimum balance. At the end of the audit period (March 31, 2013), the minimum balance requirement was met, and there was a surplus of funds in the account totalling approximately 30% of the minimum balance.

On July 1, 2010 the Ontario government moved to blend the old provincial sales tax and GST taxes into the Harmonized Sales Tax (HST), effectively ending many GST exemptions that had been enjoyed by Forest Renewal Trusts (FRT) and the Forestry Futures Trust (FFT). The Kenora Forest is one of several SFLs in Ontario that has been required to pay HST to Canada Revenue Agency (CRA) on FRT and FFT expenditures since 2010. In the same year, the Trustee for the FRTs requested a ruling from the CRA on whether the FRT and FFT were HST-exempt or were required to pay HST on silviculture invoices. While the request was being assessed, MNR has been refunding the HST charged to the FRT for the Kenora Forest, but this has added a layer of bureaucracy, increased management time for the Company and MNR, and has the potential to affect the FRT balance, depending on the timing of expenditures versus payments into the Trust.

In 2013, CRA ruled that silvicultural expenses paid by FRT accounts would indeed not be exempt from HST. However, CRA also indicated that there was a mechanism by which MNR could recover the HST paid, and that this would be retroactive. MNR is in the process of developing the appropriate administrative mechanisms by which the HST can be recovered and repaid to the appropriate FRT accounts.

Commitments: The most recent version of the SFL (March 4, 2013) lists three wood supply commitments and one special condition. One of the commitments was to KFP, which did not operate during the audit period. The other commitments were to two small independent contractors and sawmillers. Dave Burt used some wood, although at a level well below the commitment level, while E & G Custom Sawing used almost their full commitment. The status of old and pending commitments and agreements is provided in considerable detail in Appendix 3.

The special condition was that Wabaseemoong Independent Nations would be allocated 7,200 m³/yr of timber. This condition emanated from the 1983 Islington Band Agreement with Ontario which also stated that "(ii) *Subject to the availability of timber and the harvesting of the 3,000 cords available under the license referred to in (i) above, Ontario agrees from time to time to increase the annual volume of timber to be made available to the Band for harvesting in the vicinity of the Reserve*". In 2008, the Kenora District DM sent a letter to Chief Eric Fisher that "...confirms...an additional harvesting opportunity [be made available] to you of 23,000 cubic meters of conifer." District MNR staff report

that the additional opportunity sought to fulfill the potential opportunities envisioned in clauses from the 1983 Islington Agreement. The increased annual allocation of 30,200 m³/yr, positioned Wabaseemoong to enter into the Miitigoog Shareholders Agreement as a Class “C” shareholder with a recognized harvest volume of 30,568 m³ annually.

Forestry Futures Trust: During the audit period, there was one project approved for funding from the Forestry Futures Trust, the Caution Lake Salvage Area Renewal Proposal. This project involved the site preparation and tree planting of a 418.5 ha area killed by successive infestations of jack pine budworm. Auditors viewed this project in the field and found the work to date to be satisfactory. Only one year of this three-year project has been completed to date.

Recommendations of the Previous IFA: There were eight recommendations issued in the previous IFA. Of these, the audit team finds that six have been adequately addressed. One previous recommendation directed the SFL holder (which was Weyerhaeuser at the time) to expand its vegetation competition control program to include other treatment options in addition to manual chemical ground tending. Because of sensitivities around the aerial application of herbicides on the Forest, and the relatively low number of potential spray blocks, this is a challenging issue. Although progress has been made, considerably more effort will be required to expand the tending program to the extent required to meet forest cover related objectives in the 2012 FMP. This recommendation has been re-issued as **Recommendation # 15**.

The other recommendation which was not fully addressed required the SFL holder to ensure that all FMPM reporting requirements for Annual Reports were met. This audit identified that the Year 10 AR did not meet the requirements of the FMPM and issued **Recommendation # 23**.

4.9 CONCLUSIONS AND LICENCE EXTENSION RECOMMENDATION

This audit has reviewed the management of the Kenora Forest for the period from April 1, 2008 to March 31, 2013. The audit sampled the forest operations that occurred within the period, and reviewed the process of developing the 2011 CFMP and the 2012 FMP.

This audit makes a relatively high number of recommendations compared to the average IFA. It is therefore reasonable to ask “How can a management performance which draws 25 recommendations be consistent with sustainability?” As noted above, a number of recommendations relate to management and administration of AWSs, ARs, FMP amendments, and compliance planning, and many others are directed at Corporate MNR, most of which do not reflect on the quality of management of the Forest locally. Although there are a number of recommendations which must be addressed to ensure that the quality of forest management attains a high level, there were no “show-stoppers” of such gravity as to endanger sustainability, even when considered in aggregate.

In addition to the recommendations which are described in detail in Appendix 1, and which tend to be focal points of audits, this audit identified a number of elements that present opportunities for improvement, or are relatively minor transgressions of requirements. These suggestions appear in a number of places in the audit report. To assist the MNR and Company in considering them, they are summarized in Table 7. We note there is no requirement for the suggestions to be included in the Action Plan produced for this audit.

Table 7. Summary of suggestions made in the audit

1. The MNR should organize field visits to the forest to demonstrate to the LCC key aspects of forest management and areas of concern (see page 12)
2. MNR should facilitate an open discussion of COI during an LCC meeting to alleviate some confusion about COI among members of the forest industry (see page 12).
3. The MNR could remind the Aboriginal communities more regularly that there are opportunities for community members to get licences to harvest small amounts of wood (page 14).
4. MNR and the Company should take advantage of the fact that the caribou zone on the Kenora Forest has not experienced road access or timber harvesting and treat it as a large experimental area (page 23)
5. The MNR should release the boreal landscape guide expeditiously (page.24)
6. The MNR should encourage planning teams to continue using selected wildlife species as indicators and continue to support their use in FMP modeling (page.25)
7. The Company should continue with its efforts to improve the synchronization of slash burning and renewal. (page 29)

The audit team concludes that management of the Kenora Forest was generally in compliance with the legislation, regulations and policies that were in effect during the term covered by the audit, and the Forest was managed in compliance with the terms and conditions of the Sustainable Forest Licence held by Miitigoog LP. Forest sustainability is being achieved, as assessed through the IFAPP. The audit team recommends that the term of the licence be extended to 2033.

Note that at present the Licence term expires in only nine years, on March 31, 2022 (Section 2.3 of the Licence). This is a short duration for a SFL and the audit team believes that the termination date set in the document is an oversight. SFLs typically have a twenty-year duration, and should the Minister's review of licensee compliance (as set out under sub-sections 26 (3) and 26 (3.1) of the CFSA) find that the licensee's performance has been deserving of a licence extension, the audit team recommends that term of the Licence should be reset so that it is for a full twenty years.

APPENDIX 1 – AUDIT FINDINGS

Recommendation # 1

Principle 2: Public Consultation and Aboriginal Involvement

Procedure 2.5.2.1: Review whether Aboriginal peoples were provided with, and whether they availed themselves, of opportunities to achieve more equal participation in the benefits provided through forest management planning and assess the results. Include the following:

- whether there were any negotiations with Aboriginal communities at the district level relevant to the applicable EA condition and whether the management unit was involved
- assess the results of negotiations including opportunities offered and opportunities that were implemented ...

Background Information and Summary of Evidence: There is an active Métis community in Kenora, and the Métis Council of Kenora claims to represent this community --- MCK is a local community council affiliated with the Métis Nation of Ontario (MNO). It is appropriate for MCK to be negotiated with by the MNR District Manager under Condition 34.

Discussion: Condition 34 of MNR’s Class Environmental Assessment Approval for Forest Management on Crown Lands in Ontario states that:

“During the term of this approval, MNR District Managers shall conduct negotiations at the local level with Aboriginal peoples whose communities are situated in a management unit, in order to identify and implement ways of achieving a more equal participation by Aboriginal peoples in the benefits provided through forest management planning.”

Conclusions: MCK should be involved by the MNR District Manager in Condition 34 negotiations to discuss benefits from forestry. There is a lack of direction for local staff to act on their legal requirements for Métis under Condition 34. Note this is separate from the FMP consultation. Although MNR Corporately has provided some generic guidance with regard to discussion with Métis, there has been less-than-clear direction on how these discussions should occur. District staff should proceed with discussions with Kenora Métis Community Council regarding benefits related to Condition 3, rather than wait for further Corporate direction.

Recommendation: District MNR shall meet with Kenora Métis Council to discuss benefits from the Forest as described in Condition 34 of the Class Environmental Assessment.

Recommendation # 2

Principle 2: Public Consultation and Aboriginal Involvement

Procedure 2.5.2.1: Review whether Aboriginal peoples were provided with, and whether they availed themselves, of opportunities to achieve more equal participation in the benefits provided through forest management planning and assess the results. Include the following:

- whether there were any negotiations with Aboriginal communities at the district level relevant to the applicable EA condition and whether the management unit was involved;
- assess the results of negotiations including opportunities offered and opportunities that were implemented; and
- examine whether the actual results have been appropriately reflected in the annual district condition 34 reports.

Background Information and Summary of Evidence: The responsibility to negotiate Aboriginal participation in forestry activities belongs to MNR but the Company is in a strong position to play a role in this because it has some control over contracting opportunities.

Unlike some SFL holders in Ontario, Miiitigoog does not have manufacturing facilities. There are few jobs that are within the capacity of the Company to provide outside of direct forestry ones. The employment reported in the MNR Condition 34 report indicates only a few short term jobs. There is no information about jobs for Aboriginal people in downstream manufacturing or by SFL contractors.

It is certain that there are more Aboriginal people working in the forest products sector than this information reflects. It would benefit the general discussion of opportunities for Aboriginal people in Kenora if there were real statistics for benefits, including the manufacturing sector. This would more fairly reflect industry efforts to bring benefits to Aboriginal people.

Discussion: All of the participants, including the Company, the government and the Communities, agreed that it is important to have good information in order to set a milestone to mark future progress. Forest products companies that receive wood from KF would need to cooperate to provide a voluntary monitoring system. As well, Communities that wish to be involved would need to encourage their members to participate. Unfortunately there is no current plan to collect this information.

It was noted by some that there may be Freedom of Information issues with data collection related to ethnic background. The auditors note that provision of the information is always voluntary, and that because of the requirement to monitor Condition 34, there needs to be some effort, even voluntary, to assess progress in jobs and contracts for people in the Communities.

The auditors repeat the requirement of IFAPP, which is to “examine whether the actual results have been appropriately reflected in the annual district condition 34 reports”. This has not been done. The current practice of recording only direct SFL jobs is close to disinformation. It can mislead future managers into believing that there was little or no Aboriginal employment in forestry from 2007 to 2013.

Conclusions: A system for monitoring forest sector jobs for Aboriginal Communities needs to be established in order to assess progress in the future. Working towards a benchmark of the

current situation should not be an onerous requirement.

Recommendation: MNR Kenora District should use the Ministry's Condition 34 toolkit to work with local Aboriginal communities to try to establish a more expansive system for monitoring jobs for members of Aboriginal Communities that includes direct forestry jobs as well as jobs in forest products manufacturing. It needs to be voluntary for both Companies and Community members and operate within any confines of the law.

Recommendation # 3
<p>Principle: 3 Forest Management Planning</p>
<p>Procedure: 3.1.2.1 Assess the effectiveness of the plan author, planning team, chair and advisors through: ...assessing whether issues that may affect the schedule for the plan production were appropriately addressed.</p>
<p>Background Information and Summary of Evidence: The preliminary required alterations for the draft plan were available on October 7, 2011. However the draft plan public review notice was delayed six weeks until November 17, 2011 due to delays in issuing Environmental Bill of Rights registry notices. This delayed the plan implementation date to April 25, 2012 and resulted in operations being shut down for 25 days.</p> <p>The FMP public consultation opportunities must be coordinated by MNR with notification postings to the EBR registry. EBR notifications are closely controlled by the provincial government and require review and sign off by multiple staff prior to issuance. This process leads to un-necessary delays in FMP related public consultation.</p> <p>MNR District personnel are responsible for ensuring that EBR registry notices are forwarded with sufficient lead time through various levels of ascending MNR authority up to the final endorsement at the Ministers Office. Following the Minister’s endorsement, EBR postings are forwarded to the Strategic Policy and Economics Branch for posting to the EBR registry site.</p>
<p>Discussion: There were unnecessary delays in EBR postings which led to delays in plan approval and delayed the onset of operations. The EBR review and approval protocol requires two to three months lead time for the EBR briefing note review and Minister endorsement prior to public release. The EBR briefing note for the draft plan was initiated on April 27, 2011 well in advance of the initial intended posting date of September 15, 2011. Information centres were scheduled for October 12, 2011, however the planning team was notified that the EBR draft plan review notice would not be approved for release prior to the October 6, 2011 provincial election. The EBR draft plan notice was not approved for public release until November 18, 2011 well after the provincial election.</p>
<p>Conclusion: The process for approving EBR registry notices should be streamlined to avoid unnecessary delays in forest business activity.</p>
<p>Recommendation: Corporate MNR shall examine its EBR procedures for reviewing, approving, and posting EBR notices that publicize FMP public consultation opportunities, with the intent of streamlining the process to avoid unnecessary delays.</p>

Recommendation # 4

Principle 3: Forest Management Planning

Procedure 3.13.1. Review the FMP or contingency plan amendments to assess whether adequate documentation existed for all amendments consistent with the applicable FMPM...

Background Information and Summary of Evidence: Amendment documentation and availability is not meeting the requirements as per Part C, Section 2.7 and 2.8 of the 2009 FMPM.

There were numerous administration issues noted for amendments including:

- Poor record keeping and a lack of electronic records (Part C, Section 2.7 of 2009 FMPM and Section 5.9.1 FIM Tech Spec);
- Lack of numbering (Part C, Section 2.8 of 2009 FMPM and Section and Section 5.9.1 of FIM tech spec);
- Lack of details on submission date, LCC and public consultation and input results and district managers decision on amendments which is required to be tracked as part of the amendment documentation, but not necessarily in the amendment summary(Part C, Section 2.7 of 2009 FMPM);
- Full documentation for amendments including all amended plan text, table and supplementary documentation(Part C, Section 2.7 of 2009 FMPM); and,
- Not using the FI Portal (Section 5.01 and 5.9.1 FIM Tech Spec).

According to Section 5.01 of the 2009 FIM technical specifications:

“All FMP documentation, including draft, final and contingency forest management plans and amendments, will be submitted in an electronic format, through the Forest Information Portal (FI Portal), to improve the efficiency of production, distribution, and storage of the information. The official copy of all FMP documentation is the electronic version submitted through the FI Portal. FMP documentation will be available for public viewing and/or downloading on the MNR website”.

Discussion: Significantly improved administration of amendments is required. An improved amendment summary and utilizing the FI portal can help achieve this improvement.

Conclusion: There has been poor performance in administration and record-keeping associated with FMP amendments.

Recommendation: MNR and the Company shall improve the amendment administration and documentation by having full documentation, completing an enhanced plan amendment summary and fully using the FI portal to post approved amendments.

Recommendation # 5

Principle 3: Forest Management Planning

Procedure 3.14.1. Assess the AWS for consistency with....the planning requirements of the applicable FMPM, including....submission, review, and approval.

Background Information and Summary of Evidence: The AWSs present only a very brief discussion of planned harvest area in terms of percent of available harvest area planned. Part D, Section 3.2.3 of the 2009 FMPM requires a discussion of the area scheduled for harvest and indicates the discussion will compare the actual area intended for harvest by forest unit during the year to the available harvest area. This information is important given the on-going concerns about lack of harvest and substitution on the Kenora Forest.

Errors were noted in the 2011-12 AWS harvest layers. MNR’s review of the AWSs was reasonable for 2009-10 and 2010-11 AWSs with reviews about 4 pages long and with evidence of forestry, fish and wildlife and fire program input. The MNR reviews of the 2011-12, 2012-13 and 2013-14 AWSs was limited to less than one page of general comments from the area forester. For the last three AWSs there was almost no documentation of reviews by other program groups or to ensure submitted layers and plan tables were accurate as required by Part D, Section 3.4 of the FMPM.

Discussion: AWSs would be enhanced by having:

- a better comparison of planned harvest area to available harvest area by forest unit and age class and tracking cumulative results for each year of the plan; and,
- improving the MNR review of AWS submissions to ensure they are accurate and program group input is provided and addressed.”.

Conclusion: The AWSs need to be improved in the ways identified above.

Recommendation: MNR District and the Company shall improve AWSs by including a better comparison of planned harvest area to available harvest area. In addition, MNR District shall improve its review of AWSs and documentation of AWS reviews to ensure the AWS’s are accurate and all program group input is considered.

Recommendation # 6

Principle 3: Forest Management Planning

Procedure 3.14.2. Review the changes during AWS implementation and determine ... whether a revision was processed as required by the applicable FMPM, and whether updated information was documented and provided to MNR as described in the applicable FMPM,

Background Information and Summary of Evidence: Documentation and approval pages for many AWS revisions were missing and they were not numbered or electronically filed. AWS revision and documentation, including approval pages, is to remain available at the sustainable forest licensee office and on the MNR website according to Part D, Section 3.5.5 of the 2009 FMPM. The 2009 FMPM does not provide an AWS numbering box on the approval page, however this can be easily added. AWS revision tracking using a summary form could improve administration.

Discussion: The administration of AWS revisions can be improved by:

- ensuring all AWS revisions are numbered by adding AWS revision # to approval pages;
- ensuring all approved AWS revision documentation and approval pages are maintained and electronically filed using the FI portal; and,
- maintaining an AWS revision summary to better track AWS revisions.

Conclusion: Management of AWS revisions needs improvement in the ways identified above.

Recommendation: MNR District shall ensure that all AWS revisions are numbered, maintain an AWS revisions summary to improve tracking of revisions, and use the FI Portal to document all approval pages and AWS revision documentation.

Recommendation # 7

Principle 3: Forest Management Planning

Procedure 3.3.1. 3: Assess the description of the historic forest condition considering forest type, natural processes, and fire and disturbance history as it impacts the plan.

Background Information and Summary of Evidence: A summary of the historic forest was prepared and used by the planning team, but it is not available to a plan reader - the 2012 FMP does not contain any sort of description of the historic forest. The 2006 FMP did have such a section, which was based on the 1966 forest inventory. The Supplementary Documentation for the 2012 FMP states that the Natural Range of Variation provided the basis for establishing landscape pattern targets, which were provided in the Science Package that accompanies the as-yet unreleased Forest Management Guide for Boreal Landscapes. The Science Package was available at the time of FMP development and was used by the planning team.

Discussion: The forest composition targets in the 2012 FMP were developed using the Ontario Landscape Tool (OLT), which was a different approach than was used for the 2006 FMP. The different approach produced a different estimate of what the historic forest was like. Without a description of the historical forest, it is difficult to understand the context for the landscape level targets used in the 2012 FMP, which significantly affect the LTMD. Given the key role of the historic forest estimate in the 2012 FMP, and the changes to that estimate since the previous plan, it is difficult to understand why the FMP lacks any discussion of these topics.

The 2009 FMPM states that a planning team is not required to revise or update the historic forest information, however it is required to review it (pg A-24). Presumably, this means that the planning team will review the historic forest condition as described in the previous FMP, and if there are changes to the methodology or other new information, then the historic forest description needs to be revised. This is expressed in the FMPM text “*A revised summary of the history of the forest will be prepared if required*” (emphasis ours) which was done.

FMPM direction is less clear with respect to including a description of the historic forest in the FMP. The FMPM does not comment on if or when an FMP should describe the historic forest condition, nor does it explicitly say it should not be included in the FMP text. .

Conclusion: Based on the direction of the FMPM and apparent differences in interpretation of the historic forest condition, the 2012 FMP should have contained a section describing the historic forest and how and why it changed compared to the 2006 FMP.

Recommendation: The Company shall include a description of the historic forest, and explain how and why it differs from the historic forest used in the 2006 FMP, in the Phase II Planned Operations document that is expected to come into effect on April 1, 2017.

Recommendation # 8**Principle 3: Forest Management Planning**

Procedure 3.4.1.4.2 Achievement of Checkpoint “Support for the Proposed Management Strategy”: Assess progress towards achievement of the checkpoint by reviewing the FMPM requirements and determining whether:

- Reasonable objectives, indicators (including desirable levels) and appropriate targets have been developed by the planning team with the assistance of the LCC;
- The four CFSA objective categories have been addressed; and
- The objectives and indicators incorporated the results of the desired forest and benefits meetings.

Background Information and Summary of Evidence: The 2012 FMP contains landscape objectives related to the balance of cover type, age class, and patch size that come from the Ontario Landscape Tool (OLT). The resultant objectives call for a major reduction in the amount of hardwood present on the Forest, as was described in the main body of the report.

It is clear from the minutes of the planning team meetings and from discussions with planning team members that there were difficulties calibrating the OLT, which has only been recently introduced as a means of developing historic forest benchmarks for planning. For example, the minutes of planning team meeting number #8 describe the “conifer issue” regarding OLT:

“There is a large difference between the SRNV [Simulated Range of Natural Variation] from OLT and the Base Model Inventory (BMI) for the amount of area in “Conifer”. The SRNV is much higher than the amount currently found in the forest. Alternatively, there is a large amount of the ConMx standard forest unit for most age classes compared to the amount required in the SRNV. ... The Conifer/ConMx issue was not present in the previous FMP. The OLT system has created this issue.”

In addition, planning team members stated that they felt that some of the results did not suit the Forest. The shifts in the Forest called for in the 2012 LTMD were absent from the management direction in the 2006 FMP. During the planning process, the MNR regional staff made modifications to OLT to address the conifer problem, and presented a revised set of historical forest benchmarks to the planning team. However, planning team members stated that they had no input into the changes and were not informed of the nature of the changes. Thus, from the perspective of the planning team, the OLT was a black box. Despite regional MNR’s revisions to the OLT, some members of the planning team continued to have reservations about it. These were most evident in relation to the red pine and white pine forest unit, which currently has a much larger presence in the Forest compared to the OLT. Moreover, the planning team thought that the historic level of abundance of these species was greater than the present area, and the audit team is in agreement. On the other hand, the model overestimates the amount of conifer lowland, a forest type that is usually very stable since it is dependent on the area of wetlands.

Discussion: One of the key outcomes of the shifts in forest unit area, including the decline in the presence of hardwood on the Forest, is a significant decline in the medium and long-term poplar supply. The planned poplar harvest declines from 150,000 m³/yr in the first plan term to 70,000 m³/yr by 2032 before partially rebounding to 100,000 m³/yr, in 2092.

Conclusion: From the perspective of the audit team, the OLT did not seem to produce results that were appropriate for the Kenora Forest. The inappropriateness of some of the OLT results was identified by the local members of the planning team. MNR Region recalibrated the model, however the revised results failed to fully address the concerns of the planning team. It is not clear why the planning team did not develop its own objectives and targets based on local knowledge, the previous FMP, and any parts of OLT that they felt comfortable with.

Recommendation: Corporate MNR shall ensure that the next version of the FMPM identifies the roles and responsibilities of the planning teams and MNR regional and corporate levels in determining the most appropriate basis for setting plan objectives and targets and other components of the FMP.

Recommendation # 9

Principle 3: Forest Management Planning

Procedure 3.4.1.4.2 Achievement of Checkpoint “Support for the Proposed Management Strategy”: Assess progress towards achievement of the checkpoint by reviewing the FMPM requirements and determining whether:

- Reasonable objectives, indicators (including desirable levels) and appropriate targets have been developed by the planning team with the assistance of the LCC;
- The four CFSA objective categories have been addressed; and
- The objectives and indicators incorporated the results of the desired forest and benefits meetings.

Background Information and Summary of Evidence: Some members of the LCC argued strongly that the 2012 FMP should contain some recognition that climate change is occurring, however there is little direction in this regard in the 2009 FMPM, and the planning team did not act on this advice.

MNR planning staff are examining potential approaches for recognizing and adapting to climate change in FMPs – this direction would be provided in the next version of the FMPM. In addition, MNR Science staff have the capacity to simulate the carbon balance associated with the LTMD – this capability is not widely advertised at the field level, according to MNR staff, who have concerns that people may develop the mistaken impression that the forest manager has a great deal of leeway to affect carbon balance in the Forest over the short and medium term.

Discussion: Climate change is well underway, and it can be expected to alter the competitive balance between various species, as well as affecting the ranges of species. The anticipated impacts of climate change call into question the feasibility of returning any forest to a state approximating its historic condition, or to a natural condition that is derived from historical records or ecological patterns.

While there are many uncertainties regarding how climate change might unfold, there is general agreement on some key aspects of it, and it would be appropriate if FMPs began to consider this factor when developing LTMDs.

Conclusion: The audit team thinks that it is an appropriate time for Corporate MNR to develop direction to planning teams on how climate change can be recognized in FMPs, including by projecting the carbon balance over time under the LTMD. Corporate MNR is indicated that it is doing this and is considering options for including direction regarding carbon balance tracking and adaptation, and the audit team is supportive of this initiative,

Recommendation: Corporate MNR shall continue to consider how to provide direction to planning teams on how to recognize climate change in FMPs and shall consider the inclusion of information regarding the carbon balance in the Forest over time.

Recommendation # 10**Principle 3: Forest Management Planning****Procedure 3.4.1.4.2 Achievement of Checkpoint “Support for the Proposed Management Strategy”:** Assess progress towards achievement of the checkpoint by reviewing the FMPM requirements and determining whether:

- Reasonable objectives, indicators (including desirable levels) and appropriate targets have been developed by the planning team with the assistance of the LCC;
- The four CFSA objective categories have been addressed; and
- The objectives and indicators incorporated the results of the desired forest and benefits meetings.

Background Information and Summary of Evidence: Table 23 on page FMP-156 shows the area of old forest by Forest Group; the total area of old forest at plan start is 45,479 ha, and the minimum desirable level is 98,302 ha, representing 120% more than presently exists. That is Indicator 2(c). Indicator 1(a) is the percentage of a series of 500 ha and 5000 ha polygons with a greater than 60% area of mature and old forest in them. The definition of what constitutes mature forest varies somewhat by forest unit, with most FU’s entering the mature stage at either 60 or 70 years of age. At plan start, 63% of 500 ha polygons met the criterion, while 65% of the 5000 ha polygons had at least 60% of their area as mature and old forest. The minimum desirable levels set by the planning team are 38% and 29%, well below present levels. The plan proposes to manage the forest to meet the desired level of these indicators.

Discussion: The implications of the desirable levels of indicator 1(a) are inconsistent with the direction in the plan under Indicator 2(c) to increase the area of old forest. In the absence of a spatial assessment of the planned 2112 forest, the feasibility of reaching the desired levels of these indicators is not clear. At the very least, the planned reductions in the values of indicator (1a) will fragment the mature and old forest component, which is not ecologically desirable.

Conclusion: Objective 1 of the 2012 FMP, specifically the direction required to meet the target levels of indicator 1(a), appears to lead to the fragmentation of the mature and old component of the Forest, which is not desirable. Moreover, the direction appears to contradict the plan intent to significantly increase the area of old forest in the Kenora Forest. It is not desirable to have an FMP that has inherent inconsistencies present in it.

Recommendation: The MNR and the Company shall amend the 2012 FMP to remove the inconsistency in the proposed directions of indicator 1(a) and indicator 2(c).

Recommendation # 11

Principle 3: Forest Management Planning

Procedure 3.4.1.5.1 Achievement of Checkpoint “Preliminary Endorsement of the LTMD”: Assess progress towards achievement of the checkpoint by reviewing the assessment of individual objective achievement, including:

- in relation to the indicators and desirable levels that have been established;
- development of harvest criteria including whether it is consistent with the management strategy and areas have been mapped as required of the FMPM; and
- preliminary and updated spatial assessment for those management objectives and indicators affected by the locations of harvest areas or frequency distribution of forest disturbances.

Background Information and Summary of Evidence: The audit team has significant concerns regarding the likelihood that the planned level of harvest will be achieved. If the actual harvest turns out to be in line with historical levels, the achievement of the landscape-level, ecological objectives of the FMP is in question, as well as the forecasts of how the forest will develop. The level of harvest also has an impact on the financial viability of the current business model of Miisun Integrated Resource Management Co and perhaps also Miitigoog LP.

The AHA for the Kenora Forest was determined to be 41,580 ha over the ten year period of the plan, which would translate to an average annual harvest level of 4,158 ha. The planned level of harvest, which is determined for the first ten-year term only, was reduced by 8% from the AHA level (i.e. to 3,828 ha/yr) to account for the deferral of operations on the Aulneau Peninsula.

The FMP itself states (on page 279) that there will be reduced socio-economic benefits should the planned harvest not be cut. The assessment that the FMP provides sustainability would be of questionable relevance if the actual operations deviate so considerably from the base upon which the assessment was made.

Period	Total Planned	Total Actual	Percent
1991-96	3797	1071	28.2%
1996-01	5633	922	16.4%
2001-06	3821	1315	34.4%
2006-11	3174	1387	43.7%
2012-22	3828		
OVERALL	16425	4695	28.6%

Even with the Aulneau deferral, the planned harvest is well above historical levels. The table to the left shows the planned and actual harvest area levels for the last four complete plan periods.

The overall harvest was 28.6% of the planned level during the past 20-year period, which is somewhat misleading because the very high planned harvest from the 1996-2001 term skews the result. However, the actual harvest area has

consistently been well below 50% of planned, which is very low.

Discussion: The audit team considers that the low achievement rates reflect both supply and demand limitations, although it proved difficult to gauge the extent of each. On the demand side, there has been an upward trend since the 1996-2001 period, driven in part by the start-up of the Trus-Joist mill in 2002. Looking to the future, the most likely catalyst to provide an increase in harvest is the potential start-up of the Kenora Forest Products mill. However, the mill may not be started up – it has been idle since 2008. The Resolute FP Canada mill in Fort Frances, which has

been a significant user of wood from the Forest, has become an uncertain source of demand, since in November 2012, the Company announced an indefinite shut down of a pulp unit and its paper machine. The paper machine has since re-started for a period of three months – but the long-term future demand from the mill is in question.

On the supply side, in addition to the lack of harvesting on the Aulneau Peninsula, limiting factors include the lack of access to the area north of the English River (representing approximately 16% of the forest area), a level of by-pass on the order of 10 – 20 %, the challenges of devising blocks that are economical to harvest in a forest that has numerous lakes and rivers with high levels of tourism and recreation. The audit team was also made aware that political factors may constrain harvesting from time to time of the traditional territory of First Nations. Since elections take place every two years, opportunities for temporal limits on access arise frequently. While some of the individual factors listed above may be relatively insignificant, they may have a large cumulative impact, which will be difficult to quantify given the nature of the constraints.

Conclusion: The audit team feels that there is a very strong possibility that the actual harvest will be well below the planned level for the current plan period, and perhaps for future terms too. The audit team is concerned that a significant underachievement of planned operations will render the forest projections inaccurate and limit the achievement of FMP objectives.

It is important to recognize that this conclusion is based on the long period of time (from at least 1991 to present) over which the actual harvest level has fallen well short of planned levels, not just the more recent reductions in harvest due to the severe recession and collapse of the US housing market during the 2007-08 period, and the very gradual, still on-going recovery.

The audit team is not suggesting that the planned harvest should be set equal to the historic level – it is recognized that there is value in having some flexibility among allocated stands. However, if the historic level is pegged at the percentage of the planned harvest area actually cut during the previous plan term (i.e. 43.7%), then a planned harvest set in the neighbourhood of 65% of the AHA would appear to the auditors to reasonably balance the various factors that need to be considered, and derive from, the level of the planned harvest.

Recommendation: If the actual average annual harvest area over the first three years of the plan term is less than 60% of the average annual planned harvest area for Phase I of the FMP, MNR and the Company shall run one SFMM scenario where the long-term annual harvest area is set equal to the actual average annual harvest area during the first three years of the FMP period. The results of this scenario, including the impacts on the achievement of FMP objectives, shall be discussed in the main body of the Year 3 AR report. If the actual average harvest area over the first three years of the plan term is less than 40% of the planned area, the MNR and the Company shall amend the FMP to set the planned harvest area at 65% of the AHA for the remainder of the FMP period.

Recommendation # 12

This recommendation falls within the purview provided by the IFAPP which permits auditors to develop recommendations related to forest management even though no non-conformance with law or policy has been observed.

Background Information and Summary of Evidence: The evidence presented for **Recommendation # 11** provides the background for this recommendation too.

Discussion: The audit team recognizes that the habit of planning to harvest the full allocation of timber is deeply ingrained in the forest management planning system, and indeed throughout the Ontario forest sector. Wood supply commitments, the lack of efficient procedures for amending a planned harvest level that is well below the AHA, and the flexibility that a large allocation provides for operators are all factors that support the approach. The 2009 FMPM provides some direction that the full AHA need not always be allocated, for example it states on page A-38 that the target levels for harvest indicators should reflect, among other factors, the level of historic wood utilization. Nonetheless, there is a strong aversion to setting a planned level of harvest below the AHA, which in the view of the audit team calls into question the credibility of the FMP's, and more fundamentally, the rationale for the very complex forest management process which exists in the province.

In essence, the present approach casts the FMP largely as the means by which to provide the largest possible allocation of area for harvest, subject to ecological and management-based constraints. We argue that the intent of the FMP should be to provide a reasonable forecast of forest development operations that can be expected to occur during the plan term and beyond. The difference in the approaches is can be described as “what is allowed to occur vs. what is likely to occur” In our view, the second of these approaches would lead to the development of more credible and useful plans that better rationalize the effort and considerable expense used to prepare them, and make the achievement of the FMP objectives more likely.

Because there is little motivation within the planning system to do anything but allocate the full available harvest, it is often not clear how a planning team would go about doing that. Moreover, should the harvest turn out to be higher than anticipated, the mechanisms for adding area back into the available allocations are poorly suited to the task. The present mechanism is that “planned harvest areas in excess of the projected industrial wood requirements and wood supply commitments will be clearly identified and mapped as surplus areas.” (page A-46 of the 2009 FMPM) The surplus is theoretically available to other potential users, which is one reason it is rarely identified. Surplus area is distinct from wood that is classified as “open-market” because the FMP still expects that the open-market wood will be harvested, and so it is part of the planned harvest, whereas the surplus is not part of the planned harvest,. The surplus areas can be amended back into the planned harvest should harvesting exceed expectations, which is time consuming.

In practice, planning teams very rarely declare surplus, and the MNR very rarely encourages or requires that it be done. There is no guidance in the FMPM that suggests when it would be appropriate. The need to use the standard amendment process to add surplus area back into the available pool of area could also be streamlined.

Conclusion: Corporate MNR shall develop an approach that will lead to the development of more realistic planned levels of harvesting. Rules of thumb rather than strict rules would appear to be most appropriate here.

Recommendation: Corporate MNR shall review the direction in the 2009 FMPM regarding the determination of the planned harvest level and consider how to revise this direction so that the planned harvest levels are set at realistic levels, and develop a process to allow the plan author to make adjustments to the planned harvest as events play out during the plan term.

Recommendation # 13

& Recommendation # 14

Principle 3: Forest Management Planning

Procedure 3.3.2: Assess whether the FRI has been updated, reviewed, and approved to accurately describe the current forest cover that will be used in development of the FMP.

Background Information and Summary of Evidence: The current FRI for the Kenora Forest is based on aerial photography acquired in 1995 and 1996. Since the base imagery for this inventory is 17 to 18 years old, this FRI is approaching the end of its useful life.

In 2010, digital aerial imagery acquired in 2009 for the eFRI project became available for use by the Company and District MNR to aid in operational planning. Production of the updated eFRI is scheduled to be completed between 2015 and 2017. Concerns were expressed by the Company that due to the length of time between imagery acquisition and FRI publication, which could be as much as eight years, the quality of the FRI will suffer.

In 2005, funding for a 10-year eFRI program was announced by MNR. The Provincial Forest Inventory Technical Advisory Committee wanted the benefits of the new program to be realized as quickly as possible by all the forest management units scheduled for inventory updates during the ten-year program. Accordingly, the Committee recommended that the FRI Section acquire all imagery for the ten-year program in the first five years, in order that the new, high-quality digital imagery would be available for operational use. However, this would mean that some management units would experience a longer than usual delay between the time of imagery acquisition and final FRI production. To compensate, MNR agreed to ensure that a full update of records pertinent to the intervening time (e.g., data from timber cruising, silvicultural records, depletion records, free-to-grow assessments) was included in the FRI process.

Discussion: Making use of all available records pertinent to forest change for FRI update is a good practice and will be especially important in this case where there is a longer than usual span between the date of imagery acquisition, image interpretation, and final FRI production. Nonetheless there will still be a degree of uncertainty about the accuracy of the FRI, especially if significant changes (e.g., natural disturbances) occur to the Forest in the interim.

Conclusion: It is important that FRI updates are based on the most current information possible. Due to the delay between image acquisition and FRI production, the reliability of the eFRI updated information could be impaired.

Recommendation # 13: The MNR FRI Section shall work with District MNR and Miisun to ensure that the FRI update for the Kenora Forest will include all information sources that are feasible to use, and are relevant to changes to the Forest during the interval between the date of imagery acquisition and eFRI production. Further, MNR FRI Section shall work with District MNR and Miisun to design and implement a quality assurance program for the eFRI to determine the reliability of key stand attributes.

& Recommendation # 14: Corporate MNR shall implement measures to ensure that the time interval between imagery acquisition and FRI production is not so long as to jeopardize the quality of the FRI products.

Recommendation # 15**Principle 4: Plan Assessment and Implementation**

Procedure 4.5.1: Consider whether there are any gaps between the planned and actual levels of each type of tending and protection seen in the field; consider results of determination under Criterion 6.

Background Information and Summary of Evidence: In the Kenora Forest, there is presently, and has been historically, considerable public concern regarding the use of herbicides for tending, especially aerial applications. These concerns have been raised by local First Nations and local stakeholders such as cottagers. This has resulted in limited use of herbicides for tending treatments in the past two decades. During the 2001 FMP term, ground applications of herbicide were implemented on a relatively small area compared with the total area regenerated.

In the 2006 FMP, cleaning treatments to promote conifer crop trees by reducing competing vegetation were planned to occur on approximately 17.8% of the area planned for artificial regeneration (i.e. 1,220 of 6,379 ha). During the 2012 FMP term, this proportion is planned to increase significantly, to 55.6% (6,002 of 10,804 ha). To accommodate the planned increase in the application of tending treatments during the current FMP, an aerial tending program of 4,502 ha was forecast, in addition to 1,500 ha of ground herbicide applications and manual cleaning treatments.

The 2008 IFA issued a recommendation for the Company to “expand its vegetative competition control program to include other treatment options in addition to manual ground chemical tending”. Efforts to make progress on this recommendation during the 2006 FMP term were complicated by the transfer of Company responsibility for silviculture from Weyerhaeuser to Miisun in the year 2010. In the first two years of the FMP term, no cleaning treatments were conducted. For the remaining three years of the FMP term, cleaning treatments, consisting of ground application of herbicides using backpack sprayers, were conducted on 433 ha. A small area of 22 ha was also cleaned manually using brush saws. In total, this effort represented 37.3% of the planned level. Of the 4,032 ha regenerated artificially during the FMP term, 11.3% received a follow-up cleaning treatment. Miisun also actively conducted outreach efforts with regard to their tending efforts, in order to transfer information about the silvicultural need for tending to local First Nations and other interested parties, and to attempt to alleviate local concerns. These efforts were partially successfully but continued outreach will be required.

After viewing a number of ground herbicide application treatments in the field, auditors concluded that the treatments were appropriate for the local site conditions and were needed to meet silvicultural objectives. The treatments generally appeared to have been effective but results appeared to be patchy on some sites. Auditors also observed several rich, competitive sites that had been artificially regenerated and were in urgent need of competition control treatment in order to protect the investment in tree planting. On these sites, ground applications of herbicide with backpack sprayers would likely not have been effective.

Discussion: Tending options will need to be implemented consistent with the increased levels planned for in the 2012 FMP in order to meet silvicultural objectives

Conclusions: All these factors argue for the continued development of alternative methods for implementing cleaning treatments, and in particular for the development of an aerial herbicide

treatment program. There will be a number of obstacles to be overcome to achieve this goal, including the likelihood of continued public concerns about the use of herbicides, especially with aerial spraying. There are also logistical issues associated with finding a contractor willing to undertake the risk associated with this relatively small tending program at a reasonable cost, in a period when large regional contracts are the norm.

Recommendation: The Company shall continue to develop alternative methods for implementing cleaning treatments, including the development of an aerial herbicide treatment program, and shall implement appropriate tending options consistent with meeting the silvicultural objectives of the 2012 FMP.

Recommendation # 16**Principle 3: Forest Management Planning**

Procedure 3.4.1.2.1: Assess and report on whether the FMP modeling assumptions used are reasonable and whether they are based on the best available information. Examine:

- All modeling assumptions including land base, growth and yield, fire cycle, operability ... biological limits, wildlife

Background Information and Summary of Evidence: Section 1.2.5.2 of the FMP requires that the effects of the proposed LTMD be modelled so that the impacts on indicators be predicted and assessed. The FMPM specifically requires that modeling outputs include: “projected habitat for species at risk” (pg. A-40). As described in Section 4.3.6 of this report, the requirements of most SAR on the Forest are adequately dealt with through the use of AOC prescriptions, and use of habitat projections would not be beneficial or logical given the nature of habitat use by the species. However, there is at least one and possibly two songbird species (Canada warbler and olive-sided flycatcher) for which existing direction is not sufficient.

Discussion: The case for improved management of Canada warbler habitat can be built on a series of points:

- Canada warbler is classified as a species of Special Concern (COSSARO designation, Sept 10/2009);
- The SSG’s generic prescription for nests of small songbirds, implemented in the FMP as a CRO is trivial, as it applies only to known nests of songbirds and requires only “*reasonable efforts be made to minimize disturbance of known nests...*”;
- However, evidence that the SSG intends broader management than just nests for SAR is provided in its statement: **The direction in this guide represents science-based guidance intended to minimize the risk that forest management operations might incidentally kill, harm, or harass species that are currently on the Species at Risk in Ontario List or damage or destroy their habitat. Direction in this guide should be considered the minimum required.** (emphasis from the SSG);
- The habitat affiliation of Canada warblers is well known. The MNR’s publication on the Canada Warbler⁵ describes its habitat preference as “usually wet forest types, all with well-developed dense shrub layer), other descriptions of habitat exist too, and could be mapped onto an Ecosite matrix (habitat models of Canada Warblers already exist)
- On page A50, the FMPM notes that “*If no specific policy direction is provided under the Endangered Species Act, 2007 regarding the habitat of a species at risk and no specific direction is available in an existing forest management guide, the planning team will develop an operational prescription, in accordance with the requirements for operational prescriptions developed by the planning team. The operational prescription must be prepared with the assistance of the Species at Risk Biologist.*”
- There is precedent in the provision of species-specific direction for songbirds as the SSG provides specific direction for the cerulean warbler, which is also designated Special Concern.

Conclusions: Given that: the Canada Warbler is a SAR, its habitat requirements are well known, the direction in the SSG is inadequate (only addresses nests) but the SSG itself advocates broader management approaches for SAR and, the FMPM provides specific direction to develop

⁵ OMNR 2009. Canada Warbler (Wilsonia Canadensis. Queen’s Printer for Ontario. MNR #52577

species-based guidance, the MNR should develop **habitat-based** prescriptions for the protection of Canada Warbler habitat and implement those as a matter of course for all forests in which Canada warbler is known to occur. A very similar case can be made for olive-sided flycatchers.

Recommendation: Corporate MNR shall develop prescriptions for the protection of Canada warbler and olive-sided flycatcher habitat and mandate their use as a matter of course for all forests in which these species are known to occur.

Recommendation # 17

Principle 3: Forest Management Planning

Procedure 3.3.4.1. Review the description of other forest resources dependent on forest cover by considering... how forest management operations have, or could affect the quality or quantity of these resources; ...how the FMP has addressed protection measures for threatened or endangered species/species at risk.

Background Information and Summary of Evidence: Ontario's Committee on the Status of Species at Risk (COSSARO) routinely reviews the status of identified species to evaluate whether they should be designated as SAR. Over the last year, and in the near future, the committee has/will be considering a number of species which may be affected by forest management operations. In circumstances in which there is no existing policy direction for SAR under the Endangered Species Act or in existing MNR forest management guides, the FMPM requires that the planning team develop operational prescriptions.

Discussion: Some of the candidate SAR have broad ranges (e.g. eastern wood pewee, wood thrush, bank swallow) which extend into many SFLs in the province, including the Kenora Forest, and so many planning teams may have to consider them. Consistency of forest management direction could be better achieved if interim direction were provided by MNR Species at Risk Branch (SARB), or Regional Offices. Planning teams have variable levels of expertise in specific SAR, so in general, more appropriate direction for dealing with SAR should come from SARB or Regional Offices. Timely, provisional direction could be provided by either of these sections of MNR and provided to planning teams in advance of more "official direction" which would eventually find its way into legal regulations, or MNR forest management guides.

Conclusions: Management direction for newly-designated SAR should be coordinated or developed by SARB or MNR Regional Offices to ensure high-quality consistently-applied direction across planning teams.

Recommendation: Corporate MNR shall ensure that management direction related to incorporation of newly classified SAR into FMPs shall be promptly developed by Species At Risk Branch or MNR Regional Offices after a species has been designated. This management direction shall be distributed to all planning teams in the species' ranges.

Recommendation # 18

This recommendation falls within the purview provided by the IFAPP which permits auditors to develop recommendations related to forest management even though no non-conformance with law or policy has been observed.

Background Information and Summary of Evidence: As an outcome of the MNR's Living Legacy process in the late 1990's, the Aulneau Peninsula was designated as an Enhanced Management Area (EMA) with an emphasis on wildlife management. In 2003, an EMA plan was published⁶ and in 2004 the Aulneau Advisory Committee was formed to provide advice to the MNR on implementation of the plan. One key aspect of the plan was to identify forest management actions which could/should be taken to enhance wildlife habitat on the Peninsula. However, given that no forest management activities have taken place on the Peninsula since the mid-1980's relatively little has been accomplished in that regard. In addition, the Advisory Committee has basically ceased to function (last meeting was held two years ago) because active management of the Peninsula has essentially ceased as well.

The Peninsula has very notable wildlife values and is of special significance to First Nations; there are six reserves on the Aulneau held by Treaty 3 First Nations bands. In recognition of the special nature of the peninsula and its importance to First Nations, a decision was made to defer forest operations on the Aulneau for the period of the 2012 FMP, consistent with a recommendation of the 2008 IFA.

Discussion: Active management of the Peninsula has ceased largely out of respect for First Nations concerns, coupled with access constraints and questions about the current state of the resource. The MNR seems satisfied to keep management of the Peninsula in abeyance pending signals from First Nations regarding their preference for management direction.

Although respectful of First Nations concerns, the uncertain nature of plans for management of the Peninsula will create challenges for the management of the Kenora Forest. Clearly, forests are only part of the scope of management of the Peninsula. However, in the absence of definitive developments or proactive management from the MNR, it is very possible that a decision regarding how/whether to manage the Peninsula will be made during the planning process for the next FMP. The FMP process is complex, and laden with many strategic and operational issues, all of which have to be addressed in a relatively short time-frame and according to a more-or-less structured schedule. This is not the right environment for making complex land-use decisions, which involve much more than forest management *per se*.

Conclusions: The management of the Aulneau Peninsula after 2022 would best be determined in a tailored process outside the confines of forest management planning. Decisions regarding the land-use status of the Peninsula should be made in anticipation of (i.e. before), not during the development of the next forest management plan.

Recommendation: MNR shall lead a process to decide how to manage the Aulneau Peninsula after 2022. That process should be completed prior to the start of the process for developing the next FMP to allow appropriate consideration to be given to the issues related to management of the Peninsula and so that the decisions made can be factored into the development of the FMP.

⁶ Ontario Ministry of Natural Resources, Kenora District. 2003. Aulneau Peninsula Enhanced Management Area Wildlife Plan. Queen's Printer for Ontario. 72 p.

Recommendation # 19

Principle 3: Forest Management Planning

Procedure 3.5.2.1: Review the AOC prescriptions and assess whether....specific prescriptions for planned harvest, renewal, and tending activities are appropriate to protect the values.

Principle 4: Plan Implementation

Procedure 4.2.1: Review and assess in the field the implementation of approved AOC operational prescriptions. Include the following....determine whether the prescriptions implemented and results of the operations are consistent with the location and operational prescription of for the AOC in the FMP, AWS and actual site conditions.

Background Information and Summary of Evidence: The overall issue is the management of AOCs proximal to waterbodies. The audit team believes there are two separate facets which relate to too cautious and therefore inappropriate management of some AOCs. 1) The audit team inspected seven different water quality AOCs on the ground and found that the widths of three exceeded the requirements by a considerable margin (Figure 6). This represents a loss of harvest opportunity. 2) None of the AWSs reviewed by the audit team contained plans for cut-to-shore operations. This also represents loss of harvesting opportunity and also a loss of opportunity for managing riparian habitat.



Figure 6. Portion of forest unnecessarily included in an AOC. The prescription for this AOC was for 40 m width and the section pictured above was 40-70 m from the waterbody.

Discussion: The Kenora Forest has a high level of use by cottagers and tourist establishments, creating understandable reticence about harvesting close to shore. In addition, with no history of harvesting close to shore, operators are reluctant to embrace the practice. However, even with the high degree of use of lakes and rivers on the Forest, there are opportunities for conducting cut-to-shore operations on some waterbodies which do not receive heavy recreational use. The Stand and Site Guide takes a considerably more encouraging approach to this practice than did its predecessor Fisheries Habitat Guide, in recognition of the ecological benefits of well-managed cut to shore operations. In addition to this concern, the loss of wood tied up in unharvested areas abutting AOC reserves, which, according to Company staff, is often left uncut due to overly-cautious practices, is forgone volume, often of high-quality wood (Figure 6).

Conclusions: The management of riparian areas would be improved by 1) conducting cut-to-shore operations in circumstances where it is ecologically appropriate and socially feasible; and 2) laying out riparian AOC's according to their prescribed widths.

Recommendation: The Company shall review harvest block layout procedures with all operators conducting harvest and reserve-marking operations on the Forest to ensure that wood is not unnecessarily being left unharvested in areas abutting riparian AOCs on the Forest. In addition, the Company and MNR shall identify circumstances in which conducting cut-to-shore operations is ecologically appropriate and socially feasible and implement harvesting operations there.

Recommendation # 20

Principle 4: Plan Implementation

Procedure 4.2.1: Review and assess in the field the implementation of approved AOC operational prescriptions. Include the following....determine whether the prescriptions implemented and results of the operations are consistent with the location and operational prescription for the AOC in the FMP, AWS and actual site conditions.

Background Information and Summary of Evidence: Boreal forests by their nature have many intermittent streams. Such streams are small and often not found until operations are underway. (During the audit period, 48 unidentified streams were found in harvest blocks which required AWS revisions to add water crossings.) The Stand and Site Guide attempted to streamline operations without jeopardizing the integrity of the streams through the use of Conditions on Regular Operations (CROs) rather than through an AOC-based process. However, following the release of the Stand and Site Guide, MNR staff realized that the approach it advocated for dealing with in-block road-crossings of previously-unknown intermittent streams was not consistent with the direction provided in the EA Declaration Orders. The Declaration Orders identify detailed requirements which must be dealt with through AWS revisions in such circumstances. The detailed requirements include:”i) a map showing the 100 m wide location of the stream crossing; ii) the results of a review of the proposed water crossing as required under the federal Fisheries Act; iii), a description of the proposed crossing structure, iv) any conditions on the construction of the crossing, including preventative and mitigative measures; and v) a recommendation on the future removal of the crossing structure, if the road is planned to be abandoned”. These conditions were adopted and are now also present (although not verbatim) in the 2009 FMPM.

Miisun has complied with the revised direction, but notes that it takes at least two days to compile the required information and have MNR approve the AWS revision, and has been as long as six. The Company’s concerns are twofold: 1) the amount of information required by MNR takes considerable effort to prepare and 2) the amount of time in which operations cannot proceed based on pending MNR approval is very inconvenient and at times costly.

Discussion: The foremost concern in this situation is ensuring that adequate protection is provided to intermittent creeks. Company staff note that in the time prior to the implementation of the revised procedure, no concerns were expressed to them regarding the adequacy of the measures implemented under the original (CRO) approach. The revised process seems to be being driven by Declaration Order direction, particularly the need to incorporate requirements of the federal Fisheries Act.

Conclusion: The revised method for dealing with crossing intermittent streams found in the course of in-block operations seems onerous and without apparent ecological benefits.

Recommendation: The MNR and Company shall develop a streamlined approach to satisfying the requirements of the FMPM which a) reduces the effort required on the part of Company staff to prepare and submit information required for the AWS revision; b) minimizes the delay in operations associated with processing the revision request; and c) ensures continued protection of intermittent streams found during in-block operations.

Recommendation # 21

Principle 6: Monitoring

Procedure 6.4.1: Assess whether programs are in place and are being implemented to provide sufficient data for all indicators identified in the FMP.

Background Information and Summary of Evidence: There is no longer a requirement to track and report by-pass, which are areas within allocated harvest blocks that are not planned as reserves but which are not harvested because they are discovered to be inoperable or unmerchantable when encountered in the field. Areas that become considered as by-pass are often in the process of succession, the stocking or quality is poor, or the area has operational limitations. There may also be other reasons for by-passing area.

On the Kenora Forest, the Company estimates that by-pass runs to between 10 and 20% of the allocated harvest area.

Ignoring by-pass may lead to inaccurate estimates of harvest area and volume, or give rise to perceived errors in the growth and yield curves if bypass is inadequately factored into calculations of harvested or depleted area. The wood supply model SFMM requires that the proportion of by-pass be included as a parameter, and it is difficult to see how this can be accurately input if it is not being tracked.

Discussion: Tracking the extent of by-pass, its location and the reason that the area was by-passed provides useful information for the forest manager, since it enables the manager to better refine operational and volume yield estimates, and allows for a better understanding of the Forest and how it may be changing. By-pass should not be difficult or expensive to track, since we are not advocating that the inventory be updated to show by-pass – rather it would be tagged in the BMI so that SFMM doesn't treat the area as being available.

Conclusion: The audit team thinks that the tracking and reporting of indicators that provide information regarding sustainability would be enhanced by including by-pass among those indicators that are reported on annually.

Recommendation: Corporate MNR shall add a requirement to the FMPM requiring the SFL-holder to track and report on the by-pass area on an annual basis.

Recommendation # 22

Principle 6: Monitoring

Procedure 6.3.2: Assess whether the management unit assessment program (SFL and District) is sufficient and is being used to provide the required silviculture effectiveness monitoring information including whether it assesses the area regenerated to the projected forest unit (silvicultural success) or to another forest unit (regeneration success); and assesses reasons where eligible areas are not determined to be successfully regenerated to the projected forest unit (silvicultural success).

Background Information and Summary of Evidence:

At the time of the audit there was little information available for the assessment of silvicultural success. Silvicultural success is a measure of whether treated sites had succeeded to a forest unit consistent with those projected by the applicable SGR and associated silvicultural treatment package(s).

This lack of data was due to several factors:

- 1) Information on the SGRs and specific silvicultural treatments that had been conducted, including the numbers and species of trees that had been planted, was not available to the Company for the 1995-2001 and 2001-2006 FMP terms. This was partly due to difficulties in developing relationships between current and future forest units for SGRs, especially from the 2001 FMP due to their complexity. There were also differences in the scale and accuracy of mapping between the pre-harvest inventory and treatment records and maps;
- 2) There were difficulties in migrating historical silvicultural and free-to-grow records from Weyerhaeuser's Silvicultural Information System into the different GIS and information systems used by Miisun; and
- 3) SGRs in the 2001, 2006, and 2012 FMPs schedule free-to-grow assessments at 10 to 12 years after treatment. Thus, no areas treated during the 2006 and 2012 FMPs have been surveyed yet, and only areas treated during the first two years of the 2001-2006 FMP were eligible for survey at the time of the audit.

The Year 10 AR (2010/2011) did not include any information on silvicultural success rates or a suitable discussion thereof.

Discussion:

Despite the above-noted shortcomings in the electronic data, field staff at both the Company and MNR appeared to have a good knowledge of the outcomes of silvicultural prescriptions, based on considerable local experience. Also, based on our field observations, auditors are of the opinion that both artificially and natural regenerated stands appear to be succeeding to the projected future forest units in most cases. Miisun is working towards developing appropriate information to analyse silvicultural success.

Analysis of silvicultural success is the basis for the validation of successional pathways and the refinement of SGRs during FMP preparation. Quantification of this knowledge is an important piece of information for determining if the Forest is on track towards the projected future forest condition.

Conclusion:

Lack of suitable analyses of silvicultural success rates is a significant information gap and should be addressed in a timely fashion.

Recommendation:

The Company shall develop information that is suitable for the determination and analysis of silvicultural success, and complete this analysis to the extent that the data permits. The results of this analysis, including any shortcomings of the available information, shall be documented in Annual Reports.

Recommendation # 23

Principle 6: Monitoring

Procedure 6.5.1: Examine the annual reports for the term of the audit and assess whether the text, tables and maps including digital information is accurate, complete and in accordance with the applicable requirements.

Procedure 6.5.4: Review whether the MNR took the opportunity to review the annual report for completeness and accuracy, and whether the plan author addressed any resulting comments and if a revised report was submitted.

Background Information and Summary of Evidence: Despite two drafts of the AR being submitted, and MNR reviews of each draft, the 2010-11 AR still contained major discrepancies between the reported areas and layers submitted (e.g. in reported natural regeneration). Incorrect data were used for a portion of the assessment of objective achievement and the MNR review seemed rather perfunctory. There were also differences in the number of MNR inspections reported in Table AR-6 versus those registered in the FOIP system – it is the AR tables that are inaccurate. This Year 10 and Trends Analysis AR also requires more meaningful discussion about forest operations trends, modeling assumptions, objective assessment and determination of sustainability as described in Part E, Section 4.0 of the 2009 FMPM.

Discussion: The 2010-11 AR is an important document as it is intended to provide a retrospective assessment of management of Forest over the previous plan term. This document does not achieve that, and does not meet the requirements of the FMPM. Annual Reports can be improved by:

- having a more comprehensive review by Company and MNR District staff to ensure ARs are complete and accurate; and,
- ensuring more meaningful assessments and synopsis of forest operations trends and their impact on modeling assumptions, objective achievement and determination of sustainability are incorporated.

Conclusion: The quality of the Year 10 AR does not meet the requirements of the FMPM and should be revised so that that objective is met.

Recommendation: The Company and MNR District shall correct the 2010-11 Year 10 AR to ensure that it is accurate and improve its assessment and synopsis of forest operations trends and their impact on modeling assumptions, objective achievement and sustainability.

Recommendation # 24

Principle 6: Monitoring

Criterion 6.5: Purpose: Assess whether these reports accurately reflect the implemented activities and whether they effectively assess progress and any associated implications related to the achievement of management objectives.

Background Information and Summary of Evidence: As described in Section 4.6, the process streamlining exercise completed in 2006 recommended significant reductions in the information content in Annual Reports in an effort to reduce preparation time and redundancy. The table below compares the requirements of annual report tables in the 2004 and 2009 FMPMs. The omission of some of the information formerly provided on an annual basis limits the utility of the

Tabular Requirement	2004 FMPM	2009 FMPM
Harvest area by Forest Unit		
Harvest area by Silv. System and Harvest Method		
Area of Planned Clearcuts		
Wood Utilization (by Licensee)		
Wood Utilization by Mill		
Volumes associated with natural disturbances		
Renewal Tending and Protection Operations		
Renewal Support		
Pesticide Use		
Road Construction and Use Management		
Revenues		
Expenditures		
Inspections Conducted by Licensee		
Inspections Conducted by MNR		
Assessment of Regen. and Silv. Success		

AR's. The audit team has made this observation before, but on this audit the deficiency has more impact because of the significance of annual trends in operations. (In addition, in previous audits we've undertaken, the annual report authors retained some of the no-longer-mandatory content.) Company and local MNR staff both commented on the limited utility of the present annual reports compared to the former structure.

Discussion: The lack of tabular (quantitative) harvest and silvicultural area information in the new format is especially problematic. Much of this information is still required to be discussed in the text of the ARs, although its utility is compromised when the discussion does not provide quantitative information. In addition, the FMPM requires that 'Information Products' (maps, and other digital information) as identified in the Forest Information Manual still be provided on a host of management activities including harvest area by forest unit, age class, logging method; area of renewal tending and protection by silvicultural system, protection treatment, etc. Therefore, the data are still being gathered, but are just not reported in an accessible form in the ARs. The amount of effort being saved seems inconsistent with the extent of loss in utility of the document.

Conclusion: Changes to the AR content has rendered them considerably less useful than they formerly were. Key information that conveys the extent and success of operations is no longer available on an annual basis to Company and MNR staff, members of the public, stakeholders and auditors. It may not take a substantial increase in effort to restore key aspects of their utility

Recommendation: Corporate MNR shall review the utility of the Annual Reports since the process streamlining exercise. The review should include consultation with Company and MNR foresters. Corporate MNR should be open to the possibility of revising the annual report content requirements to re-insert information regarding harvesting and silvicultural activities.

Recommendation # 25

Principle 6: Monitoring

Procedure 6.2.1.1 Review the Ten-Year Compliance Strategy and the Annual Plans of Action. Determine whether ...these plans have addressed the requirements of the FMPM and the Guidelines for Forest Industry Compliance

Background Information and Summary of Evidence: The annual compliance plans included within the AWSs only contain two general paragraphs which simply state that compliance inspections will be completed and submitted via FOIP as per the compliance strategy.

Part D, Section 3.2.7 Monitoring and Assessment of the Annual Operations of the 2009 FMPM indicates: *“the annual component of the (ten year) compliance strategy will contain a description of the forest operations inspection program that will be implemented, as described in the Forest Compliance Handbook”*. Section 3.2.7 of the 2010 Forest Compliance Handbook in directive FOR 07 02 04 outlines annual compliance requirements to be included in AWSs:

- annual operations based on operational complexity, recent compliance history and implementation experience;
- timing of inspections;
- sampling intensity based on operational complexity, recent compliance history and implementation experience;
- performance review of past years compliance;
- methods and frequency of compliance notifications and details of any special additional notification;
- compliance roles and responsibilities; and,
- compliance reporting areas or blocks (name, location, area) including reporting direction, operations status.

Discussion: None of the Forest Compliance Handbook requirements for annual compliance plans were met in the last four AWSs.

Conclusion: The Company’s annual compliance plans for the Forest do not meet requirements.

Recommendation: The Company shall prepare annual compliance plans for current and future AWSs as per directive FOR 07 02 04 in the 2010 Forest Compliance Handbook.

APPENDIX 2 – ACHIEVEMENT OF MANAGEMENT OBJECTIVES OF THE 2006 FMP

Achievement of 2006 Kenora Forest FMP Objectives and Targets
 Note that the 2006 FMP Objectives were carried into the 2011 Contingency FMP

Objectives & Targets	Achievement	Explanation
Forest Diversity		
<p>1. To implement managed forest disturbances and silvicultural practices that strive to emulate the forest pattern (disturbance size, location, residual patches and individual trees) that remained after disturbance in the historic pre-fire suppression condition of the Kenora Forest.</p> <p>Target 1a: At the landscape level, maintain or move towards the average natural disturbance frequency template by size class for the management unit (eco-regions 4S-1 and 4S-6 combined) as provided by MNR Region, based on historical fire data with consideration for social concerns. This will involve a decrease in the number of 71-260 ha disturbances, and increase the number of 521-5000 ha disturbances from 2006 to 2011.</p> <p>Target 1b: At the stand level, retain residual forest patches and individual residual trees in planned harvest areas that emulate those that would be created by natural fire using guidance from the NDPEG.</p>	<p>1a. Few data are available to the audit team to assess achievement of this Target. In addition, the target was not assessed as part of the Year 10 AR as it should have been (see Recommendation # 23).</p> <p>1b. No data were available quantitative assess this target, and as with 1a, it was not assessed as part of the Year 10 AR. However, subjective evidence suggests the target was achieved. All planning was undertaken to support achievement of this target and no instances of non-compliance regarding residual retention were recorded during the audit period. In addition, the audit team viewed approx. 35 sites on which harvesting had taken place during the audit term and no instances of inadequate residual retention were noted.</p>	<p>1a. The audit team notes, however, that the differences between the 2006 disturbance size-class distribution and that of the desired natural template was significant. The 2006 FMP noted that movement towards the target would require “a decrease in the number of 71-260 ha disturbances and an increase in the number of 521-5,000 ha disturbances from 2006 to 2011”. Given that the average clearcut block sizes as noted in the five ARS between 2006-07 and 2010-2011 were 26, 50, 38.2, 10.4, and 14.2 ha, respectively, it would have been difficult to make significant progress. In addition, less than 7,000 ha was harvested during the entire plan term. Therefore, there is reasonable evidence to suggest that this target was not achieved.</p> <p>Although limited data are available, those that are suggest the target was likely not achieved.</p> <p>1b. Based on subjective evidence, the audit team believes the target was achieved.</p> <p>Objective partially achieved</p>
<p>2. To maintain or move towards a natural age class structure by forest type that is within the estimated bounds of natural</p>	<p>2a. Achievement of this target is difficult to assess. Data issues in 2010 AR (see Recommendation # 23) make its conclusions uncertain. Redefinition of FUs between plans</p>	<p>2a Several factors make assessment difficult, however, it is likely that targets will be met owing to wide bounds of acceptability of target</p>

Objectives& Targets	Achievement	Explanation
<p>variation for the Kenora Forest.</p> <p>Target 2a: Maintain total productive forest age class distribution in 50-year age class groupings (1-50, 51-100, 101 +) by forest unit within the estimated bounds of natural variation as projected by the natural benchmark.</p> <p>Target 2b: Move towards then maintain specific minimum old growth targets by forest unit and age class for each forest unit as derived from the natural benchmark scenario as listed in Figure 25 of the 2006 FMP.</p>	<p>makes comparisons difficult. Very wide bounds of acceptable (i.e. between min and max) range suggest that the target may have been attained, as initial values were generally within the desirable range, and level of harvesting that occurred was considerably below planned.</p> <p>2b. Analysis in the 2010 AR suggests that long-term old growth targets will be met in the very long term (100 yrs) based on modeling projections.</p>	<p>2b. Long term projections are for targets to be met. However, given the consistent under-achievement of harvest levels, this forecast seems very speculative.</p> <p>Conclusions uncertain.</p>
<p>3. To maintain or move towards a range of area by forest unit within the estimated bounds of natural variation for the Kenora Forest.</p> <p>Target 3a: Maintain the productive forest area by forest unit within the estimated bounds of natural variation based on the natural benchmark scenario (except the FU's below).</p> <p>Target 3b: Total productive area for the PRW and PWD forest units to increase by 30% during the 100-year planning horizon as quantified in the table below.</p> <p>Target 3c: Maintain the total productive area of the OHW forest unit at a minimum of 6500 ha.</p>	<p>3a. The 2006 FMP LTMD was developed with reference to a "natural benchmark" SFMM analysis which was intended to portray how the forest could be expected to develop in the absence of human intervention. The FU's were adjusted for the 2012 FMP to align them more closely with the regional standardized forest units, and so the inventory used as the start point for the 2012 FMP cannot be used to assess the 2006 objective and indicators. Table FMP-13b in the 2006 FMP shows the extent to which plan objectives and indicators were predicted to be met with the final first term allocations incorporated into SFMM. In a few FUs, the area in 2006 or in 2106 of some age classes exceeded the upper limits, however this is not seen as problematic to the achievement of the main LTMD direction.</p> <p>3b. Table FMP-3 of the 2012 FMP lists the available productive area of the combined red pine and white pine forest unit as 9,902 ha,</p>	<p>The overall intent of the objective and targets was met during the 2006 FMP term. The objective and targets are of a long-term nature, and actual operations did not create any unacceptable deviations from the overall management intent. The shortfall in the actual harvest, versus the planned harvest, would have resulted in a greater amount of mature and old forest being present at the end of the planning term than would have been anticipated, but this would not be of a sufficient magnitude to deviate from the direction in the main objective.</p> <p>Objective likely achieved.</p>

Objectives& Targets	Achievement	Explanation
	<p>which is less than the 13,686 ha of area in the red pine and white pine forest units in the 2006 FMP. The difference in area is primarily attributable to the re-classification of the forest area by forest unit, however the 2012 FMP does not have an objective to increase the amount of red pine and white pine, only to maintain it over the long term. Company staff state that the Company's planting program will actually lead to an increase in the species, and the audit team encourages the Company in this matter.</p> <p>3c. Similarly, In the 2012 FMP, Table FMP-3 shows 4,184.5 ha in the other hardwood mixedwood FU, which is not comparable to the OHW FU area in the 2006 FMP due to reclassification of forest area. There is no target or indicator for the OTH FU area in the 2012 FMP.</p>	
Social and Economic		
<p>4. To provide a sustainable wood supply to the forest industry and local community.</p> <p>Target 4a: Provide an annual average of 170,000 net merchantable cubic metres of SPF including red and white pine as per the SFL business plan in Years 2006-2016.</p> <p>Target 4b: Provide an annual average of 150,000 net merchantable cubic metres of SPF, 110,000 NMm3 Poplar and 17,000 m3 Birch per year in Years 2006-2066.</p>	<p>The 2006 FMP was designed to meet almost all of the wood supply targets under this objective, or vice versa. The exception was that the long-term poplar harvest (i.e. between 2056 and 2106) averaged 140,000 NMm3/yr, versus the target of 150,000 NMm3/yr, which is a relatively minor difference. Attaining a desirable level of poplar harvest continued to be a challenge on this management unit during development of the 2012 FMP.</p>	<p>Objectives mostly achieved.</p> <p>It is noted that the objective is concerned with providing available wood supply, which was done, but does not touch on the amount of the planned harvest that was actually used. Actual usage during the 2006 FMP period was 44% by area, which is higher than it had been during the previous twenty years, but is still very low by provincial norms.</p>

Objectives& Targets	Achievement	Explanation
<p>Target 4c: Increase timber production to 200,000 m3 SPF, 150,000 m3 Poplar and 20,000 m3 Birch per year by Year 2066-2106.</p>		
<p>5. To work with local Aboriginal peoples, whose communities are situated in or adjacent to the Kenora Forest, to identify and implement forest operations that will maintain or enhance social and economic benefits to Aboriginal peoples.</p> <p>Target 5a: Allocate a minimum of 7221 m3 timber/year (all species) for harvest by Wabaseemoong Independent Nations from Working Circle Two as per the 1983 Ontario-Islington Band Agreement.</p>	<p>The formation of Miitigoog has allowed more economic opportunities to be made available to Aboriginal people and companies than was the case previously. In addition, in 2008, as part of the renegotiated agreement between the province of Ontario and the Wabaseemoong Independent Nations, the allocation to Wabaseemoong has increased from 7,200 m3/yr of conifer to 30,200 m3/yr of conifer. While the SFL still lists the figure from the earlier agreement as a special condition of the licence, MNR suggests that the special condition may now be addressed via the Miitigoog shareholders agreement, of which Wabaseemoong is a partner.</p>	<p>Objective achieved</p>
<p>6. Select and prescribe forest operations that consider the requirements of other forest users to carry on their past use of the forest with minimum conflicts between the various users.</p> <p>Target 6a: Consider all known stakeholders when developing road access strategies, harvest allocations and areas of concern.</p>	<p>During the audit term, the conduct of operations planned under the 2006 FMP and allocations prepared during the development of the 2012 FMP showed a high level of consideration of other users' interests on the forest. During the term, the Company and MNR both undertook extensive analysis to design a viewscape that would obscure harvested areas from sight on Big Sand Lake. Although it turned out that during winter, it was possible to glimpse a part of the cutover from part of the lake, the viewscape was largely effective in eliminating the negative aesthetic impact on lake users. The planning team also worked quite closely with the Minaki Cottagers Assn, and other cottager associations, during the 2012 FMP planning process.</p>	<p>The responses obtained by the audit team from cottager and tourism outfitters indicated that the efforts of the 2012 planning team were well received by stakeholders and likely helped to avoid any requests for individual environmental assessments associated with the 2012 FMP.</p> <p>Objective achieved.</p>

Objectives & Targets	Achievement	Explanation
Forest Cover Values Dependent on the Crown Forest		
<p>7. To ensure that forest cover provides the range of habitats needed for the regionally selected wildlife species on the Kenora Forest.</p> <p>Target 7a: Maintain or move toward having 10 – 20% of capable marten habitat in suitable condition arranged in core areas of 3,000 to 5,000 ha.</p> <p>Target 7b: Maintain preferred habitat for selected indicator wildlife species within estimated bound of natural variation based on the natural benchmark for 100-year planning horizon.</p>	<p>7a: The 2006 FMP identified 20 cores in the 0-20 year term. The cores consisted of 64,223 ha of suitable habitat, or approx. 11.4% of the area classified as capable. Average core area was 5,516 ha. The 2012 FMP identified 70,670 ha in suitable habitat in cores, representing approx. 12.6% of the capable area. The average core area was 5,580 ha</p> <p>7b: Calculations to derive wildlife species habitat levels at the end of the 2006 plan term were not completed, it is not possible to determine whether the targets were achieved. The 2009 FMPM no longer requires the use of modelling and prediction for provincially and locally selected species. This is a significant change from the 2004 FMPM, so there are no longer model predictions based on the habitat requirements of individual species.</p>	<p>7a: An appropriate amount of core area has been maintained on the Forest within the appropriate size classes. This target has been achieved.</p> <p>7b: The 2009 FMPM no longer requires the use of modelling and prediction for provincially and locally selected species. Therefore, the model matrices to enable calculation of the habitat values were not available. Given that most of the selected species have old-forest affiliations, and that harvest levels on the forest were substantially below those predicted, it is most likely that the objectives for those species were attained.</p> <p>7a: Target achieved 7b: Not possible to determine whether target achieved.</p> <p>Objective partially achieved</p>
Silviculture		
<p>8. To apply silvicultural practices that will maintain the long-term productivity of the forest through harvesting, renewal, protection access and stand maintenance activities.</p> <p>Target 8a: Maintain the forest area available for timber production at no less than 420,000 ha during the next 100 years.</p>	<p>In the 2012 FMP, the production forest area is listed as 473,078 ha.</p> <p>The Company has kept up with its silvicultural obligations in terms of the area treated. The area treated during the 2006 FMP term was 10,327 ha. This represented 61.3% of the planned area. The area harvested during the same FMP term was 6,873 ha, or 47% of planned, thus the actual level of renewal was proportionally higher than the planned level when the actual harvest levels are taken into</p>	<p>Continued work is required to develop a more efficient and diverse tending program.</p> <p>Objective partly achieved.</p>

Objectives& Targets	Achievement	Explanation
	<p>account. The extra area treated during the 2006 FMP term was used to address backlog sites carried over from the 2001 FMP term. At the time of the site visit portion of the audit, there was effectively no backlog of sites requiring treatment from previous FMP terms.</p> <p>In addition, in the 2012 FMP the Company has planned for several activities to minimize the loss of productive land, such as various techniques for slash management and the replanting of operational roads. The Company's access strategy indicates that since much of the forest is already well accessed, the amount of land that will be lost due to the construction of new roads in the next 100 years will be minimal.</p> <p>During the 2006 FMP term, the Company conducted tending on 455 ha compared with the planned area of 1,220 ha. During the 2011 Contingency FMP term, 289 ha were tended compared with the planned area of 400 ha. In total, the actual area tended through these two FMPs represented 46% of the forecast area.</p> <p>In its field assessment of tended areas, the audit team found reasonable results, but patchy success in some areas. A number of regenerated sites observed by the audit team required tending but had not been treated. The need to develop a more efficient and diverse tending program was the subject of a recommendation in the 2008 IFA, and is identified again here as Recommendation # 15.</p>	

Objectives& Targets	Achievement	Explanation
	<p>No pre-commercial thinning was conducted by the Company during the 2006 FMP term, This was due to several factors: a study conducted by the Company indicated little return on investment for pre-commercial thinning treatments on the relatively poor, shallow soil sites common to the Forest; the lack of available sites with appropriate stand conditions; and limited local capacity for implementing these treatments. Accordingly, the planned levels for pre-commercial thinning treatments were appropriately reduced to zero in the 2011 CFMP and in the 2012 FMP.</p>	

APPENDIX 3. COMPLIANCE WITH CONTRACTUAL OBLIGATIONS

Licence Condition	Licence Holder Performance
<p>Payment of Forest Renewal Trust, Forestry Futures and Ontario Crown charges</p>	<p>As of March 31, 2012, aside from current charges of \$87,200, there was \$53,790 outstanding from the Forest Renewal Trust, \$17,555 outstanding from the Forestry Futures Trust, and \$20,856 outstanding from Ontario Crown charges, for a total of \$92,200. This indicates that companies owing stumpage to the Crown for the Kenora Forest are largely up-to-date with payments of all types.</p>
<p>Wood supply commitments, MOAs, sharing arrangements, special conditions</p>	<p>The 2006 FMP and 2012 FMP were both able to provide sufficient wood during the initial five and ten-year terms, respectively, to meet the commitments set out in Appendix E of the SFL document (Table FMP-24 in the 2006 FMP and Table FMP-15 in the 2012 FMP). Kenora Forest Products did not use any volume from the Forest during the term of the audit, since the sawmill was closed in April 2008. Dave Burt used less than its full commitments. E & G Custom Sawing Ltd. used 74% of their PWR commitment during the audit period, and when combined with the use of SPF (as allowed by Appendix E) during the audit period, E&G consumed the full 2000 m3/year commitment as per Appendix E.</p> <p>In the 2012 FMP, the KFP commitment has been increased significantly as a result of the provincial wood supply competition – from 25,000 to 126,000 m3/yr. (Note that Table FMP-15 shows the amount of timber committed to KFP as being 101,000 m3/yr, which for some reason omitted 25,000 m3/yr of open market purchase timber, as per Paragraph 1 of the current Appendix E to the Kenora Forest SFL.) The original 25,000 m3/yr SPF originated from a 1994 Minister's Directive with access through open market purchases. In addition to this volume, KFP was successful in both the 2007 and 2010 Provincial Wood Supply Competitive Processes (WSCP) which resulted in conditional offers of 101,000 m3/SPF (volume awarded in 2007 WSCP and re-iterated in the 2010 WSCP) in support of an expansion and modernization proposal.</p> <p>In addition, through the 2007 WSCP, a conditional offer of 9000 m3/yr of merchantable SPF to Wincrief Forestry Products LP was made by the Ministry from the Kenora Forest. To date, Wincrief has used only 4200 m3 of PWR from the Kenora Forest and has not used any of this conditional offer volume.</p>

Licence Condition	Licence Holder Performance
	<p>Through the 2010 WSCP, the following conditional offers of wood supply have also been made by the Ministry from the Kenora Forest:</p> <ul style="list-style-type: none"> • Resolute Forest Products Canada Inc. (Fort Frances) 4,500 m3/yr of unmerchantable white birch, 22,000 m3/yr of unmerchantable poplar, and 3,500 m3/yr of unmerchantable SPF • Weyerhaeuser Company Ltd (laminated strand lumber mill in Kenora): 14,500 m3/yr merchantable white birch. <p>Through a January 23, 2012 letter from the Director of MNR's Industry Relations Branch to Ms. Lorraine Cobiness, President of Miitigoog General Partner Inc. (representing the SFL Holder Miitigoog LP), the wood supply condition at paragraph 1 of Appendix "E" of the Kenora Forest SFL to provide, by right of first refusal, 90,000 m3/year of jack pine and spruce pulpwood to Abitibi-Consolidated Company of Canada for use in their mills in Kenora and/or Fort Frances was identified as being no longer recognized or supported by the Crown.</p> <p>Through the same letter, a proposed wood supply (outside of the WSCP) of 152,000 m3/year of non-veneer poplar from the Kenora Forest to the Weyerhaeuser Company Ltd. laminated strand lumber mill in Kenora, was also identified.</p> <p>The wood supply commitments and other agreements are clearly being revised on the Kenora Forest, and have not all been reflected in Appendix E of the SFL document. The special condition in Appendix F of the FMP was met during the term of the audit period. The 2006 FMP provided an annual volume of 7,221 m3/yr, which met the condition in place at the time when the 2006 FMP came into effect. As a result of a re-negotiation of the 1981 agreement, the amount of the commitment was increased to 30,200 m3/yr as of 2008.</p>
<p>Preparation of FMP, AWS and annual reports; abiding by the FMP, and all other requirements of the FMPM and CFSA</p>	<p>The Company was effective in preparing the 2011 CFMP, 2012 FMP, five ARs for the 2007-08 to 2011-12 period and five AWSs for the 2009-10 to 2013-14 period which met the majority of FMPM and all CFSA requirements. Contractual obligations are being met however a number of recommendations are directed to both the Company and District MNR to consider improvements to the documentation and administration of the FMP(Recommendation # 7, Recommendation # 10, and Recommendation # 11) amendments (Recommendation # 4), AWS (Recommendation # 5 and Recommendation # 25), AWS revisions (Recommendation # 6) and AR(Recommendation # 23).</p>

Licence Condition	Licence Holder Performance
<p>Conduct inventories, surveys, tests and studies; provision and collection of information in accordance with FIM</p>	<p>The Company has a good program for silvicultural effectiveness monitoring in place to support its field operations, which includes post-harvest forest operations prescription (FOP) surveys to determine treatment needs and the most appropriate prescriptions, quality assessment programs for site preparation and tree planting, tending needs and effectiveness surveys for chemical tending treatments, and free-to-grow surveys.</p> <p>During the 2006-2011 FMP term, the Company completed the assessment of a total area of 6,470 ha for free-to-grow status. This effort represented 117.5% of the 5-year forecast area of 5,507 ha. In the year 2011-2012, under the 2011 Contingency Plan, 316 ha were surveyed, compared with the planned level of 729 ha. The free-to-grow assessment program is keeping pace with harvesting and renewal activities such that there is effectively no backlog of sites needing assessment. The Company does a good job of inventory updating in preparation for forest management planning, including the data management of harvesting, silvicultural and free-to-grow records.</p> <p>In 2009, District MNR and the Company received a complete set of digital imagery to be used in the production of an updated eFRI for use in operational planning. The updated FRI is scheduled for production between 2015 and 2017.</p>
<p>Wasteful practices not to be committed</p>	<p>The audit team did not observe any instances of wasteful wood utilization practices during its field inspections, nor did the compliance inspection programs of the Company or MNR report any non-compliance findings due to wasteful practices. This licence condition was met during the term of the audit period.</p>
<p>Natural disturbance and salvage SFL conditions must be followed</p>	<p>Three administrative amendments were processed during the audit term for salvage harvest. The first was approved in 2008, and the second amendment was approved in July 2011 during the term of the contingency plan.</p> <p>The third salvage amendment arose due to a large blowdown that occurred in July 2012. The Company was aware of it the day it happened and MNR and the Company were able to view the area promptly. The amendment submission was made on July 20, 2012, and the amendment was approved October 17, 2012. The main cause of the delay was a requirement for consultation with First Nations communities whose traditional area included the blowdown area. It turned out that there were a number of values that were brought to the attention of the Company and MNR. While the time from submission to approval was rather lengthy, the consultation proved to have been very worthwhile. Overall the MNR and Company met the licence conditions associated with natural disturbances and salvage during the audit period.</p>

Licence Condition	Licence Holder Performance
Protection of the licence area from pest damage, participation in pest control programs	No insect pest control was required or implemented during the audit period.
Audit action plan and status report	<p>The final IFA report covering the period April 1, 2003 – March 31 2008 was received by the MNR in February 2009 and the Action Plan was submitted in April 2009, in accordance with the required schedule.</p> <p>The final Action Plan approval was in June of 2009, therefore given the two-year period provided for preparation of the Status Report, it was required in June of 2011. The Status Report was submitted by the District Manager in October of 2012, more than one year behind schedule. However, the Status Report was a comprehensive document and was prepared in time for use in this IFA. Although the submission date is considerably later than that required by the IFAPP, there are no apparent issues associated with its tardiness and the audit team does not believe that a recommendation is necessary, nor would it result in any improvements to the audit process.</p> <p>The Action Plan and Status Report both provide sufficient detail so as to indicate what plans were made to address the audit’s recommendations and the steps which were reported to have been taken.</p> <p>Of the eight recommendations made (excluding licence extension), six had been addressed satisfactorily. A 2008 recommendation that the Company expand the range of tending options was not achieved and was re-issued in this audit, given the planned conversion of extensive areas of mixedwood to pure conifer forest units. Another recommendation from the 2008 IFA was to develop greater stability in the MNR biologist position. There continued to be turnover however the District was able to manage the situation well, and provided good biology expertise for the planning team. There was also turnover at the MNR compliance inspector positions, which limited MNR’s action to increase inspections as was recommended in 2008. MNR inspections were significantly increased in 2011-12, so that late in the audit term there was on-the-ground progress.</p>
Forest Renewal Trust eligible silviculture work	The Audit Team reviewed in the field a total of 852 ha (48.8%) of eligible silviculture work that was charged to the Forest Renewal Trust for the year 2011-2012. All treatments were in place as reported, appeared to be appropriate for the field conditions, and were observed to be of good quality. Auditors also assessed in the field 863 ha of areas on which free-to-grow surveys had been completed in 2011-2012 (27.3% of the total area assessed). Auditors confirmed the free-to-grow status of these areas and verified the associated stand description information.

Licence Condition	Licence Holder Performance
Forest Renewal Trust forest renewal charge analysis	The Forest Renewal Trust forest renewal charge analysis was done as required by Miisun and MNR. During the audit period the renewal rates were reviewed annually by the Company and MNR. Only one change was made, to increase the rate for SPF (which includes spruce, jack pine, balsam fir and larch) from \$3 to \$5 effective April 1, 2010. This rate is consistent with average rates across the Northwest Region. The change that was made to the SPF rate was appropriate, and all the renewal rates that were in place during the audit period were sufficient to implement the planned silviculture program.
Forest Renewal Trust account minimum balance	The minimum balance required in the Forest Renewal Trust for the Kenora Forest is \$444,200. The minimum balance requirement was met for four years of the five-year audit period, including at the end of the audit period. The exception occurred on March 31, 2011, when the account balance was less than the minimum balance by a small amount (approximately 4%). The small shortfall was likely related to the transition of management of the Forest from Weyerhaeuser to Mitigoog and Miisun.
Silviculture standards and assessment program	<p>For the 2006 FMP term, the total renewal effort on the forest was 10,327 ha. This represented 61.3% of the planned five-year effort, based on the FMP forecast area. However, the actual area harvested during the 2006 FMP term was only 44.7% of the planned area (in the previous FMP term, 2001-2006, the harvest level was also lower than planned at 34.3%), thus an area equivalent to the 5-year harvest area was treated, plus an additional 3,454 ha. The additional area consisted of treatments that were implemented on areas carried over from previous FMP terms. This effort has eliminated the backlog of untreated sites. The audit team's review of a sample of these treatments indicated that the silvicultural prescriptions implemented by the Company were appropriate for the site conditions and were generally of good quality.</p> <p>Despite the elimination of the backlog, the audit concluded that additional effort was required to increase the tending program to meet objectives in the 2012 FMP. This was addressed in Recommendation # 15.</p> <p>The Company has met its silvicultural and survey obligations with respect to Class Y and Z Lands. The original area of X, Y, and Z⁷ Lands referenced in the Kenora SFL licence document was 8,735 ha. The 2008 IFA report noted that there were outstanding survey</p>

⁷ X lands are areas that were harvested on or after April 1, 1995. Y lands are areas harvested prior to April 1, 1995 and treated by artificial regeneration techniques. Z lands are areas harvested prior to April 1, 1995 and scheduled for natural renewal. The SFL holder is obligated to complete free-to-grow surveys on Class Y and Z lands, and to complete tending treatments on class Y Lands if required.

Licence Condition	Licence Holder Performance
	<p>obligations on 1,046 ha, and issued a recommendation to complete these surveys. All outstanding survey and treatment obligations were completed by the Company in 2009. Surveys did not indicate a need for any further silvicultural treatments on these lands during the audit period. The status of these areas is tracked by the Company in a digital database. The Company's silvicultural information system includes survey results, and provides recommendations and schedules for any further silvicultural treatment needs.</p> <p>For the above reasons, the auditors believe that the Company has met its contractual obligations with regard to the silvicultural standards and assessment program.</p>
Aboriginal opportunities	Weyerhaeuser, MNR and four First-Nations communities developed the plan to form the Miitigoog Limited Partnership and transfer the SFL to Miitigoog. Concurrently, Miisun was formed to provide forest management services. In future, the new governance structure of the SFL should contribute to meeting this licence condition.
Preparation of compliance plan	A 10 year compliance strategy is being implemented as outlined in the 2012 FMP. Annual compliance planning requirements are not being met, which led to Recommendation # 25.
Internal compliance prevention/ education program	The Company compliance program is well managed as evident from the good compliance record. The Company conducts monthly forest operations committee meetings to review the compliance program issues, best practices, and focus areas, and also hold monthly communications meetings with MNR. Pre-work summaries are prepared for each block and reviewed with each operator at start-up. Miisun also prepares an operator training package which is presented at spring start-ups and provides operator training as required (e.g. water crossings).
Compliance inspections and reporting; compliance with compliance plan	The Company has done a good job implementing and reporting a large number of compliance inspections with low number of non-compliances during the audit period. Reporting requirements are being met with only 4 pending inspections and 11 open operational issues from recent inspections and 4 operational issues that were past deadline. One non-compliance related to late reporting of silviculture treatments was addressed during the audit period.
SFL forestry operations on mining claims	This audit procedure was determined low risk and was not audited.

APPENDIX 4 – AUDIT PROCESS

Overview

The Crown Forest Sustainability Act (CFSA) directs the Minister of Natural Resources to conduct a review of each tenure-holder every five years to ensure that the licensee has complied with the terms and conditions of its licence. The Independent Forest Audit (IFA) contributes to this mandate, as well as complying with the direction to the Ministry laid out in the 1994 Class EA decision, subsequently confirmed in the 2003 Declaration Order⁸. Regulation 160/04 under the CFSA prescribes the minimum qualifications required by the audit team and sets out direction related to the timing and conduct of IFA's, the audit process and reporting.

The Independent Forest Audit Process and Protocol (IFAPP) sets out in detail the scope and process requirements of an IFA, and contains approximately 190 individual audit procedures. The IFAPP, reviewed and updated annually by the MNR, states that the purpose of the audits is to:

- *“assess to what extent forest management planning activities comply with the Forest Management Planning Manual and the [Crown Forest Sustainability] Act;*
- *assess to what extent forest management planning activities comply with the Act and with the forest management plans, the manuals approved under the Act, and the applicable guides;*
- *assess the effectiveness of forest management activities in meeting the forest management objectives set out in the forest management plan, as measured in relation to the criteria established for the audit;*
- *compare the forest management activities carried out with those that were planned;*
- *assess the effectiveness of any action plans implemented to remedy shortcomings revealed by a previous audit;*
- *review and assess a licensee's compliance with the terms and conditions of the forest resources licence; and*
- *provide a conclusion regarding the sustainability of the Crown forest”*

There are two key types of audit findings – recommendations and best practices. A recommendation is explained in the IFAPP as: *“a high level directional approach to addressing [a] non-conformance. In most cases, recommendations follow from the observation of material non-conformances. In some instances, however, auditors may develop recommendations to address situations where they perceive a critical lack of effectiveness in forest management activities, even though no non-conformance with law or policy has been observed.”*

Recommendations can be directed towards the Company and/or at the appropriate administrative level of the Ministry of Natural Resources (District, Region or Corporate). Auditees must address all recommendations through follow-up actions.

If the Audit Team feels that an aspect of forest management is exceptional it may be identified as a best practice. The IFAPP states that *“Highly effective novel approaches to various aspects of forest management may represent best practices. Similarly,*

⁸ Declaration Order regarding MNR's Class Environmental Assessment Approval for Forest Management on Crown Lands in Ontario, approved by Order in Council 1389/03 on June 25, 2003.

applications of established management approaches which achieve remarkable success may represent best practices.” In contrast, “situations in which forest management is simply meeting a good forest management standard’ do not qualify.

Audit Procedures and Sampling

The IFAPP describes each of the components of the audit process and contains the audit protocol, which constitutes the main framework for the audit. The procedures, which are the basis for assessing the auditees' compliance and effectiveness, are organized according to eight principles. A positive assessment of the procedures under each principle results in the principle being achieved. A negative assessment of a procedure typically leads to a recommendation.

The IFAPP segregates the procedures into three classes based on the risk to forest sustainability should the management aspect covered by the procedure not be achieved:

- “low risk” – procedure is strictly administrative in nature;
- “moderate risk” – procedure has an administrative component but also a bearing on sustainability; and
- “high risk” – procedure is related to sustainable forest management.

For each principle, the audit team is required to sample 20 – 30% of the procedures identified as low risk, 50 – 75% of the procedures considered to be moderate risk and all the procedures identified as high risk. This risk-based approach is intended to reduce the auditor and auditee workload and focus the audit on more significant issues. The table below identifies, for each principle, the number of procedures in each risk class, the number audited, and the proportion that were audited. Because the Kenora Forest has been certified to a third-party certification standard, the IFAPP does not require the IFA to assess compliance with Principle #1 (commitment) and the Human Resources part of Principle 5 (System Support).

Table 8. Audit procedures by principle and risk category.

Procedures Audited, by Risk Category								
Principle	Low Risk			Medium Risk			High Risk	Comments
	Applicable (#)	Selected (#)	% Audited	Applicable (#)	Selected (#)	% Audited	Audited (#) (100% Audited)	
1. Commitment	0	N/A	0	2	N/A	0	0	This principle was not audited because the Forest has been certified to a third-party standard.
2. Public Consultation and Aboriginal Involvement	0	N/A	N/A	7	6	86	2	We opted not to assess whether public notices of inspections were issued, since MNR usually ensures that this is done properly. All aspects of Aboriginal Involvement were audited.
3. Forest Management Planning	11	8	73	19	15	79	53	A number of procedures in this principle were not relevant as they apply only to Phase II FMPs. Low risk procedures regarding the content of the plan introduction, SEV briefing note, submission dates for draft and final FMP Terms of Reference, and signatures for the CP not assessed. Medium risk procedures not assessed related to bridging and second pass operations, amendments to values and changes to FOPs made during FMP implementation.
4. Plan Assessment & Implementation	1	1	0	1	1	100	10	All procedures under this principle were audited.
5. System Support	0	N/A	N/A	1	1	100	1	The audit team assessed the Human Resource Criterion as it applied to the MNR as this issue was raised in the last IFA.
6. Monitoring	2	1	50	5	3	60	11	One low risk procedure related to submission of FOIP reports was not audited, Medium risk procedures not audited related to internal compliance/education plans and methodology for field collection of indicators were not assessed.
7. Achievement of Objectives and Forest Sustainability	0	N/A	N/A	0	N/A	N/A	15	All procedures are high risk and so were addressed.
8. Contractual Obligations	0	N/A	N/A	6	4	67	14	Two procedures on lands withdrawn from the licence and forestry operations on mining claims were not assessed.
Totals	14	10	71	41	30	71	106	

The audit commenced with the preparation of a detailed audit plan⁹, which described the procedures to be used during the audit and assigned responsibilities to members of the Audit Team. A pre-audit meeting was held between the lead auditor, the Company and the MNR. The primary purposes of the meeting were to familiarize the auditees with the audit process, review the Audit Plan, and make a preliminary selection of sites to inspect in the field during the audit. Subsequently, some adjustments were made to the selected sites due to access issues, to improve the balance of operations and sites, and attain an appropriate proportional representation of sites related to the extent of operations.

The focus of the audit was an intensive six-day site visit (July 14-19), which included document review, interviews and inspections of a variety of sites throughout the Forest where activities had been undertaken during the audit period. There was considerable follow up during the preparation of the draft audit report, including several conference calls with key audit participants to discuss issues of scope and to gather further information related to the forest management plan. After the draft report was submitted and reviewed by audit participants, a key conference call was held to go over the comments and provide an opportunity for discussion and debate. The lead auditor also presented the draft findings to the LCC in Kenora. The draft final report was submitted on October 30, and was again reviewed, although there were far fewer comments this time. Based on these comments, the final audit report was prepared.

Sampling and Sample Intensity

The IFAPP requires that at least 10% of each major activity be sampled. **Table 9** shows the total amount of each key activity that took place during the audit period, and the sample size and sampling intensity in the IFA. Most sites were pre-selected during the pre-audit meeting although a small number were added ad hoc during the field visits.

For all entries or area managed in the table, the data are extrapolated to five years, as only four years of information are available, given that the annual report for the final year of the audit has not yet been produced, consistent with the mandated schedule for its production. The audit exceeded the minimum sample size specified in the IFAPP for all activities, with the overall level of sampling ranging from 10.4 to 58.5% for key activities.

The IFAPP directs the auditors to verify in the field at least 10% of the areas reviewed in a specified procedures assessment undertaken by KPMG for the 2010/11 fiscal year. We verified in the field 48.8% of the eligible silvicultural activities undertaken by Weyerhaeuser and Miitigoog.

Examples of operations were examined in each major forest unit present on the Forest, representing a range of harvesting systems, year of harvest, season of operation, and silvicultural treatment packages. A number of sites where renewal activities had been conducted during the audit period were visited to evaluate the appropriateness and quality of these treatments and to perform an initial evaluation of their effectiveness. These included sites that were site prepared, seeded, planted, and tended, and those for which natural regeneration treatments were prescribed.

⁹ ArborVitae Environmental Services Ltd. Kenora Forest Audit Plan, May 15, 2013.

Table 9. Sampling intensity of the field operations, by key feature investigated.

Feature	Total in Audit Period	Total Sampled	Sample Intensity %
Harvest (ha)	5,879	3,437	58.5
Natural Regeneration (ha)	4,891	508	10.4
Site Preparation (ha)	1,593	863	54.2
Planting (ha)	1,917	1,120	58.4
Seeding (ha)	1,132	137	12.1
Tending (ha)	930	289	31.1
Free-to-Grow Assess (ha)	3,163	863	27.3
2011/12 FRT Areas (ha)	1,690	825.2	48.8
Primary and Branch Road Construction (km)*	38.5	17.5	45.5
Areas of Concern **	42	10	23.8

* Funded at least in part through the Road Construction and Maintenance Agreement with the MNR.

** Number shown is different types of AOCs in the 2006 FMP

The table is intended to portray an approximate level of effort only. There are several factors which preclude too-precise an interpretation of the figures presented in the table. Although we viewed many individual harvest and/or treatment blocks during the field inspection portion of the audit, more than one aspect of forest management was inspected at some sites. For example, at sites where harvesting had taken place, harvest practices, compliance issues, road construction, Area of Concern (AOC) protection, site preparation, and regeneration activities may all have been inspected. Finally, of the area figures shown above, it should be noted that we did not inspect every hectare of the blocks we visited – such a level of effort would be infeasible.

As noted in the above table, the audit team sampled approx 45% of the length of road constructed in the audit period. In this case ‘sampled’ means drove on during the course of the site inspections and made observations regarding the quality of road and the water crossings installed.

Summary of Consultation and Input to Audit

The IFAPP requires the audit team to seek public input into the audit. A number of measures were taken, described in detail in Section 3.4. Briefly, all Aboriginal communities were contacted and many provided input, notices were run in two local newspapers soliciting input, all members of the LCC were canvassed for input, and targeted mail-out was directed to key stakeholders.

The input provided below represents the observations of the parties noted.

More than half of the members of the current LCC were interviewed and auditors attended one LCC meeting. LCC members were encouraged to solicit comments from the interest groups that they represent and communicate this to the audit team.

Input from Aboriginal Communities

As described in Section 4.2, the auditors conducted interviews and meetings with members/representatives of Aboriginal communities over the course of 6 days from May 8 to 13 and again from July 14 to 19. All communities with an interest in the Forest were contacted and called prior to the audit week. Meetings were held with 8 aboriginal

communities / organizations: Many issues were raised and key ones are noted below. Documentation is rather extensive to fully capture the concerns raised and do justice to the time spent in discussion with the community representatives. The audit notes that the input expressed below is that of the First Nations and represents their observations only.

Grand Council Treaty #3: Treaty Three sees its role as facilitating capacity building for the communities. They facilitate a lot of training in many areas. They do not track the employment opportunities within each community. The Grand Council also looks at agreements that are signed with the communities in a review and advisory capacity. They have watched the tenure development with interest and have participated in some meetings. The Grand Council includes some communities in Manitoba. Although trans boundary issues could arise, there have not been any problems lately.

Big Grassy River First Nation: Although the Big Grassy community is located to the south of the Kenora Forest boundary, it lies on Lake of the Woods and as such has traditional lands within the SFL. Not surprisingly, the community has a considerable interest in water issues including the resolution of reserve boundaries. This conflict is rooted in legal decisions about lake bottom ownership from more than 100 years ago. The community does not have anyone working directly in the forest industry at the moment. They are considering participation in Miitigoog. Communication with MNR has been developed through a relationship with Kenora District office even though the Community is actually located in the Fort Frances District, with whom there is no contact. The Community wants to be contacted directly, rather than through Treaty 3.

Anishinaabeg of Naongashiing First Nation No.93 (Big Island): Big Island is close to Big Grassy on the shores of Lake of the Woods. It also has traditional lands in the Kenora Forest. They spoke of wanting opportunities to cut wood on small blocks. They are interested in bidding on small blocks to get some experience among the members. The community is involved in a number of resource projects including tourism, trapping and wild rice harvest. They have had discussions with mining interests. They are part of the Miisun Trust. They have done some traditional area surveys and documented some values, but note that funding for this is hard to get. They are interested in documenting some of the traditional knowledge in an electronic form. As a neighbour to Big Grassy, they have the same dilemma with regard to communicating. The Community is actually in the Fort Frances District, with whom there is no contact. They do receive some contact with Kenora but have had few meetings.

Kenora Métis Council, Métis Nation of Ontario: Auditors met with five members of the community who had a number of issues they would like to discuss with MNR including resource opportunities. For example they raised concerns about: lack of support for values collection (asset map); need for a study of traditional knowledge; lack of a basic engagement plan and the need for cultural training for government and company staff. They would like to be apprised of forestry opportunities. They would like the same level of response that First Nations receive, and point out that under the constitution they are a founding people. The Métis speak with a regional voice. The government, including MNR corporately, has not communicated how they will seek to consult with the MCK

Naotkamegwaning First Nation No. 32A (Whitefish Bay): The community has a good knowledge of forestry activities and one member was on the 2012 planning team.

They aspire to be more involved both in forestry business and the planning. They see the difficulty in the forestry sector as a possible opportunity, but they realize they have limited resources to develop capacity. They noted the lack of funding for assistance with the collection of their values. The members who are involved with forestry noted that they have regular contact with MNR and knew the people involved fairly well. The community members discussed some of the historical forest conditions. They believe, for example, that wood tick populations were controlled in the past by more burning, both natural and native initiated.

Ochiichagwe'babigo'inning First Nation (Dalles): The Community is located in a key place to participate in more direct forestry activities. The leaders are acting on the Community aspirations and the Chief was one of the original founders of Miitigoog and is presently the Chair of the Miisun Trust. The community has and continues to play a key role in the advancement of the new tenure model. They expressed concerns about the progress and long-term sustainability of the new arrangement under the present conditions, which does not include long-term management of the neighbouring Whiskey Jack Forest.

Ojibways of Onigaming First Nation: This community joined the Miisun Trust in November of 2012. This is a new direction for them and they expressed hope that it would succeed. They see Miisun as an investment that generates some direct economic benefits. They note that things have not changed much since the inception of Miitigoog; the core companies still gain most of the benefits. The Community has a joint venture in aggregates as well as other community business ventures. For communications they now see Miisun as the contact rather than MNR. Kenora District is the main contact when they need government, although they are located in the MNR Fort Frances District as well. There was discussion of a road maintenance agreement with Resolute Forest Products Canada Inc some time ago, but the Company did not get back to them. After their experience with mining companies and impact and benefit agreements, the Community feels that forestry interests should also look into these as a vehicle for making progress. The Community would also like to have access to wood for the community and for small enterprises. They are not sure how to seek entry for small operators into the forestry business. Although they respect the role of Grand Council Treaty 3, the Community wants to be contacted directly about forestry issues concerning their traditional lands.

Finally the Community is strongly protective of its values information. They have not signed any information sharing agreements with anyone, including the government. They fear the information would be used against them in development plans.

Wabaseemoong Independent Nations: On August 2011, Wabaseemoong reached a settlement with the province of Ontario and Ontario Power Generation for thousands of acres of land that were flooded, as well as the community on One Man Island, due to the construction of two power generation dams. Separately, Wabaseemoong signed a protocol with MNR that supersedes a 1983 co-existence agreement. The protocol establishes a process for engagement with the First Nation on resource development within Wabaseemoong's Stewardship Area, and revises the boundaries of the Stewardship Area. Within the Kenora Forest, the Stewardship Area covers the approximate northern one-third of the forest area.

This community has a strong interest in forestry, and newly-elected Chief Paishk is the new Chair of the Miitigoog Trust. There is a long list of concerns raised by the Community about government involvement and consultation. There was a presentation by MNR, with the Company, in the Community during the 2012 FMP development process. There have been meetings between the Company, MNR and the Community representatives. As indicated above, significant historical issues still seem to be the root of concerns and this will take time to correct.

As is envisaged in the 2012 FMP, and has been part of previous FMP's, there is interest in a crossing of the English River at or near Caribou Falls. Miisun has made a proposal to access wood from the part of the unit north of the English River, which is within the Stewardship Area. The community concern is road safety. The Company is meeting with them to propose some solutions and to minimize the interaction of logging traffic and community members going back and forth through town. Historically there has been toll collection for vehicles (not logging trucks) that pass through the reserve. As well, there is concern about damage to the newly sealed road.

Like other communities, members are divided about logging, with some seeking the opportunities and others concerned about social and environmental impacts

The following communities did not respond requests for input into the audit: Anishinabe of Wauzhushk Onigum First Nation (Rat Portage), Grassy Narrows First Nation, Iskatewizaagegan #39 Independent First Nation, North West Angle No.37 First Nation, Shoal Lake No.40, North West Angle No.33 First Nation, Wabauskang Independent Nations, Washagamis Bay First Nation.

Input from LCC members

As indicated in section 3.4 all members of the Local Citizen's Committee were canvassed for input into the audit. In addition members of the audit team attended an LCC meeting, gave a presentation on the audit program and engaged the committees in discussions regarding the audit. There was good participation on the part of LCC members in the site visits that took place during the audit. Input from LCC members was provided on a variety of issues, including:

- concern regarding management of the Aulneau Peninsula;
- concern regarding management of the northern part of the forest, creation of access and management of caribou there;
- concern about the lack of incorporation of climate change into forest management planning;
- concerns about the possible implications of biomass management on the integrity of the forest;
- concern about the use of jargon and acronyms in meetings and plans, which make it difficult to understand discussions;
- desire to get out on the forest more in tours organized by the Company and/or MNR;
- concern regarding the lack of incorporation of socio-economic information and discussions in the FMP;
- concern about the practicality of relying on silviculture to increase the proportion of pure conifer units on the forest;
- concern about extensive age-class substitution of planned harvest area; and
- concern regarding the stands allocated for harvest in the contingency plan.

Other topics, such as accountability within the forest management planning process, and the transparency of forest management planning, were identified by various LCC members as well.

Input through Public Comment

In response to the newspaper advertisements and other attempts to solicit public input, five responses were received by the audit team. Comments were generally favourable, although one respondent felt that there was too much visible harvesting taking place on the forest. The efforts on the part of the Company and MNR to create good relationships were acknowledged.

Input from MNR

The audit team had many discussions and interviews with staff of the MNR. Topics raised by MNR staff included:

- Management collaboration between the MNR and Miisun;
- MNR's perspective on the stance of many of the Aboriginal communities vis-à-vis forest management and access to economic opportunities through forestry;
- The impacts of the formation of Miitigoog and Miisun on Aboriginal relations;
- Development of the contingency plan and the 2012 FMP, including the decision to position the Kenora and the Whiskey Jack Forest for an amalgamation;
- Discussions on the planning process, 2012 plan objectives and targets;
- Review of the staffing situation at MNR,
- Discussion regarding the various operations viewed in the forest; and
- Commentary on many of the individual issues raised during the audit.

Input from Miitigoog and Miisun

Staff from Miisun were very involved in the audit, acting as hosts for the audit team during most of the audit week and serving as guides during the field inspections. Over the course many discussions were held with Miisun staff, some of the key topics raised by Miisun included:

- explanation of the structure of Miitigoog and the business model for Miisun;
- concern that business opportunities for Miisun are more limited than originally believed as the MNR has not taken steps to merge the Whiskey Jack with the Kenora Forest. The steps taken to align the two forests added costs to Miisun (for the CFMP) but the lack of long-term certainty regarding the status of the Whiskey Jack Forest was seen to limit Miisun's responsibilities compared to the original vision. The uncertainty regarding what will happen when the current services agreement for the Whiskey Jack Forest expires is a major concern;
- concern over administrative requirements related to revising AWSs when intermittent streams are found during the course of operations;
- concern over timeliness of MNR review of Annual Reports;
- concern over process of MNR provision of approvals for AWSs;
- the potential options for a crossing at Caribou Falls;
- Discussion regarding the various operations viewed in the forest; and
- Commentary on many of the individual issues raised during the audit.

APPENDIX 5 – LIST OF ACRONYMS

ACOP	Annual Compliance Operations Plan
AHA	Allowable Harvest Area
AOC	Area of Concern
AR	Annual Report
AWS	Annual Work Schedule
BFM	Balsam Fir Mixedwood Forest Unit
BMI	Base Model Inventory
CCP	Caribou Conservation Plan
CFSA	Crown Forest Sustainability Act
CFMP	Contingency Forest Management Plan
Class EA	Class Environmental Assessment for Timber Management on Crown Lands in Ontario
CMX	Conifer Mixed Forest Unit
COI	Conflict of Interest
COSSARO	Committee on the Status of Species at Risk in Ontario
CRA	Canada Revenue Agency
CRO	Conditions on Regular Operations
CSB	Communications Services Branch
DM	MNR District Manager
EBR	Environmental Bill of Rights
EMA	Enhanced Management Area
FI	Forest Information
FIM	Forest Information Manual
FIPPA	Freedom of Information and Protection of Privacy Act
FMP	Forest Management Plan
FMPM	Forest Management Planning Manual
FOIP	Forest Operations Inspection Program
FOP	Forest Operations Prescription
FRI	Forest Resource Inventory
FTG	Free-to-Grow
FRT	Forest Renewal Trust
FU	Forest Unit
GIS	Geographic Information System
GST	Goods and Services Tax
ha	hectares
HMX	Hardwood Mixed Forest Unit
HST	Harmonized Sales Tax
km	kilometres
IEA	Individual Environmental Assessment
IFA	Independent Forest Audit
IFAPP	Independent Forest Audit Process and Protocol
KFP	Kenora Forest Products
LCC	Local Citizens Committee
LTMD	Long-Term Management Direction
m ³	cubic meters
MCA	Minaki Cottagers Association
MCK	Métis Council of Kenora
MNO	Métis Nation of Ontario

MNR	Ontario Ministry of Natural Resources
MOA	Memorandum of Agreement
NDPEG	Natural Disturbance Pattern Emulation Guide
OCL	Other Conifer Lowland Forest Unit
OLT	Ontario Landscape Tool
OTH	Other Hardwoods Forest Unit
PJD	Jack Pine dominated Forest Unit
PJM	Jack Pine Mixedwood Forest Unit
POD	Poplar Dominated Forest Unit
PST	Process Streamlining Test
PWR	Red and White Pine (timber)
RPF	Registered Professional Forester
SAR	Species at Risk
SEM	Silvicultural Effectiveness Monitoring
SFL	Sustainable Forestry Licence
SGR	Silvicultural Ground Rules
SPD	Spruce Dominated Forest Unit
SPM	Spruce Mixedwood Forest Unit
SRNV	Simulated Range of Natural Variation

APPENDIX 6 – AUDIT TEAM MEMBERS AND QUALIFICATIONS

Auditor	Role	Responsibilities	Credentials
Dr. Jeremy Williams, RPF	Lead auditor and Harvest and Wood Supply Auditor	<ul style="list-style-type: none"> • overall audit coordination; • oversee activities of other team members; • liaise with Company & MNR; • review and inspect harvesting records and practices; • review aspects of forest management related to forest economics and social impacts; • reviews FMP modeling inputs and activities 	B.Sc.F., Ph.D. (Forest Economics); more than 23 years consulting experience in Ontario related to forest management, planning, wood supply modeling, and forest economics; participated in 26 previous IFA assignments; certified as an auditor by the Quality Management Institute.
Mr. Chris Wedeles R.P.F. (Associate)	Wildlife and Roads Auditor	<ul style="list-style-type: none"> • review and inspect Areas of Concern Documentation and Practices; • review and inspect aspects of forest management related to environmental practices and wildlife management integration; • review and inspect access and water crossings 	B.Sc., M.Sc. (Wildlife Biology); 23 years wildlife and forest ecology and experience in Ontario; completed 37 previous independent forest audits; certified as an auditor by the Quality Management Institute.
Mr. Rob Arnup. R.P.F. (Associate)	Silvicultural Auditor	<ul style="list-style-type: none"> • Review and inspect silvicultural practices and related documentation; • review and inspects selected environmental aspects of forest management. 	B.Sc. Senior forest ecologist with 33 years' experience in silviculture, forest management applications and environmental consulting in boreal Canada and elsewhere. Completed 26 IFAs and 10 FSC assessments in Ontario.
Mr. Mark Fleming R.P.F.	Planning Auditor	<ul style="list-style-type: none"> • review FMP and related documents to ensure compliance with FMPM and other regulations; • review plan development process for conformity with FMPM; • review compliance monitoring program 	Hon. B.Sc.F., R.P.F. 26 years experience in forest management in Ontario as a consultant, working as a regional MNR planning specialist, and operations forester with industry. Completed over 42 IFA, FSC, ISO 14001 and SFI audits mainly in Ontario as a certified auditor.
Mr. Tom Clark, CMC Forestry Consulting	Consultation Auditor	<ul style="list-style-type: none"> • Review documentation related to forest management consultation • Interview stakeholders, LCC, and First Nations regarding forest management issues. 	M.Sc. Zoology (wildlife ecology). Tom is an experienced auditor and has participated in more than 23 Independent Forest Audits from 1996 to 2012.

APPENDIX 7 – TREND ANALYSIS/YEAR 10 ANNUAL REPORT

The IFAPP no longer requires a Trend Analysis report to be produced as a separate document in all cases. In instances, such as exist for the Kenora Forest, when a Year 10 Annual Report has been prepared within the last two years prior to the IFA site visit, has been accepted by the MNR, and is posted on the website "[Ontario's Forests - Electronic Forest Management Plans](#)" the report need not be included in the audit report.