

Project No. 012115-08

December 24, 2014

Mr. Gordon Cumming
Algonquin Forestry Authority (AFA)
222 Main Street W.
Huntsville, ON
CAN, P1H 1Y1

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Cumming,

Please find attached the Audit Report raised as a result of our S2 Surveillance Audit of your management system to the CAN/CSA - Z809-2008 standard conducted in your Huntsville facility on Nov 17, 2014.

We thank you and your organization for the support and co-operation given during the audit.

Best regards,
SAI Global

Rod Seabrook

Team Leader
Encls.

SAI GLOBAL Confidential

SUSTAINABLE FOREST MANAGEMENT SYSTEM

CAN/CSA-Z809-2008

Auditee: Algonquin Forestry Authority (AFA)
Address: 222 Main Street W. Huntsville Ontario
CAN P1H 1Y1

Contact: Mr. Gordon Cumming
Date(s) of Audit: Nov 17, 2014 to Nov 18, 2014
Total Number of Audit Days: 4.00
Audit Team Leader: Rod Seabrook
Type of Audit: S2 Surveillance Audit
Audit Frequency: 6
SIC / NACE Code: 0851 A02.0

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REPORT DISTRIBUTION

Algonquin Forestry Authority (AFA)
SAI GLOBAL File
Rod Seabrook

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SECTION 1 - EXECUTIVE SUMMARY

| Scope # | Scope Description |
|----------------|---|
| 1 | The Sustainable Forest Management System as it applies to the defined forest area which includes the entire Algonquin Provincial Park Forest. |

Site:

Algonquin Forestry Authority (AFA)
222 Main Street W.
Huntsville
Ontario
CAN, P1H 1Y1

Summary of Audit Findings:

A 24 month surveillance audit was conducted on during the week of November 17th, 2014 on the Algonquin Forestry Authority's Algonquin Park Forest sustainable forest management system. Four minor nonconformances and four Opportunities for Improvement were identified. The audit team found that the Algonquin Forestry Authority's SMF system generally conforms to the requirements of CAN/CSA Z809-2008 and adheres to the company's requirements, with the exception of the noted nonconformities. Failure to provide action plans as arranged with SAI Global and/or to implement correction and corrective action within the nominated time frames may lead to a recommendation that the Algonquin Forestry Authority's certification be suspended. Four positive attributes of the management system were also noted.

Recommendations:

The results of this Surveillance Audit indicate that the Management System of Algonquin Forestry Authority (AFA) is suitable and effective with the exception of the areas of non-conformance identified during the audit. The areas of non-conformance must be resolved within a 60-day time frame. If the areas of non-conformance are not resolved by the agreed corrective action date, the registration suspension process will commence.

Upon successful resolution of the areas of non-conformance Algonquin Forestry Authority (AFA) will continue to be recommended for registration to the CAN/CSA-Z809-2008.

SECTION 2 - DESCRIPTION OF THE DEFINED FOREST AREA (DFA):

Geographic Locations, Forest Types, Size, Legal Tenure and SLF Description:

Area of DFA: 680,749 ha

Legal Tenure / Licence Description:

The entire Algonquin Park forest constitutes the Defined Forest Area (DFA). Forest management activities occur only within the Recreation and Utilization Zone (R/U zone) of the Park as defined in the Algonquin Provincial Park Management Plan.

Volume and Species Harvested):

| Algonquin Park Forest | |
|-----------------------|------------------------|
| Tree Species | Percentage of DFA Area |
| Pwr | 17% |
| SPF | 10% |
| TOL | 49% |
| INT | 8% |
| OC | 8% |
| MXWD | 9% |
| Total | 100 % |

| Algonquin Park Forest (2012-13) | |
|---------------------------------|-----------------------|
| | Volume Harvested (m3) |
| Softwood | 124,535 |
| Hardwoods | 202,224 |
| Biofibre (mixedwood) | 5,863 |
| Total | 332,622 |

SECTION 3 - ORGANIZATION:

Description of the DFA Workforce:

The AFA has approximately 30 permanent and seasonal staff. There are approximately 300 people involved in forestry operations in the Algonquin Park forest, most as contractors working directly for the AFA.

Management Objectives and Responsibilities on the DFA:

Forestry on Crown lands in Ontario is governed by the requirements of the Crown Forest Sustainability Act (1994). The purpose of the Act is ‘to provide for the Sustainability of Crown forests and, in accordance with that objective, to manage Crown forests to meet social, economic and environmental needs of present and future generations.’

The AFA sets management objectives consistent with the requirements of the CFSA during forest management planning. The four key objectives set within the plan cover biodiversity, forest cover, social and economic requirements, and silviculture. Further

objectives are set within the sustainable forest management plan developed by the AFA for Algonquin Park. They cover the six criteria required by CAN/CSA Z808-08.

The AFA is responsible for planning and implementation of the forest management plan, while Ontario Parks is responsible for approval and oversight of the AFA's activities.

Aboriginals Consultation Process:

First Nations are consulted throughout the development and implementation of the Forest Management Plan for the Algonquin Park forest. First Nations are either involved through regular public consultation opportunities or through a customized process defined by the community. First Nation members are actively involved with the forest management planning team, the local citizens committee and the forest certification advisory group. There are no identified Metis interests in the Algonquin Park Forest.

The AFA Sustainable Forest Management Policy contains a commitment to working cooperatively with local Aboriginal communities to identify and implement ways of achieving a more equal participation by Aboriginal communities in the benefits provided through forest management planning in Algonquin Park. Throughout the development of the 2012 SFM Plan the AFA held discussions with Algonquin communities. Aboriginal VOITs were revised in response to Algonquin concerns and updates were made to socio-economic targets. Negotiations between the Algonquins and the Crown are ongoing with respect to an Aboriginal land claim that affects a major portion of the DFA. The AFA has stated that it is committed to monitoring the progress of the land claim and willingness to recognize associated treaty rights once finalized and where possible, contribute to any economic benefits.

SECTION 4 - AUDIT FINDINGS:

| Scope # | Registration Scope Description |
|----------------|---|
| 1 | The Sustainable Forest Management System as it applies to the defined forest area which includes the entire Algonquin Park Forest |

Audit Objective:

Stage 2 – 24 Month Surveillance Audit

To confirm the management system complies with the applicable elements of the Standard; to confirm the organization complies with its own policies and procedures; to confirm the management system is suitable for the organization; to confirm that the management system is suitable and effective, and enables the client to achieve its own objectives.

Audit Criteria: CSA Z809:2008

Audit Scope: Facilities/organizational units/functional units audited are located in Southern Ontario. The AFA's main office is located at 222 Main Street W. Huntsville, Ontario. The DFA is known as the Algonquin Park Forest.

Description of SAI Global and the SAI Global Audit Team:

SAI Global is a third party management system certification Registrar. Established in 1984, SAI Global has worked with thousands of organizations in North America and around the world, issuing registration certificates to those that meet international and national management system standards.

The SAI Global Sustainable Forest Management audit team members bring with them considerable experience in the area of sustainable forest management and environmental management systems auditing. Audit teams are comprised of certified auditors and registered professional foresters. All audit team members are subject to strict confidentiality and conflict of interest agreements.

The following personnel conducted this audit:

Audit Team

| <u>Position</u> | <u>Name</u> |
|-----------------|--|
| Team Leader | Rod Seabrook, EP(EMSLA), R.P.F. Assoc. |
| Team Member | Martin Litchfield, R.P.F., EP(EMSLA) |

Audit Coverage:

Noted Deviations from the Audit Plan: None

Operations / Cut-Blocks Visited during the field audit include:

| Algonquin Park Forest | |
|--|--|
| Block / Road Number / Name | Type of Operations Observed |
| Dombroskie (harvest; road construction) | <ul style="list-style-type: none"> • Road construction • Road maintenance • Bridge installation • Temporary bridge installation • Culvert installation • Cross-drainage piping • Shelterwood harvesting • Skidding • Slashing • Loading • Trucking • Merchandizing • Boundary line marking • Tree marking • Wildlife trees • Site preparation • Tree planting |
| Visneskie (harvest; road maintenance) | |
| Robinson (harvest) | |

Personnel (i.e. Staff/contractors) interviewed in the field:

Algonquin Forestry Authority

- Monitoring and Measurement Supervisor
- Operations Supervisor (3)
- Manager of Operations
- Area Manager

Contractors: Dombroski, Visneskie, Robinson

- Owner
- Feller buncher operator (2)
- Skidder operator (4)
- Supervisor (2)
- Slasher operator

Members of the public participation process interviewed:

An email was sent to members of the public advisory group offering the opportunity to speak to the lead auditor. No interviews took place.

Provincial Government personnel interviewed:

An interview with the MNR Forestry Technical Specialist was conducted to discuss the AFA's compliance record over the previous 12 months.

Aboriginal People interviewed:

Letters were mailed to the nine Aboriginal communities with an identified interest in forest management on the Algonquin Park Forest offering an opportunity to speak to the lead auditor. No response to the letters were received. An email was sent to members of the public advisory group, which included representatives of the local Aboriginal communities, offering the opportunity to speak to the lead auditor. No interviews took place.

VOITs verified (field & office)

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|--|
| 1.2.1.2.1 | Degree of habitat protection for selected focal species, including species at risk | Field | Prescriptions implemented as required |
| 1.2.2.2.2 | Proportion of regeneration comprised of native species | Field | Only native species observed |
| 1.3.1.1.1 | Application of tree marking guidelines | Field | Marking conducted as per requirements |
| 1.4.1.1.1 | Identification and protection of zone boundaries | Field | Zone boundaries marked and protected |
| 3.1.1.1.1 | Level of soil disturbance | Field/Office | 100% compliance reported for 2012-13; Non-compliance reported on block OPU 286-6 in 2014 |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|---|
| 3.2.1.1.2 | Compliance with prescriptions developed for the protection of water quality and fish habitat | Field | Prescriptions implemented as required |
| 3.2.1.1.3 | Number of spills that enter water bodies | Field | Non observed; spill kits present on operations and emergency response procedures in place |
| 4.1.1.1.1 | Net carbon uptake | Office | SFM Plan Figure 10 – Forecast change in forest carbon stocks Figure shows a decline in forest carbon stocks from 2010 to 2030 then a steady increase to 2110 |
| 4.1.1.1.2 | Reforestation success | Field/Office | No annual update. Next assessment scheduled for 2017 Renewal verified in field Verified data in 2009-10 AR-10 re: regeneration rates are as reported here – overall 88% regeneration success across FUs based on 48.7 K ha successfully regenerated vs. 56.5 K ha depleted (harvest plus natural) – remainder typically needs more time to reach minimum regeneration standards |
| 4.2.1.1.1 | Additions and deletions to the forest area | Office | No annual update. Next update scheduled for 2017 2010-20 FMP Table 1 Crown Managed Production Forest 2011 park-wide analysis of roads, landings and aggregate pits |
| 5.1.1.1.1 | Quantity and quality of timber benefits, products, and services produced in the DFA: Long-term | Office | No annual update. The next reported assessment of this target will be in 5 years in 2017 |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|---|
| | projected available harvest volume by product | | Verified the annual trend analysis Harvest below target due to market conditions |
| 5.1.2.1.1 | Quantity and quality of non-timber benefits, products, and services produced in the DFA: Number of documented public complaints about forestry impacts on back-country recreation | Office | Verified no complaints |
| 5.1.2.1.2 | Provision of information with respect to location of planned forest operations on the AFA website | Office | Verified maps uploaded in April 2013 and April 2014 |
| 5.1.3.1.1 | Compliance with the cottage/lease AOC's | Office | Reviewed AOCs for cottages on private land and leases Reviewed AOCs on King Scott Lake FOIP inspections conducted when operating in cottaging areas |
| 5.1.4.1.1 | Ongoing research/assessment/support | Office | Verified support for TEDx and Timberfest |
| 5.1.4.2.1 | Establishment of website linkages to information (within the constraints of confidentiality) and promotion of cultural heritage events | Office | Reviewed AFA website Information about the Environmental Commissioner's report and letters on website |
| 5.1.5.1.1 | Compliance with Area of Concern prescriptions which schedule operations such that there is a separation in time and/or space between wilderness recreation and forestry operations | Field | Verified 100% compliance The one compliance issue was not related to the timing concerns |
| 5.2.1.1.1 | Managed Crown Forest area available for timber production | Office | Verified no change in LTMD No plans for a five year modification Harvest levels governed by the MNR FMP |
| 5.2.1.1.2 | Level of investment in initiatives that contribute to community sustainability | Office | New VOIT with the 2012 SFM Plan. No annual update. Will be reported in 2017 |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|--|
| | | | Currently tracking slightly below target due to market demand |
| 5.2.1.1.3 | Level of direct and indirect employment | Office | To be reviewed in 2017 Currently tracking slightly below target due to market demand |
| 5.2.1.2.1 | Number of local production facilities that utilize wood fibre from the DFA | Office | Review in 2017 Mill closures due to markets MNR commitment is now only 8 mills Verified new mills opening |
| 5.2.1.3.1 | Available wood volume offered to local production facilities (wood supply commitment holders) | Office | Verified 100% offered, but only 68% used |
| 5.2.2.1.1 | Level of investment in training and skills development | Office | Verified no training non-conformances in 2012/13 |
| 5.2.3.1.1 | Level of Aboriginal participation in the forest economy: Percentage of total volume harvested by Algonquins of Ontario communities/organizations/people | Office | Verified 2012/2013 at 16.8% |
| 5.2.3.1.2 | Level of Aboriginal participation in the forest economy: Percentage of silviculture completed by Algonquins of Ontario communities/organizations/people | Office | Target not met Verified that the First Nations have been advised of silviculture opportunities on the AFA web Verified the email notice to First nations of silvicultural tenders Opportunities are there, but a lack of First Nation take-up |
| 5.2.3.1.3 | Level of Aboriginal participation in the forest economy: Percentage of total direct program costs paid to Algonquins of Ontario communities/organizations/people | Office | Target not met Verified decreased program costs due to reduced silvicultural and road construction activities with the Algonquin communities |
| 5.3.1.1.1 | Crown timber stumpage paid to government consolidated revenues | Office | Stumpage in 2012/13 of \$667,527 is within the 20% variance |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|---|---------------------|---|
| | | | Minimum acceptable is \$600,000 |
| 5.3.2.1.1 | Increased participation (of Aboriginal organizations/people) | Office | Cannot evaluate at this time Linked to the Algonquin land claim negotiations There is a draft agreement in principle; but not finalized Reviewed the proposed forestry section in chapter 7 Expectation or commitments could change |
| 5.3.3.1.1 | Level of maintenance of public forest access roads in Algonquin Park | Office | Verified the road agreement in place SAR fencing part of the agreement |
| 6.1.1.1.1 | Evidence of a good understanding of the nature of Aboriginal title and rights | Office | The AFA is holding on-going discussions with local Aboriginal communities, both as part of the forest management planning process (see FMP Sup Doc), through the public advisory group (see public advisory group membership list and meeting minutes) and through separate meetings and discussions (e.g. correspondence Oct 3, 2014 Stavinga to Leavy and Nichols; CP-248-4 Attachment 1) |
| 6.1.1.1.2 | Evidence of best efforts to obtain acceptance of management plans based on Aboriginal communities having a clear understanding of the plans | Office | Ongoing dialogue between AFA and Algonquin communities via advisory committee, forest management planning and separate discussions |
| 6.1.1.1.3 | Level of management and/or | Office | The AFA is holding on-going discussions with |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|---|
| | <p>protection of areas where culturally important practices and activities (hunting, fishing, gathering) occur</p> | | <p>local Aboriginal communities, both as part of the forest management planning process (see FMP Sup Doc), through the public advisory group (see public advisory group membership list and meeting minutes) and through separate meetings and discussions (e.g. correspondence Oct 3, 2014 Stavinga to Leavy and Nichols; CP-248-4 Attachment 1)</p> <p>The local Algonquin communities have representatives on the Forest Certification Advisory Group and participate in FCAG meetings (e.g. Sep 11, 2014) including VOIT development and progress review</p> <p>AFA is working with local Aboriginal communities and is a member of two forestry committees working with local Algonquin communities on forestry topics</p> |
| 6.2.1.1.1 | <p>Evidence of understanding and use of Aboriginal knowledge through the engagement of willing Aboriginal communities, using a process that identifies and manages culturally important resources and values</p> | Office | <p>The local Algonquin communities have representatives on the Forest Certification Advisory Group and participate in FCAG meetings (e.g. Sep 11, 2014) including VOIT development and progress review</p> |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|---|---------------------|--|
| | | | Protection of Identified Aboriginal Values is also handled through the forest management planning process – See FMP Supplementary Documentation |
| 6.3.1.1.1 | Evidence that the organization has co-operated with other forest-dependent businesses, forest users, and the local community to strengthen and diversify the local economy | Office | <p>All contractors are local and significant economic benefits flow to communities surrounding the Algonquin Park Forest</p> <p>Projected economic benefits are documented in the forest management plan (see FMP Sup Doc) and are an integral part of selection of the long term management direction</p> |
| 6.3.1.2.1 | Evidence of co-operation with DFA-related workers and their unions to improve and enhance safety standards, procedures, and outcomes in all DFA-related workplaces and affected communities | Office | <p>AFA continues to administer the Algonquin Park Contractor Safety and Environmental Awards Program and recognize achievements at the annual Contractors Meeting. This award was presented Nathan Mieske of Robinson Logging as the Algonquin Park logging contractor with the best safety record in 2012/13.</p> <p>Not verified</p> |
| 6.3.1.2.2 | Evidence that a worker safety program has been implemented and is periodically reviewed and improved | Office | AFA continues to maintain a Health and Safety Committee and distribute the Health & Safety Committee minutes and the General Manager’s responses to all AFA staff. AFA also continues to administer the Algonquin Park |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|--|
| | | | Contractor Safety and Environmental Awards Program, as described in VOIT 6.3.1.2.1 (above). Not verified |
| 6.4.1.1.1 | Level of participant satisfaction with the public participation process | Office | No annual update. Next update scheduled for 2017 |
| 6.4.2.1.1 | Evidence of efforts to promote capacity development and meaningful participation in general and for Aboriginal communities | Office | http://algonquinforestry.on.ca/ http://algonquinforestry.on.ca/policy-planning-sustainable-forest-management-policy/policy-planning-forest-management-planning/ http://algonquinforestry.on.ca/2014/08/ http://algonquinforestry.on.ca/2014/04/ |
| 6.5.1.1.1 | Number of people reached through educational outreach | Office | http://algonquinforestry.on.ca/2014/06/ http://algonquinforestry.on.ca/category/general/burseries |
| 6.5.1.1.2 | Availability of summary information on issues of concern to the public | Office | http://www.efmp.lrc.gov.on.ca/eFMP/home.do http://algonquinforestry.on.ca/policy-planning-sustainable-forest-management-policy/policy-planning-forest-management-planning/ Office |
| 6.5.1.1.3 | Forestry research funding and/or in-kind assistance | Office | In 2012-2013, \$16,300 was spent on research. Projects undertaken included research on long skidding, a visitor traffic study at the Big |

| Indicator | Description | Field and/or Office | Improvement |
|-----------|--|---------------------|---|
| | | | Pines Trail parking lot and seedling stock trial research. Not verified |
| 6.5.1.2.1 | Certification status | Office | SAI Global issued a certificate to the Z809:2008 standard on 02/17.2013 |
| 6.5.1.3.1 | Efforts made to create awareness of certification designation on the DFA | Office | http://algonquinforestry.on.ca/forest-certification-what-is-it/ |

Review of Changes:

Some improvements in markets have occurred; however, harvest volumes are approximately 43% planned levels. Staffing has been an ongoing challenge in the Pembroke area.

Summary:

The findings were discussed with AFA staff at the closing meeting. The Audit Team Leader commenced the closing meeting by thanking the Algonquin Forestry Authority (AFA) staff for the cooperation and courtesy extended to the audit team during the audit.

The official closing meeting was attended by the personnel listed in the meeting attendees list maintained by SAI Global.

The SAI Global Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM documentation (2012-13 SFM monitoring report and SFM plan) and found it to be complete and in accordance with the Standard.

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Positive Aspects of the Management System:

- A comprehensive internal audit was conducted and documented in detail in the internal audit report
- The operator understanding of SAR protection prescriptions
- The emphasis of new employee indoctrination requirements
- There is minimal damage/scarring to the residual trees

Non-conformances:

| NCR No. | Clause No. | Clause Description | Type | Response Due |
|---------|------------|------------------------------------|-------|--------------|
| 2014-01 | 7.4.6 | Operational procedures and control | Minor | Jan 18, 2014 |
| 2014-02 | 7.4.6 | Operational procedures and control | Minor | Jan 18, 2014 |
| 2014-03 | 7.5.1 | Monitoring and measurement | Minor | Jan 18, 2014 |
| 2014-04 | 7.4.5 | Document control | Minor | Jan 18, 2014 |

Corrective Action Plans

The Algonquin Forestry Authority have developed corrective action plans to address the root causes of the non-conformities identified during the audit. The root cause analysis and proposed corrective actions have been reviewed by SAI Global to ensure that they are appropriate and fully address the identified deficiencies. At the next annual audit a follow up on the implemented corrective actions will be done to confirm that the corrective actions were appropriate and effective in ensuring the non-conforming situation has not reoccurred.

Opportunities for Improvement (OFI):

- 7.4.6 Consider modifying the temporary crossing metal deck as a metal temporary crossing in OPU 1703 did not have a covering on the connection hooks resulting in sand material possibly entering the stream
- 7.4.6 Consider developing a schedule for the installation, maintenance and removal of the SAR fencing
- 7.4.6 Consider clarifying the decision process for slasher debris management as there was differing direction between the AFA supervisor and the Contractor supervisor
- 7.4.7 Consider reviewing the requirements for the large spill kits when contractor operations are in more than one location. For instance; Slashing, Loading and Hauling on one road system and Cutting and Skidding on another road system

Please note that these Opportunities for Improvement will be reviewed as part of the preparation for the next audit.

SECTION 5 - GENERAL ASSESSMENT AND RECOMMENDATION:

Based on the review of the company’s SFM program, and the audit results, the following recommendation is made:

Surveillance Audit:

The results of this Surveillance Audit indicate that the Management System of Algonquin Forestry Authority (AFA) is suitable and effective with the exception of the areas of non-conformance identified during the audit. The areas of non-conformance must be resolved within a 60-day time frame. If the areas of non-conformance are not resolved by the agreed corrective action date, the registration suspension process will commence.

Upon successful resolution of the areas of non-conformance Algonquin Forestry Authority (AFA) will continue to be recommended for registration to the CAN/CSA-Z809-2008.

Next Scheduled Audit:

Date(s): Nov 16 to Nov 19, 2015

Type of Audit: RR

No. of Persons: 2

No. of Audit Days Required: 8

Forest Areas for the Next Audit: to be determined during the opening meeting based on current operations and/or issues

Rod Seabrook

SAI Global

Team Leader

Date: 23/12/2014