

Validation Report

The Board of Experts declares that it has validated the following certificate of Iisaak Forest Resources Ltd (Iisaak), Ucluelet, B.C., Canada, for its DFA corresponding to TFL #57, TO840 and TO846, with a total area of 91,158 ha and the related Chain of Custody against the criteria as laid down in the Keurhout Verification Procedure for SFM, version October 2002:



This report may only be issued integrally

Sustainable Forest Management and Chain of Custody:

- SmartWood Certificate No. SW-FM/COC-146 for Sustainable Forest Management and CoC, issued against the Principles and Criteria of the Forest Stewardship Council, dated June 15, 2001, valid until June 14, 2006.

The following documents have been included in the validation:

1. FSC, April 2004. FSC Principles and Criteria for Forest Stewardship.
2. Keurhout, December 2002. Draft verification report. Iisaak Forest Resources Ltd, BC.
3. Land Use Coordination Office, 2001; Land use planning in British Columbia (brochure).
4. Land Use Coordination Office, 2001; British Columbia Protected Areas, Strategy update (brochure).
5. Iisaak, 2002. Forest Development Plan Summary 2003-2008. Tree farm license # 57, Timber license TO840 and Timber License TO846, Ucluelet, BC.
6. Iisaak, June 2004. Supplementary information to the findings of Iisaak's 2003 SmartWood Audit.
7. Iisaak. Wood with respect (brochure).
8. Iisaak Forest Resources. Wood with respect (CD-rom with film).
9. Ministry of Forests BC, November 1993. British Columbia Forest Practices Code. Rules.
10. Ministry of Forests BC, November 1993. British Columbia Forest Practices Code. Discussion paper.
11. Ministry of Forests, BC, November 2004. Fraser Timber Supply Area. Rationale for Annual Allowable Cut (AAC) Determination. Effective August 1, 2004.
12. Nuu-Chah-Nulth Tribal Council ; Natural Resources Defense Council ; 2001. Restoring First Nations to the Land. Lessons from Clayoquot Sound.
13. S-FOR-S, 2004. Desk study "Assessment of Iisaak, Canada"
14. SmartWood, June 2001. Certificate SW-FM/COC-146 for Iisaak Forest Resources Ltd.
15. SmartWood, May 2003. SmartWood Forest Management Annual Audit Report for Iisaak Forest Resources Ltd. Official Audit Year 2002. SW-FM/COC-146.
16. SmartWood, March 2004. SmartWood Forest Management Annual Audit Report for Iisaak Forest Resources Ltd. Official Audit Year 2003. SW-FM/COC-146.
17. www.fsc.org
18. www.iisaak.com

Correspondance integrated in the validation:

1. Keurhout. Letter to Weyerhaeuser and SmartWood dd 06/01/03
2. Keurhout. Letter to Weyerhaeuser and SmartWood dd 01/08/03
3. Iisaak. Letter to Keurhout dd 01/06/04
4. Keurhout. Letter to Iisaak dd 10/06/04
5. Confirmation of Application Form dd 08/06/04
6. SmartWood. Letter to KH dd 01/11/04

Introduction

The validation has been carried out against the Keurhout Protocol for the Verification of Sustainable Forest Management (version October 2002), based upon the Netherlands Government minimum requirements. In relation to its four validation requirements, the Board of Experts has noted the following:

Validation 1: Requirements regarding the management system

Iisaak's management body is highly committed to the long-term sustainable management of the forest resources concerned, trying to set a new standard for sustainable forest management (SFM) within the Canadian context. The approach focuses on adequate long-term (residual) stand conditions, rather than on short-term economic returns, but at the same time tries to optimise the latter within the restrictions of sustainable production. Iisaak's management system has been certified against the FSC standard for Sustainable Forest Management and Chain of Custody, covering forest operations and facilities. All criteria of this validation are sufficiently met by complying with the combination of the criteria of the FSC-standard and the legally prescribed conditions of the Forest Practices Code. Therewith requirement No. 1 has been met.

Validation 2: Requirements regarding the performance of forest management

The Board of Experts has gathered information on various matters concerning sustainable forest management, the FSC system, the legal and regulations context and on Iisaak's forest management approach. Where questions were raised, Iisaak and certifying organisation SmartWood (SW) submitted answers through the above mentioned letters and documents and additional e-mails.

General considerations

Iisaak is a joint venture between the Ma Mook Development Corporation (51 %), a First Nations business venture, and Weyerhaeuser (49 %), a logging company. In 2000 Iisaak started operations in Clayoquot Sound, an area that had gained international reputation as a result of disputes between supporters and opponents of traditional, unsustainable logging practices. In 2000 certifier SW assessed Iisaak's management performance against the FSC standard for SFM and CoC. In July 2001 Iisaak was FSC-certified, under a series of 14 conditions. The conflictive situation tended to continue after the FSC-certificate was obtained. During the following years certifier SW applied special cautiousness with regard to its annual audits as to provide all stakeholders with sufficient time and opportunities to actively involve in the process and have their voices heard.

The above mentioned management area has not been accepted to the Keurhout Hallmark System before. A first request for admission to the system was received by the end of 2002, but somehow discussions got to a temporary hold and were only resumed in June 2004.

Over the years, Iisaak's forest management has been guided by FSC criteria, trying to comply with the criteria and indicators of that system and the conditions set by SW and improve its forest management accordingly.

The planned performance was also directed by two other important factors: the legal context and the company's general management policies. Recently the Forest Practices Code was of great importance as it provided a system of regulations which had to be complied with by law. Compliance is checked by Government Agencies and offences or non-compliance are fined. As from January 2004, the Forest Practices Code is being replaced by the new Forest and Range Practices Act, taking into consideration a bridging period. Through the new system the Government will set the targets, but leave a greater degree of responsibility with the companies to define the ways to reach those targets. This will increase the relative importance of the other factor, the company's own management policies.

Iisaak has clearly chosen for sustainable forest management, applying a new, more comprehensive approach, including native values and knowledge, and is developing and implementing strategies to contribute to a process of improved forest management. Iisaak applies Variable Retention (VR) techniques in all harvesting units of its productive forest base. Thereby the company has caused a significant change in comparison with the clear-cuts that were applied in part of the area before Iisaak started its operations. VR techniques are an important step in the right direction to change from a generalised treatment, applied at a major scale, to a specific treatment, based on specified objectives for a particular planning unit and in relation with specific site conditions.

Part of the area concerned can be classified as high value conservation forest. Iisaak therefore applies an integrated approach to forest management, trying to find a balance between the needs for income generation on the one side (through maximization of timber value, added value generation and diversification, including eco-tourism, environmental services and non-timber forest products) and forest conservation interests on the other.

The operation of Iisaak includes 1 tree farm licence (public land) and 2 coastal timber licences (private land). For forest management planning purposes these “timber supply units” are considered as one FMU, for which one forest development plan (FDP) has been developed. This plan considers so-called “higher level plans” at provincial and landscape level, like Land Resource Use Plans and Landscape Unit Plans. As from April 2005 the FDP will be replaced by a Forest Stewardship Plan (FSP), which will pay special attention to measurable, verifiable results. Implementation of the FSP is subject to government control.

The actual performance of the forest management is presented in annual audit reports written by SW. These reports are the main source of independent information on actual performance to be validated by Keurhout.

The Keurhout Board of Experts is not only interested in the relation between harvest operations or retention harvest and the official regulations, but also in the effects on the various forest qualities in terms of quantified projected components per planning unit.

Sustainable forest management (SFM) and special management areas

In addition to its innovative approach, the forest management of Iisaak is technically guided by the 125 recommendations of the Clayoquot Sound Scientific Panel (CSSP). In the DFA special areas have been designated as e.g. Riparian Management Area, Old Growth Management Area or Watershed Reserves. Such areas distinguish themselves by a specific combination of management objectives and require specific management activities and management restrictions (like high levels of retention or no timber harvesting at all). Although such areas are mentioned in plans and reports and although in specific cases a direct relation is provided between measurements and terrain conditions, it is not clear to what extent specified objectives and their projected components have been systematically and/or consistently formulated in relation to site potentials or site qualities and to what extent those areas have been explicitly identified and indicated in the field. In other words: there remains some vagueness about specified objectives and their projected results in relation to specific geographical planning units. This is partly due to a certain degree of officially accepted segregation of functions. A multi-function approach, with clearly identified objectives and projected results per planning unit or homogeneous planning zone, would be helpful to plan and understand long-term management goals.

In addition to special management areas, in general specific features are protected, like black bear dens, bald eagle nests, archeological sites and Culturally Modified Trees. Such features are identified and - whenever applicable - included in retention groups.

Also identified wildlife species are protected through general protection measures, while biodiversity is conserved through maintenance of coarse woody debris, retention of wildlife tree patches riparian reserve zones and retained trees from the VR harvest system.

Representation of ecotypes

Certain areas have been set aside for conservation. However, part of them appear to coincide with otherwise “unproductive or non-accessible” forest land. Therefore it remains unclear to what extent those special management zones provide a representative basis for the conservation of the different ecotypes present in the DFA. In addition, there may be some “double-counting” as specific sites may have more than one conservation objective. Clear maps which identify specific areas with a certain combination of management goals would be most helpful to provide insight, both for the forest managers, Keurhout and the public.

Variable Retention

Iisaak is implementing the retention harvest system in a flexible way, with a continuous process of auditing and checking. Theoretically VR systems show major differences in intensity and form, from retaining a few trees per hectare to harvesting a few per hectare, and from leaving disperse trees or lines of trees to retaining groups. Operations at Iisaak include group retention, dispersed retention and combinations. The minimum retention level is set at 15 %, but varies between 15 % and 80 %. For special areas, like watershed areas, a minimum retention level of 40 % old growth is applied. Next to permanent retention (over one rotation) temporary retention (based on multiple entries) is applied.

Harvest volume

The Annual Allowable Cut has been established by the Chief Forester of British Columbia as a maximum volume at 110,000 m³/yr, based on interpretation of key recommendations of the CSSP. The long-term harvest target for the DFA has been set at 70,000 m³/ha. As a result of its strategy to focus on quality rather than on volume, the actual harvest level of Iisaak has fluctuated around 50.000 m³/yr. This raised concerns of part of the community, interested in higher economic returns and employment opportunities. A system to monitor the social effects of the innovative management approach of Iisaak is in place.

Old Growth

At Keurhout special concern has been raised by the fact that an important part of the harvest still comes from old growth forest. From a multi-functional point of view this concerns the most valuable part of the forest. The question can be raised whether sufficient Old Growth forest is being reserved to guarantee the sustainability of all relevant ecological and social functions and processes on the long term. In line with the earlier remarks on ecotypes, it is not clear to what extent representative areas of old growth of different forest types are being reserved, especially where it concerns operable old and mature seral stages. At the watershed unit planning level retention of at least 40 % is guaranteed. Rate of cut in watersheds bigger than 200 ha is limited to 1 % per year.

Secondary Forests

Next to VR techniques, commercial thinning and early final harvest of “off-site” Douglas fir are applied. The harvested sites are either replanted with selected material of a few species, creating relatively mono-functional stands, or restocked through natural regeneration processes.

Special interest concern the secondary stands in the area that were exploited through the traditional clear-cut system before Iisaak started operations. Management measures in these areas need to allow for development of substantial areas of older seral stages.

Based on the above, the following Keurhout conditions have been formulated for Iisaak, in order to stimulate transparency and continuous forest management improvements in its DFA:

- Keurhout condition 1.

All (special) management zones in the DFA should be clearly identified on maps (1:25,000) and in the field.. Specified objectives and related specific management measures should be clearly identified per geographical management unit in accordance with site conditions, and should be integrated in the management plans and made available to the public within a year from this reassessment, not later than December 2005.

- Keurhout condition 2.

A peer review by a Canadian forestry expert, with local experience in the field of forest investigation and management and familiar with the above mentioned approach, should confirm within a year from this reassessment, not later than December 2005, the existence and preliminary use of planning units as mentioned in condition 1. The review will include field implementation of VR techniques and dealing with conservation and development of Old growth forest characteristics. The detailed ToR should be established in co-ordination with Keurhout.

Provided that arrangements have been taken to fulfil these conditions, validation requirement No 2 is considered to be met.

Validation 3: Requirements regarding the certifying body

The certification body, SmartWood, Rainforest Alliance, Richmond, Vermont, is accredited by the Forest Stewardship Council (FSC) for certification against its SFM and CoC-standard. The quality of the SFM audit reports, the audit team and applied approach during the field audits is considered to be good. Given the continuous conflictive situation in the area, the certifier decided to apply a cautious approach providing sufficient opportunity for stakeholders to comment and making use of highly qualified and experienced team members.

Reporting by the certifier

The SFM-assessment report of the certifier includes consistent checking of previously identified problems, presents details on relevant social, economic and ecological issues and provides to a certain extent insight in the forest management. Auditors make use of their Best Professional Judgement thereby contributing to a process to stimulate improvements of forest management.

Keurhout considers it the responsibility of Iisaak to assure that the certifier reports on the special concerns, requirements and eventual conditions set by Keurhout. Iisaak should therefore:

- a. include those additional elements in the ToR for the certifier and
- b. provide Keurhout with full copies of all audit reports.

Based on the above observations requirement No 3 is considered to be met.

Validation 4: Requirements regarding the chain of custody

Keurhout has approved the FSC CoC on previous occasions. During the initial assessment, the certifier put a condition with respect to the CoC, based on FSC requirements. According to the SmartWood Annual Assessment Report of 2002 Final Condition 10 has been complied with. Herewith the CoC is considered to be complied with and validation requirement No 4 is considered to be met.

Conclusion:

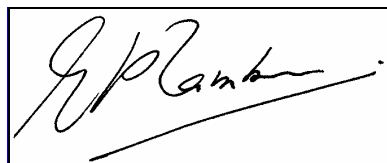
On this ground, and under the conditions as specified above, which have to be closed out within a year from the issuance of this reassessment report, the Board of Experts concludes that the validation requirements have sufficiently been met. Therefore, it concludes to admit timber with the announced certificate into the Keurhout chain of custody system as long as the certificate remains valid.

Date: December 18th 2004

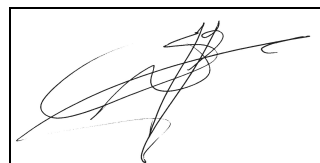
Signed:

Ir. E.P. Zambon

Prof.Dr.Mr. C.J. Jepma

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(Secretary)

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(Chairman)