

2007 ANNUAL REPORT

SUSTAINABLE FOREST MANAGEMENT PLAN

MANITOBA SOLID WOOD DIVISION

October 2008

Executive Summary

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Tolko's Sustainable Forest Management (SFM) Plan for forest management on Manitoba's Forest Management Licence (FML) Area No.2 received Canadian Standards Association (CSA) certification October 2004. Documents relating to the SFM activities on the FML Area are available on the website at www.tolkomanitoba.com. Planning for forest management on the FML Area follows requirements outlined under *the Forest Act* and the FML Agreement. The current Forest Management Plan (FMP) covers the period 1997 to 2009 inclusive. The Company is licensed under the Manitoba *Environment Act* and this licence also outlines certain requirements that are to be met.

Review of the SFM process is undertaken in several formats. The Environmental Management System (EMS)/ SFM Tolko staff committee met 10 times during 2007. Annual meetings are held for both Company staff and contractors to review EMS and CSA. The FML Area Forest Resource Advisory Committee (FRAC) met 4 times in 2007 to discuss different aspects of CSA. Company staff review requirements at each block through tailgate meetings with contractors and monitor progress of the block through operation inspections. The SFM plan was audited twice in 2007.

Highlights from 2007 include:

- Implementation of Opportunities for Improvements (OFIs) from certification audit
- Continuation of CSA certification after surveillance audit
- Pre-harvest surveys were completed on 98.5% of the blocks prior to harvest (target 95%).
- Bulldozing remains less than 4% of productive land
- Roads remain well below target of 0.05% of productive land
- After 3 years road decommissioning has achieved 126% of 5 year target
- Aboriginal Cultural Awareness session held during annual EMS Review
- 16 blocks were surveyed for CWD in 2007, making up the shortfall from 2006.

Issues for 2007:

- Average wood costs were not within 10% of the Price WaterhouseCoopers Log Cost Comparison as the survey no longer includes comparable operations.
- The percentage of sawlogs hauled by rail was below target.
- There were three work permit violations in 2007.

Corrective actions and/or review of indicators are being undertaken to correct the issues.

In 2006 seven indicators were reviewed and changes were implemented as of this 2007 Annual Report.