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November 27, 2015

Mr. Kim Carstensen  
Executive Director, FSC International  
FSC International Centre, Gemeinnützige Gesellschaft mbH  
Charles-de-Gaulle-Straße 5  
53113 Bonn  
Deutschland / Germany

Sent by email: [k.carstensen@fsc.org](mailto:k.carstensen@fsc.org)

Dear Mr. Carstensen,

Resolute was pleased to receive confirmation on November 24 of the reinstatement by Rainforest Alliance of our FSC forest management certificate for the Black Spruce-Dog River Matawin forest in Northwestern Ontario. Our forestry team worked diligently with First Nations and numerous and diverse stakeholders to ensure compliance with the Corrective Action Verification Audit as well as the new Annual Surveillance Audit, resulting in a positive outcome. However, this certificate runs until August 31, 2016, and we will therefore soon need to prepare for a full recertification audit within six months or so.

In reading your email and your letter received earlier today about our press release announcing the reinstatement of this certificate, we were surprised by the tone and magnitude of your reaction to Resolute disclosing its concerns about challenging issues that FSC and its membership, including Resolute, are currently facing. In doing so, Resolute expressed in a very transparent way the concerns we share with many other certificate holders. We have been, we currently are, and we intend to continue to be directly involved in efforts to find balanced solutions to these issues, but we remain very concerned about the potential impacts that these issues could have on our business, on our workers, on the many communities that depend on the forest products industry in the boreal and on FSC itself. We fail to see the balance between your negative reactions to us sharing concerns compared to the positive reception you gave to criticisms expressed by Greenpeace in the series of reports they issued under their "FSC at Risk" campaign. Here's an excerpt from the press release issued by FSC on August 7, 2014 regarding one of Greenpeace's "FSC at Risk" reports:



*“FSC highly appreciates constructive criticism about its policies, standards and relevant implementation challenges from groups such as Greenpeace. Relevant concerns are taken seriously, and are usually shared concerns by FSC and other stakeholders.”*

In reply to your letter, we are compelled to write to you to express our misgivings with several aspects of the FSC process.

### ***Equity of the verification process***

Firstly, we were hoping that following the discussions we had on June 19, 2015 in Montreal, during which we shared the results of benchmarking exercises we conducted in the provinces of Quebec and Ontario, changes would be implemented to ensure the equity of FSC’s audit process. Unfortunately, we have witnessed no such changes and have received no feedback. The equity of the certification process from one jurisdiction to another, as well as inconsistencies in interpretations of the requirements of the standards from one FSC-accredited auditor to another were clearly demonstrated through the results of our benchmarking initiatives which looked at a large number of audit reports posted on the [www.info.fsc.org](http://www.info.fsc.org) web site. Since June, we have continued to analyze new audit reports as they are posted for forest management and controlled wood certificates in Quebec and Ontario. In doing so, we have identified further inconsistencies in how standards are interpreted and applied.

We were also expecting that existing FSC processes would be enhanced to include a mechanism or provisions to prevent potential damage from the release of a questionable audit report. You will recall that it was to prevent such damage that Resolute felt compelled to file an injunction against its registrar in May 2014. Since then, despite our participation in most if not all consultations on new or modernized FSC policies and standards relevant for our Canadian operations, we have seen nothing that would attempt to address this. Given the sheer number of variables and issues that could come up during audits, including the heavy reliance on interpretation for some criteria and indicators, we fear that other FSC members, including suppliers of Resolute facilities, could face similar scenarios to the one we experienced last year, i.e. a high risk of reputational damage caused by a questionable audit report. All of the processes we have identified within the existing FSC policies and standards can only be activated once damage has been incurred. This was not acceptable then, nor is it today. The decision to seek FSC certification is certainly a voluntary initiative, but provisions must be in place to ensure that



the process is equitable and that all those involved are protected from reputational damage resulting from a questionable audit report.

As you are well aware, Rainforest Alliance and Resolute announced a settlement on February 4, 2015. The reinstatement of one of our certificates in Ontario is an outcome of the full implementation of that settlement by both parties. We appreciate the collaboration we had with FSC International and FSC Canada, as well as the rigor of the two audits carried out by Rainforest Alliance as part of the implementation of the agreement.



### ***Erroneous public statements***

A second concern relates to certain public statements made concerning Resolute by FSC Canada. We refer specifically to the article in *Le Quotidien* on September 26, 2015, which included a number of problematic statements made by the president of FSC Canada:

- The president of FSC Canada was quoted as saying that a lack of FSC-certified pulp from our St-Félicien (Quebec) mill led to a customer deciding to discontinue sourcing from that mill. In fact, Kimberly-Clark never mentioned FSC in its communication to Resolute advising us that it would not be renewing its regular contracts for 2016.
- He also stated that our St-Félicien mill will no longer have FSC credits in 2016. This is totally incorrect – the mill will continue to receive FSC credits from several sawmills. While the mill certainly did receive more FSC credits before the suspension of our two FSC forest management certificates in Lac Saint-Jean, the volume of FSC-certified wood coming into St-Félicien remains significant.
- Speaking about Motion 65, he downplayed the potential impact. It would have been much more appropriate for him to elaborate on efforts being committed to steer this in a direction that would not result in such impacts. According to the maps referenced by Greenpeace when they proposed Motion 65, about 85% of Quebec's remaining intact forest landscapes are located north of the managed forest, and are therefore off limits to harvesting. The other 15% are part of the managed forest and are therefore actively protected from forest fires in order to preserve them until they are ready to be harvested. In the Saguenay-Lac-Saint-Jean region, over 30% of our harvesting activities take place in second-growth forests and this percentage increases every year, but it will take many years yet before we can rely totally on second growth. Meanwhile, the mature forests that are scheduled for harvest as part of the ecosystem-based forest management plan must absolutely remain eligible for harvest – otherwise, significant socio-economic impacts will be incurred in the region.
- The president of FSC Canada stated that it is feasible for Resolute to regain its FSC certificates in the Lac Saint-Jean region. Actually, as he knows very well, some of the key issues that caused the suspension the two certificates in Quebec are beyond Resolute's control, including a dispute between two First Nations, and the government's caribou strategy. The Quebec Government has committed significant resources to resolve these issues; unfortunately, they are complex and cannot be fixed by waving a magic wand. Even the settlement that resulted from the negotiations between the Quebec Government and the Grand Council of the Crees



is incomplete and has been opposed by one Cree community as well as by the Innu First Nation of Mashteuiatsh.

We would very much have appreciated the opportunity to speak with him and correct these facts before they reached the public. His statements created undue concern, particularly in the affected communities, and required Resolute to quickly exercise damage control. Following our meeting on June 19, 2015, we had hoped that communications would improve between FSC and Resolute, for the benefit of both organizations. Unfortunately, we must acknowledge that we are not there yet.

### ***Improper use of Free, Prior and Informed Consent***

On November 19, 2015, a roundtable discussion on forest certification was held at Laval University in Quebec City. The event was titled “*Forest Certification – Are we still the stewards of our forests?*”. The president of FSC Canada was on the panel, as was Christian Awashish, Chief of the Atikamekw community of Obedjiwan. Chief Awashish made the following statement:

*“If we wanted to, if we had the capacity, we could block all forest development through a judicial process. We use FSC certification, because that’s the process, in the end, that you have put in place. Mr. Dufresne must know that. I requested the interruption of the awarding of certification to all forest companies who touch our territory. Probably next year, all the companies, the six companies ... the volume of timber supply in... in our territory, will lose their certification. I’m carrying out that action, unfortunately... it’s not with joy in my heart that I do this, because indeed we want to push, to force the governments to address the uncertainty of the territory. That’s more or less the objective.”*

This is clearly an attempt to use their opposition to FSC certificates to force government to speed up negotiations. All those attending that event, on site or through webinar, heard these statements loud and clear. They are clearly not in line with the “*FSC Guidelines for the implementation of the right to free, prior and informed consent*” released in October 2012 which prohibit the undue use of FPIC in this way. Upon hearing these remarks, there was absolutely no reaction from the president of FSC Canada. We would have hoped for at least a respectful opposition to this very unfortunate use of the FPIC provisions within the FSC standards. Even a statement issued after the event would have helped. His silence could well have been interpreted by many as FSC’s approval of this highly



problematic situation for six FSC forest management certificates and for a number of FSC controlled wood certificates.

### ***Other significant challenges***

Beyond this, we are concerned with the growing list of challenging issues that FSC, its membership and Resolute are currently facing. Below is a short list:

- The implementation of Motion 65, which seeks protection for all remaining intact forests, including those that are located within managed forests. The motion fails to take into account the fact that about 85% of intact forest landscapes in Ontario and Quebec are actually located north of the managed forest, and are therefore off limits to harvesting. Resolute and other holders of FSC forest management certificates in the Boreal Forest have been following the evolution of the Motion 65 file very closely. We understand that by the end of 2016, FSC Canada must implement the motion into the new FSC national forest management standard for use in Canada. It is our hope that the motion will be implemented in such a way that the impact on wood supply, anticipated by many, will be minimized. As you are well aware, jobs, mills and communities hang in the balance.
- The interpretation (or misinterpretation) by auditors of some elements of Environment Canada's woodland caribou conservation strategy, more specifically the improper use of the correlation between the disturbance level in the forest and the probability of persistence for a given caribou population. This correlation applies to populations that are constrained within a confined habitat, with little or no potential for exchange with other populations. Inferring that this would apply to caribou populations that are not confined is improper and does not consider the fact that 75% of the woodland caribou range in Ontario and Quebec is also located in the areas where harvesting is not permitted.
- The merging of all four Canadian FSC standards into a single one, while simultaneously addressing over 200 international generic indicators, Free Prior and Informed Consent (FPIC) and other requirements regarding intact forest landscapes. We expect to see the first draft of the new standard within two weeks, but we remain concerned about the ability of certificate holders to renew their certificates under the new standard given everything that has been thrown into it. Resolute will certainly provide comments to help produce a standard that would be comprehensive, rigorous and achievable.
- The many proposed changes in Controlled Wood certification, Chain of Custody certification and the FSC Policy for Association that are all being envisioned at the same time. These changes are likely to create difficulties for FSC members in keeping up with consultations.



- The requirement that certificate-holders subscribe to the eight core conventions of the ILO, some of which have not even been ratified by the Canadian or US governments. While this requirement is still under review, its potential application could result in some key customers moving away from FSC. Resolute attended the meeting held in Washington on May 12, 2014 to address this issue, and we continue to monitor developments. We, along with many other participants at that meeting, had great expectations for constructive discussions to be held with an aggressive timeline, but we must now acknowledge, with great frustration, that this issue is still moving at a very slow pace.
- Market campaigns targeting the Controlled Wood standard in recent years. Greenpeace has filed complaints with regard to the Controlled Wood certificates of several Resolute facilities, and other certificate holders are also dealing with complaints filed against their Controlled Wood certificates by other groups. The multiplication of such complaints is not only time consuming but also severely impacts registrars as they must support the extra cost for handling them. The simple fact that some certificates are targeted while neighboring ones sourcing from the same region are not raises questions about the equity of the process.

As a result of these and other issues, or in anticipation of negative outcomes for one or several of these issues, a number of certificates have been suspended and others have been terminated in Canada in recent years, either on a voluntary basis or as a result of audits. You will find attached a short non-exhaustive list of suspended or terminated certificates. These sum up to over 13 million hectares. In this context, it seems quite appropriate to express concerns about the challenging issues that FSC and its membership are facing.

We recognize that every one of the issues we have mentioned is complex, and that FSC and its membership are working to address them. For our part, Resolute remains very much involved in the numerous consultation processes currently underway. We must admit that our foresters have a hard time keeping up with these consultations given their sheer number.

It is our view, however, that these challenges pose a genuine threat to the viability of FSC certification in the Canadian Boreal Forest. This is why we have decided that until significant progress is made in addressing these matters, Resolute will work to maintain its existing FSC certificates where possible, but will not pursue new certification or seek reinstatement of other forest management certificates. Unfortunately, considering that some of our certificates have been repeatedly and unduly targeted by Greenpeace, and considering also that FSC processes do not offer protection against such abuses, we need



to limit our exposure until some issues are resolved, including our court case against Greenpeace over their intentional interference with our economic relations.

Our press release on November 25, 2015 and the present letter are meant to represent constructive expressions of concern aimed at improving the viability of FSC in the Canadian boreal forest. Resolute has a lot at stake, and we appreciate that this is also true for FSC Canada and FSC International. We would welcome the opportunity to meet with you in person to discuss these matters in greater detail.

Sincerely,

A handwritten signature in black ink that reads 'Richard Garneau'.

Richard Garneau  
President and Chief Executive Officer  
Resolute Forest Products

C.C.:

François Dufresne, President, FSC Canada

Hon. Laurent Lessard, Minister of Forests, Wildlife and Parks, Government of Quebec

Hon. Bill Mauro, Minister of Natural Resources and Forestry, Government of Ontario

André Tremblay, President, Quebec Forest Industry Council

Jamie Lim, President, Ontario Forest Industry Association

First Nations leaders, Mayors and chambers of commerce of various communities affected by the issues addressed in this letter

Attachment: Short list of FSC certificates suspended or terminated 20151127