



## Carrier Forest Products Ltd.—2018 SFI Surveillance Audit

Between October 23-26, 2018 KPMG Performance Registrar Inc. (KPMG PRI) carried out a SFI surveillance audit of Carrier Forest Products Ltd’s Prince Albert woodlands operations and fibre procurement activities against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fibre sourcing standards. This certification summary report provides an overview of KPMG’s audit process and findings.

### Description of Carrier Forest Products Ltd. (Carrier)’s Woodlands Operations

Carrier’s crown land woodlands operations are situated within the Prince Albert (PA) Forest Management Area and the Northwest Term Supply License (TSL) area in northern Saskatchewan, encompassing a total area of 317,000 hectares. Carrier’s woodlands have a total AAC (allowable annual cut) of 645,000 cubic meters.

The woodlands operations included within the scope of the Company’s SFI certification are covered by government-approved harvest plans that address both timber and non-timber values. These plans are consistent with higher level plans, such as the 20 year Forest Management Plan, which provides direction on forest management.

The areas covered by Carrier’s SFI certification are within the following WWF ecoregions: (1) Mid-continental Canadian, (2) Canadian Aspen Forests and Parklands, and (3) Mid-western Canadian Shield forests, which are comprised of mixed-wood stands in the west and softwood dominated stands in the north and east. The main commercial tree species are jack pine, white and black spruce, and balsam fir.

The Company’s forest management practices are based on even-aged management, ground-based harvesting with the retention of standing trees (reserves), and regeneration with ecologically suited conifer species.

### Description of Carrier Forest Product Ltd’s Manufacturing Facilities and Fibre Sourcing Program

The company operates a sawmill near the community of Big River, Saskatchewan. Most of the logs for the mill are sourced from the company’s SFI-certified timberlands, with the remainder being purchased from other crown-land operators (most of whom are also SFI-certified) and a small amount from private forest land.

The Company is a member of the Western Canada SFI Implementation Committee (WCSIC) and participates in the WCSIC Purchase Wood Monitoring Program. This includes completing risk assessments for all wood purchases and completing purchase wood inspections as necessary. This information is then collated by WCSIC in order to identify trends in performance and opportunities for improvement.

### Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fibre sourcing standards, and incorporated an assessment against a sample of SFI program objectives (see Evidence of Conformity tables later in this report).

### The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA) and Orrin Quinn, RPF.



## Findings: Carrier Forest Product Ltd.-2018 SFI Surveillance Audit Page 2

- **2018 SFI Audit** – The audit involved an on-site assessment of the Company’s SFI program, including visits to several field sites (9 roads, 14 harvesting, 2 silviculture, and 7 wood procurement sites) to evaluate conformance with the SFI forest management and fibre sourcing standards. The audit took a total of 7.5 auditor days to complete, 6 days of which were spent on-site at the operations, with the balance of audit time spent preparing the audit plan, an off-site review of documents, completing audit checklists, and preparing the main and public summary audit reports.
- **Carrier Forest Products Ltd’s SFI Program Representative** – Volker Schmid, Stewardship Forester, served as the Company’s SFI program representative during the audit.

### Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI Forest Management and Fiber Sourcing Standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system at Carrier Forest Products Limited to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that the Company’s woodlands operations meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that the Company meets its specified SFM objectives.
- Where applicable, identify opportunities for improvement.

### Carrier Forest Product Ltd. SFI Surveillance Audit Findings

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	2
New opportunities for improvement	4

## Findings: Carrier Forest Product Ltd.-2018 SFI Surveillance Audit

Primary sources of evidence are presented in the following tables to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	N/A not in scope for 2018
3. Protection and Maintenance of Water Resources	N/A not in scope for 2018
4. Conservation of Biological Diversity	Forest management plan, Pre-harvest Site Prescription (PHSP), site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	N/A not in scope for 2018
6. Protection of Special Sites	Forest management plan, PHSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	N/A not in scope for 2018
8. Recognize and Respect Indigenous Peoples Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews.
9. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, interviews with regulatory agency personnel.
10. Forestry Research, Science and Technology	N/A not in scope for 2018
11. Training and Education	N/A not in scope for 2018
12. Community Involvement and Landowner Outreach	N/A not in scope for 2018
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, PHSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	N/A not in scope for 2018
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.

**Types of audit findings**

**Major non-conformities:**

Are pervasive or critical to the achievement of the SFM Objectives.

**Minor non-conformities:**

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

**Opportunities for Improvement:**

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

**Evidence of Conformity with the SFI 2015-2019 Fibre Sourcing Standard**

<b>SFI Fibre Sourcing Objective</b>	<b>Key Evidence of Conformity</b>
1. Biodiversity in Fibre Sourcing	N/A not in scope for 2018
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by QLPs, interviews with procurement staff.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites, interviews with regulatory agency personnel.
5. Forestry Research, Science and Technology	N/A not in scope for 2018
6. Training and Education	N/A not in scope for 2018
7. Community Involvement and Landowner Outreach	N/A not in scope for 2018
8. Public Land Management Responsibilities	Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews.
9. Communications and Public Reporting	N/A not in scope for 2018
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A not in scope for 2018
12. Avoidance of Controversial Sources Including Illegal Logging	N/A not in scope for 2018
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A not in scope for 2018

### Good Practices

The following good practice was identified during the course of the audit:

- SFI Forest Management Objective 13 (Public Land Management Responsibilities) - Carrier Forest Products has demonstrated a strong commitment to engage stakeholders in the initial design phase of blocks through holding open house meetings in communities. This proactive approach incorporates public interests at the planning phase and has built strong relationships with stakeholders.

### Follow-up on Findings from Previous Audits

At the time of this assessment there were two previous open non-conformities. The audit team reviewed the implementation of the action plans developed to address these issues, and found that they had been effectively implemented. As a result, all of the non-conformities identified during previous audits have now been closed.

### Areas of Nonconformance

Two minor non-conformities were identified during the SFI surveillance audit of Carrier Forest Products Ltd's woodlands and fibre sourcing operations, including:

- SFI Forest Management Objective 8 (Recognize and Respect Indigenous Peoples Rights) - While the Company has a policy which recognizes and respects the rights of indigenous peoples, it is not provided to indigenous peoples as required by the standard.
- SFI Forest Management Objective 9 (Legal and Regulatory Compliance) - Company requirements specify that fuel storage is to be located, at minimum, 100 meters from a waterbody. However on one block there were two large fuel storage tanks within this distance of a wetland.

### Opportunities for Improvement

The following four opportunities for improvement were identified during the audit:

- SFI Forest Management Objective 15 (Management Review and Continual Improvement) - In the Company EMS Manual there are multiple reference to "Level 1 audits", which are to be completed by the EMS Administrator annually. However while the listed items are a regular part of the EMS Administrator's role (i.e. ensuring action plans are completed, training is current, EMS documents are up to date etc.), there is no such actual audit occurring.
- SFI Forest Management Objective 15 (Management Review and Continual Improvement) - The Company maintains a registry to track action plans related to audit findings, incidents, etc. Potential improvements were noted, such as root cause is lacking, actions are more corrective (fix the broken thing) rather than preventive (how to ensure it doesn't occur in the future), and the actions could benefit from having more people involved in discussing the root cause and actions i.e. drawing on the wealth of the group's experience to generate ideas.
- SFI Forest Management Objective 9 (Legal and Regulatory Compliance) - The audit found that in multiple cases the block folder checklist indicates that a Heritage Resource Impact Assessment (HRIA) had been completed, where in fact an HRIA risk rating had been assigned but no assessment completed (nor required).
- SFI Forest Management Objective 14 (Communications and Public Reporting) - The audit noted that some of the certification documents posted on the company website as well as in the woodlands office lobby were out of date.

### Audit Conclusions

The audit found that the Carrier Forest Products Ltd’s sustainable forest management system and fibre sourcing program:

- Was in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented;
- Is sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the systems continues to be implemented and maintained as required.

In addition, the audit found that the scope of the Company’s certification to SFI standards is appropriate. As a result, a decision has been reached by the lead auditor to recommend that Carrier Forest Products Ltd. continue to be certified to the SFI standards.

### Focus Areas for the Next Audit Visit

The following potential concerns have been identified as focus areas for the next audit:

- Whether the provincial caribou recovery strategy incorporates any of the federal caribou strategy components (Carrier is required to follow the provincial strategy and is doing so – the federal strategy has some targets that are unachievable, such as seral targets that have never existed naturally).
- Final inspections.

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