

Carrier Forest Products Ltd.—2019 SFI Audit Summary Report

Between October 19-22, 2019 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's Woodlands and Procurement 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 Prince Albert Forest Management Agreement, 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 on the west and softwood dominated stands to 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 SFM-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 WCSIS Purchase Wood Monitoring Program. This includes completing risk assessments for all wood purchases and 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, as shown in the Evidence of Conformity tables shown later in this report.

The Audit

- **Audit Team** – The audit was conducted by Yurgen Menninga, RPF, EP(EMSLA) Lead Auditor and Dennis Lozinsky, RPF, EP(EMSLA), as a team member. Yurgen is a KPMG staff auditor, and Dennis is a contract auditor for KPMG PRI, and both have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2019 SFI Audit** – The audit involved an on-site assessment of the Company's environmental management system (EMS) and SFI program, including visits to several field sites (3 roads, 3 harvesting, 1 silviculture, and 2 wood procurement sites) to evaluate conformance with the SFI forest management and fibre sourcing standards. The audit took a total of 6 auditor days to complete, 4.5 days of which were spent on-site at the operations. The balance of audit time was 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 Carrier Forest Products Ltd.'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	1

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.

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

Evidence of Conformity with the SFI 2015-2019 Forest Management Standard

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	N/A not in scope for 2019
2. Forest Health and Productivity	Site plans, preworks, field inspections, database records.
3. Protection and Maintenance of Water Resources	N/A not in scope for 2019
4. Conservation of Biological Diversity	N/A not in scope for 2019
5. Management of Visual Quality and Recreational Benefits	Forest management plan, harvest plans, field inspections.
6. Protection of Special Sites	N/A not in scope for 2019
7. Efficient Use of Fibre Resources	N/A not in scope for 2019
8. Recognize and Respect Indigenous Peoples Rights	N/A not in scope for 2019
9. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, compliance tracking, government inspection results.
10. Forestry Research, Science and Technology	Forest management plan, records of research projects and funding, staff interviews.
11. Training and Education	N/A not in scope for 2019
12. Community Involvement and Landowner Outreach	Forest management plan, SIC minutes & resources, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	N/A not in scope for 2019
14. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



The photo of this recent harvest block shows two retention patches that were selected to remain to meet biodiversity targets. These groups of deciduous trees were chosen for retention, and the conifer within the patches were also left.

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

SFI Fibre Sourcing Objective	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	N/A not in scope for 2019
2. Adherence to Best Management Practices (BMPs)	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	N/A not in scope for 2019
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.
5. Forestry Research, Science and Technology	Forest management plan, records of research projects and funding, staff interviews.
6. Training and Education	N/A not in scope for 2019
7. Community Involvement and Landowner Outreach	N/A not in scope for 2019
8. Public Land Management Responsibilities	N/A not in scope for 2019
9. Communications and Public Reporting	Forest management plan, SIC minutes & resources, community and landowner outreach records, staff interviews.
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 2019
12. Avoidance of Controversial Sources Including Illegal Logging	N/A not in scope for 2019
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A not in scope for 2019

Good Practices

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

- SFI Fibre Sourcing Objective 2 (Adherence to Best Management Practices): The Company has an active log purchase program with private land log sellers, who are typically local farmers. To maintain a good reputation in the farming community, the Company completes site visits to all purchase wood blocks to ensure harvesting as well as water and soil protection occurs consistent best practices and landowner expectations.

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 9 (Legal and Regulatory Compliance) - Carrier's harvesting inspection program has requirements that intermediate as well as final inspections of harvest areas occur, during which corrective actions may be identified. While intermediate inspections were found to be generally occurring as specified, this was not the case for final inspections.
- SFI Forest Management Objective 15 / Fibre Sourcing Objective 10 (Management Review and Continual Improvement) - Carrier's procedures list topics related to continual improvement that are to be covered at the annual management review. However the last management review did not cover all of these topics, such as review of government compliance notices, coordination of environmental programs for the upcoming year, elements of the woodlands programs that would benefit from continual improvement, and changes to policies.

Opportunities for Improvement

The following opportunity for improvement was identified during the audit:

- SFI Forest Management Objective 15 (Management Review and Continual Improvement) - The Audit found that now that the EMS is a mature system, the EMS manual contains information, details, and background that is less relevant. A review of the manual to make it more concise, and to reflect current practices, would make it more readable to the user.

Corrective Action Plans

Corrective action plans designed to address the root cause of the non-conformities identified during the audit have been developed by the Company and reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.

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;
- Has been effectively implemented; and
- 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 SFI certification 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:

- Establishment surveys – these will become due in 2020

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