

REPORT Forest Certification



Carrier Forest Products Ltd. - 2023 SFI Surveillance Audit

From August 1-3, 2023 KPMG Performance Registrar Inc. (KPMG PRI) carried out a SFI surveillance audit of Carrier Forest Products Ltd.'s ("CFP" or "Company") Prince Albert woodlands operations and fibre procurement activities against the requirements of the 2022 Sustainable Forestry Initiative® (SFI) forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

Description of CFP's SFI Certification(s)

Carrier's Prince Albert woodlands operations are covered by a single site SFI forest management and fiber sourcing certificate. The Company was certified to the SFI standard in 2016. Carrier's current SFI forest management/fibre sourcing certificate is valid until 2027.

Description of CFP's Woodlands Operations

CFP's Prince Albert woodlands operations are located in the vicinity of Northern Saskatchewan and encompass a total area of approximately 317,000 hectares within the Prince Albert (PA) Forest Management Agreement area and the Northwest Term Supply License (TSL).

CFP's woodlands have a total AAC (allowable annual cut) of 645,000 m³/year. The audit found that the Company's forest harvesting continues to conform to the AAC applicable to these operations.

The woodlands operations that are 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 CFP's SFI certification fall within the following WWF ecoregions: (1) Mid-continental Canadian, (2) Canadian Aspen Forests and Parklands, and (3) Mid-western Canadian Shield forests.

The forests managed by Company 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 forest management approach employed by the Company is based on even-aged management, ground-based harvesting with the retention of standing trees (reserves), and regeneration with ecologically suited conifer species.

Description of CFP'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 WCSIC 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 a portion of the requirements of the 2022 edition of the SFI forest management and fibre sourcing standards, and incorporated an assessment against the SFI program objectives for:

- Protection and maintenance of water resources;
- Management of visual quality and recreation benefits;
- Efficient use of fibre resources;
- Legal and regulatory compliance;
- Community involvement and landowner outreach;
- Management review and continual improvement.
- Biodiversity in fibre sourcing
- Adherence to best management practices
- Avoidance of controversial sources in fibre sourcing

The scope of the 2023 SFI surveillance audit of CFP's Prince Albert woodlands operations included forestry and logging of the woodlands operations noted above, as well as fibre procurement activities for the Carrier sawmills located within the community of Big River Saskatchewan.

The Audit

- **Audit Team** – The audit was conducted by Mike Buell, RPF and John Drummond, FIT. Mike and John are employees of KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2023 SFI Surveillance Audit** – The audit involved an on-site assessment of a portion of the elements of the Company's environmental management system (EMS) and SFI program, and included visits to several field sites (3 roads/bridges, 3 harvesting sites, 1 silviculture site, 1 recreation site, 3 procurement sites, and 2 visual quality sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2023 Carrier audit took a total of 10 auditor days to complete, 6 days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Carrier's SFI Program Representative** – Mikayla Hudon served as CFP'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 2022 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.

Carrier Forest Products Ltd. SFI Re-certification Audit Findings

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

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.

Audit Objectives

The objective(s) of the audit were to evaluate the sustainable forest management system at Carrier Forest Products Ltd. to:

- Determine its conformance with the requirements of the SFI 2022 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that CFP woodlands operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that CFP meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

Evidence of Conformity with the SFI 2022 Forest Management and Fibre Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2022 forest management and fibre sourcing standards are presented in the following tables.

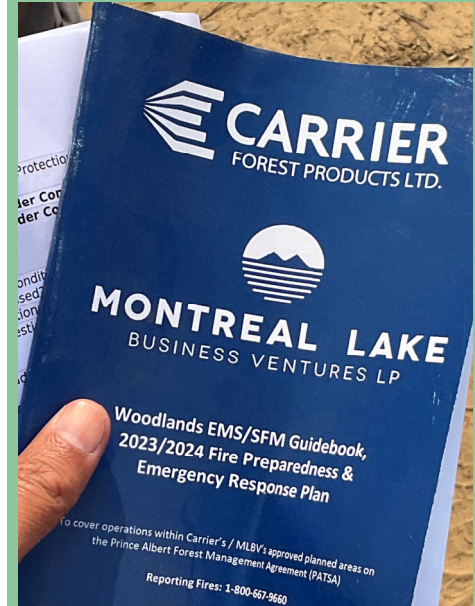
SFI Forest Management Objective	Key Evidence of Conformity
3. Protection and Maintenance of Water Resources	Contracts, site prescriptions, harvest plans, standard operating procedures, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, prework, regeneration assessment standard, stakeholder database, harvest plans, field inspections.
7. Efficient Use of Fibre Resources	Standard operating procedures, government utilization specifications, field inspections.
11. Legal and Regulatory Compliance	Forest management plan, AOP, company EMS, compliance records, social policies, field inspections, collective agreement.
12. Forestry Research, Science and Technology	Forest management plan, records of research projects and funding, company meeting minutes, staff interviews.
14. Community Involvement and Landowner Outreach	SIC minutes and wood producer information package, SIC inconsistent practices procedure, community and landowner outreach records, staff interviews.
17. Management Review and Continual Improvement	Incident inspections, management review records, internal/external audit and related action plans.



Strategic retention to protect unmapped wetlands and good fibre utilization was observed within CFP harvest areas.

Evidence of Conformity with the SFI 2022 Fibre Sourcing Standard

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	WCSIC engagement records, wood producer information package, WCSIC brochure, Private Managed Forest Land Council Field Practices Guide, timber purchase agreements, staff/contractor training records/agenda, records of involvement in local or regional conservation efforts, interviews with procurement staff.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, timber purchase agreements, wood producer information package, procurement risk assessment, BMP monitoring system, inspection of a sample of procurement sites,
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, subscription to legal updates, QLP training, procurement compliance records.
7. Community Involvement and Landowner Outreach	SIC minutes and wood producer information package, SIC inconsistent practices procedure, community and landowner outreach records, staff interviews.
10. Management Review and Continual Improvement	Incident inspections, management review records, internal/external audit and related action plans.



Staff and contractors are well trained and competent in environmental management systems and carry guidebooks while operating.

Good Practices

A number of good practices were identified during the course of the audit. Examples included:

- Carrier procurement staff are making use of a title search and affidavit which confirms the title and authorization to harvest timber on the landowner's property. This ensures that all parties that may have title on the land authorize timber harvesting on the property (SFI FS Objective 4).
- Carrier staff use the software tool Smartsheet to digitize the timber purchase checklist to ensure that the information package and policy, SFI brochure, list of QLPs, and species at risk and invasives information is sent out to landowners prior to the purchase of wood. Also tracked are the results of wood risk assessments and inspections which allows for summaries of yearly risk and inspections results (SFI FS Objectives 1, 2, and 4).
- Carrier contractors are strategically placing and overlapping multiple objectives within retention patches. Numerous patches in blocks 24_11_031 and 24_11_033 were placed around depressions that demonstrated wetland characteristics (SFI FM Objectives 1 and 4).

Follow-up on Findings from Previous Audits

At the time of this assessment there were a total of two open non-conformities from previous audits (listed below). The audit team reviewed the implementation of the action plans developed by CFP/MLBV 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.

CFP-SFI-NC-2022-01

- The SFI FS Standard at indicator 2.2.1 requires Carrier Forest Products Ltd to establish a system to confirm that the harvesting of purchased stumpage complies with best management practices. At a property with timber harvesting regulated by the Government of Canada, softwood logs purchased by Carrier had been confirmed as decked at roadside in July 2021, had not been hauled at the time of the August 2022 KPMG field inspection and is not a best practice. Not only has the wood degraded but stumpage dues may not have been paid. In this case Carrier was not responsible for the harvesting or even arranging the log haul, these were responsibilities of third parties. The Carrier Wood Procurement Plan procedures currently do not address this circumstance.
- Evidence:** Interviews with Carrier staff confirmed updates to the wood purchase agreement to address dealing with wood not hauled from a harvested block. Review of the updated wood purchase agreement contract confirms wording to allow Carrier to contract another company to load and haul any or all of the logs if not removed in a reasonable amount of time (Section 2 vi). **STATUS CLOSED**

CFP/MLVP-SFI-NC-2022-02

- As required under SFI FM indicator 9.2.3, Carrier Forest Products has a general understanding of the overall impact of forest operations on forest carbon



Carrier fibre sourcing from private lands follows best management practices for riparian management.

balance. However, the company has developed neither a comprehensive inventory of greenhouse gas emissions, nor documented regional averages for estimating emissions and informing Carrier Forest Products forest management operations.

- **Evidence:** Interviews with Carrier/MLBV staff and review of the indicator 9.3 workplan and harvest schedule tracker that implements factors and formulas to estimate harvesting emissions from each block confirms acceptable progress to meeting indicator 9.3. Also tracked are vehicle and administrative emissions. **STATUS CLOSED**

Areas of Nonconformance

No new non-conformities were identified during the audit.

Opportunities for Improvement

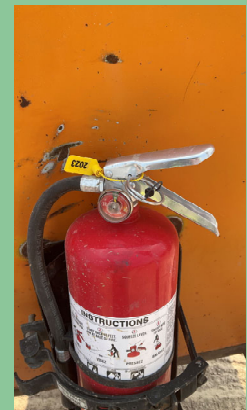
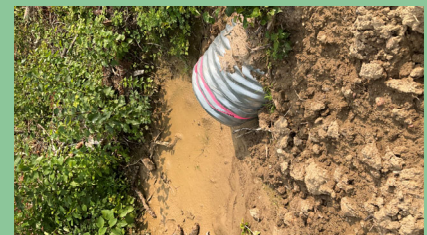
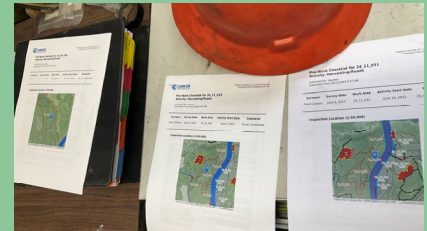
A total of two new opportunities for improvement were identified during the audit:

- SFI Forest Management Objective 7 (Efficient Use of Fibre Resources) – The SFI Standard at indicator 7.1.1 requires organizations to have a *program or monitoring system to ensure efficient utilization*. Carrier harvesting supervisors are monitoring utilization during in progress inspections but during the site visit to a sanitization block merchantable material was observed in waste piles. The block was remote and material was offered for use (chipping and firewood) but transportation costs limits removal from the block. It was noted that there was an opportunity to work with contractors to limit merchantable (sawlog) material entering the waste pile and if needed inspections of piles to ensure timely removal of merchantable material from the piles.
- SFI Forest Management Objective 2 (Forest Health and Productivity) and Objective 3 (Protection and Maintenance of Water Resources) - The SFI Standard at indicator **2.3.3** requires organization to *ensure post-harvest conditions conducive to maintaining site productivity (e.g. limited rutting, retained down woody debris, minimized skid trails)* while indicator **3.1.3** requires *organizations to monitor for best management practices implementation*. Carrier contractors currently utilize GPS tracking in harvesting equipment. The tracks are maintained and checked by Carrier staff while harvest is occurring but not saved and delivered to Carrier staff following harvesting of the block. There is an opportunity to utilize this data to demonstrate machinery is following designated paths and trails and are avoiding wet areas and riparian habitat during operations.

Audit Conclusions

The audit found that the CFP sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2022 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;



Carrier contractors were observed to be following all SOPs and regulations, seen through on-hand pre-works, effective placement of culverts, and well stocked safety equipment.

- Are 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.

As a result, a recommendation has been made by the lead auditor that Carrier Forest Products Ltd. continue to be certified to the SFI 2022 forest management and fibre sourcing standards.

Focus Areas for the Next Audit Visit

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

- Retention placement by CFP contractors;
- Utilization of material from sanitization blocks; and
- Visiting site preparation, plantations, and free-to-grow areas during the next site visit.

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