



Carrier Forest Products Ltd. — Woodlands & Procurement Operations — August 2013

In August 2013, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI Registration Audit of Carrier Forest Products Ltd.'s Prince Albert Forest Management Agreement area woodlands and procurement operations (Prince Albert and Big River sawmills) against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) Standard. This Certification Summary Report provides an overview of the process and KPMG's 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 (FMA) in Northern Saskatchewan. Carrier is a shareholder in Sakaw Aisky Management Inc. which is a working consortium of various stakeholders managing forestlands within the PA FMA. Carrier has an annual allocation of 375,000 m³ of softwood harvest within four geographic operating areas. Carrier also procures fibre from a number of sources from within the PA FMA as well as a small number of sources from outside the FMA. Carrier Forest Products Ltd. has two sawmills in the Province located in Prince Albert and Big River.

Carrier is currently operating under an existing Forest Management Plan (Weyerhaeuser PA Forest Management Agreement) and a new management plan for all of the Sakaw Aisky consortium is under development.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI Standard, and incorporated an assessment against the SFI program objectives for:

- Forest management planning and public land management responsibilities;
- Forest productivity and health;
- Protection and maintenance of water resources and biological diversity;
- Management of visual quality, recreation benefits and special sites;
- Efficient use of forest resources;
- Fibre sourcing (landowner outreach, adherence to best management practices, promotion of conservation of biological diversity, etc.);
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the 2013 SFI Registration audit of Carrier Forest Products Ltd.'s woodlands operations included all of the woodlands operations noted above, as well as fibre procurement for sawmills located in Prince Albert and Big River, SK.



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The Audit

- **Audit Team** – The audit was conducted by James Lucas, MF, RPF, EMS (LA), and Yurgen Menninga, RPF, EP (EMS LA). James Lucas, who was the Lead Auditor on this engagement, is an employee of KPMG PRI, and has conducted numerous forest management audits under a variety of standards including SFI, CSA Z809, FSC and ISO 14001 standards. Yurgen Menninga is also an employee of KPMG PRI with experience in conducting forest management audits against the SFI, CSA Z809, FSC and ISO 14001 standards.
- **SFI Registration Audit** – The audit involved an on-site assessment of selected elements of the Company’s environmental management system (EMS) and SFI program, and included visits to several field sites to evaluate conformance with the requirements of the current versions of the SFI Standard.
- **Surveillance Audits** – Annual SFI Surveillance Audits are conducted by the audit team to ensure that requirements continue to be met with respect to these standards.
- **Carrier Forest Products Ltd.’s SFI Program Representative** – Keith Taite and Jocelyne Cyr were Carrier Forest Products Ltd.’s SFI program representatives during the audit.

Use of Substitute Indicators

No substitute indicators were utilized during the audit.

Audit Objectives

The following audit objectives were included within the scope of the audit:

- An SFI Registration Audit to evaluate the Company’s conformance with selected requirements of the 2010-2014 version of the SFI standard.
- Evaluate the ability of the management systems to ensure that Carrier Forest Products Ltd. meets applicable regulatory requirements;
- Evaluate the effectiveness of the systems in ensuring that Carrier Forest Products Ltd. meets its specified objectives, and;
- Where applicable, identify opportunities for improvement.

Audit Conclusions

Carrier Forest Products’ SFI program was found to be implemented by the Company in all material respects, and meets the requirements of the 2010-2014 version of the SFI Standard except where noted otherwise in this report. As a result, Carrier Forest Products’ Saskatchewan operations are now certified to the SFI Standard.

Carrier Forest Products Ltd. SFI Registration Audit Findings

| | |
|-------------------------------|---|
| Major non-conformities | 0 |
| Minor non-conformities | 4 |
| Opportunities for improvement | 4 |

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, which must be fully implemented by the operation within 3 months.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

Opportunities for Improvement:

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

Findings: Carrier Forest Products Ltd. — August 2013

Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in Table 1 below.

| SFI Objective # | Sources of Key Evidence of Conformity |
|---|--|
| 1. Forest Management Planning | Forest Management Plan (FMP), Annual Operating Plans (AOP), site plans (PHSP's and Site Write-Ups) |
| 2. Forest Productivity | Site plans, silviculture reports, field inspections. |
| 3. Protection and Maintenance of Water Resources | SFI Evidence Package; Environmental Management System (EMS, including SOPs); Site Plans (SPs); field inspections of riparian areas, site plans, field inspections. |
| 4. Conservation of Biological Diversity | SFI Evidence Package; FMP, AOP, site plans, field inspections. |
| 5. Management of Visual Quality and Recreational Benefits | SFI Evidence Package; AOP, harvest plans, field inspections; interviews. |
| 6. Protection of Special Sites | SFI Evidence Package; review of GIS data; AOP, site inspections |
| 7. Efficient Use of Forest Resources | AOP, site plans, stakeholder consultation records, special site inspections. |
| 8. Landowner Outreach | SFI Evidence Package; Wood Purchase Program; Western Canada SIC (WCSIC) Wood Producer Information Package; timber purchase agreements; wood delivery records; Completed WCSIC 'Procurement Wood Risk Assessment' form; field inspection of purchase wood blocks; interviews. |
| 9. Use of Qualified Resource and Logging Professionals | SFI Evidence Package; Wood Purchase Program; Western Canada SIC (WCSIC) Wood Producer Information Package; timber purchase agreements; wood delivery records; Completed WCSIC 'Procurement Wood Risk Assessment' form; field inspection of purchase wood blocks; interviews. |



Example of in-block roads which are rehabilitated post-harvest including ripper de-compacting and planting.

| SFI Objective # | Sources of Key Evidence of Conformity |
|---|--|
| 10. Adherence to Best Management Practices | SFI Evidence Package; Wood Purchase Program; WCSIC Wood Producer Information Package; Environmental Management System inspections ; Company’s fiber sourcing policy and contracts; Completed WC SIC ‘Procurement Wood Risk Assessment’ form; interviews. |
| 11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas | NA – Carrier Lumber does not source fiber from outside North America. |
| 12. Avoidance of Controversial Sources including Illegal Logging | NA – Carrier Lumber does not source fiber from outside North America. |
| 13. Avoidance of Controversial Sources including Sources without Effective Social Laws | NA – Carrier Lumber does not source fiber from outside North America. |
| 14. Legal and Regulatory Compliance | SFI Evidence Package; FMP, AOP, permits, inspection records, Nimonik on-line service; discussions with SK environment staff; internal audit, health & safety policy. |
| 15. Forestry Research & Technology | SFI Evidence Package; summary of research projects; sample of research records; interviews. |
| 16. Training and Education | Environmental Management System, training records, SIC minutes & resources. |
| 17. Community Involvement in the Practice of Sustainable Forestry | Environmental Management System, training records, SIC minutes & resources. |
| 18. Public Land Management Responsibilities | AOP and associated referral process, site plans, referral of site plans to First Nations. |
| 19. Communications and Public Reporting | SFI Evidence Package; certification summary report; interviews. |
| 20. Management Review and Continual Improvement | SFI Evidence Package, Environmental Management System, management review, internal audit. |

Good Practices

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

- SFI Objective 3 (protection of water resources) – One of Carrier’s main contractors has developed a fuel/oil handling approach whereby one dedicated person does all the fuelling and oil changes/collection, thereby lowering the environmental risk.
- SFI Objective 20 (management review and continual improvement) Carrier’s has implemented an SFI internal audit (not a requirement under the Standard) that addresses overall preparation and conformance to the SFI Standard.
- SFI Objective 20 (continual improvement) - The level of staff preparation for the SFI audit was high.

Nonconformances

Four minor non-conformities were identified during the SFI Registration audit:

- On two specific harvest units visited during the audit, it appeared that a lack of significant field verification during the planning stage led, in one case, to field operations inadvertently entering a riparian buffer and in another case, the locating of an in-block road in a wet area of the block, when better options were available.
- A number of road inspections were reviewed in the field and it was found that they did not consistently capture the true nature of the road condition. Additionally, the processes at Carrier for prioritizing action items from road inspections and reporting stream crossing construction were not well documented.
- Despite the reduced level of activity on the FMA, focus of harvest on stands that are not key caribou habitat, and ongoing progress of the Provincial government in developing a caribou strategy, the company has yet to formally layout its plans to minimize the impact to caribou, for the interim period until the provincial strategy is fully implemented.
- Sakaw Aiskiy shareholders are legally required to submit their annual Fire Protection and Suppression Plan to Sask Environment by April 1, 2013 but did not meet their deadline for 2013.

Corrective action plans designed to address the root causes of these minor non-conformities have been developed by Carrier Forest Products 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.



Typical structural retention observed during the audit.

Opportunities for Improvement

A total of four new opportunities for improvement were also identified during the audit. The key opportunities for improvement noted during the audit included:

- During an inspection of one of Carrier's logging contractor camps, it was discovered that a sewage pipe had separated between the camp and their permit compliant sewage pit. This camp had been inspected by a Carrier staff member the previous week and been found to be meeting their Permit in all aspects. The pipe break appeared to be very recent (within the last 1-2 days) and the pipe was quickly fixed and the area was cleaned up appropriately.
- As part of its FMA Standards and Guidelines Carrier is required to document silviculture practices and a number of environmental requirements for the Pre-harvest silviculture prescriptions. Specific required items are currently documented in a number of places at present but Carrier could pull all harvest block documentation into a single document or form which includes resource and source information in a user friendly format.
- There is an opportunity for Carrier and other Sakaw shareholders to review the level of detail in their Fire Protection-Suppression Plan and identify improvements which could be made related to training, annual drills and on-block water delivery capability.
- While the PA FMP, created by the previous FMA holder, had a series of landscape level targets and a reporting mechanism (10 year period expiring in 2011), this period and these targets are no longer being monitored and reported on. In the absence of current landscape level targets or monitoring, Carrier should continue to monitor changes in landscape condition to avoid impacting the achievement of targets being built into their own management plan for the FMA.

The next surveillance audit will include a follow-up assessment of these issues to assess the Company's progress towards addressing them.

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