



**KPMG Forest Certification Services Inc.**

Box 10426, 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada

Telephone (604) 691-3000  
(604) 691-3401  
Telefax (604) 691-3031  
[www.kpmg.ca](http://www.kpmg.ca)

# Chain of Custody Report

For

**NorSask Forest Products Inc.**  
Box 9020, Meadow Lake, Saskatchewan S9X 1V7

**Mr. Regan Beck**

Telephone #: (306) 236-9857

**Reported prepared by:**

KPMG Forest Certification Services Inc.  
777 Dunsmuir  
Vancouver, BC V7Y 1K3  
Canada

James Lucas, MF, RPF, EMS (LA)

[www.kpmg.ca](http://www.kpmg.ca)

Certificate #: KF-COC/CW-001046  
Date of Certificate: June 18, 2013  
Date last updated: June 18, 2013



## Table of Contents

1. CERTIFICATION DESCRIPTION.....	3
2. SCOPE.....	3
3. STANDARDS.....	4
4. CHAIN OF CUSTODY CONTROL SYSTEM.....	5
5. EVALUATION PROCESS .....	6
6. OBSERVATIONS .....	7
7. CERTIFICATION DECISION .....	9
ANNEXES.....	10

## 1. Certification Description

Type of certificate: FSC Chain of Custody/Controlled Wood  
 Total number of sites: 1  
 Ownership: NorSask is 100% owned by the Meadow Lake Tribal Council

Site ID	Size Class	Site Category	# of workers (including contractors)	Wood products categories purchased by site	Total annual quantity of wood and/or wood fiber purchased by the site (2012)	Total annual quantity of wood and/or wood fiber sold by the site (2012)	List of product categories included in the scope of the certificate
Meadow Lake, SK	Class 4	Primary processor	108	Roundwood (logs) – W1.1	369,862 m3	64,605 FBM	Dimensional lumber – W6.1 – FSC Mix Credit and FSC Controlled Wood Wood chips – W3.1 – FSC Mix Credit and FSC Controlled Wood

## 2. Scope

### The business

Norsask Forest Products Ltd. (NFP), located in Meadow Lake, Saskatchewan, was audited against the Forest Stewardship Council’s Standard for Chain of Custody (FSC COC standard) and Controlled Wood by KPMG Forest Certification Services Inc (FCSI). NFP is a softwood sawmill supplying into the United States and domestic Canadian markets. The scope of the certification includes the sawmill at Meadow Lake and covers the wood products received and distributed to customers by NFP.

NFP has identified four softwood product groups which fall into the following categories:

- Sawn timber – FSC Mix Credit;
- Chips – FSC Mix Credit;
- Sawn timber – FSC Controlled Wood;
- Chips – FSC Controlled Wood.

NFP purchases all softwood as roundwood from one supplier only. All roundwood comes from Mistik Management Ltd (Mistik), a forest management organization which is 50% owned by NorSask with the remainder owned by Meadow Lake Mechanical Pulp (MLMP). Mistik

manages one large FSC certified Forest Management Area (FMA) on behalf of NFP and MLMP from which all FSC logs flow to NFP. Mistik procures the remainder of the fibre for NFP, which is all FSC controlled wood, from various tenure holders on the Sakaw FMA (formerly the Prince Albert FMA). Mistik conducts all controlled wood related due diligence for this fibre source including completing the Risk Assessment for the area and passes all of these logs through it's valid FSC Chain of Custody. Mistik does not supply NFP with any uncontrolled logs but NFP still has procedures for segregation of these logs should this change in the future.

NFP supplies softwood chips to MLMP on a regular basis but may sell chips to other mills from time to time. NFP intends to sell all chips to MLMP as FSC certified or controlled wood once the mill becomes re-registered to the FSC CoC and Controlled Wood Standards. At the present time, NFP does not intend on labeling FSC lumber for sale.

NFP has updated its Chain of Custody procedures in a CoC manual which contains documented procedures including: documented procedures, responsibilities and authority, training, document control and records specifications, FSC product groups, input specifications, specified controls for content claims, sales and uncontrolled wood and risk assessments. As per the findings of the audit, some of the manual should be updated to reflect changes in the FSC CoC Standard.

*Summary of the members covered by the certificate*

Name	Contact Details	Full Code and Sub-Code issued	FSC Product Group List
Norsask Forest Products Inc.	PO Box 9020, Meadow Lake, Saskatchewan S9X 1V7	KF-COC/CW- 001046	Sawn timber – FSC Mix Credit; Chips – FSC Mix Credit; Sawn timber – FSC Controlled Wood; Chips – FSC Controlled Wood.

**Description of supplier processes**

**Controlled Wood:** NFP procures all FSC controlled wood from Mistik Management Ltd. Mistik sources all FSC controlled wood, from various public tenure holders on the Sakaw FMA (formerly the Prince Albert FMA) and a small volume of other purchases from private or Federal lands. Mistik conducts all controlled wood related due diligence for these fibre sources including: completing the Risk Assessment for the area, site visits as necessary and other documented inspections. Mistik passes all of FSC logs through it's valid FSC Chain of Custody. Mistik does not supply NFP with any uncontrolled logs.

All controlled logs are softwood species and in the calendar year 2012, NorSask received 96,141 m3 of controlled logs from Mistik.

**Outsourcing:** NFP does not outsource any aspect of its operations at this time.

**3. Standards**

This assessment focused on the integrity of the procedures and controls NFP has developed and implemented specifically for the handling of FSC-certified and controlled wood inputs and

outputs in relation to the 'FSC chain of custody standard for companies supplying and manufacturing FSC-certified products' - FSC-STD-40-004 Version 2.1 (FSC CoC Standard) Standard. The assessment also focuses on the integrity of the procedures and controls Mistik has developed and implemented on behalf of NFP regarding the assessment of controlled and uncontrolled wood in relation to the 'FSC standard for company evaluation of FSC controlled wood' - FSC-STD-40-005 Version 2-1 (FSC Controlled Wood Standard). Additional testing was conducted to ensure that NorSask meets the FSC STD 50-001 v 2.0 Trade Mark Requirements.

#### **4. Chain of Custody Control System**

The company has well-managed and documented controls over most aspects of the business from wood delivery and storage, processing, product storage and shipping. Some additional changes are necessary to address audit findings regarding purchase and sales invoices, product groups and certified credit tracking. The key to the system at the input stage are load slips which identify loads of logs as FSC-certified, FSC controlled or FSC uncontrolled wood. At the output stage, chips are weighed at NorSask scales to determine and track total product to customers and lumber packages receives a unique 'tag' number which will become the basis for tracking certified outputs and for shipping products. The identification and segregation of inputs and outputs are integral to core business operations.

##### **Quality system requirements**

NFP has addressed the requirements of the FSC CoC Standard with the 'Chain of Custody Manual for Norsask Forest Products Ltd.' (COC Manual). The CoC Manual provides procedures that address required indicators of the FSC CoC standard. The Manual also references other procedures that are important for NFP to deliver the CoC system. The NFP CoC Manual fills in the policies and procedures where there are unique requirements to the FSC CoC standard.

The CoC Manual states that Mistik will conduct FSC controlled wood assessments on behalf of NFP. Since NFP and Mistik have common ownership, the two businesses are highly integrated but each operates as an independent company. As previously discussed, Mistik provides all FSC controlled wood assessments on behalf of NFP and Mistik has the personnel with the required expertise as well as the policies and procedures to implement the FSC controlled wood assessments. The audit considered Mistik's policies and procedures insofar as NFP relies on Mistik for the delivery of the NFP CoC system. Mistik has an Environmental Management System that is compliant with ISO 14001.

NFP has appropriate training and health and safety procedures as well as records to satisfy the FSC CoC Standard.

##### **Material sourcing**

NFP do not use recycled or reclaimed materials in their products. The Mistik 'Chain of Custody' Standard Operating Procedure (SOP) addresses the requirements of the FSC CoC Standard up to and including activities at the NFP scale shack which Mistik controls. Procedures for the unloading and storage of softwood logs, including the segregation of FSC uncontrolled wood in the wood yard, are documented in the NFP CoC Manual. The Manual also deals with the forwarding of logs for input into the mill. FSC-certified and FSC controlled wood are stored

together and these FSC wood types need not be separated since NFP is producing FSC-mixed products.

### **Volume control and System for Controlling FSC Claims (Transfer, Percent and/or Credit System)**

NFP is using a Credit System for controlling FSC Claims. The mill Controller is responsible for creating and maintaining the FSC credit tracking spreadsheet which was updated to reflect the current balance of FSC certified and controlled wood credits as a result of this audit. Information in the credit tracking spreadsheet comes from mill monthly Operating Statistics which tally log inputs, mill log usage and yard inventories, mill production, chip and lumber recovery factors, and some sales statistics. Certified and controlled wood inputs as well as chip deliveries to MLMP are provided by Mistik on a monthly basis from scale receipts. Lumber sales will be provided by NFP's sales team including shipment invoices.

### **Labeling control (if applicable)**

At the current time, NFP does not intend to label lumber wraps or lifts of lumber. The NFP CoC Manual provides sufficient procedures and controls to ensure that labeling occurs in conformance with FSC policy.

### **Sales and Delivery**

The primary focus of NFP's sales of FSC certified products is chips. A lumber sales strategy will be worked out in the future and reviewed at the next Surveillance Assessment if applicable. Documentation of sales processes can be found in other sections of this audit report.

### **Outsourcing Arrangements**

NFP does not conduct any outsourcing at the present time.

## **5. Evaluation process**

### **Audit Team**

The audit was conducted by Mr. James Lucas, MF, RPF (BC), EMS(LA), who is a full-time employee of KPMG FCSI. James conducted the initial document review, the field assessment and generated the draft audit report. Mr. Dave Bebb, RPF, EP (EMSLA), Vice-President of KPMG FCSI, provided quality control for the audit and reviewed and revised the certification report.

### **Audit Dates**

April 30, 2013 – Document Review

May 13 & 14, 2013 – On-site Assessment

### **Audit Time Justification**

As per KPMG's internal business management processes, we determine audit time in line with ISO mandatory guidance documents as well as our internal review of risks for each assessment. The time for this audit was determined to be one day for document review and two days on-site.

## Closure of Open Corrective Actions

N/A – this was an Implementation Assessment and there were no open findings. As NorSask was previously certified with KPMG in 2011, past findings were reviewed and taken into consideration during the assessment but not formally closed out.

## On-site Field Assessments

The audit began on May 6, 2013 with an off-site document review and a Document Review report was issued to the client on May 10th. On-site activities were conducted at Meadow Lake, Saskatchewan on May 13th & 14th and findings were delivered in a closing meeting on May 14th. During the on-site assessment, the auditor reviewed mill locations including the log scale house, log yard, sawmill and planer as well as lumber storage areas and chip bins. Personnel from NFP as well as Mistik were interviewed. All locations in the mill in which materials are input or output were field inspected.

## Post Audit Assessments

Due to the nature of the findings, any post audit review can be conducted in the office and does not require any further field visits. Findings **NorSask- FSC-STD-40-004-V2.1-AOC-IA-01 and 02** must be closed before a certificate can be issued to NorSask.

## Surveillance Schedule

Annual Surveillance Audits are required and will be integrated into Mistik and Meadow Lake Mechanical Pulp audits in the future.

## 6. Observations

### Risk Assessment

Due to the strong controls in place for handling NFP's core business and the relatively simple processes with regard to inputs and outputs at the mill, the risk to the CoC is low. The mill is experienced in segregating inputs and outputs in the delivery of the core business. Additionally, NFP is supported by Mistik in all aspects of FSC certified and controlled wood log delivery and Mistik has a certified Chain of Custody through which all logs pass for which KPMG is the auditor. MLMP which is NFP's main customer for certified chips also has an FSC certified Chain of Custody.

The most significant risk to the CoC is the segregation of FSC-uncontrolled wood in the wood yard but at the current time it has been agreed that Mistik will send no uncontrolled wood to NFP. Ongoing training of NFP mill staff and keeping up to date on any future changes to FSC Standards and requirements will be important for NFP going forward.

## Findings

2 major non-conformances were identified during the assessment as follows:

**NorSask AOC-IA-01:** The FSC CoC Standard indicator 5.2.1 requires that the organization provide and up to date material accounting record for each product group including a summary of certified quantities produced and/or sold with FSC credit claims and product group conversion factor(s). However, the current NorSask FSC credit spreadsheet does not detail material inputs by product group (FSC certified, controlled or uncontrolled) and does not reflect available FSC credits by product group.

**NorSask AOC-IA-02:** The FSC CoC Standard indicator 6.1.1 requires that the organization ensures that all sales and delivery documents issued for outputs sold with FSC claims include a clear indication of the FSC claim for each product item or the total products. The current client sample invoice (lumber) does not show the FSC claim and the MLMP invoice for April 1-15, 2013 does not show NorSask's certificate number or FSC claim information.

**Note: Both Major Non-conformities were subsequently addressed by the client and were closed as of June 14, 2013.**

2 minor non-conformances were identified during the assessment as follows:

**NorSask AOC-IA-03:** The FSC CoC Standard indicator 2.1.1 requires that the organization establishes FSC product groups for all products with an up-to-date and publicly available FSC product group list. However, the current NorSask Product Group schedule refers to obsolete product group descriptions (eg. FSC Pure, FSC Mixed).

**NorSask AOC-IA-04:** The FSC CoC Standard indicator 4.1.1 requires that supplier invoices and supporting documentation include credit claims for each product item. However, the CoC number is missing on the Mistik trip records reviewed and Mistik's invoices are not recording the correct FSC claim (currently reads "FSC Certified" not FSC 100% as per their claim under the Transfer system).

In addition, the following 2 Opportunities for Improvement were identified during the assessment as follows:

1. The NorSask Forest Products Chain of Custody manual (April 30, 2013 version) makes references to a number of obsolete processes (reference to Dillon mill site, old FSC off product trademark use standard) and could be updated. Additionally, the NorSask Controlled Wood complaints procedure, more detail on FSC risk assessments and detail on Sales staff functions could be added to the manual.
2. NorSask could consider posting their Fibre Procurement Policy to their website to make it more available to the public.



### **Corrective Action Plans**

Written corrective action plans that are designed to address the root causes of all identified non-conformities are required within 30 days of the closing meeting. These will be reviewed by KPMG FCSI for adequacy, and either approved or returned for revision.

A template for NorSask Forest Products Inc. to develop the required corrective action plans will be provided to you for this purpose. Please complete the appropriate section of this template and e-mail your proposed corrective actions to the KPMG FCSI lead auditor for review.

Note: Subsequent to the audit, acceptable action plans and evidence of closure of Major Non-conformities were provided to KPMG and relevant findings have been addressed.

### **7. Certification Decision**

In our opinion, based on closing the two existing major non-conformities, NorSask Forest Products Inc. has reached the level of conformance required for certification. KPMG FCSI recommends certification of the FSC COC system of NorSask Forest Products Inc..



## **Annexes**

### **Annex 1—List of People Interviewed**

## **Annex 1**

### **List of Staff and Employees Interviewed**

#### **NorSask Forest Products Inc.**

- Dave Neufeld – General Manager
- Regan Beck - Controller
- Joleen Alger – Payroll/Accounting Clerk
- Bob Earis – Safety Officer
- Harvey Demers – Chief Scaler
- Frank Laliberte – Acting Planer Supervisor
- Tracey Gorski – Sales Manager

#### **Mistik Management Ltd.**

- Al Balisky – General Manager
- Kevin Gillis – Certification Coordinator

## Annex 2

### Elements Reviewed During the Audit

FSC CHAIN OF CUSTODY					
Element	IA/RA	A1	A2	A3	A4
<b>PART I: Universal Requirements</b>					
1. Quality management	X				
2. Scope of Chain of Custody system	X				
3. Material sourcing	X				
4. Material receipt and storage	X				
5. Volume control	X				
6. Sales and delivery	X				
<b>PART II: Systems for controlling FSC claims</b>					
7. Transfer system	N/A				
8. Percentage system	N/A				
9. Credit system	X				
<b>PART III: Labeling</b>					
10. General labeling requirements	X				
11. Eligibility for labeling	X				
<b>PART IV: Supplementary Requirements</b>					
12. Outsourcing	X				
13. Minor components	X				
FSC CONTROLLED WOOD					
<b>Part I: Quality System Requirements</b>					
1. Company policy	X				
2. Procedures	X				
3. Training	X				
4. Records	X				
<b>Part II: FSC Controlled Wood Supply Requirements</b>					
5. Supplier identification	X				
6. FSC certified inputs from FSC certified suppliers	X				
7. FSC Controlled Wood inputs from suppliers certified to deliver FSC Controlled Wood	X				
8. FSC Controlled Wood Inputs from non-FSC certified suppliers	X				
9. Uncontrolled wood inputs	X				
10. Species listed on CITES	X				
<b>Part III: Risk Assessment and Verification Program</b>					
11. Risk assessment	X				
12. Verification program for wood supplies identified as coming from low risk sources	X				
13. Verification program for wood supplies from sources with unspecified risk	X				
14. Complaints mechanism	X				

<b>Part IV: Sale of FSC Controlled wood</b>					
15. Supplying FSC Controlled Wood	X				
<b>FSC RECLAIMED MATERIALS</b>					
1. Input specifications					
inputs of non-certified reclaimed material	IA/RA	A1	A2	A3	A4
2. Supplier audit program					
Evidence to demonstrate supplied reclaimed material complies with the definitions of FSCSTD-40-004 and examples provided in Annex I and II	N/A				
supplier audit program	N/A				
Personnel and required qualifications and/or training to carry out supplier audits.	N/A				
3. Supplier audits					
auditors' expertise and competence in implementing the organization's audit process	N/A				
site visits to supplier sites	N/A				
Supplier audits shall be conducted in a timely fashion after receipt of the reclaimed material input.	N/A				
authenticity of the specified and required documentation	N/A				
4. Verification by FSC-accredited certification body					
evidence available for verification by the FSC accredited certification body	N/A				
records of supplier audits maintained for at least 5 years	N/A				
records of supplier audits shall be accessible to the FSC-accredited certification body	N/A				
<b>FSC MULTI-SITE CHAIN of CUSTODY</b>					
1. Eligible Operations					
	N/A				
2. Documented Procedures					
	N/A				
3. Provision of Guiding Materials					
	N/A				
4. Responsibility and Authority of the Central Office					
• Responsibilities of Personnel	N/A				
• Implementation of Requirements and Conditions	N/A				
• Internal Audits	N/A				
• Use of FSC Trademarks	N/A				
• Training	N/A				
• Annual Report and Management Review	N/A				
• Payments of Certification Costs	N/A				
5. Records					
	N/A				

<b>GENERAL</b>					
<b>Element</b>	<b>IA/RA</b>	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>A4</b>
Open action plans from previous audits	N/A				
Any changes in management, operations, procedures and controls or economic circumstances	X				
Changes to normative documents, including national or local legislation, which may affect the certification	X				
Changes in the certification status of the suppliers of input material	X				
Changes to the scope of the certificate	X				
Any changes in suppliers, products, product mix or the sources of raw materials	X				
Any complaints received which potentially relate to significant or critical aspects of the chain of custody / controlled wood standard	X				
Any certification claims made during a period when surveillance audits were waived on the basis of a claim that there was no processing, sale or labeling of certified product by the certificate holder.	X				
Public claims and communication, including logo use	X				
Areas of elevated audit risk	X				
Areas of audit priority identified in the previous audit report	X				