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# Chain of Custody Certification Audit Public Summary Report

For

**NorSask Forest Products Inc.**  
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## 1. Results of the CW Evaluation Process

### CoC Management System and Participating Sites

NorSask Forest Products Inc. (NorSask) operates a softwood sawmill located in Meadow Lake, Saskatchewan, Canada. The mill obtains logs from only one source – Mistik Management Ltd. (Mistik). Mistik sources logs from the Mistik Forest Management Agreement (FMA) area, the Prince Albert FMA and others areas.

NorSask sells FSC-certified chips and/or FSC Controlled Wood (CW) chips to Alberta Pacific Forest Industries (Al-Pac) in Alberta and/or to Meadow Lake Mechanical Pulp (MLMP).

The NorSask Forest Stewardship Council® (FSC) Chain of Custody (CoC) and Controlled Wood (CW) system relies to an extent on the Mistik FSC CoC/CW system which KPMG also certifies to the FSC CoC and CW standards. NorSask is a part owner in Mistik and NorSask has business-level influence over the Mistik system. Having Mistik implement the Due Diligence System (DDS) on behalf of NorSask is logical at a management system level.

Also relevant to the NorSask sawmilling business is the Meadow Lake Mechanical Pulp (MLMP) mill located approximately one kilometer from the NorSask mill. There is a business connection between NorSask and MLMP through Mistik. MLMP and NorSask are co-owners of Mistik and Mistik supplies softwood logs to NorSask and hardwood (and some softwood) logs to MLMP. NorSask also sells byproduct chips to MLMP.

In the past year NorSask has experienced a number of operational challenges. In particular, a mill fire led to a re-build and the mill was shut down for several months and started up again in the same week as the on-site audit.

On May 17, 2017 NorSask requested that KPMG terminate the Company’s FSC CoC and CW certificate (which was issued against FSC-STD-40-004 V2-1 and FSC-STD-40-005 V2-1), effective August 17, 2017. However, in the fall of 2017 NorSask decided to pursue re-certification to the current FSC CoC and CW standards (FSC-STD-40-004 V3-0 and FSC-STD-40-005 V3-1 respectively) and underwent a field audit against those standards in November 2017.

NorSask has developed and maintained a chain of custody (CoC) system that meets the requirements of the applicable FSC CoC and Controlled Wood (CW) standards, except where noted otherwise in this report. The CoC system is only applicable to a single site, as shown in the following table.

Site ID (Sub-code)	Site Name	Site Address	Site Activity	FSC AAF Size Class	List of Product Group(s) Included in the Scope of the Certificate
NA	NorSask Forest Products Inc.	Box 9020, Meadow Lake, Saskatchewan S9X 1V7	Primary processor	4	W1.1 Roundwood (logs) W3.1 Wood chips W6.1 Dimension timber and lumber, finished

NorSask uses the volume credit method for sales of FSC certified materials as well as trade in FSC Controlled Wood. NorSask’s CoC procedures are contained in the Company’s CoC manual which was

recently revised. A review of the Company's documented CoC system found that it continues to meet the requirements of the FSC CoC standard in all material respects.

The overall responsibility for the NorSask CoC lies with the Company's General Manager. NorSask's Controller is responsible for the daily running of the system and is also responsible for ensuring compliance with all aspects of the FSC Standards and the CoC Manual. No gaps were identified regarding staff awareness or competence.

NorSask verifies the validity and scope of the Mistik on-FMA FSC joint forest management/CoC certificate and Mistik off-FMA CoC certificate. Mistik and NorSask have common ownership and therefore NorSask is aware of the status of the Mistik FSC certificates.

### **Audit Dates**

The audit was completed as follows:

- Stakeholder consultation: September 21, 2017 – November 3, 2017.
- Off-site document review (partial): November 4, 2018.
- NorSask on-site audit: November 6-8, 2017 (note: this time also included the Mistik Off-FMA CoC/CW audit).
- Supporting the November on-site audit was a field site visit of one Mistik procurement site on the L&M FMA that was conducted in September 2017.

### **Material Sourcing and the Company's DDS**

Until the Canadian NRA is completed NorSask continues to rely on the CWRA and DDS that was developed and implemented by Mistik.

Mistik Management Ltd supplies all logs to the NorSask sawmill and NorSask is part owner of Mistik and therefore is able to exert influence over Mistik's systems. Mistik personnel have the expertise to conduct the CWRA and implement the DDS on behalf of NorSask.

A particular strength of the Mistik DDS is that the fibre source is known to the supply unit level. Supply is primarily from FSC, CSA Z809 and SFI-certified Forest Management Areas (FMAs), and all of the certification systems consider high conservation values associated with forests and local communities. Where Mistik sources logs from outside of FMAs Mistik applies contract set-ups considering risk of sourcing unacceptable materials and also applies field verification.

The defined fibre supply area for the Mistik DDS includes portions of the WWF ecoregions listed below:

- Mid-Continental Canadian Forests.
- Canadian Aspen Forests and Parklands.

A map of the extent to which the Company's fibre supply area covers the above ecoregions is included in the current (September 27, 2017) public summary of the Mistik DDS.

Review of the current (August 14, 2017) version of the Mistik CWRA found that it continues to include a conclusion of low risk in relation to all 5 CW categories.

The supplier structure for NorSask in the past year based on a review of the Company's material accounting records and supporting audit evidence is specified in Annex 2 of this report.

## Publicly Available Information

Mistik has developed and implemented the CWRA and DDS on behalf of NorSask. The public summary of the Mistik DDS was provided to KPMG FCSI in advance of the field portion of the audit. The DDS public summary was then posted on KPMG FCSI's external website during the stakeholder consultation process that was conducted as part of the 2017 audit. A copy of the public summary of Mistik's DDS is included in Annex 3 of this report.

## Description of KPMG's System for Evaluating the Company's DDS

The KPMG system for the evaluation of the DDS according to FSC-STD-20-011 section 6.2 included:

- Verifying risk designations against available, relevant sources of information and applicable requirements (including relevant sources of information not included in the Company's DDS). Specifically, except where noted otherwise in this report:
  - Verifying that the Company has conducted its risk assessment in accordance with the requirements of Annex A of FSC-STD-40-005, including full and proper inclusion of the risk assessment indicators and full and proper referencing of the sources of information in Annex A.
  - Verifying that the Company's risk assessment fully and properly cites any other relevant information sources cited as required by FSC (i.e., in FSC Directives, Interpretations, Advice Notes, Procedures, Guidance Documents, etc.).
  - With respect to CW category 3, verifying that (1) the Company clearly differentiates in its risk assessment between the identification of HCVs at risk (per 3.1) and any mitigating factors that reduce the risk (as per 3.2), and (2) that the FSC interpretation (July 9, 2014)<sup>1</sup> has been taken into account in the Company's risk assessment – i.e., verifying that the Company has made a clear effort to incorporate assessment of all ecoregionally relevant information, including specifically information contained on the WWF Wildfinder website (<https://www.worldwildlife.org/biomes>) respecting ecoregions listed as 'critical/endangered' or 'threatened'. Use of the Global 200 ecoregions information alone is insufficient to support the risk assessment. Note: this does not mean that all information has to be given equal weighting as the information will be of different quality and different vintage. Some assessment of the relevance of each piece of information will need to be undertaken by the Company in order to determine which information is more relevant. If specific information that would imply a higher risk level is not used there should be a clear rationale as to why it is not being used.
  - Reviewing the latest versions of the Canada and US Centralized National Risk Assessments (CNRA) for the risk assessments and associated risk designations for the CW categories conducted to date for comparison to the Company's risk assessment and associated risk designations (note that the FSC's International Board of Directors at their July 2016 meeting concluded: "where a national risk assessment process is taking place, companies will be able to use part of the assessment that was agreed through national consensus, even when only some, but not all, categories of the national risk assessment are nationally concluded"). However, according to FSC companies do not have to use the results of a CNRA until an approved CNRA covering all 5 CW categories is in place. At the time of this writing, the Canada and US CNRAs found low

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<sup>1</sup> The standard requires consideration of 'ecoregionally significant HCVs' and does not limit the recognition of ecoregions to Global 200 ecoregions. General references provided in the standard direct to WWF sources without limitation to Global 200 ecoregions (FSC-STD-40-005, Annex 1, definition of ecoregion). Therefore, information about threatened ecoregions other than the examples provided in FSC-STD-40-005 and FSCDIR-40-005 should be taken into account. The company shall not ignore known and available sources of information in addition to the ones listed in normative documents.

- risk for FSC categories 1 and 5 and the Canada CNRA found specified risk for FSC category 2 for territories claimed by First Nations, Metis or Inuit, with low risk for the rest of Canada.
- Reviewing the information contained in the FSC Global Forest Risk Registry (GFRR) to assess whether any of the conclusions on risk (which are at the national rather than provincial or ecoregional scale) for the 5 CW categories differ from those included in the Company’s CWRA, and if so, whether the Company’s CNRA provides an adequate rationale for those situations where it’s conclusions on risk differ.
  - Reviewing corroborating evidence provided by the Company with relevant independent information sources when possible, as follows:
    - Reviewing all relevant corroborating evidence provided by the Company to verify relevance and reliability of the evidence. Verifying that the information originates from credible, reputable sources and is of a sufficient quality and vintage to be credibly and reliably applied to the risk assessment.
    - Where possible, corroborating the evidence provided by the Company against relevant, reliable, credible, reputable and independent sources not used by the Company to verify consistency in the information used to designate risk.

KPMG’s review of the Mistik DDS, including conclusions on the robustness and adequacy of the processes established and implemented to address Part I of FSC-STD-40-005 (i.e., respecting the implementation and maintenance of the DDS, obtaining up-to-date information on material, risk assessment and (if applicable) risk mitigation) are addressed in a separate Mistik FSC CoC certification audit report and as such are not presented here.

### **Summary of Stakeholder Consultation Conducted by KPMG**

The stakeholder consultation process utilized by KPMG included the following components:

- Development of a stakeholder consultation plan as a component of the formal audit plan.
- Development of a number of materials to support the stakeholder consultation process including a public notice, mail-out and questionnaire.
- Posting of the public notice regarding the audit, along with a copy of the mail-out, questionnaire and public summary of the Company’s DDS, on the FSC Canada and KPMG FCSI websites. The notice was sent to FSC Canada for posting on their website on September 21, 2017 and was posted on the KPMG FCSI website soon thereafter.
- Working with NorSask and Mistik to develop a list of key stakeholders (e.g., ENGOs, other tenure holders, First Nations, local communities, PAGs, etc.) to be used for the direct mail-out of the notice of audit and associated questionnaire.
- Mail-out of the notice of the audit and questionnaire to the stakeholders included on the stakeholder list. This took place on April 21, 2017. The mail-out invited stakeholder comments on the NorSask and Mistik DDS and associated CWRA up to November 3, 2017 (i.e., immediately before the commencement of the field portion of the audit).

However, no stakeholder comments were received prior to the conduct of the audit. As a result, stakeholder input did not have any bearing on the conclusions of the audit team.

See the list of stakeholders invited to participate in the consultation (identified by stakeholder group) in Annex 2 of this report.

## 2. Findings

### *A. Closure of Open Nonconformities from Previous Assessments*

The 2016 NorSask surveillance audit report did not identify any non-conformities with the requirements of the FSC CoC or CW standards. As a result, no follow-up on previous audit findings was required during the 2017 certification audit.

### *B. Findings Identified during this Assessment*

#### **Audit Findings**

No major nonconformities were identified during the assessment.

However, one minor non-conformity was identified at the audit, as follows.

#### **NorSask-2017-FSC-MiNC-01**

The FSC CoC Standard at indicator 1.1(e) requires the organization to maintain up to date records of the documents that are required to demonstrate conformity with all of the applicable requirements of the standard. The Standard is prescriptive and includes a lengthy list of the records required for retention. The NorSask CoC Manual procedures describe the relevant records required by the Standard. However, the following gaps were identified:

- While the Standard requires the retention of complaint-related records, the NorSask CoC Manual complaint procedures do not specify the retention of these records.
- While the CoC Manual includes a procedure for addressing non-conforming product, the procedure does not specify the records required for retention.

In addition, the following two opportunities for improvement were identified during the audit:

#### **NorSask-2017-FSC-OFI-01**

The FSC CW Standard at 1.6 to 1.9 describes the requirements to conduct: (1) an annual review (and if necessary revision) of the DDS, and the conduct of an annual internal audit of the DDS. The DDS is implemented by Mistik Management Ltd. (who are also FSC CoC and CW certified) on behalf of NorSask, and Mistik supplies all of the NorSask CW supply. NorSask has controls in place over the Mistik CW system and the CoC Manual identifies the nature of those controls. However, while the Standard does not require written procedures regarding the annual review and auditing of the DDS, the NorSask CW system and CoC Manual would benefit from documented procedures covering the following topics:

- Indicator 1.6: Involvement in the Mistik DDS annual review, including (if relevant) stakeholder consultation, field verification and control measures.
- Indicator 1.7: Involvement in the Mistik internal audit of the Mistik DDS and NorSask access to the audit results relevant to NorSask.
- Indicator 1.8: Ensuring that the Mistik internal audit is adequately documented including scope, date and auditor identification.

- Indicator 1.9: Ensuring that any findings identified in the Mistik internal audit issues are addressed and that the actions taken are effective in addressing the root cause(s) of these findings.

### **NorSask-2017-FSC-OFI-02**

The CW Standard at indicator 7.1 requires documented procedures for addressing complaints relating to the DDS. The NorSask CoC Manual has a complaint procedure meeting the CoC Standard, and the NorSask CoC Manual also makes it clear that Mistik Management Ltd implements its DDS on behalf of NorSask. However, there is no linkage in the NorSask CoC Manual to the Mistik DDS complaint procedure that is required by the FSC CW standard. Potential procedures might specify how NorSask will involve Mistik if NorSask were to receive a DDS-related complaint. Similarly, it is not clear how NorSask becomes involved in the Mistik DDS-related complaint procedure in the event that Mistik were to receive a DDS-related complaint.

### **Corrective Action Plans**

Written corrective action plans that are designed to address the root causes of all identified nonconformities were developed by NorSask and reviewed and approved by KPMG FCSI. The 2018 NorSask surveillance audit will include an assessment of: (1) the Company's implementation of its corrective action plans, and (2) their effectiveness in addressing the root cause(s) of the applicable audit findings.

## **3. Certification Decision**

The audit found that NorSask Forest Products Inc. has reached the level of conformance required for certification to the FSC-STD-40-004 V3-0 and FSC-STD-40-005 V3-1 standards. This opinion is based on the fact that no major non-conformities were identified during the audit.

As a result, a decision has been reached by the lead auditor to recommend that NorSask Forest Products Inc. be certified to the FSC-STD-40-004 V3-0 and FSC-STD-40-005 V3-1 standards, subject to the conditions described below:

1. Develop and implement a corrective action plan that clearly describes conditions that address each of the minor non-conformances identified above and provide a timeline (12 months or less) for implementation.





## **Annexes**

**Annex 1—List of stakeholders invited to participate in the consultation, summary of stakeholder comments received and how KPMG has taken stakeholder comments into account**

**Annex 2—The Company’s supplier structure**

**Annex 3—Public summary of the Mistik DDS**

## Annex 1

### List of Stakeholders Invited to Participate in the Consultation Process

Stakeholder (Organization Name)	Location (State/Province)
<b>FSC</b>	
FSC Canada	Canada
<b>NGOs</b>	
Canada Parks and Wilderness Society (CPAWS)	Saskatchewan
Greenpeace Canada	Canada
Ducks Unlimited Canada	Saskatchewan
Saskatchewan Environmental Society	Saskatchewan
<b>Provincial/State Government Agencies</b>	
Saskatchewan Ministry of Environment Forest Service	Saskatchewan
Wildlife Management Branch, MOE	Saskatchewan
<b>Municipal/County Government Agencies</b>	
Rural Municipality of Meadow Lake #588	Saskatchewan
Town of St. Walburg	Saskatchewan
Northern Village of Green Lake	Saskatchewan
Village of Loon Lake	Saskatchewan
Northern Hamlet of Dore Lake	Saskatchewan
Rural Municipality of Loon Lake #561	Saskatchewan
City of Meadow Lake	Saskatchewan
City of Prince Albert	Saskatchewan
Chitek Lake	Saskatchewan
Village of Leoville	Saskatchewan
Medstead	Saskatchewan
Big River Municipality	Saskatchewan
Hamlet of Sled Lake	Saskatchewan
Spiritwood	Saskatchewan
Town of La Ronge	Saskatchewan
<b>First Nations / Metis</b>	
Meadow Lake Tribal Council	Saskatchewan
Meadow Lake Metis Local #31	Saskatchewan
Witcheakan Lake First Nation	Saskatchewan
Big River First Nation	Saskatchewan

Lac La Ronge Band Lands & Resource Management Board	Saskatchewan
Canoe Lake First Nation	Saskatchewan
Montreal Lake First Nation and Wahpeton Dakota Nation/Montreal Lake Business Ventures	Saskatchewan
Waterhen Lake Cree Nation	Saskatchewan
<b>Local Public Advisory Groups</b>	
Beauval Co-management Board	Saskatchewan
Canoe Lake Traditional Resource Users Board	Saskatchewan
Divide Forestry Advisory Council Corporation	Saskatchewan
<b>Trade Unions</b>	
Meadow Lake Mechanical Pulp Employees	Saskatchewan
<b>Forest Industry Associations</b>	
Forest Products Association of Canada	Canada
<b>Other Forest Tenure Holders</b>	
Mistik Management Ltd.	Saskatchewan
Sakaw Askiy Management Inc.	Saskatchewan
L&M Wood Products	Saskatchewan
Mistik Board of Directors	Saskatchewan
Carrier Forest Products Ltd.	Saskatchewan
Meadow Lake OSB	Saskatchewan
<b>Other Tenure Holders (Trappers, Guide Outfitters, etc.)</b>	
Saskatchewan Outfitters Association	Saskatchewan
Zone 8 Trappers	Saskatchewan
Timber Trail Snow Riders, Cooperative Ltd.	Saskatchewan
<b>Resource User Groups (Trail Bike Groups, Snowmobile Associations, etc.)</b>	
Saskatchewan Wildlife Federation	Saskatchewan
Northern Lights Snowmobile Association	Saskatchewan

**Summary of Stakeholder Comments and how KPMG has taken Stakeholder Comments into Account**

Stakeholder	Summary of Stakeholder Comments	Summary of how the Stakeholder Comments were taken into Account
NA	No comments received from any of the stakeholders who were invited to participate in the consultation process.	NA as there were no stakeholder comments to take into account in reaching the audit conclusions.

## Annex 2

### Company Supplier Structure

The supplier structure for NorSask Forest Products Inc. in the past year based on a review of the Company's material accounting records and supporting audit evidence is specified in the following table:

Site Name	Number of Suppliers (Exact) and Number of sub-suppliers (approximate or exact) for each participating site	Supplier Type (i.e., primary, secondary)	Average Length of non-FSC-Certified Supply Chain(s)	Risk of Mixing Material with Non-Eligible Inputs (during transport, processing and/or storage)
NorSask Forest Products Sawmill	Suppliers: 1	Primary	3	Low
	Sub-suppliers: 0	N/A	N/A	Low



**Annex 3**  
**Public Summary of the Mistik DDS**



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## **Mistik Management Ltd.’s Forest Stewardship Council (FSC) Controlled Wood Program Public Summary for the FSC Certification of the Mistik Controlled Wood District of Origin and Due Diligence System**

Mistik Management Ltd. (Mistik) is a woodlands management company based out of Meadow Lake, Saskatchewan providing timber procurement and forestry services to NorSask Forest Products Inc. and Meadow Lake Mechanical Pulp Inc. Mistik is dedicated to the sustainable use and stewardship of 1.9 million hectares of boreal forest in northwest Saskatchewan. This due diligence system is designed to demonstrate conformance by both Mistik and NorSask’s wood procurement procedures (NorSask has cited Mistik as its sole provider of material sourcing (see NorSask Chain of Custody Manual). Mistik’s provincially licensed land base has had an approved 20-Year Forest Management Plan since 1997, revised April 1<sup>st</sup>, 2007. By meeting provincial standards and complying with legislation Mistik has reached this shared goal through working with ministry staff and public advisory groups to achieve sustainable forest management standards (SFM). A commitment of our Environmental & Sustainable Forest Management Policy is to continually improve our SFM performance. By initiating a Forest Stewardship Council (FSC) Controlled Wood Program and completing a risk assessment of lands near and

adjacent to our certified land base we are expanding our commitment to procure low environmental risk timber for our mills and their customers.



Mistik supplies wood products to local mills located in Meadow Lake, NorSask is First Nations owned.

Mistik...a meeting place for the people of northwest Saskatchewan... hunters, gatherers, trappers, recreationalists, cultural/traditional use practitioners, forest workers and forest product mills. Our belief is that the boreal forest is a special trust...to be used wisely...for the benefit of many. Mistik's commitment is to plan and practice responsible forestry that maintains the diverse values of the forest, facilitates meaningful interactions among forest users, and encourages forestry-related business opportunities in a cost-effective manner.



Mistik Forestry Tour with Canoe Lake Co-Management Representatives (Cole Bay, SK).

In its role in providing wood procurement and forest management services for NorSask Forest Products Inc. and Meadow Lake Mechanical Pulp Inc., Mistik recognizes the growing demand in the marketplace for third-party verification of well-managed forests. In response to this marketplace demand, Mistik has achieved certification (November 2007) of its Forest Management Agreement (FMA) Area to the Forest Stewardship Council (FSC) Canada's National Boreal Standard (August 2004).

In order to source wood from non-FMA certified lands near the Meadow Lake area and still have the opportunity to produce products with the FSC Mixed product label, Mistik Management Ltd. has undertaken and implemented an FSC Controlled Wood program (FSC-STD-40-005) as well as a FSC Chain of Custody system (FSC-STD-40-004). Mistik has demonstrated that non-FSC certified wood delivered to its parent mills, NorSask Forest Products Inc. and Meadow Lake Mechanical Pulp Inc., has been controlled to avoid controversial sources from FSC’s Controlled Wood Categories (Table 1 below).

Mistik continues to monitor all fiber sources closely through contract set up forms, site visits, documentation checks, stakeholder consultation and field audits of sites and contractors. All products can be traced back to their source through transportation documents which include a unique numbering system which clearly identifies each forest management unit.

**Controlled Wood Risk Assessment-**

Mistik has implemented a risk assessment in accordance with the FSC Controlled Wood categories (Table 1 below).

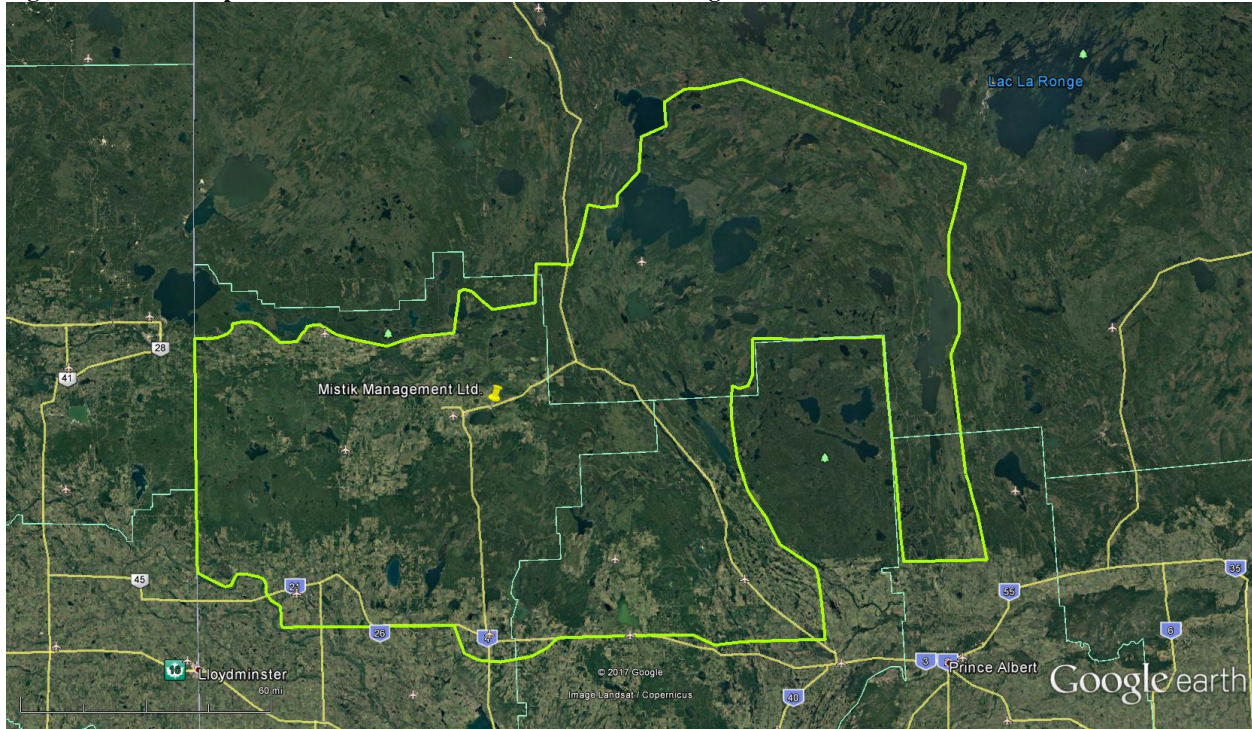
Table 1- FSC Risk Assessment Categories

<b>FSC CONTROLLED WOOD CATEGORIES (5)</b>
<ul style="list-style-type: none"> <li>• <b>ILLEGALLY HARVESTED WOOD</b></li> <li>• <b>WOOD HARVESTED IN VIOLATION OF TRADITIONAL OR HUMAN RIGHTS</b></li> <li>• <b>WOOD HARVESTED FROM FORESTS IN WHICH HIGH CONSERVATION VALUES ARE THREATENED BY MANAGEMENT ACTIVITIES.</b></li> <li>• <b>WOOD HARVESTED FROM AREAS BEING CONVERTED FROM FORESTS AND OTHER WOODED ECOSYSTEMS TO PLANTATIONS OR NON-FOREST USES</b></li> <li>• <b>WOOD FROM FORESTS IN WHICH GENETICALLY MODIFIED (GM) TREES ARE PLANTED</b></li> </ul>

The risk assessment area covers the portion of Saskatchewan highlighted in green (Figure 1) below. The area follows the Alberta/Saskatchewan border from Meadow Lake Provincial Park (Cold Lake) south to the Saskatchewan River then follows the river to just north of the village of Glaslyn then follows the provincial boundary of the commercial forest boundary to near the Nesbit Provincial Forest then north and around Prince Albert National Park and east to Montreal Lake and north to Lac la Ronge and then west to the Dore Lake area and across to an area north of Green Lake and then along the forest boundary and the Meadow Lake Provincial Park to the Alberta border.



**Figure 1 Detailed Map of the Mistik Controlled Wood District of Origin**



**Figure 1 Detailed Map of the Mistik Controlled Wood District of Origin North West/Central Saskatchewan (Lime Green BOUNDARY)**

The controlled wood district of origin is comprised of two World Wildlife Federation (WWF) ecoregions.

The supply area is within the WWF Ecoregions:

1. Mid-Continental Canadian Forest
2. Canadian Aspen Forests and Parkland.



**Figure 2 WWF Wildfinder Map showing locations of the relevant ecoregions within the supply area**

**Controlled Wood Risk Assessment Category Summary-**

Table 2 Controlled Wood Risk Assessment Risk Designations Summary

Category	Risk Designation
1. Illegally Harvested Wood	LOW RISK
2. Wood Harvested in Violation of Traditional or Human Rights	LOW RISK
3. Wood Harvested from Forests in which High Conservation Values are threatened by Management Activities (see below for Specific Risk Control Procedure)	SPECIFIED RISK*
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantation or non-forest uses	LOW RISK
5. Wood from forests in which genetically modified trees are planted.	LOW RISK

Source: Mistik Controlled Wood Risk Assessment 2017-2018

**\*RISK MITIGATION AND CONTROL MEASURES ASSOCIATED WITH SPECIFIED RISK RELATED TO ORIGIN**

In the development of our Controlled Wood Area Risk Assessment it was discovered that specific areas in the District of Origin were deemed to be **Specified Risk**. With this level of risk determined, control measures are required to be implemented to either avoid or mitigate specified or unspecified risk. At the ‘ORIGIN’ level, a plan was developed in distinct geographical areas where the risk was specified.

A Control Measure was developed for accessing wood products near Intact Forest Landscapes (IFL). In order to meet the requirements of the standard these areas have specific requirements on management activities. FSC Canada has issued *Interim Guidance for the Delineation\* Intact Forest Landscapes (IFL) May 25, 2017* to support company implementation of FSC’s Advice Note of the implementation of Motion 65. The Guidance is compatible with FSC International direction for the identification of IFLs.

Delineation refers to the precise demarcation of an IFL, defining it with lines on a map using multiple considerations. Mapping constraints focus on size, shape, proximity to anthropogenic disturbances, open water and non-forest terrestrial communities. IFLs were delineated in the Controlled Wood Area using the FSC direction and application notes.

Definition of Intact Forest Landscapes adopted by FSC is as follows:

**A territory within today's global extent of forest cover which contains forest and non-forest ecosystems minimally influenced by human economic activity, with an area of at least 500 sq. km (50 000 hectares) and a minimal width of 10 km (measured as the diameter of a circle that is entirely within the boundaries of the territory).**

The FSC document *Intact Forest Landscapes (IFL) Technical Working Document Version 1* was used for developing IFLs and IFL core areas and implementing the guidance as laid out in the document. The overall approach taken in the guidance is to carefully identify IFLs as a basis for identifying core areas and incorporating a landscape-context and socio-economic considerations into the development of the core areas for the Controlled Wood Region.

Identification of Core Areas was done through the 7 step process outlined in the Technical Working Document. The 7 steps are as follows:

1. Identify the Reference Area (area where IFLs occur within the area of use or interest)
2. Identify IFLs
3. Identify Baseline Core Sizes
4. Develop Landscape Context
5. Develop Initial Core Size Targets
6. Identify Core Area Locations within IFLs
7. Social Analysis (yet to be defined by FSC)

Associated with IFLs is the concept of High Conservation Values (HCVs) and indicators in which IFLs are contributing elements to the maintenance of HCVs. One of these indicators is “caribou”. For each of the identified IFLs, an associated Interim Caribou Habitat Management Zone-Near Term Deferral proposed by Saskatchewan Ministry of Environment has been identified within a portion of the IFL.

This control measure will be verified by annual harvest block summaries, accounting/delivery slip information and associated maps to demonstrate that the IFL Core Area has not been impacted by harvesting or other management activities. The IFLs are all contained within approved forest management plan areas and are highly traceable to the source. These measures are meant to ensure that the IFL Core Areas are maintained over time and HCVs are not threatened (see below for conclusions).

**PRINCE ALBERT PARK IFL** – identified as being **SOMEWHAT SECURE** and the total IFL area in the Assessment area is **LOW**.

Overall Area:	187 349 ha
Baseline Core Area 70%:	131 144 ha
20% < Baseline:	26 229 ha
<b>ADJUSTED CORE SIZE TARGET:</b>	<b>157 373 HA</b>

**The portion of the IFL being in the assessment area is 32 704.7 ha so it does not meet the minimum requirement of being at least 50 000 ha.**

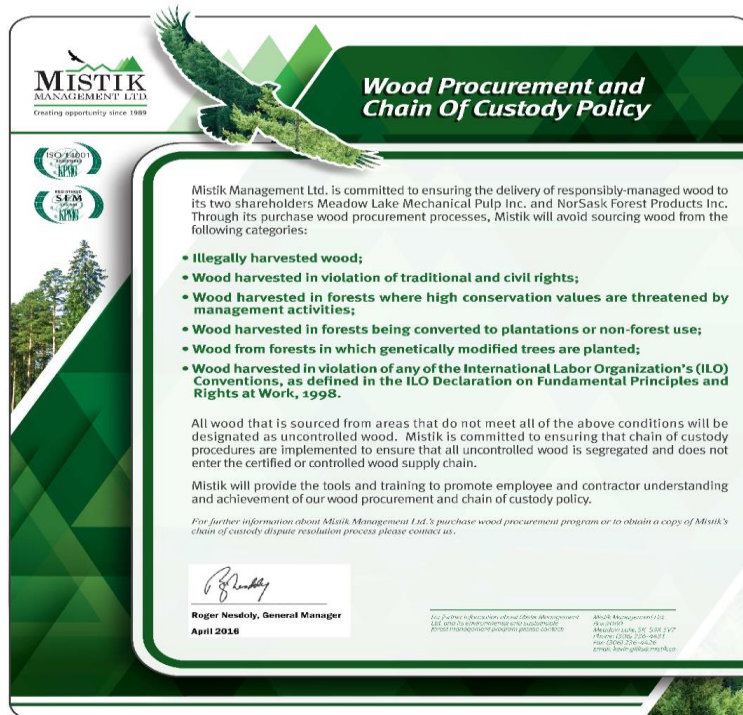
**DORE SMOOTHSTONE IFL** – identified as being **SOMEWHAT SECURE** and the total IFL area in the Assessment area is **LOW**.

Overall Area:	236 109 ha
Baseline Core Area 65%:	153 471 ha
20% < Baseline:	30 694 ha
<b>ADJUSTED CORE SIZE TARGET:</b>	<b>184 165 HA</b>

Listed below is Mistik’s delivery procedures and relevant due diligence system requirements and is a standard operating procedure for all aspects of log delivery to both mill facilities. Mistik has implemented a FSC Chain of Custody system to verify the origin of all wood products (logs) being delivered to our mills. The FSC Controlled Wood standard is not quite as stringent as FSC certified wood. FSC certified wood meets all the requirements of the FSC Principles and Criteria while FSC controlled wood avoids sources from the 5 categories listed above in Table 1.

Mistik has developed a publicly available policy (Table 3 below) which commits to implementation of the controlled wood standard to avoid trading and sourcing wood or wood fiber from the above categories.

Table 3- Mistik Wood Procurement and Chain of Custody Policy



Mistik has also developed its own chain of custody standard operating procedure. This procedure describes the process that ensures FSC-certified wood (originating from the Mistik FMA area), FSC-controlled wood and uncontrolled wood is uniquely identified and tracked through the delivery process from ‘stump to mill yard’. This procedure addresses the requirements of the FSC-STD-40-005 Standard

for Company Evaluation of FSC Controlled Wood. It also applies to Mistik-related employees and contractors who are responsible for the harvesting and delivery of wood from the point of harvest to point of delivery at the mill yard.



**Logs being delivered to mill yard through Controlled Wood/Chain of Custody System.**

If there is any doubt that a source is low risk (specified or other), Mistik Management Ltd. will complete an on site verification to ensure that the source complies with the requirements as specified in FSC-STD-40-005 Annex 3. This verification shall be documented on a *Purchase Wood Setup Form* and filed for auditing purposes.

In order to ensure that Mistik complies with applicable legislation regarding endangered species, an up to date list of harvested tree species is included in the Chain of Custody Standard Operating Procedure. The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) Appendices I to III are formally consulted annually by Mistik's EMS SFM Committee to ensure that any changes are documented and up to date.

## Chain of Custody Standard Operating Procedure:

### **PURPOSE**

This procedure describes the process that ensures FSC-certified wood (originating from the Mistik FMA area), FSC-controlled wood and uncontrolled wood is uniquely identified and tracked through the delivery process from 'stump to mill yard'. This procedure addresses the requirements of the FSC-STD-40-005 Requirements for Sourcing FSC Controlled Wood and will act as Mistik's due diligence system (DDS) in regards to materials sold with the FSC Controlled Wood claim.

### **SCOPE**

This procedure applies to Mistik-related employees and contractors who are responsible for the harvesting and delivery of wood from the point of harvest to point of delivery at the mill yard. **Mistik Management Ltd. does not use or include any reclaimed materials in any of its product groups or product types. This Chain of Custody system does not include any reclaimed material.**

### **DEFINITIONS**

#### **Chain of Custody**

- The process of tracking wood fiber and forest products from the point of origin, through all phases of ownership, transportation and transformation to the end customer.

#### **Due Diligence System**

- A system of measures and procedures to minimize the risk of sourcing materials from unacceptable sources.

#### **FSC-certified wood**

- Wood delivered from the Mistik FMA area registered to the FSC Boreal Standard for Canada.
- All wood sourced from the Mistik FMA area is considered 'FSC-certified wood'.

#### **FSC-controlled wood**

- Virgin material originating in non-certified forests or plantations supplied with an FSC claim by a supplier which has been assessed by an FSC-accredited certification body for conformity with FSC Chain of CUSTODY and/or Requirements for Sourcing FSC Controlled Wood (FSC-STD-40-005).
- Wood fiber that is sourced from a variety of dispositions including Crown, Reserve lands and Private purchase wood areas. This area shall be referred to as Mistik Management Ltd. Controlled Wood Region, FSC-controlled wood is not sourced from the Mistik FMA and does not include wood sourced from:
  - a) Illegally harvested areas;
  - b) Areas harvested in violation of traditional or civil rights;
  - c) High conservation value areas that are threatened by harvest activities;
  - d) Areas being converted to plantations or non-forest use;
  - e) Areas in which genetically modified trees are planted.

#### **FSC-100%**

- FSC-certified virgin material originating in FSC-certified forests or plantations that has not been mixed with material of another material category throughout the supply chain.

#### **Uncontrolled wood**

- Wood fiber that is sourced from a variety of dispositions including Crown, Reserve lands and Private purchase wood areas. Uncontrolled wood is not sourced from the Mistik FMA area and may include wood sourced from:
  - a) Illegally harvested areas;

- b) Areas harvested in violation of traditional or civil rights;
- c) High conservation value areas that are threatened by harvest activities;
- d) Areas being converted to plantations or non-forest use;
- e) Areas in which genetically modified trees are planted.

**FSC-product group system**

- The **transfer system** is used for all products/activities.
- This includes 'FSC-certified wood' and also 'FSC-controlled wood'.
- Mistik Management Ltd. **does not label any products**.

**POLICY**

Mistik shall establish procedures that shall be reviewed annually and, if required, updated to accurately reflect responsibilities associated with the wood fiber chain of custody. The certification coordinator shall serve as the representative responsible for the organization's compliance with all applicable requirements of all chain of custody standards. Mistik's 'Wood Procurement and Chain of Custody Policy' is publicly available on the Mistik Management Ltd. webpage under the heading Forest Certification <http://www.mistik.ca/wp-content/uploads/2015/12/wood-procurement-policy-2016.pdf>

**PROCEDURE**

Responsibility	Task
Certification Coordinator	<ol style="list-style-type: none"> <li>1. On an annual basis (by April 15), schedule a meeting of Mistik's EMS SFM Committee to review, and update if necessary, the following operational control procedures.</li> <li>2. Ensure that Operations Manager, Forestry Supervisors, and Scaling Coordinator are trained and aware of the requirements of this procedure including the Purchase Wood Set Up Form and the Log Haul Policy and Procedures Manual.</li> <li>3. Ensure that all supplies of wood do not include species listed in ANNEX 1, 2 or 3 of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) through the maintenance of legislative updates and through a review process during Mistik's Annual EMS Document Review. <a href="http://www.sararegistry.gc.ca/default.asp?lang=En&amp;n=24F7211B-1">http://www.sararegistry.gc.ca/default.asp?lang=En&amp;n=24F7211B-1</a></li> <li>4. Ensure that the certification body (KPMG) and Accreditation Services International are granted access to evidence of conformity with requirements of the applicable standards.</li> <li>5. Ensure that an internal audit of the DDS occurs annually.</li> <li>6. Ensure that all deficiencies from the DDS internal audit are corrected within 12 months of their detection.</li> </ol>
Haul Section (multiple staff)	<ol style="list-style-type: none"> <li>7. Ensure that all truck drivers receive startup orientation and are trained and aware of the requirements of this procedure and the Log Haul Policy and Procedures Manual.</li> </ol>

**A. FSC-certified wood (Mistik FMA area only)**

Operations Manager / Forestry Supervisor	<ol style="list-style-type: none"> <li>8. Prior to haul, a haul set up sheet must be handed in to the Scaling Coordinator.</li> <li>9. As part of the DDS, update the Mistik Suppliers list annually, and when any new supplier is added to the system, to ensure that the list is up to date. The information will be forwarded to the Scaling Coordinator for entry into the system.</li> </ol>
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Scaling Coordinator	10. Haul set up is entered into the scale house computer for accurate weigh in of log trucks.
Uploader Operator	11. All information is collected and recorded on a load slip either printed by the loader computer or manually filled out on a load slip booklet form. This includes management unit #, operating area #, block number, hardwood or softwood, product type (cut to length with specified length or treelength), loader number, truck number, date, time of day, destination, chain of custody type (FSC-100%, FSC-Controlled and Uncontrolled) and FSC chain of custody/controlled wood certificate #.
Log Truck Driver	12. The load slip must be maintained on the truck at all times during transport of the logs to mill yard. 13. Load slip data must be delivered at the time of 'weighing in'. Data can be transferred via scanned barcode or manually entered by the truck driver. When the driver 'weighs out' a weigh scale ticket is printed (with a unique weigh scale ticket #). The driver is to attach the load slip to the ticket and leave both load slip and ticket at the weigh scale.
Scaling Coordinator	14. All load slips are obtained from the weigh scales. Accuracy is checked by running queries and manually checking the weigh scale tickets. They are then double checked for accuracy by reviewing a query (see below) which summarizes a specific haul with all pertinent information.
Operations Manager / Forestry Supervisor	15. Review the haul query and initial/approve or inform Scaling Coordinator of possible discrepancies.
Scaling Coordinator	16. All approved weigh scale tickets and queries are to be filed. NorSask Forest Products and Meadow Lake Mechanical Pulp Inc. are to receive a Daily Summary report summarizing all loads that entered the mill yard in a 24 hour period (between 7:00:00 am and 6:59:59 am). All wood entering the mill yards is tracked and a report is produced monthly. Haul summary reports for any period (weekly, monthly, etc.) will be produced as needed for the mills. 17. As part of the DDS, the suppliers list shall be updated and maintained with direction from the Operation Manager.
General Manager	18. A document called Delivery by Source Summary will be created which documents all deliveries to the mills scales for each operating year.
Certification Coordinator	19. Will meet with mill representatives responsible for chain of custody in the log yard annually to ensure alignment, make improvements and resolve concerns as appropriate.

**B. FSC-controlled wood (non-Mistik FMA area)**

Operations Manager /Planning-Forestry Supervisor	20. Document all required information in the Purchase Wood Setup Form for each individual purchase wood area. This information shall serve as a risk assessment in determining the risk level associated with the land in question. This information will be made publicly available upon request. 21. Make a determination, based on the risk assessment documentation, as to whether the wood, from a particular area, should be designated as FSC-controlled or as uncontrolled wood.
Administrative Assistant	22. Conduct land title searches for all private land owners. 23. Verify that purchase wood areas are located on lands that are lawfully owned. 24. Prepare a Purchase Wood Agreement for signing with the landowner that includes the name and address of the supplier and the description of the wood supplied.
Operations Manager /Planning-Forestry	25. Prior to haul, a haul set up sheet must be handed in to the Scaling Coordinator.



Supervisor	
Scaling Coordinator	26. Haul set up is entered into the scale house computer for accurate weigh in of log trucks.
Uploader Operator	27. All information is collected and recorded on a load slip either printed by the loader computer or manually filled out on a load slip booklet form. This includes management unit number, operating area number, block number, hardwood or softwood, product type (cut to length with specified length or treelength), loader number, truck number, date, time of day, destination, chain of custody type (FSC-controlled) and FSC chain of custody/controlled wood certificate #.
Log Truck Driver	28. Load slip data must be delivered at the time of 'weighing in'. Data can be transferred via scanned barcode or manually entered by the truck driver. When the driver 'weighs out' a weigh scale ticket is printed out (with a unique weigh scale ticket number). The driver is to attach the load slip to the ticket and leave at the weigh scale.
Scaling Coordinator	29. All load slips are obtained from the weigh scales. Accuracy is checked by running queries and manually checking the weigh scale tickets. They are then double checked for accuracy by printing out a simple query which summarizes a specific haul with all pertinent information.
Operations Manager / Forestry Supervisor	30. Review the haul query and initial approval or inform Scaling Coordinator of possible discrepancies.
Scaling Coordinator	31. All approved weigh scale tickets and queries are to be filed. NorSask Forest Products and Meadow Lake Mechanical Pulp Inc. are to receive a Daily Summary report summarizing all loads that entered the mill yard in a 24 hour period (between 7:00:00 am and 6:59:59 am). All wood entering the mill yards is tracked and a woodflow report is produced every two weeks (claim period). Haul summary reports for any period (weekly, monthly, etc.) will be produced as needed for the mills.
Administration Manager	32. All invoices with FSC claims issued by Mistik Management Ltd. will include the following information: Mistik's name and address, name and address of customer (usually NorSask/MLMP), date when the document was issued, description of product, quantity of products sold, Mistik Management Ltd.'s FSC Chain of Custody or FSC Controlled Wood code, clear indication of the <b>FSC claim</b> for each product item or the total products ( <b>FSC 100% or FSC Controlled Wood</b> ). Mistik's accounting system will also be able to link the invoice to any related transportation documents from the claim period (or periods) included in the invoice.
General Manager	33. A document called Delivery by Source Summary will be created which documents all deliveries to the mills scales for each operating year.
Certification Coordinator	34. Will meet with mill representatives responsible for chain of custody in the log yard annually to ensure alignment, make improvements and resolve concerns as appropriate.

**SPECIAL NOTES**

- MISTIK DOES NOT 'OUTSOURCE' ANY OF ITS ACTIVITIES.
- MISTIK DOES NOT MAKE USE OF ANY 'MINOR PRODUCTS'.
- MISTIK DOES NOT UTILIZE ANY 'MINOR COMPONENTS' IN THE DELIVERY OF ITS PRODUCTS.

**COMPANY VERIFICATION/AUDIT PROGRAM**

To ensure that the company is in compliance with all requirements of the FSC Controlled Wood program a system of verification will be used to meet each of the 5 categories that cannot be considered low risk (see definitions above). The audit program is based on Annex 3: Requirements for company verification program in FSC-STD-40-005. The audit will be conducted by the Certification Coordinator annually. The samples shall be defined randomly.

The risk assessment shall be reviewed annually during the Mistik Management Ltd. Annual EMS Document Review (annual spring session). In the event that frequent non-compliances with FSC Controlled Wood requirements in areas that were deemed to be low risk occur then the risk assessment will be reviewed by the Mistik EMS committee soon after discovery of the non-compliances.

**CHAIN OF CUSTODY SCOPE TABLE**

<b>Product Grp.</b>	<b>Product Types/Input</b>	<b>Control System</b>	<b>Species</b>
FSC 100%	Logs: Hardwood Pulp Logs: Softwood Pulp Logs: Softwood Studs	Transfer System	Balsam fir/ <i>Abies balsamea</i> Balsam poplar/ <i>Populus balsamifera</i> Black spruce/ <i>Picea mariana</i> Jack pine/ <i>Pinus banksiana</i> Trembling aspen/ <i>Pop. tremuloides</i> White spruce/ <i>Picea glauca</i> *Tamarack/ <i>Larix laricina</i> *White birch/ <i>Betula papyrifera</i> *species not part of normal deliveries, special delivery only
FSC Controlled Wood	Logs: Hardwood Pulp Logs: Softwood Pulp Logs: Softwood Studs	Transfer System	Balsam fir/ <i>Abies balsamea</i> Balsam poplar/ <i>Populus balsamifera</i> Black spruce/ <i>Picea mariana</i> Jack pine/ <i>Pinus banksiana</i> Trembling aspen/ <i>Pop. tremuloides</i> White spruce/ <i>Picea glauca</i> *Tamarack/ <i>Larix laricina</i> *White birch/ <i>Betula papyrifera</i> *species not part of normal deliveries, special delivery only

**(THIS STANDARD OPERATING PROCEDURE INCLUDING THE PRODUCT GROUPS, TYPES AND SPECIES LIST ABOVE ARE PUBLICLY AVAILABLE ON THE MISTIK WEBSITE)**

**COMPLAINT AND DISPUTE RESOLUTION POLICY AND PROCEDURE**

**DEFINITIONS**

**Complainant** – any internal (staff) or external party making a chain of custody complaint or dispute known to Mistik in writing.

**Complaint or dispute** – a forestry-related issue, brought to the attention of Mistik by a member of the public, which is of sufficient significance as to warrant a special effort by Mistik staff to resolve.

**Chain of custody complaint or dispute** – an issue related to the classification of FSC controlled wood. Mistik shall establish procedures that shall be reviewed annually and, if required, updated so that a forestry-related complaint or dispute brought to Mistik by internal or external parties can be evaluated and addressed in a timely manner. Mistik shall inform the public of the existence of its dispute resolution process and shall make available to the public a copy of its complaint and dispute resolution procedures. Where the communication with Mistik staff has not resulted in a resolution of the complaint or dispute, the aggrieved parties shall have opportunity to present their case to a Board of Arbitration. The Board of Arbitration will strive to achieve conciliation between the parties. A personal, business or legal dispute requiring confidentiality will be not considered under this dispute resolution mechanism.

**PROCEDURE**

<b>Responsibility</b>	<b>Task</b>
Certification Coordinator	1. On an annual basis (by April 15), schedule a meeting of Mistik’s EMS SFM Committee to review, and update if necessary, the following complaints and dispute resolution procedures.

**Chain of custody complaints** (specifically related to supplies of controlled wood)

<b>Responsibility</b>	<b>Task</b>
Complainant	1. Make a chain of custody complaint or dispute known to Mistik in writing.
Mistik staff member	2. Complaint will be acknowledged within 2 weeks of receipt of the written complaint. 3. Complaint details will be forwarded to the certification body and FSC Canada within 2 weeks of receipt of the written complaint. 4. Document the details of the chain of custody complaint on a Mistik Stakeholder Discussion Form. 5. Forward a copy of the complaint documented on the Stakeholder Discussion Form to the Operations Manager and to the Office Administrator for central filing. 6. Notification will be made to the complainant, regarding the status of the complaint on a regular basis by the Operations Manager.
Operations Manager General Manager	7. Within two months of receipt of the complaint, review all sources of information relevant to the complaint. Review Mistik’s original documentation related to the chain of custody determination. Based on all the evidence, make a new chain of custody determination that will either validate the complainant’s evidence or validate Mistik’s original chain of custody evidence. Forward a letter to the complainant and the Office Administrator with a summary of the outcome of the chain of custody review process. 8. If a nonconformance of Mistik’s chain of custody procedure is found, create a corrective action report. Ensure that the supplier is excluded from Mistik’s FSC controlled wood category. The supplier shall not be designated as a FSC controlled wood source until such time as Mistik’s Operations Manager formally reviews the source area again and determines the appropriate chain of custody classification. 9. When resolution of the complaint has been achieved, the certification body and FSC Canada will be notified within 2 weeks.
Office Administrator	10. File all chain of custody determination decisions made in response to complaints by source, year and supplier.
Office Administrator Certification Coordinator	11. On an annual basis (by April 15), forward a listing of all controlled wood classification nonconformances to FSC Canada and KPMG.