



## Mistik Management Ltd. 2020 CSA Z809-16 Surveillance Audit

Between October 26th and 30th, 2020 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out a surveillance audit of the Mistik Management Ltd. (Mistik) and L&M Wood Products 2018 Limited Partnership (L&M) Defined Forest Areas (DFAs) against the requirements of the CSA Z809-16 Sustainable Forest Management (SFM) standard. To provide for a more efficient audit, an FSC® forest management surveillance audit was conducted at the same time. This Forest Certification Report provides an overview of the CSA Z809-16 audit process and KPMG's findings.

### Description of Mistik's and L&M's Woodlands Operations

The combined Mistik and L&M CSA Z809 certification applies to the DFAs of both companies, which comprise the Mistik and L&M Forest Management Agreement (FMA) areas. The majority of the 1.9 million hectare CSA Z809-certified landbase is north-west of the community of Meadow Lake, Saskatchewan, with a smaller portion of the certified area being south of Meadow Lake. The current CSA Z809-16 certificate was issued on September 14, 2018 and expires on September 13, 2021.

Mistik Management Ltd. is a forest management company that is jointly owned by Meadow Lake Mechanical Pulp Inc. and NorSask Forest Products Inc. The Company was created for the purpose of managing the Mistik FMA area for the two mills. L&M, which was recently acquired by the Meadow Lake Tribal Council, operates a sawmill, post mill, and pressure treating plant in Glaslyn, Saskatchewan. Mistik staff have the responsibility for forestry planning and operational activities on the L&M FMA, which lies to the south of the Mistik FMA. Both FMAs are managed in conformance with the Mistik environmental management system (EMS)/sustainable forest management (SFM) system.

The Mistik and L&M FMAs are also certified to the FSC (Forest Stewardship Council®) National Boreal Standard. The results of the annual Mistik and L&M FSC audit are reported separately.

### Forest Management Context

The combined Mistik and L&M FMA areas are located entirely within the boreal forest, and include a mosaic of deciduous and coniferous forest, open and treed fens, bogs and water in northwest Saskatchewan. They occur within the Boreal Plains Ecozone, and are almost entirely within the Mid-Boreal Upland Ecoregion although a small portion of the FMA occurs within the Boreal Transition Ecoregion (Beaver and Waterhen management units).

The Mistik and L&M FMA areas are part of a fire-dominated ecosystem. Forest fires occur frequently in this area, and often grow to considerable size. The fire return period for the FMAs is approximately 45 years, resulting in relatively little old and very old forest (approximately 5-15% depending on the cover type), often present in small patches. Although the area burned by forest fire fluctuates from year to year, on average the area burned is approximately 3-4 times the area that is harvested each year.

Where possible, Mistik plans harvesting areas as disturbance events using a single pass system. Employing a diversity of cutblock sizes and shapes, Mistik maintains a proportion of overstory structure and immature trees within harvested areas in an attempt to emulate the natural disturbance patterns imposed on the landscape by forest fires.

The Mistik and L&M FMA areas are managed under a recently approved 2019 Forest Management Plan (FMP). The approved Mistik FMA Harvest Volume Schedule



## Findings: 2020 Mistik CSA Z809-16 Surveillance Audit

(HVS) comprising softwood sawlog, softwood pulp and hardwood volumes is 1,612,669 m<sup>3</sup>/year, while the approved HVS for the L&M FMA is 136,232 m<sup>3</sup>/year. These volumes represent a modest increase over the HVS that was approved under the previous Mistik and L&M FMPs.

Due to the current reduced demand for logs from the Mistik FMA by Meadow Lake Mechanical Pulp Inc. and NorSask Forest Products Inc., Mistik continues to concentrate its operations in the southern two-thirds of the FMA area, although it is working towards re-establishing a harvesting presence in the northern third of the FMA. As Mistik continues to apply a self-imposed AAC reduction that reflects the current reduced scope of its operations, the fact that the Company has yet to re-establish operations in the north is unlikely to have any long-term impact on Mistik’s ability to meet the targets included in the 2019 FMP.

### Audit Scope

The 2020 audit included a limited scope assessment against selected requirements of the CSA Z809-16 standard. The following CSA Z809 requirements were assessed during the audit:

- Public participation;
- Maintenance of the SFM plan;
- Monitoring of SFM performance, and;
- Implementation of various management system components (e.g., including rights & regulations, DFA-specific performance requirements, operational controls, monitoring and inspections, corrective & preventive actions, internal audits, management review) that are required under the CSA Z809 standard.

### The Audit

- **Audit Team** – The audit was conducted by Dave Bebb, RPF, EP(EMSLA), Orrin Quinn, RPF, Branden Beatty, RPBio, EP(EMSLA) and Yurgen Menninga, RPF, EP (EMSLA). All members of the audit team are KPMG employees and have conducted numerous audits to a variety of standards including ISO 14001, CSA Z809, SFI and FSC.
- **CSA Z809 Surveillance Audit** – In consideration of the COVID-19 travel and social distancing restrictions that were in place at the time of the 2020 CSA Z809 surveillance audit, it was mutually agreed by KPMG PRI and Mistik to conduct the audit using remote auditing techniques that are consistent with the requirements of IAF MD-4:2018. The audit involved the assessment of selected elements of Mistik’s and L&M’s sustainable forest management (SFM) system, and included the remote review of records for a total of 16 roads, 16 harvest blocks and 5 silviculture sites to evaluate the extent to which the Mistik and L&M forest management plans and practices continue to conform to the requirements of the CSA Z809 standard. Although it was not possible to physically visit the field sites included in the audit sample, recent drone footage for some of these sites was reviewed by members of the audit team. In addition, telephone interviews (using Microsoft Teams and/or Skype for Business) were conducted with a sample (>20 people) of Mistik staff, logging contractor employees, Public Advisory Group (PAG) members, representatives of local Indigenous communities and other external stakeholders to evaluate Mistik’s conformance with CSA Z809 requirements. The CSA Z809 portion of the 2020 audit took approximately 7.5 days to complete, 5 of which were comprised of an enhanced off-site document review and telephone interviews with selected staff and external stakeholders. The balance of audit time was spent preparing the audit plan, completing various audit checklists and preparing the main and public summary audit reports.

### 2020 Mistik Management Ltd. CSA Z809 Audit Findings

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

#### 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.

- **Mistik DFA SFM / EMS Representative** – Mr. Kevin Gillis, RPF, served as the SFM system/EMS representative during the audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system on the Mistik and L&M DFAs to:

- Determine its conformance with the requirements of CSA Z809-16;
- Evaluate the ability of the system to ensure that Mistik Management Ltd. and L&M Wood Products Ltd. meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Mistik Management Ltd. L&M Wood Products Ltd meet their specified objectives, and;
- Where applicable, identify opportunities for improvement.

These objectives were met.

### Good Practices

During the course of the audit a number of good practices were identified, including:

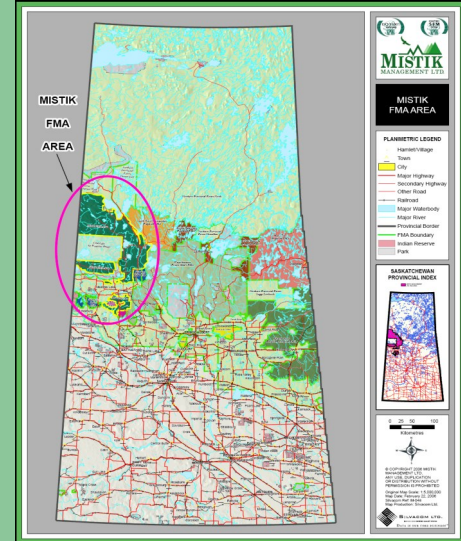
- CSA Z809-16 Element 7.4.3: Interviews with Mistik planning staff and a sample of external stakeholders and review of recent stakeholder consultation records found that Mistik continues to devote considerable effort to community engagement, notwithstanding the challenges posed by the current COVID-19 epidemic.
- CSA Z809-16 Element 7.4.3: Effort has been taken by Mistik to include traditional Cree and Dene names for species at risk in both the HCV Assessment document and species at risk program information. This work will be completed by March 31, 2021.
- CSA Z809-16 Element 7.5.1: Review of the comments section of the May 2020 Mistik FMP annual report found that it provides a helpful discussion to explain those situations where the 2007 FMP targets were not met and what (if anything) Mistik is doing to address this.

### Follow-up on Findings from Previous Audits

At the time of this assessment there was a total of 1 open minor non-conformity (**Mistik-CSA Z809-NC-2019-01**) which related to missing harvest block inspection reports for 2 recent L&M harvest blocks that were included in the 2019 audit sample and an additional 3 L&M harvest blocks (which weren't visited during the 2019 audit) where the required harvest block inspections were also found to be missing from the applicable block files. Review of the evidence regarding action plan implementation provided by Mistik confirmed that the missing harvest block inspections have now been completed. In addition, review of the inspection records for the 2020 audit sample of active and recently completed blocks did not identify any instances of missing harvest block inspection reports. **NC closed.**

The 2020 audit also included a review of the status of the 3 open opportunities for improvement from the 2019 audit. The current status of these findings is as follows:

- **Mistik-CSA Z809-OFI-2019-01** (outdated references to the VOITs (Values, Objectives, Indicators and Targets) from the 2007 FMP included in the Mistik SFM Plan Guidance Document and the presence of an outdated (May 2005) version of the SFM Plan on the Mistik website): Review of the Mistik website during the 2020 audit found that the outdated CSA Z809 SFM plan has now been removed from the website. In addition, the Mistik CSA Z809 SFM Plan Guidance Document (which is posted to the Mistik website) was updated on October 1, 2020. The revised document now



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identifies all of the Mistik documents/procedures that the Company relies on to address the requirements of CSA Z809-16, and also includes an updated table of VOITs that shows which 2019 FMP indicators (including a number of supplemental CSA Z809 indicators) address the performance requirements of CSA Z809-16. **OFI closed.**

- **Mistik-CSA Z809-OFI-2019-02** (isolated examples of concentrated rutting on blocks included in the 2019 audit sample that could potentially have been avoided if the contractors involved had either shut down operations earlier or moved their equipment to drier ground): Due to COVID-19 travel restrictions at the time of the 2020 it was not possible to physically inspect any active or recently completed harvest blocks. However, the records for a sample of sites were reviewed which in some cases included recent drone footage. Interviews with Mistik staff found that the spring 2020 contractor training program included a discussion regarding rutting, and the presentation used had been updated to address this audit finding. However, Mistik once again experienced a very wet summer in 2020. Although the number of soil disturbance issues identified through harvest inspections appear to have improved since last year, there was 1 recent rutting incident on a harvest block that is currently under investigation by Saskatchewan MoE. **OFI remains open.**
- **Mistik-CSA Z809-OFI-2019-01** (isolated weaknesses in the implementation of Mistik’s SOPs (standard operating procedures) including a few incomplete spill kits, one TDG (transportation of dangerous goods) label that was not visible from outside of the vehicle, a few bunches of logs on one block that had not been skidded and areas of inadequate piling/scattering of logging debris that limited the plantability of portions of 2 blocks): Interviews with a sample of Mistik staff and contractors during the 2020 found that the issue regarding incomplete spill kits had been discussed with contractors and employees and was also covered in the 2020 contractor training program. Mistik is also now on an experimental basis using drones to check blocks for missed bunches, riparian issues, etc. In addition, review of the records for a sample of active and recently completed harvest blocks and interviews with Mistik staff did not identify any recurrence of the issues that gave rise to this finding. **OFI closed.**



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### Areas of Nonconformance

The 2020 audit did not identify any areas of non-conformance with the requirements of the CSA Z809-16 standard.

### Opportunities for Improvement

The 2020 audit did not identify any opportunities for improvement in relation to the requirements of the CSA Z809-16 standard.

### Audit Conclusions

The audit found that the Mistik’s SFM system:

- Was in conformance with the CSA Z809 requirements included within the scope of the audit;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included in the SFM Plan, provided that the system continues to be implemented and maintained as required.

In addition, the audit found that the scope of Mistik’s certification to the CSA Z809 standard is appropriate.

As a result, a decision has been reached that Mistik continue to be certified to the CSA Z809-16 standard.

### Corrective Action Plans

The audit did not identify any non-conformities with the requirements of the CSA Z809-16 standard. As a result, formal corrective action plans are not required.

### Focus Areas for the Next Audit

The following issues/topics have been identified as focus areas for the next audit:

- Implementation and effectiveness of the action plans developed by Mistik and L&M to address the open findings from the 2020 and previous external audits.
- The effectiveness of equipment operator training on the SOPs that apply to them.
- As the 2020 audit was conducted remotely due to Covid-19, the 2021 audit will include an increased focus on field inspections.

### Timing of the Next Audit

The current Mistik CSA Z809-16 certificate expires on September 13, 2021. As a result, it will be necessary to conduct a full-scope CSA Z809-16 re-certification in summer 2021.



Due to COVID-19 travel and social distancing constraints, the 2020 audit was based on a remote assessment of selected elements of Mistik's and L&M's sustainable forest management (SFM) system. As part of this process, the audit team reviewed the records for a sample of 16 roads, 16 harvest blocks and 5 silviculture sites to evaluate the extent to which the Mistik and L&M forest management plans and practices continue to conform to the requirements of the CSA Z809 standard. This audit work was supplemented by telephone interviews with a sample of Mistik staff as well as review of recent drone footage for some of the sites included in the 2020 audit sample.