



Millar Western Forest Products Ltd. – Whitecourt & Boyle Woodlands – November 2014

On July 21-23 and November 24-28, 2014, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-registration audit of Millar Western Forest Products Ltd. (Millar Western) Whitecourt Woodlands and Boyle Woodlands operations against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard, in conjunction with a re-registration audit against the requirements of the ISO 14001:2004 standard. This Summary Report provides an overview of the process and KPMG’s findings.

Description of Millar Western Forest Products Ltd. Whitecourt and Boyle Woodlands Operations

Millar Western woodlands operations encompass an approximate area of 960,000 hectares of boreal forest located in the company’s Forest Management Agreement (FMA) 9700034 as well as in conifer and deciduous quota areas on other FMAs in the region. A small amount of timber, approximately 2%, is purchased from timber salvage and private land holders.

The timber harvested is used by the Millar Western Whitecourt, Fox Creek and Boyle sawmills and the Millar Western Whitecourt Pulp Operations located in Whitecourt, Alberta.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard, and incorporated an assessment against all SFI program objectives as noted under “Evidence of Conformity with SFI 2010-2014” below. An ISO 14001 woodlands audit occurred in conjunctions with the SFI audit.

Scope of Certification

Forestry and logging (including planning, roads, harvesting, and silviculture) under Millar Western Forest Products Ltd.’s Crown Forest Dispositions as well as fibre sourcing for the Whitecourt, Fox Creek and Boyle Sawmills and the Whitecourt Pulp Mill.

The Audit

- **Audit Team** – The re-registration audit was conducted by Yurgen Menninga, RPF, EP(EMSLA) as lead auditor, and Neil MacEachern, RPF as an audit team member. Both Yurgen and Neil are KPMG PRI staff members, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **SFI 2010-2014 & ISO 14001 Audit** – The audit involved an off-site document review as well as on-site assessment of the Company’s environmental management system (EMS) and SFI program, and included four field days visiting field sites that were active as well as completed, to evaluate conformance with the requirements of the current ISO 14001 and SFI standards. Field visits were made



to both the Whitecourt and Boyle woodlands divisions during the course of the audit (both summer and winter). Annual ISO 14001 and SFI surveillance audits are conducted by the audit team to ensure that SFI requirements continue to be met.

- *SFI Program Representative* – Allen Mottet, RPF served as Millar Western’s SFI program representative during the audit.
- *Audit Sample* – The audit involved document review, interviews and inspection of 19 roads, 21 harvesting sites, and 12 regeneration areas, and 2 camps.

Use of Substitute Indicators

No substitute indicators were used during the audit.

Audit Objectives

The objectives of the 2014 SFI and ISO 14001 re-registration audits were to:

- Evaluate the progress of Millar Western’s woodlands operations towards implementing the corrective actions developed to address the findings of the previous audits.
- Assess the extent to which the Operation’s EMS, forest management plans and practices conform to the requirements of ISO 14001:2004 and the 2010-2014 version of the SFI standard.

Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in the following table:

SFI Objective #	Key Evidence of Conformity
1. Forest Management Planning	Sustainable Forest Management (SFM) Plan, Detailed Forest Management Plans (DFMPs), Annual Operating Plans (AOPs), Operating Ground Rules (OGR), Environmental Management System (EMS) (inspection records), blocks field reviewed, Final Harvest Plans, ArcGIS, Interviews with key personnel.
2. Forest Productivity	SFM Plan, DFMP, Ground Rules and Amendments, EMS, inspections, various Standard Operating Procedures (SOPs), Interviews.

**Millar Western Forest Products Ltd.
2014 SFI Audit Findings**

New major non-conformities	0
New minor non-conformities	2
New opportunities for improvement	3

Types of audit findings

Major non-conformities:

Are pervasive or critical to the achievement of the SFM Objectives.

Minor non-conformities:

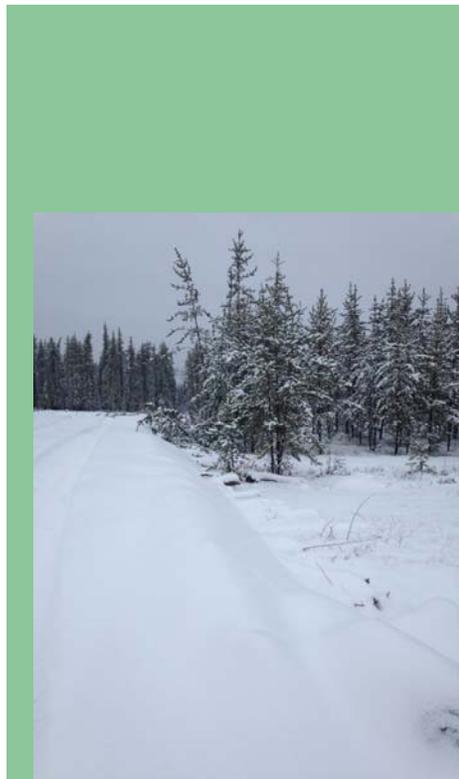
Are isolated incidents that are non-critical to the achievement of SFM Objectives.

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:

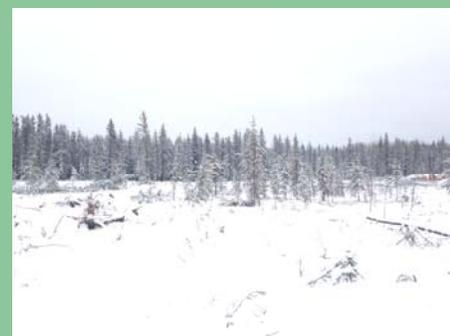
Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

SFI Objective #	Key Evidence of Conformity
3. Protection and Maintenance of Water Resources	SFM Plan, DFMPs, OGRs, EMS (SOPs, WOIs, WOGs), pre-work and inspection forms, blocks field reviewed, interviews, field inspections of riparian areas and watercourse crossings.
4. Conservation of Biological Diversity	SFM Plan, DFMsP, OGRs, EMS (SOPs, WOIs, WOGs), species at risk listings, interviews with key personnel, field inspections.
5. Management of Visual Quality and Recreational Benefits	SFM Plan, AOPs, OGR, High aesthetic value ArcGIS layer, EMS, Planning pre-works, interviews.
6. Protection of Special Sites	SFM Plan, DFMPs, Ground Rules, EMS, interviews with key personnel, inspections
7. Efficient Use of Forest Resources	OGR, harvest inspections, interviews
8. Landowner Outreach	SFM Plan, Western Canada SFI Implementation Committee (WCSIC) info packet, interviews
9. Use of Qualified Resource and Logging Professionals	SFM Plan, List of qualified logging contractors, interviews.
10. Adherence to Best Management Practices	Purchase contracts & records, inspection records
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas	NA to Canada.
12. Avoidance of Controversial Sources including Illegal Logging	NA to Canada.
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	NA to Canada.



Operations in northern Alberta often overlap with areas of oil and gas infrastructure. The immature trees above are a buffer between a pipeline right of way and the harvest block to prevent possible disturbance of the underground gas line.

SFI Objective #	Key Evidence of Conformity
14. Legal and Regulatory Compliance	SFM Plan, EMS, compliance reports, internal audit report, HR policies, inspections, interviews.
15. Forestry Research & Technology	SFM Plan, DFMP research records, interviews.
16. Training and Education	SFM Plan, employee and contractor training records, Interviews.
17. Community Involvement in the Practice of Sustainable Forestry	SFM Plan, DFMPs, EMS, Public outreach records, training records, WCSIC meeting minutes and resources, PAC involvement records, Interviews with key personnel.
18. Public Land Management Responsibilities	Public communication and correspondence records, PAC meeting minutes, MWFP’s public website, First nation referral records, Interviews.
19. Communications and Public Reporting	Certification summary report, SFI annual progress report and supporting records.
20. Management Review and Continual Improvement	SFM Plan, Management review meeting minutes and agenda, internal audit records, EMS, action plans, interviews.



Where operationally feasible, operators are instructed to protect advance regeneration in the understory while harvesting. The image above shows a cluster of immature spruce released by overstory removal.

Good Practices

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

- SFI Objective 1 (forest management planning) —Review of harvest tracking over the past four years by management unit shows the company has done an effective job at focusing harvest on pine stands at risk from mountain pine beetle.
- SFI Objective 2 (soils) 3 (water quality) and 4(biodiversity) – The company has an effective pre-work system which conveys relevant site-specific information for blocks between the various planning and operational personnel over the life of a block (i.e. several years).
- SFI Objective 3 (water quality) —The practice of aerial herbicide crews doing testing for drift (“target practice”) reduces risk of overspray
- SFI Objective 18 (community involvement) — The company has good involvement with the Public Advisory Committee which includes various stakeholders, holding several meetings per year and an annual field tour. The summer 2014 field tour included visits to riparian areas on harvest units as well as herbicide treatment areas

Follow-up on Findings from Previous Audits

At the time of this assessment there was one open non-conformity from previous audits, related to SFI logo use. Action plans developed by Millar Western to address these issues have been effectively implemented, and as a result the non-conformity has been closed.

New Areas of Nonconformance

The audit identified two minor nonconformities in relation to SFI 2010-2014:

- SFI Objective 3 (water quality) —The audit identified one case where removal of the soil cap from a stream road crossing caused siltation to enter the stream.
- SFI Objective 4 (biodiversity) —It was found that an uncommon plant polygon overlapped with several recent harvest blocks, but no information could be provided on what risk management strategy was applied.

Corrective actions for these non-conformities have been developed by MWFP and approved by KPMG PRI. Implementation will be assessed at the next audit.

New Opportunities for Improvement

The audit identified the following opportunities for improvement:

- SFI Objective 3 (water quality) —On one block a non-existent stream was shown on the harvest plan map, which was not identified during block inspections.
- SFI Objective 16 (training and education) — While training records were generally complete, the Safety and Environment Handbook had not been signed off by two recent hires within the prescribed timeline.
- SFI Objective 3 (water quality) — Some of the machine operators interviewed indicated that in cases the block boundary ribboning was difficult to see due to snowfall, increasing the risk of trespass (though no trespass had actually occurred).

Audit Conclusions

The audit found that:

- The Operation's EMS, forest management plans and practices continue to meet the requirements of ISO 14001:2004 in all material respects.
- The Operation's forest land management and fibre sourcing operations meet the requirements of the 2010-2014 version of the SFI standard in all material respects.
- As a result, a decision has been made to continue granting certification to the ISO 14001 as well as SFI 2010-2014 standards.

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