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To: Millar Western FSC® CoC/CW Stakeholders

February 24, 2023

Dear Stakeholder,

## **Stakeholder Consultation**

**KPMG Forest Certification Services Inc. (KPMG FCSI) to conduct an FSC® Chain and Custody/Controlled Wood Re-certification Audit of Millar Western Forest Products ULC in 2023**

### **Purpose and scope of the audit**

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Millar Western Forest Products ULC (Millar Western) against the requirements of the current Forest Stewardship Council® (FSC®) chain of custody (CoC) and controlled wood (CW) standards. A stakeholder consultation process is planned from March 1, 2023 to April 15, 2023 with the re-certification audit scheduled to begin on April 17, 2023.

Millar Western holds a single certificate with multiple sites FSC CoC and CW certificate that includes the sales and administration office in Edmonton Alberta, and the pulp mill in Whitecourt Alberta.

The supply area for the pulp mill includes the World Wildlife Fund ecoregions listed below that are located within the province of Alberta:

- Alberta Mountain Forests (17)
- Alberta-British Columbia Foothills Forests (18)
- Canadian Aspen Forests and Parklands (60)

A map of the WWF Canadian ecoregions containing forest landscapes can be found at on page 144 of the [National Risk Assessment For Canada \(FSC-NRA-CA V2-1\)](#).

The audit will be based on the current FSC CoC ([FSC-STD-40-004 V3-1](#)) and CW ([FSC-STD-40-005 V3-1](#)) standards.

This letter serves as an invitation to interested and affected stakeholders who wish to provide comments that are pertinent to Millar Western's FSC CoC/CW certification. The comments received will be considered by KPMG FCSI in reaching its conclusions regarding Millar Western's conformance with the applicable FSC CoC and CW standards.

### **About FSC and the CoC and CW standards**

The FSC is an international non-profit organization founded in 1993 to support environmentally appropriate, socially beneficial, and economically viable management of the world's forests. It supports the development of national and regional standards to be used to evaluate whether a forest is being well-managed.

It is an association of members consisting of a diverse group of representatives from environmental and social organizations, forest and product industries, Indigenous People's organizations, community forestry groups and certification bodies from around the world. Membership is open to all who are involved in forestry or forest products and share its aims and objectives.

FSC, with its head office in the city of Bonn, Germany, is governed by an elected Board which consists of people from industry, environmental, social and labor groups, Indigenous People's representatives and others.

The FSC CoC standard, FSC-STD-40-004 V3-1, provides requirements that organizations can follow to track wood from responsibly managed forests to the end user.

The CW standard, FSC-STD-40-005 V3-1, contains requirements for a verification system to ensure that procured wood has a low risk of coming from the following five categories of unacceptable sources:

1. Illegally harvested wood;
2. Forests harvested in violation of traditional and human rights;
3. Forests in which high conservation values are threatened by management activities;
4. Forests that are being converted to plantations or non-forest use;
5. Forests in which genetically modified trees are planted.

The [National Risk Assessment For Canada \(NRA\)](#) has determined geographic areas where there is a specified risk of wood originating from one of the five categories listed above, and identifies measures that FSC CW certified companies procuring non-FSC-certified wood from Canada shall implement to mitigate these risks.

### **Your role**

We would appreciate your comments on issues that are pertinent to Millar Western's FSC CoC/CW certification. Comments may include, but are not necessarily limited to, concerns or observations regarding the Company's Due Diligence System (DDS) to mitigate risk of sourcing wood from unacceptable sources.

The DDS is a system of processes developed by the organization, based on the NRA mandatory or recommended control measures. Implementation of control measures is done to mitigate the risk of sourcing material from the five categories of unacceptable sources. The control measures selected by Millar Western may be replaced by more effective control measures, if applicable.

A questionnaire is provided with this letter for your comments on issues that are pertinent to Millar Western's FSC CoC/CW certification. However, additional materials and other methods of

communication will also be accepted. Upon request, arrangements may also be made to allow stakeholders to meet with members of the audit team during the on-site portion of the audit.

### **Access to information**

FSC requires that stakeholders be provided access to certain information as part of the consultation process, including:

- A description of the supply area and respective risk designation: This information is included within the body of this letter and the summary of the Millar Western Due Diligence System (DDS).
- A written summary of the Millar Western DDS: A copy of this document is available on KPMG FCSI's website at <https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/fsc-stakeholder-consultations.html>.
- Copies of the applicable FSC CoC and CW standards: These can be obtained from FSC International at <https://fsc.org/en/document-centre>.
- A copy of the latest version of the FSC Canada National Risk Assessment: The NRA can be found at <https://ca.fsc.org/ca-en/controlled-wood/national-risk-assessment>
- The procedure for filing complaints: A copy of KPMG FCSI's dispute resolution procedures are available on KPMG FCSI's website at <https://home.kpmg/ca/en/home/services/environmental-social-and-governance/assurance/certification/kpmg-forest-certification-services.html>
- Contact information of the person or position responsible for addressing complaints: This can be obtained by visiting the KPMG FCSI website noted above.

### **KPMG FCSI Contact information**

All comments and requests for additional information should be directed to Cindy Hutchison at:

KPMG Forest Certification Services Inc.  
PO Box 10426, Pacific Centre  
Vancouver, B.C.  
V7Y 1K3  
Fax: (604) 691-3031  
Email: [cindyhutchison@kpmg.ca](mailto:cindyhutchison@kpmg.ca)

### **Our commitments**

- 1 The source of specific comments received will remain confidential unless the commenting party specifically indicates to the contrary.
- 2 We will respond to all stakeholders who provide comments and provide information on how their comments were taken into account.

- 3 A summary of stakeholder comments and how they were considered by KPMG FCSI will be included in the publicly posted Millar Western FSC CW certification audit summary report.

Yours very truly,

A handwritten signature in blue ink that reads "Cindy Hutchison". The signature is written in a cursive style.

Cindy Hutchison, RPF(BC)  
*KPMG FCSI*  
(604) 403-5039

Enclosures



## **Due Diligence System (DDS)**

**for**

### **Millar Western Forest Products (MWFP)**

#### **1. OBJECTIVE**

The purpose of this due diligence system (DDS) is to ensure that all material from unacceptable sources is avoided and that all of the Requirements for Sourcing FSC Controlled Wood (FSC-STD-40-005 V3-1) are met.

#### **2. SCOPE**

The MWFP DDS supports the chain of custody certification currently registered under FSC chain of custody code KF-COC-001021 and FSC Controlled wood code KF-CW-001021. These two certificates cover all fibre that is procured for MWFP's facilities in Whitecourt. This includes all fibre sourced from MWFP's forest tenure, as well as all purchase wood that is procured by the Whitecourt woodlands department. MWFP has also assessed the origin of pulp wrap that is currently purchased externally. This pulp wrap enters the supply chain from an organization that is certified to the FSC Controlled Wood Standard and is therefore deemed to be low risk.

Controlled wood is the only FSC product group MWFP intends to trade in. In the event any FSC certified fibre enters the MWFP supply chain, it will be treated as controlled wood. The FSC Product Types produced by MWFP eligible for an FSC Controlled Wood claim include market pulp.

#### **3. DEFINITIONS**

Terms in *italics* are used in a manner as defined in FSC chain of custody standards and include but are not limited to:

*Controlled Material*: Input material supplied without an FSC claim, which has been assessed to be in conformity to the requirements of the standard *FSC-STD-40-005 V3-1 Requirements for Sourcing FSC Controlled Wood*.

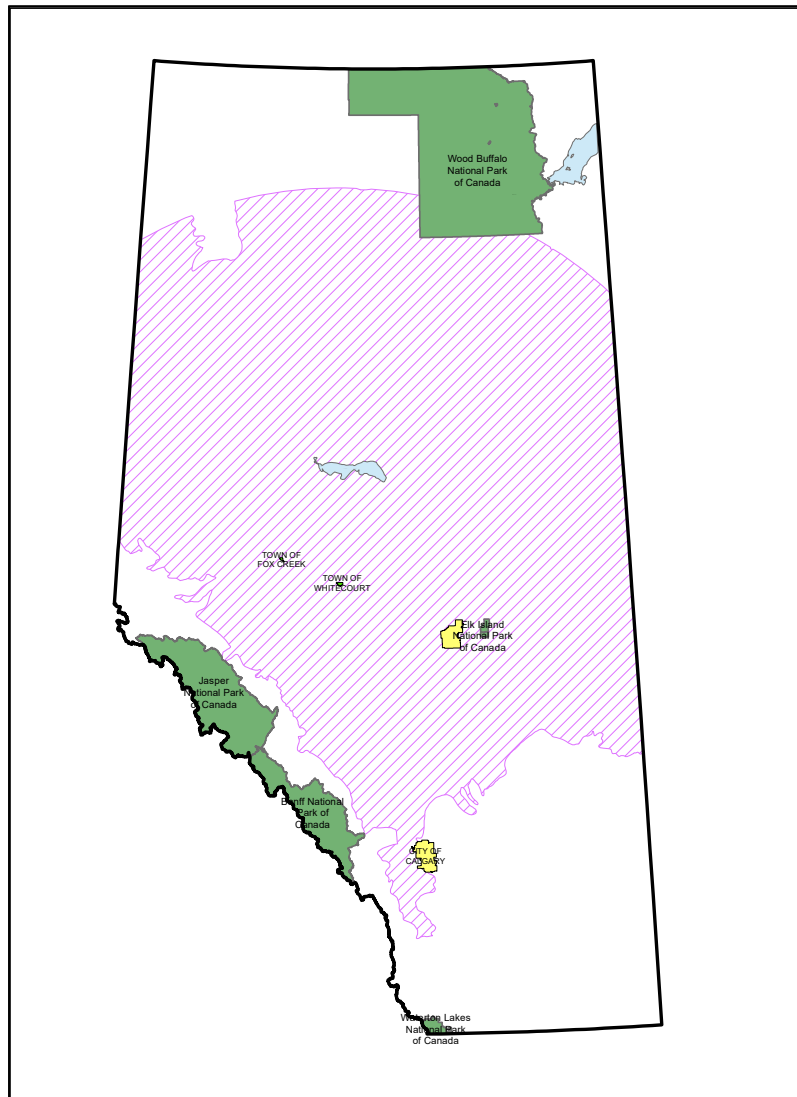
*Due diligence system (DDS)*: A system of measures and procedures to minimize the risk of sourcing material from unacceptable sources. A DDS contains the following three elements: obtaining information, risk assessment and risk mitigation (when needed).

#### 4. DEFINED FIBRE SUPPLY AREA

The defined fibre supply area for the MWFP DDS are those portions of the ecoregions<sup>1</sup> listed below that are located within the province of Alberta as detailed in Figure #1.

- Alberta-British Columbia Foothills Forests (Indicators 2.3, 3.1, 4.1)
- Canadian Aspen Forests and Parklands (Indicators 2.3, 3.1, 3.2, 4.1)
- Mid-Continental Canadian Forests (Indicators 2.3, 3.1, 4.1)

Figure #1 – Millar Western Fibre Supply Area



<sup>1</sup> World Wildlife Fund – US, Terrestrial Ecosystems of the World, 2004, URL: <http://www.worldwildlife.org/science/data.cfm>

## **5. DUE DILIGENCE SYSTEM**

Part I of the CW Standard requires the MWFP DDS to contain three elements: (1) obtaining information, (2) risk assessment and (3) risk mitigation (if needed).

The DDS applies to all fibre that enters MWFP supply chain and can be used in conjunction with Millar Western's Chain of Custody and Controlled Wood Procedures Manual to ensure that all aspects of FSC-STD-40-005 V3-1 are met. Fibre that cannot be confirmed to be *controlled material* in accordance with Part I of the CW Standard is excluded from the fibre supply chain.

### **5.1. DDS – Obtaining Information**

#### **5.1.1. Fibre Sourced from MWFP Managed Tenures**

Forest tenures managed directly by MWFP are entirely located within the province of Alberta. Information on these sources required to satisfy section 2 of the CW Standard is readily available and can be provided to the certifying body upon request.

#### **5.1.2. Fibre Sourced Through a Purchase Wood Agreement**

The MWFP DDS assumes that purchase log deliveries to primary manufacturing facilities listed above in section 5.1.1 originate from the defined fibre supply area identified in Figure #1.

All whole log purchases are done under Purchase Wood Agreements which satisfies the information requirements of section 2 in the CW Standard. Logs purchased by MWFP under the Purchase Wood Agreements are processed at a primary processing facility (Woodroom/pulp mill).

These log sources are also subject the SFI Fiber Sourcing Standard Requirements.

#### **5.1.3. Variances from DDS Fibre Origin Assumptions**

Any variance from the fibre origin assumptions stated in sections 5.1.1 and 5.1.2 must be reviewed by MWFP. Specifically, this is any change to the list of primary manufacturing facilities or log purchases where the origin is located outside of the defined fibre supply area identified in Figure #1.

### **5.2. DDS – Risk Assessment**

Millar Western follows FSC National Risk Assessment for Canada FSC-NRA-CA V2-1 to identify the potential risk of its fibre sources. Most of the indicators have been determined to be low risk from the National Risk Assessment. There are 4 indicators that have a specified risk. MWFP Fibre Supply Area Risk Assessment summarizes the Control Measures which have been established to manage indicators which were not deemed low risk (See 6.2).

### **5.3. DDS – Risk Mitigation Under Section 4 of the CW Standard**

Control Measures to mitigate unspecified risk identified for a controlled wood indicator must be developed in accordance with Section 4 'Risk Mitigation' of the CW Standard.

These control measures have been addressed in the Alberta Fibre Supply Area Risk Assessment for Chain of Custody/Controlled Wood Certificates. MWFP Fibre Supply Area Risk Assessment summarizes the Control Measures which have been established to manage indicators which were not deemed low risk (See 6.2).

The Alberta Fibre Supply Risk Assessment which established all Control Measures referred to in this DDS was completed in 2019 by Forest Solutions. The Assessment was completed on behalf of several major Alberta Licensees including Millar Western.

#### **5.4. DDS – Internal Audits**

As required by section 1.7 of the controlled wood standard internal audits of the MWFP DDS will be conducted annually.

### **6. PUBLICLY AVAILABLE INFORMATION**

MWFP has provided this DDS to their certification body to ensure that the information can be included in the public summary of the certification report.

#### **6.1. Complaints**

Any member of the public can file a complaint with MWFP's DDS and/or FSC CW Risk Assessment by contacting MWFP at 780-486-8200 or by email at [mwfp@millarwestern.com](mailto:mwfp@millarwestern.com).

The following describes the process that MWFP will follow if a complaint is received:

- a) MWFP will acknowledge receipt of the complaint by letter to the individual/group that has filed the complaint.
- b) This letter will identify the complaint process to stakeholders and will be provided to the complainant within 2 weeks.
- c) The complaint will be forwarded to the responsible body for FSC risk assessments.
- d) A preliminary assessment will be conducted by MWFP to determine if the evidence is or is not substantial.
- e) If a complaint is deemed to be substantial MWFP will dialogue with complainants to try and solve the complaint before taking further action. These discussions will be documented by letter.
- f) Substantial complaints will be forwarded to the certification body and the FSC Canada within two weeks of receipt of the complaint. This response will include the steps that will be taken to resolve the complaint.
- g) MWFP will employ a precautionary approach towards the continued sourcing of the relevant material while a complaint is pending. In the event of a complaint that is deemed to be substantial, MWFP will develop a documented procedure to be followed when sourcing material from the area under complaint.
- h) MWFP will conduct an office review of the information that is deemed to be substantial under Section 6.1.d. If the complaint can't be resolved as a result of an office review field verification of the source will be conducted.
- i) MWFP will determine the corrective actions to be taken by any suppliers of fibre from the area in which the complaint is received. In addition MWFP will describe how the implementation of the corrective action will be enforced to ensure that the supplier is meeting the intent. If the corrective action cannot be determined or enforced then the fibre received by this supplier will be excluded by MWFP.
- j) Verify whether the corrective action has been taken by suppliers and whether or not it is effective.



- k) All relevant material that is coming from a supplier that has not taken corrective actions as a result of the complaint will be excluded from MWFP's supply chain.
- l) MWFP will inform the complainant, the certification body and FSC Canada of the results of the complaint and any actions taken towards its resolution. All copies of relevant correspondence will be maintained.
- m) MWFP will record and file all complaints received and actions taken.

MWFP's Fibre Flow Manager is responsible for handling all complaints that are received.

## 6.2. Areas Not Designated Low Risk

As per the National Risk Assessment there are 4 areas that are not designated as low risk. MWFP has completed a review of all indicators that have been identified as unspecified risk with the fibre supply area. The Control Measures below are in place to ensure risk is managed for these important indicators.

Indicator #	Indicator	Control Measure Implemented
2.3	The rights of Indigenous and Traditional Peoples are upheld.	<b>CM #1</b> Indigenous Peoples with legal and/or customary rights within the Forest Management Unit do not <i>oppose*</i> the Forest Management Plan.

Indicator #	Indicator	Control Measure Implemented
3.1	HCV1. Species Diversity.	<b>Woodland Caribou CM #8</b> Evidence demonstrates that forests in the sourcing area have a <i>management plan</i> <sup>1</sup> that contributes to the recovery of woodland caribou <i>critical habitat*</i> , as identified in the Federal Recovery Strategy. The management plan identifies and implements: a) Best Management Practices (BMPs) that reduce disturbance to and restore <i>critical habitat*</i> including, but not limited to: <ul style="list-style-type: none"> <li>▪ access management (e.g. road decommissioning, integrated access plans, restoration of linear features);</li> </ul> <b>OR</b> <ul style="list-style-type: none"> <li>▪ aggregate harvesting (i.e. harvest scheduling to minimize disturbance footprint).</li> </ul> <b>OR</b> b) Harvest deferrals, set asides, and/or <i>protection areas</i> <sup>2</sup> within areas of <i>critical habitat*</i> , where forest operations are not permitted. Rationale is provided as to how such actions will contribute to reducing the level of disturbance over time in <i>critical habitat*</i> , in support of meeting the threshold <sup>3</sup> requirements in the Federal Recovery Strategy.

Indicator #	Indicator	Control Measure Implemented
3.2	HCV2. Landscape-level ecosystems and mosaics.	<p><b>CM #5</b></p> <p>Evidence demonstrates that a minimum of 80% of the IFL is not <i>threatened*</i> by forest management operations in the <i>long-term*</i>.</p> <p>AND</p> <p>The cumulative impacts of forest harvesting will not reduce the IFL to below 50,000 ha.</p> <p>Applicable to IFL's: NAM_176, 237, 278 &amp; 285.</p> <p><b>CM #2</b></p> <p>Forest operations do not reduce an IFL below 50,000ha, AND all meet applicable options below:</p> <p>a) For an IFL between 50,000ha and 62,500, cumulative impacts forest operations do not affect more than 10% of the IFL.</p> <p>b) For an IFL between 62,501 and 75,000 ha, cumulative impacts forest operations do not affect more than 20% of the IFL.</p> <p>c) For an IFL between 75,001 and 200,000 ha, cumulative impacts forest operations do not affect more than 30% of the IFL.</p> <p>d) For an IFL between 200,001 and 500,000 ha, cumulative impacts forest operations do not affect more than 35% of the IFL.</p> <p>e) For an IFL larger than 500,001 ha, cumulative impacts forest operations do not affect more than 45% of the IFL.</p> <p>Not applicable given the three of the four IFL's meet CM #5 and one IFL is within park.</p>

Indicator #	Indicator	Control Measure Implemented
4.1	Net conversion of natural forests to plantations or non-forest use is less than 0.02% or 5000 hectares on average for the past 5 years.	<p><b>CM #1</b></p> <p>Evidence demonstrates that supplied material does not originate from areas converted to non-forest.</p> <p><b>CM #2</b></p> <p>Evidence demonstrates that supplied material originates from acceptable sources of conversion, including:</p> <ul style="list-style-type: none"> <li>▪ Conversion that results in conversion benefits (e.g. ecological restoration, species at risk protection), and</li> <li>▪ Publicly approved changes in zoning within urban areas.</li> </ul> <p><b>CM #3</b></p> <p>The Organization demonstrates support for existing integrated land management processes designed to reduce the cumulative impact of changes to non-forest landscapes.</p>

Consultation – No additional consultation was completed by Millar Western.

Field Verification – N/A. NOTE - If in the event there was a complaint received, or there was an occurrence that put into question the effectiveness of the Control Measures in place, field verification may be implemented as part of any investigation required to mitigate/address the concern/complaint.

## Stakeholder Questionnaire – 2023 Millar Western Forest Products ULC

### FSC® Chain of Custody/Controlled Wood Re-certification Audit

**To: Cindy Hutchison, KPMG FCSI**

**Email: cindyhutchison@kpmg.ca**

**Fax #: 604-691-3031**

**From** \_\_\_\_\_

**Phone #** \_\_\_\_\_

**Organization (if applicable)** \_\_\_\_\_

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Millar Western Forest Products ULC (Millar Western) against the requirements of the current Forest Stewardship Council® (FSC®) chain of custody (CoC) and controlled wood (CW) standards.

A stakeholder consultation process is planned from March 1, 2023 to April 15, 2023 with the re-certification audit scheduled to begin on April 17, 2023.

This questionnaire is intended to obtain information from interested and affected stakeholders regarding issues that are pertinent to Millar Western’s FSC CoC and CW certification. Comments may include, but are not necessarily limited to, concerns or observations regarding the Company’s Due Diligence System (DDS) to mitigate risk of sourcing wood from unacceptable sources.

The risk of sourcing wood from unacceptable sources is assessed by FSC in the FSC Canada National Risk Assessment (the NRA). The DDS is a system of processes developed by the organization, based on the NRA mandatory or recommended control measures. Implementation of control measures is done to mitigate the risk of sourcing material from unacceptable sources. The control measures selected by Millar Western may be replaced by more effective control measures, if applicable.

Comments received will be considered by KPMG FCSI in assessing Millar Western’s performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Millar Western FSC public controlled wood summary report. However, the identity of individuals/organizations providing comments will be kept confidential by KPMG FCSI unless the party providing comments specifically indicates in writing to the contrary.

In order to be considered during the 2023 audit, comments must be received no later than April 15, 2023.

<p>Question 1: Do you have any specific concerns regarding the Millar Western due diligence system (DDS), including the control measures adopted and implemented by the Company to mitigate the specified risk determined by the Canada NRA?</p>	<p><u>Comments:</u></p>	<p><u>Y/N/NA</u></p>
<p>Question 2: If you answered yes to Question 1 above, have you communicated your concerns to Millar Western?</p>	<p><u>Comments:</u></p>	<p><u>Y/N/NA</u></p>

**Stakeholder Questionnaire – 2023 Millar Western Forest Products ULC**

**FSC® Chain of Custody/Controlled Wood Re-certification Audit**

**To: Cindy Hutchison, KPMG FCSI**

**Email: cindyhutchison@kpmg.ca**

**Fax #: 604-691-3031**

**From**

**Phone #**

**Organization (if applicable)**

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<p>Question 3: If you answered yes to Question 2 above, in your opinion has Millar Western made a reasonable attempt to address your specific concerns?</p>	<p><u>Comments:</u></p>	<p><u>Y/N/NA</u></p>
<p>Question 4: Do you have any other concerns regarding Millar Western's FSC CoC/CW certification that have not been addressed in the above questions?</p>	<p><u>Comments:</u></p>	<p><u>Y/N/NA</u></p>
<p>Question 5: Are there any specific issues or requirements of the FSC CoC or CW standards (FSC-STD-40-004 V3-1 and FSC-STD-40-005 V3-1) that you believe merit special attention during the 2023 Millar Western FSC CoC/CW audit?</p>	<p><u>Comments:</u></p>	<p><u>Y/N/NA</u></p>