



Millar Western Forest Products Ltd.

Chapter 1 – Corporate Overview and Forest Management Approach

2007-2016 Detailed Forest Management Plan

November 15, 2007



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1. Introduction

The first chapter of Millar Western's 2007-2016 Detailed Forest Management (DFMP) begins by outlining the structure of the DFMP, which comprises seven chapters and 25 appendices containing information both to support the plan and guide its implementation. This section of the plan also provides an overview of Millar Western Forest Products Ltd., a company whose participation in the Alberta forest products industry dates back to the 1920s. As well as looking at the company's history and present-day operations, the chapter also describes its environmental certification achievements and future certification plans, ending with a discussion of the company's adaptive approach to managing the forest in its stewardship.

To ensure that all obligations arising from this DFMP are easily accessed, understood and realized, Millar Western has elected to consolidate all commitments, including those being carried forward from the 1997-2006 DFMP, in one location: *Appendix XXIII – Commitments*. Only commitments contained within this appendix are to be construed as obligations of the company.

1.1 Document Contents

The 2007-2016 DFMP is structured to meet the requirements of the Alberta Forest Management Planning Standard and the Canadian Standards Association's sustainable forest management guidelines. The entire document consists of an executive summary, seven chapters, plus supporting appendices. Some chapters contain annexes that contain supporting information specific to that chapter or appendix, as well as digital media with appropriate datasets and files. Some appendices are stand-alone reports written by plan contributors while others provide direction for implementation. A glossary and listing of acronyms accompanies the chapters (refer to *Glossary and Acronyms*). Each hard copy of the plan comes with a DVD containing all documentation in pdf format. A summary of each chapter follows below.



DFMP Executive Summary

The executive summary provides a plain-language overview of the document, focusing primarily on the development process, methodology, results and commitments. As well as serving as an introduction to the DFMP document, the executive summary will serve a major role in communicating the contents of the 2007-2016 DFMP to non-government external stakeholders.

Chapter 1 - Corporate Overview and Forest Management Approach

Chapter 1 presents history and background on Millar Western, as well as a description of its manufacturing and forestry operations. It also discusses the company's forest management goals, philosophy and approach. Linkages between the company's forest management approach and the 2007-2016 DFMP can be found in Chapters 5 and 6.

Chapter 2 - Comprehensive Description of the DFA

The Defined Forest Area (DFA) is described in Chapter 2, using many of the same indicators that form the basis for management targets in Chapters 5 and 6. This chapter provides a good starting point from which to evaluate changes within the DFA since the submission of the last DFMP. As well as information on the physical condition of the land, soils, and hydrology and climate patterns, it provides tables and maps that profile the existing forest by landscape patterns, seral stage, species composition and age class. This section also contains a description of the current industrial and non-industrial disturbance regimes, including a landscape fire assessment that forms the basis for wildfire management, and information relating to land use and cultural and historic resources.

Chapter 3 – Plan Development

This chapter outlines the process used to develop the plan, including a description of the development team, their roles and responsibilities, and important development milestones. It also summarizes the DFMP consultation process and discusses some of the challenges encountered during plan development.

Chapter 4 –Previous FMPs and Significant Events

Chapter 4 reviews and assesses past plans, as well as approval conditions, and revisits company commitments resulting from the 2001 Stewardship Report. Some reporting parameters have been updated, with the balance left for the 2006 Stewardship Report, which is due after the completion of the 2007-2016 DFMP. The final part of the chapter contains a brief summary of significant events affecting forest management since the approval of the 1997-2016 DFMP.

Chapter 5 – Forecasting and the Preferred Forest Management Scenario

This chapter describes the forecasting process that was used to predict the future forest state based on certain assumptions. It looks at the trade-offs used to develop the Preferred Forest Management Scenario, together with assumptions and modeling. It also discusses forest management issues, their potential impact and the decisions that were made to address them.



The comprehensive trade-off process documentation presented in this chapter replaces the timber supply analysis chapter included in the 1997-2006 DFMP. As well as presenting the Preferred Forest Management Scenario and recommended harvest levels, the chapter also explains the contributions of the Impact Assessment Groups, as well as the relationships between these groups and their deliverables.

Chapter 6 – Sustainable Forest Management Strategy

Chapter 6 consolidates and summarizes all the reporting commitments resulting from the 2007-2016 DFMP. In contrast to previous FMPs, this plan brings together all company commitments, including Values, Objectives, Indicators and Targets, in one location to provide a clear and concise reference for company staff and regulators. Only those commitments described in this chapter will, for the purposes of this DFMP, be considered legal commitments by the company and will form the basis for future reporting. While other longer-term (20 years and longer) strategic targets were used to develop the 2007-2016 DFMP, they will not be reported upon during the DFMP implementation period and do not form part of the company commitments. These additional indicators and targets are described in greater detail in Chapter 5. This chapter also includes research and monitoring commitments which, in the 1997-2006 DFMP, were covered in a separate chapter.

Chapter 7 – Building a Case for Integrated Land Management

In addition to meeting its legal forest management requirements, Millar Western has explored other factors influencing the landbase that, although currently outside the scope of the planning regime, have the potential to significantly impact the landbase. Chapter 7 identifies some of these factors and attempts to quantify their long-term impact on sustainability through cumulative impact assessments. This data did not directly influence the development of the 2007-2016 DFMP but, rather, was obtained to understand some of the larger influences on the landbase and stimulate discussion about their place in future planning exercises.

Appendices

There are 25 appendices included as part of the DFMP. The first appendix is the Regulated Forestry Professional (RFP) checklist that has been signed by the various company employees responsible for various plan components. The appendices largely comprise reports from either the Impact Assessment or Landscape Projection Groups. The remainder of the appendices are guidance documents for the implementation of the 2007-2016 DFMP.



2. Corporate Overview

Active in the forest products industry for over a century, Millar Western is a family-owned business headquartered in Edmonton, Alberta, with manufacturing and forest management operations in Whitecourt, Boyle and Fox Creek, Alberta. The company employs 700 full-time staff and hires hundreds more on a seasonal contract basis to support activities such as harvesting and forest renewal, making it a leading employer in the communities where it operates.

2.1 Corporate Vision and Objectives

Millar Western Forest Products Ltd. is a global competitor with the spirit of a small business, maximizing long-term enterprise value by combining the strengths of our assets, our people and our principles.

Among our corporate objectives, our company has stated it will strive to achieve the best long-term performance in the industry, in a safe and environmentally responsible manner, and has committed to conducting its business in a manner consistent with our core values of integrity, honesty, trust and respect.

2.2 Manufacturing Operations

Millar Western's Whitecourt-based facilities consist of a bleached chemi-thermo-mechanical pulp (BCTMP) mill, which produces 300 thousand air-dried metric tonnes (MADMT) of softwood and hardwood pulp per year, and an advanced lumber manufacturing complex, including a two-line sawmill, planer mill and kilns, with an output of 280 million foot board measure (MMFBM) per year (refer to Table 1). The company also operates a 130



MMFBM/year, two-line sawmill complex in Boyle and a 50 MMFBM/year, two-line sawmill complex in Fox Creek.

Table 1. Millar Western forest product facilities and production levels.

Product	Facility	Production	Units
SPF dimensional lumber	Whitecourt Sawmill	280	MMFBM ¹
	Boyle Sawmill	130	MMFBM
	Fox Creek Sawmill	50	MMFBM
Total		460	MMFBM
Hardwood/softwood BCTMP	Whitecourt Pulpmill	300	MADMT ²
Total		300	MADMT

¹ Million foot board measure.

² Thousand air dried metric tonne.

2.3 Forest Management Operations

Millar Western’s forest management operations in Whitecourt, Boyle and Fox Creek are responsible for satisfying the wood-fibre needs of the company’s pulp mill and three sawmills. In total, they oversee the harvesting and delivery of over 2.5 million cubic metres of timber and the planting of about 7.5 million seedlings annually, as well as all associated planning and silvicultural activities.

The primary source of fibre for the Whitecourt and Fox Creek operations is Millar Western’s Forest Management Agreement (FMA) area, the company’s largest timber asset (Figure 1). The FMA was originally signed in May 1997, at which time it included 280,000 hectares from the Forest Management Unit referred to as FMU W13. In 2002, the FMA was amended to include FMU W11, adding an additional 160,000 hectares, for a total of 440,000 hectares

Committed to the sustainable development of our forest resources, Millar Western’s Woodlands teams consult with scientists, aboriginal communities, local residents and other forest users to develop forest management plans that meet the company’s timber needs while protecting the rich variety and pattern of plant and animal communities and ecosystems across the landscape, as well as a myriad of other forest values, such as recreational trails and trap lines.

Harvesting and forest renewal activities are supervised by Millar Western and carried out by local contractors who share Millar Western’s commitment to operating in a safe, ecologically sensitive manner. The company employs a variety of harvesting systems, choosing the most appropriate method for the requirements of each site. Today’s harvesting patterns mimic natural disturbances such as forest fires, resulting in harvested areas of variable size and shape.

Forest renewal activities are initiated within two years of harvesting. To regenerate coniferous stands, approximately three large, sturdy seedlings are planted for every tree harvested, while



deciduous stands are reforested through natural regeneration. The stands are carefully monitored as they grow, to ensure the re-establishment of healthy, multiple-value forests.

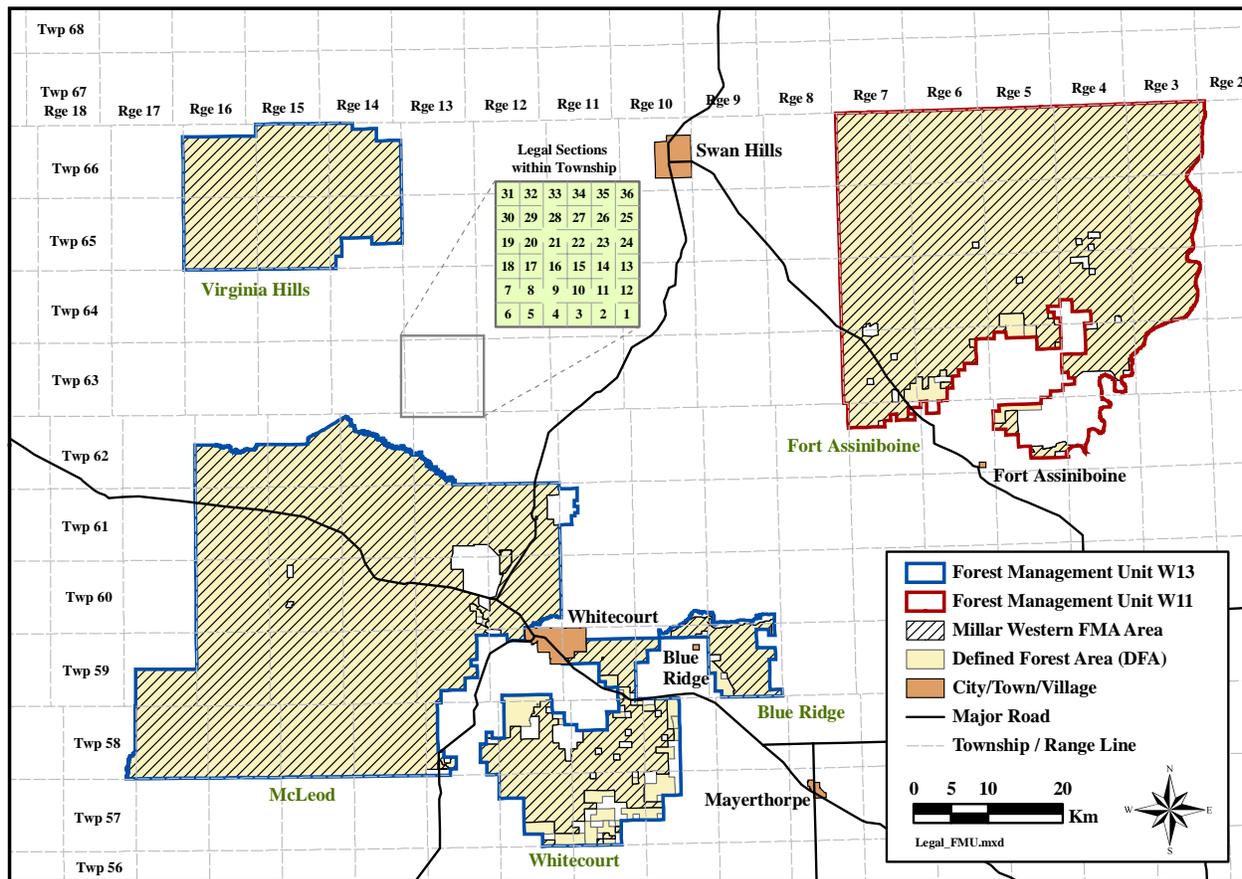


Figure 1. Millar Western Forest Management Agreement area and Defined Forest Area.

2.4 Company History

Millar Western was founded by James William (J.W.) Millar, a Western Canadian business pioneer. In 1906, J.W. opened a blacksmith shop in North Battleford, Saskatchewan, and soon became active in logging and construction work in the province. By 1919, J.W. and partners had incorporated one of the first construction companies in Western Canada. In the 1920s, he expanded into logging and sawmilling in Alberta, and in the 1930s, established a chemical processing business in Saskatchewan.

J.W.'s sons – Hugh, Allan and Keith Millar – joined the business in the 1930s. In the decades that followed, the brothers oversaw the continued growth and diversification of the family business, with a strong focus on the expansion of its various interests in the construction sector.



The 1980s was a period of rapid development for the business. In 1981, the lumber, construction and chemical companies were combined to form Millar Western Industries Ltd. Millar Western Pulp Ltd. was formed in 1986, and in 1988 opened Alberta's first bleached chemi-thermo-mechanical pulp (BCTMP) mill, adjacent to the company's Whitecourt sawmill. The same year, a magnesium sulphate facility was added to the group's operations in Whitecourt.

Millar Western's expansion continued in the 1990s. In 1992, the company partnered with the Saskatchewan government to open the world's first successful zero-effluent-discharge market pulp mill, in Meadow Lake, Saskatchewan. The facility, which earned a reputation for excellence in product quality and environmental stewardship, was sold to a third party in 2007. In 1993, Millar Western expanded its lumber interests by purchasing and upgrading a sawmill in Boyle, Alberta. In 1998, the Boyle facility, the Whitecourt sawmill and the Whitecourt BCTMP mill were combined to form a new, forestry-focused company, Millar Western Forest Products Ltd.

In 2001, Millar Western opened a new sawmill at the Whitecourt site on which it had operated a series of progressively updated sawmills since 1926. The new, high-speed, high-efficiency facility has itself undergone significant investments since it opened, a reflection of the company's ongoing efforts to keep its operations current and competitive.

In 2007, the company purchased an Alberta lumber operation previously owned by the Mostowich family. Based in Fox Creek, the newest addition to Millar Western's lumber business is a two-line sawmill complex producing about 45 million board feet per year and bringing the company's total annual lumber production to 460 million board feet.

Today, Millar Western Forest Products Ltd. is directed by third-generation family members, including James B. Millar, Chairman, and H. MacKenzie Millar, President and Chief Executive Officer. In the spirit of the company's founder, they continue to explore opportunities for growth and progress within Western Canada's dynamic business environment.

2.5 Certification

As a Canadian producer of solid wood products and bleached chemi-thermo-mechanical pulp, Millar Western Forest Products Ltd. is proud of its environmental record and the role the company has played in encouraging responsible, sustainable forest management within our industry. The company meets or exceeds all applicable federal and provincial laws and regulations, as well as upholding its own high standards for environmental performance.

To satisfy the growing need among customers and communities for independent verification of our practices, Millar Western has successfully sought certification under various environmental programs. Its Alberta operations have been certified under a demanding regional scheme, *FORESTCARE*, since 1995. *FORESTCARE* is a third-party audited program, with requirements for public input and disclosure of results, developed by Alberta's forest industry in consultation with government and public stakeholders. Established in 1993 as a standard governing care of the forest, community and environment, *FORESTCARE* is one of the oldest and most rigorous



certification initiatives in North America, with a strong emphasis on performance in the field and continuous improvement.

In addition to maintaining its commitment to the regional *FORESTCARE* standard, Millar Western has implemented formalized environmental management systems (EMS) for its woodlands operations. In March 2005, the company successfully certified its Whitecourt and Boyle, Alberta, woodlands operations to the ISO 14001 2002 standard. ISO 14001 certification provides third-party verification that an organization is demonstrating sound environmental performance by controlling the impact of its activities, products or services on the environment, taking into account the company's environmental policy and objectives.

Having achieved ISO certification, the company's Whitecourt woodlands division next pursued certification to the Canadian Standards Association's Z-809 Sustainable Forest Management Standard for its Forest Management Agreement (FMA) area, which it achieved in December 2006. Certification to the CSA standard assures stakeholders, including customers and communities, that Millar Western forest products are derived from forested lands managed to a consistently high level of sustainability. Canada's national standard for sustainable forest management, CSA Z-809 was first published in 1996, following years of discussion and work by a committee of timber producers, scientists, academics, and representatives of the provincial and federal governments, as well as environmental, consumer, union, and aboriginal representatives. The standard is recognized by the Programme for the Endorsement of Forest Certification (PEFC), a global, independent, non-profit, non-governmental organization that assesses and endorses national forest certification programs, such as CSA and SFI (Sustainable Forestry Initiative).

In 2005, Millar Western's fibre deliveries to Alberta-Pacific Forest Industries Ltd. of Athabasca were chain-of-custody (CoC) certified under the Forest Stewardship Council (FSC) program. Millar Western's Whitecourt Woodlands operations are currently seeking to become CoC certified under the PEFC program, a process which is scheduled for completion in 2007. CoC certification serves two main purposes: it tracks wood fibre through the supply chain, ensuring that it was legally obtained, and it verifies the amount of SFM certified wood fibre in an end product. Once CoC certification has been achieved, the Woodlands team will pursue SFI sustainable forest management certification for its quota areas, which will serve to significantly increase the amount of certified wood fibre in its products, thereby further improving their acceptance in the international marketplace.



3. Forest Management Approach

Understanding that Canada's forests are important to our quality of life, the integrity of our environment, and our economic well-being, Millar Western, like other forest companies operating on Crown land, is working to develop and implement sustainable forest management plans that "...maintain and enhance the long-term health of forest ecosystems, while providing ecological, social, and cultural opportunities for the benefit of present and future generations" (The State of Canada's Forests 2001-2002).

Millar Western's approach to forest management over the next decade will be to strive to satisfy the fibre needs of its manufacturing operations while meeting the sustainable forest management criteria set out by the Government of Alberta, the Canadian Council of Forest Ministers and the Canadian Standards Association. It will also seek to continuously improve its performance and the health and sustainability of the forested land base by considering and incorporating knowledge gained through experience, research and consultation, and by continuing to work with the Alberta government to identify and address the varied land-use pressures and societal trends affecting the long-term sustainability of the province's forest resources.

As required by the *Alberta Forest Management Planning Standard (April 2006)*, Millar Western has based its DFMP on the requirements of CSA-Z809, a sustainable forest management standard to which the company's FMA area was certified in December 2006. CSA-Z809, meanwhile, derives its requirements from the SFM criteria and elements of the Canadian Council of Forest Ministers, which are fully consistent with those of the Montreal and Helsinki processes. By virtue of its DFMP approval and CSA-Z809 certification, Millar Western will be in a position to assure its stakeholders that the wood fibre in its products is procured from forests managed according to internationally-recognized standards for sustainability.

Viewing CSA-Z809 not only as a system standard but as a performance standard, Millar Western will build on its comprehensive monitoring programs, to ensure it is meeting the ambitious goals it has set for itself. The company will also continue to participate in a range of research and



public consultation initiatives, and use the information gathered to ensure that its forest management planning values, objectives, indicators and targets remain relevant, reflecting evolving ecological, economic and social priorities with respect to the land base on which it operates.

Millar Western will also work to improve its understanding of the impacts of changes in climate, human population, wildfire and oil-and-gas development on forest sustainability – factors that it believes have the potential to significantly alter the shape and character of our forests, yet remain outside the current planning model. As well as advocating a more comprehensive, integrated planning process, one that considers a broader range of influences, Millar Western will continue to investigate and gather data on a variety of forest management strategies aimed at improving the overall health and productivity of the forest and, thus, its resilience against potentially catastrophic natural events such as fire and insect infestations.

Of the many variables Millar Western will be monitoring, none poses greater uncertainty to its operations over the next decade than the mountain pine beetle, which threatens not only fibre availability and product quality, but potentially the long-term sustainability of the company's forest resources. First identified on the eastern slopes of the Rocky Mountains in 2005, the insect population increased significantly in 2006 following major flights from British Columbia. Now present in many parts of Alberta, including the Millar Western FMA, the mountain pine beetle threatens to eradicate most mature pine stands in the province, as it has done in British Columbia.

In keeping with the Alberta government's *Mountain Pine Beetle Strategy*, Millar Western reformulated its spatial harvest sequence in 2006, to focus its harvesting efforts on susceptible pure-pine stands, both to remove mountain pine beetle habitat in an effort to halt the insect's eastward progression, and to harvest older pine before it succumbs to infestation. Although it has based its assumptions on the best available information, Millar Western is aware that it may need to reformulate its strategies over the DFMP's timeframe, should the insect deviate from expected patterns of behaviour.

Developed over a three-year period, and involving a plan development team of almost 75 employees, scientists, consultants, and representatives of government, aboriginal communities and the public, Millar Western's 2007-2016 DFMP represents the company's best effort not only to satisfy the Alberta government's planning requirements, but also to assure its stakeholders that it is managing the forests in its stewardship in a responsible, sustainable manner.

3.1 Other Forestry Operators

While Millar Western harvests the majority of timber on the Millar Western FMA area, other companies also have timber dispositions on the land base:

- Weyerhaeuser Canada Limited – 45,000 m³ Deciduous Timber Allocation in FMU W13 and 30,000 m³ of deciduous timber under a volume supply agreement (expires 2017);



- Spruceland Millworks Inc. – Coniferous Timber Quota at 72.69% of W11 conifer AAC;
- OK Lumber Ltd. – Coniferous Timber Quota at 21.05% of W11 conifer AAC ; and
- Fort Assiniboine Lumber Ltd. – Coniferous Timber Quota at 6.26% of W11 conifer AAC.

As well, 30,000 m³ of conifer are available annually from FMU W13 under the miscellaneous timber use (MTU) program.

While Millar Western is responsible for the strategic forest management planning on the land base, it has endeavoured to involve the above operators in the development of its short- and long-range plans. As detailed in *Chapter 3 – Plan Development*, Millar Western met regularly with the above operators to incorporate their input into the plan. Based on the outcomes of these consultations, Millar Western is confident these other operators are familiar with the contents and approach of the DFMP, understand its implications for their operations, and have no issues or concerns with the prescribed path forward.



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