

Sustainable Forest Management Plan

2010 Annual Report Port Alberni Forest Operation

Overview

Company performance

Western Forest Products Inc. (WFP) reported a significant improvement in 2010 over 2009 in both safety and operating results. In safety, the twelve month rolling medical incident rate dropped to an historic low of 1.7. The Company generated a positive EBITDA of \$47.7 million, an \$82.5 million improvement over 2009 primarily due to a significant reduction in the cost of lumber and logs sold, and an increase in the volume of sales, particularly logs. The total log harvest of 4.6 million cubic meters was 47% higher than the 2009 harvest levels and represents about 62% of the annual available harvest (7.4 million cubic meters).

Port Alberni Forest Operation performance

Port Alberni Forest Operation (PAFO) started the year with a cautious harvest schedule which increased with demand as the year progressed. Safety improved to 6.8 from 12.51 Medical Incident Rate (MIR). Improvement on safety is still required. Final harvest for PAFO was 780,941 cubic meters (an increase of 559,142 cubic meters over 2009). This harvest represents about 93% of the allowable annual cut (AAC). PAFO has a significant undercut position in the current cut control period but harvest levels are planned for increase in 2011.

Audit Results

The annual audit took place in May 2010 utilizing the CSA Z809 2002 standard. WIWAG members are invited to be present during the field portion of the audit or to be interviewed. In 2010 no WIWAG members participated in the field audit but three participated in the

interview process. Audit results were shared with WIWAG at the first meeting after the audit and results were posted on the website.

The 2010 Re-registration audit did not raise any non-conformances to the CSA Z809-2002 standard. There was 1 *Area of Concern*, 8 *Opportunities for Improvement* identified as well as 4 positive aspects of the management system. WFP develops action plans to correct deficiencies identified in the audit.

Special Features

In 2010, WIWAG focussed its efforts on embracing the new Z809-08 (December 2008) standard. An overview to the new standard was presented in early 2010 with WIWAG and WFP establishing important benchmarks. The goals set to register to new standard by spring 2011 formed the basis of meetings for the year. Working from there the remainder of the year was dedicated to finalizing targets and strategies for the new core indicators borrowing heavily from past indicators and targets. The Sustainable Forest Management Plan (SFMP) was reformatted for clarity and to reflect the new standard.

Report on Indicators

PAFO elected to report on indicators developed with the transition to the Z809-08 standard. Targets were met on 43 of the 45 indicators. The targets not met are detailed as follows:

- 1.4.A: Target: 75% of Planners trained in the Sensitive Ecosystem Inventory in the Previous 24 months. 0% was trained. Outside of variance. Planners were subsequently trained in January 2011.
- 2.1.1a: Target: Hectares of forest land missing its milestone obligation annually is zero. An area 2.9 ha in size was not planted within 3 years of the harvest start date; however, the area was reforested in the first season available following harvest completion. The block milestone will be declared in 2011. A report will be developed and used to correct this situation.

Information Sharing and Education

Over the past 12 months the following discussions, presentations and information sharing have taken place:

- Overview of the Z809-08 standard similarities and differences.
- TFL 44 Management Plan and Timber Supply Review
- Discussion on exotic tree species focusing on Noble Fir
- WFP Satisfaction Evaluation Results
- WFP 2009 DATA Set Review
- Fall Fair Booth 4 day event with WIWAG and WFP
- National Forestry Week information booth
- Field trip with expert Glynnis Horel detailing forest practices and their relationship to watershed health
- Development of a new SFM Plan and associated management strategies under the new standard
- Meeting with six First Nation on the draft SFM Plan

Member/Representative Highlights

WIWAG has had three new members which include; two from AV Hillclimbers - rounding out an outdoor recreation sector; and First Nations Wildcrafters - under a new sector; multiple goods and services. Members of the public attend frequently and are welcome to raise issues, listen to guest speakers, discussions and presentations. WIWAG and WFP value all members of the public. Open invitations to attend are sent out to multiple stakeholders depending on the presentation, topic or guest speaker.

An ambitious work plan was established in the spring of 2010 with solid benchmarks. WIWAG rolled up their sleeves and set to the task of participating in the development of the new plan. Eco-system accessibility, healthy salmon streams, parks, non-timber values, recreation and access have long been of importance to WIWAG and were discussed and incorporated. The process demonstrates fair and effective decision making through dialogue on values, objectives, targets, variances and associated management strategies. WFP and WIWAG met the task with diligence and understanding, culminating into a DRAFT SFM plan by the fall of 2010.

Ongoing AG participation will provide opportunities for continual input, learning, improvement, and the determination of issues that may arise in the implementation of the SFM Plan and the WFP SFM System. WIWAG desires a forest industry that is environmentally and economically sustainable and expects industry to function with transparency. These expectations require a close working relationship, one that is mutually beneficial. The longevity and success of WIWAG demonstrates this close working relationship.

First Nations throughout the DFA were sent invitations to participate in the process and new standard in the spring and fall of 2010. The draft SFM Plan was sent out in February 2011 and comments were received by one First Nation. WFP and WIWAG welcome representation to help provide advice on the development, monitoring, and ongoing improvement of sustainable forest management practices. First Nations continue to express concern that participation on an advisory group may prejudice treaty negotiations or other rights and title based processes. WIWAG sends an invitation annually in a letter stating CSA determination related to First Nations and the advisory groups:

“...Any Aboriginal participation in a public participation process that is conducted by an organization for the purpose of meeting the (CSA) requirements is not to be construed as meeting the Crown’s legal duty to consult with Aboriginal peoples.” And further, “that nothing arising from the participation of Aboriginal peoples in such processes shall diminish their constitutionally protected Aboriginal and treaty rights.”

Of significance, the Maa-nulth Treaty takes effect on April 1, 2011 and will include three First Nations associated with the Defined Forest Area.