

Sustainable Forest Management Plan

2011 Annual Report Port Alberni Forest Operation

Overview

Company performance

Western Forest Products Inc. (WFP) reported an improvement in operating results but not in safety for 2011 over 2010. In safety, the twelve month rolling medical incident rate increased from 1.7 to 2.04. The Company generated a positive EBITDA of \$62 million, a 15 million improvement over 2010. The improvement in operating results reflects increased shipment volumes of all major products, particularly of logs, and the benefits of being able to run our operations at higher production levels, and realizing higher log prices. In addition, fixed costs incurred at curtailed operations were significantly less than 2010. The total log harvest of 5.8 million cubic meters in 2011 was 25% higher than the 2010 harvest levels.

Port Alberni Forest Operation performance

Port Alberni Forest Operation (PAFO) started the year with an optimistic harvest schedule which increased considerably with demand as the year progressed. Safety improved to 4.16 from 6.8 Medical Incident Rate (MIR). The improvement in safety however was tempered when one of our co-workers was fatally injured in a workplace accident. Clearly, improvement in safety is still required.

Final harvest for PAFO was 1,210,053 cubic meter up from 780,941 cubic meters 2010. This harvest represents about 150% of the allowable annual cut (AAC). The increased harvest in 2011 will help to balance the preceding three years of under harvest in the current five year cut control period.

Audit Results

The annual audit took place in April 2011; PAFO underwent a Re-Assessment audit to the CAN/CSA Z809-2008 Standard. WIWAG members were invited to be present during the field portion of the audit or to be interviewed. In 2011 one WIWAG member participated in the field audit and four 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.

There were 2 *Areas of Concern*, 11 *Opportunities for Improvement* identified and 10 positive aspects of the management system. WFP developed action plans to correct deficiencies identified in the audit and communicated this with WIWAG.

Special Features

In 2011, WIWAG focussed its efforts on the new plan embracing the new Z809-08 (December 2008) standard. January 2011 WIWAG began the New Year with presentation and discussion on Indicator 1.2.1 Habitat Protection, Indicator 1.2.2 Suitable Habitat and Invasive Species Management and Education. The group was also invited to attend a WFP Town Hall in May to ask questions of the company and five WIWAG members attended. October 2011 WIWAG participated in a tour of WFP sawmills moving towards a greater understanding of the business cycles and the importance of local processing and integration; this has been an important discussion topic of the advisory group.

Report on Indicators

PAFO elected to report on indicators developed with the transition to the Z809-08 standard. Targets were met on 44 of the 45 indicators. The targets not met are detailed as follows:

- 6.3.3: Safety Program – target not met in 2011, as 1 contractor is only registered to be SAFE certified and has not completed the process; trying to maintain SAFE certification for WFP and all contractors.

- An Indicator that will need to be clarified is 3.2.A: Watershed Condition – this is an Indicator that will need to be re-written as in its current form it will only be measured every ten years

Information Sharing and Education

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

- Discussion on exotic tree species focusing on Noble Fir
- Habitat protection
- Invasive species management and education
- WFP evaluation of presenters
- WFP evaluation results
- WFP 2011 DATA Set Review
- Communication of the SFM Plan, roles and responsibilities to ACRD
- Fall Fair Booth 4 day event with WIWAG and WFP
- National Forestry Week information booth
- Development of a new SFM Plan and associated management strategies under the new standard
- WFP Town Hall Event
- October 2011 WFP Sawmill Tour
- Meeting with six First Nation on the draft SFM Plan

Member/Representative Highlights

WIWAG has had two new members which include; an alternate from the Alberni Fish and Game Club and Catalyst Paper. In addition a new representative will be added from the Alberni Clayoquot Regional District (ACRD) April 2012. A further change is the representative from Bamfield, who will stay on WIWAG to communicate with residents in that area but no longer sits as a representative of the ACRD. WIWAG and WFP value all members of the public, additional invitations were extended to local business, economic development, tourism industry and the Alberni Clayoquot Regional District for the sawmill tour. Open invitations to attend WIWAG meetings are sent out to multiple stakeholders depending on the presentation, topic or guest speaker.

2011 culminated into an ambitious work plan and the process continued with solid benchmarks. This is the first full year with a new plan under the new standard; WFP has met with WIWAG on any subject arising from the plan with conscientiousness and transparency. WIWAG is a broad ranging group of interested parties committed to communication and expressing a variety of views. This participation provides an opportunity for well thought out contributions on sustainable forest management. WFP's willingness to provide education and expertise whenever required aids the group towards continual improvement of the SFM Plan and WFP SFM System. WIWAG participates fully and desires a forest industry that is environmentally and economically sustainable and expects industry to function with transparency. This requires a close open working relationship and understanding of the forest; 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 drafts and the final plan was shared. The first draft of the 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 took effect on April 1, 2011 and includes three First Nations associated with the Defined Forest Area.