

Meadow Lake Mechanical Pulp Mill Due Diligence System (DDS) Public Summary

Meadow Lake Mechanical Pulp (MLMP) is committed to environmentally sound business practices, which begin with our procurement methods and our dedication to uphold sustainable forest management standards. MLMP manufactures chlorine-free, high-yield, bleached hardwood pulp, mixed hardwood/softwood pulp, and softwood pulp through a zero-liquid effluent process.

The due diligence system (DDS) outlined here is designed to demonstrate conformance with MLMP's wood procurement procedures and the Forest Stewardship Council (FSC) Controlled Wood program for the FSC Certification of the Meadow Lake Mechanical Pulp (MLMP) Controlled Wood Assessment Area. The MLMP due diligence system (DDS) is in place to avoid controversial sources from FSC's controlled wood categories of risk (see below).

The DDS is comprised of various elements including but not limited to:

- Regular supplier audits that include the collection of information on material sourced;
- an assessment of the supply area and supply chain as facilitated through the controlled wood risk assessment (CWRA); and
- risk mitigation and control measures implemented in cases where specified/unspecified risk is found in order to achieve low risk designation for forest sources and supply chains.

The annual audit of the due diligence system (DDS) allows us to ensure that materials sourced are not mixed with non-eligible inputs.

Information obtained from suppliers includes:

- A signed supplier declaration that all associated material does not originate from controversial or unspecified risk sources;
- identification of tree species; and
- geographical origin for all deliveries that may enter the supply chain (from the forest to the primary manufacturing facility).

Hardwood sources consist of various amounts of Trembling Aspen (*Populus tremuloides*) and Balsam Poplar (*Populus balsamifera*), while softwood sources consist of White Spruce (*Picea glauca*), Jack Pine (*Pinus banksiana*), Balsam Fir (*Abies balsamea*), and Black Spruce (*Picea mariana*). All of the materials procured by MLMP are not listed in Appendices 1, 2, or 3 of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). MLMP does not use or include any reclaimed materials in any of its product groups or product types. All species are abundant in the fibre supply area and commercially harvested.

Fibre Supply Area

The Meadow Lake Mechanical Pulp Mill's (MLMP) 2017-2018 fibre area includes wood procured from the Mistik Management Forest Management Area, the L&M Forest Management Area (both managed

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by Mistik Management Inc.), the Prince Albert Forest Management Area (managed by Sakaw Askiy Management Inc.), and private wood purchases as facilitated by our suppliers. Mistik Management Ltd. (Mistik) is a woodlands management company that provides timber procurement and forestry services to the Meadow Lake Mechanical Pulp (MLMP) mill and NorSask Forestry Products Inc. Mistik maintains an FSC-certified land base (Mistik Management FMA), as well as upholds an FSC Controlled Wood certificate and maintains an FSC-approved risk assessment for all wood procured outside of the FSC-certified land base (Mistik Controlled Wood Area). All round wood entering the MLMP system originates from Mistik Management’s FSC-Certified FMA or Mistik’s Controlled Wood area. All softwood chips originate from the Meadow Lake Mechanical Pulp (MLMP) Controlled Wood area (figure 2), for which an FSC-approved risk assessment has been compiled by MLMP. By initiating the FSC Controlled Wood Program and completing a risk assessment of these lands, we are committing to procuring low environmental risk timber to be used in our pulp production.

Sakaw Askiy Management Inc. is a partnership of six forest companies and two First Nations groups who administer the license for the Prince Albert Forest Management Area (PA FMA). All softwood chips originating from the PA FMA are also certified to Sustainable Forestry Initiative (SFI) Fibre sourcing standard and Forest Management Standard, and the Programme for the Endorsement of Forestry Certification (PEFC) Chain of Custody system. The FSC categories of risk overlap with the majority of SFI and PEFC certification expectations, however, the context of privately procured wood does not fall under SFI or PEFC; therefore, the FSC controlled wood area and risk assessment covers FMA and private procurement areas to adequately assess risk.

Figure 1 outlines the Saskatchewan Northwest-Central timber supply area as allocated by the provincial government. The Mistik Management FMA, L&M FMA, and PA FMA are shown. Private procurement occurs outside of these areas and can be viewed in figure 2.

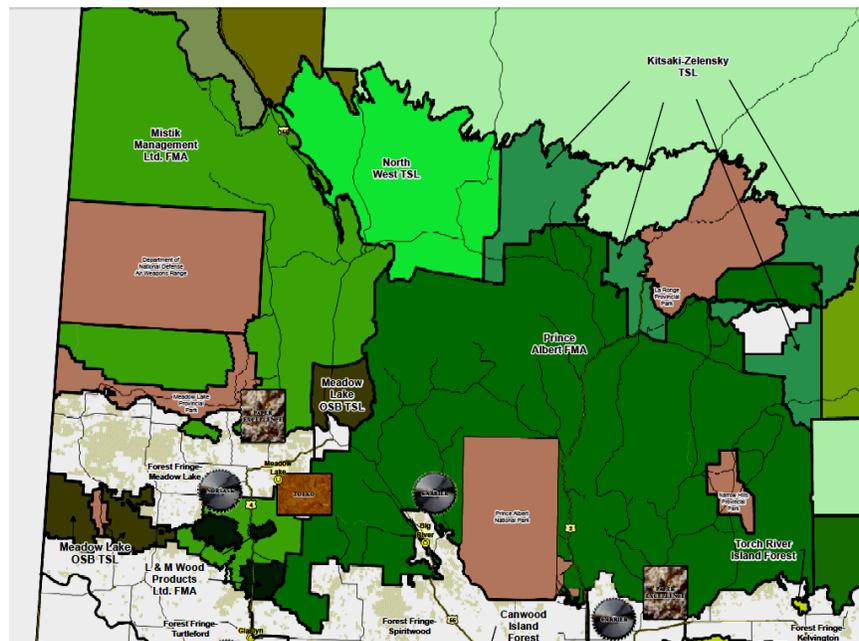


Figure 1 - Forest Management Area (FMA) procurement

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Controlled Wood Risk Assessment (CWRA) Area

FSC Certified wood meets all the requirements of the FSC principles and criteria, while FSC Controlled Wood avoids sources from five categories. MLMP's risk assessment is designed to evaluate risk to supply area and supply chain according to these categories:

1. Illegally harvested wood;
2. Wood harvested in violation of traditional human rights;
3. Wood from forests in which high conservation values (HCV) are threatened by management activities;
4. Wood from forests being converted into plantations or non-forest use; and
5. Wood from forest in which genetically modified trees are planted.

MLMP has developed a publically available policy which commits to the implementation of the controlled wood standard to avoid trading and sourcing wood or wood fibre from the above categories of risk. MLMP's fibre policy, risk assessment, and DDS are reviewed at minimum, once per year, as incorporated into the annual internal chain of custody audit.

To adequately evaluate risk, both the origin of material and the supply chain through which materials are sourced is evaluated. In regards to the supply of softwood chips, 94.5 percent of softwood obtained by our suppliers is procured on Forest Management Areas (FMA) and only 5.5 percent is privately purchased outside of the forest management areas. For all fibre procured outside of an FMA, suppliers conduct their own risk assessments which are made available to MLMP. For all harvesting conducted on an FMA, suppliers ensure that their logging contractors receive regular environmental management systems (EMS) training to be aware of and/or identify high conservation values in the harvest area.

As outlined in figure 2, the MLMP risk assessment area covers the portion of Saskatchewan highlighted in yellow and is positioned South and Southeast of the Mistik FMA, covering a large portion of the Prince Albert FMA. It is important to note that the MLMP controlled wood risk assessment area generously overlaps Mistik's controlled wood risk assessment area, but covers slightly more area to the east. Tracing counter-clockwise on the map beginning at the North-West corner, the area follows the Alberta/Saskatchewan border from Meadow Lake Provincial Park (Cold Lake) south of the Saskatchewan River, then follows the river to just north of the village of Glaslyn, then follows the provincial boundary of the commercial forest boundary near the Nesbit Provincial Forest, then north and around the Prince Albert National Park following the boundary south, then east along White Fox River, then north towards Lac La Ronge, then west to Dore Lake area and across to an area north of Green Lake, then along the forest boundary and the Meadow Lake Provincial Park to the Alberta border.

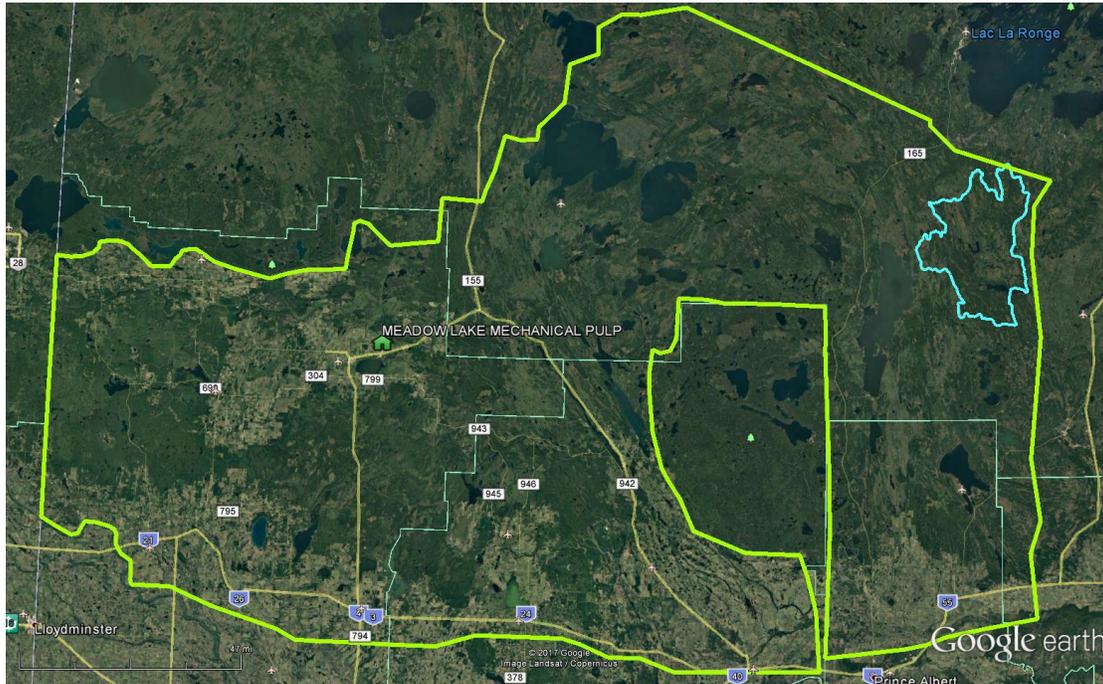


Figure 2 - MLMP Controlled Wood Risk Assessment area (MLMP map version 2, 2017)

Risk to supply chain is controlled through the chain of custody tracking system which monitors situations and processes to assess risk of material being mixed with unacceptable sources (uncontrolled wood categories) in the supply chain during transportation, processing, and storage. This assessment is conducted via MLMP's chain of custody procedure, which includes annual softwood chip supplier audits. This procedure describes the process that ensures FSC-certified wood (originating from the Mistik FMA area), FSC controlled wood, and any potential uncontrolled wood is uniquely identified and tracked through the delivery process from "stump to mill yard." This procedure addresses the requirements of the FSC-STD-40-005 Standard for Company Evaluation of FSC Controlled Wood and is validated through regular supplier audits, documentation checks, supplier site visits, and stakeholder consultation provided by our forest management companies in union with our chip suppliers. All products can be tracked back to their source through transportation documents which identifies each forest management unit.

The MLMP controlled wood area is located within three World Wildlife Federation (WWF) eco-regions as shown in figure 3: the Midwestern Canada Shield, Mid-Continental Canadian Forest, and the Canadian Aspen Forest and Parklands. Risk to FSC high conservation values (HCV) are evaluated at the eco-region level.

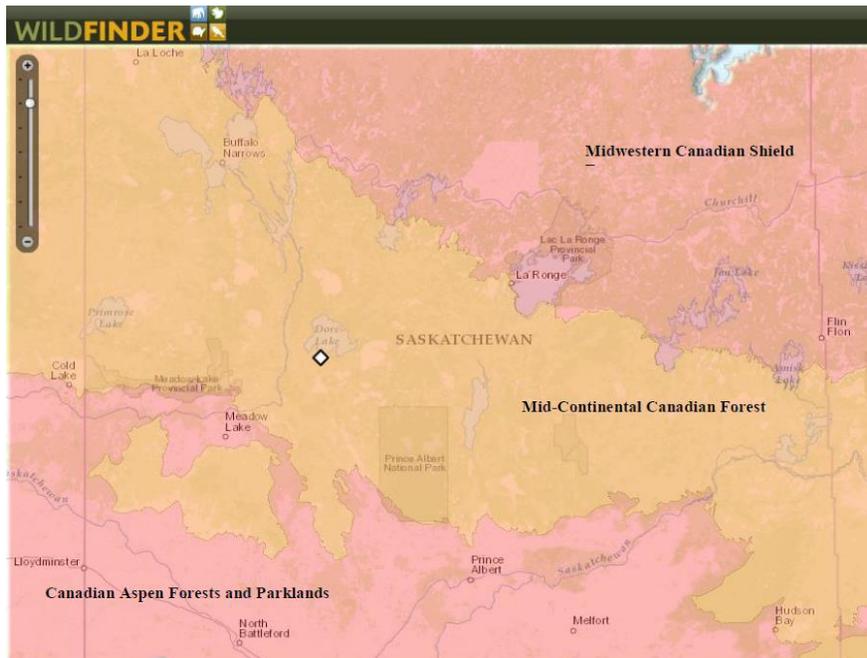


Figure 3 - Eco-regions specific to the MLMP Controlled Wood Area

Risk Designation

The 2017-2018 Controlled Wood Risk Assessment designated low risk for controlled wood categories 1, 2, 4, 5, and specified risk for category 3 where high conservation values were identified as potentially impacted by management activities. In the case of specified or unspecified risk, a control measure must be implemented and MLMP must use the opinion of at a qualified expert (or publically available reference material developed by experts) to justify the adequacy of the control measure. Intact Forest Landscapes (IFL), an eco-region level high conservation value is the only high conservation value that was identified as specified risk under category 3.1.

Intact Forest Landscapes (IFL): Background

In the development of our Controlled Wood Area Risk Assessment it was discovered that specific areas in the District of Origin were deemed to be Specified Risk. With this level of risk determined, control measures are required to be implemented to either avoid or mitigate specified or unspecified risk. A plan was developed by Kevin Gillis of Mistik Management at the “origin” level, pertaining to the distinct geographical areas where the risk was specified.

Intact Forest Landscapes (IFL) fall under Controlled Wood Category 3 in the MLMP Controlled Wood Risk Assessment: “wood harvested from forests in which high conservation values (HCV) are identified by management activities.” The Control Measure was developed for accessing wood products near Intact Forest Landscapes (IFL). In order to meet the requirements of the standard these areas have specific requirements on management activities. FSC Canada has issued *Interim Guidance for the Delineation* of Intact Forest Landscapes (IFL) May 25, 2017* to support company implementation of FSC’s Advice Note

of the implementation of Motion 65. The Guidance is compatible with FSC International direction for the identification of IFLs.

Delineation refers to the precise demarcation of an IFL, defining it with lines on a map using multiple considerations. Mapping constraints focus on size, shape, proximity to anthropogenic disturbances, open water and non-forest terrestrial communities. IFLs were delineated in the Controlled Wood Area using the FSC direction and application notes.

The definition of Intact Forest Landscapes adopted by FSC is as follows:

A territory within today's global extent of forest cover which contains forest and non-forest ecosystems minimally influenced by human economic activity, with an area of at least 500 sq. km (50 000 hectares) and a minimal width of 10 km (measured as the diameter of a circle that is entirely within the boundaries of the territory).

The FSC document *Intact Forest Landscapes (IFL) Technical Working Document Version 1* was used for developing IFLs and IFL core areas and implementing the guidance as laid out in the document. The overall approach taken in the guidance is to carefully identify IFLs as a basis for identifying core areas and incorporating a landscape-context and socio-economic considerations into the development of the core areas for the Controlled Wood Region.

Identification of Core Areas was done through the 7 step process outlined in the Technical Working Document. The 7 steps are as follows:

1. Identify the Reference Area (area where IFLs occur within the area of use or interest)
2. Identify IFLs
3. Identify Baseline Core Sizes
4. Develop Landscape Context
5. Develop Initial Core Size Targets
6. Identify Core Area Locations within IFLs
7. Social Analysis (yet to be defined by FSC)

Associated with IFLs is the concept of High Conservation Values (HCVs) and indicators in which IFLs are contributing elements to the maintenance of HCVs. One of these indicators is "caribou". For each of the identified IFLs, an associated "Interim Caribou Habitat Management Zone-Near Term Deferral" proposed by Saskatchewan Ministry of Environment has been identified within a portion of the IFL.

The IFLs are all contained within approved forest management plan areas and are highly traceable to the source. MLMP will continue to work closely with Mistik Management and suppliers to evaluate risk to IFLs in the controlled wood area, adequately applying this control measure.

The social analysis component, considered as step 7 for identifying and mapping IFLs, continues to be analyzed as the guidance for applying the social context to the identification of IFLs and core areas has yet to be developed by FSC, and will be a key component for future IFL identification. The goal of this control measure is to ensure that the IFL Core Areas are maintained over time and HCVs are not threatened.

Control Measures for Specified Risk (IFL)

1. Work closely with Mistik Management to annually evaluate risk to IFLs in the MLMP controlled wood risk assessment area.
2. Current IFL delineations will be communicated to softwood chip suppliers to request this information be included in their annual harvest plans.
3. Collect information from softwood chip suppliers in late spring (when FMA annual maps are completed) to redefine the controlled wood risk assessment (CWRA) area map as needed. Mistik will update the CWRA area map annually.
4. If the CWRA area expands, the risk assessment must be revisited to ensure risk designation has not changed. Third party auditor must be notified if the CWRA area expands, and/or risk designation changes prior to the next third party audit.
5. The control measure will be verified by annual harvest block summaries provide by suppliers, accounting/delivery slip information, and associated maps to demonstrate that the IFL Core Area has not been impacted by harvesting or other management activities.
6. Once evaluated, if annual harvesting plans overlap with the IFL delineations, determine how much may be permitted without affecting the core estimated area. It is possible to harvest on an IFL and not affect the integrity of it if mitigation procedures are in place to maintain the core area and FSC requirements; however, if suppliers plan to overharvest in the core area, MLMP will re-evaluate accepting from this supply.

The desired outcome is that harvesting should not affect the Core Area of the IFL and protection measures be implemented to ensure management for intactness is maintained (based on the relevant IFL size category).

Expert Opinion

MLMP has engaged the expertise of Kevin Gillis, the Certification Coordinator and Conservation Consultant with Mistik Management Ltd. He is a Saskatchewan Registered Provincial Forester (RPF), with a Forest Technology Certificate, and a Wildlife Technician Certificate with over 24 years of experience in forestry and sustainable forest management. The assessment of the intact forest landscapes (IFL) identified on the MLMP Controlled Wood Risk Assessment area was completed by Kevin Gillis. As a key source for the creation and implementation of this control measure, he can assure to the adequacy of the control measure implemented by MLMP to mitigate the risk of sourcing material from forests in which high conservation values are threatened by management activities. Kevin has expert knowledge on the presence, distribution, and/or threats to environmental values within the area under assessment, and he is also an FSC Standards Development Group Member. As such, he has located and delineated each IFL in the supply area, identified the core to be protected, and he will continue to work closely with MLMP regarding IFLs. He is also heavily involved in HCV planning on the Mistik and L&M Forest

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Management Areas, and has knowledge and awareness of HCV planning on the PA FMA. A private land context is not relevant in this case, as all IFLs have been located only in provincial forest management areas. Kevin's education, experience, and expert knowledge of forest management practices qualify him as an integral resource for the mitigation of risk in the supply area.

Chain of Custody stakeholder input process

All stakeholder consultation and public advisory group sessions (PAG) and contacts are maintained by Mistik Management on the Mistik FMA and L&M FMA, and Sakaw Askiy Management on the Prince Albert FMA. Although most concerns can be addressed by directly contacting the suppliers or the FMA management group, MLMP has established a procedure so that chain of custody specific complaints or concern brought to MLMP by the public can be evaluated and addressed. A personal, business, or legal dispute requiring confidentiality will not be considered under this process. Stakeholders wishing to submit a concern must do so in writing with sufficient evidence to support the concern. The concern will be logged and reviewed with the fibre manager and/or general manager, and the complaint procedure will be communicated to the stakeholder.

Please note that concerns in this case should remain specific to fibre procured in the controlled wood risk assessment area (refer to figure 2 above). All concerns related to the Mistik FMA or the L&M FMA can be addressed to Mistik Management. Complaint pertaining to MLMP's Controlled Wood Risk Assessment area may be addressed to:

Attention: Management Systems Coordinator
Meadow Lake Mechanical Pulp Mill
Box 9100, Meadow Lake, Saskatchewan
S9X 1V7
email: info@meadowlakepulp.com

In conclusion, should any uncontrolled fibre be delivered to MLMP, appropriate procedures to segregate and manage the materials are strictly applied. The MLMP Controlled Wood Risk Assessment can be located at www.fsc.org by searching for the Meadow Lake Mechanical Pulp Mill under the certificate search tab.