To: Daishowa-Marubeni International Ltd., Peace River Pulp Division FSC® CoC/CW Stakeholders

July 12, 2017

Dear Stakeholder

**Stakeholder Consultation**

**KPMG Forest Certification Services Inc. (KPMG FCSI) to conduct an FSC® Chain and Custody/Controlled Wood Re-certification Audit of Daishowa-Marubeni International Ltd., Peace River Pulp Division**

**Purpose and scope of the audit**

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Daishowa-Marubeni International Ltd., Peace River Pulp Division (DMI) 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 for the summer of 2017, with the main assessment scheduled to begin on August 28, 2017 and conclude on September 14, 2017.

The supply area for DMI includes those portions of the WWF ecoregions listed below that are located within the province of Alberta:

- Alberta-British Columbia Foothills Forests
- Canadian Aspen Forests and Parklands
- Mid-Continental Canadian Forests
- Muskwa-Slave Lake Forests

A map of the WWF Canadian ecoregions containing forest landscapes can be found within DMI’s Controlled Wood Risk Assessment located at: [https://dmi.ca/certification/forest-certification/control](https://dmi.ca/certification/forest-certification/controlled-wood-coc/)

The audit will be based on the current FSC CoC (FSC-STD-40-004 V3-0) 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 DMI’s FSC CoC/CW certification. The comments received will be considered by KPMG FCSI in reaching its conclusions regarding DMI’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.

FSC-STD-40-004 V3-0 and FSC-STD-40-005 V3-1 were recently released for use by FSC. Organizations holding certifications to the previous versions of these standards must be assessed against the current version by December 31, 2017 (in the case of FSC-STD-40-005 V3-1) and March 31, 2018 (in the case of FSC-STD-40-005 V3-1).

Your role

We would appreciate your comments on issues that are pertinent to DMI’s FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observations regarding the Company’s due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the company risk assessment (which FSC has decided may continue to be used until an approved national risk assessment for Canada is in place). Comments received will be considered by KPMG FCSI in assessing DMI’s performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the DMI FSC CoC/CW certification audit summary report.

A questionnaire is provided with this letter for your comments on issues that are pertinent to DMI’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 prior to or 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 DMI Due Diligence System (DDS).
• A written summary of the DMI DDS. A copy of this document is available in the DMI FSC CoC stakeholder information package located on KPMG FCSI’s website at https://home.kpmg.com/ca/en/home/services/audit/sustainability-services/forest-management-consultations.html.

• Copies of the applicable FSC CoC and CW standards. These can be obtained from FSC International document center located at: https://ic.fsc.org/en/document-center.

• A copy of the current (2017 version) DMI company risk assessment. This can also be obtained from FSC International at: https://info.fsc.org/details.php?id=a02400000005sUX6AAM&type=certificate. Note: The 2017 version of the DMI company risk assessment is in the process of being updated at time of writing. Once finalized by DMI and approved by KPMG FCSI it will be posted to the above FSC website.

• 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.com/ca/en/home/services/audit/sustainability-services/kpmg-forest-certification-services-inc.html.

• Contact information of the person or position responsible for addressing complaints. This can be obtained by visiting the KPMG FCSI website at https://home.kpmg.com/ca/en/home/services/audit/sustainability-services/kpmg-forest-certification-services-inc.html

**KPMG FCSI Contact information**

All comments and requests for additional information should be directed to Sylvi Holmsen at:

KPMG Forest Certification Services Inc.
PO Box 10426, Pacific Centre
Vancouver, B.C.
V7Y 1K3
Fax: (604) 691-3031
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 DMI FSC CoC/CW certification audit summary report.

Yours very truly,

Sylvi Holmsen, RPF(BC), EP(EMSLA)
Manager
(604) 691-3431

Enclosures
DMI PRPD Due Diligence System Public Summary

1. Purpose

PRPD is implementing this Due Diligence System (DDS) to achieve conformance with the Forest Stewardship Council® (FSC®) Standard (FSC STD-40-005 V3.1) - Company Evaluation of Controlled Wood in order to avoid material from unacceptable sources.

This DDS is part of the Chain of Custody (KF-COC-001020) and Controlled Wood (KF-CW-001020) program addressing the procurement of fibre used to manufacture HW and SW pulps (FSC product type P1.3). HW pulp consists of varying proportions of: Trembling aspen (Populus tremuloides) and balsam poplar (Populus balsamifera) while SW consists of varying proportions of: White spruce (Picea glauca), black spruce (Picea mariana), lodgepole pine (Pinus contorta), jack pine (Pinus banksiana), balsam fir (Abies balsamea).

- None of the species are CITES listed
- All of the species are abundant within the Fibre Supply Area
- All of the species are commercially harvested in the Fibre Supply Area

The PRPD mill is located near Peace River, Alberta, Canada. PRPD intends to only deal in Controlled Wood under the transfer system.

2. Fibre Supply Area

The Fibre Supply Area consists of both company managed tenures and incidental deciduous fibre generated from other forest operators as well as residual chips from local sawmills located in the NW corner of Alberta (Appendix 1 of the embedded Risk Assessment). The following ecoregions, as determined by the WWF Wildfinder, are found within the fibre supply area (Appendix 2).

- Muskwa-Slave Lake Forests
- Alberta-British Columbia Foothills Forests
- Mid-Continental Canadian Forests
• Canadian Aspen Forests and Parklands

The Fibre Supply Area has been determined to have a low risk designation for all 5 CW Categories:

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

Note: The majority of PRPD’s fibre originates from SFI/CSA Forest Management Certified Forests which are also certified to the PEFC Chain of Custody (approximately 85% SW and 75% HW). The remaining volume is subject to the SFI Fiber Sourcing Standard Requirements which also aids in the risk determination and screening process. Any sources that do not pass the scrutiny of the various checks and balances will be excluded from the supply chain.

3. Due Diligence System (DDS) and Risk Assessment

The DDS is comprised of a 3 step process:

1) Obtaining information from suppliers
2) Risk Assessment of forest source and supply chains
3) Risk Mitigation and control measures (to achieve low risk designation for forest sources and supply chains – only required for specified/unspecified risk determinations)

Information obtained from suppliers includes:

• A signed supplier declaration that all associated material DOES NOT originate from controversial or unspecified risk sources and a commitment to inform DMI PRPD of any potential changes or issues
• Identification of the tree species
• Geographical origin (consists of a load listing / reports (with TM9 #) for all deliveries that may enter the supply chain (from the forest to the primary manufacturing facility from which chips may be produced)
• Shapefiles from planned and harvested blocks are also evaluated for validation of origin for most suppliers

In addition to DMI PRPD’s DDS evaluation, the majority of these items are regulated, monitored and audited by the Government of Alberta – Department of Agriculture and Forestry. Being under the scrutiny of the government agency reduces the risk that suppliers would not be in full compliance of relevant legislation.
Risk Assessment

Currently the National Risk Assessment is still under development in Canada. The Centralized National Risk Assessment for Canada (FSC-CNRA-CAN V1-0 EN) has determined a low risk designation for CW Categories 1, 2 and 5. Despite the aforementioned items, DMI has developed an independent company risk assessment (appended to this document).

Currently, PRPD’s Due Diligence / Company Risk Assessment has produced negligible / low risk designation for all 5 Controlled Wood categories. In the event this risk designation escalates, PRPD will assist suppliers’ to implement risk mitigation / control measures to rectify the issue. As a last resort, PRPD reserves the right to exclude material that cannot be confirmed as negligible / low risk from its supply chains.

Risk Mitigation and Control Measures

Section 4 of the CW Standard states that the organization shall have and implement adequate control measures to either avoid or to mitigate specified or unspecified risk related to origin and/or risk related to mixing with non-eligible inputs in the supply chain. The Risk Mitigation requirement is only applicable when results of the Risk Assessment do not have a low risk determination (not required under the PRPD Company Risk Assessment). As Risk Mitigation is not required for low risk sources/potential of mixing there are no control measures, consultation summaries, qualified expert opinions or field verifications required in this DDS Overview. The entire DDS and Risk Assessment process is reviewed annually and will be incorporated into the annual internal audit cycle.

4. Procedure for Filing Complaints

- The complaint is entered into the non-conformance database
- The complaint procedure is communicated to the complainant within 2 weeks
- The details of the complaint and provided evidence are reviewed and further actions are determined, provided the complaint is based on verifiable evidence
- Substantial complaints will be communicated to the Certification Body and FSC Canada within 2 weeks
- The precautionary approach will be implemented while the complaint is pending
- An investigation process will be implemented to verify the complaint is substantial
- If the complaint is determined to be substantial; Corrective Actions will be implemented to rectify the issue, if the Corrective Action doesn’t rectify the issue the supplier will be excluded from the supply chain
- Corrective Actions will be verified to be working as intended
- The complainant, Certification Body and FSC Canada will be informed of the actions taken and the results of those actions to ensure the issue has been rectified
- All relevant records and correspondence will be retained
Complaints are to be addressed to:

Name:       Lee Rueb
Title:      EH&S Supervisor
Address:    #2 Pulp Mill Site Road, Postal Bag 6500, Pulp Mill Site, Peace River, AB, Canada T8S 1V5
Phone:      (780) 624-7435
Email:      lrueb@dmi.ca
Certificate Holder: Daishowa-Marubeni International Ltd. Peace River Pulp Division

Certification Body (CB): KPMG Forest Certification Services Inc.

FSC CW certificate code: KF- COC-001020
KF- CW-001020

Date of CB Approval: May 14, 2017

Date of Risk Assessment: May 1, 2017

Address of CB: Box 10426, 777 Dunsmuir Street, Vancouver BC V7Y 1K3

Certificate Holder Address: Woodlands Business Unit
Postal Bag 6500, Pulp Mill Site
Peace River, Alberta T8S 1V5

Fibre Supply District of Origin, including countries covered with this risk assessment (FCS-STD-40-005-V3-1):
Northwest Alberta, Canada
Ecoregions¹ within the District of Origin: Muskwa-Slave Lake Forests (Relatively Stable / Intact²), Alberta-British Columbia Foothills Forests (Critical / Endangered), Mid-Continental Canadian Forests (Vulnerable) and Canadian Aspen Forests and Parklands (Critical / Endangered)

<table>
<thead>
<tr>
<th>Category</th>
<th>FSC Indicator</th>
<th>Information Sources Used</th>
<th>Brief Justification</th>
<th>Risk Designation</th>
</tr>
</thead>
</table>
| 1. Illegally Harvested Wood   | 1.1 Evidence of enforcement of logging related laws in the district | AB:  
 www.illegal Logging.info  
 www.eia-international.org  
 https://www.agric.gov.ab.ca/app21/ministrypage?cat1=Ministry&cat2=Legislation  
 Public disclosure of Enforcement and | Canada is a party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). Canada has adopted legislation for enforcing this convention, the Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPRIITA), similar to the US amended Lacey Act and the European Union Timber Regulation.  
 In Alberta, Section 120 of the Timber Management Regulations outlines the Transportation requirements and Schedules 1 and 2 in the regulation outlines enforcement measures.  
 The Timber Management Regulation includes provisions to ensure that | Low Risk (AB) |

2 WWF Wildfinder: https://www.worldwildlife.org/science/wildfinder/
governance are present:

<table>
<thead>
<tr>
<th>Compliance in Alberta</th>
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<tbody>
<tr>
<td><a href="http://www.illegal-logging.info">www.illegal-logging.info</a></td>
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<tr>
<td><a href="http://www.eia-international.org">www.eia-international.org</a></td>
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<tr>
<td><a href="http://www.agric.gov.ab.ca/app21/forestrypage?cat1=Forest%20Management&amp;cat2=Fores">http://www.agric.gov.ab.ca/app21/forestrypage?cat1=Forest%20Management&amp;cat2=Fores</a> t%20Management%20Agreements&amp;cat3=FMA%20Holders</td>
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<tr>
<td>-DMI FMA Agreements (East &amp; West)</td>
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<td>compliance and enforcement takes place and that each load of timber from private and public land is accompanied by a load slip. The Government of Alberta monitors compliance by conducting planned and random audits of forest operations and timber production and by conducting field inspections. There is also self-reporting by forest companies and individuals. There is legislation in place to regulate forestry activities, which is generally well enforced. There is no evidence that illegal logging is a wide scale problem in these districts.</td>
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</table>

1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.

| www.illegal-logging.info |
| www.eia-international.org |
| http://www.agric.gov.ab.ca/app21/forestrypage?cat1=Forest%20Management&cat2=Fores t%20Management%20Agreements&cat3=FMA%20Holders |
| -DMI FMA Agreements (East & West) |
| Harvesting without required permit or felling license is not known to be a problem in the country based on international sources and reports in relation to illegal logging. DMI FMA Agreements are awarded by the provincial government and are available on-line. **Timber Marking and Transportation Regulation** includes provisions to ensure that compliance and enforcement takes place and that each load of timber is accompanied by a load slip. |

1.3 There is little or no evidence or reporting of illegal harvesting.

| www.illegal-logging.info |
| www.eia-international.org |
| https://www.agric.gov.ab.ca/app21/forestrypage?cat1=Forest%20Management&cat2=Fore |
| Harvesting without required permit or felling license is not known to be a problem in the country based on international sources and reports in relation to illegal logging. Compliance and Enforcement infractions of the Timber Management regulation are made publicly available and there is little or no evidence of
### DMI Company Risk Assessment

<table>
<thead>
<tr>
<th>Harvesting in the district of origin.</th>
<th>Public disclosure of Enforcement and Compliance in Alberta</th>
</tr>
</thead>
<tbody>
<tr>
<td>DMI Fibre Procurement Principles</td>
<td>Illegal harvesting in the district of origin.</td>
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<tr>
<td></td>
<td>DMI has contracts and declarations stating that fibre does not originate from illegal/controversial sources for the entire District of Origin.</td>
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</table>

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<tr>
<th>1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.</th>
<th>There are no reports or information about significant levels of illegal harvesting in the country.</th>
</tr>
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<tbody>
<tr>
<td><a href="http://www.transparency.org">http://www.transparency.org</a> - Transparency International maintains regularly updated information on perceptions of corruption at the national level</td>
<td>Transparency International Index, 2016, ranks Canada as the 9th least corrupt country in the world.</td>
</tr>
<tr>
<td><a href="http://www.transparency.org/cpi2015/%20results-table#results-table">http://www.transparency.org/cpi2015/%20results-table#results-table</a></td>
<td></td>
</tr>
</tbody>
</table>
## 2. Wood harvested in violation of traditional or civil rights

The district of origin may be considered low risk in relation to the violation of traditional, civil and collective rights when all the following indicators are present:

| 2.2 The country or district is not designated a source of conflict timber (e.g. USAID Type 1 conflict timber) | [www.globalpolicy.org/security/natres/timbrex.htm](http://www.globalpolicy.org/security/natres/timbrex.htm) [www.illegal-logging.info](http://www.illegal-logging.info) [http://www.agric.gov.ab.ca/app21/rtw/index.jsp](http://www.agric.gov.ab.ca/app21/rtw/index.jsp) | Canada is not designated as a source of conflict timber. |

Low Risk (AB)
### 2.3 There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned

- [http://work.alberta.ca/employment-standards.html](http://work.alberta.ca/employment-standards.html)

Forest employment in Canada is regulated under federal (s. 179 (Act); s. 10 (Reg.) - *Canada Labour Code and Regulations*) also strong provincial legislation exists in AB. *Employment Standards Code and Regulations* labour codes, which prohibit child labour, protect the rights of workers to organize and are consistent with other ILO provisions.

### 2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the district

- [http://www.aboriginal.alberta.ca/1.cfm](http://www.aboriginal.alberta.ca/1.cfm)

The District of origin is Treaty 8 Territory, home of several First Nations.

The courts of Canada have established a legally binding consultation system. There is a process in place with both the governments of Canada and the provinces to negotiate and implement land claims and self-government agreements. Many First Nations have treaties with the government of Canada.

Alberta has a First Nation consultation policy that must be followed by industry. Approvals are dependent upon adequate First Nation consultation.
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<tr>
<td>2.5 There is no evidence of violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.</td>
<td><strong>Canadian Human Rights Commission</strong>  <strong>Alberta Human Rights Commission</strong>  <strong>Aboriginal Affairs and Northern Development Canada</strong>  -- Federal aboriginal employment policy.  <a href="http://www.ilo.org/indigenous/Conventions/no169/lang--en/index.htm">http://www.ilo.org/indigenous/Conventions/no169/lang--en/index.htm</a> - the ILO Convention 169 on Indigenous and Tribal Peoples</td>
<td>Federal and provincial laws protect the rights of all workers including aboriginal employees.  Violation of ILO Convention 169 and the rights of Indigenous and Tribal people is not known to be a problem in District of Origin based on international sources and reports.</td>
</tr>
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</table>
### 3. Wood harvested from forest in which high conservation values are threatened by management activities

The district of origin may be considered low risk in relation to threat to high conservation values if: a) indicator 3.1 is met; or b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the district of origin by non-compliance with 3.1.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Details</th>
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| 3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten eco-regionally significant high conservation values. | Conservation International [http://www.conservation.org/where/Pages/default.aspx](http://www.conservation.org/where/Pages/default.aspx)  
Convention on Biological Diversity [http://www.cbd.int/countries/?country](http://www.cbd.int/countries/?country)  
International Union for the Conservation of Nature’s Centre of Plant Diversity [http://www.biodiversity-a-z.org/areas/11](http://www.biodiversity-a-z.org/areas/11)  
WWF Priority Places [http://www.worldwildlife.org/places](http://www.worldwildlife.org/places)  
World Resources Institute (Frontier Forest) [http://multimedia.wri.org/frontier_forest_maps/name-nof.html](http://multimedia.wri.org/frontier_forest_maps/name-nof.html)  
Intact Forests Landscapes [www.intactforests.org](http://www.intactforests.org)  
Global Forest Watch [http://www.globalforestwatch.ca/publication](http://www.globalforestwatch.ca/publication) |
| 3.2 HCVs not applicable to the District of Origin | Conservation International biodiversity hot spots or high priority wilderness areas  
Centres of plant diversity as identified by IUCN and WWF  
WWF Global 200 or Priority Places listed as Critical / Endangered within the District of Origin  
HCVs existing within the District of Origin but not threatened by forest management activities (at the ecoregion level)  
The Muskwa-Slave Lake Forest is identified in the Global 200 Ecoregions as relatively stable / intact forest. Therefore there is no threat from forest management activities.  
Intact Forest Landscapes  
The district of origin contains some areas of provincially significant intact forests (5,000 ha to 50,000 ha). The provincially significant intact forests are located in the Canadian Aspen Forests and parklands and the Mid-Continental Canadian Forests ecoregions. FSC released an advice note for the interpretation of the default clause of Motion 65 (ADV-20-007-018 V1-0) stating that forest management operations within IFL’s can only proceed if they do not impact more than 20% of the IFL and do not reduce the IFL below the 50,000 Ha threshold. Minimal impacts to IFL’s were noted to be <1%. In an effort to remain globally consistent the Intact Forest Landscapes methodology was applied as opposed to the Global Forest Watch Canada Methodology (although the results are very similar – well under the 20% / 50,000Ha threshold). |
### Forestry Requirements for Natural Range of Variation (NRV) Analysis and Target Setting

HCVs existing within the District of Origin and potentially threatened by forest management activities (at the ecoregion level)

WWF Ecoregion Status not listed as Global 200

The Canadian Aspen Forests and Parklands and the Alberta-British Colombia Foothills Forests are listed as critical / endangered (CAF&P primarily to agricultural expansion and ABCFF a combination of logging, agriculture, oil/gas) while the Mid-Continental Canadian Forests are listed as vulnerable (50% intact; citing disturbance from forestry, oil & gas and mining) in the WWF ecoregions. (See FSC Indicator 3.2)

DMI and a number of its SW suppliers (many of which are Forest Products of Canada – FPAC members) are signatories to the [Canadian Boreal Forest Agreement](https://www.fpa.ca/). The Agreement recognizes that although the responsibility for the future of forestry and conservation in Canada’s boreal forest rests primarily with governments, both industry and environmentalists have a duty to help define that future. The CBFA provides both parties with a plan to work towards a stronger, more competitive forestry industry and a better protected, more sustainably managed boreal forest. Early in 2016 the CBFA released the “Forestry Requirements for Natural Range of Variation (NRV) Analysis and Target Setting” co-developed by FPAC (industry and ENGO’s). The science based, NRV analysis is currently under development by the Foothills Research Institute’s LandWeb Project.

DMI’s Detailed Forest Management Plans (for both FMA’s) have been developed by implementing the Ecosystem Based Management (EBM) as a coarse filter approach to risk management. The concept is to emulate natural disturbances (primarily fire events) that occur naturally on the landscape. Northern boreal plains landscapes are subject to extensive,
<table>
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<th>Federal Species at Risk Act – Woodland Caribou Recovery Strategies</th>
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DMI's emulation strategy (EBM, variable retention harvest design) strives to leave similar patterns of structure that are among the highest levels in Canada, along with the additive benefit of another 40% of the FMA landbase not operated by the company because of exclusions for various sensitive values or operability challenge (landbase excluded from timber supply).

Landscape scale connectivity is the basis on which DMI’s identification of a Continuous Reserve Network (CRN) has been developed. This CRN is the collective landscape portions that are part of or embedded within DMI FMA tenures that have been identified for exclusion from timber supply. It represents a significant portion of the northern FMA landscape (c. 1.18 million hectares) and arguably contributes to protecting sensitive unique values and natural processes within DMI FMA tenures, because these areas are not subject to forest harvest operations. The CRN does inherently also account for portions of caribou range overlapping DMI tenure that are not subject to timber harvest nor part of DMI timber supply.

Woodland Caribou populations – the various caribou herds within the District of Origin are listed as a threatened species under the Federal Species at Risk Act. (See FSC Indicator 3.2)
3.2 A strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCVs in the ecoregion.

<table>
<thead>
<tr>
<th>Forest Management Plans</th>
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<tr>
<td>Alberta Planning Standard</td>
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<tr>
<td>DMI Operating Ground Rules</td>
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<tr>
<td>CBFA</td>
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</table>

### Woodland Caribou

Current [caribou policy](#) emphasizes a principle that caribou conservation is a shared government, public and private sector responsibility, but that it will be led by government including the identification of targets (population, habitat), directing recovery planning forums and population intervention management (caribou, predators, moose, deer). Dating back to 2005, such forums have been initiated with government invitation to stakeholders ONLY within west-central Alberta and northeast Alberta. In Alberta, Caribou decline is a cumulative effects issue across government land-use policy (land access –public, industry), predator-prey population management, active climate change influences, and multiple overlapping industry sectors on the landscape. Recovery solutions are distinctly not solely within the realm of the forest-sector, nor solely within industry control.

DMI and a number of its SW suppliers (many of which are Forest Products of Canada – FPAC members) are signatories to the Canadian Boreal Forest Agreement. The Agreement recognizes that although the responsibility for the future of forestry and conservation in Canada’s boreal forest rests primarily with governments, both industry and environmentalists have a duty to help define that future. The CBFA provides both parties with a plan to work towards a stronger, more competitive forestry industry and a

| Low Risk (at the ecoregion level) |
| AB Caribou | Better protected, more sustainably managed boreal forest. It entails a commitment by the environmental groups to stop boycotting the forest companies involved. In return, the companies have agreed to collaborate on a number of specific goals, two in particular addressing the completion of a network of protected areas and accelerated at-risk species plans, and one addressing the development of a world-leading standards-of-practice centering on EBM and NRV science. In addition to the previous Indicator section describing work of the CBFA National Working Group in developing a state-of-art Methodological Framework (MF) for CBFA caribou planning exercises, that same national group has developed an MF to guide Protected Areas planning at both the national-scale and within provincial working groups (Several forest operators participated in the national team development of this MF). The Protected Areas Planning MF has gained distinct positive response and interest from the Alberta government because of its innovative, credible, repeatable, transparent and whole-landscape approach to conservation planning.
Following 2-years of preparations (2011-2012) an innovative, comprehensive and unprecedented scale Protected Areas Assessment & Planning exercise by the CBFA is now underway (2013-14) covering the entire portions of Alberta & BC that are encompassed within the boreal area (as geographically defined by Brandt). Several forest operators are participating in the AB-BC Regional Working Group developing this product. DMI is participating directly in the Sub-committee that is co-leading the technical exercise using the MF and a defined work plan with 2014-2015 milestones in collaboration with contract expertise and the CBFA Science Team. The RWG has engaged the Alberta government during this CBFA exercise in an attempt to influence the conservation outcomes of the Alberta government during the course of their active Land Use Framework regional planning exercises. The Alberta-BC exercise and the national exercise both evaluated past government protected areas exercises. Both anchor to build on existing government processes as well as existing protected areas as a start-point in the aspiration to complete a national network that addresses conservation gaps under a whole-landscape approach also accounting for the contribution of forest sector EBM/SFM to landscape ecosystem health. |
| Alberta Caribou Committee: | Forestry Requirements for Natural Range of Variation | LandWeb |
Early in 2016 the CBFA released the “Forestry Requirements for Natural Range of Variation (NRV) Analysis and Target Setting” co-developed by FPAC (industry and ENGO’s). The science based, NRV analysis is currently under development by the Foothills Research Institute’s LandWeb Project.

**Caribou in AB**

There are 7 caribou ranges within the portion of the broader District of Origin where there is potential to source fibre. These herds and associated ecoregion(s) are as follows:

- Slave Lake - Mid-Continental Canadian Forest
- Nipisi - Mid-Continental Canadian Forest
- Red Earth Mid-Continental Canadian Forest
- Chinchaga – Alberta-British Columbia Foothills Forest / Muskwa-Slave Lake forests
- Caribou Mtn - Canadian Aspen forests and parklands / Muskwa-Slave Lake forests
- Steen River/Yates - Muskwa-Slave Lake forests
- Bistcho - Muskwa-Slave Lake forests

DMI FMA tenures only encompass a portion of two designated caribou ranges (Chinchaga, Red Earth) identified by Alberta/Canada in the region of its tenures. Those ranges were delineated by government and encompass a mosaic of extensive peatland wetland habitat (deemed desirable biophysical attributes for caribou by Env Canada) along with tremendous amounts of non-caribou deciduous & mixedwood upland. As described in the previous Indicator section, within the parts of those two caribou ranges overlapping DMI FMA tenure, DMI identified a CRN that accounts for “portions” of these two caribou ranges not subject to timber harvest and that have been excluded from DMI timber supply. Deciduous & mixedwood upland forest portions remain subject to timber harvest.
During the development of DMI’s DFMP for its FMA tenure, the company identified a CRN as the collective landscape portions that are part of or embedded within DMI FMA tenures but that were excluded from timber supply. It represents a significant portion of the northern FMA landscape (c. 1.18 million hectares) and arguably contributes to maintaining sensitive unique values and natural processes within DMI FMA tenures, because:

- these areas are not subject to forest harvest operations, thereby representing one less potential footprint on that landscape portion,
- it includes recognition and respect for legally designated Protected Areas (and their associated ecological values)
- it includes a number of areas voluntarily excluded from timber supply despite evident operability (e.g. Peace River valley)
- it includes a number of areas voluntarily excluded because of highly sensitive ecological value (e.g. some former candidate lands identified during Special Places 2000 that were rejected by government for potential protected areas)
- it provides a potential anchor-point for landscape scale connectivity, in particular the notable biodiversity associated with hydro-riparian landforms as enduring features.

Alberta had re-initiated a caribou range planning forum including a Multi Stakeholder Advisory Group (MSAG) for specific west central Alberta herd range (2014). West central FMA tenure holders are participating in that invitational MSAG process, as well as in the Foothills Landscape Management Forum (FLMF) associated with the foothills Research Institute (fRI). The FLMF also developed specific caribou habitat management recommendations submitted to government for consideration in the government-led west central caribou planning exercise. The MSAG is no longer functioning but has influenced the caribou recovery planning process in AB. A draft of the proposed AB Caribou Range Plan was open for public and stakeholder comments during the summer of 2016. This draft
specifically aimed at the Little Smoky and A La Peche herds and was comprised of recommendations from the Denhoff report which also references the other caribou herds in the NW.

**WWF Ecoregion Status**

The Canadian Aspen Forests and Parklands and the Alberta-British Colombia Foothills Forests are listed as critical / endangered (CAF&P primarily to agricultural expansion and ABCFF a combination of logging, agriculture, oil/gas) while the Mid-Continental Canadian Forests are listed as vulnerable (50% intact; citing disturbance from forestry, oil & gas and mining) in the WWF ecoregions.

Risk is minimized by legislated requirements and voluntary tactics such as sustainable forest management certification (3rd party verified). Approximately 80% of the DMI’s fibre originates from a SFM certified forest complimented with chain of custody certification.

Within AB the rate of forest conversion to non-forest use is within an acceptable limit (provincially), as per Controlled Wood Category #4. Timber harvesting supplemented by reforestation does not equate to deforestation (legislated requirement).

The WWF Wildfinder identifies the primary threat to the Canadian Aspen Forests and Parklands as land clearing of aspen stands for agriculture. Approximately 25% of the Canadian Aspen Forest and Parkland intersects with the District of Origin. The majority lies within the White Zone – a designation created by the AB government which has been allocated to future agriculture use. DMI does accept a small portion of fibre from this source – otherwise it would be destroyed.

The management approach described below pertains to both caribou populations and ecoregions with a status of critical/endangered.

The Government of Alberta introduced the Land-use Framework initiative in 2008. The Framework provides a blueprint for land-use management and decision-making to address Alberta’s growth pressures and achieve the

| GoA Little Smoky and A La Peche Caribou Range Plan |
| GoA Press release |
| Setting Alberta on the Path to Caribou Recovery (Denhoff) |
AB – Landuse Framework and regional plans
https://landuse.alberta.ca/PLANFORALBERTA/LANDUSEFRAMEWORK/Pages/default.aspx

World Bank “Rule of Law” indicators

province’s long-term economic, environmental and social goals. The Framework commits to the development of land-use plans for each of seven land-use regions. Land-use Framework regional plans use environmental management frameworks as a key approach to managing the long-term cumulative effects of development on the environment at a regional level. Environmental management frameworks identify the key indicators of interest for air, water and biodiversity and set targets and/or triggers (i.e., proactive warning signs) and limits (i.e., clear boundaries in the system that cannot be exceeded) for these indicators and/or their stressors as appropriate. Ongoing monitoring, assessment and reporting of environmental conditions relative to triggers and limits are completed and management actions taken, as needed, based on conditions found in the environment. In 2012, the Alberta government released the Lower Athabasca Regional Plan, the first of the seven regional plans. The South Saskatchewan Regional Plan is scheduled for release in 2014 and development of the remaining plans is underway including the North Saskatchewan Regional Plan, Upper Athabasca, and the Lower/Upper Peace Region (the latter of which encompasses DMI FMA tenures).

Alberta is nearing the final stages of developing Alberta’s Biodiversity Policy. The policy provides provincial-scale direction for the conservation, restoration and maintenance of Alberta’s biodiversity to ensure the cumulative effects of development and natural impacts on ecosystems and habitats are managed. The policy is integrated and aligned with provincial air, water and resource use policies including the Land-Use Framework, Water for Life Strategy, Wetland Policy, Clean Energy Strategy and Climate Change Strategy, as well as government direction related to biodiversity at both provincial and regional scales. DMI has directly participated in invitational stakeholder sessions conducted by government in continually evolving policy and implementation guidelines around water and wetlands.

DMI maintains a Public Advisory Committee (PAC) which is comprised of several relevant stakeholders in the District of Origin. The list of stakeholders include members of the public, municipal government, trapper, other industry, other timber operators (sawmills) and the GoA. This PAC played an integral role in the development of the DFMP during
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<th>which values including conservation values were identified, objectives developed, indicators/targets selected and forest management strategy commitments were designed. The PAC has been renewed and is now participating in the “operational” phase to observe and provide feedback on implementation and monitoring of the DFMP and associated values.</th>
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<td>In accordance with Section 2 of Advice-40-005-14 compliance with FSC Indicator 3.2 is met as</td>
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<td>(2a) Canada has a “Rule of Law” index rating of 95% and is a signatory to the <a href="https://www.cbd.int">Convention on Biological Diversity</a></td>
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<td>(2b) significant support by relevant national/ regional stakeholders from these areas of the District of Origin is demonstrated through past completion of multi- stakeholder consensus based land use /caribou plans subsequently used to determine current land use objectives and strategies (DMI is a member of the Forest Products of Canada and a signatory to the Canadian Boreal Forest Agreement - Early in 2016 the CBFA released the “Forestry Requirements for Natural Range of Variation (NRV) Analysis and Target Setting” co-developed by FPAC (industry and ENGO’s).)</td>
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<td>(2c) The DMI PAC committee has endorsed DMI’s approach to HCVF and CRN management within the DMI FMA’s. Various stakeholders are consulted in DMI’s Sustainable Forest Management Process</td>
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4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses
The district of origin may be considered low risk in relation to conversion of forest to plantations or non-forest uses when the following indicator is present:

| 4.1 There is no net loss AND no significant rate of loss (> 0.5% per year) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question. | Provincial approved annual cut information: [https://www.agric.gov.ab.ca/app21/forestry?cat1=Forest%20Management&cat2=Forest%20Management%20Facts%20%26%20Statistics&cat3=Compliance%20Monitoring%20%26%20Enforcement%20Statistics](https://www.agric.gov.ab.ca/app21/forestry?cat1=Forest%20Management&cat2=Forest%20Management%20Facts%20%26%20Statistics&cat3=Compliance%20Monitoring%20%26%20Enforcement%20Statistics) | The rate of conversion in the FMA portion of the district of origin over the past 20 years is 0.04%. The rate of conversion within the FMA area is considered to be higher than that outside of the FMA area due to the increased amount of oil and gas development. | Low Risk at the Provincial Level (AB) |

5. Wood from forests in which genetically modified trees are planted
The district of origin may be considered low risk in relation to wood from genetically

| a) There is no commercial use of genetically modified trees of the species concerned taking place in the country or district concerned | [http://www.fao.org/docrep/008/ae574e/ae574e00.htm](http://www.fao.org/docrep/008/ae574e/ae574e00.htm) - Forestry Department of FAO | Food and Agriculture Organization of the United Nations working paper "Preliminary review of biotechnology in forestry, including genetic modification", 2004 summarizes that no GMO trees are used commercially in Canada. | Low Risk at the Provincial Level (AB) |


| AB: No GMO trees have been planted in operational forest plantations on Crown lands in Alberta. |  | AB: No GMO trees have been planted in operational forest plantations on Crown lands in Alberta. |  |
| modified trees when one of the following indicators is complied with: |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|
|                                                             |                 |                 |                 |
Appendix 1 – District of Origin for Fibre Supply
Appendix 2 – WWF Wildfinder Ecoregions (clipped to AB boundary) within the District of Origin for Fibre Supply
Stakeholder Questionnaire – 2017 DMI Peace River Pulp Division FSC®
Chain of Custody/Controlled Wood Re-certification Audit

To: Sylvi Holmsen, KPMG FCSI  Fax #: _604-691-3031__________________________
From: ________________________________ Phone #: __________________

Organization (if applicable): ______________________________________

KPMG Forest Certification Services Inc. (KPMG FCSI) will be conducting a re-certification audit of Daishowa-Marubeni International Ltd (DMI), Peace River Pulp Division 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 for the late summer of 2017, with the main assessment scheduled to begin on August 28, 2017 and conclude on September 14, 2017. This questionnaire is intended to obtain information from interested and affected stakeholders regarding issues that are pertinent to Peace River Pulp’s FSC CoC/CW certification. Such comments may include, but are not necessarily limited to, concerns or observation’s regarding the Company’s due diligence system (i.e., the system of measures and procedures developed by the organization to minimize the risk of sourcing material from unacceptable sources), one component of which is the company risk assessment (which FSC has decided may continue to be used until an approved national risk assessment for Canada is in place). Comments received will be considered by KPMG FCSI in assessing Peace River Pulp’s performance against the requirements of the applicable FSC CoC and CW standards. A summary of stakeholder comments will also be included in the Peace River Pulp FSC certification 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.

NB: In order to be considered during the 2017 audit, comments must be received no later than August 22, 2017.

1. Do you have any specific concerns regarding the Peace River Pulp due diligence system (DDS), company risk assessment or other issues that are pertinent to the Company’s FSC CoC/CW certification?

   Comments:

   YES  NO  NA
2. If you answered yes to question 1 above, have you communicated your concerns to Peace River Pulp?

Comments:

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<th>YES</th>
<th>NO</th>
<th>NA</th>
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3. If you answered yes to question 2 above, in your opinion, has Peace River Pulp made a reasonable attempt to address your specific concerns?

Comments:

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<tr>
<th>YES</th>
<th>NO</th>
<th>NA</th>
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<tr>
<td>Stakeholder Questionnaire – 2017 Peace River Pulp FSC CoC/CW Audit</td>
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<td>To: Sylvi Holmsen, KPMG FCSI Fax #: 604-691-3031_</td>
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| 4. Do you have any other concerns regarding Peace River Pulp’s FSC CoC/CW certification that have not been addressed in the above questions? | YES |
| Comments: | NO |
| | NA |

| 5. Are there any specific issues or requirements of the FSC CoC or CW standard (FSC-STD-40-004 V3-0 and FSC-STD-40-005 V3-1) that you believe merit special attention during the 2017 Peace River Pulp FSC CoC/CW audit? | YES |
| Comments: | NO |
| | NA |