

Environmental Achievements and Community Relations Key to Pulp Business Success

Alpac Forest Products



In the pulp business, it is imperative to consider the operational impact on the forest resource, global environment and local communities who depend upon the forest for their survival. This balance between business, rigorous conservation and community interests is not something our company considers a constraint to business, but rather a force that drives our development.

Emphasis on Balance with the Environment from the Beginning

Alpac Forest Products (Alpac), located in Alberta, Canada, is committed to producing high quality pulp for papermaking. MC is the significant investor in this enterprise. The company manages 5.8 million hectares of forestland under a contract with the provincial government, an area equivalent to the total area of Korea. It harvests the wood resources obtained from the forests it manages to produce 650,000 tonnes of pulp each year for sale to paper manufacturers in North America, Japan and Korea. The company's pulp is made into high-quality office paper, photographic paper, calendar paper and tissues for industrial and retail sale.

Alpac began operations in 1993 in an era where society's demand for a higher degree of environmental consciousness stemmed from environmental concerns, such as the Valdez oil spill off the coast of Alaska, and large-scale logging resulting in conflicts between the forest industry and indigenous peoples. Alpac embraced this demand for environmental consciousness from its inception based on working and living in harmony with the local community and natural environment. The company continues to strive to minimize environmental impacts by using state-of-the-art equipment and adhering to rigorous environmental policies. At the same time, management guidelines emphasize dialogue with the local community, including indigenous peoples.

"There is no one device you can build that will clean up the water and the air. The only way you can achieve this is through an integrated system that manages the entire operational process — from developing harvest plans

through to packaging and shipping the product," says Alpac President Jun Saito. "Even more important, however, is earning the trust of the local community."

When Alpac started operations, it participated in environmental hearings and meetings with conservation groups, government agencies, aboriginals and other stakeholders. This level of dialogue and transparency led to the company publishing its wastewater and emissions data and making this information available for all stakeholders from the inception of its operations. The company encourages anyone with an interest to tour the operations and makes available sustainability and community reports.

"The most important thing is to disclose information. While it is important to be legally compliant and accountable for water quality, gas emissions data, and reporting accidents, a high level of dialogue and transparency is vitally important over time to build the trust and credibility required to meet societal expectations," says Saito.





Certification for Sustainable Forest Management

Alpac manages 5.8 million hectares of forest but only harvests 10,000 hectares a year. This cycle ensures that the forest regenerates itself.

Most of the trees harvested to produce pulp are broadleaved aspen (a relative of the poplar). After they are logged, the roots remain in the ground and quickly sprout new trees that mature in approximately 70 years — thus maintaining a sustainable cycle. At the same time, the forest is the living space and hunting grounds of indigenous people. The company works to protect indigenous rights and livelihoods.

Alpac has innovated its logging methods to minimize the impact on nature and local residents. It provides the local community and the provincial government with five-year harvest plans and discloses detailed information within yearly operating plans. As part of Alpac’s conservation activities, the company continues to research the wildlife, migratory birds, fish and other inhabitants of the forest and protect biodiversity.

These efforts have earned Alpac recognition. In 2005, the Forest Stewardship Council (FSC) certified the company’s forests based on its sustainable forest management practices and other criteria. FSC is an international institution that promotes sustainable forest management and environmental conservation, while also serving the interests of society and being economically sustainable. World Wildlife Fund (WWF), Greenpeace and other environmental groups are members of FSC, as are groups representing indigenous peoples and a number of national governments. Certification

requires a comprehensive assessment of operations as well as interface with stakeholders including local communities, environmental groups and indigenous communities. FSC certification is only awarded after demonstrating this dialogue and partnership with a broad range of stakeholders, along with meeting other criteria.

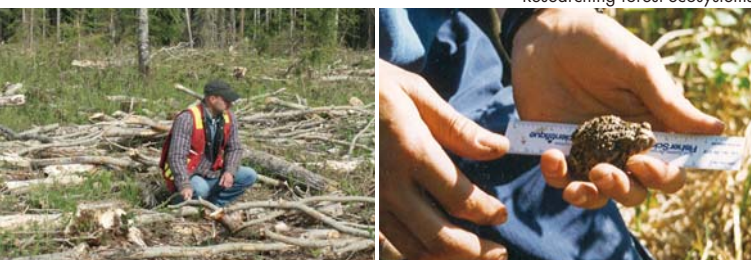
FSC has certified approximately 90 million hectares in more than 70 countries. Alpac’s 5.5 million certified hectares is the largest single forest area to be certified in the world. The demand for FSC-certified products has been growing in North America and Alpac has achieved the support of environmentally conscious users.

Working Together with Local Communities

Alpac also focuses on contributing to local communities through job creation. Approximately 300 of its 450 team members originated from the local communities. Overall, there are between 1,100 and 1,200 people in the three communities surrounding the mill who are directly or indirectly involved with Alpac. The total population of those communities is approximately 8,000.

Indigenous people account for more than 10 per cent of the company’s staff. In addition to direct employment, the company also provides support to aboriginals through vocational training, joint venture companies, the purchase of timber and scholarship programs. Additionally, team members volunteer their time to local vocational colleges to

Researching forest ecosystems



Managing forests in cooperation with stakeholders



share their experience and expertise.

Community contribution activities facilitate team members' efforts to support the local community. They work together with the company to provide support for charity work, sports instruction and other community contributions in which team members are involved during their personal time. These efforts have earned the company high regard within the local community and are a source of pride for the team members.

"These attributes have helped us to recruit very talented people at Alpac," says Saito. "People are proud to work for Alpac and this quality is instrumental in the company's focus on producing quality products and our overall competitiveness."

These and many other ways the company treats its team members has led to Alpac being named as one of "Canada's Top 100 Employers" for 2008 by Macleans magazine Mediacorp Canada Inc.



Indigenous people perform dances at an Alpac-sponsored event

Achieving Carbon Neutrality

Alpac is one step ahead in combating climate change. While the company's pulp production volumes increased significantly between 1994 and 2005, its greenhouse gas emissions were reduced by 47 per cent during that same time period. Today, the company emits the equivalent of 0.16 tonnes of CO₂ per tonne of dried pulp weight, less than one-fifth of conventional pulp processes.

This reduction was achieved through reduced fuel consumption by allocating a portion of its log transportation from trucks to rail. As well, the generation of green power through the burning of "black liquor" created in the pulp process, and wood waste from neighbouring companies contributed to this achievement. Any surplus from its biomass generator is sold to the Alberta power grid as green electricity.

Poplar trees planted as part of Alpac's poplar plantation program, initiated in 2000, absorb CO₂ and offset the CO₂ emitted by the company's operations. By 2020, Alpac poplar plantations are expected to reach a total of 20,000 hectares, further increasing the company's carbon offset.

With the reduced emissions within the company's operations and offsets created within the poplar plantation program, Alpac became officially "carbon neutral" in 2006.

Looking forward, another prospective development is the potential to use hemicellulose, a byproduct of pulp production, as a source of bioethanol. While more research will be required to develop technology that will make this viable, the company has already been approached by a number of businesses and government agencies who see potential for this value added product that will maximize the use of forest resources and provide another source of revenue.

Stakeholder Dialogue

Our company was founded on the premise of being a different company — a team based business model focused on utmost environmental standards, mutually beneficial partnerships with communities and other companies, and the production of high quality pulp. Team members' contributions to these attributes were instrumental in earning the Forest Stewardship Council (FSC) certification, a leading environment and social certification supported by many of our customers and the environmental community. Our ongoing investments in our company's people, manufacturing modernization and communities are dedicated to meeting our social and customer needs.



Jun Saito
President CEO /
Chairman,
Alberta Pacific Forest
Industries Inc.

Mike Cardinal
Athabasca - Redwater Member of
the Alberta Legislative Assembly
Former Cabinet Minister/First
Aboriginal Cabinet Minister

When Mitsubishi first discussed the Alpac project, I was active as both a resident and government representative to bring this enterprise to the Athabasca area as an economic pillar for the region. In the company's fifteen years of operation, it not only provided economic stability, but is highly regarded as a corporate citizen, world leading environmental company, partner in Aboriginal businesses and relationships, and employer. I am proud to have this company be part of our community.