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# Chain of Custody Report

For

Daishowa Marubeni International Ltd.  
Peace River Pulp Division

Forest Resources Business Unit,  
Postal Bag 6500- Pulp Mill Site,  
Peace River, Alberta T8S 1V5

Mr. Samuel Elkins

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Certificate #: KF-COC-001020

Certificate #: KF-CW-001020

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## 1. Certification Description

Type of certificate: Single Chain of Custody  
 Total number of sites: 1 (pulp mill and office)  
 Ownership: DMI PRPD is owned jointly by Marubeni Corporation and Nippon Paper Industries Co. Ltd.

Site ID	Size Class	Site Category	# of workers (including contractors)	Wood products categories purchased by site	Total annual quantity of wood and/or wood fiber	List of product categories included in the scope of the certificate
DMI PRPD Forest Resources Office and Mill Complex	6	Primary processor	600	Hardwood and softwood chips	888,245 BDT / yr	Pulps of wood or other fibrous cellulosic material: 32112 - Chemical wood pulp, other than dissolving grades

## 2. Scope

### The business

The DMI Peace River Pulp Division receives chips (sawmill residual or bush chipped) from hardwood and softwood logs harvested from the DMI PRPD crown tenure (Forest Management Area No. 8900027) and through chip supply agreements with other FMA licensees. PRPD also purchase private timber from surrounding landowners. The PRPD Forest Resources operations are responsible for the management of the PRPD FMA and for the procurement of private timber which is then chipped.

The PRPD Mill produces bleached kraft hardwood and soft wood pulps. Pulp manufactured by PRPD is then marketed from the DMI offices in Vancouver, BC. The final destination for PRPD pulp is: 20% Japan; 50% the North American market; and 30% to the European market.

### Summary of the members covered by the certificate

Name	Contact Details	Full Code and Sub-Code issued	FSC Product Group List
DMI Peace River Pulp Division	Mr. Samuel Elkins	KF-COC-001020	FSC Controlled Wood

### Description of supplier processes

DMI PRPD operations source from northwest Alberta exclusively. Suppliers are exclusively controlled sources and are a combination of PEFC CoC certified, certified to CSA Z809 or SFI 2005-2009 or private timber. Purchased private timber is harvested using DMI PRPD contractors who must follow PRPD EMS harvesting guidelines. At present there is one satellite chip yard where private chips are collected. This satellite yard is actually located on the Pulp Mill site.

Overall responsibility for the implementation and maintenance of the DMI PRPD Controlled Wood and Chain of Custody procedures is Joerg Goeth, the Forest Resources Business Unit Leader, assisted by the EMS Coordinator, Mr. Samuel Elkins.

This assessment focused on the integrity of the procedures and controls DMI PRPD has developed and implemented specifically for the handling of FSC-certified and controlled material inputs and outputs in relation to the 'FSC chain of custody standard for companies supplying and manufacturing FSC-certified products' - FSC-STD-40-004 Version 2. The assessment also focused on the integrity of the procedures and controls DMI PRPD has developed regarding the assessment of controlled material and uncontrolled wood in relation to the 'FSC standard for company evaluation of FSC controlled wood' - FSC-STD-40-005 Version 2-1 (FSC Controlled Wood Standard).

(Note: The FSC Controlled Wood Standard (page 16) requires the proponent to follow interpretations from a National Initiative. FSC Canada has published the 'FSC Canada Controlled Wood Information Matrix – Rolling Draft 1.0 September 2007' which supersedes the FSC Controlled Wood Standard where applicable.)

### **3. Standard**

The audit was conducted using the FSC-STD-04-004 v2. (FSC Standard for Chain of Custody Certification) and FSC-STD-40-005 Version 2-1 (FSC Controlled Wood Standard).

### **4. Chain of Custody Control System**

The company has well-managed and documented controls over all aspects of the business from harvest and silviculture operations to wood and chip procurement to chip delivery and storage, pulp processing, product storage and shipping as well as over purchase and sales invoices and shipping documents. The Pulp Mill maintains ISO 9001-2000 and ISO 14001-2004 certification. The Forest Resources Unit maintains ISO 14001-2004; CAN/CSA Z809:2002 and PEFC Annex 4 chain of custody certification. The key device for tracking materials at the input is the Alberta government TM 9 document which is automatically entered into the PRPD chip yard scales. All input materials are purchased as FSC Controlled Wood. All pulp product shipped by DMI PRPD is planned to be shipped as FSC Controlled Wood.

#### **Quality system requirements**

DMI PRPD has addressed the requirements of the FSC 40-004 v2 (CoC Standard) and the FSC 40-005 (Controlled Wood Standard) with the DMI PRPD Controlled Wood Chain of Custody Manual – December 2008. The CoC Manual provides specific procedures that address required indicators of the FSC 40-004 v2 and FSC 40-005 Controlled Wood standard.

DMI PRPD has appropriate training procedures as well as procedures to maintain training records to satisfy the FSC CoC and FSC Controlled Wood Standards.

#### **Wood/fiber sourcing**

DMI PRPD operations do not use recycled or reclaimed materials in their products. The DMI PRPD CoC Controlled Wood Chain of Custody Manual addresses the requirements of the FSC CoC Standard from the receipt of input materials (softwood and hardwood chips) at the Pulp Mill and satellite chip yard. All inputs are considered FSC Controlled Wood. All input materials (hardwood and softwood chips) are tracked using the Log Inventory Management System database. This allows for update to date accurate identification of any load of chips received at the PRPD mill site or satellite yard.

## **Production control and records**

All chips destined for DMI PRPD are purchased by the Chip Procurement Supervisor or harvested from the DMI PRPD FMA under the direction of the Forest Resources Business Unit Team Leader. Chips are received at the mill scales and then put into inventory. The chip weights are then converted from green tons to bone dried tons using a methodology described in Appendix 3 of the DMI PRPD CW CoC Manual.

## **Labeling control**

DMI PRPD operations are not labeling output materials as their present sources of fiber are all Controlled Wood

## **Invoicing and shipping**

The DMI PRPD Volume Summary spreadsheet is the control mechanism for all inventory (controlled and uncontrolled), tracking of controlled wood credits and the preparation of invoices and delivery slips. This database is used by DMI PRPD production and DMI Vancouver Marketing and Sales staff with responsibilities for purchasing, sales and preparation of work orders, production, and shipping.

## **Controlled Wood**

DMI PRPD has conducted a Controlled Wood Risk Assessment for its District of Origin which at this time is confined to NW Alberta. The Controlled Wood Risk Assessment was completed by the Rainforest Alliance and was conducted in November 2008. The DMI PRPD CW CoC Manual has procedures to manage controlled wood according to the FSC COC standard and the FSC Controlled Wood standard.

## **5. Evaluation process**

### **Audit Team**

The audit was conducted by Mr. Gregor Macintosh RPF, CEA(SFM), EMS(LA), President of KPMG FCSI. Gregor conducted the document review, the field assessment and generated the audit report. Mr. Chris Ridley-Thomas, RPBio., CEA(SFM), EMS(LA), Vice-President of KPMG FCSI, performed the internal peer review of the certification report and audit file.

### **On-site Field Assessments**

In December 2008, KPMG FCSI conducted a one day site visit to the DMI PRPD site in Peace River to conduct the main assessment. This was preceded by a two day offsite document review. The audit involved interviews of DMI PRPD Forest Resources and Pulp Mill staff along with review and verification of CoC controls, documentation and records. The site had previously been audited for other forest certification schemes and as such its procedures were well known to KPMG FCSI. The results of the audit were presented to DMI PRPD management at the closing meeting was conducted December 11<sup>th</sup> with DMI senior management in attendance.

### **Post Audit Assessments**

No additional work was required to evaluate corrective actions prior to issuing the certificate.

### **Surveillance Schedule**

Future surveillance audits will be conducted annually and will sample from the existing DMI PRPD mill site and offices and any new satellite yards.

## 6. Observations

### Risk Assessment

The highest risk aspect of the CoC system was the DMI PRPD Controlled Wood Risk Assessment. It shows NW Alberta as the sole source of supply for input materials (hardwood and softwood chips – bush and sawmill residual). Input materials delivered to DMI PRPD without a TM 9 are rejected at the mill scales and therefore never enter inventory. KPMG FSCI reviewed the DMI PRPD Controlled Wood Risk Assessment and accepts it as accurately assessing the risk of procuring illegally harvested wood. The DMI PRPD FSC CW Risk Assessment attached as Annex 3 and will be posted to the FSC website.

### Findings

The audit did not raise any findings of non-conformance. However, two opportunities for improvement were identified:

1. **02438-OFI-IA-001:**

*FSC-STD-04-004 v2 at clause 1.3.2 & FSC-STD-04-005 at clause 3.2: states that the organization shall keep records of the training provided to staff in relation to the implementation of this standard.*

While Forest Resources staff and Mill staff received training on CoC and CW the pulp-mill senior management has not received this training.

2. **02438-OFI-IA-002:**

*The FSC-STD-05-004 at clause 15.1 states that a company supplying FSC Controlled Wood shall hold a valid FSC Chain of custody certificate duly issued by an FSC accredited Certification Body.*

While the CW CoC Manual does state that DMI PRPD will maintain CW certification it does not state that it will also maintain CoC as a condition of supplying CW product.

The following noteworthy practices were identified during the audit:

1. the quality of the FSC chain of custody and controlled wood awareness training conducted for Forest Resources and selected mill staff, and
2. the use of LIMS database to maintain an accurate, real-time inventory of all chips received at the mill scales and satellite yard.

## 7. Certification Decision

In our opinion, DMI PRPD has reached the level of conformance required for certification. Therefore, I recommend that KPMG FCSI certify the FSC COC system of DMI PRPD and issue a standard 5-year certificate.



## **Annexes**

**Annex 1—List of DMI PRPD Staff Interviewed**

**Annex 2 – FSC CW Risk Assessment**



## **Annex 1**

### **List of Staff and Employees Interviewed**

Samuel Elkins – EMS Coordinator

Marianne Robinson – LIMS Accounting

Gary Samek – Pulp Deliveries & Technical Group (Tracking of Credits)

Cindy Denarko - Pulp Deliveries & Technical Group (QMS representative)

Michael Jackman - Private Land Planner



**Annex 2**

**DMI PRPD FSC Controlled Wood Risk Assessment**

To be posted to FSC Website [www.fsc.org](http://www.fsc.org)