

DAISHOWA-MARUBENI INTERNATIONAL LTD.

Forest Resources Business Unit

Internal FSC CW COC Audit 2009



August 2009

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Internal FSC CW COC Audit 2009

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Prepared for:

DAISHOWA-MARUBENI INTERNATIONAL LTD.

PO Bag 6500 Pulp Mill Site

Peace River, Alberta T8S 1V5

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Prepared by:

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CONFIDENTIAL REPORT Daishowa Marubeni International Ltd., Peace River Pulp Division, Forest Resources Business Unit – CSA SFM Internal Audit: February & June 2009

Audit Scope

Samuel Elkins, Continual Improvement Coordinator engaged Robert Volkman CEA (SFM), to conduct the annual internal FSC Controlled Wood & Chain of Custody audit of Peace River Pulp Division's (PRPD) Forest Resources Business Unit's FSC Controlled Wood Chain of Custody.

Audit scope: ***“All sustainable forest management and operational activities carried out by DMI-PRPD and its contractors on public and private lands required to supply the fibre requirements of Peace River Pulp Mill”.***

Audit Objective

The objective was verification that the FSC CW/CoC conformed to planned arrangements for controlled wood and chain of custody requirements; and was implemented and maintained in a manner consistent with the FSC-STD-004 v2 (FSC Standard for Chain of Custody Certification) and FSC-STD-40-005 version2-1 (FSC Controlled Wood Standard).

The focus was an assessment was to determine that:

- no illegally harvested wood;
- no wood harvested in violation of traditional or civil rights;
- no wood harvested from forests in which high conservation values are threatened by management activities;
- no wood is harvested from areas being converted from forest and other wooded ecosystems to plantations and non-forest uses; and
- no wood from forests in which genetically modified trees are planted.

Audit Period

The audit period covered activities from October 1, 2008 to June 30, 2009.

Audit Criteria

The primary criterion was the FSC-STD-004 v2 (FSC Standard for Chain of Custody Certification) and FSC-STD-40-005 version2-1 (FSC Controlled Wood Standard). Other standards that supported the system were *ISO 14001:2004 Standard, (CAN) CSA Z-809:02 Standard, and Forest Resources Environmental Management System & Sustainable Forest Management Manual* (version 1.4). This included any related documentation as described under *Chapter 15 Internal Audit Programs* and *CHK-043 FSC CW CoC Internal Audit Checklist* (refer to Appendix A).

Legal requirements and other requirements DMI FRBU subscribes was also applicable. Applicable legislation included Federal (e.g. *Fisheries Act, Species at Risk Act, and Transportation of Dangerous Goods Act*) and Provincial (e.g. *Environmental Protection & Enhancement Act, Forest & Prairie Protection Act, Forests Act*) acts and associated regulations.

The auditors would categorize their findings into the following levels of compliance:

Conformity – in compliance, where the auditor finds that practices meets legislative or regulatory requirements.

Major Non-Conformity – where the auditor determines a non-compliance event(s) or condition(s) was or would have the potential to be significant. An action plan is required to address the major non-conformity and a revisit to the site may be required upon completion of the action plan to assess its effectiveness.

Minor Non-Conformity – where the auditor, upon reaching a non-compliance conclusion, determines that one or more non-compliance event(s) was not considered significant.

An action plan is required to address the minor non-conformity and a revisit was not required.

Opportunity-for-Improvement – where the auditor believes that there is no occurrence of non-compliance but if the practice were to continue, it would potentially lead to a non-compliance resulting in a minor or major non-conformance.

Audit Team

Robert Volkman (Lead Auditor) conducted the FSC CW CoC internal audit; and is a Certified Environmental Auditor, Registered Safety Professional, Certified Environmental Practitioner (Canada), and a Registered Professional Forest Technologist in Alberta. He has recently completed FSC auditor training with the Rainforest Alliance. Samuel Elkins (auditor) accompanied Robert during field and office assessment work.

Audit Process

The preliminary opening meeting was held February 15, 2009. The on-site portion of the internal FSC CW CoC audit was conducted in two phases. The first phase was from February 15 to 20, 2009 in conjunction with the ISO 14001 EMS audit. The second phase was from June 15 to 19, 2009 in conjunction with the internal CSA SFM and compliance audit.

The internal EMS audit was reported on separately in April 2009 (refer to Internal Audit Interim Report). The internal CSA SFM audit and internal compliance audit was reported on separately in August 2009 (refer to 2009 Internal CSA SFM & 2009 Internal Compliance Audit Report).

Audit Observations

DMI PRPD continues to support good practices as it related to FRBU's operations and activities. This conclusion is supported through a number of internal audits and third party certification audits the company has engaged to ensure that its practices on the

landbase are sustainable and that it works in a positive manner with all parties affected by its operations.

Audit Conclusions

Major Non-conformance

No major non-conformities were noted.

Minor Non-conformance

No minor non-conformities were noted.

Opportunities-for-Improvement

No opportunities-for-improvement.

Audit Summary

This internal CW CoC audit allowed FRBU to see where the operation may need to focus its attention when it comes to areas not previously identified as an issue.

There are no major or minor non-conformities and no opportunities-for-improvement identified during this audit.

Major non-conformities require a corrective action plan immediately and also may require a plan to reduce any potential adverse impacts or enforcement actions.

Minor non-conformities require a corrective action plan within a reasonable time period (i.e. 30 days).

Opportunities-for-improvement do not require an action plan but if not addressed appropriately, may lead to a minor non-conformance at subsequent internal audits.

Disclaimer / Statement of Limitations

This audit report was prepared exclusively for Daishowa-Marubeni International Ltd. (DMI) Peace River Pulp Division, Forest Resources Business Unit. The scope and accuracy of information, findings and recommendations contained herein is consistent with the level of effort expended and is based on: i) information provided by FRBU personnel; the scope of operations, activities and aspects inspected or about which information was provided; ii) limited on-site inspection and interviews conducted by the audit team.

Thank you for the opportunity to complete this internal audit. Please contact me if you have any questions or concerns.

Sincerely,

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Robert Volkman, CRSP PMP RFT (BC & AB) CEA (SFM) CCEP

Appendix A
Detailed FSC CW CoC Checklist (CHK-043)
(Pages 12)



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification	
FSC-STD-30-010 V2-0 EN Part 1: Quality Management System 1. System requirements	1.1 The Forest Management Enterprise shall have procedures and/or work instructions covering all the applicable elements specified in this standard.		<ul style="list-style-type: none"> Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009 	Y	The manual provided the procedures and/or work instructions to cover all the applicable elements.	No issues noted with this specific requirement.	
	1.2 The Forest Management Enterprise shall identify the person (or position) responsible for implementing each procedure and/or work instruction.		<ul style="list-style-type: none"> Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, page 10, section 3.13 Roles & Responsibilities 	Y	<p>The Continual Improvement Coordinator has been identified as the person as he holds the position of EMS Coordinator for DMI PRPD.</p> <p>Other DMI staff have been identified in roles of responsibility and receiving the required information.</p>	No issues noted with this specific requirement.	
	1.3 The Forest Management Enterprise shall ensure that where stakeholder consultation is required by the Forest Management Enterprise in relation to implementation of this standard, procedures for consultation include at least the following:						
	a) key stakeholders shall be identified and invited to participate in the consultation with sufficient prior notice;		<p>PAC process which started in November 2006 in relation to the Sustainable Forest Management Plan and DMI's aboriginal consultation process.</p> <p>Both of these processes are on-going and have been assessed under other certification schemes.</p> <p>Details related to evidence can be found in the 2009 CSA SFM checklist 042 in Appendix A of the 2009 Internal CSA SFM audit report.</p>	Y	<p>CSA SFM requirements under element 5.2 Interested Parties were met in a gap analysis completed in 2008 and an internal audit completed in 2009.</p> <p>Details related to auditor opinion can be found in the 2009 CSA SFM checklist in Appendix A of the 2009 Internal CSA SFM audit report.</p>	No issues noted with this specific requirement.	
	b) excluded groups shall be given particular attention when identifying interested or affected parties;	<p>Intent Box: The company shall identify particular groups that might be affected by forest operations and for particular reasons do not have equal opportunities to access relevant information (for example illiterate people).</p>	<p>PAC process which started in November 2006 in relation to the Sustainable Forest Management Plan and DMI's aboriginal consultation process.</p> <p>Both of these processes are on-going and have been assessed under other certification schemes.</p> <p>Details related to evidence can be found in the 2009 CSA SFM checklist 042 in Appendix A of the 2009 Internal CSA SFM audit report.</p>	Y	<p>CSA SFM requirements under element 5.2 Interested Parties were met in a gap analysis completed in 2008 and an internal audit completed in 2009.</p> <p>Details related to auditor opinion can be found in the 2009 CSA SFM checklist in Appendix A of the 2009 Internal CSA SFM audit report.</p>	No issues noted with this specific requirement.	



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	c) the consultation process shall be opened to parties claiming an interest in or affected by implementation of this standard;		<p>PAC process which started in November 2006 in relation to the Sustainable Forest Management Plan and DMI's aboriginal consultation process.</p> <ul style="list-style-type: none"> Checklist 010 Environmental Public Concerns Report version 1.2 Checklist 030 Aboriginal Consultation Form 	Y	<p>The audit evidence and auditor opinion details can be found in the 2009 CSA SFM checklist in Appendix A of the audit report.</p> <p>There were a number of key questions regarding consultation relating to DMI operations.</p>	No issues noted with this specific requirement.
	d) all identified parties shall be provided with access to sufficient information;		<ul style="list-style-type: none"> DMI PRPD website, section Forest Certification, tab FSC <p>Documents:</p> <ul style="list-style-type: none"> FSC COC Standard FSC CW Standard District of Origin map Controlled Wood Risk Assessment Albert & BC DMI & FSC Certificates FSC CW COC manual 2008 FSC Assessment report 	Y	<p>A number of documents were available to the broader public through the DMI website.</p> <p>The website provided an introduction to the overall process.</p>	No issues noted with this specific requirement.
	e) Forest Management Enterprise shall maintain records to demonstrate the completeness of their consultation process;	Note: the Forest Management Enterprise shall consider guidance that may be provided by FSC International, FSC regional offices, or by FSC accredited national initiatives in relation to interpreting the requirements of FSC-STD-30-010 in a particular national or sub-national context.	<ul style="list-style-type: none"> Review of PAC meeting minutes between June 25, 2008 & April 8, 2009 (although PAC minutes go back to 2006, only reviewed most recent activity) Review of "DMI Response and Action Plan to the May 2008 PAC DFMP Review" dated August 13, 2008 Review of "DMI Response and Action Plan to the May 2008 PAC Process Review" dated August 13, 2008 Review of "Inventory of PAC suggested adding/modifications to text (VOITs)", version 3 document (included a review of an earlier document covering the period from September 10 to October 8, 2008) Review of "Inventory of PAC & Aboriginal Expressed Forest Values", updated to December 2008 Review of "VOIT Discussion Wrap-Up: Opinion 	Y	<p>Reviewed the documentation available from the Public Advisory Committee process that started in November 2006 and was on-going.</p> <p>Interviews with Aboriginal Advisor confirmed consultation on-going and still be sought from a number of First Nation and Metis groups within the District of Origin.</p> <p>Records were available from two sources, the DMI PRPD website under the PAC tab and the Boreal Research Centre which is under contract to provide administration for this process including housing all materials related to the process.</p>	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
			Survey			
	f) The Forest Management Enterprise shall be responsive to stakeholder questions or concerns.		Refer to response section 1. Elements "a to e" in this section for details on audit evidence reviewed.	Y	Refer to response section 1. Elements "a to e" in this section for details on auditor opinion.	No issues noted with this specific requirement.
FSC-STD-30-010 V2-0 EN Part 1: Quality Management System 1. System Requirements Supplying FSC Controlled Wood	1.4 The Forest Management Enterprise shall include the following information on all invoices issued for sales of FSC Controlled Wood products:					
	a) the name and address of the buyer;		<p>The certification was achieved in February 2009 and at the time of this audit; the auditor deemed there was not enough of a time period to validate this requirement.</p> <p>Documentation:</p> <ul style="list-style-type: none"> Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Section 3.9 Determination of FSC Claims & 3.10 Sales & Delivery and Appendix 6 Product Group Schedule 	N/A	<p>The auditor will assess this requirement at the next internal audit assessment.</p> <p>DMI PRPD has developed the protocol and the product group schedule to identify any product sold with FSC claims.</p> <p>All elements were in place to have met the requirements "1.4 a to h", 1.5, and 1.6.</p>	N/A
	b) the date on which the invoice was issued;		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	c) description of the product;		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	d) the quantity of the products sold;		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	e) reference to the product's batch and/or to related shipping documentation;		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	f) sufficient to link the invoice to the goods received by the customer;		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	g) the certification code issued by an FSC accredited Certification Body.		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	1.5 Invoices and shipping documents for sale of controlled wood shall always include the claim "FSC Controlled Wood". Where sale or transport documents cover a consignment of both controlled and uncontrolled wood it shall specify which products are sold or transported as "FSC Controlled Wood".		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
	1.6 The Forest Management Enterprise shall ensure that claims in relation to FSC Controlled Wood meet the requirements specified in appendix 3 of this standard.		Refer to response Section 1. Element "a" in this section for details on audit evidence reviewed.	N/A	Refer to response Section 1. Element "a" in this section for details on auditor opinion.	N/A
FSC-STD-30-010 V2-0 EN Part 1: Quality Management System 2. Specification of Scope of Evaluation	2.1 The Forest Management Enterprise shall specify the Forest Management Units (FMUs) under its management.		<ul style="list-style-type: none"> • DMI PRPD website, section Certification, FSC Controlled Wood, <i>District of Origin</i> map • <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5</i> dated March 16, 2009, Appendix 1 • <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5</i> dated March 16, 2009, section 2.2 District of Origin, 2.3 Deciduous Fibre Sources, 2.4 Coniferous Fibre Sources, & Appendix 2 Residual Chip Suppliers Contact List • Summary Documentation Detailed Forest Management Plan – Revision 2007 dated July 2, 2008 (draft submitted for ASRD approval March 12, 2008) & associated tenure boundary maps • Approval letter from ASRD for the revised detailed forest management plan documents submitted between 2007 & 2008 	Y	<p>The <i>District of Origin</i> map outlined the areas which supply fibre to the mill.</p> <p>The manual provided additional detail to the deciduous and coniferous fibre sources, including a list of the residual chip suppliers.</p> <p>This requirement has been met.</p>	No issues noted with this specific requirement.
	2.2 The Forest Management Enterprise shall specify the FMUs to be included in the scope of evaluation for compliance with this standard.		Refer to response Section 2.1 in this section for details on audit evidence reviewed.	Y	Refer to response Section 2.1 in this section for details on auditor opinion.	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	2.3 Any FMU under the control of the Forest Management Enterprise is not included in the scope of evaluation for compliance with this standard, then the Forest Management Enterprise shall implement a tracking system to ensure wood from FMUs included in the scope of the standard to be reliably identified as such.		DMI PRPD has implemented a tracking system referred to as LIMS, Log Inventory Management System.	Y	The LIMS program tracks the receipt of all input materials into the Pulp Mill and any satellite yards that might operate over the winter period. This input material includes softwood & hardwood chips; and logs from tree-length operations.	No issues noted with this specific requirement.
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories:	Sections 3 -7 are only applicable to the FMUs that are included in the scope of evaluation, as specified under section 2.2.	The category headings given to each Controlled Wood category are not normative within the standard. The criteria within each category are the normative statements which define the requirements for Controlled Wood within the bounds of these broad category headings e.g. 'Wood harvested in violation of traditional and civil rights' is the category heading whereas the criteria cover subsets of such rights specific to forestry and within the scope of influence of a Forest management Enterprise such as workers rights and traditional and indigenous peoples rights.	Refer to responses to each element listed below for details on audit evidence.	Y	Refer to responses to each element listed below for details on auditor opinion.	No issues noted with this specific requirement.
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories	3.1 All harvesting shall take place in compliance with all laws applicable to harvesting in the jurisdiction in accordance with the criteria outlined in Table 1.					
3. Illegally Harvested	a) Evidence of legal authority to harvest;	Concession license and/or harvesting permit (approved by the	<ul style="list-style-type: none"> Alberta Sustainable Resource Development website: section Forests, tab Managing our Forests, tab Forest Management 	Y	A review of the website showed the Forest Management Agreement held by DMI PRPD (issued in 1989) for the	No issues noted with this specific requirement.





Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
Wood		appropriate authority).	<p>Agreements, tab Forest Management Agreement Holders (DMI)</p> <ul style="list-style-type: none"> Tolko Industries Ltd. & Footner Forest Products Forest Management Agreement document (dated 2002) Various FMA holders FMA shown on the residual Chip Suppliers List (i.e. Weyerhaeuser Grande Prairie Operations, Canadian Forest Products Ltd., Manning Diversified Forest Products). 		<p>areas defined in the District of Origin map.</p> <p>The DMI FMA agreement showed evidence of legal authority to harvest timber.</p> <p>Tolko & Footner FMA, Appendix C lists DMI is one of the DTA holders.</p>	
	b) Evidence of compliance with applicable management planning requirements;	<p>Approved management plan or equivalent documentation, as required by local authorities.</p> <p>Note: Implementation of the forest management plan is verified by the certification body in the field.</p> <p>Note: The means of verification may vary depending on the size of the forest management unit concerned.</p>	<ul style="list-style-type: none"> Summary Documentation Detailed Forest Management Plan – Revision 2007 dated July 2, 2008 (draft submitted for ASRD approval March 12, 2008) Approval letter from ASRD for the revised detailed forest management plan documents submitted between 2007 & 2008 2009 Internal EMS SFM Audit 2009 CSA SFM Internal Audit 2009 Internal Compliance Audit 2008 ISO 14001 & CSA Z809-02 Third Party verification ISO 14001 & CSA Z809-02 Certificates 	Y	<p>Confirmed an approved Detailed Forest Management Plan is in place for the FMA.</p> <p>Field site visits for internal audits provided the verification.</p>	No issues noted with this specific requirement.
	c) Specification of applicable harvesting restrictions;	Documentation specifying legal restrictions on harvesting (e.g. diameter limits, species restrictions, volume restrictions).	<ul style="list-style-type: none"> DMI Timber Harvest Planning and Operating Ground Rules (deciduous merchantability standards) Alberta Timber Harvest Planning and Operating Ground Rules (1994) (coniferous merchantability standards) Annual Operating Plans for the various licences 	Y	<p>Confirmed that merchantability standards are defined in the approved operating ground rules. DMI committed to these ground rules in the 2008 General Development Plan and each approved AOP specified that these standards are followed.</p> <p>In addition, each AOP states the anticipated volume to be harvested by quadrant and by individual block.</p>	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	d) Evidence that timber is harvested from authorized areas (e.g. not from protected areas where harvest is not allowed);	Maps and/or records showing the area in which harvesting has taken place.	<ul style="list-style-type: none"> • 2009 Internal EMS SFM Audit • 2009 CSA SFM Internal Audit • 2009 Internal Compliance Audit • LIMS program • Alberta Sustainable Resource Development website: Section Forests, Section Enforcement & Compliance, tab "Disclosure of Contraventions & Unauthorized Use" Contraventions in 2008 	Y	<p>Confirmed during the on-site review of harvest activities and a review of documentation authorizing these activities.</p> <p>No fibre can enter the Pulp Mill or satellite yard unless the load has a TM 9. Loads with no TM 9 cannot be received and are rejected by the scale house.</p> <p>DMI PRPD is not listed on the Contraventions Listing in 2008.</p> <p>Other FMA or quota holders that are a source of deciduous/coniferous fibre may be listed for contraventions under section 10 of the <i>Forest Act</i> for unauthorized harvest of timber; however the posting does not necessarily determine the exact time period when the infraction occurred or the volume involved.</p> <p>In addition, ASRD has adopted a fine process of escalating fines based on past performance, therefore a large fine cannot necessarily be associated with a large volume of timber harvested.</p>	No issues noted with this specific requirement.
	e) Evidence of timber sales;	Sales contracts, invoices.	DMI PRPD did not obtain timber from sales during the audit period.	N/A	The auditor did not assess this requirement as no sales had taken place. All harvest operations were within DMI or quota holder held licence areas.	N/A
	f) Evidence of payment of royalties or other fees (i.e. fees on harvesting rights);	Official records confirming payments.	The certification was achieved in February 2009 and at the time of this audit, the auditor deemed there was not enough of a time period to validate this requirement.	N/A	The auditor will assess this requirement at the next internal audit assessment.	N/A



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	g) Evidence of compliance with applicable provisions and requirements of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);	An up to date list of tree species in the FMU that are listed in Appendices I to III of the (CITES). National permits for harvest or trade of any CITES-listed species, if applicable.	Reviewed the list of tree species in Appendices I to III. <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 4 Controlled Wood Risk Assessments Alberta & British Columbia</i>	Y	The tree species on the list did not exist within the District of Origin. The risk assessment process gave the auditor additional assurance that DMI PRPD met this requirement (deemed as low risk).	No issues noted with this specific requirement.
	h) Evidence of compliance with requirements in relation to transportation of timber.	Copies of transport or sales permits with specification of species and volumes as applicable.	<ul style="list-style-type: none"> LIMS program Alberta Sustainable Resource Development website: Section Forests, Section Enforcement & Compliance, tab "Disclosure of Contraventions & Unauthorized Use" Contraventions in 2008 	Y	No fibre can enter the Pulp Mill or satellite yard unless the load has a TM 9. Loads with no TM 9 cannot be received and are rejected by the scale house. DMI PRPD does not appear on this list.	No issues noted with this specific requirement.
	3.2 All species, qualities and quantities shall be classified and measured according to legally prescribed or acceptable standards.		<ul style="list-style-type: none"> <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 3 Chip Weight Conversion Methodology</i> 	Y	The method described was approved by the Alberta Sustainable Resources Department.	No issues noted with this specific requirement.
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories 4. Wood harvested in violation of traditional and civil rights	4.1 There is evidence of no violation of the International Labor Office (ILO) Fundamental Principles and Rights at Work in the FMU.	The ILO Declaration on Fundamental Principles and Rights at Work is an expression of commitment by governments, employers' and workers' organizations to uphold basic human values - values that are vital to our social and economic lives. The Declaration on Fundamental Principles and Rights at Work covers four areas: · Freedom of association and the right to collective bargaining; · The elimination of forced and compulsory labour;	<ul style="list-style-type: none"> <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 4 Controlled Wood Risk Assessments Alberta & British Columbia</i> 	Y	The risk assessment process gave the auditor additional assurance that DMI PRPD met this requirement (deemed low risk). Federal and provincial labour codes for Alberta provided additional assurance. During on-site filed visits, the auditor deemed all employees were eligible for work under the labour codes.	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
		· The abolition of child labour, and; The elimination of discrimination in the workplace.				
	4.2 No conflicts relating to land tenure or land use rights of traditional or indigenous peoples groups exist in the FMUs under control of the Forest Management Enterprise for which a resolution process has not been agreed by the main parties to the dispute (see section 4.4 below).		The aboriginal consultation process established by DMI PRPD for its operations under the SFM plan. The acknowledgement to voluntarily remain outside the Lubicon traditional territory and only accept fibre if the Lubicon formally agree to its use from their territory. <ul style="list-style-type: none"> • <i>Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 4 Controlled Wood Risk Assessments Alberta & British Columbia</i> 	Y	DMI PRPD has established a protocol with First Nations & Metis and there was no evidence of conflicts. The risk assessment process gave the auditor additional assurance that DMI PRPD met this requirement (deemed as low risk). DMI PRPD met this requirement.	No issues noted with this specific requirement.
	4.3 There is evidence of no violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the FMUs under control of the Forest Management Enterprise.		Refer to response to Element 4.2 in this section for details on audit evidence.	Y	Refer to response to Element 4.2 in this section for details on auditor opinion.	No issues noted with this specific requirement.
	4.4 The Forest Management Enterprise shall implement a consultation process to identify potential conflicts relating to land tenure or land use rights of traditional or indigenous peoples groups in the areas affected by the Forest Management Enterprise operations.		Refer to response to Element 4.2 in this section for details on audit evidence.	Y	Refer to response to Element 4.2 for details on auditor opinion.	No issues noted with this specific requirement.
	4.5 In cases where a resolution process is in place (see section 4.2 above), the Forest Management Enterprise shall provide evidence of the process by which any disputes are being resolved, which demonstrates the broad support of the parties to the dispute, and which outlines an agreed interim process for addressing the dispute and for the management of the forest area concerned.		Refer to response to Element 4.2 in this section for details on audit evidence.	Y	Refer to response to Element 4.2 for details on auditor opinion.	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification	
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories 5. Wood harvested in forests in which high conservation values are threatened by management activities	1.1 Forest management activities in the FMU shall not threaten high conservation values in accordance with section 5.2 below.		Refer to responses to each element listed below for details on audit evidence.	Y	Refer to responses to each element listed below for details on auditor opinion.	No issues noted with this specific requirement.	
	1.2 The Forest Management Enterprise shall keep records of evidence to demonstrate compliance with Section 5.1 above. Evidence shall include but is not restricted to:						
	a) records of an assessment (e.g. ecological assessment, environmental impact assessment or wildlife census, social assessment) appropriate to the size of the FMU and intensity of management to identify the presence of high conservation values.		Summary Documentation Detailed Forest Management Plan – Revision 2007 dated July 2, 2008 (draft submitted for ASRD approval March 12, 2008) <ul style="list-style-type: none"> Section 2.4 Framework for the Maintenance of Local High Conservation Value Forest Areas Section 2.5 Framework for the Maintenance of Local Continuous Reserve Network Section 2.7 Framework for Addressing High Risk Species Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 4 Controlled Wood Risk Assessments Alberta & British Columbia 	Y	A number of processes identified in the SFM plan to address this element have been established and were on-going. On-site field visits of harvest activities showed the concepts were being implemented. The risk assessment process gave the auditor additional assurance (rated low risk) that DMI PRPD met this requirement.	No issues noted with this specific requirement.	
	b) evidence[1] of consultation with stakeholders in relation to the precautionary measures, including NGOs and parties that are involved with or have an interest in the forest area with respect to social or environmental aspects. Where relevant, the assessment shall include consultation with representatives and members of communities and indigenous peoples living in or adjacent to the FMU.			Refer to response to Element System Requirements 1.“e” in this checklist for details on audit evidence.	Y	Refer to response to Element System Requirements 1.“e” in this checklist for details on auditor opinion.	No issues noted with this specific requirement.
	c) a list of the high conservation values thus identified in the FMU, together with evidence indicating that high conservation values are not threatened in the FMUs.	Intent box: The intent of the requirements for ‘FSC Controlled Wood’ is to ensure that critically endangered or threatened high conservation values are identified and		Refer to response to Element System Requirements 5.“a” in this section for details on audit evidence.	Y	Refer to response to Element System Requirements 5.“a” in this section for details on auditor opinion.	No issues noted with this specific requirement.



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification	
		conserved.					
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories 6. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses	1.1 No conversion of natural and semi-natural forests and other wooded ecosystems such as woodlands and savannahs to plantations or non-forest uses take place, except as permitted by section 6.3 below.		<ul style="list-style-type: none"> Forest Stewardship Council (FSC) Controlled Wood & Chain of Custody Manual, revision 1.5 dated March 16, 2009, Appendix 4 Controlled Wood Risk Assessments Alberta & British Columbia & Appendix 5 FMA Land Conversion data 	Y	<p>All authorized harvesting is under an approved Annual Operating Plan pertaining to a specific licence that has been issued.</p> <p>On-site field visits of harvest activities verified that conversions were not present on the landbase.</p> <p>The risk assessment process gave the auditor additional assurance (rated low risk) that DMI PRPD met this requirement.</p>	No issues noted with this specific requirement.	
	1.2 The Forest Management Enterprise shall keep records to demonstrate compliance with section 6.1 above.		DMI PRPD has established and maintains a procedure in the "Forest Resources EMS & SFM Manual", revision 1.4 dated January 23, 2009. The procedure can be found in chapter 10 "Documentation and Control of Documents and Records" and associated appendix "D, Master List of Documents, Master List of Records".	Y	<p>Refer to the ISO 14001 & CSA SFM Z809-02 systems for document & record control.</p> <p>All authorized harvesting is under an approved Annual Operating Plan pertaining to a specific licence that has been issued.</p>	No issues noted with this specific requirement.	
	1.3 Forest conversion to plantations or non-forest land uses shall not occur, except in circumstances where conversion:						
	a) entails a very limited portion of the FMU,		The FMA is crown land and there is a requirement under the licence document to establish crops in areas that have been harvested.	Y	No land conversion has occurred within the District of Origin.	No issues noted with this specific requirement.	
	b) does not occur on high conservation value forest areas,		Refer to response to Element System Requirements 5."a to c" in this checklist for details on audit evidence.	Y	Refer to response to Element System Requirements 5."a to c" in this checklist for details on auditor opinion.	No issues noted with this specific requirement.	



Section	Specific Requirement	Additional Information	Audit Evidence	Meets Standard (Y/N)	Auditor Opinion	Gap Identification
	c) will enable clear, substantial, additional, secure long term environmental and social benefits across the FMU.		Summary Documentation Detailed Forest Management Plan – Revision 2007 dated July 2, 2008 (draft submitted for ASRD approval March 12, 2008)	Y		No issues noted with this specific requirement.
FSC-STD-30-010 V2-0 EN Part 2: FSC Controlled wood categories 7. Wood from forest management units in which genetically modified trees are planted	7.1 The Forest Management Enterprise shall ensure that no planted genetically modified (GM) trees are present in the FMU.		<ul style="list-style-type: none"> Applicable Acts and regulations restrict the use of genetically modified deciduous trees in Alberta 	Y	<p>The auditor is aware of DMI’s research program on private land with respect to the growth of aspen.</p> <p>The Alberta government does not allow the transfer of stock or seed to any of DMI’s FMA from this research even though it would meet the requirements of not being a GMO.</p> <p>The risk assessment process gave the auditor additional assurance (rated low risk) that DMI PRPD met this requirement.</p> <p>In addition, DMI relies on natural suckering for aspen regeneration. Planting is limited to areas that have been designated conifer leading sites.</p>	No issues noted with this specific requirement.
	7.2 The Forest Management Enterprise shall keep records of and make available on request evidence to demonstrate compliance with section 7.1 above.				Y	