



Programme for the Endorsement Of Forest Certification

PEFC Annex 4- Chain of Custody of Forest Based Products

Audit Report

Prepared for: DMI- Peace River Pulp Division

Prepared by: Samuel B. ELKINS, RFP (AB), PEA, EMS (LA)

Completion Date: May 19, 2010

Disclaimer/ Statement of Limitations

This audit report was prepared exclusively for DMI- Peace River Pulp Division. 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 DMI-PRPD personnel; the scope of the operations, activities and aspects inspected or about which information was provided; ii) limited on-site inspection and interviews conducted by the audit team.

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Executive Summary

Daishowa Marubeni International Ltd- Peace River Pulp Division (DMI) is a Kraft pulp mill producing both hardwood and softwood pulp for international markets. An internal maintenance audit of the PEFC CoC System was conducted on May 13, 2010 to verify whether the system was implemented and maintained in a manner consistent with the PEFC Annex 4- Chain of Custody of Forest Based Products requirements. The scope of the evaluation included the mill complex (including shipping), and the Forest Resources Business Unit.

This audit included all phases of the company's operations as represented by the PEFC Annex 4 Standard. The audit team consisted of Samuel ELKINS, RFP (AB), PEA, EMS (LA) (Lead Auditor) who was involved with all aspects of the audit including interviews and documentation of the associated activities.

The audit sample included the four sections of the PEFC Annex 4 Standard and was found to be fully implemented and maintained in a manner consistent with the associated requirements of the standard.

The data collection included a combination of:

- Document review,
- Interviews, and
- Site observations.

Questions or comments regarding the audit process or results can be addressed to Samuel ELKINS at (780) 624 – 7448, or by e-mail at selkins@prpddmi.com.

Audit Details

Auditor Information		
Auditor(s): Samuel B. ELKINS, RFP (AB), PEA, EMS (LA) (Lead Auditor)		
Company: Daishowa Marubeni International Ltd- Peace River Pulp Division		
Address: Postal Bag 6500- Pulp Mill Site		
City: Peace River	Province: Alberta	P/C: T8S 1V5
Phone: (780) 624 – 7448	Fax: (780) 624 – 7086	E-mail: selkins@prpddmi.com
Company (Auditee) Information		
Legal Name: Daishowa Marubeni International Ltd- Peace River Pulp Division		
Address: Postal Bag 4400		
City: Peace River	Province: Alberta	P/C: T8S 1V5
Key Contact: Cindy DEREWIANKO	Telephone: (780) 624 – 7365	Total # of workers: 293
Audit Information		
Certificate #: 2438.01	Certification Scope:	
Total # of operating sites: <u>1</u>	The PEFC COC system developed and maintained by DMI- PRPD to track and report on the certified content of the softwood and hardwood chips procured from both the company operations and third parties and the associated pulp products produced from those chips.	
Audit Date(s): May 13, 2010		
Protocol Used: PEFC- Annex 4- Chain of Custody of Forest Products		
Audit Details		
Type of Audit:	Internal Audit	
Audit Report Distribution:	Daishowa-Marubeni International Ltd.	
Audit objective(s):	The objective of the audit was to evaluate the chain of custody system at Daishowa-Marubeni International Ltd. – Peace River Pulp Division, its implementation, effectiveness, and conformance with the requirements of PEFC Annex 4.	
Audit scope:	The scope of the audit included: <ul style="list-style-type: none"> • The elements of PEFC Annex 4 outlined in the audit plan. • Activities conducted under DMI’s chain of custody system from April 2009- April 2010 	

Good Practices

The following good practices were noted during the audit:

0. The CoC Management System continues to exhibit evidence of on – going continual improvement and appears to be well aligned with the ISO 9001 Quality Management System.
0. The organization is showing commitment to the system regarding the progress to close the system weaknesses from previously identified findings.

Follow – up on Open Non-Conformities from Previous Audits

At the time of the assessment, there was one open Opportunity for Improvement (NC-IA-2008-001). The auditor reviewed the implementation of the action plans developed by DMI to address the finding and found that it had been effectively implemented and there was no recurrence of the issues that gave rise to this finding. As a result, the associated previously identified finding is deemed **closed**.

Major Non – Conformities

No major non-conformities were identified during the audit.

Minor Non – Conformities

No minor non-conformities were identified during the audit.

Opportunities for Improvement

The following Opportunities for improvement were noted during this audit:

0. **Opportunity for Improvement:** OFI-IA-2010-001

Standard/Element(s): 4.3 Documented Procedures

The organization's procedures for the chain of custody shall be documented. Documentation review of the Chain of Custody Manual indicated that various sections of the manual require updating to reflect operational changes including:

⇒ **Section 1.0 – Forest Management Area Description**

This section is outdated and requires updating to reflect the updates/addition to the Forest Management Agreements.

⇒ **Section 1.2 – Coniferous Sources**

This section requires updating to account for the procurement of incidental coniferous timber on crown lands.

⇒ **Section 1.3 – Certification, Roles and Responsibilities**

The hyperlink to the Alberta Planning Standard (Version 4.1 2006) is outdated and no longer works.

⇒ **Section 1.4 – In Summary**

The statement “PRPD has also received certification for deciduous harvesting operations...” should be changed to reflect that the certification only applies to operations within the FMA boundaries.

0. Opportunity for Improvement: OFI-IA-2010-002

Standard/Element(s): 2.2.1 Identification at Delivery Level

The organization shall identify and verify the category of the origin of all procured raw material. Documents associated with each delivery of raw material shall include at least:

(c) category of the origin including percentage of certified raw material) if the percentage of certified raw material included in the certified product.

Documentation review of the 2009 PEFC HW Certified Pulp Summary tracking ledger indicated that because of the DMI FMA changes, a number of source names within specific operating areas have been updated. To that end, there are a number of additional certified sources within DMI’s FMA that has not been accounted for.

Audit Conclusions

This internal PEFC CoC audit allowed DMI to see where the operation may need to focus its attention when it comes to areas not previously identified as an issue. The audit found that DMI’s PEFC chain of custody management system:

- ⇒ Was in full conformance with the requirements of the PEFC Annex 4 requirements included within the scope of the audit, except where noted otherwise in this report;
- ⇒ Continues to be effectively implemented, and;
- ⇒ Is sufficient to systematically meet the commitments included within the Company’s chain of custody policy, provided that the system continues to be implemented and maintained as required.