

DAISHOWA-MARUBENI INTERNATIONAL LTD.

Forest Resources Business Unit

Internal Compliance Audit 2010

**(Includes CANFOR Operations: Coniferous Timber Quota CTLP
130001 in DTL P130001, FMA P130127 & FMA P130128)**



September 2010

DAISHOWA-MARUBENI INTERNATIONAL LTD.

Forest Resources Business Unit

Internal Compliance Audit 2010

September 2010

Prepared for:

DAISHOWA-MARUBENI INTERNATIONAL LTD.

PO Bag 6500 Pulp Mill Site

Peace River, Alberta T8S 1V5

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Prepared by:

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

JEDROC Consulting Services Ltd.

P.O. Box 1090

Ladysmith, B.C. V9G 1A7

Phone: (250) 245-4247 Fax: (250) 245-1257

E-mail: jedroces@telus.net

CONFIDENTIAL REPORT Daishowa Marubeni International Ltd., Peace River Pulp Division, Forest Resources Business Unit – Compliance Audit: September 2010

Audit Scope

Samuel Elkins, Continuous Improvement Coordinator engaged Robert Volkman CEA CCEP, to conduct a compliance audit of Peace River Pulp Division (PRPD) Forest Resources Business Unit's operations.

Audit scope: "***All Significant Environmental Aspects as they relate to legislation and regulation requirements***".

Audit Objective

The objective of the audit was to utilize an internal compliance audit program developed by the Forest Resources Business Unit (FRBU) and complete an assessment of their operational activities as per *Chapter 15 of the Forest Resources Environmental Management System & Sustainable Forest Management Manual*. This compliance audit used the following checklists:

- CHK-023 Compliance Audit Checklist Temporary Camp Sites Rev 0
- CHK-024 Compliance Audit Checklist Operations Rev 0
- CHK-025 Compliance Audit Checklist Roads & Crossings Rev 0
- CHK-026 Compliance Audit Checklist Satellite Yards Rev 0
- CHK-027 Compliance Audit Checklist Silviculture Rev 0

The checklists covered a specific operational aspect of FRBU's operational activities; and each checklist contained a number of questions, which related to legislative or regulatory requirements under Federal, Provincial, or Municipal Acts and Regulations. For the comprehensive listing, refer to *Appendix B List of Legal & Other Requirements of the Forest Resources EMS & SFM Manual Revision 1.4* dated January 23, 2009.

The checklist questions also related to specific dispositions that grant approval, through a Letter of Authority issued by Alberta Sustainable Resource Development (ASRD). These approvals allow FRBU to conduct its activities (i.e. Licence of Occupation – main haul road). These dispositions may have specific operating conditions that FRBU must follow or the company would be in non-compliance with these approvals.

Audit Period

The audit period was from June 19, 2009 to June 29, 2010.

Audit Criteria

The compliance audit checklists and related documentation within the *Forest Resources EMS & SFM Manual Revision 1.4* (chapters 13 & 15) was the primary criteria for the audit. The auditor determined whether FRBU activities were compliant with legislated requirements and for those practices considered to be non-compliant, the auditor then evaluated the significance of the non-compliance based on a number of criteria. Criteria included the magnitude of the event, the frequency of its occurrence, and the severity of the consequences.

The auditor would categorize the findings into the following levels of compliance:

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

Major Non-Compliance – 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-compliance and a revisit to the site may be required upon completion of the action plan to assess its effectiveness.

Minor Non-Compliance – 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-compliance 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-compliance.

As this is a “point in time” assessment, the auditor can only determine compliance based on the field site visits and the review of the particular practices or activities at each site during the audit period.

Audit Team

Robert Volkman (Lead Auditor) conducted the compliance audit; and is a Registered Safety Professional, Certified Environmental Auditor, Certified Environmental Practitioner, and a Registered Forest Technologist in Alberta. Samuel Elkins (auditor) accompanied Robert during field and office assessment work.

Audit Process

The preliminary opening meeting was held January 25, 2010. Preliminary work in formulating a sample commenced in November 2009. The on-site portion of the internal compliance audit was conducted in two phases. The on-site field portion of the first phase was conducted from January 26 to 29, 2010 in conjunction with the ISO 14001 EMS & SFM audit. The second phase of on-site field work was completed from June 24 to 29, 2010 in conjunction with the second phase of the internal SFM audit.

This was the first year that the auditor reviewed silviculture as part of the internal compliance audit. The population was based on 2009 silviculture activities where DMI had obligations. The on-site field audit was conducted on June 26 and 27, 2010.

The audit sample included review of open non-conformities and opportunities-for-improvement from the 2009 audit; limited file and document reviews (i.e. DMI PRPD website, paper files, etc.) pertaining to the audit sample and field inspections of both active and non-active operations by ground-truthing and aerial overviews.

The audit sample consisted of:

- Harvesting: 32 blocks (status: skid cleared, haul cleared, or final cleared)
 - 25 blocks were harvested under DMI, and 7 of these blocks were harvested under CANFOR coniferous timber quotas
 - Sample block selection was across dispositions and included 5 forest management areas, 2 deciduous timber quotas, 2 coniferous timber quotas, 1 deciduous timber permit, and small operators
- Active chipping operations: 3 sites
- Active hog operations: 1 site visited but hog operation present not active at time (no one on-site)
- Tree length operations: 7 sites (CANFOR operations)
- Hauling: 4 chip trucks
- Temporary campsites: 4

- Silviculture: 101 blocks (18 of which had two activities performed)
 - establishment surveys – 50 blocks
 - performance surveys – 9 blocks
 - road & burn spring plant (incidental replacement) – 29 blocks
 - road & burn summer plant (incidental replacement) – 15 blocks
 - fill plant (spring) – 7 blocks
 - fill plant (summer) – 9 blocks

Thirty-two of the harvesting sample blocks were reviewed in June 2010 to complete the compliance and SFM phases of the audit (one sample block did not require a revisit). This revisit included a review of rehabilitation/reclamation of watercourses and/or pipeline crossings, roll back of in-block roads, and ripping of chipper/landing areas as the result of operations conducted under non-frozen conditions.

The silviculture sample reviewed all 102 blocks during June 2010. This review included an aerial visit to each of the sample blocks; ground checks were conducted for selected spring/summer road & burn plant blocks.

Audit Observations

A number of good practices as it related to FRBU's operations and activities were observed. Non-conformities/Non-compliances and opportunities-for-improvement for 2007 and 2010 are shown in the table below:

Audit Year (Total)	Major Non-Conformities /Non-Compliance	Minor Non-Conformities /Non-Compliance	Opportunities-for-Improvement
2007 (10) ¹	3	6	1
2010 (6) ²	0	4 ³	2 ⁴

¹ in 2007 deficiencies related to harvesting, road/bridge construction, and temporary camps

² in 2010 deficiencies related to planning and harvest operations (CANFOR deficiencies are excluded for 2010 as CANFOR was not included in the audit for 2007)

³ two additional Minor Non-Compliances related to CANFOR harvest operations

⁴ two additional Opportunities-for-Improvement related to CANFOR harvest operations

Over the last four years, FRBU continued to invest considerable effort in improving and developing new programs including:

- crossing inspection and monitoring program;
- compliance audit methodology to focus on high risk areas;
- continued support in development and training of staff and contractors; and
- development and implementation of remediation and/or action plans in a timely manner.

This continual improvement approach has ensured that FRBU continued to minimize any potential adverse environmental effects from its activities in 2010 with a reduction in minor non-compliances. In addition, the severity of the findings in 2010 is lower as there was no major non-compliances noted during the audit.

Audit Conclusions

Harvest Blocks

Status of open Non-Conformities from Internal Compliance Audit 2009

There were two minor non-conformities (**NC-IA-2009-04 & NC-IA-2009-05**) identified during the 2009 internal compliance audit.

NC-IA-2009-04 (DMI Operations)

In six cutblocks, DMI conducted operational activities within the 30 metre high water mark of a small permanent or intermittent watercourse. These operational activities included construction of landings for log storage or chipper operations, a pullout for chip trucks, a spur road junction for an in-block road, and a temporary campsite.

The Alberta Timber Harvest Planning & Operating Ground Rules (1994), and the DMI Timber Harvest Planning & Operating Ground Rules (1990), regulations stated “Roads, Landings, Bared Areas, for small permanent or intermittent watercourses, not permitted within 30 m of the high-water mark”.

A review of documentation provided to the auditor showed these deficiencies were addressed as the findings were reviewed by DMI planning & operational staff during meetings held in September 2009 and again in January 2010. As part of the corrective action plan, DMI operational staff will pay special attention to the location of waterbodies for all blocks. The auditor deemed NC-IA-2009-04 closed.

NC-IA-2009-05 (CANFOR Operations)

In one cutblock, CANFOR conducted operational activities within an established no harvest zone and subsequently timber was removed.

The *Forest Act* Section 10 Forest Growth states “*except as may be authorized by the Minister, no person shall (a) cut, damage or destroy, or (b) cause to be cut, damaged or destroyed any forest growth on forest land*”. The *Alberta Timber Harvest Planning & Operating Ground Rules* (1994), states “*harvest timber under an approved Annual Operating Plan*”.

A review of documentation provided to the auditor showed this deficiency was addressed as CANFOR made appropriate notifications to SRD and had planned for any required site remediation. As part of the corrective action plan, planning & operational staff reviewed the incident at the start-up meeting for the 2009-10 harvesting season. The auditor deemed NC-IA-2009-05 closed.

Status of Opportunities-for-Improvement from the Internal Compliance Audit 2009

No opportunities-for-improvement in 2009.

Compliance Audit 2010

During the January and June 2010 site visits, 32 and 31 harvested blocks were field reviewed respectively. The review focused on the following as it related to the detailed block plan for each harvest area:

- Block configuration and location;
- In-block roads and skid trails;
- Retention features (in-block & adjacent to boundary);
- Water features (in-block & adjacent to boundary);
- Wildlife features (in-block & adjacent to boundary);
- Water course crossings (in-block & on access roads);
- Utility crossings (in-block & on access roads).

The Compliance Audit Checklist *Operations* (CHK-24) provided the detailed audit criteria.

In summary, overall block configuration and location, in-block roads and skid trails, retention features, wildlife features, and utility crossings were compliant with the detailed block plans for the sample blocks reviewed.

Major Non-Compliance

No major non-compliance(s) was noted.

Minor Non-Compliance

Five new minor non-compliances have been identified during the audit. DMI had three non-compliances associated with the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*. CANFOR had two non-compliances associated with the *Forest Act, Alberta Timber Harvest Planning & Operating Ground Rules (1994)* and the associated *Annual Operating Plan Approvals*.

NC-IA-2010-04 (DMI Operations)

This deficiency was in contravention of the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*, section 3.4 Final Harvest Plan. In which 3.4.9 states “*all amendments to harvest plans must be justified and submitted to Alberta in writing. RFP validation of all amendments is required. Any changes must be incorporated into the as-built plan*”.

More specifically, in 3.4.9.1 “*a) additions to the approved AOP harvest area boundary where the final area does not vary from the approved FHP by more than 5% for blocks greater than 10 hectares*”, and in 3.4.9.1 “*g) added crossings on ephemeral or intermittent water courses shall be reported on a bi-weekly basis*”.

- On access road to block an identified watercourse crossing was downgraded without supporting documentation;
- In one block a cut line was opened which resulting in an additional watercourse crossing , there was no documentation for these changes;
- On access road to block a watercourse crossing had three crossing established during the winter, the as-built map showed only one access;
- On access road, the number used to identify a watercourse crossing on the AOP map changed to a different number on the as-built map;
- In one block, the harvest area was increased by more than 5% without the formal documentation required;
- In four blocks, portions of the approved area were not harvested and the as-built maps did not reflect the these changes;
- In one block, both a crossing identified and constructed, and an additional spur road and landing did not appear on the as-built map; and
- In four blocks, skidder crossings were added on ephemeral or intermittent watercourses without documentation in the bi-weekly inspection reports.

This non-compliance related to planning and operations where revisions to approved plans required following a process depending on whether the amendment is considered formal (Alberta Sustainable Resource Development approval required prior to revision being made) or minor where the revision was captured on the as-built submission at the end of the operating year.

The impacts on the watercourse features was minimal as a deep snowpack allowed most of the crossings to be considered snowfills and locations were on flat ground where potential sedimentation flow to a watercourse is very low to non-existent. In addition, rehabilitation and reclamation has occurred or will occur as part of the final cleared inspection process. Therefore, collectively, they were deemed as a minor non-compliance.

NC-IA-2010-05 (DMI Operations)

This deficiency was in contravention of the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*, section 6.0 Watershed Protection. In which 6.0.7 states “*sediment, logging debris or deleterious materials shall not be deposited into the water or onto the ice of any watercourse or water body during road construction, maintenance, harvesting, reclamation, or silviculture operations*”.

Furthermore, section 6.0.8 states “*equipment shall cross watercourses only at approved crossings*”, and section 6.0.4 states “*riparian protection areas shall be established as in Table 2, Standards, and Guidelines for Operating beside Watercourses*”.

- In four blocks, watercourse crossings were not identified on as-built maps. No crossing structures were installed on these watercourses during harvest operations and resulted in disturbance;
- On two access roads confirmed by the as-built maps, no crossing structures were installed on watercourses during operations and resulted in disturbance; and
- In one block, a portion of the harvest area paralleled an intermittent watercourse and the area was used for access resulting in disturbance with 30 m of a watercourse.

This non-compliance related to operations where watercourses were not identified during planning or road access construction. Impacts to the watercourse features were minimal during operations as a deep snowpack allowed most of the crossings to be considered snowfills. The disturbance occurred during rollback and reclamation activity of the access road, as the operators were not aware of the existing watercourse feature. Disturbance was minimal, channels were free flowing, and locations were on flat ground where potential sedimentation flow to a watercourse is very low to non-existent. Therefore, collectively, they were deemed as a minor non-compliance.

NC-IA-2010-06 (DMI Operations)

This deficiency was in contravention of the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*, section 3.4 Final Harvest Plan. In which 3.4.10 states “Detailed harvest plans (DHAP) are required when there is higher than average potential for environmental damage. Circumstances that merit DHAPs are: c) harvest areas with numerous water source areas, seepages, intermittent, or ephemeral watercourses”.

- In one block, a landing was constructed adjacent to and within the 30m zone of a watercourse not identified on the Detailed Block Plan map; and
- In one block, a watercourse was not identified on the Detailed Block Plan map, the access road constructed across the watercourse and harvesting above the road resulted in natural drainage pattern disturbance.

This non-compliance related to planning where watercourses were not identified during harvest block layout and design. Operations did identify the watercourses during harvesting and for the most part, treed and vegetated buffers were established along the watercourses protecting streamside integrity. For one watercourse, the disturbance occurred during rollback and reclamation activity of the access road, as the operators were not aware of the existing watercourse feature. In this instance, disturbance was minimal, the channel was free flowing, and locations were on flat ground where potential sedimentation flow to a watercourse is very low to non-existent. Therefore, collectively, they were deemed as a minor non-compliance.

NC-IA-2010-08 (CANFOR Operations)

This deficiency was in contravention of the *Alberta Timber Harvest Planning and Operating Ground Rules (1994)*.

Under section 3.2 Watershed Protection and Harvest Planning Table 2 Standards & Guideline for Operating beside Watercourses it states “Roads, Landings, Bared Areas, for small permanent or intermittent watercourses, not permitted within 30 m of the high-water mark”.

Under section 3.3 Watershed Protection During Operations it states “soil, logging debris, or deleterious materials should not be deposited into the water or onto the ice of any watercourse or waterbody during road construction, harvest, reclamation or reforestation operations”.

Under section 3.4 Watershed Protection during Road, Landing, and Campsite Construction and Maintenance Section 3.4.2 Construction of Roads, Landings, and Campsites it states *“roads, skid trails, landings, and campsites shall be placed in locations and constructed so that soil erosion, damage to streambeds and sedimentation of watercourses are minimized”*.

- In one block, a landing was constructed on each side of a watercourse and resulted in a bared area within the 30 m zone of a watercourse;
- In one block, a watercourse was not identified, a debris pile was placed over this watercourse at the access road crossing resulting in an impact to natural drainage patterns;
- In one block, two watercourse crossings were not identified on the Detailed Block Plan map. No crossing structures were installed on these watercourses during harvest operations and resulted in disturbance; and
- In one block, a skid trail was built through a wet area that had not been identified and the harvest activity resulted in an impact to the wet area.

This non-compliance related to operations where watercourses were not identified during planning or road access construction and not following the approved plan. Impacts to the watercourse features were minimal during operations as a deep snowpack allowed most of the crossings to be considered snowfills. The disturbance occurred during rollback and reclamation activity of the access road, as the operators were not aware of the existing watercourse feature. Disturbance was minimal, channels were free flowing, and locations were on flat ground where potential sedimentation flow to a watercourse is very low to non-existent. Therefore, collectively, they were deemed as a minor non-compliance.

NC-IA-2010-09 (CANFOR Operations)

This deficiency was in contravention of the *Alberta Timber Harvest Planning and Operating Ground Rules (1994)* and the associated *Annual Operating Plan Approvals*.

Under section 3.2 Watershed Protection and Harvest Planning it states *“watercourses shall be evaluated and classified according to Table 1 (Watercourse Classification)”*.

Under section 3.4 Watershed Protection during Road, Landing, and Campsite Construction and Maintenance Section 3.4.3 Locating, designing, and Constructing Watercourse Crossings it states *“to locate, design, and build stream crossing structures in ways that minimize the potential for soil erosion”*.

- In one block, a watercourse crossing was identified requiring a wood culvert structure; a snow fill was installed at this watercourse crossing.

This non-compliance related to operations where the original proposed structure for a watercourse crossing was not installed. The impact on the watercourse features was minimal as the snowfill resulted in less ground disturbance so potential sedimentation flow to the watercourse is very low to non-existent. In addition, rehabilitation and reclamation has occurred as part of the final cleared inspection process. Therefore, this was deemed as a minor non-compliance.

Opportunity-for-Improvement

Four new opportunities-for-improvement have been identified during the audit. DMI had two opportunities-for-improvement and CANFOR had two opportunities-for-improvement.

OFI-IA-2010-06 (DMI Operations)

This deficiency was in contravention of the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*. Under section 3.5.4 it states “*the Annual Operating Plan shall contain the following components, c) Operating Schedule – a table which outlines 1. List of harvest areas proposed for harvest (including area and volume by species or species group, with totals)*”.

- In four harvest plan maps, the retention patch areas were included in the harvest area total hectares where the AOP did not include these areas in the total.

OFI-IA-2010-07 (DMI Operations)

This deficiency was in contravention of the *2009 General Development Plan (GDP), Annual Operating Plans (AOP)* and associated guidance. Inconsistencies in use of terms were used when referring to understory densities.

- The GDP refers to the terms “light”, “medium”, and “heavy”; the AOP and associated guidance refers to “low” “moderate”, and “high”.

OFI-IA-2010-08 (CANFOR Operations)

This deficiency was in contravention of the *Alberta Timber Harvest Planning and Operating Ground Rules (1994)*. Under Section 3.4.6 Abandoning and Reclaiming Roads, Landings, and Watercourse Crossings it states “*watercourse crossings, roads, skid trails and landings no longer required and have a high risk of erosion shall be reclaimed and abandoned, and their condition monitored annually until they are satisfactorily stabilized*”.

- In one block, the rollback of access roads and a landing area had not occurred yet operations were complete.

OFI-IA-2010-9 (CANFOR Operations)

This deficiency was in contravention of the *Alberta Timber Harvest Planning and Operating Ground Rules (1994)* and the *2009 General Development Plan*. Under section Appendix 2 Annual Operating Plan, section Road Management it states “*the Road Management Section shall include maps, schedules, or tables, with some or all of the following: a 1:15,000 scale map showing all stream crossings (including type, size, and an inventory identification for follow-up monitoring*”.

- As-built maps did not identify watercourse crossing locations; and
- In two blocks, the as-built map reflected the access to go around a wellsite and a pipeline; access did follow the cutline and there was no deviation.

Road Construction & Maintenance

No open non-compliance(s) or open opportunities-for-improvement from internal audit 2009.

Compliance Audit 2010

No new road construction occurred within the audit period except for temporary winter in-block or access roads.

No assessment work was undertaken by the auditor; therefore, there were no major, minor or opportunities-for-improvement in the audit period.

Bridge Construction & Maintenance

No open non-compliance(s) or open opportunities-for-improvement from internal audit 2009.

Compliance Audit 2010

No bridge construction occurred during this audit period.

No assessment work was undertaken by the auditor; therefore, there were no major, minor or opportunities-for-improvement in the audit period.

Temporary Camps

No open non-compliance(s) or open opportunities-for-improvement from internal audit 2009.

Compliance Audit 2010

Four temporary camps were visited in January 2010 and all four camps were active at that time. These four camps were revisited in June 2010 and the four camps were inactive. The June 2010 on-site field visits verified the camps were decommissioned and sites had undergone full reclamation.

Alberta Timber Harvest Planning & Operating Ground Rules (1994), *Temporary Field Authorizations*, and the *Alberta Private Sewage Standard of Practice* provided the legislative/regulatory guidance. The *Compliance Audit Checklist Temporary Camp Sites (CHK-23)* provided the detailed audit criteria.

Major Non-Compliance

No major non-compliance(s) was noted.

Minor Non-Compliance

No minor non-compliance(s) was noted.

Opportunity-for-Improvement

No opportunity-for-improvement was noted.

Satellite Yards

No open non-compliance(s) or open opportunities-for-improvement from internal audit 2009.

Compliance Audit 2010

No activity in the satellite yard(s) during the audit period.

No assessment work was undertaken by the auditor; therefore, there were no major, minor or opportunities-for-improvement in the audit period.

Silviculture

Compliance Audit 2010

During the June 2010 site visit, 101 silviculture blocks were field reviewed. The review focused on the following:

- establishment surveys – aerial review of 50 blocks with comparison to establishment survey map results
- performance surveys – aerial review of 9 blocks with comparison to performance survey map results
- road & burn spring plant (incidental replacement) – aerial review of 29 blocks with comparison to silviculture block plan maps
- road & burn summer plant (incidental replacement) – aerial review of 15 blocks with comparison to silviculture block plan maps
- fill plant (spring) – aerial review of 7 blocks with comparison to silviculture - planting block plan maps
- fill plant (summer) – aerial review of 9 blocks with comparison to silviculture - planting block plan maps

Major Non-Compliance

No major non-compliance(s) noted in audit period.

Minor Non-Compliance

DMI had one non-compliance associated with the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)* and the *Alberta Regeneration Survey Manual*.

NC-IA-2010-07 (DMI Operations)

This deficiency was in contravention of the *Alberta Regeneration Survey Manual* and the *Manning Diversified Forest Products Ltd., Operating Ground Rules (2009)*, section 8.3 Silviculture Operations. In which 8.3.3 states “*establishment and performance regeneration surveys shall be conducted according to the procedures in the Alberta Regeneration Survey Manual, (May 2003 or successors) unless alternate survey methods have been approved by Alberta*”.

- In eleven blocks for which establishment surveys were completed in June 2009, the surveys incorrectly had a clearance year of 2006. The correct clearance year of 2007 meant these surveys were conducted a year early;
- In one block, the activity area in the data table and on the establishment survey were incorrect;

- In one block the establishment survey was completed in May 2009, the survey incorrectly had a clearance year of 1999 which would exceed the five year threshold; and
- In one block, the activity area on the establishment survey would have required more sample plots; the activity area show on the establishment survey was incorrect and number of sample plots was adequate.

This non-compliance related to planning silviculture activities and ensuring that survey standards were followed. There was no impact to on-the-ground activities as a result and a field review of the blocks did not identify any regeneration issues. Therefore, collectively, they were deemed as a minor non-compliance.

Opportunity-for-Improvement

No opportunity-for-improvement was noted.

Audit Summary

FRBU and CANFOR continued to make a concerted effort in several areas of their operation to ensure that their company operations meet or exceed legislative requirements that govern forest operations in the province of Alberta. FRBU and CANFOR should continue their proactive role when it comes to:

- Identification of an issue where the company may be in non-compliance;
- Notification of the non-compliance to the appropriate agency;
- Implementation of a remediation plan including corrective action; and
- Communication of identified issues to DMI/CANFOR staff and contractors.

Taking this proactive approach reduced the potential for any adverse environmental impact and if there was a deviation from procedures, the resulting impacts were considered minimal or non-existent. This approach also ensured that FRBU and CANFOR is not in a situation where non-compliance may lead to enforcement action taken by the Province (i.e. fines).

This compliance audit also has allowed FRBU and CANFOR to see where the operation may need to focus its attention when it comes to areas not previously identified as an issue.

All minor non-conformities and opportunities-for-improvement from previous compliance audits were closed. There were no major non-compliances, six minor non-compliances, and five opportunities-for-improvement identified in this compliance audit.

Major non-conformities require a corrective action plan immediately and 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-compliance at subsequent compliance audits.

Disclaimer / Statement of Limitations

This audit report was prepared exclusively for Daishowa-Marubeni International Ltd. Peace River Pulp Division, Forest Resources Business Unit and Canadian Forest Products Ltd, Grande Prairie 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 FRBU and CANFOR 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 compliance audit. Please contact me if you have any questions or concerns.

Sincerely,

Original signed

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