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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

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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 purchases 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 and the Marubeni offices in New York. The final destination for PRPD pulp is 50% Asia and 50% the North American 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 and northeastern British Columbia. Suppliers are exclusively controlled sources and are a combination of PEFC CoC certified, certified to CSA Z809 or the SFI standard 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 with Mr. Stefan Szabo, the Forest Resources Business Unit Leader, assisted by the EMS Coordinator, Mr. Samuel Elkins.

This second periodic 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 continued 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 v2.0. (FSC Standard for Chain of Custody Certification), FSC-STD-40-005 v2.1 (FSC Controlled Wood Standard) and FSC-ADV-40-016 v 2.0 Implementation of FSC Controlled Wood.

## 4. Chain of Custody Control System

The audit found that the company continues to maintain 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 continues to maintain ISO 9001-2000 and ISO 14001-2004 certification. In addition to FSC chain of custody certification the Forest Resources Unit also 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 (mill scales) continues to be 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 with were verified during the course of this periodic assessment. The 2010 internal audit of the PRPD FSC chain of custody system was reviewed during the audit.

## **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. The LIMS database reports were verified during this periodic assessment to verify fibre sourcing with respect to the DMI PRPD CW Risk Assessment.

## **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. Ratios for BDT chips to ADMT pulp continue to be 1.7 for hardwood and 2.1 for softwood pulp respectively the production period from the time of the last audit.

## **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 and Marubeni (New York and Appleton) Marketing and Sales staff with responsibilities for purchasing, sales and preparation of work orders, production, and shipping.

## **Controlled Wood**

DMI PRPD has maintained a Controlled Wood Risk Assessment for its District of Origin which at this time is confined to NW Alberta and NE BC. The Controlled Wood Risk Assessment was completed by a third party contractor with experience in compiling Controlled Wood Risk Assessments. The Risk Assessment was last revised in the summer of 2010. The DMI PRPD CW CoC Manual was revised in July 2010 and continues to maintain procedures for the management of controlled wood according to the FSC-STD-40-004 chain of custody standard and the FSC-04-005 Controlled Wood standard.

## 5. Evaluation process

### Audit Team

The second periodic assessment was conducted by Mr. Gregor Macintosh RPF, CEA(SFM), President of KPMG FCSI. Gregor conducted the onsite assessment and generated the audit report.

### On-site Assessments

In August 2010, KPMG FCSI conducted a multi-day site visit to the DMI PRPD site in Peace River part of which was to conduct this periodic assessment. 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 results of the audit were presented to DMI PRPD management at the closing meeting was conducted August 12th with DMI senior management in attendance.

### Post Audit Assessments

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

### Scheduling of Next Periodic Assessment

The next periodic assessment will be conducted in the summer of 2011 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 and NE British Columbia 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 FCSI reviewed the August 2010 version of the DMI PRPD Controlled Wood Risk Assessment and accepts it as continuing to accurately assessing the risk of procuring illegally harvested wood. The DMI PRPD FSC CW Risk Assessment is posted to the FSC website. As of the time of the audit no external parties had formally requested input regarding the risk rating for Category 3 HC VF. In the spring of 2010 DMI PRPD along with other FSC CW certificate holders in Alberta conducted a series of discussions regarding a common risk rating for the district of origin for the northern Alberta eco-region. As a result of these discussions one CW certificate holder still maintains a rating of Unspecified Risk for HC VF for purchases of private wood whereas the remaining CW certificate holders, including PRPD, maintain a risk rating of low for HC VF for this eco-region.

## Findings

The audit did not raise any findings of non-conformance. However, one opportunity for improvement was identified:

1. **KF-001020-OFI-A2-001:**

*FSC-40-016 v.2.0 (Implementation of FSC Controlled Wood) is a normative document to be used in conjunction with FSC-STD-40-005 v2.1 in the maintenance of a conforming Controlled Wood system.*

**The audit noted that FSC-ADV-40-016 is not one of the internal audit criteria. Also, the audit noted references to FSC-STD-30-010 in the 2010 PRPD FSC internal audit report which was not one of the 2010 internal audit criteria.**

**The following noteworthy practices were identified during the audit:**

1. Continued maintenance of an effective credit tracking system allowing for quarterly reconciliation of credit status.

## 7. Certification Decision

In our opinion, DMI PRPD has maintained the required level of conformance for continued certification. Therefore, I recommend that KPMG FCSI continue to certify the FSC chain of custody system of DMI PRPD.



## **Annexes**

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



## **Annex 1**

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

Samuel Elkins –	EMS Coordinator
Cindy Derewianko -	Pulp Deliveries & Technical Group (Mill CoC representative responsible for maintenance of the DMI PRPD CoC)



**Annex 2**

**DMI PRPD FSC Controlled Wood Risk Assessment**

Posted to FSC Website [www.fsc.org](http://www.fsc.org)