

**DAISHOWA-MARUBENI INTERNATIONAL LTD.**

**Forest Resources Business Unit  
Environmental Management & Sustainable Forest Management  
System**

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

**Internal Audit 2011**



**August 2011**

DAISHOWA-MARUBENI INTERNATIONAL LTD.

Forest Resources Business Unit

Internal Audit 2011

August 2011

Prepared for:

DAISHOWA-MARUBENI INTERNATIONAL LTD.

PO Bag 6500 Pulp Mill Site

Peace River, Alberta T8S 1V5

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CONFIDENTIAL REPORT Daishowa Marubeni International Ltd. (DMI), Peace River Pulp Division, Forest Resources Business Unit (FRBU) – Internal EMS/SFM Audit: August 2011.

### **Audit Scope**

Samuel Elkins, Continuous Improvement Coordinator engaged Robert Volkman, EP (EMSLA) EP (CEA), to conduct the annual internal audit of Peace River Pulp Division's (PRPD) Forest Resources Business Unit's environmental management (EMS) and sustainable forest management (SFM) systems.

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 EMS & SFM conformed to planned arrangements for environmental and sustainable forest management; and was implemented and maintained in a manner consistent with the ISO 14001:2004, the International Standard for environmental management systems; and CSA Z809-02, Canadian Standard for sustainable forest management systems.

The focus was an assessment of:

- environmental management system requirements;
- sustainable forest management system requirements;
- progress towards addressing any outstanding non-conformities from previous internal audits; and
- progress towards addressing opportunities-for-improvement from previous internal audits.

### **Audit Period**

The audit period was from June 1, 2010 to July 9, 2011.

## **Audit Criteria**

The primary criterion was the *ISO 14001:2004 Standard, (CAN) CSA Z-809:02 Standard, and Forest Resources Environmental Management System & Sustainable Forest Management Manual* (Revision 1.5). This included any related documentation as described under *Chapter 15 Internal Audit Programs*.

Legal requirements and other requirements DMI FRBU subscribes to were also applicable. Legal requirements included Federal Acts (e.g. *Fisheries Act, Species at Risk Act, and Transportation of Dangerous Goods Act*) and Provincial Acts (e.g. *Environmental Protection & Enhancement Act, Forest & Prairie Protection Act, Forests Act*) and associated regulations. Other requirements may include forest management directives, standard operating procedures, and manuals developed internally by DMI or CANFOR or by government agencies such as Alberta Sustainable Resource Development.

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

**Conformity** – in conformance; where the auditor finds that a practice or activity meets the policies, procedures, work instructions or the Standards (primary criteria).

**Major Non-Conformity** – where the auditor determines a non-conformity 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 conclusion, determines that one or more non-conformity 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-conformity but if the practice(s) or condition(s) were to continue, it would potentially lead to a minor or major non-conformance.

**Audit Team**

Robert Volkman (Lead Auditor) conducted the EMS & SFM internal audit; and holds Environmental Management System Lead Auditor, Certified Environmental Auditor, Registered Safety Professional, Environmental Professional, and Registered Professional Forest Technologist (Alberta) designations. Samuel Elkins (auditor) and Connie Forrest (auditor) accompanied Robert during field and office assessment work.

**Audit Process**

The preliminary opening meeting was held March 7, 2011. Preliminary work in formulating a sample commenced in January 2011. The on-site portion of the internal EMS & SFM audit was conducted in two phases. The on-site field portion of the first phase was conducted from March 5 to 12, 2011 and the second phase of on-site field work was completed from July 2 to 9, 2011 in conjunction with DMI's internal compliance audit.

The audit sample included review of open non-conformities and opportunities-for-improvement from 2010 audits; limited file and document reviews (i.e. DMI PRPD website, paper files, etc.) pertaining to the audit sample; interviews with staff; and field inspections of both active and non-active operations by ground-truthing, driving and aerial overviews.

The audit sample consisted of:

- Harvesting: 67 blocks (status: skid cleared, haul cleared, or final cleared)
  - 2 blocks was associated with private land operations and 65 blocks were on public land (9 of these blocks were harvested under CANFOR coniferous timber quotas)
  - Sample block selection was across dispositions and included 6 forest management areas, 2 deciduous timber quotas, 2 coniferous timber quotas, 1 deciduous timber permit, and private land
- Active chipping operations: 3 sites

- Active hog operations: N/A
- Tree length operations: 9 sites (CANFOR operations)
- Road construction: 1 site (active)
- Hauling: 4 chip trucks
- Temporary campsites: 4

All sixty-seven sample blocks were reviewed in July 2011 to complete the compliance and SFM phases of the audit. This included a review of rehabilitation/reclamation of watercourses and/or pipeline crossings, roll back/reclamation of in-block roads, and ripping of chipper/landing areas as the result of operations conducted under non-frozen ground conditions.

### **Audit Observations**

DMI FRBU and CANFOR, Grande Prairie Division were the focus of this internal EMS & SFM audit. The majority of operational activities assessed during the audit period were with DMI FRBU. CANFOR holds coniferous quota within the defined forest area covered by DMI PRPD certification and had agreed to have their operational activities assessed as a result of the geographic overlap with DMI FRBU.

DMI and CANFOR continued to ensure their operational activities conformed to the ISO 14001:2004 and Z809-02 Standards. Through their voluntary commitment to environmental and sustainable forest management practices, these companies ensured that any potential impacts to the landbase were minimized or non-existent as a direct result of identification, communication, and control of their respective significant environmental aspects.

Overall, DMI FRBU and CANFOR continued to meet their system requirements; where there was a deviation from policy, procedures, or work instructions, it was not reflected to on-the-ground practices.

## **Audit Conclusions**

### **Daishowa-Marubeni International & CANFOR**

#### **Status of open minor non-conformities from Internal EMS & SFM Audit 2010**

There were three minor non-conformities (**NC-IA-2010-01**, **NC-IA-2010-02** & **NC-IA-2010-03**) identified during the 2010 internal EMS & SFM audit.

The three minor non-conformities were associated with:

- Standard/Element ISO 14001:2004 4.5.4 Control of records & CSA Z809-02 7.5.3 Records; and
- Standard/Element ISO 14001:2004 4.4.6 Operational controls & CSA Z809-02 7.4.6 Operational procedures and control.

A review of the corrective action plans in the Digital Action Tracking System (DATS) database and supporting documentation (i.e. meeting minutes) showed DMI FRBU held an operations supervisor meeting in September 2011. The minutes outlined the agenda which included a review of the contractor inspections and start-up meetings for an eight month period. In addition, DMI initiated an internal review of a sample set of files.

DMI has invested considerable effort to provide detail in the block plan mapping including initiatives to increase the use of Wet Areas Mapping and LIDAR. Training has also been provided to layout and operations contractors at the contractor training session held in June 2010.

CANFOR had provided supporting documentation and implemented revisions to the watercourse crossing process which included a revised inspection protocol and a general contractor meeting was held in October 2010 focusing on pre-work inspection processes and operational ground rules.

The corrective action plans implemented by DMI and CANFOR to address these non-conformities were deemed sufficient to close all three minor non-conformities: **NC-IA-2010-01**, **NC-IA-2010-02**, and **NC-IA-2010-03**.

*Status of open opportunities-for-improvement from Internal EMS & SFM Audit 2010*

There were two opportunities-for-improvement (**OFI-IA-2010-01 & OFI-IA-2010-02**) identified during the 2010 internal EMS & SFM audit.

OFI-IA-2010-01 was associated with ISO 14001:2004 Standard/Element 4.4.2 Competence, training and awareness & Z809-02 7.4.2 training, awareness, qualifications, and knowledge.

A review of the corrective action plan and supporting documentation indicated a DMI implemented a new system with respect to the Truck Safe Training Program. DMI staff keeps track of training records and certificate expiry dates. A report is generated and sent to the carriers to confirm current drivers are not operating with an expired certificate.

The corrective action undertaken by DMI to address this OFI was deemed sufficient to close this opportunity-for-improvement: **OFI-IA-2010-01**.

OFI-IA-2010-02 was associated with ISO 14001:2004 Standard/Element 4.4.5 Control of documents & Z809-02 7.4.5 Document control.

The Forest Resources EMS & SFM Manual has been updated as of July 9, 2010 (Version 1.5).

A review of the corrective action plan and supporting documentation provided by DMI  
The corrective action implemented by DMI to address this OFI was deemed sufficient to close this opportunity-for-improvement: **OFI-IA-2010-02**.

**Major Non-Conformities from Internal EMS & SFM Audit 2011**

No major non-conformities noted.

**Minor Non-Conformities from Internal EMS & SFM Audit 2011**

Three new minor non-conformities have been identified during the internal audit. These minor non-conformities were associated with **Standard/Element CSA Z809-02 7.4.3 Communication; Standard/Element ISO 14001:2004 4.4.6 Operational controls & CSA Z809-02 7.4.6 Operational procedures and control; and Standard/Element ISO 14001:2004 4.5.1 Monitoring and measurement & CSA Z809-02 7.5.1 Monitoring and measurement.**

***NC-IA-2011-01 (DMI Operations)***

A minor non-conformity has been identified with **Standard/Element CSA Z809-02 7.4.3 Communication.** The Standard states “**make an annual report on its performance in meeting and maintaining the SFM requirements publicly available**”.

At the time of the internal audit, a report for the reporting period: May 1, 2010 to April 30, 2011 was not available.

The most current document, “CSA Z809 SFM Performance Monitoring Interim Report” dated October 31, 2010 covered the reporting period May 1, 2009 to April 30, 2010.

The auditor was provided with evidence progress was made towards completing the annual report. Therefore, the auditor deemed this a minor non-conformity with Standard/Element CSA Z809-02 7.4.3 Communication with the EMS SFM system relating to communication. DMI is expected to address **NC-IA-2011-01** and it will be reassessed at the next internal audit.

***NC-IA-2011-02 (DMI Operations)***

A minor non-conformity has been identified with **Standard/Element ISO 14001:2004 4.4.6 Operational controls & CSA Z809-02 7.4.6 Operational procedures and control.**

Chapter 11 of the Forest Resources EMS & SFM Manual, under section Procedure, states, “supervisors are responsible for communicating the environmental requirements to the various contractors” and under section Roles & Responsibilities, “participate in

the development, implementation, and communication of applicable requirements to suppliers that includes Forest Resources (direct contractors)”.

A key operational control for the operations supervisor and the contractor is the detailed block plan map. The detailed block plan map identified the block boundary, road location, water course & utility crossings, retention patches, and the location of any environmental site features, either adjacent to or within the block boundary.

There were inconsistencies between actual on-the-ground block features and features identified on the block plan map. These inconsistencies were identified during the field review of the sample blocks.

Examples of these inconsistencies were:

- Intermittent watercourse identified on layout map was identified as an ephemeral on block plan map
- Transitional watercourse on layout map not identified on block plan map
- Ephemeral watercourse identified on layout map not identified on block plan map (in 8 blocks)
- Intermittent watercourse on layout map not identified on block plan map
- Intermittent watercourse on layout map not identified on block plan map (between two openings)

The inconsistencies resulted in operational activities where skidder crossings and access road and in-block crossings were not identified.

It is critical that operation controls provide accurate information to ensure operational impacts do not occur to the significant environmental aspects identified.

Therefore, the auditor deemed this a minor non-conformity with Standard/Element ISO 14001:2004 4.4.6 Operational controls & CSA Z809-02 7.4.6 Operational procedures and control. DMI is expected to address **NC-IA-2011-02** and it will be reassessed at the next internal audit.

**NC-IA-2011-03 (DMI Operations)**

A minor non-conformity has been identified with **Standard/Element ISO 14001:2004 4.5.1 Monitoring and measurement & CSA Z809-02 7.5.1 Monitoring and measurement**.

Chapter 13 of the Forest Resources EMS & SFM Manual, under section Procedure states **“FRBU staff will monitor all operations and the activities of staff to determine conformance with operational plans and this will be done by conducting inspections in accordance with Project Supervision Procedure (FR-G002)”**.

A key operational control to ensure operational activities are in conformance with operational plans is the Operations Inspection/Monitoring Checklist (CHK-005). The Project Supervision Procedure requires the results of this checklist to be entered in the tracking database as well as being placed in the disposition files.

A review of inspections conducted during the audit period showed the following:

- 2 harvest blocks had no record of inspection reports placed on the disposition file or within the GENUS database;
- 2 harvest blocks had no date specified on the checklist as to when the inspection had taken place; and
- 7 harvest blocks had inspection checklists completed, however, no comments provided.

It is critical that monitoring and measurement provide complete and accurate information to ensure operational activities do not impact on the significant environmental aspects identified.

These noted inspection deficiencies did not allow the auditor to confirm whether non-compliances had been identified with operational practices on-the-ground.

In addition, a number of other dispositions where operations were conducted in the audit period followed the inspection process and documentation was provided to the auditor as supporting evidence.

Therefore, the auditor deemed this a minor non-conformity with Standard/Element ISO 14001:2004 4.5.1 Monitoring and measurement & CSA Z809-02 7.5.1 Monitoring and measurement. DMI is expected to address **NC-IA-2011-03** and it will be reassessed at the next internal audit.

### **Opportunities-for-Improvement from Internal EMS & SFM Audit 2011**

There were two new opportunities-for-improvement (**OFI-IA-2011-01 & OFI-IA-2011-02**) noted during the audit review. An opportunity-for-improvement has been identified with **Standard/Element ISO 14001:2004 4.4.6 Operational controls & CSA Z809-02 7.4.6 Operational procedures and control** and ISO 14001:2004 Standard/Element 4.4.5 Control of documents & Z809-02 7.4.5 Document control.

#### **OFI-IA-2011-01 (DMI Operations)**

An opportunity-for-improvement has been identified related to **Standard/Element ISO 14001:2004 4.4.6 Operational controls; CSA Z809-02 7.4.6 Operational procedures and control; Debris Piling Guidelines (FR-G003); and Crown Land Hog Processing Procedure (FR-019)**.

The *Debris Piling Guidelines, Section Debris Disposal associated with Bush Chipping (Crown Land Specific)* states “**distance from treed block edge or delineated stand structure retention must be no less than 25 meters**”.

- 6 blocks had piles within 25 meters of the treed block edge and a 5 meter slash free zone had not been established or were not 15 meters apart or greater than 3 meters in width.

The *Crown Land Hog Processing* Procedure point # 3 Hog Piling states “**approximately 5 meters in width (per pile); a second pile may be piled behind the first if required; approximately 30 meters in length**”.

- 2 harvest blocks had piles that either exceeded the two pile deep or 30 meters in length requirement

A number of harvest blocks were field reviewed and operational activities where debris piling had occurred were consistent with the debris piling procedures.

Therefore, the auditor deemed this an opportunity-for-improvement with the EMS & SFM system relating to operational controls and more specifically Debris Piling Guidelines (FR-G003); and Crown Land Hog Processing Procedure (FR-019). DMI is expected to address **OFI-IA-2011-01** and it will be reassessed at the next internal audit.

#### **OFI-IA-2011-02 (DMI Operations)**

An opportunity-for-improvement has been identified related to **ISO 14001:2004 Standard/Element 4.4.5 Control of documents & Z809-02 7.4.5 Document control**.

Chapter 10 of the *Forest Resources EMS & SFM Manual*, section Procedure, Document Control states “**EMS Procedures and Forms are reviewed for accuracy at least every two years by the EMS representative**”.

The auditor completed a review of the following documentation:

- Forest Resources EMS & SFM Manual (Revision 1.5 dated July 9, 2010)
- PRPD 2011 Fire Control Plan (Revision 1.0 dated April 12, 2011)
- EMS Procedures, Checklists & Forms (all)
- Truck Safe Program Training Manual (Revision 7.0 dated November 1, 2010)
- Forest Resources Health & Safety Guide – Employee Version (Revision 3.2 dated August 1, 2010)
- Forest Resources Health & Safety Guide – Employee Version (Revision 3.2 dated August 1, 2010)

- Forest Resources Health & Safety Guide – Resource Supplement (July 2010)

Inconsistencies and discrepancies were identified in several documents and examples related to naming conventions; references to documents where document titles have changed or regulations were updated. A separate document has been provided to DMI, which summarizes the review.

As most of the documents had gone through a revision update in the last year, the auditor deemed this an opportunity-for-improvement with the EMS & SFM system relating to document control. DMI is expected to address **OFI-IA-2011-02** and it will be reassessed at the next internal audit.

### **Audit Summary**

The DMI FRBU and CANFOR Grande Prairie Division continued to improve their internal processes to ensure that the EMS & SFM is not only implemented, but is functioning properly. All minor non-conformities and opportunities-for-improvement identified in previous internal audits (2010) have been addressed and were closed.

DMI has implemented a new Digital Action Tracking System referred to as DATS. This on-line tool allows the company to better monitor corrective action plan implementation, progress, and closure. Corrective actions derived from the 2010 internal audits, external audits, and incident investigations can be found in DATS along with supporting documentation. DATS functionality also houses training records for employees.

Operational activities were for the most part in conformance with the EMS system. Adherence to the system and its policies and procedures is critical in ensuring conformance and minimizing potential impacts to the environment.

Three new minor non-conformities (**NC-IA-2011-01, NC-IA-2011-02, & NC-IA-2011-03**) and two new opportunities-for-improvement (**OFI-IA-2011-01 & OFI-IA-2011-02**) have been identified and appropriate actions must be undertaken to avoid these minor non-conformities and opportunities-for-improvement being elevated in their severity.

**Disclaimer / Statement of Limitations**

This audit report was prepared exclusively for Daishowa-Marubeni International Ltd. (DMI) 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 DMI 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 EMS & SFM audit. Please contact me if you have any questions or concerns.

Sincerely,



Robert Volkman, PMP CRSP RFT (BC&AB) EP (CEA) EP EMSLA) EPt (GHG)