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Postal Bag 6500, Pulp Mill Site  
Peace River, AB T8S 1V5

August 31, 2007

Dear Samuel:

**Re: 2007 ISO 14001 Surveillance Audit Report for Daishowa-Marubeni International**

Our ISO 14001 Surveillance Audit Report for Daishowa-Marubeni International is attached. The report documents the results of the audit that took place during the period August 28 – 31, 2007.

As communicated to you in the audit notification letter, you are required to submit corrective action plans to address all identified non-conformities within 30 days of the date of the closing meeting. Upon receipt by KPMG PRI, these will be reviewed to verify that they adequately address the root cause(s) of the non-conformities identified during the audit, and either approved or returned to you for revision.

We value the ongoing working relationship that we have with Daishowa-Marubeni International, and appreciate the assistance provided to the audit team by Company staff and contractors during the audit process.

If you have any questions regarding the results of the audit or what is required in the way of corrective actions, please call me at the phone number listed below.

Yours very truly,

Sylvi D. Homsen, RPF, CA, CEA(SFM)  
Senior Systems Assessor  
KPMG Performance Registrar Inc.  
604-691-3431

Enc: ISO 14001 Surveillance Audit Report for Daishowa-Marubeni International



# **ISO 14001 Surveillance Audit Report for Daishowa-Marubeni International**

**August 31, 2007**

The information in this audit report is confidential and may be legally privileged. It is intended solely for the use of the intended recipient, Daishowa-Marubeni International. Access to this audit report by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful. Any opinions contained in this audit report are subject to the terms and conditions expressed in the governing KPMG PRI client engagement contract.



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## A. Client Information

<b>Client Name:</b>	Daishowa-Marubeni International
<b>Audit Criteria:</b>	ISO 14001:2004
<b>Scope of Registration:</b>	Forest management of deciduous timber including related research and development, stakeholder consultation, planning, harvesting, road development, chipping, processing of hog fuel, satellite yard operations, transportation and storage of fibre, reclamation and reforestation on Daishowa-Marubeni International Ltd.'s Forest Management Agreement Area and Deciduous Timber Allocations
<b>Client Representative:</b>	Samuel Elkins, Forest Program Coordinator
<b>Assessment Number:</b>	ISO 14001: #2438

## B. Document Review Findings

This was a limited scope surveillance audit against selected elements of the ISO 14001 standard. As such, no formal document review was required in advance of the audit.

## C. Audit Details

<b>Type of Audit:</b>	Surveillance audit
<b>Date(s) of Surveillance Audit:</b>	August 28 – 31, 2007
<b>Date of Next Assessment:</b>	July 2008
<b>Audit team:</b>	Lead auditor: Sylvi Holmsen Audit team members: Kerri Brownie
<b>Audit Report Distribution:</b>	Daishowa-Marubeni International KPMG PRI audit files
<b>Audit objective(s):</b>	The objective(s) of the audit was to evaluate the environmental management system at Daishowa-Marubeni International, its implementation, effectiveness and conformance with the requirements of ISO 14001. These objective(s) were met.
<b>Audit scope:</b>	The scope of the audit included: The elements of ISO 14001 outlined in the audit plan. Activities conducted under the Company's environmental management system during the period September 7, 2006 – August 31, 2007. Visits to the Company's operations in Peace River.

<b>Audit sample size:</b>	Number of field sites visited during the audit: Harvesting: 6 (4 active, 1 completed) Roads: 4 (1 construction, 2 deactivation, 1 maintenance) Camps sites: 2 (1 active, 1 inactive in the process of being dismantled) Satellite yards: 1 (Chinchaga satellite yard) Silviculture: 0
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## D. Audit Findings

### Good Practices

The following good practices were noted during the audit:

1. DMI has made improvements to its internal audit program by conducting the audits in two phases each year, one phase of the audit will be conducted during the winter and one during the summer. The purpose of the two phase audit approach is to ensure that sites visited during the winter phase are revisited during snow free conditions so that site conditions can be more effectively assessed.
2. DMI has improved its delivery of EMS training by developing a series of EMS training videos. The purpose of developing the videos was to improve the effectiveness of the EMS training by presenting the information in a more engaging format and also to improve communication of the information to operators that do not have English as their first language.

### Follow-up on open non-conformities from previous audits

At the time of this assessment there were no open non-conformities and 6 open opportunities for improvement from previous audits. The audit team reviewed the implementation of the action plans developed by Daishowa-Marubeni International to address these issues, and found that they had been effectively implemented. As a result, all of these opportunities for improvement have been closed.

### Non-conformities

No major or minor non-conformities were identified during the audit.

### Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement:** 2438-OFI-A3-01

**Standard/Element(s):** ISO 4.4.7 Emergency, Preparedness, and Response  
**Client Procedure:** Forest Resources Fuel Management Field Guide

The audit identified the following weakness in Daishowa-Marubeni International's emergency preparedness procedures. DMI's Forest Resources Fuel Management Field Guide

includes requirements for the storage and dispensing of fuel to prevent emergency situations and spill kit requirements for use in dealing with emergencies.

While field site visits to camps and active harvest operations found that in general, fuel handling procedures were generally properly implemented, several isolated weaknesses were observed:

- one pick-up mounted tidy tank containing diesel was marked with a TDG label for gas, as a result there is a potential that improper emergency response procedures may be followed in the event of a spill or fire because operators or rescue personnel would respond as if the tidy tank contained gas rather than diesel (cutblock on section 33)
- spill kits were found to be deficient at two active operations: at one location a fuel truck did not have a spill kit, however, there was a spill kit in a shop truck located adjacent to fuel truck (cutblock on NW184215); at the other location the spill kit at the fuel truck did not have grey pads (cutblock 124)
- a septic tank and associated feeder pipes were not protected from collision protection, in addition two propane tanks did not have no smoking signs or complete collision protection (Camp on East Haul road)

2. **Opportunity for improvement:** 2438-OFI-A3-02

**Standard/Element(s):** ISO 4.4.5: Control of Documents

**Client Procedure:** EMS Manual Chapter 10 – Documentation and Control of Documents and Records

The audit identified the following weakness in Daishowa-Marubeni International's procedures for document control. Field site visits to active manufacturing and woodlands sites found that in general staff and contractors had access to all current relevant EMS documents. However, the following isolated weaknesses were identified:

- a foreman and mechanic at an active harvest operation had outdated copies of the DMI Forest Resources Field Guide (cutblock on section 33)
- an outdated (2004) version of the Emergency Response Plan was available to operators at an active harvest operation (cutblock on NW184215)

3. **Opportunity for improvement:** 2438-OFI-A3-03

**Standard/Element(s):** ISO 4.4.6 Operational Control

**Client Procedure:** FR-G002 Project Supervision Procedure

The audit identified the following weakness in Daishowa-Marubeni International's procedures for project supervision. DMI's Project Supervision Procedure requires that Contractor Representatives ensure all persons working on the operation have had a start-up meeting and have signed off on the start-up checklist.

Interviews with contractor supervisors and operators at active operations and a review of records of start-up meetings found that in general operators had participated in start-up meetings and records of meetings were complete. Two isolated weaknesses were identified, however, where start-up procedures had not been fully implemented:

- one chipper operator had not signed in on the start-up checklist, although it was evident from interviewing the operator that he was aware of site specific requirements for the cutblock (cutblock on NW184215)
- one skidder operator had not been participated in a start-up meeting (cutblock 125)

## **Audit conclusions**

The audit found that Daishowa-Marubeni International's environmental management system:

- Was in full conformance with the requirements of the ISO 14001 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 environmental policy, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Daishowa-Marubeni International continue to be registered to the ISO 14001 standard.

Our assessment by its nature is a sample and is not intended to be as comprehensive as your internal audit. It is possible for nonconforming issues to remain undetected. Our next assessment will verify that your internal audits have continued to operate as the primary mechanism to ensure that your management system remains effectively implemented and continues to improve.

## **E. Corrective Action Plans**

Written corrective action plans that are designed to address the root causes of all identified non-conformities are required within 30 days of the closing meeting. These will be reviewed by KPMG PRI for adequacy, and either approved or returned for revision.

A template for Daishowa-Marubeni International to develop the required corrective action plans will be provided to you for this purpose. Please complete the appropriate section of this template and e-mail your proposed corrective actions to the KPMG PRI lead auditor for review.

## **F. Focus Areas for Next Audit Visit**

The following issues/potential concerns have been identified as focus areas for the next audit visit:

1. Stand management practices (i.e. planting, brushing) and the achievement of regeneration and freegrowing obligations.
2. Potential impacts of mountain pine beetle infestations on the company's operations, specifically related to the achievement of retention targets.