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November 25, 2009

Dear Sam:

**Re: Revised 2009 ISO 14001 Periodic Assessment and CSA Z809 Scope Expansion and Surveillance Report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division**

Our revised 2009 ISO 14001 periodic assessment and CSA Z809 scope expansion and assessment report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division (DMI-PRPD) is attached. The report documents the results of the field audit that took place during the period August 18-20, 2009.

We value the ongoing working relationship that we have with DMI-PRPD, 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 truly,

Gregor Macintosh RPF, CEA(SFM)  
*KPMG PRI*

Enc: 2009 ISO 14001 Periodic Assessment and CSA Z809 Scope Expansion Report for Daishowa-Marubeni International Ltd. – Peace River Pulp Division.



**2009 ISO 14001 Periodic Assessment & CSA Z809 Scope  
Expansion Audit Report for  
Daishowa-Marubeni International Ltd.  
Peace River Pulp Division**

**August 21, 2009**

**(revised November 24, 2009)**

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## A. Client Information

<b>Client Name:</b>	Daishowa-Marubeni International Ltd. – Peace River Pulp Division (DMI-PRPD)
<b>Audit Criteria:</b>	ISO 14001:2004 and CSA Z809-02
<b>Scope of Certification:</b>	ISO 14001: All Sustainable Forest Management and operational activities on public and private lands required to supply the fibre requirements of the Peace River Pulp Mill. CSA Z809: Daishowa-Marubeni International Ltd. Forest Management Agreement (FMAs 0900044 and FMA 0900045 – including Canfor conifer quota areas CTQ P130002, P130004, and P150004).
<b>Client Representative:</b>	Samuel Elkins, Continuous Improvement Coordinator
<b>Assessment Number:</b>	ISO 14001: #2438 CSA Z809: #2438.02

## B. Document Review Findings

The CSA Z809:2002 Scope Expansion document review did not identify any non-conformities with respect to the requirements of the ISO 14001 or CSA Z809 standards. As a result, no corrective actions were required prior to the certification audit taking place.

## C. Audit Details

<b>Type of Audit:</b>	ISO 14001 Periodic Assessment audit CSA Z809 Scope Expansion and Periodic Assessment Audit
<b>Date of Document Review (Scope Expansion)</b>	August 11 2009
<b>Date(s) of Audit:</b>	August 18-20, 2009
<b>Date of Next Assessment:</b>	Summer 2010
<b>Audit team:</b>	Lead auditor: Gregor Macintosh Audit team members: Byron Grundberg
<b>Audit Report Distribution:</b>	Daishowa-Marubeni International Ltd. KPMG PRI audit files
<b>Audit objective(s):</b>	The objective of the audit was to evaluate the environmental and sustainable forest management (SFM) system at DMI-PRPD, its implementation, effectiveness and conformance with the requirements of ISO 14001 and CSA Z809:2002. In addition the Canfor Grande Prairie operations on the Conifer Timber Quotas P130002, P130004, and P150004 were also assessed for inclusion under the DMI PRPD CSA Z809 SFM plan. These objectives have been met.

<b>Audit scope:</b>	The scope of the audit included: <ul style="list-style-type: none"> <li>• The elements of the ISO 14001 and CSA Z809 standards outlined in the audit plan.</li> <li>• Activities conducted under the Company’s environmental management system during the period August 16, 2008 – August 17, 2009.</li> <li>• Visits to: (1) the DMI-PRPD woodlands office, (2) Canfor Grande Prairie woodlands offices and (2) various field sites at the DMI PRPD and Canfor GP (CTQ P130002, P130004, and P150004) woodlands operations within the defined forest area.</li> </ul>
<b>Audit sample size:</b>	Number of field sites visited during the audit: <p>Roads: 7 (including two water crossings)</p> <p>Harvesting: 10 (including 3 CTWP130002 units logged in 2008)</p> <p>Silviculture: 6 (including 3 spray blocks)</p> <p>Camps: 2 (1 bulk mix site for aerial spray &amp; 1 logging camp - Garden River Logging)</p>

## D. Audit Findings

### Good Practices

The following good practices were noted during the audit:

1. 4.1 / 7.1: Continued emphasis on system improvement as evidenced by: variety of training topics; the internal audit detail and implementation of action plans; numbers of incidents reported and detail in the follow-up; management review materials detail of meeting minutes.
2. 4.5.2 / 7.5.1: DMI contract administrators maintain an inventory of contractor fuel tanks (mobile and stationary). This inventory lists dimension, construction type, and certification status date. Tanks that do not appear on the inventory are not permitted to be on DMI operational sites.
3. CSA Element 6.0: Shell – DMI Memorandum of Understanding on Integrated Land Management (2009-2014).
4. 7.4.6 / 4.4.6 – Example of implementation of DMI OGR on private land resulting in larger a buffer than legally required buffer on an intermittent creek. Also, example of buffering a raptor nest on private land.

## Follow-up on open findings from previous audits

At the time of this assessment there was one open non-conformity from the 2008 audit. The action plan for this non-conformity was reviewed and while its implementation is nearing completion the finished product (revised VOITs table) was approximately one month from completion at the time of this audit. **Therefore this non-conformity remains open with the understanding that upon completion and submission of the new DFMP (and with it the submission of the new VOITs table) in September 2009, the VOITs table will be forwarded to the lead auditor as proof that the action plan has been completed.**

Review of the identified opportunities for improvement from the 2008 audit determined that all had action plans developed and owners assigned.

**Follow up on 2008 open minor non-conformity at November 2009:** A revised VOITs table was forwarded to KPMG PRI in November. This revised table partially addresses the non-conformity, however it is not final and will not be until March of 2010 when it is submitted with the new DFMP. Reasons for the inability to finalize the table are the slow pace of PAG meetings and the frequency with which they are held resulting in a protracted amount of time need to complete and approve the VOITs table. **The minor non-conformity remains open.**

## Non-conformities

The 2009 audit did not identify any major non-conformities with respect to the ISO 14001 and CSA Z809 Standards.

The following minor non-conformity was identified.

<b>Non-conformity:</b>	<b>2438.01 / 2438.02 –NC-A1-01</b>
<b>Standard/Element(s):</b>	<b>ISO 14001: 4.4.7</b> <b>CSA Z809: 7.4.7</b>
<b>Client Procedure(s):</b>	<b>DMI EPRP</b>

The CSA Z809 and ISO 14001 standards require that the organization: (a) establish and maintain procedures to identify the potential for and respond to accidents and emergency situations on the DFA; (b) establish and maintain procedures to prevent and mitigate the impacts that may be associated with accident and emergency situations. To meet this requirement in part the DMI EPRP requires that all company and contractor vehicles be equipped with axe and/or pulaski and round nosed shovel.

**However, our audit noted that several Pine Ridge Logging vehicles were missing shovels; two vehicles had neither shovel nor pulaski. Also, the EPRP requires contractor crews to**

**maintain adequate spill kits (as prescribed for specific equipment) and for crews to be adequately trained in its use. The Pine Ridge Logging maintenance van only had a partial spill kits and Black Gold water truck was lacking a spill kit. One truck driver did not know what was in his spill kit or how to use the “plug and dyke”. Finally, Pine Ridge Logging foreman and crew had trouble interpreting information on MSDS.**

## Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement: 2438/2438.02-OFI-PA1-01**

**Standard/Element(s): CSA Z809: 5.5**

**Client Procedure(s): Annual SFM Report**

While the booklet “dmi csa and you” does describe the concepts of Elements, Values and Objectives, the 2008/2009 status of the Indicators and Targets had not been reviewed by PAC by the time of the 2009 external audit.

2. **Opportunity for improvement: 2438/2438.02-OFI-PA1-02**

**Standard/Element(s): CSA Z809: 7.6 / ISO 14001 4.6**

**Client Procedure(s): Management Review**

While the DMI PRPD Internal EMS/SFM Audit sampled operations in the Canfor quota areas within the FMA, Canfor internal audit for 2008/2009 did not explicitly consider Canfor’s performance under the DMI SFM plan.

## Audit conclusions

The audit found that the DMI-PRPD EMS/SFM system:

- Was in full conformance with the requirements of the ISO 14001 and CSA Z809 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 and SFM principles, 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 DMI-PRPD continue be registered to the ISO 14001 and CSA Z809 standards.

NB: 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**

The 2009 audit identified one finding of minor non-conformance. Therefore, a written corrective action plan is required to be completed and submitted. A template will be provided 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. Implementation of the action plans developed by DMI-PRPD to address the open findings identified during the 2009 external audits.
2. Reporting against the existing VOITs (2008/2009) new SFM VOITs.
3. Review of Canfor GP efforts to assign and document staff roles and responsibilities regarding monitoring of the indicators included in the DMI SFM plan on CTQ P130002, 130004, and 150004). (to be followed up during 2010 Canfor GP annual surveillance audit).