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Daishowa-Marubeni International Ltd.
Peace River Pulp Division
Postal Bag 6500, Pulp Mill Site
Peace River, AB T8S 1V5

August 21, 2009

Dear Cindy and Sam:

Re: 2009 PEFC Chain of Custody (CoC) Re-Registration Audit Report for Daishowa-Marubeni International

Our 200X PEFC CoC Re-Registration Audit Report for Daishowa-Marubeni International is attached. The report documents the results of the audit that took place during the period August 16, 2008, year – August 21, 2009.

We value the ongoing working relationship that we have with Daishowa-Marubeni International, and appreciate the assistance provided to the audit team by the Company's 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), CF/CFA,
KPMG Forest Certification Services Inc.
250-480-3510

Enc: PEFC CoC Re - Registration Audit Report for Daishowa-Marubeni International



**PEFC Chain of Custody
Re- Registration Audit Report for
Daishowa-Marubeni International
Peace River Pulp Division**

August 21, 2009

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

Client Name:	Daishowa-Marubeni International
Audit Criteria:	PEFC Chain of Custody Annex 4
Scope of Registration:	Procurement of fibre and the manufacture of hardwood and softwood pulps.
Client Representative:	Ms. Cindy Derewianko & Mr. Sam Elkins
Assessment Number:	# 2438.01

B. Document Review Findings

The document review did not identify any non-conformities with the requirements of PEFC Annex 4. As a result, no corrective actions were required prior to the registration audit taking place.

C. Audit Details

Type of Audit:	Re-registration
Date(s) of Document Review:	August 11, 2009
Date of Next Assessment:	August 2010
Audit team:	Lead auditor: Gregor Macintosh
Audit Report Distribution:	Daishowa-Marubeni International KPMG PRI audit files
Audit objective(s):	The objective of the audit was to evaluate the chain of custody system at Daishowa-Marubeni International, its implementation, effectiveness and conformance with the requirements of PEFC Annex 4.
Audit scope:	The scope of the audit included: The elements of PEFC Annex 4 outlined in the audit plan. Activities conducted under the Company's chain of custody system during the period August 16, 2008 - August 21, 2009. Visits to the following Company operations: <ul style="list-style-type: none"> • FRBU Office

D. Audit Findings

Good Practices

The following good practice was noted during the audit:

- Maintenance of an effective credit tracking system allowing for quarterly reconciliation of credit status.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were no open non-conformities from previous audits as such there were no action plans to verify.

Major non-conformities

No major non-conformities were identified during the audit.

Minor non-conformities

No minor non-conformities were identified during the audit.

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

- Opportunity for improvement:** 2438.01-OFI-IA -01
Standard/Element(s): PEFC Annex 4 – Clause 3.2.2
Client Procedure: DMI Chip Supply Agreement (Jul 09)

While the July 09 Chip Supply Agreement does have a requirement for the provision of information to DMI in the event of supply becoming “certified”, the contract does not specify that it is CoC certification that is the requirement.

- Opportunity for improvement:** 2438.01-OFI-IA -02
Standard/Element(s): PEFC Annex 4 – Clause 3.6.2
Client Procedure: DMI Chip Supply Agreement (Jul 09)

While there is a clause prohibiting the supply of chips from controversial sources in the Jul 09 revision of the Chip Sales Agreement, what constitutes “controversial sources” is not defined in the agreement.

Audit conclusions

The audit found that Daishowa-Marubeni International’s chain of custody system:

- Was in full conformance with the requirements of the PEFC Annex 4 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 chain of custody 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 PEFC Annex 4 standard.

The registration file will be subject to a KPMG Independent Technical Review as required by our accreditation. Provided the Independent Technical Reviewer approves the recommendation, Daishowa-Marubeni International will receive a registration certificate in approximately 4 weeks from the date of corrective action plan approval.

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

As the 2009 audit did not identify any findings of non-conformance corrective action plans are not required. However, should DMI PRPD wish to develop Corrective Actions for the opportunities for improvement a corrective action template 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. Tracking of credits for sales of certified hardwood and softwood pulps.
2. Sourcing of certified hardwood and softwood chips.