

**DAISHOWA-MARUBENI INTERNATIONAL LTD.**

**Forest Resources Business Unit  
Environmental Management System**

**Internal Audit 2007**



**March 11, 2007**

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Prepared for:

DAISHOWA-MARUBENI INTERNATIONAL LTD.  
PO Bag 6500 Pulp Mill Site  
Peace River, Alberta T8S 1V5

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Prepared by:

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CONFIDENTIAL REPORT Daishowa Marubeni International Ltd., Peace River Pulp Division, Forest Resources Business Unit – Internal EMS Audit: February, 2007

### Audit Scope

Samuel Elkins, Forest Resources Coordinator engaged Robert Volkman CEA (SFM), to conduct the annual internal audit of Peace River Pulp Division's (PRPD) Forest Resources Business Unit's environmental management system (EMS).

### Audit Objective

The objective of the audit was to verify whether the EMS is implemented and maintained in a manner consistent with the ISO 14001:2004, the International Standard for environmental management systems.

All significant environmental aspects of FRBU operations including contract services were within the scope of the audit. Compliance with relevant environmental legislation was also included in the audit scope.

The focus was to assess the overall progress in addressing outstanding non-conformities and opportunities for improvement from previous internal audits.

### Audit Period

The audit period was from September 8, 2006 to March 2, 2007.

### Audit Criteria

The ISO 14001:2004 standard and the FRBU EMS manual and related documentation were the primary criteria for the audit. Compliance with relevant environmental legislation and regulations was also included. Relevant legislation included both the Federal (e.g. Fisheries, Canadian Environmental Protection Act, Transportation of Dangerous Goods Act, etc.) and Provincial (e.g. Release Reporting Regulation, Forest Protection Plan, etc.).

### Audit Team

Robert Volkman (Lead Auditor) conducted the internal audit. Robert is a Certified Environmental Auditor, Certified Environmental Practitioner, and a conditional Registered Forest Technologist in Alberta. He was accompanied by Samuel Elkins (auditor) during field and office assessment work. During field work, Jocelyn Read and Jim Witiw represented the FRBU Business Unit. Tim Lanteigne, DMI mill manager; and a member of the Public Advisory Committee shadowed the auditors during the field visits.

### Audit Process

The preliminary meeting was held February 27, 2007. The on-sit portion of the internal audit was conducted during February 26th to March 2<sup>nd</sup>, 2007.

Preliminary work in formulating a sample started at the beginning of February 2007.

The audit sample included limited file and document reviews (i.e. DMI EMS website) pertaining to the audit sample, interviews with staff, and field inspections of both active and non-active operations.

The audit sample consisted of:

- Harvesting: 28 blocks (3 active, 25 blocks either opened, skid cleared, haul cleared, or completed)
- Active chipper sites: 5 sites (2 active sites within an incidental block, active operations fell under EMS but block not part of EMS as FRBU not tenure holder so block not included in sample)
- Hog operations: 1 site (active)
- Road construction\*: 1 site (active)
- Bridge construction: 3 (1 active, 2 installations completed)
- Hauling: 7
- Temporary campsites: 4
- Satellite yards: 1 (active with on-going log storage from salvage operations)

Note: \* although several harvest sites were visited and in-block roads were part of the initial sample, snow-pack conditions prevented a review of any in-block roads including installed crossing structures, crossing removals, or reclamation of in-block roads.

In addition, no private land sites were reviewed as part of the harvest sample.

### Audit Observations

The EMS manual has migrated to a new external website which provides access to not only DMI employees but also their contractors. There is also an e-learning portion on the website that allows new company employees and contractor employees ease of access to become familiar with FRBU's EMS system.

A management review has been undertaken following the standards set out in Standard 4.6 Management Review and DMI's procedures (EMSP 4.6). The trend analysis shows forward thinking in developing a preventative rather than a reactive approach. A presentation regarding updates to the environmental aspects was also a significant part of the review. The original aspects did not necessarily reflect DMI's business in some cases and documented controls were lacking. This review, two years into the EMS system implementation, are signs of continual improvement. The new aspects and associated controls are in the process of being updated upon final approval of the management committee.

During the 2006 internal audit, it was noted that a number of drivers were not familiar with the EMS requirements. DMI implemented a truck driver training program and delivered training to both log haul and chip truck drivers. An assessment during the 2007 audit showed a substantial increase in the awareness and all drivers interviewed had undertaken the training.

The above-noted practices show DMI has made a concerted effort to address not only non-conformances and opportunities for improvement but the company continues to embrace continual improvement and should be recognized for these efforts.

## Audit Conclusions

### Non-conformance

One non-conformance identified in the 2006 internal audit is still open (substantial progress has been made, 4 of the 5 corrective actions are either completed or progress continues); all other previously identified non-conformances have been fully addressed. This effort provides evidence in the continual improvement process PRPD has implemented in the EMS system.

### Status of open non-conformities from Internal Audit 2006

During this internal audit, an assessment of the two open non-conformities from the 2006 internal audit (originally identified under external surveillance audit numbering system) was made and these were closed:

- Internal Audit 2006 (2438-NC-IA-01) that related to Competence, Awareness, and Training
- Internal Audit 2006 (2438-NC-IA-03) that related to Emergency Preparedness and Response

This is based on a review of the implementation and/or completion of corrective action plans and a follow-up assessment during the 2007 internal audit.

Non- conformity NC-IA-2006-01 (Hog Fuel Management) was also reviewed during this audit. A number of the corrective actions identified in the plan have been completed including:

- identification of outstanding sites;
- field inspections;
- renewal of contracts (on-going);
- develop a plan/schedule for hog removal (one has been established and continues to be a work in progress).

The only outstanding CAP that has not seen much progress is the reclamation plan for roads and chipper sites which includes timing and schedules. Therefore, *NC-IA-2006-01 will remain open* at this time and will be assessed at the next internal audit assessment.

#### Status of open opportunities-for-improvement from Internal Audit 2006

During this internal audit, an assessment of the open opportunities-for-improvement from the 2006 internal audit was made and the following OFI was closed:

- OFI-IA-2006-01 Environmental Policy (4.2)

This is based on a review of the implementation and/or completion of corrective action plans and a follow-up assessment during the 2007 internal audit.

The following OFI remains open:

- OFI-IA-2006-02 Private Land Mapping

Although progress has been made to address OFI-IA2006-02, issues still arose with the private land mapping procedures during the 2007 assessment.

Therefore, *OFI-IA-2006-02 will remain open* at this time and will be assessed at the next internal audit assessment.

#### Major non-Conformities

No major non-conformities noted.

#### Minor non-conformities

There was one new non-conformance (*NC-IA-2007-01*) noted during the audit review. A non-conformity has been identified with respect to Standard/Element 4.4.1 Resources, Roles, Responsibility, & Authority and DMI procedure EMSP-4.4.1.

A review of files, inspections, incident reports, and interviews with staff during the audit showed that there was a connection to staff knowledge regarding their roles and responsibilities with EMS implementation and incidents that have occurred.

The end result is that there is an increased risk to DMI in relation to a potential adverse effect occurring in the environment and as a result, a corrective action plan needs to be developed to ensure that DMI staff and contractors are fully aware of their roles and responsibilities in implementing the EMS effectively to minimize this risk.

Therefore, DMI is expected to address *NC-IA-2007-01* through a corrective action plan.

#### Opportunities-for-improvement

There was one new opportunity for improvement (*OFI-IA-2007-01*) noted during the audit review. An opportunity has been identified with respect to Standard/Element 4.3.2 Legal & Other Requirements and DMI procedure EMSP-4.3.2.

The Chinchaga satellite yard was inspected during the 2006 internal audit and at that time it was suggested that a follow-up be conducted into the letter of authority be undertaken to confirm whether DMI had authority to dispose of hog and wood waste in the manner that was identified during the inspection.

The end result is that there is a requirement to address a permanent solution to waste disposal for this site by May 1, 2007 and a key requirement is a reclamation/remediation plan for the waste disposal area identified in the internal 2006 audit.

Therefore, DMI is expected to address *OFI-IA-2007-01* through the submission of the plan by May 1, 2007.

## Audit Summary

There has been a concerted effort to address the non-conformities and opportunities for improvement identified in previous internal audits. A review of the EMS system including policies, procedures, processes, guidelines, checklists, website, and databases shows this effort to continually improve the overall system.

Emphasis towards addressing the issues that have been identified in FRBU staff roles and responsibilities (especially new employees) is required to ensure that the system is effectively implemented.

A previous non-conformity (*NC-IA-2006-01*) and an opportunity for improvement (*OFI-IA-2006-02*) cannot be closed at this time and these will be assessed at the next internal audit. The NC and OFI may be elevated in their severity if not appropriately addressed.

A new opportunity for improvement (*OFI-IA-2007-01*) has been identified and the reclamation/remediation plan requirement (under the temporary field authorization) must be followed to avoid this OFI being elevated in its severity.

A new non-conformity (*NC-IA-2007-01*) has been identified and will require a corrective action plan. The implementation of the action plan will be reviewed at the next internal audit.

Disclaimer / Statement of Limitations

This audit report was prepared exclusively for Daishowa-Marubeni International Ltd. (DMI) Peace River Pulp Division, Forest Resources Business Unit. 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 FRBU 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 audit. Please contact me if you have any questions or concerns.

Sincerely,



Robert Volkman, RFT (BC) CEA(SFM) CCEP