

DAISHOWA-MARUBENI INTERNATIONAL LTD.

**Forest Resources Business Unit
Environmental Management System**

Internal Audit 2008



February 25, 2008

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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:

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

JEDROC Engineering Ltd.

P.O. Box 1090

Ladysmith, B.C. V9G 1A7

Phone: (250) 245-4247 Fax: (250) 245-1257

E-mail: jedroces@telus.net

CONFIDENTIAL REPORT Daishowa Marubeni International Ltd., Peace River Pulp Division, Forest Resources Business Unit – Internal EMS Audit: February, 2008

Audit Scope

Samuel Elkins, EMS 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 October 1, 2007 to February 13, 2008.

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 Registered Forest Technologist in Alberta. He was accompanied by Samuel Elkins (auditor) during field and office assessment work.

Audit Process

The preliminary opening meeting was held February 11, 2008. The on-site portion of the internal audit was conducted during February 9 to 14, 2008. Preliminary work in formulating a sample started at the beginning of January 2008.

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 by ground-truthing, driving and aerial overviews.

The audit sample consisted of:

- Harvesting: 30 blocks (5 active, 25 blocks either opened, skid cleared, haul cleared, or completed)
- Active chipper sites: 6 sites (1 active site within an incidental block, active chipping operations fell under EMS; FRBU is not tenure holder so block not included in harvest sample)
- Road construction: 1 site (active)
- Hauling: 5
- Temporary campsites: 4

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

Overall, DMI continues to ensure that their EMS system is understood through the use of several training videos made available on their website. The creation and distribution of a roles and responsibilities spreadsheet has also been effective. Employees and contractors understood their roles and it was evident during the interviews with both staff and contract employees.

A review of environmental incidents over the audit period shows a low number of incidents that relate to spills. These spills are small in nature and are usually the result of a hydraulic hose failing due to normal wear. In all of these incidents, appropriate measures were followed and no adverse impacts to the environment occurred. The review shows a concerted effort by both DMI and its contractors to recognize high risk aspects of the operations and ensure minimal impacts to the environment as a result.

The system continues to be updated and it is reflected in documents and their associated revisions that have been made over the past year as DMI implements the continual improvement process. Examples include an updated FRBU EMS manual; and objectives and targets better aligned with the significant aspects. They also continue to develop internal processes which will allow them to better understand business functions and each department's roles and responsibilities especially in light of an ever-changing workforce.

DMI staff efforts to develop, implement and complete work and action plans related previous audit findings is recognized. It took a concerted effort by both staff and contractors to address previous weaknesses identified over the past two years. This internal audit shows the success of these efforts.

Finally, innovation and research into the use of available technologies to provide alternative options that provide pro-active solutions is also recognized. DMI is considering a number of pilot projects which could provide information databases that will provide effective planning and operational tools for staff.

Audit Conclusions

Status of open non-conformities from Internal Audit 2006

Non- conformity NC-IA-2006-01 (Hog Fuel Management) was reviewed during the 2007 audit as one outstanding Corrective Action Plan (CAP) had not been fully addressed at the time of the 2006 internal audit review. The CAP that required progress was:

- Develop a plan/schedule for hog removal (one has been established and continues to be a work in progress).

The plan for hog removal and reclamation for roads and chipper sites which included timelines and schedules has now been fully implemented. All said works were completed and signed off by operations supervisors responsible for the sites between June and October 2007. One site requires the application of grass seed and this grass seeding will be completed in the spring of 2008 when weather conditions are more suitable to ensure germination success.

As the work plan has been successfully implemented, *NC-IA-2006-01* is closed.

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

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

- OFI-IA-2006-02 Private Land Mapping

A private land mapping standard (FR G-012) was developed and implemented to in August 2007 to address this OFI. In future, the internal auditors may consider a review of private land harvest maps to determine progress toward and adherence to the standard as no private land samples were audited at this time.

Status of open non-conformities from Internal Audit 2007

There was one open non-conformance (**NC-IA-2007-01**) from the 2007 internal audit that required review to determine whether it could be closed. The non-conformity had been identified with respect to Standard/Element 4.4.1

Resources, Roles, Responsibility, & Authority and DMI procedure EMSP-4.4.1.

The EMS manual has been updated to reflect auditor concerns around roles and responsibilities. In addition, a summary spreadsheet outlining roles and responsibilities has been distributed to all staff to ensure their familiarity with Standard/Element 4.4.1. Interviews conducted by the auditor verified and supported the implementation of the above documentation.

Therefore, the auditor has closed **NC-IA-2007-01**.

Status of open opportunities-for-improvement from Internal Audit 2007

An opportunity for improvement (**OFI-IA-2007-01**) was reviewed to determine if the OFI would remain open. This OFI related to Standard/Element 4.3.2 Legal & Other Requirements and DMI procedure EMSP-4.3.2 and more specifically to the disposal of wood waste in the Chinchaga satellite yard.

FRBU developed a work plan that included:

- Remediation plan submitted to Sustainable Resource Development April 10, 2007
- A detailed work plan was developed by May 17, 2007
- An environmental report was completed August 10, 2007 and verified that no environmental impacts occurred; it also provided additional information to support the remediation plan (i.e. debris mix, fertilization requirements)
- Work plan completed and a report prepared outlining the remediation work done including photographic evidence, August 18, 2007

Based on an assessment of the above work, **OFI-IA-2007-01** is closed.

Major non-Conformities

No major non-conformities noted.

Minor non-conformities

No minor non-conformities noted.

Opportunities-for-improvement

There are two new opportunities-for-improvement (*OFI-IA-2008-01 & OFI-IA-2008-02*) 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 and Standard/Element 4.4.7 Emergency Preparedness and Response and DMI Forest Resources Fuel Management Field Guide.

OFI-IA-2008-01

An opportunity-for-improvement has been identified related to Standard/Element 4.3.2 Legal & Other Requirements and DMI procedure Temporary Campsite (FR-G014).

One of the temporary campsite locations had two active camps located within the TFA. The main camp met all the legal requirements and the temporary campsite procedure in relation to the sump. There were additional trailers brought in to house various employees on a more individual basis. These trailers were not hooked into the sump for the large camp but had individual sumps setup behind each trailer that were not constructed to the specific standard (depth, volume, distance from trailer). These sumps had fencing placed on one side to keep anyone accessing the trailers from entering the area but the sumps were exposed on the forested side of the TFA.

In the procedure and according to legal requirements, sumps are to be fenced on all sides to prevent access by wildlife or humans. Therefore, DMI is expected to address *OFI-IA-2008-01* and it will be reassessed at the next internal audit.

OFI-IA-2008-02

An opportunity-for-improvement has been identified related to Standard/Element 4.4.7 Emergency Preparedness and Response and DMI Forest Resources Fuel Management Field Guide.

During the field portion of the audit, inspections were conducted on fuel storage sites, shop vans/trailers, chip trucks, and portable fuel storage tanks located in pick-ups or shop trucks. Overall, there was a high level of conformity to the Standard and to DMI internal procedures (i.e. Forest Resources Fuel Management Field Guide). Deficiencies were noted by the auditor relating to both legal and DMI required practice requirements and are listed below:

- Absence of fire extinguishers (2 instances relating to large fuel storage tanks);
- Fire extinguishers that were not properly charged (3 instances relating to chip trucks & shop truck);
- Spill kits (2 instances relating to chip trucks & shop truck; the shop truck had a small kit meeting DMI requirements but two portable tanks were present so circumstance would require an additional spill kit);
- Absence of appropriate tank certification on a non-spec tank (1 instance relating to shop truck); and
- Absence of TDG safety markings (2 instances relating to shop trailers).

The ability to respond to an emergency requires that all equipment be present, appropriate, and functioning. As most of the instances noted above were in areas or locations where other resources were readily available, it was determined that an OFI would be appropriate to draw attention to these deficiencies. Therefore, DMI is expected to address ***OFI-IA-2008-02*** and it will be reassessed at the next internal audit.

Audit Summary

The FRBU utilizes continual improvement processes to ensure that the EMS is not only implemented but is functioning properly. All previous non-conformities and opportunities-for-improvement identified in previous internal audits have been addressed and are now closed.

The website continues to provide all employees and contractors (including their employees) with access to the most current information regarding the EMS. The use of specific manuals, guides, or procedures is used to ensure effective implementation.

The EMS system including policies, procedures, processes, guidelines, checklists, website, and databases is reviewed and where appropriate, updated to reflect continual improvement of the overall system.

DMI staff are assessing the use of existing technologies with the intention of developing planning and operational tools that allow for efficiencies in the system. These technologies may also provide DMI staff with the assurances that activities that may affect significant aspects are properly identified and are appropriately controlled to minimize any adverse impacts to the environment.

Two new opportunities-for-improvement (*OFI-IA-2008-01* & *OFI-IA-2008-02*) have been identified and appropriate actions must be undertaken to avoid these OFI 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. 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&AB) CEA(SFM) CCEP