

CONFIDENTIAL REPORT Daishowa Marubeni International Ltd., Peace River Pulp Division, Forest Resources Business Unit - Internal EMS Surveillance Audit: August, 2006

## Introduction

### Audit Scope and Objective

Sam Elkins, Forest Resources Coordinator engaged Robert Volkman CEA (SFM), to conduct an internal audit of Peace River Pulp Division's (PRPD) Forest Resources Business Unit's environmental management system (EMS). 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. Compliance with relevant environmental legislation was also included in the audit scope. All significant environmental aspects of FRBU operations including contract services were within the scope of the audit. The focus was to assess the overall progress in addressing outstanding non-conformities and opportunities for improvement from previous audits.

The period covered by this audit was May 9, 2005 to August 11, 2006.

### Audit Criteria

ISO 14001:2004 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 audit. Robert is a Certified Environmental Auditor, Certified Environmental Practitioner, and a conditional Registered Forest Technologist in Alberta.

### Audit Process

The preliminary meeting was held August 7, 2006. The surveillance audit was conducted during August 7<sup>th</sup> to 11<sup>th</sup>, 2006.

The audit sample included:

- File and document reviews, interviews, and inspections at the FRBU main office and associated out-buildings at the FRBU site; including active chipping operations

## Audit Observations

The EMS manual is detailed and demonstrates a significant commitment of resources to develop and implement the EMS. PRPD's commitment to environmental stewardship and due diligence was evident throughout the audit, both in the documentation and the level of understanding with employees during the interview process.

Over the last six months or so, there has been a conscious effort to address the minor non-conformances identified in the both the internal surveillance audit and the external audit conducted in 2005; and the external surveillance audit conducted in February 2006.

## Audit Conclusions

### *Non-conformance*

There are two critical issues that need to be addressed immediately. There was one new non-conformance noted during the audit review. However, non-conformances identified in previous audits have not been fully addressed although progress is being made towards addressing them. This effort provides evidence in the continual improvement process PRPD has implemented in the EMS system.

#### 2438-NC-IA-01 (Competence, Awareness, and Training)

As identified in the attached audit checklist, it was recognized that significant progress has been made towards the development of policies, procedures, guidelines, checklists, and training. During field verification and interviews, results showed similar issues arising that were identified in previous audits.

Field results with respect to this non-conformity show the following:

- Lack of TDG training as per Federal TDG regulations
- Lack of knowledge regarding spill response and emergency procedures for operators and chip truck drivers (could not produce "Field Guide or Emergency Contact card")
- Lack of awareness with respect to FRBU EMS program
- FRBU employees unaware of appropriate procedures to follow for operations monitoring and completion of inspections

#### 2438-NC-IA-03 (Emergency Preparedness and Response)

As identified in the attached audit checklist, it was recognized that significant progress has been made towards the development of policies, procedures, guidelines, checklists, and training. During field verification and interviews, results showed similar issues arising that were identified in previous audits.

Field results with respect to this non-conformity show the following:

- Lack of adequate fire equipment as per both Federal regulations for fuel storage, the 2006 Forest Protection Plan (Provincial regulations), and FRBU EMS policies

- at several operations (i.e. fire hose, fire extinguishers, hand tank pumps, shovels, or pulaskis)
- Lack of adequate spill kits or secondary containment associated with trucks carrying portable fuel tanks, large fuel trucks, or chip trucks

NC-IA2006-01

This non-conformity relates to hog piles still in locations on private land

Field results with respect to this non-conformity show the following:

- Several private land operations completed in the spring of 2005 still have hog piles remaining on site
- Landowner agreements with DMI have expired on these properties (timeframe of one year)
- As a result of commitment to remove hog, reclamation activities remain outstanding for roads and landings where this obligation was agreed to with landowner
- These sites are sour-felled operations where considerable disturbance has occurred
- In the Debris Piling Guideline (FR-G003), no specific reference is made specifically regarding fire detection, suppression, and hazard abatement though it makes specific reference to satellite yards and hog pile inactivity. As a result, hog piles on private land may pose a fire risk as no monitoring was evident

#### *Opportunity for Improvement*

There were two Opportunities for Improvement identified during the internal audit.

There is an opportunity for improvement that has been identified. It relates to Environmental Policy 4.2 (audit element #2 in the attached checklist).

The Environmental Policy was under revision as a result of changes to Top Management including a change to the “Simply the Best” motto in the PRPD organization. There was a directive to remove all references to this motto. The end result was the Environmental Policy was no longer available to the public at the FRBU office or at the mill office.

The ISO element states that the Environmental Policy be available to the public.

OFI-IA2006-01

Ensure a process is in place when revising the Policy so the Environmental Policy is available to the public.

It was evident during the review of the implemented Mapping Standard (FR-G012) that the Standard only applied to Crown Land operations. The original maps for private land

operations were not kept in the same place or were they considered in the mapping standard document, even though the originals are controlled.

OFI-IA2006-02

Incorporate the Private Land mapping into the Mapping Standard developed for Crown Land operations.

#### Audit Summary

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

However, emphasis towards addressing the shortcomings that have been identified in training, awareness, inspections, and mentoring of both FRBU and contractor employees (especially new employees) is required to ensure that the system is effectively implemented. As a result non-conformities from previous audits cannot be closed at this time and may be elevated in their severity if not appropriately addressed and a new non-conformity has been identified within the FRBU EMS system.

#### 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. This report is intended to be used by DMI only, subject to the terms and conditions of its engagement or understanding with the audit team. Any other use or reliance on this report by any third party is at that party's sole risk.

Thank you for the opportunity to complete this internal EMS surveillance audit. Please contact me if you have any questions or concerns.

Sincerely,



Robert Volkman, CEA(SFM)

Encl. Evidence binders (2) provided to EMS Coordinator

Appendix I  
Completed EMS Audit Checklists  
(Audit Element #1 to #18)



**Checklist Instructions:** As each function/department is audited, mark an X over the 0 in the appropriate box. An appropriate amount of evidence must be recorded in the checklist to support all conclusions reached. Any audit results raised during the Audit must be clearly identified. If additional writing space is needed, loose-leaf pages should be used and submitted with the completed checklist.

Function / Department Key: SM = Senior Management, EM = Environmental. Management, P = Purchasing, E = Engineering, SF = Safety, SR = Shipping//Receiving, QC = Quality Control L = Lab/Testing, A = Administration, M = Maintenance, OP = Operations, Other: Indicate departments referenced / interviewed

| SM   | EM | P | E | SF | SR   | QC | L | A | M | OP | Other |                |   |
|--|----|---|---|----|--|----|---|---|---|----|-------|----------------|---|
| <b>4.1 General requirements</b>  |    |   |   |    | <b>Auditor Notes and Observations</b>  |    |   |   |   |    |       | <b>Conform</b> |   |
|  |    |   |   |    |  |    |   |   |   |    |       | Y              | N |
| <p>FRBU has established, documented, maintained and continually improved its EMS in accordance with the requirements of 14001:2004 and has determined how it will fulfill these requirements.</p> <p>FRBU has defined and documented the scope of its EMS.</p> |    |   |   |    | <p>There is an established and documented EMS system in place for the Forest Resources Business Unit. It has recently been updated to reflect changes to the overall organization.</p> <p>Verified:</p> <ul style="list-style-type: none"> <li>Revised EMS manual reflecting organizational changes was provided and reviewed</li> <li>Reviewed corporate website where EMS manual is documented and all applicable files maintained. This site also provided evidence showing continual improvement to the system (reference tab "Site Changes")</li> <li>Reviewed File Room where ISO program is maintained and stored in hard copy including the ISO file index (continually being updated to reflect revisions to the EMS program).</li> </ul> |    |   |   |   |    |       | Y              |   |





| SM  | EM | P | E | SF | SR   | QC | L | A | MK | OP | Other |                    |   |
|---|----|---|---|----|--|----|---|---|----|----|-------|--------------------|---|
| 4.2 Environmental policy  |    |   |   |    | Auditor Notes and Observations   |    |   |   |    |    |       | Conform            |   |
|   |    |   |   |    |  |    |   |   |    |    |       | Y                  | N |
| <p>Top management has defined the FRBU's environmental policy and ensured, that within the defined scope of the EMS, it:</p> <ul style="list-style-type: none"> <li>○ is appropriate to the nature, scale and environmental impacts of its activities, products and services,</li> <li>○ includes a commitment to continual improvement</li> <li>○ includes a commitment to prevention of pollution</li> <li>○ includes a commitment to comply with applicable legal requirements and with other requirements to which FRBU subscribes which relate to its environmental aspects</li> <li>○ provides a framework for setting and reviewing environmental objectives and targets,</li> <li>○ is documented, implemented and maintained,</li> <li>○ is communicated to all persons working on behalf of FRBU, and</li> <li>○ is available to the public.</li> </ul> |    |   |   |    | <p>This policy has been reviewed and verified to be in conformance with all of the requirements under this section except for the requirement to have it available to the public.</p> <p>There is an Environmental Policy located both on the DMI intranet site and the external corporate website (under stewardship, then policies tabs). The Policy is also available in the "2006 Forest Resources Field Guide" (under page 2). However, at the time of the internal audit, all references to the Environmental Policy had been removed from the walls of the FRBU office.</p> <p>The reason for the policy removal from the FRBU office corresponded with the process of updating the Policy to reflect changes within the organization, and more specifically to address a new Mill Manager and Vice President.</p> <p>As the existing Environmental Policy was available to all of the DMI employees, Contractors, and Contractor Employees through various sources including the Policy being available to the public through the website, the lack of the Policy 'hanging on the wall' in the FRBU office was considered an Opportunity for Improvement and not a non-conformity.</p> <p>It was explained that anyone from the general public coming into the office would be unaware of the DMI Environmental Policy; therefore an OFI was opened as a result.</p> |    |   |   |    |    |       | Y                  |   |
|   |    |   |   |    |  |    |   |   |    |    |       | (identified a OFI) |   |





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| 4.3.1 Environmental aspects  |    |   |   |    |    | Auditor Notes and Observations   |   |   |   |    |       | Conform |   |
|  |    |   |   |    |    |  |   |   |   |    |       | Y       | N |
| <p>The FRBU has established a procedure(s) to:</p> <ul style="list-style-type: none"> <li>o identify the environmental aspects of its activities, products and services within the defined scope of its EMS that it can control and those that it can influence, taking into account planned or new developments, or new or modified activities, products, services, and</li> <li>o determine those aspects that have or can have significant impact(s) on the environment (i.e., significant environmental aspects).</li> </ul> <p>FRBU has ensured that the significant environmental aspects are taken into account in establishing, implementing and maintaining it EMS.</p> |    |   |   |    |    | <p>There is an existing policy titled "EMSP-431 Rev. 1 Environmental Aspects" which addresses the requirements.</p> <p>At the time of the internal audit, a draft review document "Environmental Aspects Analysis" was provided. This document reviewed the original Environmental Aspects matrix including its operational controls.</p> <p>This "Analysis" addressed the requirement to review the current matrix and update the significant aspects list as some significant aspects were originally assessed as non-significant (i.e. waste, herbicides, weeds).</p> <p>There were gaps within the original operational controls and this review document showed controls had been established for areas where gaps existed in the original version.</p> <p>In addition, the analysis identified the potential environmental impacts of each aspect.</p> <p>The analysis demonstrates the requirements to meet this ISO element.</p> |   |   |   |    |       | Y       |   |





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| 4.3.2 Legal and other requirements  |    |   |   |    | Auditor Notes and Observations   |    |   |   |   |    |       | Conform |   |
|   |    |   |   |    |  |    |   |   |   |    |       | Y       | N |
| <p>FRBU has established, implemented and maintained a procedure(s) that:</p> <ul style="list-style-type: none"> <li>o identify and have access to the applicable legal requirements and other requirements to which FRBU subscribes related to its environmental aspects, and</li> <li>o determine how these requirements apply to its environmental aspects.</li> </ul> <p>FRBU has ensured that these applicable legal requirements and other requirements to which FRBU subscribes are taken into account in establishing, implementing and maintaining its EMS.</p> |    |   |   |    | <p>There is an existing policy titled "EMSP-432 Rev. 1 Legal and Other Requirements".</p> <p>Also, a list of these legal and other requirements is summarized in a document titled "EMSP-432.1 Rev. 1 List of Legal and Other Requirements". This document outlines Federal, Provincial, Municipal, and other requirements that DMI subscribes to within its EMS system.</p> <p>The Coordinator also has a subscription to a website which allows DMI to be kept up-to-date on legislation changes through a weekly notification email (reference: medialogic website).</p> <p>Evidence that verifies this requirement is the new timber inspection form (CHK-005 Operations Inspection/Monitoring Checklist) which follows an Alberta Sustainable Resource Development directive issued in May 2006 (Timber and Reforestation Operations Monitoring). Also reviewed approval letter from Alberta Sustainable Resource Development on July 25, 2006.</p> |    |   |   |   |    |       | Y       |   |





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| 4.3.3 Objectives and targets and programmes   |    |   |   |    |    |    |   |   |    |    | Auditor Notes and Observations  |   |   |  |
|   |    |   |   |    |    |    |   |   |    |    | Y   | N |   |  |
| <p>FRBU has established, implemented and maintained documented environmental objectives and targets at relevant functions and levels within FRBU.</p> <p>The objectives and targets are:</p> <ul style="list-style-type: none"> <li>o measurable, where practicable,</li> <li>o consistent with the environmental policy, including the commitments to prevention of pollution, to compliance with applicable legal requirements and with other requirements to which FRBU subscribes, and</li> <li>o to continual improvement.</li> </ul> <p>When establishing and reviewing its objectives and targets:</p> <ul style="list-style-type: none"> <li>o legal and other requirements are accounted for</li> <li>o technological options are considered</li> <li>o financial requirements are considered,</li> <li>o operational requirements are considered,</li> <li>o business requirements are considered and</li> <li>o views of interested parties are considered.</li> </ul> <p>FRBU has established, implemented and maintained a programme(s) for achieving its objectives and targets. Programmes include:</p> <ul style="list-style-type: none"> <li>o Designation of responsibility for achieving objectives and targets at relevant functions and levels of FRBU, and</li> <li>o the means and time-frame by which they are to be achieved.</li> </ul> |    |   |   |    |    |    |   |   |    |    | <p>There is an existing policy titled "EMSP-433 Rev. 1 Objectives, Targets, and Action Plans". In addition, DMI has established six objectives and targets, Objectives 2005-1 to 2005-6 inclusive.</p> <p>A review of each of the objectives shows that there is continual progress towards achieving the action plans set out for each objective.</p> <p>Gap analyses have been completed for Objectives 2005-1 and 2005-2 as per the action plans and these objectives are moving towards the next target in October 2006 and November 2006 respectively (training strategies). In addition, start-up meetings (planning, operations, and silviculture) are now occurring and new mapping standards have been implemented to address shortcomings identified in the gap analysis.</p> <p>For Objective 2005-3, audit evidence shows that a Terms of Reference for a Retention Study was completed and the field portion was completed this past summer (2006). A final report is scheduled to be completed by the end of August 2006 and a presentation to Alberta Sustainable Resource Development in September 2006.</p> <p>Additional audit evidence for Objectives 2005-4 to 2005-6 inclusive is in the EMS filing system located in the main filing room and was reviewed. As these objectives are ongoing, evidence shows continual progress towards the action plan commitments. Of note, two guidelines were introduced into the system on May 1, 2006, FR G009 Raptor Nest Retention and FR G010 Critical Nesting Periods. These relate to target #5 of both Objective 2005-4 and 2005-6 respectively. A standard operating procedure for dens is not in place; however, a 'start-up checklist' has been implemented for the planning phase (CHK-001).</p> |   | Y |  |





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| <b>4.4.1 Resources, roles, responsibility and authority</b>  |    |   |   |    |    |    |   |   |   |    | <b>Conform</b>  |   |
|  |    |   |   |    |    |    |   |   |   |    | Y   | N |
| <p>Management has ensured the availability of resources essential to establish, implement, maintain and improve the EMS. Resources include:</p> <ul style="list-style-type: none"> <li>o human resources</li> <li>o specialized skill, organizational infrastructure,</li> <li>o technology and</li> <li>o financial resources.</li> </ul> <p>Roles, responsibilities and authorities are defined, documented and communicated in order to facilitate effective environmental management.</p> <p>FRBU's top management has appointed a specific management representative(s) who, irrespective of other responsibilities, has defined roles, responsibilities and authorities for:</p> <ul style="list-style-type: none"> <li>o Ensuring that an EMS is established, implemented and maintained in accordance with the requirements of the ISO 14001:2004 Standard,</li> <li>o Reporting to top management on the performance of the EMS for review, including recommendations for improvement.</li> </ul> |    |   |   |    |    |    |   |   |   |    | <p><b>Auditor Notes and Observations</b></p> <p>A budget (under the direction of the mill manager and FR Coordinator) has been allocated for the current year for continued implementation of the EMS system. In addition, there are three positions within the organization that are responsible for maintaining and improving the system. There is a Forest Resources Coordinator, Environmental Management Systems and Certification Programs; Jocelyn Read, Administrative Assistant, and Al Schneider, Document Control. Also, at the time of the audit, a summer student was providing administrative support to the EMS system.</p> <p>An interview with the Forest Resources Business Unit Leader also provided additional evidence that the group continues to support the EMS system.</p> <p>A policy titled "EMSP-441 Resources, Roles, Responsibility, and Authority Rev. 1" provides the details regarding everyone's responsibility in the organization. The 'ISO 14001 Awareness' powerpoint presentation reiterates this responsibility.</p> <p>There is a specific management representative, Forest Resources Coordinator, EMS that has the designated role as management representative as shown in the draft FRBU organizational chart dated April 5, 2006.</p> |   |





| SM   | EM | P | E | SF   | SR | QC | L | A | M | OP | Other |         |   |
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| <b>4.4.2 Competence, training and awareness</b>  |    |   |   | <b>Auditor Notes and Observations</b>  |    |    |   |   |   |    |       | Conform |   |
|  |    |   |   |  |    |    |   |   |   |    |       | Y       | N |
| <p>FRBU has ensured that any person(s) performing tasks for it or on its behalf that have the potential to cause a significant environmental impact(s) identified by FRBU is (are) competent on the basis of appropriate education, training or experience and shall retain associated records.</p> <p>FRBU has identified its training needs associated with its:</p> <ul style="list-style-type: none"> <li>o environmental aspects and</li> <li>o EMS.</li> </ul> <p>It has provided training or taken other action to meet these needs and has retained associated records. FRBU has established, implemented and maintained a procedure(s) to make person(s) working for it or on its behalf aware of:</p> <ul style="list-style-type: none"> <li>o The importance of conformity with the environmental policy and procedures and with the requirements of the EMS</li> <li>o The significant environmental aspects and related actual or potential impacts associated with their work and the environmental benefits of improved personal performance.</li> <li>o Their roles and responsibilities in achieving conformity with the requirements of the EMS</li> <li>o The potential consequences of departure from specified procedures.</li> </ul> |    |   |   | <p>There have been several updates to this ISO element with respect to training and awareness.</p> <ul style="list-style-type: none"> <li>• the powerpoint presentation and exam have been updated to reflect revisions to the system</li> <li>• a contractor/employee audit form (CHK-012) to assess level of awareness has been developed but no audits had occurred by the internal audit</li> <li>• a new employee orientation checklist has been developed and implemented (CHK-008) including a matrix showing frequency of training requirement</li> <li>• a spring training session for contractors and DMI employees was conducted in April 2006 covering off several topics related to EMS</li> <li>• a training and review session for the Fuel Management Guide was completed in June 2006</li> <li>• a Truck Safe Program Manual was developed and was scheduled to be implemented in the next two weeks to all chip truck drivers</li> <li>• TDG training was provided to a number of DMI employees</li> <li>• Training matrix updated to reflect the requirement of TDG for all applicable DMI and contractor employees</li> </ul> <p>Reviewed a number of training records from the contractors as well as records within the Training Tracking database</p> <p>Even though DMI has made considerable effort to provide training, field auditing showed issues with respect to awareness and training that have been ongoing from previous audits under 2438-NC-IA-01 continue to be apparent.</p> |    |    |   |   |   |    |       | N       |   |





| SM   | EM | P | E | SF  | SR | QC | L | A | M | OP | Other   |   |
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| 4.4.3 Communication  |    |   |   | Auditor Notes and Observations  |    |    |   |   |   |    | Conform |   |
|  |    |   |   |   |    |    |   |   |   |    | Y       | N |
| <p>With regard to its environmental aspects and environmental management system, FRBU has established and maintained procedures for:</p> <ul style="list-style-type: none"> <li>o internal communication between the various levels and functions of FRBU;</li> <li>o receiving, documenting and responding to relevant communication on its environmental aspects and EMS from external interested parties.</li> </ul> <p>FRBU has considered processes for external communication on its significant environmental aspects and recorded its decision. If the decision is to communicate, FRBU has established and implemented a method(s) for this external communication.</p> |    |   |   | <p>There is a policy titled "EMSP-443 Rev. 1 Communications" which provides direction with respect to communications, both internal and external.</p> <p>A database exists that will track the external communications and to provide support to the information entered into the system a checklist CHK-010 Environmental/Public Concerns Report has been developed and implemented replacing the old form Field/Public Concerns Report on July 25, 2006. This new checklist provides the ability to track the type of contact communication and also the follow-up action.</p> <p>There is a process identified within the policy under section 4.3 Communication of Significant Environmental Aspects with respect to external communication of DMI's significant environmental aspects.</p> |    |    |   |   |   |    | Y       |   |





| SM   | EM | P | E | SF   | SR | QC | L | A | M | OP | Other |                |   |
|--|----|---|---|--|----|----|---|---|---|----|-------|----------------|---|
| <b>4.4.4 Documentation</b>   |    |   |   | <b>Auditor Notes and Observations</b>  |    |    |   |   |   |    |       | <b>Conform</b> |   |
|  |    |   |   |  |    |    |   |   |   |    |       | Y              | N |
| <p>The EMS documentation includes:</p> <ul style="list-style-type: none"> <li>o The environmental policy, objectives and targets,</li> <li>o Description of the scope of the EMS,</li> <li>o Description of the main elements of the EMS and their interaction and reference to related documents,</li> <li>o Documents, including records required by the ISO 14001:2004, and</li> <li>o Documents, including records, determined by FRBU to be necessary to ensure the effective planning, operation and control of processes that relate to its significant environmental aspects.</li> </ul> |    |   |   | <p>The EMS manual is available in hard copy in the 'FRBU Filing Room' and on the external corporate website.</p> <p>The Manual has all the required elements. The website provides an update page which outlines changes to the EMS program under the tab 'EMS Site News' and 'EMS Site Changes'.</p> <p>The original filing system format has been replaced and updated including a file index and appropriately numbered file folders. The filing system is a work in progress and continues to be updated to reflect the continual improvement of the overall system.</p> <p>A document removal form has been developed to ensure that when a file has been removed from the system, it can be tracked to its location.</p> |    |    |   |   |   |    |       | Y              |   |





| SM  | EM | P | E | SF | SR  | QC | L | A | M | OP | Other |         |   |
|---|----|---|---|----|---|----|---|---|---|----|-------|---------|---|
| 4.4.5 Document Controls   |    |   |   |    | Auditor Notes and Observations  |    |   |   |   |    |       | Conform |   |
|   |    |   |   |    |   |    |   |   |   |    |       | Y       | N |
| <p>Documents required by the EMS and by the Standard are controlled.</p> <p>Records are controlled in accordance with the requirements in 4.5.4.</p> <p>FRBU has established, implemented and maintained a procedure(s) to:</p> <ul style="list-style-type: none"> <li>o Approve documents for adequacy prior to issue,</li> <li>o Review and update as necessary and re-approve documents,</li> <li>o Ensure that changes and the current revision status of documents are identified,</li> <li>o Ensure that relevant versions of applicable documents are available at points of use,</li> <li>o Ensure that documents remain legible and readily identifiable,</li> <li>o Ensure that documents of external origin determined by FRBU to be necessary for the planning and operation of the EMS are identified and their distribution controlled, and</li> <li>o Prevent the unintended use of obsolete documents and apply to suitable identification to them if they are retained for any purpose.</li> </ul> |    |   |   |    | <p>There is a policy titled "EMSP-445 Rev. 1 Document and Record Control" which provides the direction for approving, reviewing, and replacing documents within the EMS system.</p> <p>As part of this policy, the EMS manual located on the external DMI website is where the current and most up-to-date version of all policies, guidelines, forms, and checklists are kept. It is reiterated that DMI employees refer to the site to ensure that they are using the current versions of these documents.</p> <p>The EMS program is reviewed at the Environment Sub-Committee meetings and the following system has now been implemented:</p> <p>1/ Introduce new policies, procedures, guidelines, etc.</p> <p>2/ Following month, feedback provided (allows a three week period for comments).</p> <p>3/ Following month, revisions or additions are incorporated based on feedback.</p> <p>4/ Following month, implemented onto the website and appropriate personnel notified of applicable revisions.</p> <p>Top Management part of Environment Sub-Committee (EC) meetings.</p> <p>Also reviewed EMS Rep powerpoint presentation made to EC (July 2006) which provides evidence of new format.</p> |    |   |   |   |    |       | Y       |   |





| SM   | EM | P | E | SF | SR  | QC | L | A | M | OP | Other |         |   |
|--|----|---|---|----|---|----|---|---|---|----|-------|---------|---|
| 4.4.6 Operational Control  |    |   |   |    | Auditor Notes and Observations  |    |   |   |   |    |       | Conform |   |
|  |    |   |   |    |   |    |   |   |   |    |       | Y       | N |
| <p>FRBU has identified and planned those operations that are associated with the identified significant environmental aspects consistent with its environmental policy, objectives and targets in order to ensure that they are carried out under specified conditions, by:</p> <ul style="list-style-type: none"> <li>o Establishing, implementing and maintaining a documented procedure(s) to control situations where their absence could lead to deviation from the environmental policy,</li> <li>o Stipulating the operating criteria in the procedure(s), and</li> <li>o Establishing, implementing and maintaining procedures related to the identified significant environmental aspects of goods and services used by FRBU and communicating applicable procedures and requirements to suppliers, including contractors.</li> </ul> |    |   |   |    | <p>The original operational controls associated with the environmental aspects were incomplete and there were gaps.</p> <p>A draft review and analysis for the environmental aspects was available at the time of the internal audit and a review of the documents shows that for all aspects identified in the FRBU EMS system, there are operational controls for each aspect and the gaps have been filled. Also of note, the draft document also identifies associated potential environmental impacts.</p> <p>Procedures were already in place, revised, or updated to accommodate the original environmental aspects.</p> <p>Where gaps were present, FRBU has developed and/or implemented programs, procedures, guidelines, or standard operating procedures to ensure DMI employees, contractors, and contract employees have controls at the operational level to prevent deviation.</p> <p>A review of the 'Site Changes' on the corporate website shows a number of new and/or revised documents (between April 6 and July 17,2006) regarding this element.</p> <p>In addition, a review of several documents that are in the draft stages or in the management review process were also noted (i.e. draft Pesticide Use policy, Fuel Management Guide, etc.)</p> |    |   |   |   |    |       | Y       |   |





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| 4.4.7 Emergency Preparedness and Response  |    |   |   |    | Auditor Notes and Observations   |    |   |   |   |    |       | Conform |   |
|  |    |   |   |    |  |    |   |   |   |    |       | Y       | N |
| <p>FRBU has established, implemented and maintained a procedure(s) to identify potential emergency situations and potential accidents that can have an impact(s) on the environment and how it will respond to them.</p> <p>FRBU has responded to actual emergency situations and accidents and prevented or mitigated associated adverse environmental impacts.</p> <p>FRBU shall periodically review and where necessary, revise its emergency preparedness and response procedure, in particular after the occurrence of accidents or emergency situations.</p> <p>FRBU tests its procedures where practicable.</p> |    |   |   |    | <p>There is a policy titled "EMSP-447 Rev. 1 Emergency Preparedness and Response".</p> <p>As in section 4.4.2, several updates to this ISO element have been made:</p> <ul style="list-style-type: none"> <li>• Implementation of a Fuel Management Guide (full implementation to be completed by the end of August 2006)</li> <li>• Reviewed a draft Industrial waste, Fuel &amp; Facility Inspection Checklist (CHK-011)</li> <li>• Implemented an Emergency Response Test/Drill Report</li> <li>• Updated and implemented a new Forest Resources Field Guide (2006) and included a Spill Response Equipment section</li> <li>• Updated the Emergency Response Plan to a Emergency Preparedness and Response Plan providing a section with respect to drills and testing</li> <li>• Provided training to DMI employees and ensured contractors have appropriate training (i.e. first aid, TDG, emergency response, etc.)</li> <li>• Tracking trends with respect to spills</li> <li>• Conducting fire tool inspections on contractors</li> <li>• Inspection of DMI fire trailers to ensure all equipment available in preparation of an emergency</li> </ul> <p>Even though DMI has made considerable effort to provide procedures and training, field auditing showed issues with respect to preparedness and response that have been ongoing from previous audits under 2438-NC-IA-03 continue to be apparent.</p> |    |   |   |   |    |       | N       |   |





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| 4.5.1 Monitoring and measurement   |    |   |   |    |    |    |   |   |   |    | Auditor Notes and Observations  |   | Conform |  |  |  |
|  |    |   |   |    |    |    |   |   |   |    | Y   | N |         |  |  |  |
| <p>FRBU has established, implemented and maintained a procedure(s) to monitor and measure, on a regular basis, the key characteristics of its operations that can have a significant environmental impact.</p> <p>The procedure(s) include the documenting of information to monitor performance, applicable operational controls and conformity with FRBU's objectives and targets.</p> <p>FRBU has ensured that calibration or verification monitoring and measurement equipment is used and maintained and has retained associated records.</p> |    |   |   |    |    |    |   |   |   |    | <p>There is a policy titled "EMSP-451 Rev. 1 Monitoring and Measurement and Evaluation of Compliance". This policy has not been updated to reflect current revisions made to the EMS system but in interviews, explained that it is a work in progress.</p> <p>Work in progress includes several new forms currently being utilized to reflect an OFI (2438-OFI-IA-01). The following progress has been made,</p> <p>As of July 25, 2006, DMI established the following forms:</p> <ul style="list-style-type: none"> <li>• CHK-004 Planning Inspection/Monitoring Report</li> <li>• CHK-005 Operations Inspection/Monitoring Checklist</li> <li>• CHK-006 Silviculture Inspection/Monitoring Checklist</li> <li>• CHK-012 LOC Yearly Disposition Evaluation Form</li> </ul> <p>The CHK-005 form was being utilized based on a review of contractor files from July 28<sup>th</sup> to August 3, 2006. These inspections pertained to stream crossings within the FMA areas of operation from this past winter season (a requirement of the annual operating plan).</p> |   | Y       |  |  |  |





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| 4.5.2 Evaluation of compliance   |    |   |   |    | Auditor Notes and Observations  |    |   |   |   |    |       | Conform |   |
|  |    |   |   |    |   |    |   |   |   |    |       | Y       | N |
| <p>Consistent with its commitment to compliance, FRBU has established, implemented and maintained a procedure(s) for periodically evaluating compliance with applicable legal requirements.</p> <p>FRBU has kept records of the results of the periodic evaluations.</p> <p>Consistent FRBU has evaluated compliance with other requirements to which it subscribes. FRBU may wish to combine this evaluation with the evaluation of legal compliance referred to in 4.5.2.1 or to establish separate procedures.</p> <p>FRBU has kept records of the results of the periodic evaluations.</p> |    |   |   |    | <p>There is a policy titled "EMSP-451 Rev. 1 Monitoring and Measurement and Evaluation of Compliance". The policy contains a section 4.2 Evaluation of Compliance with respect to this ISO element. The cycle for completing this evaluation is once every three years and since the EMS has been implemented since May 2005, a review would not be completed until 2008.</p> <p>DMI does report on any non-compliance with legislation at the regularly scheduled monthly Environment Sub-Committee meetings under the KRAs and Targets section (re environmental KRA: 100% compliance with Environmental Regulations and Licence Requirements).</p> <p>Documentation and records are kept of all pertinent information relating to the EMS system as per the filing system under the Non-Conformities section and more specifically, section 10.5.4 Reportable Incidents and 10.5.5 Government Notices.</p> |    |   |   |   |    |       | Y       |   |





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| <b>4.5.3 Nonconformity , corrective action and preventative action</b>  |    |   |   |    |    |    |   |   |   |    | <b>Conform</b>  |   |
|   |    |   |   |    |    |    |   |   |   |    | Y   | N |
| <p>FRBU has established, implemented and maintained a procedure(s) for dealing with :</p> <ul style="list-style-type: none"> <li>o actual and potential non-conformities and</li> <li>o for taking corrective action and preventative action.</li> </ul> <p>The procedure(s) have defined requirements for:</p> <ul style="list-style-type: none"> <li>o Identifying and correcting nonconformities and taking action to mitigate their environmental impacts,</li> <li>o Investigating nonconformities, determining their cause(s) and taking action to avoid their recurrence,</li> <li>o Evaluating the need for actions to prevent nonconformities and implementing appropriate actions designed to avoid their occurrence,</li> <li>o Recording the results of corrective actions and preventative actions taken, and</li> <li>o Reviewing the effectiveness of corrective actions and preventative actions taken.</li> </ul> <p>Actions taken are appropriate to the magnitude of the problems and the environmental impacts encountered.</p> <p>FRBU has ensured that any necessary changes are made to EMS documentation.</p> |    |   |   |    |    |    |   |   |   |    | <p><b>Auditor Notes and Observations</b></p> <p>There is a policy titled "EMSP-453 Rev. 1 Nonconformity, Corrective and Preventative Action" that addresses the requirements for a procedure under this ISO element.</p> <p>Reviewed a comprehensive spreadsheet (Job Task Summary 02-Jun-06) that outlines the non-conformities identified from the initial internal audit in July 2005, registration audit in Sept 2005, and the surveillance audit in February 2006. This spreadsheet details the work to be done, who is responsible, target completion date, progress to completion, and allows for comments.</p> <p>In addition, reviewed several Corrective Action Plans issued to contractors and the follow-up inspections to show that outstanding items have been addressed. Through documentation provided to DMI by the contractor and inspections completed by DMI operations personnel.</p> <p>A new LCR program has been developed and is now implemented and allows for a follow-up action tracking feature which can be tracked by department (i.e. FRBU) and by employee. All incidents are entered into the system and are given a 'review' status when reviewed by the EMS Coordinator (for completeness) and a 'finalize' status when action plans have been addressed and closed off. "open" incidents can be emailed out to appropriate person responsible. A new Incident Investigation procedure was implemented on July 25, 2006.</p> <p>Camp inspection database has been updated to include outstanding action plans, due dates, and person responsible.</p> |   |





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| 4.5.4 Control of records   |    |   |   |    | Auditor Notes and Observations  |    |   |   |   |    |       | Conform |   |
|  |    |   |   |    |   |    |   |   |   |    |       | Y       | N |
| <p>FRBU has established and maintained records as necessary to demonstrate conformity to the requirements of its EMS and of this International Standard, and the results achieved.</p> <p>FRBU has established, implemented and maintained a procedure(s) for the identification, storage, protection, retrieval, retention and disposal of records.</p> <p>Records shall be and remain legible, identifiable and traceable.</p> |    |   |   |    | <p>Refer to comments provided in section 4.4.5 Document Control of this checklist.</p> <p>A review of a draft matrix document for all the documents within the system has been created to provide an overview so when one document is revised, other documents that make reference to the revised document can be updated.</p> <p>As the filing index for the system was being updated at the time of the internal audit, the 'Master List of Documents' and the 'Master List of Records' had not been updated. A draft spreadsheet for the Master List of Documents was provided for review showing the update status.</p> |    |   |   |   |    |       | Y       |   |





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| 4.5.5 Internal audit  |    |   |   |    |    |    |   |   |   |    | Conform  |   |   |  |
| Auditor Notes and Observations  |    |   |   |    |    |    |   |   |   |    | Y  | N |   |  |
| <p>FRBU has ensured that internal audits of the EMS are conducted at planned intervals to:</p> <ul style="list-style-type: none"> <li>o determine whether or not the environmental management system</li> <li>o conforms to planned arrangements for environmental management including the requirements of this International Standard; and</li> <li>o has been properly implemented and maintained; and</li> <li>o provide information on the results of audits to management.</li> </ul> <p>Audit programmes shall be planned, established and maintained by FRBU taking into consideration the environmental importance of the operations concerned and the results of previous audits.</p> <p>Audit procedure(s) are established, implemented, and maintained that address:</p> <ul style="list-style-type: none"> <li>o The responsibilities and requirements for planning and conducting audits,</li> <li>o reporting results and retaining associated records,</li> <li>o the determination of audit criteria, scope, frequency and methods.</li> </ul> <p>Selection of auditors and conduct of audits has ensured objectivity and the impartiality of the audit process.</p> |    |   |   |    |    |    |   |   |   |    | <p>This is the second internal audit related to DMI's EMS system. The first internal audit was conducted in July 2005.</p> <p>This completed checklist and accompanying information provide assurances that the internal audit process and procedures as outlined in the EMS system are followed.</p> <p>There has been some discussion to have the next internal audit conducted in February 2007. The current schedule has both the internal audit and the surveillance audit occurring in close proximity to each other. The current schedule does not allow much time for Corrective Action Plans to be developed and implemented prior to the next scheduled surveillance audit. Providing a six month period to address any non-conformities or Opportunities for Improvement identified during the internal audit, will improve the overall EMS system.</p> <p>There are policies titled "EMSP-455 Rev. 1 Environmental Management System Audit" and associated documents (EMSF 455 Audit Schedule, EMSF 455.1 Audit Results Form, and EMSF 455.2 Audit Summary Form) meet the requirements under this ISO element.</p> <p>A number of these documents were updated and implemented on July 17, 2006.</p> |   | Y |  |





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| 4.6 Management review   |    |   |   |    | Auditor Notes and Observations   |    |   |   |   |    |       | Conform |   |
|   |    |   |   |    |  |    |   |   |   |    |       | Y       | N |
| <p>Top management has reviewed FRBU's EMS, at planned intervals, to ensure its continued suitability, adequacy and effectiveness. Reviews included assessing opportunities for improvement and the need for changes to the EMS, including the environmental policy and environmental objectives and targets. Records of the management reviews shall be retained.</p> <p>Input to management reviews include:</p> <ul style="list-style-type: none"> <li>o results of internal audits and evaluations of compliance with legal requirements and with other requirements to which FRBU subscribes</li> <li>o communication(s) from external interested parties, including complaints,</li> <li>o the environmental performance of FRBU,</li> <li>o the extent to which O&amp;T have been met,</li> <li>o status of CA and PA,</li> <li>o follow-up actions from previous management reviews,</li> <li>o changing circumstances, including developments in legal and other requirements related to its environmental aspects, and</li> <li>o recommendations for improvement.</li> </ul> <p>The outputs from management reviews included decisions and actions related to possible changes to environmental policy, O&amp;T, and other elements of the EMS consistent with the commitment to continual improvement.</p> |    |   |   |    | <p>Top Management reviews the EMS on a regular basis at the Environment Sub-Committee meetings and as discussed under section 4.5.5 Document Control.</p> <p>Also, the EMS Rep developed a new format with respect to the EC meetings through a powerpoint presentation format. The following sections/categories are addressed on a monthly basis:</p> <ul style="list-style-type: none"> <li>• Environmental performance (environmental non-incidents and incidents summary)</li> <li>• Changing circumstances</li> <li>• Complaints, concerns, &amp; other communications summary</li> <li>• Audits and evaluations</li> <li>• KRAs and targets</li> <li>• Corrective/Preventative Actions (top environmental issues/follow-up)</li> <li>• Follow-up actions</li> <li>• Recommendations for improvement</li> </ul> <p>Reviewed both June and July 2006 EC meeting minutes to confirm the above implementation.</p> <p>Also, during the interview process, the EC meeting schedule has been modified to ensure Top Management members representing FRBU are present and available at the regularly scheduled monthly meetings.</p> |    |   |   |   |    |       | Y       |   |

