



DAISHOWA-MARUBENI
INTERNATIONAL LTD.

Peace River Pulp Division

PEFC CHAIN OF CUSTODY INTERNAL AUDIT REPORT



16-APR-2007

PEFC Chain of Custody Internal Audit Report

Prepared For:

Daishowa-Marubeni International Ltd.

Peace River Pulp Division

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Prepared By:

Samuel B. ELKINS, RPFT (AB), EMS (LA)

Forest Resources Coordinator

Forest Resources Business Unit

Audit Details

Type of Audit:	Internal Audit
Date(s) of Audit:	April 15 – 16 2007
Audit team:	Lead auditor: Samuel B. ELKINS Audit team members: NA
Client Representative:	Gary SAMEK, Technical Specialist
Audit Report Distribution:	Daishowa-Marubeni International Ltd.
Audit objective(s):	The objective of the audit was to evaluate the chain of custody system at Daishowa-Marubeni International Ltd. – Peace River Pulp Division, its implementation, effectiveness and conformance with the requirements of PEFC Annex 4.
Audit scope:	The scope of the audit included: <ul style="list-style-type: none"> • The elements of PEFC Annex 4 outlined in the audit plan. • Activities conducted under the Company's chain of custody system

Audit Findings

Good Practices

The following good practices were noted during this audit:

1. The overall responsibility for the PEFC Chain of Custody system has been assigned to the Technical Services Business Unit. In doing this, the organization has addressed the requirement of the standard regarding overall responsibility for the system, as well forward thinking in assigning the responsibility to the Business Team most closely related to the system.
2. It was noted that the implementation of the system has been generally successful to date and the organization is showing commitment regarding the progress to close the system weaknesses from previously identified findings.

Major Non-Conformities

No new major non-conformities were identified during the audit.

Minor Non-Conformities

The following minor non-conformities were noted during the audit:

1. **Minor Non-Conformity:** NC-IA-2007-001

Standard/Element(s): 4.5.1 Human Resources/Personality

A review of the Organization's PEFC Chain of Custody document indicates that there is a commitment that personnel performing work affecting the implementation of the system, be competent on the basis of appropriate training, education, skills and experience. Having interviewed key staff performing duties

associated with the system, it was noted that the roles and responsibilities have not been clearly identified to date as indicated in the associated document. As such, recommend that the organization identify the roles and responsibilities of associated personnel working within the system, and write this into the existing Quality Management System.

2. **Minor Non-Conformity:** NC-IA-2007-002

Standard/Element(s): 4.6 Inspection and Control

Although previously identified in the surveillance audit completed in February 2007, the requirement of the organization conducting a management review of the system has not yet been conducted in full. As such, a minor non-conformity has been raised as this is a system weakness at this time, although there are plans to conduct a complete review in late May at the Operating Committee Meeting (Quarterly Review). Upon completion of this planned meeting, this finding can be closed off.

3. **Minor Non-Conformity:** NC-IA-2007-003

Standard/Element(s): 3.5 Sale of Products

The organization shall ensure that documentation for each delivery of the certified products contains the minimum specific information as outlined in the standard. Although previously identified in the surveillance audit completed in February 2007 as a finding, the requirement has not yet been fulfilled and as such, will be a minor non-conformity finding for this internal audit.

4. **Minor Non-Conformity:** NC-IA-2007-004

Standard/Element(s): 3.6.2 Controversial Sources

Self declaration letters from all suppliers indicating that the raw material is from a certified forest, and does not come from a controversial source for 2007 has not yet been received. The standard states that the organization shall require from all suppliers of the forest based raw material at least a signed self-declaration that the supplied raw material does not originate from a controversial source. The organization, which has signed contracts with its suppliers, shall include such a declaration in the contracts.

Opportunities for Improvement

The following Opportunities for improvement were noted during this audit:

1. **Opportunity for Improvement:** OFI-IA-2007-001

Standard/Element(s): 4.2.1 Management Responsibilities

The organization's top management has documented its commitment to implement and maintain the requirements of the standard however it was noted that management members had signed off on this document that was no longer employed with the company at the implementation of the system. Also since the implementation of the system, other members have left the organization and it was not noted in the organizations CoC document, what the frequency of update/review will be. As such, recommend that the Organization's Commitment be updated, and a statement be inserted into associated documentation indicating the frequency of review.

2. Opportunity for Improvement: OFI-IA-2007-002**Standard/Element(s):** 4.3 Documented Control System

- i) A review of the Organization's PEFC Chain of Custody document indicated that there are a number of inaccurate statements made with respect to Provincial Planning Standard elements. As such, recommend that the document be reviewed and cross referenced with the implemented Provincial Standard, and updated accordingly for accuracy.
- ii) A review of the PEFC documentation indicated that there has not been consideration taken for the Mountain Pine Beetle Activities in the area. Specifically the emergency harvesting measures being implemented by the Alberta Government and as well, softwood fibre that may be brought to the facility from Private land purchases. Recommend that the process be updated to facilitate these activities to ensure that there is no potential of accepting raw fibre from controversial sources.

Disclaimer/Statement of Limitations

This audit report was prepared exclusively for Daishowa-Marubeni International Ltd.-Peace River Pulp Division. 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 DMI personnel;
- ii) Limited on-site inspection and interviews conducted by the auditor.

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 PEFC Chain of Custody audit. Please contact me should you have any questions or concerns.

Sincerely,



Samuel B. ELKINS, RPFT (AB), EMS (LA)