

Assessment Report – ISO 14001:2004 Registration Audit

Client Name: Daishowa-Marubeni International Ltd.
Sites Visited during Assessment: Peace River Pulp Division Forest Resources Business Unit
Client Representative: Robert Volkman, Program Coordinator
ISO 14001 Assessment Number: 2438-IA
Document Review: May 10 - 12, 2005
Implementation Assessment: August 23 - 26, 2005
Next Assessment: February 2006

This assessment was conducted to evaluate the environmental management system (EMS) at Daishowa-Marubeni International Ltd.'s (the Company's) Peace River Pulp Division Forest Resources Business Unit, its implementation and the degree of compliance with the applicable requirements of ISO 14001:2004. The ISO 14001:2004 assessment plan that was provided to you prior to the assessment (included with the notification letter dated April 28, 2005) identifies the processes that were followed in order to verify that your environmental management system has been effectively implemented.

The Document and Readiness Review identified 2 major nonconformities and 1 opportunity for improvement. The team verified that the issues have been effectively addressed and the major nonconformances are closed.

During the implementation assessment, the team did not identify any major nonconformities, indicating that the environmental management system has been effectively implemented. 4 minor nonconformities and 2 opportunities for improvement were however identified (copies attached). These issues will be revisited during the next periodic assessment to confirm that they have been adequately addressed by the Company.

In reviewing the implementation assessment results and the registration file, it has been determined that the requirements of ISO 14001:2004 have been satisfied. The audit team is therefore pleased to put forward a recommendation that the SFM system in use at Daishowa-Marubeni International Ltd.'s Peace River Pulp Division Forest Resources Business Unit be registered to the ISO 14001:2004 standard.

The ISO 14001:2004 registration file will now be subject to a KPMG independent technical review as required by our accreditation. Provided the independent technical reviewer approves the above recommendation, Daishowa-Marubeni International Ltd.'s Peace River Pulp Division Forest Resources Business Unit will receive a ISO 14001:2004 certificate in approximately 4 weeks.

Our assessment by its nature is a sample and not intended to be as comprehensive as your internal audits. It is possible for nonconforming issues to remain undetected. Our next periodic assessment will verify that your internal audits have continued to operate as the primary mechanism to ensure your management system remains effectively implemented and continues to improve.

As described in our notification letter, the Company is expected to maintain all relevant documents in the registration file for the life of your registration. The file will be referred to by the assessment team at every visit to verify its completeness, determine continued registration effectiveness, and summarize activities since our previous visit.

Should there be any questions concerning this report or any related matter, please do not hesitate to call me at (604) 691-3451.

Craig Roessler, CEA(SFM), EMS(LA)

August 26, 2005

Date

Nonconformity Notes

Number: 2438-NC-IA

Client: Daishowa-Marubeni International Ltd. Date: August 26, 2005

Site: Peace River Pulp Division Forest Resources Business Unit

Assessor: Craig Roessler, Mike Alexander

Standard ISO 9000 ISO 14001 CSA Z809 OHSAS SFI

<p>Minor Nonconformity: 2438-NC-IA-01</p> <p>Standard Element (s): 4.4.2 Competence, training and awareness</p> <p>Area/Department: All</p> <p>Client Procedure: EMSP-442.2</p> <p>Description of Nonconformity:</p> <p>Although the majority of contractors interviewed had an acceptable level of awareness of key operational and EMS issues and their environmental roles and responsibilities, weaknesses in understanding were identified amongst some contractor employees during the field audit (e.g., on emergency response steps / requirements amongst a number of truck drivers (on a number of blocks) and a buncher operator on the Estabrook block; on spill reporting levels amongst a buncher operator at Pine Ridge 2 and skidder operator at High Level Chippers).</p> <p>Corrective action(s) taken by client (attach relevant documentation):</p> <p>(client to insert description here)</p> <p>Rationale for Closure:</p> <p>(KPMG PRI comments on corrective actions)</p>	<p>Client signature</p>
<p>Minor Nonconformity: 2438-NC-IA-02</p> <p>Standard Element (s): 4.4.5 Control of Documents</p> <p>Area/Department: Objectives, Targets and Action Plans</p> <p>Client Procedure: EMSP-433; EMSF-433; EMSP-445</p> <p>Description of Nonconformity:</p> <p>Our sample of documentation indicated that DMI's document control procedures have generally been implemented as required by the EMS and ISO 14001, however:</p> <ul style="list-style-type: none"> • The targets and action plan for Objective 2005-3 have not been documented as required; • The progress toward achievement of the action plan tasks had not been documented according to the defined progress reporting timeframe for any of the six objectives, despite evidence that significant progress has been made, and; • The action plan task completion timeframe has not been updated to reflect required task completion adjustments for Objectives 2005-1, 2, 4, 5 or 6. <p>Corrective action(s) taken by client (attach relevant documentation):</p> <p>(client to insert description here)</p> <p>Rationale for Closure:</p> <p>(KPMG PRI comments on corrective actions)</p>	

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<p>Minor Nonconformity: 2438-NC-IA-03</p> <p>Standard Element (s): 4.4.7 Emergency preparedness and response</p> <p>Area/Department: Contractors</p> <p>Client Procedure: EMSP-447; Emergency Preparedness & Response Plan; Forest Protection Plan</p> <p>Description of Nonconformity:</p> <p>The ISO 14001 Standard at 4.4.7 requires organizations to establish, implement and maintain emergency response procedures and to respond to actual emergencies and prevent or mitigate associated adverse environmental impacts. During the field audit we found that emergency plans had been established but that emergency preparedness had not been effectively implemented in all instances to ensure that emergency situations could be promptly responded to. The following examples are cited:</p> <ul style="list-style-type: none"> • Inadequate spill response equipment: <ul style="list-style-type: none"> • no spill kits (buncher, chip truck and on-site fuel truck at Pine Ridge 1; buncher and Fire Truck at Pine Ridge 2; 2 chip trucks and fuel truck at Peace River Logging blocks; chip truck at Allwood block; chip truck, truck with 2 tidy tanks and 1 buncher at Estabrook block) or inadequate spill kits (grey pads only on buncher at Estabrook block). • Inadequate fire response equipment: <ul style="list-style-type: none"> • No extinguisher (chip truck at Peace River Logging block) or discharged extinguisher (skidder at High Level Chippers). • Insufficient hand tools and/or water delivery system (no Pulaski or water hand tank pump with isolated buncher at Peace River Logging block; no full water hand tank pump or shovel with pickup and truck with 2 tidy tanks at Estabrook block (i.e., general lack of fire equipment with isolated bunchers on Estabrook block)). <p>In addition, weaknesses were noted in fuel handling and management in a number of isolated instances (e.g., approximately 500 gallon mobile tank uncertified / untested with no breakaway valve on filler hose at High Level Chippers; approximately 500 gallon double-walled gravity feed fuel tank for the generator at High Level Chippers; no breakaway valve on approx. 660 gallon fuel truck on Pine Ridge 2; non visible 1202 label on tidy tank (Estabrook logging)).</p> <p>Corrective action(s) taken by client (attach relevant documentation):</p> <p>(client to insert description here)</p> <p>Rationale for Closure:</p> <p>(KPMG PRI comments on corrective actions)</p>	
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<p>Minor Nonconformity: 2438-NC-IA-04</p> <p>Standard Element (s): 4.6 Management Review</p> <p>Area/Department: Forest Management</p> <p>Client Procedure: EMSP 46</p> <p>Description of Nonconformity:</p> <p>The management review conducted on August 12, 2005 covered most of the requirements of the standard, however communications from interested parties, including complaints and changing circumstances including developments in legal and other requirements related to its environmental aspects were not covered in the management review nor were they addressed in the minutes of the "Environment Sub-committee Meeting Minutes"</p> <p>Corrective action(s) taken by client (attach relevant documentation):</p> <p>(client to insert description here)</p> <p>Rationale for Closure:</p> <p>(KPMG PRI comments on corrective actions)</p>	
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Opportunities for Improvement

Number: 2438-OFI-IA

Client: Daishowa-Marubeni International Ltd.

Date: August 26, 2005

Site: Peace River Pulp Division Forest Resources Business Unit

Assessor: Craig Roessler, Mike Alexander

Standard ISO 9000 ISO 14001 CSA Z809 OHSAS SFI

2438-OFI-IA-01

Standard Element (s): 4.5.1 Monitoring and measurement

Area/Department: Operational inspections

Client Procedure: EMSP-451

Description of Opportunity for Improvement:

The Operations Monitoring Form does not include specific prompts for assessing a number of EMS-related issues (e.g., conformance with fuel procedures, hazardous waste storage requirements, WHMIS/TDG labeling, waste assessment, etc.). Although these monitoring issues are included in the Hazardous Materials & Emergency Response Checklist, document and interview evidence indicated that these were designed for camps and are not always being used to assess conformance on active operations. Consequently, there is a risk that the operation has not adopted and implemented a consistent approach for capturing these issues in its monitoring of active operations.

2438-OFI-IA-02

Standard Element (s): 4.5.5 Internal Audit

Area/Department: Forest Management

Client Procedure: EMSP-455

Description of Opportunity for Improvement:

The Streamline Environmental Consulting Ltd. Audit team was made up of Iain Cuthbert, lead auditor (RPBio and EMS LA) and Del Ferguson, auditor (professional geoscientist and environmental auditor). This BC-based company's report indicated that the audit process was objective and impartial. The audit team made use of an external expert's advice regarding certain fuel storage requirements and waste management issues, however this is not documented in the audit report. There is an opportunity to improve the audit report by ensuring that the credentials of all parties used in determining the audit opinion are documented, particularly as it relates to the evaluation of compliance with laws and regulations.