



DMI Peace River Pulp Woodlands & Embedded Conifer Quotas October 2014

In October 2014, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Daishowa-Marubeni International Peace River Pulp Woodlands (DMI) operations and the harvest and silviculture operations of embedded conifer quota holders on DMI Forest Management Areas (FMA) 0900044 and 0900045 and the DMI fibre procurement operations against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard. The audit was conducted in conjunction with a recertification audit against the requirements of the ISO 14001:2004 environmental management system (EMS) standard. This Summary Report provides an overview of the process and KPMG's findings.

Description of DMI - Peace River Pulp Woodlands and Embedded Conifer Quota Holder Operations

DMI Crown tenures encompass an area of over two million hectares of boreal forest located in Forest Management Agreements (FMA) 0900044 and 0900045 and deciduous quota in Deciduous Timber Allocation (DTA) P200001. The following companies also have embedded quotas within the DMI FMAs:

- Boucher Bros. Lumber - Coniferous Timber Quota (CTQ) P040006 in FMA 0900044;
- Canfor Grande Prairie - CTQ P190001 in FMA 0900045; and
- Zavisha Sawmills Ltd. - CTQ P190002 in FMA 0900045.



Since 2005 DMI has also maintained a certified ISO 14001 EMS; the embedded conifer quota holders likewise maintain EMS which are certified by KPMG PRI.

As the FMA holder DMI has responsibility for submission of the Detailed Forest Management Plan (which includes mid and long term harvest and silviculture planning, inventory and growth and yield modeling), development of the Operating Ground Rules, public and First Nations consultation and annual reporting to Alberta Environment and Sustainable Resource Development regarding volumes and area harvested (by species and forest cover type) and the results of reforestation. Embedded quota holders must conform to the Detailed Forest Management Plan (DFMP) and Operating Ground Rules (OGR) as a condition of their quota licenses.



Harvest operations are conducted in summer and winter whereas silviculture activities are confined to snow free conditions. Harvest operations are conducted using feller - bunchers, grapple skidders, in-bush chippers and stroke de-limbers. Silviculture operations include artificial and natural regeneration, site preparation and brush control.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard, and for DMI Woodlands incorporated a partial-scope assessment against the SFI program objectives noted under "Evidence of Conformity with SFI 2010-2014" below. For the embedded conifer quota holders the audit scope was restricted to forest management activities on FMAs 0900044 and 0900045 and does not cover forest management activities outside of the two FMAs or fibre procurement.

Scope of Certification

Forestry and logging (including planning, roads, harvesting, silviculture) on DMI Peace River Pulp Woodlands tenures FMA 0900044 (including Boucher Bros. Lumber conifer quota area CTQ P040006), FMA 0900045 (including Canfor conifer quota area CTQ P190001 and Zavisha Sawmills Ltd. conifer quota area CTQ P190002), DTA P200001, and the procurement of fibre for the DMI Peace River Pulp mill.

The Certification Audit

- *Audit approach* – Surveillance audits are designed to provide evidence of implementation of a sample of the SFI requirements and require an assessment of performance against these sampled elements of the SFI standard.
- *Audit Team* – The certification audit was conducted by Dennis Lozinsky, RPF (BC), EP(EMSLA), and Neil MacEachern RPF (BC), both of whom hold permits to practice issued by the College of Alberta Professional Foresters. Both team members have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809.
- *SFI Program Representative* – Lee Rueb RPFT served as the DMI SFI program representative during the audit.
- *On-site Audit* – The audit was conducted October 20-24 and involved an on-site assessment of the DMI and embedded conifer quota operations on FMAs 0900044 and 0900045, DMI operations on DTA P200001, the DMI procurement program, and their conformance to the requirements of the SFI standard.
- *Audit Sample* – The audit involved document review, interviews and field inspection of 18 sites, of which 9 were harvesting, 8 were roads, and 1 was silviculture.

Use of Substitute Indicators

No substitute indicators were used during the audit.

Audit Objectives

The objectives of the 2014 SFI certification audit were to:

- assess the extent to which the DMI and embedded conifer quota holder EMS, forest management plans and practices conform to the requirements of 2010-2014 version of the SFI standard as well as an assessment of DMI fibre procurement operations against the requirements of the SFI standard; and
- evaluate the progress of DMI and embedded conifer quota holder operations towards implementing the corrective actions developed to address the findings of previous audit visits.

Audit Conclusions

The audit found that the DMI forest land management and fiber sourcing operations meet the requirements of the 2010-2014 version of the SFI standard in all material

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2014
SFI 2010-2014**

Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	1
New opportunities for improvement	1

Types of audit findings

Major non-conformities:

Are pervasive or critical to the achievement of the SFM Objectives.

Minor non-conformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit, which must be fully implemented by the operation within 3 months.

Major non-conformities must be addressed immediately or certification cannot be achieved / maintained.

Opportunities for Improvement:

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

respects. Likewise, the forestland management operations of the embedded conifer quota holders meet the requirements of the 2010-2014 version of the SFI standard for the quotas listed in the Scope of Certification. As a result, a decision has been made to grant certification to the SFI 2010-2014 standard.

Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in the following table:

SFI Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	N/A – not in scope of 2014 surveillance audit
2. Forest Productivity	DFMP, Ground Rules and Amendments, ARIS report, EMS (completed Block Layout Summary Sheets, various Standard Operating Procedures (SOPs), SFM Plan, operating instructions and operating guidelines, Interviews with key personnel and field inspections.
3. Protection and Maintenance of Water Resources	N/A – not in scope of 2014 surveillance audit
4. Conservation of Biological Diversity	Eco-system Management Emulating Disturbance (EMEND) research project, High Conservation Value Forest (HCVF) Analysis, Canadian Boreal Forestry Agreement (CBFA) working group participation, DFMPs and Amendments, Ground Rules and Amendments, Interviews with key personnel and field inspections.
5. Management of Visual Quality and Recreational Benefits	N/A – not in scope of 2014 surveillance audit
6. Protection of Special Sites	EMEND research project, HCVF Analysis, DFMPs and Amendments, Ground Rules and Amendments, EMS (SOPs pertaining to heritage resources and planning pre-work), SFM Plan, ArcGIS, Interviews with key personnel and field inspections.

An example of a bridge installed in the DMI Forest Management Area. Crossings within the company's FMA observed during the audit showed little to no disturbance or siltation.



SFI Objective #	Sources of Key Evidence of Conformity
7. Efficient Use of Forest Resources	N/A – not in scope of 2014 surveillance audit
8. Landowner Outreach (DMI only)	Purchase Wood Agreements, Woodlot Management Guide, Western Canada SFI Implementation Committee (WCSIC) website, SFM Plan, AOPs, Interviews with key staff and (during field audit of active operations) sample of contractors and field inspection of a sample of purchase sites.
9. Use of Qualified Resource and Logging Professionals (DMI only)	N/A – not in scope of 2014 surveillance audit
10. Adherence to Best Management Practices (DMI Only)	Purchase Wood Agreements, Wood Procurement Risk Assessments, Contractor training records, SFM Plan, EMS (SOPs pertaining to soil conservation and stop work policy), Interviews with key staff and (during field audit of active operations) sample of contractors, and field inspection of a sample of purchase sites.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and Major Tropical Wilderness Areas	N/A – All fiber is procured from sources located in Alberta.
12. Avoidance of Controversial Sources including Illegal Logging	N/A – All fiber is procured from sources located in Alberta.
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	N/A – All fiber is procured from sources located in Alberta.
14. Legal and Regulatory Compliance	EMS (SOPs pertaining to legal and other requirements, completed incident reports), DATS database, internal systems audit report, internal compliance audit report.
15. Forestry Research & Technology	N/A – not in scope of 2014 surveillance audit
16 Training and Education	SFM Plan, employee and contractor training records, Interviews with sample of staff and (during field audit of active operations) sample of contractors.

Natural ingress of Aspen generally limits the need to plant trees to burns and roads in the DMI FMA.



An example of a protected moisture-receiving area on a DMI cutblock.



SFI Objective #	Sources of Key Evidence of Conformity
17. Community Involvement in the Practice of Sustainable Forestry	N/A – not in scope of 2014 surveillance audit
18. Public Land Management Responsibilities	Public stakeholder and First Nations communication and correspondence records, PAC meeting minutes, DMI Peace River public website, Interviews with key personnel.
19. Communications and Public Reporting	N/A – not in scope of 2014 surveillance audit
20. Management Review and Continual Improvement	Management review meeting minutes and agenda, internal audit records.

DMI makes extensive use of geotextile to limit silt entry into watercourses at stream crossings throughout its operating area.



Good Practices

A number of good practices were identified during the course of the audit. Examples included:

Objective 1 (Forest management planning) - DMI uses aerially collected multi-band imagery for 3D visualization and mapping to assist in better understanding stand and terrain characteristics for planning purposes.

Objective 3 (Protection and Maintenance of Water Resources) - Sample of sites revealed good practices regarding the minimization of disturbance at watercourse crossings. Both bridge and culvert sites inspected made generous use of geotextile to limit siltation. The company is also experimenting with the use of biodegradable options for the same purpose for future use.

Follow-up on Findings from Previous Audits

The audit found that the company had made adequate progress towards addressing all previous findings of non conformity, and these are now closed.

New Areas of Nonconformance

The audit identified the following minor non-conformity in relation to SFI 2010-2014:

Objective 14 (legal and regulatory compliance) - Generally, regulatory requirements were well understood and implemented correctly, except for the following instance:

- A campsite maintained by one of DMI's contractors, contained two large stationary fuel tanks that lacked markings indicating current registration, which is required by law for tanks stationary for a period of one year or longer.

New Opportunities for Improvement

Opportunities for improvement identified during the audit in relation to SFI included the following:

Objectives 1, 10 (forest management planning, Adherence to Best Management Practices), –

An opportunity for improvement exists around operational controls with respect to management practices in the field and office, as indicated by the following lapses:

- One site sampled contained 3 adjacent rows of hog fuel pile, contrary to the Company's BMP of 2.
- One private cutblock was not in the mapped location and could not be located in the field. Office review revealed that some data entries for this block were correct, and others incorrect.

Corrective Action Plans

A corrective action plan designed to address the root cause of the non-conformities identified during the audit has been developed by DMI Woodlands and embedded conifer quota holders. This action plan has been reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.

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