

CSA Re-Registration Audit

January 11-14, 2010

Tolko Industries Ltd

High Level Lumber Division

Review for HLPAC, January 26, 2010

- Quality Management Institute (QMI-SAI Global) is a third party management system certification Registrar.

- Auditor: Nathan Ryant, RPF (Team Leader)

Registrar and Auditor

- Office interviews, review SFM Plan & indicator reporting, public participation information, EMS system, past audit results, etc.
- Field Day: Visit operations, interview contractors, evidence gathering, field indicators.
- Public Advisory Committee interview
- First Nation interview
- Provincial Government personnel interviewed

Audit Structure

- The sustainable forest management system as it applies to the High Level Lumber Division's woodlands and contract operations on Forest Management Agreement #0200040 and the company's coniferous timber quotas including the integration of forest planning, harvesting, loading delivery of forest products to a company processing facility as well as silviculture and renewal activities.

Audit Scope

- Continued revisions made to the SFMP to improve its content over the year.
- Reforestation of seismic lines originally listed as non-forested over the DFA.
- New woodlands handbook with excellent controls for SFM on the DFA such as retention information SARA pictures and roles and responsibilities and expectations for contractors and the phases.
- Continued improvements made considering resources have been limited due to the poor economic situation in the industry.

Positive Aspects of the Management System

- Log quality issues are the biggest concern as meetings have taken place between ASRD and the company with no improvements noted. There may be enforcement actions taken.
- Watercourse crossing issues presented to the company in June are still not mitigated and may lead to enforcement actions.
- Other concerns are around planning quality of the submissions although improvements are noted.

ASRD Interview Summary

- Continued excellent relationship with the company and transparency in the public process.
- May need to bring in new members to ensure the public portion of the committee is revitalized as some of the long standing members are losing impetus.
- It would be beneficial to have the company provide more interpretation of technical stats being presented, eg. Harvesting sequence info for the compartments.

PAC Interview Summary

- Opportunities to participate in the public process have been provided.
- Have decided not to participate in the process as the Tribal Council would prefer to have direct consultation with the company outside the public process.
- First Nations VOITS have been developed and would like the government to recognize these in the present planning processes. These VOITS are beyond current forestry legislation, eg. 300 meter buffers on major streams as opposed to the 60 meter legislated requirement.
- The Tribal council would like the FN VOIT discussions to be bilateral and not in the public process. Would like to see the company incorporate the FN VOITS into the forestry planning processes.
- Government funding is currently inadequate to address FN capacity to deal with general consultation with the company.

First Nations Interview Summary

- Recommendations by the auditor which the company “can” act upon. Not a requirement.
- Will be reviewed by auditor prior to the Surveillance Audit in 2011

Recommendations

1. 7.4.7 Emergency Preparedness and Response: Consider checking the spill kits to ensure the spill pads provided include spill pads appropriate to handle an antifreeze spill.

- **Explanation:** White spill pads are meant to absorb petroleum fluids (fuel, oil, hydraulic fluid, etc) and are not able to absorb water which beads off the pad.

- **Corrective Action Plan:** Operational controls to be changed such that anti-freeze spill pads are in equipment.

Recommendations

2. 7.5.1 Monitoring and Measurement: Consider random checks being made on inspections forms to ensure the checklist part of the forms are completed.

- **Explanation:** Forms are being used as intended, however check boxes that indicate items being reviewed are left blank.
- **Corrective Action Plan:** All staff have been made aware to use check boxes.

Recommendations

3. 7.3.6 Performance Requirements:

- Indicator 2 Consider revising the targets for proportion of cover types represented on the DFA until Footner starts up to allow the Deciduous types proportions to be accurately represented.
- **Explanation:** Cover types are required to be balanced to within +/-5%. With FFP not operating, Tolko does not have permission to assign harvest openings to FFP (conifer to deciduous) in order to create a balance. Issue of assigning liability.
- **Corrective Action Plan:** Consider a revised target due to "changed circumstances".

Recommendations

3. 7.3.6 Performance Requirements:

- Indicator 2 Consider stating this indicator will be reported as a 5 year roll up of data
- **Explanation:** The SFM Plan states that monitoring of this commitment will be done annually and reported in the Stewardship Report. The Stewardship Report is implicitly known to be done every 5 years.
- **Corrective Action Plan:** Explicitly state this will be reported every 5 years.

Recommendations

4. 7.3.6 Performance Requirements:

- Indicator 5 Consider updating the Silvacom layer on unique species to include the sightings reported by the public and company regarding SARA spp.
- **Explanation:** Even though, we document sightings there is lack of evidence this is being used to update the layer on Silvacom on-line. Reliance has been on maintaining the SARA information provided through EC and FPAC.
- **Corrective Action Plan:** Controls to be put into place to update the sightings layer on Silvacom on-line.

Recommendations

5. 7.3.6 Performance Requirements:

- Indicator 11 Consider adding a check of the SARA site for plants and ecological communities to the indicator monitoring program for sites of biological significance.
- **Explanation:** The company has been good at ensuring SARA wildlife spp are being managed for, however plants and ecological communities are to be considered.
- **Corrective Action Plan:** Review current SARA information for plants and ecological communities. If such exists on the DFA, ensure plans are adjusted to accommodate current strategies to protect & recover.

Recommendations

6. 7.3.6 Performance Requirements:

- Indicator 23: Consider utilizing the same variance utilized for the satisfactory reforestation indicator to account for the reforestation of the seismic lines in harvest areas.
- **Explanation:** Indicator 23 is the reforestation of areas non-forested from anthropogenic disturbances. The current Variance states: *"Variance is <=2% reduction in net productive landbase due to human causes over a 5-year period."* Auditor suggesting that when area becomes available to reforest (eg., abandoned well, seismic lines, etc) that we do so within 2 years.
- **Corrective Action Plan:** Adjust Variance to suit.

Recommendations

- Noted deficiencies in the current EMS or SFM.
- Potential to develop into non-conformance
- Company must act upon prior to the next audit (Corrective action plans are complete)
- Auditor will review progress

Areas of Concern

1. 7.3.4 Rights and Regulations: Ensure the Friesen camp sewage system meets the legal requirements stated in the camp permits such as the Public Health Act.
 - **Explanation:** Approval from MacKenzie County for the camp setup requires the proponent to contact Public Health prior to camp setup. Also, the Kitchen facility permit from Public Health requires a proper sewage disposal system. No documentation the current setup meets requirements of the Public Health Act.
 - **Corrective Action Plan:** 1) LCSM required to ensure contractor is in contact with Public Health for inspection of the sewage system and operation of kitchen, 2) adjust contractor responsibilities to ensure loop is closed on approvals, and 3) contractors are informed of this change at Contractor Orientation in Fall 2010.

Areas of Concern

2. 7.5.2 Nonconformity Corrective and Preventative Actions: Ensure all government inspections that note variances from the ground rules are entered into the EMS Process Improvement as per the requirements of the system. This needs to include variances noted in a June 8, 2009 letter sent to Tolko and not entered as an EIR in the system.

- **Explanation:** Focus on entries in the Tolko EMS has been Environmental Incidents. Concern is that there are other variances occurring (ie., non-environmental) to approvals which are not being documented (eg/ utilization) as “non-conformances” or “process improvements”. (Note: June 8, 2009 letter referred to was not received from SRD and Tolko was not aware of disturbance to creeks.)
- **Corrective Action Plan:** (TBD) Discussion is required by Environmental Committee to ensure proper controls are in place to capture all variances that may be identified.

Areas of Concern

3. 7.5.4 Internal Audit: Ensure the audit records can verify that all elements as stated that are to be audited have audit notes that can substantiate conformity to the audit plans.

- **Explanation:** Limited back-up for elements being reviewed. Re-registration Auditor could not identify that a review was completed.
- **Corrective Action Plan:** Process Improvement for the next internal audit.

Areas of Concern

4. Indicator 20 Ensure the monitoring program which states the creek crossing installation and removal inspections are to be recorded in the database are entered as described, ie. Creek Crossing database.

- **Explanation:** SFM Plan states the monitoring will use the Creek Crossing database provided by Silvacom. This database was not used in the last logging year in favor of another program, however entering data in this program was not completed due to limited staff resources. Reporting for 2008/2009 was based on supervisor personal records and not from a database.
- **Corrective Action Plan:** Identify the system being used for the go-forward.

Areas of Concern

- “The results of the Re-assessment including the review of the performance of the Tolko Industries Ltd, Management System over the past 3 years and the Re-assessment Audit, indicate that Tolko Industries Ltd’s Management System meets the following criteria for maintenance of registration to CAN/CSA - Z809-2002.”
- “An effective inter-action exists between all elements of the management system.”
- “Top management has demonstrated a commitment to maintain the effectiveness of the system.”

Results

- CSA 12-month Surveillance Audit of Tolko Industries Ltd. (HLLD) Sustainable Forest Management Plan will occur,

- Week of January 10-14, 2011

Questions?