Management Systems Registration

Project No. 010960-10

May16, 2008

Mr. Steve Chambers
Western Forest Products Inc.
Port Alberni Forest Operation
PO Box 2001, Bag 2001
Port Alberni, British Columbia
CAN, V9Y 7N3

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Chambers,

Please find attached the Audit Report raised as a result of our 24 Month Surveillance Audit of your management system to the CAN/CSA - Z809-2002 standard conducted on your Port Alberni timberlands on May 07-09, 2008.

We thank you and your organization for the support and co-operation given during the audit.

Best Regards,

Nathan Ryant
QMI Team Leader
Encls.

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CONFIDENTIAL

SUSTAINABLE FOREST MANAGEMENT SYSTEM

AUDIT REPORT CAN/CSA-Z809-2002

Auditee:	Western Forest Products Inc.
Address:	PO Box 2001, Bag 2001 Port Alberni British Columbia CAN V9Y 7N3
Contact:	Mr. Steve Chambers
Date(s) of Audit:	May 07, 2008 to May 09, 2008
Audit Team Leader:	Nathan Ryant
Type of Audit:	24 Month Surveillance Audit
Audit Frequency:	12 Months
SIC / NACE Code:	0811 0831 0851/A02.0 A02.0 A02.0

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REPORT DISTRIBUTION

Western Forest Products Inc.
QMI File
Nathan Ryant

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SECTION 1 - EXECUTIVE SUMMARY

Scope #	Scope Description
1	The sustainable forest management system as it applies to forest management activities undertaken on the defined forest area. The defined forest area consists of 157,419 hectares within TFL 44 including 80 hectares of private lands.

Site:
Western Forest Products Inc.
PO Box 2001, Bag 2001
Port Alberni
British Columbia
CAN, V9Y 7N3

Summary of Audit Findings: The SFM requirements audited provided evidence of a well maintained and effective system and also provided strong performance in terms of SFM.

Recommendations: Continued registration to the CSA Z809:2002 standard.

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SECTION 2 - INTRODUCTION TO CAN/CSA Z809-2002

The Canadian Standards Association (CSA) developed Canada's National Standard on Sustainable Forest Management CAN/CSA Z809, in response to heightened awareness about forest management practices. The Standard was developed by a SFM Technical Committee in an open and inclusive process managed by CSA. The SFM Technical Committee is required to review the Standard periodically to ensure it incorporates knowledge gained through time and implementation. As the first edition of the Standard was published in 1996, the committee has published a revised version in 2002. The Standards Council of Canada (SCC) accredits CSA to write standards and approves them as National Standards.

Sustainable Forest Management (SFM) refers to the way a defined forest area is managed to maintain and enhance the long-term health of forest ecosystems for current and future generations. This Standard, which utilizes a continual improvement approach, requires public participation, practical demonstration of sustainable forest management practices, and a management commitment to a management system. SFM takes into account environmental, social and economic factors.

Public Participation - The CSA Standard requires organizations to seek comprehensive and continuing public participation, including a special effort for Aboriginal Peoples, at the local community level for each defined forest areas. The public identifies forest values of specific importance to their environmental, social and economic concerns and needs. The public also takes part with the organization to identify and select SFM goals, indicators and objectives to ensure these values are addressed.

Performance - By following a SFM plan that incorporates the values, goals, indicators and objectives, identified by the public process, which can be traced back to the Canadian Council of Forest Ministers (CCFM) set of Sustainable Forest Management Criteria, together with other legal requirements, performance can be demonstrated on the ground.

Systems and Continual Improvement- The CSA Standard has system requirements, which are consistent with the internationally recognized ISO14001 Environmental Management System Standard. The system follows the concept of "plan – do – check – act". The system framework helps an organization implement, track and monitor their progress towards meeting the economic, social and ecological performance objectives for the defined forest area. The Standard uses adaptive management procedures with recognize that SFM is a dynamic process that must incorporate new knowledge acquired through time, experience and research. The Standard requires there be an annual report on the indicator objectives with an annual review of the system and performance in the forest to identify areas for continual improvement.

Third Party Independent Audits - To become certified to the Standard is strictly voluntary but the organization must go through a third party independent audit of the SFM Requirements in the Standard. The audit is conducted by a Registrar accredited by the Standards Council of Canada. In addition the individual auditors employed or contracted by the Registrar have the requisite forestry expertise and are certified as environmental management systems auditors by the Canadian Environmental Auditing Association.

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SECTION 3 - DESCRIPTION OF THE DEFINED FOREST AREA (DFA):

Overview of Port Alberni Forest Operations

The Operation

• The Port Alberni Forest Operations is located on western Vancouver Island near the community of Port Alberni and represents on of twelve Western Forest Products Timberlands operations. The location, tenures and facilities are divided into three district geographic areas; Franklin, Uchlucklesaht and Great Central Lake. Silviculture obligations are managed for associated areas (Sproat and TL's) no longer associated with harvesting and outside WFP's general area of management.

• The Operations consist of harvesting, hauling, maintenance shops, dryland sorts, landfills and administrative offices. The organization chart indicates the staff positions (see corporate intranet).

• Most employees live in Port Alberni. The local economy depends on forestry, mining, fishing and tourism.

TENURE AREA (Hectares)

TFL 44: **157,419**
Private Land: **80**
TOTAL 157,489

Ecological Description of DFA (biogeoclimatic zones and variants)

CWH mm1 – 3.5%
CWH mm2 – 5.7%
CWH vh1 – 1.6%
CWM vm1 – 67.1%
CWM vm2 – 10.3%
CWM xm1 – 0%
CWH xm2 – 8.5%
MH mm1 – 3.2%
Atp – 0.1%

Wood Products and Markets

By Species:

Ba: 17%
Cy: 1%
Hw: 34%
Cw: 38%
Fd: 10%

By Grade:

Pulp: 2%
Utility: 13%
Merchantable: 30%
Shingle / Special Forest Products: 10%
Peeler / Lumber: 14%
Gang: 31%

• Logs are distributed by Log Supply for sale and transport to local Western Forest Products sawmills, outside purchasers and export. The majority of logs go to local Western Forest Products sawmills, Catalyst papers (a local paper producers) and Western Product sawmills on southern Vancouver Island.

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SECTION 4 - ORGANIZATION:

Description of the DFA Workforce: Western Forest Products Inc., Port Alberni operations employ 19 staff and numerous contractors to manage its SFM on the DFA.

Contractor Employment Summary
Island Pacific Logging 200
Uchucklesaht Contractors 50
Great Central Lake Contractors 30
Western Forest Products 20
Hayes 100
Franklin Contractors 40

Approved Annual Harvest Level: 907,244 m3/year

2007 Harvest Level: 463,694 m3

First Nations Consultation Process : The WFP, Port Alberni DFA encompasses 9 First Nations communities to varying degrees. WFP has shown continued evidence that they are providing the First Nations communities with the opportunity to participate in its SFM development. The SFMP and the associated processes will not compromise aboriginal and treaty rights.
Annually, WFP has provided the First Nations with information relating to the SFMP. WFP provides the First Nations with a copy of the annual reports along with the current versions of the SFMP.

SECTION 5 - AUDIT FINDINGS:

Scope #	Scope Description
1	The sustainable forest management system as it applies to forest management activities undertaken on the defined forest area. The defined forest area consists of 157,419 hectares within TFL 44 including 80 hectares of private lands.

Audit Criteria: CSA Z809:2002

Description of QMI and the QMI Audit Team:

Quality Management Institute (QMI) is a third party management system certification Registrar. QMI is a Division of the SAI Global Group. Established in 1984, QMI has worked with thousands of organizations in North America and around the world, issuing registration certificates to those that meet international and national management system standards.

The QMI Sustainable Forest Management audit team members bring with them considerable experience in the area of sustainable forest management and environmental management systems auditing. Audit teams are comprised of certified auditors and registered professional foresters. All audit team members are subject to strict confidentiality and conflict of interest agreements.

The following personnel conducted this audit:

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Audit Team

Position	Name
Team Leader	Nathan Ryant
Team Member	William Sloan

Audit Coverage:

Indicators Office: 20, 25, 26, 27, 34, 37, 38, 49, 50, 51, 52, 53,

Indicators Field: 8, 13, 14, 20, 21, 22, 25, 26, 27, 29, 34, 38, 52

Operations / Cut-Blocks Visited during the field audit include:
Sarita Lake Rec Sites
Blk 962219: Grapple Yarding, loading and hauling
Blk's: 973307, 973405, 062204, 073108, 171104 Indicator reviews

Contractor interviewed in the field:
Island Pacific Logging

Members of the public participation process interviewed:
Jack McLemen, Jane Morden

Comments:

- More presentations on environmental issues would be beneficial.
- The removal of community stability indicators is a concern.
- WFP is responsive to the group comments and concerns in general.
- The public participation process is functioning although it has been hard to find new members within the community.
- More emphasis on advertisements may help solicit new members.
- Meeting frequency is appropriate to deal with the issues.
- Excellent facilitator in terms of followup, meeting minutes, group functioning and contact point.
- Provide information about the SFM public participation process to the city hall and regional district offices.

First Nation Worker Interview:
Comments:

- May join the public participation process and will observe the next Wiwag meeting (WFP to provide meeting dates and agenda).
- Concerned about protecting cultural values that have been identified and protected may be damaged when operations remove windthrow salvage.
- Involved in assessing WFP operations in terms of assessing areas for culturally modified trees prior to harvest.
- 5 traditional use areas have been identified by the First Nations people.
- Forest uses and rights involve access to the forest resources for medicinal, cultural and sustenance activities eg, clothing, regalia, bedding and housing.
- WFP are respecting the rights of the First Nations people by managing the forest well.

Provincial Government personnel interviewed:
Dean Stewart – Compliance and Enforcement Officer
Brent Stoll - Compliance and Enforcement Technician

Summary:

- Issues identified by the C&E staff have been actioned well by WFP.
- In general issues that exist are around road maintenance activities.
- There is a good relationship between C&E and WFP which has improved over time.
- WFP has a good compliance record in general.
- WFP has a good record of self reporting compliance issues to C&E.
- The future goal of C&E is to reduce their inspections and hold more joint field trips with the company.

The findings were discussed with Mr. Steve Chambers. The Audit Team Leader commenced the closing meeting by thanking the Western Forest Products Inc. staff for the cooperation and courtesy extended to the audit team during the audit.

In addition, the Audit Team Leader detailed the registration process, the requirements for future surveillance audits, and the re-assessment process.

The official closing meeting was attended by the personnel listed in Attachment #2.

The QMI Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM documentation (interim 2007 SFM monitoring report, 2006-2008 SFM plan)

Non-conformances:

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Significant Issues:

None Identified

Positive Aspects of the Management System:

- Retention of old growth attributes and features during the harvesting operations.
- Vacancies filled on the Wiwag since the last audit.
- First Nations-CSA information sharing package developed and being implemented.
- Wiwag website with the inclusion of presentations provided to the group.
- Progress made in action item completion of Wiwag action plans.
- Excellent job done by the facilitator in terms of running the meetings and following up on action items.

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Effectiveness of the Internal Quality Audit System:
The internal audit system is effective and maintained and identifies conformance issues that which are effectively action planned.

Opportunities for Improvement:

Recommendations:

- 5.2 Consider developing a tracking database for communication efforts made with the First Nations.
- 5.5 Consider checking the links provided on the Wiwag website for functionality.
- 7.3.7 Consider adding the AAC of the operation to the company overview page in the SFMP.
- 7.4.1 Consider documenting the roles and responsibilities for indicator 60 in the matrix.
- 7.3.6 Consider including SAR training to the General Checklist to ensure indicator 10 targets are not missed.
- 7.3.6 Consider adding hydrologic factors that WFP can influence to indicator 28 targets and involving a hydrologist for determining these factors.
- 7.3.6 Consider documenting the donation of logs by WFP and other in kind donations to the indicator target.

System Weakness:

- None identified

Please note that these Opportunities for Improvement will be reviewed as part of the preparation for the next audit.

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SECTION 6 - GENERAL ASSESSMENT AND RECOMMENDATION:

Based on the review of the company's SFM program, and the audit results, the following recommendation is made:

Surveillance Audit:

The results of the Surveillance Audit indicates that the Management System of Western Forest Products Inc. is suitable and effective and will continue to be recommended for 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.

Next Scheduled Audit: Re-Registration
Date(s): May 11 to May 14, 2009
Type of Audit: Re-Regisistration
No. of Persons: 2
No. of Audit Days Required: approx. 4 days

Nathan Ryant
QMI Team Leader **Date:** 05/16/2008