



Project No. 009332-10

May 21, 2008

Mr. Gary Skabeikis
Western Forest Products Inc.
Mid Island Forest Operation
P.O. Box 6000
8010 Island Highway
Campbell River, British Columbia
CAN, V9W 5E1

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Skabeikis,

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 at your Mid Island forest operations on May 05 - 07, 2008.

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

Best Regards,

A handwritten signature in black ink, appearing to read 'Nathan Ryant', is written over a light grey circular watermark.

Nathan Ryant
QMI Team Leader
Encls.

QMI Confidential



Accreditation number No.19/06
Validity of the accreditation
from 2007/01/16 to the
expiration date 2011/01/15

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CONFIDENTIAL

SUSTAINABLE FOREST MANAGEMENT SYSTEM

AUDIT REPORT CAN/CSA-Z809-1996 (or CAN/CSA-Z809-2002) (& ISO 14001-1996)

Auditee: Western Forest Products Inc.
Address: P.O. Box 6000 8010 Island Highway
Campbell River British Columbia
CAN V9W 5E1

Contact: Mr. Gary Skabeikis
Date(s) of Audit: May 05, 2008 to May 07, 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

Statement of Confidentiality

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SECTION 1 - EXECUTIVE SUMMARY

| Scope # | Scope Description |
|----------------|--|
| 1 | The sustainable forest management system as it applies to Tree Farm License (TFL) 39, Block 2. The forest management activities are harvest planning and harvest operations; transportation of logs; and silviculture. |

Site:

Western Forest Products Inc.
P.O. Box 6000
8010 Island Highway
Campbell River
British Columbia
CAN, V9W 5E1

Summary of Audit Findings: A very strong public participation process and company commitment have led to another successful audit of the Western Forest Products Mid Island

Recommendations:

- 5.2 Consider developing an indicator on First Nation capacity building within First nations communities considering the effectiveness of past programs
- 5.2 Consider holding a MIFLAG meeting at a First Nations community
- 7.3.6 Consider developing indicators that assess the progress in the development of SARA management strategies, eg. Red Legged Frog
- 7.3.6 Consider noting in the annual report where NP roads are excluded from the reported data, eg. indicators 1 & 4 don't provide clear evidence that it is only productive forest area being reported.
- 7.3.6 Consider modifying indicator 41 to include other sources of data such as those tracked in ITS.
- 7..3.6 Consider reviewing the draft data set report to ensure reported results are accurate, eg. indicator 10 percentages aren't correct.



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.



3. Description of the DFA

3.1 Geographic Location, Size, Legal Tenure and Defined Forest Area Description (DFA)

Geographic Location:

The DFA is situated on the east central coast of Vancouver Island between Campbell River and the Eve River, encompassing the community of Sayward.

Area of DFA:

The DFA in 2007 was 157,500 hectares of Crown Forest Land and excludes any private land. The majority of the DFA lies within Coastal Western Hemlock zone.

Legal Tenure/Licence Description :

The DFA boundaries at the time of the audit coincide with TFL 39, Block 2.

3.2 Ecological Description of the Defined Forest Area:

The DFA is comprised of the following bio-geoclimatic variants:

- CWHmm1 - 16.7%
- CWHmm2 - 6.4%
- CWHvm1 - 26.0%
- CWHvm2 - 16.8%
- CWHxm2 - 14.7%
- MHmm1 - 17.3%
- AT (unp) - 2.1%

4. Background Description of Auditee and Practices

4.1 Organizational Structure

Western Forest Products Inc., Mid Island Operations manages its operations from its office at Menzies Bay.



4.2 Description of the Mid Island DFA Workforce

Western Forest Products Inc. Mid Island Operations employs staff, hourly crews and contractors to supervise and conduct harvesting, road construction, road maintenance, renewal and tending operations on the DFA. Harvest operations are conducted under approvals issued as part of the operations TFL Management Plan. All staff, company crew and contractors are responsible for conducting forest operations according to unit prescriptions, contract conditions, and Cutting Permits. Operations must fully comply with the Standard Operating Procedures of the Company's EMS and the SFM Plan. The workforce on the DFA is equivalent to 405 full time employees.

4.3 Volume Harvested in 2007 = 748,030 m3 (Full AAC not harvested due to 3 month strike)

Annual Production Target in a full operating year = 1,067,000 m3

4.4 Products Produced & Mills Associated with the DFA Timber

Wood products from the Mid Island DFA supplies several Western Forest Products sawmill facilities:

Chemainus, Alberni Pacific Division, Duke Point, Nanaimo, Cowichan Bay, Ladysmith, Saltair. and various independent specialty mills through WFP's Custom Cutting operation.

4.5 First Nations Traditional Territories and the DFA

The Mid Island DFA has the following First Nation communities within or adjacent to its boundaries, all of which have traditional land within the DFA:

- Tlowitsis Mumtagila First Nation,
- Campbell River First Nation,
- Cape Mudge First Nation,
- Comox First Nation



SECTION 5 - AUDIT FINDINGS:

| Scope # | Scope Description |
|----------------|--|
| 1 | The sustainable forest management system as it applies to Tree Farm License (TFL) 39, Block 2. The forest management activities are harvest planning and harvest operations; transportation of logs; and silviculture. |

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. 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:

Audit Team

| <u>Position</u> | <u>Name</u> |
|-----------------|---------------|
| Team Leader | Nathan Ryant |
| Team Member | William Sloan |

Audit Coverage:

Operations / Cut-Blocks Visited during the field audit include:

- ◆ Shop
- ◆ Dryland Sort
- ◆ 22260 – Spirit Lake 100
- ◆ 22001- Sib 200
- ◆ 22003 - Highway 19
- ◆ Tlowis Lake Rec site
- ◆ Blk 12513 – Yarding, loading, hauling, road construction
- ◆ Blk 22007 Wagon Rd – Loading, hauling
- ◆ Blk 11263 – Yarding
- ◆ Blk 11264 Mem 200 – Road construction
- ◆ KO 1510 Yarding, loading, hauling

Field Indicators Reviewed: 7, 8, 9, 12, 13, 15, 16, 24, 30, 36, 41



Personnel (ie contractors) interviewed in the field: WFP crew, Ted Leroy Trucking, Kurt Leroy Trucking

Office Indicators Reviewed: 1, 2, 4, 5, 6, 10, 11, 19, 20, 21, 23, 25, 26, 41

Members of the public participation process interviewed: Clay Carlson, Sandra Barnes

Comments:

- ◆ The MIFLAG public participation process is a positive process with good company input
- ◆ The company provides the group with good information to support the issues, eg. field trip, films
- ◆ The meeting frequency is appropriate to support the SFM issues
- ◆ There is a good relationship developed and maintained between the group and the company based on trust
- ◆ The company has provided quality people to attend the meetings who take the SFM standard seriously and have not reduced their commitment even though the forest economy is at an all time low.
- ◆ There is a general frustration that the First Nations attendance is poor although efforts to bring them to the table have been made

First Nations Interview: Rod Naknakim (Hamatla Treaty Society)

Comments:

- ◆ First Nations rights have been identified ie. access to the forest resource for homes, clothing, ceremonial and resource needs
- ◆ More access to the timber is needed and we would like a greater say in the harvesting of Cedar
- ◆ MIFLAG process may help in addressing our needs, however, we have the lack of capacity to attend the public process
- ◆ MOU is almost completed regarding the consultation process and the future is positive

Facilitator Interviewed: Ron Frank

Comments:

- ◆ Is familiar with and active in the First Nations issues in the area
- ◆ There is a capacity issue with the First Nations communities
- ◆ Continued meetings with the communities will continue
- ◆ Development of a First Nations indicator on capacity building may help

Provincial Government personnel interviewed: Maddalena Di Iorio Dunn, Compliance and Enforcement Forester, Paul Sackney, Compliance and Enforcement Officer

Summary:

- ◆ The company has a good compliance history with the Ministry of Forests and are good to work with
- ◆ Recent focus has been on revenue and appraisal issues
- ◆ 2 unresolved compliance issues being investigated, (S3 Culvert and blowdown into sensitive area)
- ◆ The company has been responsive to issues identified and have improved their internal quality control measures
- ◆ The company is considered low risk silviculturally
- ◆ Some minor issues with one late FTG date missed, amendment submitted by company



The findings were discussed with Mr. Gary Skabeikis. 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 SFM monitoring report, 2008 draft and current 2006 SFM plan).

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Significant Issues: None Identified

Positive Aspects of the Management System:

- ◆ A very well maintained and effective public participation process
- ◆ An excellent company commitment to the SFM requirements
- ◆ Shop cleanliness, order and commitment by staff towards environmental and compliance issues
- ◆ A very effective SFM website
- ◆ Use of Presto logs to ignite debris piles

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.

Review of Draft 2008 SFMP (not within the scope of this audit):

- ◆ Develop a VOIT table for each CCFM criterion and SFM element to ensure all elements have established values, objectives, indicators and targets
- ◆ Ensure all indicators targets are quantitative, specific, measurable, action oriented, realistic and timebound.
- ◆ Include a monitoring and measurement strategy for each indicator

Note: this was a cursory review and not a full review of the draft plan towards all the requirements of the standard.



Opportunities for Improvement:

Recommendations:

- 5.2 Consider developing an indicator on First Nation capacity building within First nations communities considering the effectiveness of past programs
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System Weakness:

- 7.3.6 Ensure SFM element 6.5.3 has a value associated with the element.
- 7.4.5 Ensure the staff are aware of the IT deficiencies related to the implementation of the new EMS intranet site when accessing the most current procedures.
- 7.5.1.1 Ensure monitoring inspections identify all safety concerns, eg. Blk 111282, RW logs perched over road.

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



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.)

Next Scheduled Audit: May 2009

Date(s): May 4 to May 7, 2009

Type of Audit: Re-Registration

No. of Persons: 2

No. of Audit Days Required: approx. 4 days

A handwritten signature in black ink, appearing to read "Nathan Ryant". The signature is fluid and cursive.

Nathan Ryant
QMI Team Leader

Date: 05/21/2008