

CSA Surveillance Audit

January 19-20, 2009

Tolko Industries Ltd

High Level Lumber Division

Review for HLFAC, February 3, 2009

- 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 Tolko Industries Ltd.'s High Level Lumber Division's woodlands and contract operations on Forest Management Agreement #200040 and Tolko's coniferous timber quotas including the integration of forest planning, harvesting, loading delivery of forest products to a Tolko processing facility as well as silviculture and renewal activities.

Audit Scope

- Tolko's role in the PAC is appreciated for the company's honesty, transparency and ability to work with the group at resolving issues
- Tolko's affiliation with the Dene Nation has an established trust and good working relationship
- Well managed and professional harvesting contractors
- Documented prework meetings done by contractor supervisors with contract crew
- Good drip containment on fuel nozzles
- Contractor training records for suppliers, eg. fuel

Positive Aspects of the Management System

- Use of the EMS to capture incidents, non-conformances and audit findings with the associated CAP's.
- Good description in the SFMP of the Ownership Rights and Responsibilities
- Operations Training Exercise sample questions
- The new implementation of the GPS requirement for feller bunchers.
- The implementation of a divisional management review for divisional specific issues
- Good management commitment to improve

Positive Aspects of the Management System (cont'd)

- Recommendations by the auditor which the company “can” act upon. Not a requirement
- Will be reviewed by auditor prior to re-registration in 2010

Opportunities for Improvement

1. EMS/SFM 4.4.2 Consider adding specific EMS/SFM Awareness Training check boxes to training records denoting the training taken by contractor employees.

- **Explanation:** Even though contractors have complied with providing Awareness Training to their employees, in some cases there is insufficient proof training has been completed.
- **Corrective Action Plan:** Contractors are responsible for all training records. Reminder from Field Supervisor and through annual Contractor Orientation Record.

Opportunities for Improvement

2. EMS/SFM 4.4.6 Consider requiring tailgate meetings to occur at a greater frequency to capture area specific issues on harvest areas.

- **Explanation:** Tailgate meetings occur prior to start of work. In a few cases the auditor noted a great deal of activity is addressed on single Tailgate records. Operational Controls require Company rep to hold Tailgate Meetings, at their discretion, however they “*..are mandatory for blocks when significant environmental concerns or aspects need to be addressed (ie. Pipelines, buffers, nests, etc.)*”
- **Corrective Action Plan:** Company to ensure that internal procedures are being followed. One tailgate may be sufficient depending on environmental concerns.

Opportunities for Improvement

3. EMS/SFM 4.4.7 Consider implementing requirements for operational contractors to include antifreeze spill pads in their spill kits.
 - **Explanation:** Auditor noticed that spill kits only contained oil absorbent pads that are not effective in cleaning up water+antifreeze.
 - **Corrective Action Plan:** Suggestion will be implemented for the 2009/2010 season.

Opportunities for Improvement

4. EMS/SFM 4/7.6 Consider documenting the divisional management review in terms of the meeting minutes associated with discussions that took place during the management review presentation.
 - **Explanation:** No minutes were available, just the presentation that was made.
 - **Corrective Action Plan:** Ensure person is assigned to take minutes.

Opportunities for Improvement

5. 7.3.3 Consider describing the PAC and their roles and responsibilities in addressing the CSA SFM elements under Shared Responsibilities in the SFMP.
 - **Explanation:** Even though the HLFPAC Terms of Reference is included in the SFM Plan, there is a requirement to state the PAC's role under Shared Responsibilities
 - **Corrective Action Plan:** To be updated for the 2009 version.

Opportunities for Improvement

6. Indicator 4 Consider adding the Oil and Gas deletions of Old forest to the analysis of Old forest on the landbase.

- **Explanation:** Company reports what the impact of “forestry” has on old growth area (ha), however auditor suggested that other industry’s are impacting old growth as well.
- **Corrective Action Plan:** To be reviewed during 2009 revision. Company to determine how to quantify.

Opportunities for Improvement

7. Indicator 11 Consider updating the layer data (biological significant areas) periodically to ensure the most current data is available.
 - **Explanation:** Some external sourced data has not been updated for 2-3 years.
 - **Corrective Action Plan:** Request updates from sources and use during planning processes.

Opportunities for Improvement

8. Indicator 17 Consider revising the indicator to account for changing circumstances as opposed to suspending reporting since FFP has ceased operation.

- **Explanation:** Growth and Yield related indicator was temporarily put on hold due to FFP curtailment. Auditor suggesting redo indicator if G&Y program will be delayed.
- **Corrective Action Plan:** To be reviewed during the 2009 revision.

Opportunities for Improvement

9. Indicator 18 Consider removing the + 20% to the variance since increasing harvest areas in compartments can not be done without compartment re-assessments.
- **Explanation:** Related to Spatial Harvest Sequence variance as a measure of impact to water yield. NOT allowed to exceed area proposed for harvest in compartment.
 - **Corrective Action Plan:** To be revised in the 2009 version.

Opportunities for Improvement

10. Indicator 23 Consider showing the trend to decrease the non forested areas on the DFA since the inception of this indicator.

- **Explanation:** Auditor looking for progress as indicator is for 5 year period.
- **Corrective Action Plan:** Add progression table to 2007/2008 annual report.

Opportunities for Improvement

11. Indicator 26 Consider linking the changes to indicator 3 with this indicator or remove the indicator as complete.
 - **Explanation:** Area (location) removed from the landbase for ecological significance and aesthetics in the previous DFMP are the same. Changed wording in one indicator for 2008 version but did not change wording in the other. Auditor suggesting change or eliminate indicator as task is complete.
 - **Corrective Action Plan:** Consider during 2009 revision.

Opportunities for Improvement

12. Indicator 27 Consider revising the wording in the indicator to ensure the target is measurable and the monitoring strategy coincides with the target ie. monitoring talks about providing opportunities and the target talks about incorporating stakeholder needs.

- **Explanation:** How to measure stakeholder involvement in discussions about forest planning and SFM?
- **Corrective Action Plan:** Consider during 2009 revision.

Opportunities for Improvement

13. Indicator 31 Consider revising the target to become measurable in terms of continual improvement.

- **Explanation:** “Mechanisms for public participation / input”. Measure could be # individuals participating, events/staff, quality of event (measured by participants), etc.
- **Corrective Action Plan:** Consider during 2009 revision.

Opportunities for Improvement

- 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. EMS/SFM 4.4.7 Ensure criteria are documented for fueling and servicing of equipment near water bodies, e.g. buncher serviced beside ephemeral stream.
 - **Explanation:** Operational control does not mention fueling away (#meters) from a water body.
 - **Corrective Action Plan:** Revision to occur in operational controls prior to the 2009/2010 season.

Areas of Concern

2. EMS/SFM 4.5.3 Ensure all corrective action plans are generated for incidents and non-conformances and all timelines have been achieved by their due dates. Ensure the root cause analyses are effective at preventing reoccurrences of incidents, e.g. trespasses.
 - **Explanation:** Reoccurring incidents is evidence that the true root cause may not have been adequately determined.
 - **Corrective Action Plan:** (TBD) Discussion is required by Environmental Committee re:potential Root Cause analysis training and the creation of effective Corrective/Preventative Action Plans.

Areas of Concern

3. 7.3.7 Ensure the conclusions drawn in the management review are included in the SFMP. Ensure the links between short term operational plans and the SFMP are documented in the SFMP.
 - **Explanation:** Items within the standard that is not addressed in the current SFM Plan.
 - **Corrective Action Plan:** To be addressed in 2009 revision.

Areas of Concern

4. Indicator 6 Ensure criteria exist to ensure retention targets are met for harvest areas that can be checked for conformance during operations as opposed to waiting until year end analysis are completed.
 - **Explanation:** End of year assessment may be too late to identify any deficiencies in retention.
 - **Corrective Action Plan:** To be addressed in 2009 revision.

Areas of Concern

- “The results of the Surveillance Audit indicate that the Management System of Tolko Industries Ltd. 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.”

Results

- CSA Re-registration audit of Tolko Industries Ltd. (HLLD) Sustainable Forest Management Plan will occur,
 - January 11-14, 2010

Questions?