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Mr. Rick Cooper
Certification Standards Officer
BC Timber Sales
Kamloops Business Area
1265 Dalhousie Drive
Kamloops, BC V2C 5Z5

November 15, 2007

Dear Mr. Cooper:

**Re: ISO 14001 and CSA Z809 (Kamloops and Merritt DFAs) Surveillance Audit A3
Report for BCTS Kamloops Business Area**

Our ISO 14001 and CSA Surveillance Audit Report for BC Timber Sales - Kamloops Business Area is attached. The report documents the results of the audit that took place during the period November 13 – 15, 2007.

As communicated to you in the audit notification letter, you are required to submit corrective action plans to address all identified non-conformities within 30 days of the date of the closing meeting. Upon receipt by KPMG PRI, these will be reviewed to verify that they adequately address the root cause(s) of the non-conformities identified during the audit, and either approved or returned to you for revision.

We value the ongoing working relationship that we have with BC Timber Sales - Kamloops Business Area, and appreciate the assistance provided to the audit team by Company staff and contractors during the audit process.

If you have any questions regarding the results of the audit or what is required in the way of corrective actions, please call me at the phone number listed below.

Yours very truly,

Michael Alexander, RPF, CEA(SFM), EMS(LA)
President
KPMG Performance Registrar
(604) 691-3401

Enc: ISO 14001 and CSA Surveillance Audit Report for BC Timber Sales - Kamloops
Business Area



ISO 14001 and CSA Surveillance Audit Report

BC Timber Sales – Kamloops Business Area (Kamloops and Merritt DFAs)

November 15, 2007

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A. Client Information

Client Name:	BC Timber Sales - Kamloops Business Area
Audit Criteria:	ISO 14001:2004 and CSA Z809/02
Scope of Registration:	<p>ISO 14001 - Forestry operations on Crown forest land including planning and performance on active and completed timber sales as well as EMS conformance by individual participating B.C. Timber Sales licencees, permittees and contractors.</p> <p>CSA Z809 – Kamloops and Merritt DFAs - BC Timber Sales operations within the BCTS Kamloops and Merritt Defined Forest Areas and responsibilities under the Kamloops and Merritt TSA Sustainable Forest Management Plan which covers the entire Kamloops and Merritt Timber Supply Areas.</p>
Client Representative:	Mr. Rick Cooper
Assessment Number:	ISO 14001: #2265.08 CSA Kamloops DFA: #2265.16 CSA Merritt DFA: #2265.17

B. Document Review Findings

This was a limited scope surveillance audit against selected elements of the ISO 14001 and CSA Z809 standard. As such, no formal document review was required in advance of the audit.

C. Audit Details

Type of Audit:	Surveillance audit #3
Date(s) of Surveillance Audit:	November 13 – 15, 2007
Date of Next Assessment:	September 2008
Audit team:	ISO Lead auditor: Kerri Brownie CSA Lead auditor: Michael Alexander
Audit Report Distribution:	BC Timber Sales - Kamloops Business Area KPMG PRI audit files
Audit objective(s):	The objective of the audit was to evaluate the environmental and sustainable forest management system at BC Timber Sales - Kamloops Business Area, its implementation, effectiveness and conformance with the requirements of ISO 14001 and CSA Z809. These objectives were met.

Audit scope:	<p>The scope of the audit included:</p> <p>The elements of ISO 14001 and CSA Z809 outlined in the audit plan.</p> <p>Activities conducted under the Company's management system during the period November 10, 2006 – November 15, 2007.</p> <p>Visits to the following Company operations:</p> <p>Site 1. Kamloops office</p> <p>Site 2. Merritt</p> <p>Site 3. Clearwater</p>
Audit sample size:	<p>Number of field sites visited during the audit:</p> <p>Roads: 6</p> <p>Harvesting: 5</p> <p>Silviculture: 3</p>

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

1. The staff, contractor and licensee awareness of EMS and SFM commitments has improved considerably since the last assessment and the new staff interviewed were also found to be well aware of EMS and SFM requirements.
2. Documentation of most BCTS inspections and monitoring visits reviewed during this assessment for the Merritt and Clearwater field teams was exemplary.
3. A high level of protection of riparian features was evident in the harvest blocks and roads visited during this assessment.
4. The field practices observed during this assessment were found to be very good.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were a total of 9 open non-conformities from previous audits. The audit team reviewed the implementation of the action plans developed by BC Timber Sales - Kamloops Business Area to address these issues, and found that 8 of them had been effectively implemented. As a result, these non-conformities have now been closed. At the time of this assessment, although some progress has been made, the action plan to address 2265.8-NC-EMS-A2/2265.8-NC-SFM-A2-03 has not yet been completely implemented and this non-conformity therefore remains open. Please see the comments on each of these non-conformities attached to this audit report.

Major non-conformities

No major non-conformities were identified during the audit.

Minor non-conformities

The following minor non-conformity was identified during the audit:

1. **Minor non-conformity:** 2265.16/2265.17-NC-A3-01

Standard/Element(s): CSA Z809/5.3.1 Basic Operating Rules

Client Procedure: SFM Advisory Group Terms of Reference

CSA Z809 element 5.3.1 requires the organization to demonstrate that the public process works according to clearly defined rules and that the participants have agreed to the public participation process operating rules.

While the Kamloops and Merritt TSA SFM Advisory Group Terms of Reference (TOR) – revised November 2006 and Dec 2006 respectively - still include all of the content required by Z809 but there was no evidence which indicated that these new TOR have been approved by the respective advisory groups (however it was noted that the new Kamloops TOR was discussed at the PAG meeting of November 30, 2006 as indicated in the minutes of this meeting).

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement:** 2265.8-OFI-EMS-A3/2265.17-OFI-SFM-A3-01

Standard/Element(s): ISO 14001/4.5.4 Control of Records/CSA Z809/7.5.3 Records

Client Procedure: EOP 2 Licensee and Permittee Operations

While our audit determined that records were generally found to have been completed and maintained as required, the Hornet-Mystery road construction project final inspection dated December 29, 2006 did not adequately document the inspection performed (all check boxes left blank). The project works however, appeared to have been adequately performed.

2. **Opportunity for improvement:** 2265.8-OFI-EMS-A3/2265.8-OFI-SFM-A3-02

Standard/Element(s): ISO 14001/4.4.7 and CSA Z809-02/7.4.7
Emergency Preparedness & Response

Client Procedure: BCTS Fuel Management Guide

Field site visits to active road and harvest operations in the Merritt and Clearwater field units found that, in general, emergency preparedness was appropriate. However, the following isolated weaknesses were identified:

- spill kits on machinery and pick-up trucks with tidy tanks were missing grey pads or other material for addressing spills of water based chemicals (EN08TEE009, A80420-64N);

- a tidy tank in a pick-up truck was not securely mounted (A80420-64N), and;
- a large stationary fuel tank (>3000 litres) did not have collision protection (A80420-64P).

Audit conclusions

The audit found that BCTS Kamloops' environmental and sustainable forest management system:

- Was in full conformance with the requirements of the ISO 14001 and CSA Z809 requirements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included within the Company's environmental and SFM policy, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the audit team to recommend that BCTS – Kamloops Business Area continue to be registered to the ISO 14001 and CSA Z809 standard.

Our assessment by its nature is a sample and is not intended to be as comprehensive as your internal audit. It is possible for nonconforming issues to remain undetected. Our next assessment will verify that your internal audits have continued to operate as the primary mechanism to ensure that your management system remains effectively implemented and continues to improve.

E. Corrective Action Plans

Written corrective action plans that are designed to address the root causes of all identified non-conformities are required within 30 days of the closing meeting. These will be reviewed by KPMG PRI for adequacy, and either approved or returned for revision.

A template for BC Timber Sales - Kamloops Business Area to develop the required corrective action plans will be provided to you for this purpose. Please complete the appropriate section of this template and e-mail your proposed corrective actions to the KPMG PRI lead auditor for review.

F. Focus Areas for Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

1. The next assessment will be a re-registration assessment for the existing ISO 14001 and CSA Z809 certifications and therefore will include all standard elements.
2. Lillooet and 100 Mile House operating areas.