



Project No. 008923-13

November 5, 2009

Mr. Brian Drobe, RPF
Weyerhaeuser Company Limited
Princeton Timberlands
P.O. Box 550
Princeton, British Columbia
CAN, V0X 1W0

SUBJECT: REGISTRATION PROGRAM

Dear Mr. Drobe,

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 Princeton Timberlands on November 03 to 04, 2009.

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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nathan Ryant, RPF
QMI-SAI Global Team Leader
Encls.

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CONFIDENTIAL

SUSTAINABLE FOREST MANAGEMENT SYSTEM

AUDIT REPORT CAN/CSA-Z809-2002

Auditee: Weyerhaeuser Company Limited
Address: Old Hedley Road P.O. Box 550
Princeton British Columbia
CAN V0X 1W0

Contact: Mr. Brian Drobe
Date(s) of Audit: November 03, 2009 to November 04, 2009
Audit Team Leader: Nathan Ryant
Type of Audit: 24 Month Surveillance Audit
Audit Frequency: 12 Months
SIC / NACE Code: 2411 0811 0851/A02.0 A02.0 A02.0

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REPORT DISTRIBUTION

Weyerhaeuser Company Limited
QMI-SAI Global File
Nathan Ryant

Statement of Confidentiality

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SECTION 1 - EXECUTIVE SUMMARY

Scope #	Scope Description
1	The sustainable forest management requirements as they apply to the Defined Forest Area (DFA). The DFA consists of Tree Farm License (TFL 59), Forest License FL A18674 and Forest License FL A18970 in the Okanagan and Boundary and Arrow Timber Supply Areas.

Site:

Weyerhaeuser Company Limited
 Old Hedley Road
 P.O. Box 550
 Princeton
 British Columbia
 CAN, V0X 1W0

Summary of Audit Findings: There was 1 Area of Concern noted during the audit and numerous Opportunities for Improvement.

Recommendation: Continued certification to the CAN/CSA Z809-2002 standard.

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.

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

Geographic Location:

The Defined Forest Area (DFA) for Weyerhaeuser’s operations in Okanagan Falls is located in the Okanagan, Boundary and Arrow Timber Supply Areas (TSA).

Area of DFA:

The total area of the DFA is 1,154,872 hectares of which Weyerhaeuser Okanagan Forestlands has 198,653 hectares. Weyerhaeuser’s land classification and distribution is as follows;

- | | |
|--|------------|
| • Parks/protected areas & Old Growth Management Areas (approved study areas / areas of interest) | 19,251 ha |
| • Streams, wetlands, lakes | 2,716 ha |
| • Non-contributing forest (deciduous, problem forest type, ESAs, inoperable, NP, NPBR) | 24,723 ha |
| • Non Forest Land (alpine, rock, open range) | 6,310 ha |
| • Timber Harvesting Land Base | 145,653 ha |



Forest Types:

The DFA has forests with a mix of age classes and species types (Figures 1 - 4). The distribution of age classes is weighed slightly towards trees 140 to 250 years of age (30 percent of all forests). Coniferous tree species comprise 96 percent of the forest types.

Species Composition:

- Lodgepole and ponderosa pine – 40%
- Douglas fir – 22%
- Balsam – 13%
- Spruce – 13%
- Cedar / hemlock – 6%
- Larch – 3%
- Deciduous – 3%

Legal Tenure / Licence Description:

The DFA within Weyerhaeuser's traditional operating areas in the Okanagan and Boundary TSAs, includes Tree Farm License (TFL) 35 and Forest Licenses (FL) A18674, and A18970. The DFA within Tolko's traditional operating areas in the Okanagan and Arrow TSAs includes TFL 49, FLs A18632, A18667, A18672, A20191, and A74912, Timber Licence T0816 and FLTC A76247. FL A18632 is managed by Tolko on behalf of the licensee, Selkirk Timber Company. A portion of Bell Pole Company Ltd's FL A18666, which is managed by Tolko, is also included in the DFA. The DFA within Gorman Bros. traditional operating area in the Okanagan TSA includes FL A18671. These replaceable licenses give the licensees the authority to harvest trees and construct roads along with the responsibility for forest planning, reforestation and road maintenance. The DFA also includes other Crown lands with the exception of Woodlot Licenses. Private land is also excluded from the DFA. In addition to the listed licences, there may be other licences that operate within the DFA through such mechanisms as Non-Replaceable Forest Licences or Section 18 transfers. Annual reporting will occur for these licences where they are under the control of Weyerhaeuser, Tolko, or Gorman Bros., or where the Ministry of Forests and Range has included the requirement for reporting in the licence document.

SECTION 4 - ORGANIZATION:

Description of the DFA Workforce:

The workforce is made up of unionized employees, self employed contractors/owner operators, non unionized employees, and Professional Engineers, Geoscientists and Foresters employed as employees and as consulting contractors.

AAC Determination Process:

In setting an AAC, the Chief Forester considers information such as biodiversity, wildlife, and the social impacts of changes to timber supply including:



- the rate of timber production that may be sustained from the area;
- the short- and long-term implications to the province of alternative rates of timber harvesting from the area;
- constraints on the amount of timber produced from the area due to use of the forest for purposes other than timber production;
- the nature, production capabilities and timber requirements of established and proposed processing facilities;
- the economic and social objectives of the Crown, for the area, the region and the province, as expressed by the Minister of Forests; and,
- abnormal insect or disease infestations and major salvage programs planned for the area.

Ultimately the Chief Forester's AAC determination is based on independent professional judgment.

Harvest Volume in 2008: 62,950 m³

Products Produced and Mill Associated with the DFA Timber:

Logs harvested from the Okanagan Defined Forest area are shipped primarily to the company mill in Princeton for the manufacture of dimension lumber. Residual chips and sawdust are used in the manufacture of pulp.

First Nations Consultation Process:

First Nations have chosen to limit their participation in the process, but have been and continue to be kept advised throughout Plan development. The Westbank First Nations indicated in 2009 that they wish to be involved with the Public Advisory Group. Increased Government agency and First Nations participation in the maintenance of the SFM Plan would lead to a stronger and more inclusive plan. Weyerhaeuser Princeton Timberland Operations maintain an ongoing system of referrals for the purpose of development plan reviews and Archeological assessments.



SECTION 5 - AUDIT FINDINGS:

Scope #	Scope Description
1	The sustainable forest management requirements as they apply to the Defined Forest Area (DFA). The DFA consists of Tree Farm License (TFL 59), Forest License FL A18674 and Forest License FL A18970 in the Okanagan and Boundary and Arrow Timber Supply Areas.

Audit Criteria: CSA Z809:2002

Description of QMI-SAI Global and the QMI-SAI Global Audit Team:

Quality Management Institute (QMI-SAI Global) is a third party management system certification Registrar. QMI-SAI Global is a Division of the CSA Group. Established in 1984, QMI-SAI Global 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-SAI Global 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, RPF
Team Member	William Sloan, RFT

Audit Coverage:

Cut-Blocks Visited during the field audit include:

- CP 427 BLK CAM015 Recent Harvest Complete
- CP 427 BLK CAM019 Recent Harvest Complete
- CP 402 BLK 7 Plantation
- MIRA FSR S3 Stream Crossing Installation
- CP 124 KLO 006 Harvest Complete
- CP 124 KLO 004 Active Harvest
- CP 124 S3 Stream Crossing Installation



Operations / Contractor interviewed in the field:

Ken Hardy Contracting: Active Harvest on CP 124 KLO 004

Office Indicators Reviewed: 1, 3, 7, 8, 9, 10, 14, 16, 17, 18, 20, 21, 22, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34 and 35.

Field Indicators Reviewed: 4, 5, 6, 7, 11, 12, 13, 16 and 19.

Members of the public participation process interviewed: Mr. Ed Sims, Mr. Karl Wabnegger and Mr. Mike Watkins.

Summary:

- Weyerhaeuser has provided the group with good information backing up the issues.
- Good specialists are brought in to support issues when needed.
- The groups concerns are listened to and good responses provided.
- First Nations participation continues to be weak.
- The group represents the interests and the stakeholders of the community.
- Access management is still a concern and the indicator that exists could be expanded upon.
- May want an indicator developed around prioritizing blowdown for harvest.
- The group did not recall an invitation to participate in the QMI field audit.

Provincial Government personnel interviewed: Not available for interview, however, a recent C&E report was received and reviewed.

Summary:

Weyerhaeuser's operations in the Okanagan DFA was found to be in full compliance to the legislative requirements.

The findings were discussed with Mr. Brian Drobe. The Audit Team Leader commenced the closing meeting by thanking the Weyerhaeuser Company Limited 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-SAI Global Audit Team recorded the following audit results:

Documentation Review:

The audit team reviewed the SFM documentation (2008 SFM monitoring report, 2008 SFM plan and 2009 addendum) and SFM records.



Non-conformances:

None identified

Status of any previously recorded non-conformances (NCRs)

No previously recorded or outstanding NCRs.

Significant Issues:

None identified

2008 Areas of Concerns

Verified as complete and closed

Positive Aspects of the Management System:

1. Good use and closure of the incident reports and corrective and preventative actions.
2. Good documentation of corrective and preventative actions related to the QMI findings from 2008.
3. Good self reporting of incidents to the MOF.
4. PAG membership had positive comments related to Weyco representatives on both PAG's.
5. Good business relationship developed with USIB First Nations.
6. Tracking process for communications was found to be very effective and useful for managing communications and reporting as required.
7. Use of the referral clearance tracker for managing First Nations referrals and contacts.

Effectiveness of the Internal Audit System:

The annual internal audit was performed according to the Weyerhaeuser Company Limited corporate procedures and effective.

Opportunities for Improvement:

Areas of Concern (AOC):

7.3.6.1 Performance Requirements: The audit found that the reporting requirements as outlined in the SFM Plan Reporting Format, Appendix 3 of the SFMP, are not consistent with the annual reporting requirements as described in the Indicators. For example:

Indictors 18, 21, 30 and 32 have different or missing annual reporting requirements when compared to the Indicator requirements; Ind 24 Spills: The reporting summary does not require reporting follow up actions as required in the Indicator.

Ensure that the reporting expectations of the Indicators are consistent through the indicator and annual reporting.



Recommendations:

5.2 Interested Parties: Consider reviewing the PAG listing of the membership at least annually and document the changes to ensure currency of the list.

7.4.5 Document Control: Consider eliminating access to the old 2006 incident report forms to avoid their use, eg. 2 spills reported using the old forms.

7.4.1 Structure and Responsibility: The audit found some indicator responsibilities were not documented correctly or were not being conducted by the documented person. Consider reviewing the responsibilities for indicators and revising to conform to the actual process in place.

7.4.1 Structure and Responsibility: For Indicator 25, harvest levels, consider aligning the reporting between the Okanagan SFM and Merritt SFM Indicator 18 so that one person and system is used rather the multiple systems now in use.

7.4.6 Operational Control: Consider installing logs on the edges of the road above the new S3 crossing on the Mira FSR to control the sediment from entering the stream.

7.5.1.1 Monitoring and Measurement: Consider checking all vehicles on the harvest areas for compliance to TDG requirements. The audit found one vehicle with a non spec tank greater than 100 gallons did not have a annual inspection labelled on the tank.

7.3.6.1 Setting DFA Specific Performance Requirements
Indicator 8 & 10: Consider revising the reporting frequency to correlate with the TSR updates.

Indicator 9: Consider checking the reporting data before submitting the monitoring report. The audit found that a non-conformance to the target was reported when in actuality the company had met the target requirements.

Indicator 10: Consider revising the reporting to reflect only the DFA of the SFMP, not the Okanagan TSA. The audit noted that a portion of the DFA is in fact outside of the TSA; and that the TSA is not fully covered by the DFA. This results in a disconnect between the SFMP and what is being reported.

Indicator 28: Currently, the annual report only shows total number of stakeholders. Weyerhaeuser reported 17 meetings; the audit found this included First Nations, ranchers, recreation groups and property owners. Consider providing a breakdown by type to better show the diversity of the meetings being held.

Indicator 16: Consider increasing the target for regenerating stands within 2 growing seasons from the 70% target since the group is averaging 92% and Weyco is above 99%.



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 Weyerhaeuser Company Limited 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: Nov. 1-3, 2009

Date(s): Nov. 1-3, 2009

Type of Audit: Re-assessment

No. of Persons: 2

No. of Audit Days Required: 3

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Nathan Ryant
QMI-SAI Global Team Leader

Date: 11/05/2009