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Richard Cooper
Certification Standards Officer
Kamloops Timber Sales Office
BC Timber Sales
1265 Dalhousie Drive
Kamloops, BC V2C 5Z5

October 10, 2008

Dear Rick:

**Re: ISO 14001 and CSA Re-registration Audit for
BC Timber Sales, Kamloops Business Area**

Our ISO 14001 and CSA Re-registration Audit and SFI Pre-Assessment Report for BC Timber Sales, Kamloops Business Area is attached. The report documents the results of the audit that took place during the period October 6 – 10, 2008

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,

Sylvi D. Holmsen, RPF, CA, CEA(SFM)
Senior Systems Assessor
KPMG Performance Registrar Inc.
604-691-3431

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



ISO 14001 and CSA Z809 Re-Registration Audit

for

BC Timber Sales, Kamloops Business Area

October 10, 2008

The information in this audit report is confidential and may be legally privileged. It is intended solely for the use of the intended recipient, BC Timber Sales, Kamloops Business Area. Access to this audit report by anyone else is unauthorized. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful. Any opinions contained in this audit report are subject to the terms and conditions expressed in the governing KPMG PRI client engagement contract.



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A. Client Information

Client Name:	BC Timber Sales, Kamloops Business Area
Audit Criteria:	ISO 14001:2004 CSA Z809:2002
Scope of Registration:	<p>ISO 14001: Kamloops Business Area 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: Kamloops TSA BC Timber Sales operations within the BCTS Kamloops Defined Forest Area and responsibilities under the Kamloops TSA Sustainable Forest Management Plan which covers the entire Kamloops Timber Supply Area.</p> <p>CSA: Merritt TSA BC Timber Sales operations within the BCTS Merritt Defined Forest Area and responsibilities under the Merritt TSA Sustainable Forest Management Plan which covers the entire Merritt Timber Supply Area.</p>
Client Representative:	Richard Cooper, Certification Standards Officer
Assessment Number:	ISO 14001: #2265.08 CSA Kamloops TSA: #2265.16 CSA Merritt TSA: #2265.17

B. Document Review Findings

The document review did not identify any non-conformities with the requirements of ISO 14001 and CSA Z809. As a result, no corrective actions were required prior to the registration audit taking place.

C. Audit Details

Type of Audit:	Re-Registration audit
Date(s) of Document Review:	September 8 – 12, 2008
Date(s) of Audit:	October 6 – 10, 2008
Date of Next Assessment:	September / October 2009
Audit team:	Lead auditor (ISO 14001): Dennis Lozinsky Lead auditor (CSA): Sylvi Holmsen Audit team members: John Phillips

Audit Report Distribution:	BC Timber Sales, Kamloops Business Area KPMG PRI audit files
Audit objective(s):	The objective(s) 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 objective(s) were met.
Audit scope:	The scope of the audit included: The elements of ISO 14001 and CSA Z809 outlined in the audit plan. Activities conducted under the Company’s management system during the period October 17, 2007 – October 10, 2008. Visits to the following Company operations: Site 1. Kamloops Site 2. Merritt Site 3. 100 Mile House
Audit sample size:	Number of field sites visited during the audit: Roads: 8 Harvesting: 11 Silviculture: 4

D. Audit Findings

Good Practices

The following good practices were noted during the audit:

1. PAG meeting minutes well documented to reflect detailed discussion of indicators and status of targets.
2. Grass seeding exposed soil on deactivated and rehabilitated areas with a mixture of native grasses to minimize surface erosion and protect against “invasive plants”.
3. The proactive approach being taken by this Business Area to try to resolve issues relative to seed transfer, seed and seedling availability.
4. Publication of the Selected Species at Risk in Kamloops BCTS Business Area; the guide was developed to assist field personnel and contractors with the identification of key species and plant communities.

Follow-up on open non-conformities from previous audits

At the time of this assessment there were a total of 1 open non-conformity 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 they had been effectively implemented. As a result, all of the non-conformities identified during previous audits have now been closed.

Major non-conformities

No major non-conformities were identified during the audit.

Minor non-conformities

No minor non-conformities were identified during the audit.

Opportunities for improvement

The following opportunities for improvement were identified during the audit:

1. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-01
Standard/Element(s): ISO 14001: Element 4.6
CSA Z809-02: Element 7.4.6
Client Procedure: Management Review, EMS Manual Chapter 18
Operation: Timber Sales Office

A review of the management review minutes indicated that there is no description of the discussion related to external communications. As a result, it is not possible to determine if these were discussed at the management review, or if there were no external communications.

2. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-02
Standard/Element(s): ISO 14001: Element 4.5.5
CSA Z809-02: Element 7.5.4
Client Procedure: Internal Audit, EMS Manual Chapter 17
Operation: Timber Sales Office

The operation has recently switched from doing full scope internal audits to completing limited scope audits with focus on specific subject areas and has plans to make further revisions to the internal audit program. However, there is no documentation describing the audit programme and demonstrating how elements of the EMS and SFMS will be covered off within a reasonable period of time. Because the complexity of the programme is increasing, there is a risk that some elements of the management systems or BCTS activities may not be audited at a frequency commensurate with the related risk.

3. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-03

Standard/Element(s): ISO 14001: Element 4.4.5
CSA Z809-02: Element 7.4.5
Client Procedure: Document Control
Operation: Timber Sales Office

The BCTS external website still refers to the BCTS SFMP as a subset of the TSA level SFM Plans. However, elements of this plan have been rolled into the monitoring procedures and the BCTS SFMP is obsolete.

4. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-04

Standard/Element(s): ISO 14001: Element 4.5.5
CSA Z809-02: Element 7.5.4
Client Procedure: Internal Audit, Roles and Responsibility
Operation: Timber Sales Office

An opportunity for improvement was identified in relation to the selection of team leaders for the internal audit. The audit identified that the current team leader for the BAs internal audits has been doing consulting work for the business area, working closely with the 100 Mile House team to pull together the SFI program. While his actual role is not clearly described or documented, there is a risk that his independence as an auditor will be compromised.

5. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-05

Standard/Element(s): CSA Z809-02: Element 7.3.6
Client Procedure: Kamloops TSA SFMP
Operation: Kamloops TSA

A review of the suite of SFMP indicators and targets identified the following areas for improvement:

- Indicator 8 (SAR) – Although the operation is reflecting consideration of a wide range of SAR in their planning (i.e., using the SAR database) the target underlying this indicator restricts consideration to red-listed species and SFMP App. 2 reflects IWMS 04' species.
- Indicator 10 (% of harvested areas in permanent access structures) – The 6% target appears to be set too high given the level of achievement in 2003-07 and, because it is restricted to measuring within block permanent access structures (PAS), there is no associated indicator / target measuring the conversion of the DFA to PAS outside cutblocks.
- Indicator 14 (Number of months for road cut and fill slope seeding application) – The 12 month target appears to be set too high given the level of achievement in 2003-07.
- Indicator 15 (% of permanent status roads tha have maintenance completed) – Although the SFMP has been updated, the plan still indicates that base line for this indicator will be established with the 2006 monitoring report results.
- Indicator 16 (Level of participation in the annual reporting of results) – The indicator and the target do not specify who is participating.

- Indicator 21 (MAI) – Target restricted to measuring MAI for Lodgepole pine and as the monitoring data is based on 2001 TSR information it is not reflective of current MPB conditions.
- Indicator 22 (Forest age class distribution) – There appears to be no historical natural disturbance basis to this target (i.e., progressing towards a forest with evenly represented age classes) and likely does not reconcile with a number of the biodiversity-based targets or what could reasonably be accomplished on the DFA given the current MPB epidemic.
- Indicators supporting Element 3.2 (Water quality and quantity) – Although the suite of indicators and targets adequately cover this Element at the stand-level, there are no indicators and targets associated with this Element that relate to higher level hydrological analyses or overall measures of watershed health (i.e., desired states of water quality and peak flows in watersheds).

6. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-06

Standard/Element(s): CSA Z809-02: Element 7.3.6.8

Client Procedure: Kamloops TSA SFMP Monitoring Reports

Operation: Kamloops TSA

A review of the Kamloops TSA SFMP monitoring report identified the following areas where its value as a communication tool could have been improved upon:

- Indicator 11 (Annual harvest level) – while the licensees have harvested within the cut control requirements, there has been a significant decline in harvest levels from 2005 to 2007, however, there is no commentary on this decline.
- Indicator 12 (Incorporation of traditional knowledge, etc. in forest planning) – No elaboration on the nature of FN consultation.
- Indicator 14 (Number of months for road cut and fill slope seeding application) – No commentary on why the length of time is trending higher over the 5 years.
- Indicator 17 (Number of registrations to a recognized third party certification) – Including PEFC Chain of Custody is misleading as the SFMP links this indicator to certification of practices
- Indicator 19 (% of affected ranchers with whom forest planning is discussed) – Nature of rancher issues not specified.

NB – Some of the above issues were also identified by PAG members in recent PAG meetings.

7. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-07

Standard/Element(s): CSA Z809-02: Element 7.3.6.8

Client Procedure: SFMP monitoring Reports

Operation: Kamloops and Merritt

A review of the Kamloops and Merritt TSA SFMP Monitoring Reports identified the following opportunity for improvement:

- Where targets have not been met or there have been negative changes in the current status of the indicator, there is limited commentary related to the root cause and no actions identified to address the shortfall.

8. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-08

Standard/Element(s): CSA Z809-02: Element 7.3.6

Client Procedure: Merritt TSA SFMP

Operation: Merritt

A review of the suite of Merritt SFMP indicators and targets identified the following areas for improvement:

- Indicators supporting Element 1.2 (Species Diversity) – Although the operation is reflecting consideration of a wide range of SAR in their planning (i.e., using the SAR database and field guides) there is no indicator addressing species at risk.
- Indicator 12 (% of harvested areas in permanent access structures) – The 6% target appears to be set too high given the level of achievement in 2003-07 and because it is restricted to measuring within block PAS there is no associated indicator / target measuring the conversion of the DFA to PAS outside cutblocks.
- Indicator 32 (Number of months for road cut and fill slope seeding application) – The 12 month target appears to be set too high given the level of achievement in 2007.
- Indicator 34 (Forest age class distribution) – There appears to be no historical natural disturbance basis to this target (i.e., progressing towards a forest with evenly represented age classes) and likely does not reconcile with a number of the biodiversity-based targets or what could reasonably be accomplished on the DFA given the current MPB epidemic.
- Indicator 36 (MAI) – Target restricted to measuring MAI for Lodgepole pine.
- Indicators supporting Element 3.2 (Water quality and quantity) – Although the suite of indicators and targets adequately cover this Element at the stand-level, there are no indicators and targets associated with this Element that relate to higher level hydrological analyses or overall measures of watershed health (i.e., desired states of water quality and peak flows in watersheds).

9. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-09

Standard/Element(s): CSA Z809-02: Element 7.3.6.8

Client Procedure: Merritt TSA SFMP Monitoring Report

Operation: Merritt

A review of the monitoring report identified the following areas where its value as a communication tool could have been improved upon:

- There is a lack of trending information to provide context to the status of some of the indicators.
- Indicator 32 (Grass seeding) – The assessment results address roads that were grass seeded, but not those roads that were planned for grass seeding but not seeded.
- Indicator 25 (Number of FN consultation meetings) – No elaboration on the nature of FN consultation.
- Indicator 36 (MAI) – Not clear from the report if the target of maintaining the MAI for lodgepole pine was achieved, as there is no comparison of the results with the target.

10. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-10

Standard/Element(s): CSA Z809-02: Element 7.3.6
Client Procedure: Kamloops TSA SFMP Monitoring Report
Operation: Kamloops

Review of the PAG minutes for 2008 found that the committee continues to be involved in: (1) SFM plan monitoring, and (2) identifying required revisions to VOITs. However, certain sections of the SFM plan are becoming dated (e.g., indicator 3 includes an outdated target of full compliance with the FPC and the Kamloops LRMP mountain caribou strategy, both of which are outdated).

11. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-11

Standard/Element(s): ISO 14001: Element 4.4.7
CSA Z809 Element: 7.4.7
Client Procedure: EFP-06 Fuel Handling, Emergency Spill Response Manual
Operation: Kamloops, Merritt, 100 MH

Field site visits to active road and harvest operations in the Merritt, 100 MH and Kamloops 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;
- some inspections tags with either missing, out-of-date, fire extinguisher missing and extinguishers not charged (MFT A80203 & A79795, KFT A78881, 100 MHFT A69942, and;
- small tidy tanks on pick-up trucks missing product labels as describe in BCTS Fuel Handling Guidelines, (100 MH A69942).

12. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-12

Standard/Element(s): ISO 14001: Element 4.4.6
CSA Z809-02 Element 7.4.6
Client Procedure: EFP 04, EFP 02
Operation: Kamloops, Merritt, 100 MH

Field site visits of operations in general showed good results through implementation of operational controls, however the audit found isolated weakness in the follow areas:

- culverts being used for cross drains were improperly installed, and/or maintained, A 82315, 74838, and 81704.
- licensee employees lacked appropriate EFPs for their activities A69942.

13. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-13

Standard/Element(s): ISO 14001: Element 4.4.6
CSA Z809-02 Element 7.4.6

Client Procedure: Operational Controls

Operation: All

The audit identified an opportunity for the BCTS TKA to clarify its Coarse Woody Debris strategy. For example: the amount/ha to achieve objectives and the type and size of material to be counted.

14. **Opportunity for improvement:** 2265.08/2265.16/2265.17-OFI-R2-14

Standard/Element(s): ISO 14001: Element 4.4.2
CSA Z809-02 Element 7.4.2

Client Procedure: Competence, training and awareness

Operation: All Field teams

Interviews with BCTS staff, licensee supervisors and operators found that in general there was an adequate level of awareness of applicable Environmental Management System, site plan, and inspection procedure and map requirements. However, opportunities for improvement were identified in relation to:

- BCTS staff awareness of Project Risk Ratings determination of inspection frequency.
- BCTS and Licensee/contractors awareness regarding required content for spill kits.
- Contractor supervisors and feller buncher operator awareness about species at risk.
- Annual S100 training was deficient or not documented for one contractor at (A69942 & A82375).

The audit found that BC Timber Sales, Kamloops Business Area's environmental and sustainable forest management systems:

- Were in full conformance with the requirements of the ISO 14001 and CSA Z809 elements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Are 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 lead auditor/audit team to recommend that BC Timber Sales, Kamloops Business Area continue to be registered to the ISO 14001 and CSA Z809 standards.

Once we have received and approved any required corrective action plans, the registration file will be subject to a KPMG Independent Technical Review as required by our accreditation. Provided the Independent Technical Reviewer approves the recommendation, BC Timber Sales, Kamloops Business Area will receive a registration certificate in approximately 4 weeks from the date of corrective action plan approval.

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. Continued progress towards addressing impacts of the MPB epidemic.
2. Reflection of new SARCO caribou recovery strategy (GAR) in the Kamloops FSP and SFMP and implementation of new requirements.
3. Any areas of increasing public debate or elevated environmental risk identified at the audit planning stage.
4. Any changes to the organization's activities, operations, forest practices and management systems.
5. Any new requirements with respect to the standards.
6. Any significant changes in regulatory requirements.
7. Review of site plans, prescribed and species/stock type relevant to actual planting reports.
8. Mechanism for results of emergency response testing to feed back into the EMS.