

Tolko Industries Ltd.

Internal Compliance Audit

(Summary of audit report)

Manitoba Woodlands

March and April, 2010

Manitoba Woodlands procedures and practices were reviewed for compliance with legislation and evidence of compliance monitoring by Oxalis Ecological Services. The auditor reviewed Manitoba Woodlands higher level and operational plans and observed how these plans were carried out in the field. The intent of the internal audit was to fulfill a commitment for a review of the Division's compliance with legislated responsibilities.

Audit Protocol

The compliance auditor used a list of protocols as a guide through the inquiry. These protocols were based on pertinent sections of forest management, environment, and safety legislation and were tested against the Division's performance. The protocol included a review of the **Planning, Operations and Maintenance** aspects of the business.

Good Management Practices:

The conclusions of the internal audit were most favorable for Manitoba Woodlands. The organization of responsibilities and the vast experience of staff was clearly demonstrated in all aspects of the business.

The company has a number of positive measures for monitoring compliance:

EMS programs (Environment Licence monitoring), operations inspections, periodic safety field inspections, RTAC weight monitoring, road and water crossing monitoring but consistency to the programs has waned in 2009. Operations inspections program could be improved in frequency and follow-up on instructions given to contractors.

The company has developed several methods for respecting other resources users and values; standard public consultations, public concerns table, pre-harvest investigations and executive block summaries. These values are tracked and follow-up is evident.

The company has best management practices in place for all aspects of operations.

The company's safety plan is thorough for bush activities.

Contractors' safe work procedures are also thorough but some other hazards should be evaluated.

Recommendations

Generally all of the operations reviewed were in compliance with legislated requirements. The following recommendations are suggested for consideration in the continuous improvement process:

Areas of Concern:

- Ensure that contractors have approved on-site waste management systems.
- Ensure copies of the camp permits are on-site.
- Ensure all employees are aware of location of first aid kit in the Woodlands office.
- Ensure that the hazards encountered by scalers are covered by safe work procedures.
- Ensure that there is a process to protect ephemeral streams when they have been identified in the field as per the requirements of Forest Management Guidelines for Riparian Management Areas.
- Ensure that contractors are aware of all training that is required by legislation and that they maintain records of said training.
- Ensure that contractors are aware that they are to provide personal first aid kits for employees working alone.
- Ensure that there is documentation of the extension for the Forest Management Plan.
- Ensure flagging of all boundaries where different interpretation of inoperable wood that can result in trespasses.
- Ensure company MSDS are updated.

Opportunities for Improvement:

- Consider developing a guideline on frequency of inspections based on size and/or duration of operation. Consider a requirement for follow-up when instructions have been left with a contractor.
- Consider developing a monitoring process for buffer compliance for herbicide program.
- Consider implementing a consistent filing system of completed Transportation of Dangerous Goods manifests.
- Consider assessing periodic safety field inspections and operation inspections as a means of achieving EMS/ CSA requirement (4.5.2 and 7.5.1 (c)) for periodically evaluating compliance with relevant legislation and regulations.
- Consider developing a process so that the feller buncher operator is working from a photograph that has approval signatures
- Consider continued use of the electronic tracking system for road inspections.

- Consider preparation of a 2009 annual report of road inspections as per company guidelines.
- Consider reviewing the Environment Licence monitoring system for completeness