



# REPORT Forest Certification



## Atco Wood Products Ltd. SFI Certification Audit – June 2007

On January 3, 2007, the assets of Atco Lumber Ltd. were purchased by Atco Wood Products Ltd. (Atco). Included with the transfer of assets was the transfer for management for Forest Licences A20193 and A20218. In June 2007, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out the first SFI surveillance audit of the Atco woodlands operations on Forest Licences A20193 and A20218 in south central British Columbia against the requirements of the 2005 - 2009 edition of the Sustainable Forestry Initiative® (SFI) standard. To provide for a more efficient audit, an ISO 14001 surveillance audit was conducted at the same time. This Certification Summary Report provides an overview of the process and KPMG's findings.

### Description of Atco's Crown Land Forest Operations:

Atco's crown land woodlands operations are situated in south central British Columbia (B.C.), Canada. These operations currently comprise crown forest licences FL A20193 in the Arrow Timber Supply Area (TSA) and FL A20218 in the Kootenay Lake TSA which are part of the Southern Interior Forest Region of B.C.

Four statutes form the legal framework for forest management on Crown lands in B.C.: the Forest Act, the Forest Practices Code of British Columbia Act, the Ministry of the Forests Act, and the Forest and Range Practices Act (FRPA). Numerous other provincial and federal acts, regulations, guidelines and policies also have implications for forestry operations on Crown lands. Replaceable forest licences in B.C. are tenures granted by the B.C. Minister of Forests under the authority of the Forest Act. The allowable annual cut (AAC) of each timber supply area (TSA) is determined by the provincial chief forester, at least once every 5 years, under authority of Section 8 of the Forest Act. The AAC for FL A20193 is 151,627 m<sup>3</sup> and for FL A20218 is 20,167 m<sup>3</sup>.

FRPA and its regulations in particular set the requirements for planning, road building, logging, reforestation, and grazing. FRPA prescribes levels of protection for forest values including watersheds and wildlife habitat, and defines planning processes. Forest licencees are required to develop a Forest Stewardship Plan (FSP) to meet the requirements of FRPA. Atco Wood Products Ltd. received approval of their first Forest Stewardship Plan on December 21, 2006.

FRPA took effect on Jan. 31, 2004. Any activities already approved under the pre-existing Forest Practices Code were grandfathered and continue to be governed by the Forest Practices Code of British Columbia Act and its regulations. Once transition is complete all forest licensees will operate only under FRPA, and previous plans such as the Forest Development Plan (FDP) will be replaced by plans developed under FRPA and the FSP.

Atco has developed a Sustainable Forest Management Plan (SFMP) which describes how the company will achieve the broad objectives of higher level plans developed under public involvement processes such as the Kootenay Boundary Land Use Planning Process. It also guides the development and content of other planning documents including the FDP and FSP. The



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SFMP reflects the bounds established by higher level plans and through the regulatory framework described above. The company ensures that all lower-level plans it is responsible for developing (e.g.: the FSP, and all site level plans) are consistent with the commitments made in their SFMP.

Atco’s crown land woodlands operations are managed by the company from offices in Fruitvale, B.C.

### Audit Scope

The audit was conducted against the requirements of the 2005-2009 edition of the SFI standard, and incorporated an assessment against the SFI program objectives for:

- Land management;
- Procurement of wood and wood fiber;
- Forestry research, science and technology;
- Training and education;
- Legal and regulatory compliance;
- Public and landowner involvement in the practice of sustainable forestry; and,
- Management review and continual improvement.

The scope of the 2007 SFI surveillance audit of Atco’s crown land woodlands operations included all of the woodlands operations noted above, as well as fibre procurement activities for the Atco veneer plant located within the community of Fruitvale B.C.

### The Audit

- *Audit Team* – This surveillance audit was conducted by Michael Alexander, RPF, CEA(SFM), EMS(LA) and Kerri Brownie, RPF, EMS(A). Both team members are KPMG PRI auditors and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- *SFI Surveillance Audit/ISO 14001 Surveillance Audit* – This SFI surveillance audit involved an on-site assessment of selected elements of the Company’s SFI program in conjunction with KPMG PRI’s second periodic assessment of the Company’s ISO 14001 system, which was re-registered to the ISO 14001:2004 standard in 2005. The audit included visits to a number of field sites to evaluate the extent to which the Company’s forest management plans and practices conform to the requirements of the SFI standard. Annual ISO 14001 and SFI surveillance audits are conducted by the audit team to ensure that SFI requirements continue to be met.
- *SFI Program Representative* – Andrea Vienneau served as Atco’s SFI program representative during the audit.

### Audit Objectives

The following audit objectives were included within the scope of the audit:

- An SFI surveillance audit to evaluate the Company’s conformance with the selected requirements of the 2005-2009 version of the SFI standard.
- An ISO 14001 surveillance audit against selected requirements of ISO 14001:2004.

#### Types of audit findings

##### **Major non-conformances:**

Are pervasive or critical to the achievement of the SFM Objectives.

Major non-conformances must be addressed immediately or certification cannot be achieved / maintained.

##### **Minor non-conformances:**

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformances require the development of a corrective action plan within 30 days of the audit, which must be fully implemented by the operation within 3 months.

##### **Opportunities for Improvement:**

Are not non-conformances but are comments on specific areas of the SFM System where improvements can be made.

<b>SFI and ISO 14001 Findings</b>	
Major nonconformities	0
Minor nonconformities	1
Opportunities for improvement	2

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### Audit Conclusions

The audit found that:

- The Company’s B.C. woodlands operations continue to meet the requirements of the 2005-2009 version of the SFI standard in all material respects.
- The Company’s EMS continues to be effectively implemented, and the elements of the EMS that were assessed during the 2007 surveillance audit meet the requirements of ISO 14001:2004 in all material respects.

### Good Practices

During the course of the audit, a number of good practices were identified including:

- Atco’s reforestation and plantation management programs continue to be prompt and effective and producing healthy, locally-adapted stands made up of diverse mixtures of tree species. For example one block visited was found to have been planted immediately following harvest in 2006. It was then burned by a wildfire in the summer of 2006 and replanted as soon as possible in Spring 2007.
- Field visits confirmed that Atco’s excellent and comprehensive road re-contouring (rehabilitation ) program continues to be implemented. This program was found to significantly reduce the amount of productive land lost to permanent road construction and also to significantly reduce the risk of future road-related landslides and related environmental consequences.
- Innovative surface water control “off-takes” were found to be used to reduce the potential for erosion related to surface water flows on active and temporary on-block roads.
- The level of detail contained in the minutes and the analysis and discussion of sustainable forest management and environmental issues undertaken during the Annual Management Meeting was found to be exemplary.

### Follow-up on Findings from Previous Audits

This surveillance audit found that Atco Wood Products Ltd. continues to make adequate progress towards addressing the findings of the initial SFI certification audit. At the time of this assessment there were a total of 5 open non-conformities from this previous audit. The audit team reviewed the implementation of the action plans developed by Atco to address these issues, and found that they had been effectively implemented for these nonconformities. As a result, these non-conformities have now been closed. The 2008 surveillance audit will evaluate the extent to the non-conformity identified during this periodic assessment has been addressed by Atco.

### Areas of Nonconformance

The 2007 SFI surveillance audit of Atco’s operations did not identify any major non-conformances, indicating that the Company’s SFI program continues to be effectively implemented. The audit did, however, identify one new minor non-conformity related to requirements of Atco’s ISO 14001 environmental management system, which was also related to part of the SFI standard. This nonconformity is outlined below:

The SFI standard (objective 13) requires an organization to monitor, measure and report performance in achieving the commitment to sustainable forestry. In addition,



An example of the good results being achieved through prompt reforestation. This area was harvested in February 2000 and the site was prepared for planting and planted in May 2000 and is now ready for a free growing survey in 2007.



This harvest block was partially harvested and prepared for planting in 2005. It was planted in May 2006 and burned by wildfire in August 2006. The fire destroyed the original plantation, but it was promptly replanted in May 2007.

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Atco Wood Products Ltd.'s Environmental Management System Manual (section 17) describes the operation's internal audit program, including the timing of audits and the requirements for audit reports and action plans.

A review of the 2007 internal audit program, internal audit report, and action plan for the internal audit conducted May 22, 2007 found that the audit was well planned and that the audit report and action plan were prepared in a timely manner. However, the following weaknesses were identified:

- the audit schedule included in the 2007 audit program required that harvesting, roads, and silviculture were to be audited, however, the 2007 internal audit only assessed harvesting;
- the audit sample included only active sites, as a result the internal audit was not able to assess EMS requirements related to harvest completion (i.e. completion and accuracy of final harvest inspections, and implementation of block completion activities identified in site plans);
- the audit report states that the audit did not review every aspect of the ISO 14001 or SFI standards, however, the report does not list which aspects or elements were reviewed;
- the audit report did not include a conclusion on whether or not every element of the ISO 14001 and SFI standards assessed was in conformance nor did the audit report include comments on the overall performance of the organization as required in the Standard Procedures requirements of the audit program. In addition, the audit report did not include conclusions on the evaluation of compliance, and;
- the names and roles of the audit team were not documented in the report, therefore, it was not possible to determine from the report that the auditors were qualified and independent.

### Opportunities for Improvement

During the 2007 surveillance audit two new ISO 14001 related opportunities for improvement were identified. These items also related to Objectives 13 of the SFI standard. These items reflected weaknesses in Atco's EMS implementation related to its internal audit and environmental programs. The Company is expected to address these findings through the ISO 14001 action planning process and we will follow up on the actions taken at the next assessment.

### Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformity identified during the audit will be developed by Atco and reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.



Atco rehabilitates unneeded roads by complete recontouring. This is done to minimize the losses of productive forest land to roads and to reduce the risk of future landslides and soil erosion resulting from bare road surfaces. In this harvested area, which had been burned in August 2006 by a wildfire, the recontoured road shows up well as the area in the centre of the photo which is much lighter in colour than the surrounding burnt ground.

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