



# REPORT Forest Certification



## Atco Wood Products Ltd. SFI Surveillance Audit – August 2008

In June 2008, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out the second SFI surveillance audit of Atco Wood Products Ltd's woodlands operations in south central British Columbia (BC) 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 re-registration assessment was conducted at the same time. This 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 BC, Canada and currently comprise 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 BC.

Four statutes form the legal framework for forest management on Crown lands in BC: the Forest Act, the Forest and Range Practices Act (FRPA), the Forest Practices Code of British Columbia Act (FPC) and the Ministry of the Forests Act. Numerous other provincial and federal acts, regulations, guidelines and policies also have implications for forestry operations on Crown lands. Replaceable forest licences in BC are tenures granted by the BC 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. The AAC for FL A20193 is 166,489 m<sup>3</sup> and for FL A20128 is 20,167 m<sup>3</sup>.

FRPA and its regulations in particular set the requirements for planning, road building, logging, reforestation and grazing and define planning processes and prescribe levels of protection for forest values. 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 FPC were grandfathered and continue to be governed by the FPC Act and its regulations. Once transition is complete all forest licensees will operate solely under FRPA, with previous plans (i.e., Forest Development Plan (FDP)) being replaced by FSPs developed under FRPA.

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 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, BC.



## Findings – Atco Wood Products Ltd. SFI Surveillance Audit – August 2008

### 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 2008 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 BC.

### The Audit

- *Audit Team* – This surveillance audit was conducted by Craig Roessler, RPF, CEA(SFM), EMS(LA) and Will Sloan, RFT, 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 Re-registration 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 re-registration assessment of the Company’s ISO 14001 system. 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.
- *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 re-registration audit against all requirements of ISO 14001:2004.

### Audit Conclusions

The audit found that:

- The Company’s BC woodlands operations continue to meet the requirements of the 2005-2009 version of the SFI standard in all material respects. Overall performance against the SFI objectives was very strong. No nonconformities were identified.
- The Company’s EMS continues to be effectively implemented and all elements of the EMS were found to meet the requirements of ISO 14001:2004 in all material respects. Two minor nonconformities were identified. Five opportunities for improvement were identified with respect to the ISO 14001 and SFI standards.

#### Types of audit findings

##### Major nonconformities:

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

Major nonconformities must be addressed immediately or certification cannot be achieved / maintained.

##### Minor nonconformities:

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

All nonconformities 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 nonconformities but are comments on specific areas of the SFM System where improvements can be made.

#### **SFI and ISO 14001 Findings**

Major nonconformities	0
Minor nonconformities	2
Opportunities for improvement	5

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- As a result, Atco was recommended for continued registration to the SFI and ISO 14001 standards.

### Good Practices

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

- Field visits confirmed that the Company continues to effectively implement its exemplary on-block road, crossing and trail rehabilitation and reforestation programs to minimize the loss of productive land and environmental risks associated with maintaining on-block roads and to maximize the productive area occupied by promptly planted, diverse mixtures of ecologically suited tree species.
- Comprehensive management review conducted over 2 days in 2008 included excellent documentation of inputs, discussion items and outputs/actions.
- The Company's planting program is extremely well managed with excellent records generated, maintained and provided to planting contractors demonstrating a high level of control, due diligence and operational guidance.
- Contractors interviewed during the field audit demonstrated a good level of awareness of site specific issues associated with the blocks they were working in.
- The annual contractor training sessions were seen as an exemplary practice that promotes awareness amongst contractors on key operational, EMS and SFM issues.
- The 2008 internal audit report was well documented with respect to the scope of the audit, audit evidence collected, audit findings and audit conclusions.
- Low levels of site disturbance were observed in the field overall.
- Logging plan maps provide an excellent level of detail and associated guidance for operators on key operational and resource issues associated with the harvest blocks.
- Visual resource values were determined to be well managed by the Company in its planning, cutblock design and modeling work and visual impact assessments.
- Good protection of water intakes were observed during the field audit (on both licensed domestic intakes as well as unlicensed points of diversions).
- The Company does a good job of protecting significant streams and riparian features by excluding them from blocks during its site planning process.
- On-the-ground environmental performance was very good overall indicating effective operational control implementation and excellent operator awareness.

### Follow-up on Findings from Previous Audits

At the time of this assessment there was 1 open nonconformity from previous audits. The audit team reviewed the implementation of action plans developed by Atco to address the nonconformity and found that they had been effectively implemented. As a result, all nonconformities from previous audits have now been closed.

### Areas of Nonconformity

The 2008 SFI surveillance audit of Atco's operations did not identify any major nonconformities, indicating that the Company's SFI program continues to be effectively implemented. The audit did, however, identify the following two new minor nonconformities pertaining to the requirements of Atco's ISO 14001 environmental management system (EMS):



Contractors demonstrated a good level of awareness of operational and EMS issues.



Significant streams and riparian features are well protected through exclusions from blocks.

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- The environmental policy does not include an explicit commitment to comply with applicable “other requirements to which the organization subscribes” as required by the ISO 14001 standard.
- There is no evidence that the organization has established, implemented and maintained a procedure to determine how its applicable legal and other requirements apply to its environmental aspects as required by the ISO 14001 standard.

Corrective action plans have been developed by the Company and approved by KPMG to address the root causes of the nonconformities identified during the audit. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans have been implemented as required.

### Opportunities for Improvement

During the 2008 SFI surveillance audit five new SFI- / ISO 14001-related opportunities for improvement were identified, as follows:

- The Company has made significant progress in identifying, planning, managing and training on species at risk potentially present in its operating area. However there is an opportunity to fine-tune its program for identifying and protecting those species at risk currently excluded from the field guide that it provides to layout and other contractors (particularly red-listed plants).
- Although the operation reviews the effectiveness of corrective and preventive actions taken during general EMS inspections and annual management reviews, the Company’s nonconformance and corrective action procedure does not explicitly define this process.
- Compliance assessments are conducted during operational inspections and form a component of internal audits, however there was no clear documentation in the audit plan or audit report from the 2008 internal audit that compliance evaluation was included in the scope of the audit and no clear audit conclusions respecting the results of this evaluation.
- A review of consultants EMS training requirements determined that there is no differentiation between those consultants working directly with Atco on short duration projects (such as those conducting resource assessments) and those that work without direct Atco supervision or for longer periods. The EMS requires all consultants have emergency preparedness procedure training, although this is not being done for those consultants undertaking resource assessments.
- Overall the organization continues to implement impressive operational practices to maintain soil productivity (e.g., re-contouring and planting roads and trails). In one isolated instance however involving a newly constructed road in the Gilliam the observed road surface was wider than standard practice and the area of additional road surface developed immediately below the main road occupied productive land that would normally be planted had standard road construction practices been followed.



The Company continues to implement exemplary road rehabilitation practices.



Numerous examples of well protected water intakes were observed during the audit.

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