



# REPORT Forest Certification



## Atco Lumber Ltd. SFI Certification Audit – June 2006

In June 2006, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out the first SFI certification audit of the Atco Lumber Ltd. (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 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. 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.

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 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.



## Findings – Atco Lumber Ltd. SFI Certification Audit – June 2006

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 2006 SFI certification 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 certification audit was conducted by Michael Alexander, RPF, CEA(SFM), EMS(LA) and Sylvi Holmsen, RPF, CEA(SFM), EMS(LA). 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 Certification Audit/ISO 14001 Surveillance Audit* – This SFI certification audit involved an on-site assessment of all elements of the Company's SFI program in conjunction with KPMG PRI's first 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.
- *Surveillance Audits* – 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* – Diane Wunder 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 certification audit to evaluate the Company's conformance with the requirements of the 2005-2009 version of the SFI standard.
- An ISO 14001 surveillance audit against selected requirements of ISO 14001:2004.

### Audit Objectives

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

#### 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.

#### SFI and ISO 14001 Findings

Major nonconformities	0
Minor nonconformities	5
Opportunities for improvement	0

## Findings – Atco Lumber Ltd. SFI Certification Audit – June 2006

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

### Audit Conclusions

The audit found that:

- The Company's B.C. woodlands operations meet the requirements of the 2005-2009 version of the SFI standard in all material respects. As a result, a decision has been made to grant certification to the SFI standard for the next 5 years. Atco's SFI certification is valid until July 5, 2009.
- The Company's EMS continues to be effectively implemented, and the elements of the EMS that were assessed during the 2006 surveillance audit meet the requirements of ISO 14001:2004 in all material respects.

### Good Practices

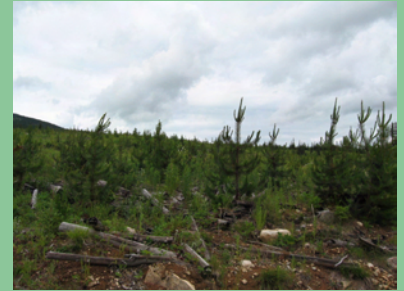
During the course of the audit, a number of good practices were identified including:

- Atco's reforestation and plantation management programs were found to be prompt and effective and producing healthy, locally-adapted stands made up of diverse mixtures of tree species.
- Their mechanical brushing program is effectively dealing with brush competition without the use of forest chemicals.
- Their development and use of a comprehensive planting program binder procedure is helping to clearly communicate planting prescriptions to the planting contractor and it provides a tool for the contractor to use to ensure that the seed transfer rules are met if it becomes necessary to transfer excess trees between blocks.
- Atco's excellent and comprehensive road re-contouring (rehabilitation) program is significantly reducing the amount of productive land lost to permanent road construction and also significantly reducing the risk of future road-related landslides and related environmental consequences.
- Atco has developed and is implementing innovative communication mechanisms for Company and contractor staff to systematically report "SFI-inconsistent" practices.

### Areas of Nonconformance

Full conformance was found in relation to 94% of the indicators included in the Atco SFI audit protocol. A total of 5 minor non-conformities were however identified during the combined SFI re-certification/ISO 14001 surveillance audit of Atco's crown land forest operations. These included:

- Element 4.1 of the SFI standard requires the organization to have a program to protect threatened and endangered species. While planning staff have developed a comprehensive assessment of the rare animals, plants or plant communities within the Company's operating areas and there has been some training of field staff in the identification of some species at risk and their habitats, a more comprehensive



An example of the good results being achieved through prompt reforestation. This harvested area was replanted in 1997 and the stand is now free-growing.



This young plantation has just been manually brushed to effectively deal with the brush competition without the need for chemical treatments.



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.

## Findings – Atco Lumber Ltd. SFI Certification Audit – June 2006

training program is awaiting the completion of the Species at Risk guidebook being developed by BCTS for the Kootenay Lake Forest District and this training has not yet been delivered. N.B. This training is scheduled to take place in late July 2006.

- Element 8.3 of the SFI standard requires the organization to ensure that procurement activities do not compromise adherence to the principles of sustainable forestry. While most of the SFI requirements were found to be adequately addressed in the documented wood purchase program, the monitoring program is not being applied to those suppliers who choose not to commit to utilizing BMPs. This monitoring selection criteria has the potential to lead to an inability of the Company to ensure that harvests of purchased wood do not compromise adherence to the principles of sustainable forestry.
- Element 8.4 of the SFI standard requires the organization to monitor the effectiveness of efforts to promote reforestation and BMPs, using public or private sources of information. While the Company has developed a wood purchase program which meets most requirements of the SFIS, it has yet to implement this purchase wood monitoring program as it is so new.
- Element 11.2 of the SFI standard requires the organization to have a written policy demonstrating commitment to comply with social laws, such as those covering civil rights, equal employment opportunities, antidiscrimination and anti-harassment measures, workers' compensation, indigenous peoples' rights, workers' and communities' right to know, prevailing wages, workers' right to organize, and occupational health and safety. While the SFMP and the Occupational Health and Safety Policy provide commitments to comply with laws related to health and safety and heritage values, there is presently no Company policy commitment to comply with other such social laws described above.
- Element 13.1 of the SFI standard requires the organization to examine findings and progress in implementing the SFI Standard, to make appropriate improvements in programs, and to inform their employees of changes. While Atco has now developed and implemented a system to periodically evaluate compliance with regulations and other requirements to which they subscribe, this system does not yet include an evaluation of the SFI commitments which are not already covered under the EMS.

Corrective action plans have been developed by the Company to address all of the non-conformities identified during the audit.

### Opportunities for Improvement

No opportunities for improvement were identified during the audit.

### Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been 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.



An active harvesting operation using low ground pressure skidders to reduce soil disturbance.



On steep ground cable harvesting systems are used like this grapple yarder operated by Hubschers in Shady Creek. Such cable systems minimize soil disturbance while logging steep ground.

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