



## Atco Wood Products Ltd.—2019 SFI Surveillance Audit

From June 3 –5, 2019 an auditor from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Atco Wood Products Ltd’s (Atco’s) woodlands operations and fibre procurement activities against the requirements of the 2015-2019 Sustainable Forestry Initiative® (SFI) forest management and fibre sourcing standards. This Certification Summary Report provides an overview of the process and KPMG’s findings.

### Description of Atco’s Woodlands Operations

Atco’s certified woodlands operations are located in south central British Columbia, and are comprised of **154,000 hectares** of Crown land held in forest licence FL A20193 in the Arrow Timber Supply Area (TSA) and FL A20218 in the Kootenay Lake TSA.

Atco’s woodlands have a total AAC (allowable annual cut) of 171,800 m<sup>3</sup>/year. The 2019 audit found that the Company’s forest harvesting continues to conform to the AAC applicable to these operations.

The woodlands operations that are included within the scope of the Company’s SFI certification are covered by a multi-site sustainable forest management (SFM) plan that addresses the Objectives of the SFI forest management standard and includes a variety of targets in relation to them. In addition, government-approved forest stewardship plans that address both timber and non-timber values are also in place. Various higher level plans developed by government (e.g., Land and Resource Management Plans, etc.) also provide direction to forest management within the areas managed by the organization.

The areas covered by the company’s SFI certification fall within the North Central Rockies Forests WWF ecoregion. The forest types are coniferous with the main commercial species harvested being Douglas-fir, spruce, western red cedar, lodgepole pine, western larch, and hemlock.

The forest management approach employed by the Company is based on even-aged management, ground-based and cable harvesting systems, clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas, replanting of harvest areas within a few years with a mix of ecologically suited tree species, and control of competing vegetation through the use of mechanical means.

### Description of Atco Wood Products Ltd. ‘s Manufacturing Facilities and Fibre Sourcing Program

Atco Wood Products Ltd. operates a veneer mill in Fruitvale, B.C. Most of the mill’s consumption is from the company’s SFI certified forest lands, with the remainder being purchased from other SFM certified lands and a lesser portion from non-certified lands. On occasion Atco purchases stumpage as well.

Atco Wood Products Ltd. participates in the Western Canada SFI Implementation Committee’s (WCSIC’s) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and completing purchase wood inspections as necessary. The results are then collated by WCSIC (of which the Company is a member) in order to identify trends in performance and opportunities for improvement.

### Audit Scope

The audit was conducted against the requirements of the 2015-2019 edition of the SFI forest management and fibre sourcing standards. The SFI objectives that were assessed during 2019 audit are shown in Tables 1 and 2 later in this report.



The scope of the audit included all of the woodlands operations noted above, as well as fibre procurement activities for the Company’s veneer mill.

### The Audit

- **Audit Team** – The audit was conducted by Bodo von Schilling, RPF, (EP) EMSLA, contractor of KPMG PRI and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CZA Z809 and FSC.
- **SFI Surveillance Audit** – The audit involved an on-site assessment of all elements of the Company’s SFI program, and included visits to several field sites (9 roads, 9 harvesting sites, 3 silviculture sites and 10 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2019 Atco Wood Products Ltd audit took a total of 3 auditor days to complete, 3 days of which were spent on-site at the operations included in the audit sample. The balance of audit time was spent preparing the audit plan, completing an off-site review of selected Company documents and records and completing various audit checklists and preparing the main and public summary audit reports.
- **Atco SFI Program Representative** – Craig Stemmler, RPF served as Atco’s SFI program representative during the audit.

### Use of Substitute Indicators

The audit involved an assessment of conformance against the applicable objectives, performance measures and indicators included in the 2015-2019 version of the SFI forest management and fiber sourcing standards. None of the indicators included in the SFI standards were modified or substituted for the purpose of this audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management system at Atco Wood Products Ltd. to:

- Determine its conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards;
- Evaluate the ability of the system to ensure that Atco Wood Products Ltd woodlands operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Atco Wood Products Ltd meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

<b>Atco Wood Products Ltd. SFI Surveillance Audit Findings</b>	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	0
New opportunities for improvement	0

Primary sources of evidence assessed to determine conformity with the SFI 2015-2019 forest management and fibre sourcing standards are presented in the following tables.

**Table 1. Evidence of Conformity with the SFI 2015-2019 Forest Management and Fibre Sourcing Standards**

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory information, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Not in scope for the 2019 audit.
3. Protection and Maintenance of Water Resources	Not in scope for the 2019 audit.
4. Conservation of Biological Diversity	Forest management plan, FSP, site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	Not in scope for the 2019 audit.
6. Protection of Special Sites	Forest management plan, FSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	Not in scope for the 2019 audit.
8. Recognize and Respect Indigenous Peoples Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, pre-audit questionnaire responses, interviews with Company staff and representatives of local Indigenous Peoples.
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections, interviews with regulatory agency personnel.
10. Forestry Research, Science and Technology	Not in scope for the 2019 audit.
11. Training and Education	Not in scope for the 2019 audit.
12. Community Involvement and Landowner Outreach	Not in scope for the 2019 audit.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	Not in scope for the 2019 audit.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.

**Types of audit findings**

**Major non-conformities:**

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

**Minor non-conformities:**

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

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

**Opportunities for Improvement:**

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

**Table 2. Evidence of Conformity with the SFI 2015-2019 Fibre Sourcing Standard**

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
1. Biodiversity in Fibre Sourcing	Not in scope for the 2019 audit.
2. Adherence to Best Management Practices	Fibre sourcing policy and records of its distribution to wood producers, written fibre sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of procurement sites.
3. Use of Qualified Resource and Qualified Logging Professionals	List of Qualified Resource and Logging Professionals, records of proportion of fibre delivered by QLPs, interviews with procurement staff.
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites, interviews with regulatory agency personnel.
5. Forestry Research, Science and Technology	Not in scope for the 2019 audit.
6. Training and Education	Not in scope for the 2019 audit.
7. Community Involvement and Landowner Outreach	Not in scope for the 2019 audit.
8. Public Land Management Responsibilities	Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews.
9. Communications and Public Reporting	Not in scope for the 2019 audit.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A
12. Avoidance of Controversial Sources Including Illegal Logging	N/A
13. Avoidance of Controversial Sources Including Fibre Sourced from Areas without Effective Social Laws	N/A



The coarse woody debris seen across the landscape in both photos is a post harvest feature that ATCO manages for on their cutblocks. Coarse woody debris provides vital functions in the ecosystem, such as contributing to nutrient cycling and storage, soil forming processes and soil retention, retaining moisture and enhancing water infiltration, providing sites for litter accumulation and fungi growth, acting as nursery sites for plants, and acting as shelter for wildlife.

### Good Practices

A number of good practices were identified during the course of the audit. Examples included:

- Layout contractors and staff receive species at risk training and vascular plant training and these complement the thorough approach at Atco to tracking species, plants and ecological communities with conservation concerns.
- Blocks are commonly planted immediately after harvest with several blocks harvested in the winter of 2018-2019 already planted. The Atco approach to mixed species and microsite planting are a strength of the reforestation program.
- The retention of trees in wildlife tree patches and individual tree retention (ie ‘wildlife trees are commonly field marked) is emphasized by planning and supervisory staff and contractors deliver the Atco approach to creating a diverse landscape. In particular block 276-44 stood out since retention protected a wildlife feature, a class S6 stream, a wet area and NCDs.
- Atco engages a precautionary approach to mapping potential wet areas and this approach raises the awareness of operational staff and contractors to a potential environmental impact on soils and provides additional protection during wet ground conditions.

### Follow-up on Findings from Previous Audits

At the time of this assessment there were no open non-conformities from previous Atco Wood Products Ltd. audits.

### Areas of Nonconformance

No non-conformities were identified during the SFI audit of Atco Wood Products’ woodlands and fibre sourcing operations.

### Opportunities for Improvement

No opportunities for improvement were identified during the SFI audit of Atco Wood Products’ woodlands and fibre sourcing operations.

### Audit Conclusions

The audit found that Atco Wood Products Ltd.’s sustainable forest management system:

- Was in full conformance with the requirements of the SFI 2015-2019 FM and FS requirements included within the scope of the audit, except where noted otherwise in this report;
- Continues to be effectively implemented, and;
- Is sufficient to systematically meet the commitments included within the Company’s SFM policy, provided that the system continues to be implemented and maintained as required.

In addition, the audit found that the scope of Atco Wood Products Ltd.’s certification to the SFI standards is appropriate.

As a result, a decision has been reached by the audit team to recommend that Atco Wood Products Ltd. continue to be certified to the SFI FM and FS standards.

NB: 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



The audit included an assessment of harvest as in the top photo, and silviculture in the bottom photo, completed since the previous audit against the SFI objectives shown in Tables 1&2.

continued to operate as the primary mechanism to ensure that your management system remains effectively implemented and continues to improve.

### Corrective Action Plans

Not applicable—as no non-conformities were identified, no corrective actions are required.

### Focus Areas for the Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Silviculture program.
- Wood utilization.

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