



REPORT Forest Certification



Atco Wood Products Ltd.—2021 SFI Surveillance Audit

From May 12-14, 2021, an auditor from KPMG Performance Registrar Inc. (KPMG PRI) carried out a remote 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 comprise 154,000 hectares of Crown land held in forest licences 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 m³/year. The 2021 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. Higher-level plans developed by the 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 falls 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, clear-cut 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



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 **ATCO**
WOOD PRODUCTS

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during the period May 7, 2020 May 11, 2021 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 Branden Beatty, R.P.Bio, EP (EMSLA), manager with KPMG PRI with experience conducting numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **SFI Surveillance Audit** – The audit involved an off-site assessment of all elements of the Company’s SFI program, and included drone footage review of several field sites (9 roads and 6 harvesting sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2021 Atco Wood Products Ltd audit took a total of 3 auditor days to complete, 2 days of which were spent remote auditing 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 standard and SFI 2017-2019 fibre sourcing objectives identified as within scope for the 2021 audit in Table 1 and Table 2;
- 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.

Atco Wood Products Ltd. SFI Surveillance Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	0
New opportunities for improvement	2

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 Standard

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Not in scope for the 2021 audit
2. Forest Health and Productivity	Not in scope for the 2021 audit
3. Protection and Maintenance of Water Resources	Forest management plan, FSP, harvest plans, field site inspections.
4. Conservation of Biological Diversity	Forest management plan, FSP, site plans, special site inspections.
5. Management of Visual Quality and Recreational Benefits	Not in scope for the 2021 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 2021 audit
8. Recognize and Respect Indigenous Peoples Rights	Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff.
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 2021 audit
11. Training and Education	Forest management plan, training records, SIC minutes & resources, interviews with staff and contractor.
12. Community Involvement and Landowner Outreach	Not in scope for the 2021 audit
13. Public Land Management Responsibilities	Not in scope for the 2021 audit
14. Communications and Public Reporting	Not in scope for the 2021 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	Program to promote biodiversity in fibre sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff.
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	Not in scope for the 2021 audit
4. Legal and Regulatory Compliance	Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, remote inspection of a sample of procurement sites.
5. Forestry Research, Science and Technology	Not in scope for the 2021 audit
6. Training and Education	Training records, SIC minute & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	Not in scope for the 2021 audit
8. Public Land Management Responsibilities	Not in scope for the 2021 audit
9. Communications and Public Reporting	Interviews, documentation review, SIC meeting minutes.
10. Management Review and Continual Improvement	Forest management plan, 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



Atco provided drone footage of a sample of harvest blocks. The attached screen capture includes road rehabilitation. Atco rehabilitates roads following harvest operations often to control access, and to reduced future sedimentation risk.



Drone footage of a recent bridge construction was used as part of the audit. This footage, along with photographs of the bridge install, interviews with Atco staff, and select documentation review enabled a remote assessment of the installation.

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

A total of 2 new opportunities for improvement were identified during the audit. The key opportunities noted during the audit included:

1. *SFI Fibre Sourcing Standard 5.2 (SIC Involvement)* - A significant portion of Atco’s procured logs come from Washington state. There is an opportunity to monitor Washington State SIC meeting minutes to allow Atco to stay up to date with the Washington State SIC expectations and revisions to BMPs.
2. *SFI Fibre Sourcing Standard 4 (Procurement Inspections)* - DNR inspections of State timber sales are available on the Washington State DNR website, while private land inspections can often be found on county websites. There is an opportunity to monitor these sites, and keep records of these inspections to supplement Atco’s inspections program, and further ensure procured wood is being harvested in compliance with State expectations.

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 Forest Management and Fibre Sourcing 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 team 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 standard



Wildlife tree patch achievement was evident from above. This patch was found to meet the plan which was verified using drone

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:

- Return to onsite surveillance audits.



Atco often burns slash piles as soon as practicable following harvest operations to manage fire risk.

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