



Atco Wood Products Ltd. - 2022 SFI Re-Certification Audit

From April 4-8, 2022, KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-certification audit of Atco Wood Products Ltd.'s (“Atco”, or “Company”) woodlands operations and fibre procurement activities against the requirements of the 2022 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 2022 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’s Manufacturing Facilities and Fibre Sourcing Program

Atco 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. Atco purchases stumpage as well.

Atco 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 2022 edition of the SFI forest management and fibre sourcing standards. The SFI objectives that were assessed during



the period May 11, 2021 to April 8, 2022 audit are shown in Tables 1 and 2 later below.

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, R.P.F., 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 Re-certification Audit** – The audit involved an off-site enhanced document review and interview process. All elements of the Company’s SFI program were also considered during the on-site field audit portion of the audit, and included several field sites (7 roads, 7 harvesting sites, 2 silviculture sites and 3 fibre sourcing sites) to evaluate conformance with the requirements of the new 2022 SFI forest management and fibre sourcing standards. The 2022 Atco Wood Products Ltd audit took a total of 5 auditor days to complete, 5 days of which were spent on-site. 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 new 2022 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 2022 forest management and fibre sourcing objectives identified as within scope for the 2022 audit in Table 1 and Table 2;
- Evaluate how Atco has or has not met applicable regulatory requirements;
- Evaluate the effectiveness of Atco’s management system in meeting its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

Atco Wood Products Ltd. SFI Re-certification Audit Findings	
Open non-conformities from previous audits	0
New major non-conformities	0
New minor non-conformities	3
New opportunities for improvement	2

Primary sources of evidence assessed to determine conformity with the SFI 2022 forest management and fibre sourcing standards are presented in the following tables.

Table 1. Evidence of Conformity with the SFI 2022 Forest Management Standard

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	Forest management plan, FSP, harvest plans, field inspections.
4. Conservation of Biological Diversity	Forest management plan, FSP, site plans, special site inspections.
5. Management of Visual Quality and Recreational Benefits	Forest management plan, FSP, harvest plans, field inspections.
6. Protection of Special Sites	Forest management plan, FSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	Forest management plan, waste reports, field inspections.
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. Climate Smart Forestry	Forest management plan, climate modeling, silviculture plans and practices, operational controls, GHG inventories
10. Fire Resilience and Awareness	Forest management plan, post-harvest assessments,
11. Legal and Regulatory Compliance	Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, interviews with regulatory agency personnel.
12. Forestry Research, Science & Technology	Forest management plan, EMP, records of research projects and funding, staff interviews.
13. Training and Education	Forest management plan, EMP, training records, SIC minutes & resources, interviews with staff and contractors.

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.

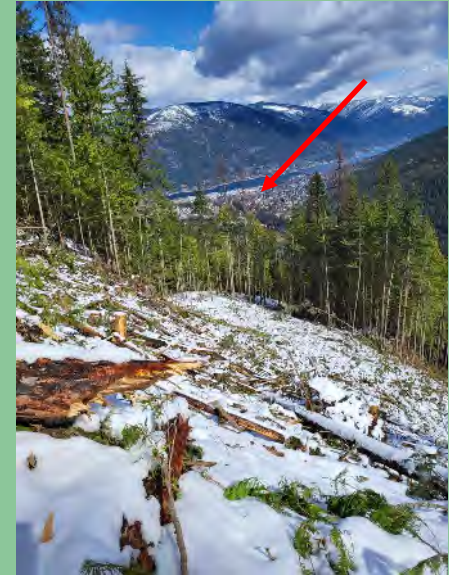
All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address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



SFI Forest Management Objective	Key Evidence of Conformity
14. Community Involvement and Landowner Outreach	Forest management plan, EMP, SIC minutes & resources, community and landowner outreach records, staff interviews.
15. 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.
16. Communications and Public Reporting	Certification summary report, annual report to SFI Inc.
17. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.



The Atco harvest opening is visible to the town of Nelson, visible in the distant valley bottom in the photo. Atco assessed the impact of the harvest on the visual landscape and Atco must meet visual quality objectives set by the government of British Columbia.

Table 2. Evidence of Conformity with the SFI 2022 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 Professionals, Qualified Logging Professionals and Certified Logging Companies	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.



KPMG conducts field audits and the SFI standard considers safety. KPMG auditors must conform to the safety systems of the operations we inspect.

SFI Fibre Sourcing Objective #	Key Evidence of Conformity
5. Forestry Research, Science & Technology	Records of research projects and funding, staff interviews.
6. Training and education	Training records, SIC minutes & resources, interviews with staff and contractors.
7. Community Involvement and Landowner Outreach	SIC minutes & resources, community and landowner outreach records, staff interviews.
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	Certification summary report, annual report to SFI Inc.
10. Management Review and Continual Improvement	Management review records, internal audit and related action plans.
11. Avoid Controversial Sources	Due diligence system, controversial sources risk assessment, procedures to assess any substantiated concerns, process to mitigate the risk of sourcing controversial fibre from high-risk areas, process to avoid controversial sources, interviews with procurement staff.



As required by BC Regulation and Atco’s sustainable forest management system, Atco controls drainage regarding on-block skid trails. Evident in this photo is a cross ditch preventing water from running downhill on a skid trail and perhaps creating a new watercourse.



During construction the road building contractor ‘armored’ the culvert with rocks at the outlet designed to dissipate water velocity and mitigate erosion.



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

One non-conformity was identified during the SFI audit of Atco Wood Products' woodlands and fibre sourcing operations considering elements of the standard consistent between the old 2015-2019 version and the new 2022 SFI standard.

1. *SFI Forest Management Standard 6.1.1 (Special sites)* - The Atco layout procedures require ribboning of forest values identified for retention and occurring inside the harvested portion of the opening. While Atco did a good job to identify a mining claim post in the harvest area of a cutblock, it was not flagged for protection as specified by Atco's procedures.

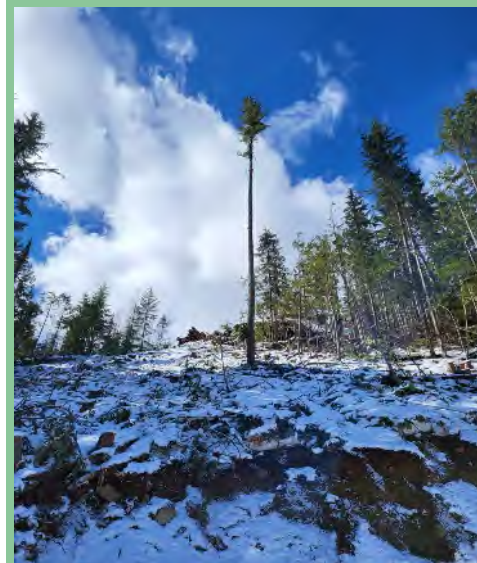
Certificate holders have until December 31 2022 to conform fully to the new SFI FM and FS requirements. The following two non-conformities were identified during the audit relating to new requirements in the SFI 2022 standards.

2. *SFI Forest Management Standard 8.1 & 8.2 (Indigenous Peoples)* - A previous version of the Atco Wood Products Ltd Indigenous Peoples' Policy no longer meets the requirement of the new Standard. A draft revised policy does meet the requirements and has not been finalized or made public as required by the standard.
3. *SFI Forest Management Standard 9.1 & 9.2 (Climate Smart)* - New climate smart SFI requirements are met by Atco through regional partnerships. While Atco has identified climate change risks they have not been prioritized based on the nature, severity and their expected impact on forest management and the adaptation plans must consider the range of variability in future climate scenarios and adapting management and silvicultural practices to those potentially altered conditions.

Opportunities for Improvement

Two new opportunities for improvement were identified during the SFI audit of Atco Wood Products' woodlands and fibre sourcing operations considering elements of the standard consistent between the old 2015-2019 version and the new 2022 SFI standard. The key opportunities noted during the audit included:

1. *SFI Forest Management Standard 2.3 (Retention)* - At a field audit site the prescription for dispersed tree retention was to leave windfirm trees, however, contractors and their workers have not received training to recognize more windfirm trees.
2. *SFI Forest Management Standard 4.1 (Invasive Species)* - In one isolated case an Atco Harvest Prescription identified an invasive plant in or near the opening and winter harvesting was a prescribed avoidance strategy. However, harvest activities persisted past snow melt and the prescription and map had insufficient information to allow the supervisor or contractor to further mitigate invasives' spread.



Trees are retained by Atco according to a prescription developed by a Registered Forest Professional. High value individual trees may be field ribboned and mapped and group retention in riparian or upland sites have boundaries ribboned and are also mapped. In addition, Atco may prescribe additional trees for dispersed or group retention to be chosen by trained operators. Atco controls and monitors harvesting to ensure prescribed retention is achieved.

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 2022 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. be re-certified to the 2022 SFI forest management and fibre sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the findings identified during the 2022 Atco Wood Products Ltd SFI re-certification audit have been developed by Atco and reviewed and approved by KPMG PRI. The 2022 audit will include a follow-up assessment to assess whether the corrective action plans were: (1) implemented as required, and (2) effective in addressing the root cause(s) of the findings identified in this audit report. The corrective action plans for two nonconformance findings relating to new SFI requirements must be completed by December 31, 2022.

Focus Areas for the Next Audit Visit

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

- Follow-up on 2022 findings.
- Implementation of new SFI requirements.
- Silviculture planning and practices.



The Qualified Logging Professional harvesting this site recognized and retained a Pacific yew (*Taxus brevifolia*) tree. The harvesting is on private land where Atco purchases logs.

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