



REPORT Forest Certification



Atco Wood Products Ltd.—2018 SFI Surveillance Audit

From May 30 to June 1, 2018 an audit team 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 m³/year. The 2018 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, BC. 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 2018 audit are shown in Tables 1 and 2 later in this report.



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 **ATCO**
WOOD PRODUCTS

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 Yurgen Meninga, RPF, (EP)EMSLA, and Branden Beatty, RP Bio, EP(EMSLA), both of who are employees 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, 5 silviculture sites and 3 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2018 Atco Wood Products Ltd audit took a total of 4 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.

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	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	Not in scope for the 2018 audit
2. Forest Health and Productivity	Not in scope for the 2018 audit
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, riparian protection procedures, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Not in scope for the 2018 audit
5. Management of Visual Quality and Recreational Benefits	Forest management plan, Forest Stewardship Plan (FSP), visual quality assessment process, harvest plans, field inspections.
6. Protection of Special Sites	Not in scope for the 2018 audit
7. Efficient Use of Fibre Resources	Forest management plan, waste reports, field inspections.
8. Recognize and Respect Indigenous Peoples Rights	Not in scope for the 2018 audit
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 2018 audit
11. Training and Education	Not in scope for the 2018 audit
12. Community Involvement and Landowner Outreach	Forest management plan, SFI Implementation Committee (SIC) minutes & resources, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	Not in scope for the 2018 audit
14. Communications and Public Reporting	Not in scope for the 2018 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 2018 audit
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 2018 audit
6. Training and Education	Not in scope for the 2018 audit
7. Community Involvement and Landowner Outreach	SIC minutes & resources, community and landowner outreach records, staff interviews.
8. Public Land Management Responsibilities	Not in scope for the 2018 audit
9. Communications and Public Reporting	Not in scope for the 2018 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 tall trees in the upper photo were fire scarred decades previously, as shown in the lower photo. As a result they are of lower economic value and higher wildlife value, such as indicated by the woodpecker cavities in the lower photo which can be used by nesting birds. For these reasons the habitat trees were retained by Atco during harvest.

Good Practices

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

- SFI Forest Management Objective 5 (recreation) – Atco coordinates with local ski clubs and operators, both downhill and cross country, in regards to timing (not ploughing roads during the ski season), and selecting routes for clearing for ski trails (focusing on poorer tree growing sites, rocky ridges, etc. where impact to site productivity is minimized).
- SFI Forest Management Objective 9 (regulatory compliance) – Atco uses in-house staff for all harvest planning field layout, rather than relying on external contractors which is typical. This gives Atco tighter control on harvest planning, such as the approach taken in managing environmental values and features, as well as a better ability to match staff experience to the specific challenges of individual layout projects
- SFI Forest Management Objective 7 (utilization) – The company has a number of initiatives that increase utilization. These include hauling lower quality logs to the mill for firewood sales, sorting and selling Douglas-fir bark waste for landscaping use, and having located a small specialty mill to purchase cedar with rot present which otherwise would be disposed of.
- SFI Forest Management Objective 2 (productivity) – A review of recently planted cut blocks found the silviculture contractors apply good micro-site selection practices. Examples include planting seedlings on elevated sites which decreases competition from surrounding brush, and also planting adjacent to stumps which in the spring become snow-free sooner, increasing early-spring growth.
- SFI Forest Management Objective 4 (biodiversity) – The logging contractor was found to apply understory retention on non-classified drainages, even when this was not prescribed.

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;



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

- 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. be re-certified to the SFI standard.

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 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:

- Circulation of deliverables from WCSIC supported initiatives to relevant parties.

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