



Atco Wood Products Ltd.—2020 SFI Surveillance Audit

From May 4-7, 2020 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 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 2020 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 2020 audit are shown in Tables 1 and 2 later in this report.



Atco Wood Products Ltd.—2020 SFI Surveillance Audit— May 2020 Page 2

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, CZA 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 (7 roads and 7 harvesting sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The 2020 Atco Wood Products Ltd audit took a total of 4 auditor days to complete, 3 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 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	1

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 2020 audit
2. Forest Health and Productivity	Forest management plan, silviculture records, harvesting records, interviews with planning staff.
3. Protection and Maintenance of Water Resources	Not in scope for the 2020 audit
4. Conservation of Biological Diversity	Not in scope for the 2020 audit
5. Management of Visual Quality and Recreational Benefits	Forest management plan, FSP, site plans, VIA's, staff interviews.
6. Protection of Special Sites	Not in scope for the 2020 audit
7. Efficient Use of Fibre Resources	Not in scope for the 2020 audit
8. Recognize and Respect Indigenous Peoples Rights	Not in scope for the 2020 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	Records of research projects and funding, staff interviews.
11. Training and Education	Not in scope for the 2020 audit
12. Community Involvement and Landowner Outreach	Forest management plan, SIC minutes & resources, community and landowner outreach records, staff interviews.
13. Public Land Management Responsibilities	Not in scope for the 2020 audit
14. Communications and Public Reporting	Interviews, documentation review, SIC meeting minutes.
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 2020 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.
3. Use of Qualified Resource and Qualified Logging Professionals	Not in scope for the 2020 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	Records of research projects and funding, staff interviews.
6. Training and Education	Not in scope for the 2020 audit
7. Community Involvement and Landowner Outreach	Not in scope for the 2020 audit
8. Public Land Management Responsibilities	Not in scope for the 2020 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



Areal drone footage from a recent harvest block under Atco management. The audit noted significant in block retention.



Drone footage enabled inspections to focus on block harvest objective achievement, including road construction, and rehabilitation.

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 1 new opportunity for improvement was identified during the audit. The key opportunities noted during the audit included:

SFI Forest Management Objective 5 (Management of Visual Quality and Recreational Benefits) - The audit noted the Atco conducts the required Visual impact assessments for timber license cutblocks, however the audit noted that Atco also considers visual impacts during the development of private land blocks in a less formal way. While it is not a requirement to do so, the audit recognizes an opportunity to document these considerations in order to keep a record of these efforts.

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. 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.



Wildlife tree patch achievement was evident from above.



Ongoing harvest operations were observed from above as well. In this harvest block, processed wood had yet to be collected.

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.



An example of rehabilitated skidder trails and in-block roads following winter harvest operations.

Contacts:

Chris Ridley-Thomas, RPBio, EP(EMSLA) (604) 691-3088

Branden Beatty, RBio, EP(EMSLA) (204) 890 2057

This report may only be reproduced by the intended client, Atco Wood Products Ltd., with the express consent of KPMG. Information in this issue is of a general nature with respect to audit findings and is not intended to be acted upon without appropriate professional advice. © 2020 KPMG. All rights reserved.