



# Forest Certification REPORT



## Atco Wood Products Ltd. SFI Re-certification Audit—March 2017

From March 6-10, 2017 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-certification audit of Atco Wood Products Ltd.'s (Atco's) woodlands operations and fibre procurement activities against the requirements of the 2015-2019 edition of the Sustainable Forestry Initiative® (SFI) Forest Management and Fibre Sourcing standard. 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 Wood Products Ltd.'s woodlands have a total AAC (allowable annual cut) of approximately 171,800 m<sup>3</sup>/year. The 2017 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 sustainable forest management (SFM) plan that addresses the Objectives of the SFI standard. 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.) 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. owns 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.



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## 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 the 2017 audit are shown in Tables 1&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 Yurgen Meninga, RPF, (EP) EMSLA, an employee of KPMG PRI. Yurgen has conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **SFI Recertification Audit** – The audit involved an on-site assessment of all elements of the Company’s SFI program, and included visits to several field sites (3 roads, 3 cutblocks, and 6 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fibre sourcing standards. The audit took a total of 7.5 auditor days to complete, 5 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’s 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 woodlands operations meet applicable regulatory requirements, and;
- Evaluate the effectiveness of the system in ensuring that Atco Wood Products Ltd. meets its specified SFM objectives.

### Atco Wood Products Ltd. 2017 SFI Audit Findings

Major non-conformities	0
Minor non-conformities	0
Opportunities for improvement	2

#### 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 or 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.

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 #	Sources of 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	Site plans, silviculture reports, field inspections.
3. Protection and Maintenance of Water Resources	Field inspections of riparian areas, review of site plans & harvest plans.
4. Conservation of Biological Diversity	Forest management plan, Forest Stewardship Plan (FSP), site plans, interviews with planning staff, field 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. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections, regulatory reports.
10. Forestry Research, Science & Technology	Forest management plan, records of research projects and funding, staff interviews.
11. Training and Education	Forest management plan, training records, SFI Implementation Committee (SIC) minutes & resources, interviews with staff and contractors.
12. Community Involvement and Landowner Outreach	Forest management plan, SIC minutes & resources, community and landowner outreach records, staff interviews.
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	Certification summary report, annual report to SFI Inc.
15. Management Review and Continual Improvement	Forest management plan, management review records, internal audit and related action plans.

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

SFI Fibre Sourcing Objective #	Sources of 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 (BMPs)	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 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 & 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. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A—applies to sourcing material from outside Canada & the USA.
12. Avoidance of Controversial Sources including Illegal Logging	N/A—applies to sourcing material from outside Canada & the USA.
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	N/A—applies to sourcing material from outside Canada & the USA.

## Good Practices

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

- SFI Forest Management Objective 4 (biodiversity) – To ensure habitat requirements are met for specified grizzly bear areas, the company had a biologist develop a detailed strategy to assess habitat features such as post-harvest forage, coarse woody debris, and screening, among others. This approach consistently ensures these features are maintained post-harvest.
- SFI Forest Management Objectives 2,4 (forest productivity, biodiversity) – The Company has been lobbying regulators to allow retention of deciduous trees in close proximity to conifer trees in young stands, while counting these conifer trees as potential crop trees in regeneration surveys. Atco is advocating for making this a site-specific determination in cases where (1) there are symbiotic relationships improving crop tree growth, (2) or lack of negative growth impacts to crop trees. Allowing a mixed stand in these cases will increase volume at harvest as well as provide biodiversity benefits.
- SFI Forest Management Objective 11 (training) – There is a good structured mentorship program for new employees, which includes experienced employees providing a formal support and oversight role to new hires for the first few months.
- SFI Forest Management Objective 11 (training) – Staff have toured logging contractors to demonstrate how harvesting prescriptions and practices impact the viability of trees planted following harvest completion. Specifically, on certain south slopes with increased drought mortality, overstory retention is applied at time of harvest for shading purposes where mature trees are left across the cutblock. The loggers were shown a site where no retention was applied and the planted trees were struggling, and then a similar site where they had left overstory for shading purposes, and the planted trees were thriving. This increases awareness about why the retention was prescribed, increasing the level of care taken during harvest.
- SFI Forest Management Objective 12 (community involvement & outreach) – Atco is involved in outreach and community involvement to a greater extent than other companies of similar size. Examples include providing local high school as well as college forestry students with work experience in forestry, working with a recreation club in fireproofing their recreation sites, providing road construction and maintenance for a group building a forestry interpretive site, and donating over 1,000 seedlings to an organization for planting.
- SFI Forest Management Objective 9 (compliance) – The company has switched from paper based inspections and records to electronic, which decreases the chance of errors.

## Follow-up on Findings from Previous Audits

N/A there were no open findings from previous 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

The following two new opportunities for improvement were identified during the audit:

- SFI Forest Management Objective 3 (water quality) – In one harvest area visited during the audit it was noted that a mapping error showed an incorrectly classified stream adjacent to the harvest area. Ultimately on the ground the stream was managed correctly for its actual classification, however the mapping error had not been identified & corrected.
- SFI Forest Management Objective 5 (visual impacts) – The audit found that while visually sensitive harvest blocks had the visual characteristics suitably addressed post-harvest, the rationale for how they were predicted to be addressed during the harvest planning stage could be more closely aligned with how the visual impact is measured.

### Audit Conclusions

The audit found that the Atco Wood Products Ltd.’s sustainable forest management system and fibre sourcing program:

- Were in full conformance with the requirements of the SFI 2015-2019 forest management and fibre sourcing standards included within the scope of the audit, except where noted otherwise in this report;
- Have been effectively implemented, and;
- Are sufficient to systematically meet the commitments included within the organization’s environmental and SFM policies, provided that the system continues to be implemented and maintained as required.

As a result, a decision has been reached by the lead auditor to recommend that Atco Wood Products Ltd. be re-certified to the SFI 2015-2019 forest management and fibre sourcing standards.

### 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 follow-up areas have been identified for the next audit visit:

- Completion of the timber supply review process for the Arrow timber supply area.
- Approval of the recently submitted Forest Stewardship Plan.
- Implementation of Atco’s internally identified actions to increase the number of purchase wood inspections.

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