



Atco Wood Products Ltd. SFI Surveillance Audit—July 2015

On July 6 & 7, 2015 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of the Atco Wood Products Ltd. (Atco) Fruitvale, BC Crown Land operations and fibre procurement against the requirements of the 2010-2014 edition of the Sustainable Forestry Initiative® (SFI) standard. An assessment of Atco's action plans to meet the requirements of the 2015-2019 SFI Standards and Rules was performed as part of this audit.

Description of Atco's Woodlands Operations

Atco's certified woodlands operations are located in south central BC, Canada and are comprised of 120,000ha of Crown land held in forest licence FL A20193 in the Arrow Timber Supply Area (TSA) and FL A20218 in the Kootenay Lake TSA. The woodlands are located in the Interior Cedar Hemlock (ICH) and Englemann Spruce – Subalpine Fir (ESSF) biogeoclimatic zones.

The forest types are coniferous with the main commercial species harvested being lodgepole pine, Douglas-fir, spruce, interior hemlock and western redcedar. Because of the stand compositions and uniform ages, these stands are managed using even-aged silvicultural systems. The stands are harvested and planned for planting using government-approved stocking standards that are ecologically based.

A Forest Stewardship Plan (FSP) establishes the objectives for key timber and non-timber values to guide forest management and takes management direction from the Kootenay-Boundary Land-Use Plan, which sets regional land use objectives and was established through a government managed stakeholder consultation process.

Atco has developed a Sustainable Forest Management Plan (SFMP) which describes how the company will achieve the objectives of higher level plans. In addition, each of the forest licences has allowable annual harvest levels determined by Government based on Government-conducted timber supply reviews that are completed periodically in each of the province's Timber Supply Areas. Harvest volumes are tracked and reported by government and balanced over the five year cut control period for each licence. Atco's harvest levels were below the allowable cut.

Atco Wood Products Ltd. owns a veneer mill in Fruitvale, BC. Some of the mill's fibre is purchased from certified Crown land sources, some non-certified Crown land sources, and some from private land. The majority of the fibre purchased by the mill is from southern British Columbia. Most of the fibre is purchased from wood suppliers, however, a small amount is purchased as standing volume. Atco harvests these stands using its own logging contractors and applies the Company's environmental management system to these operations.

Atco participates in the WCSIC Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and completing purchase wood inspections as necessary.

Audit Scope

The audit was conducted against the requirements of the 2010-2014 edition of the SFI standard, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Protection and maintenance of water resources;



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- Management of visual quality and recreation benefits;
- Efficient use of forest resources;
- Fibre sourcing (landowner outreach, adherence to best management practices, promotion of conservation of biological diversity, etc.);
- Forestry research, science and technology;
- Community involvement in the practice of sustainable forestry;
- Communications and public reporting, and;
- Management review and continual improvement.

A review of action plans to achieve full compliance with SFI 2015-2019 by the end of 2015 was also conducted. The scope of the 2015 SFI audit included all of the woodlands operations noted above, as well as fibre procurement activities for the Company’s veneer mill located in the community of Fruitvale, BC.

The Audit

- **Audit Team** – The audit was conducted by Adrienne Hegedus, MSc, EMSLA and Michael Alexander, RPF, both of whom are also EMS Lead Auditors. Adrienne is an employee of KPMG PRI, and Michael is a consultant. Both have extensive experience in conducting forest management audits against the SFI, FSC, CSA and ISO 14001 standards.
- **SFI Surveillance Audit** – The audit involved an on-site assessment of a sample of activities under Atco’s SFI program, and included visits to 4 harvest sites, 5 road sites and 5 silviculture sites to evaluate conformance with the requirements of the current SFI Standard as well as the action plans to meet the 2015-2019 version of the SFI Standards. 3 auditor days were spent onsite, and another auditor day was spent reviewing action plans and reporting. Annual SFI surveillance audits are conducted by the audit team to ensure that SFI requirements continue to be met.
- **Atco’s SFI Program Representative** – Craig Stemmler, RPF served as Atco’s SFI program representative during the audit.
- **Sampling approach**—The audit sample was a risk based sample selected in consideration of the need to see a broad geographic distribution of activities, to include active sites and to enable assessment of actions on previous audit findings.

Audit Objectives

- To evaluate the Company’s conformance with the requirements of the 2010-2014 version of the SFI standard.
- To evaluate the Company’s action plans to meet the requirements of the 2015-2019 version of the SFI standard.

Atco Wood Products Ltd. SFI Surveillance Audit Findings

Major non-conformities	0
Minor non-conformities	1
Opportunities for improvement	1

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.

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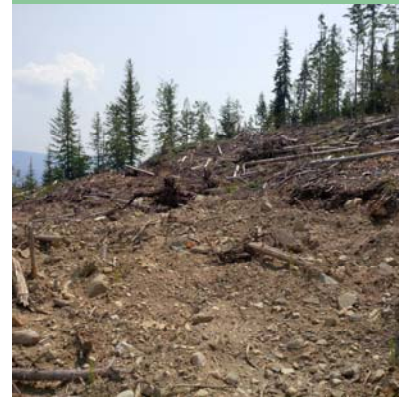
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Evidence of Conformity with SFI 2010-2014

Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard are presented in Table 1. No substitute indicators were included within the scope.

Table 1: Primary sources of evidence assessed to determine conformity with the SFI 2010-2014 standard

SFI Objective #	Sources of Key Evidence of Conformity
1. Forest Management Planning	Forest Stewardship Plan (FSP), Sustainable Forest management (SFM) Plan, Cut Control Performance Summaries, Annual Allowable Cut (AAC) apportionment, Timber Supply Review documentation
3. Protection and Maintenance of Water Resources	SFM Plan, FSP, field inspections of riparian areas, review of site plans.
5. Management of Visual Quality and Recreational Benefits	SFM Plan, FSP, harvest plans, visual impact assessments, field inspections.
7. Efficient Use of Forest Resources	SFM Plan, government waste & residue reports, field inspections.
8. Landowner Outreach	SFM Plan, Atco Wood Procurement Information Package, Purchase wood inspections, Purchase Wood Contracts.
10. Adherence to Best Management Practices	SFM Plan, Atco Wood Procurement Information Package, Qualified Logging Professionals Contact List, Purchase wood inspections
15. Forestry Research & Technology	SFM Plan, records of involvement with research projects
17. Community Involvement in the Practice of Sustainable Forestry	SFM Plan, Atco Wood Procurement Information Package, Records of Relevant Public Inquiry, Records of Education and Outreach.
19. Communications and Public Reporting	SFM Plan, Certification summary report, records supporting information in the annual 2014 SFI Progress Report, interviews with staff.
20. Management Review and Continual Improvement	SFM Plan, SFI Program Indicators Matrix, inspection records, management review meeting minutes.



Seedlings planted on a re-contoured road in a harvested block. The audit reviewed all phases of harvesting, from planning to rehabilitation and silviculture.

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Good Practices

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

- The auditor noted a high quality of silviculture work, road maintenance and road reclamation on the blocks observed during the field visit. (*SFI Obj 3.1.1 Best Management Practices*)
- Atco staff have shown a high level of participation in local stakeholder groups (e.g. Salmo Watershed Streamkeepers Society), research groups (e.g. PCIC) and recreational endeavors (e.g. Friends of Rossland Range. (*SFI Obj 18, Public Land Management Responsibilities*))
- In the absence of MNLFRO or other mapping data, Atco digs a soil pit on each site. Using the legacy silviculture prescription plot cards, they classify the compaction hazard, soil displacement, surface erosion, forest floor displacement and mass wasting hazard ratings, which are used to develop site plans. Texture is assessed using the BEC book soil texturing key. Samples that are difficult to assess by hand are sent to a lab for analysis. (*SFI Obj 2, Forest Productivity*)

Areas of Nonconformance

One minor non-conformity was identified during the audit:

- **SFI Logo Use-** Atco has not included their label id/license number on the SFI logo on their homepage.

Opportunities for Improvement

One new opportunity for improvement was also identified during the audit:

- **SFI Objective 19.2 (Annual reporting):** On the annual SFI report, Atco entered incorrect data for the amount of private land managed on behalf of third parties.

Audit Conclusions

No major non-conformances were identified during the audit. As a result, the Company was recommended for continued certification under the SFI standard. .

Corrective Action Plans

Corrective action plans designed to address the root cause of the non-conformity identified during the audit have been developed by Atco and reviewed and approved by KPMG PRI. The next surveillance audit will include a follow-up assessment of these issues to confirm that the corrective action plans developed to address them have been implemented as required.



The audit visited active harvesting sites. Here a machine loads logs with retained veteran trees in the background.

**Atco
Field Audit Sample Size**

Roads	5
Harvesting	3
Silviculture	5
Wood procurement	1

Appendix A: Transition to the 2015-2019 Standards and Rules

The Company has developed an action plan to transition to SFI 2015-2019, which has been reviewed by KPMG. The following observations were made in relation to areas currently still in the process of transition:

Fibre Sourcing Standard Objective 6 Training and Education

Performance Measure 6.1

- **Indicator 1** Atco has not yet updated their statement of commitment specific to the 2015-2019 Fibre Sourcing Standard, nor have they communicated it to staff and the public.
- **Indicator 5** Atco does not yet have signed agreements for the use of qualified logging professionals for wood purchased in their procurement program.

Forest Management Standard Obj 8 Recognize and Respect Indigenous Peoples' Rights

Performance Measure 8.1

- **Indicator 1** Atco has yet to create a formal policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples.

Forest Management Standard Obj 11 Training and Education

Performance Measure 11.1

- **Indicator 1** Atco has not yet updated their statement of commitment specific to the 2015-2019 Forest Management Standard, nor have they communicated it to staff and the public.
- **Indicator 2** Atco has not yet amended their matrix addressing responsibilities for the 2015-2019 Standard Objectives.
- **Indicator 5** While all contract loggers complete annual training and are considered qualified logging professionals, Atco has not yet developed a formal agreement for the use of qualified logging professionals.

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