



REPORT Forest Certification



Atco Wood Products Ltd. SFI Surveillance / Certificate Upgrade Audit—June 2016

On June 13 & 14, 2016 an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance / certificate upgrade 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) 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 120,000 ha 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 171,000 m³/year. The 2016 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 ecoregions. The forest types are coniferous with the main commercial species harvested being Larch, Douglas-fir, Spruce, Western Red Cedar, Lodgepole Pine, Hemlock and White Pine.

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.



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 2016 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, and Bodo von Schilling, RPF, EP(EMSLA), a contractor to KPMG PRI. Both auditors have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA 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 (6 roads, 6 cutblocks, and 3 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 4 auditor days to complete, 3.5 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. 2016 SFI Surveillance Audit Findings

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

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 records, harvesting records, interviews with planning staff.
2. Forest Health and Productivity	N/A. Not in scope for 2016 audit.
3. Protection and Maintenance of Water Resources	N/A. Not in scope for 2016 audit.
4. Conservation of Biological Diversity	Forest management plan, forest stewardship plan, site plans, interviews with planning staff, field inspections.
5. Management of Visual Quality and Recreational Benefits	N/A. Not in scope for 2016 audit.
6. Protection of Special Sites	Forest management plan, FSP, site plans, special site inspections.
7. Efficient Use of Fibre Resources	N/A. Not in scope for 2016 audit.
8. Recognize and Respect Indigenous Peoples' Rights	Company policy on Indigenous Peoples' rights, records of information sharing with local Indigenous Peoples, interviews with Company staff .
9. Legal and Regulatory Compliance	Forest management plan, health & safety policy, field inspections, compliance assessment during management review.
10. Forestry Research, Science & Technology	N/A. Not in scope for 2016 audit.
11. Training and Education	N/A not in scope for 2016 audit.
12. Community Involvement and Landowner Outreach	N/A not in scope for 2016 audit.
13. Public Land Management Responsibilities	Records of cooperative public land planning processes, forest management plan, FSP, records of plan referrals to local stakeholders, staff interviews.
14. Communications and Public Reporting	N/A. Not in scope for 2016 audit.
15. Management Review and Continual Improvement	Forest management plan, management review records and related action plans.



Photo of a typical cable yarding operation, with the photographer standing at the landing where the felled logs will be yarded to, and the cables visible against the blue sky. The single standing trees have been retained from harvest.

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	N/A. Not in scope for 2016 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 (Best management Practices) 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 qualified logging professionals, 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.
5. Forestry Research, Science & Technology	N/A. Not in scope for 2016 audit.
6. Training and education	N/A not in scope for 2016 audit.
7. Community Involvement and Landowner Outreach	N/A not in scope for 2016 audit.
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 Re-	N/A. Not in scope for 2016 audit.
10. Management Review and Continual Improvement	Management review records and related action plans.
11. Promote Conservation of Biological Diversity, Biodiversity Hotspots and High-Biodiversity Wilderness Areas	N/A. Not in scope for 2016 audit.
12. Avoidance of Controversial Sources including Illegal Logging	N/A not in scope for 2016 audit.
13. Avoidance of Controversial Sources including Sources without Effective Social Laws	N/A not in scope for 2016 audit.



Atco Wood Products purchased the timber from this local ski resort which was constructing new ski runs. The audit verified the results of Atco's BMP audit of the harvesting.

Good Practices

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

- SFI Forest Management Objective 1 (forest management planning) – Atco has been an active participant in the government’s Timber Supply Review process for the Arrow Timber Supply Area, which is relatively innovative compared to the past with group meetings with other licensees as well field tours with company and government representatives. This provides input early on in the process that will establish the AAC.
- SFI Forest Management Objective 13 (public land responsibilities) – In planning operations near a community that has a high level of interest in forestry operations, Atco has collaborated with another licensee in consultation with the community. Whereas this is usually done by each individual company, working jointly on this consultation enables the community to consider the combined impact of planning scenarios.
- SFI Forest Management Objective 13 (public land responsibilities) – The company was found to work with a local wildlife organization to develop an approach to timber retention for biodiversity purposes. On one block visited the resulting retention strategy did a good job of including mature timber as well as non-merchantable trees amongst natural rock outcroppings.
- SFI Forest Management Objective 11 (training) – In 2016 a staff member from Atco and another nearby SFI program participant attended each respective company’s annual SFM training session, which is a way of sharing ideas of training methods and content and improving both company’s training programs.

Areas of Nonconformance

One minor non-conformity was however identified during the SFI surveillance audit of Atco Wood Products’ woodlands and fibre sourcing operations:

- SFI Forest Management Objective 8 (indigenous peoples rights) – Atco has developed a policy to recognize and respect the rights of Indigenous Peoples, has communicated the policy to staff and contractors, and continues to make suitable efforts to share information and solicit feedback from First Nations.

However, the Atco First Nations Policy is an internal document that has not been shared with the First Nations whose traditional territories overlap the Company’s Crown tenures, either directly or by posting it on the Company website. As such, the SFI requirement to “provide” a written policy acknowledging a commitment to recognize and respect the rights of Indigenous Peoples has not been met.

Opportunities for Improvement

No new opportunities for improvement were identified during the audit.

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 systems 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. SFI 2010-2014 certification be upgraded to the SFI 2015-2019 forest management and fibre sourcing standards with the same expiry date as the current SFI 2010-2014 certificate.

Corrective Action Plans

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

Focus Areas for the Next Audit Visit

One follow-up area has been identified as focus areas for the next audit visit:

- Completion of the timber supply review process for the Arrow timber supply area.

Contacts:

Chris Ridley-Thomas, RPBio, EP(EMSLA) (604) 691-3088
 David Bebb, RPF, EP(EMSLA) (604) 691-3451

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.
 © 2016 KPMG. All rights reserved.