



# REPORT Forest Certification



## Atco Wood Products Ltd. - 2023 SFI Surveillance Audit

From June 12-15, 2023, KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Atco Wood Products Ltd.'s ("Atco", or "Company") woodlands operations and fibre procurement activities against the requirements of the 2022 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 comprise 154,000 hectares of Crown land held in forest licences 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 m<sup>3</sup>/year. The 2023 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. Higher-level plans developed by the 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 falls 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, clear-cut 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's Manufacturing Facilities and Fibre Sourcing Program

Atco 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.

Atco 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 2022 edition of the SFI forest management and fibre sourcing standards. The SFI objectives that were assessed during the audit are shown in Tables 1 and 2 later below.



SUSTAINABLE  
FORESTRY  
INITIATIVE

SFI-01154

 **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 lead auditor was Bodo von Schilling, R.P.F., EP (EMSLA), manager with KPMG PRI with experience conducting numerous forest management audits under a variety of forest management standards including SFI, ISO 14001, CSA Z809 and FSC. Working under Bodo’s supervision, the on-site lead auditor-in-training was Cynthia Lu RPF (EMSLA). Also participating as an auditor-in-training was Camila Mayer Massaroth, FIT.
- **SFI Surveillance Audit** – The audit involved an off-site document review. The Company’s SFI program was considered during the on-site field audit portion of the audit, and included several field sites (4 roads, 2 harvesting sites, 1 silviculture sites and 2 fibre sourcing sites) to evaluate conformance with the requirements of the new 2022 SFI forest management and fibre sourcing standards. The 2023 Atco Wood Products Ltd audit took a total of 5 auditor days to complete, 2.5 days of which were spent on-site plus 0.5 days conducting audit interviews off-site. 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 2022 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 2022 forest management and fibre sourcing objectives identified as within scope for the 2023 audit in Table 1 and Table 2;
- Evaluate how Atco has or has not met applicable regulatory requirements;
- Evaluate the effectiveness of Atco’s management system in meeting its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

| <b>Atco Wood Products Ltd.<br/>SFI Surveillance Audit Findings</b> |   |
|--|---|
| Open non-conformities from previous audits                         | 3 |
| 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 2022 forest management and fibre sourcing standards are presented in the following tables.

**Table 1. Evidence of Conformity with the SFI 2022 Forest Management Standard**

| SFI Forest Management Objective                           | Key Evidence of Conformity   |
|---|--|
| 1. Forest Management Planning                             | Not a focus of 2023 audit.   |
| 2. Forest Health and Productivity                         | Not a focus of 2023 audit.   |
| 3. Protection and Maintenance of Water Resources          | Forest management plan, FSP, harvest plans, field inspections.   |
| 4. Conservation of Biological Diversity                   | Not a focus of 2023 audit.   |
| 5. Management of Visual Quality and Recreational Benefits | Forest management plan, FSP, harvest plans, field inspections.   |
| 6. Protection of Special Sites                            | Not a focus of 2023 audit.   |
| 7. Efficient Use of Fibre Resources                       | Forest management plan, waste reports, field inspections.  |
| 8. Recognize and Respect Indigenous Peoples' Rights       | Not a focus of 2023 audit.   |
| 9. Climate Smart Forestry                                 | Forest management plan, climate modeling, silviculture plans and practices, operational controls, GHG inventories                                    |
| 10. Fire Resilience and Awareness                         | Forest management plan, post-harvest assessments, fire plans   |
| 11. Legal and Regulatory Compliance                       | Forest management plan, environmental management plan (EMP), health & safety policy, field inspections, interviews with regulatory agency personnel. |
| 12. Forestry Research, Science & Technology               | Not a focus of 2023 audit.   |
| 13. Training and Education                                | Not a focus of 2023 audit.   |

**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.

| SFI Forest Management Objective                  | Key Evidence of Conformity  |
|--|---|
| 14. Community Involvement and Landowner Outreach | Forest management plan, EMP, SIC minutes & resources, community and landowner outreach records, staff interviews. |
| 15. Public Land Management Responsibilities      | Not a focus of 2023 audit.  |
| 16. Communications and Public Reporting          | Not a focus of 2023 audit.  |
| 17. 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 2022 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 Professionals, Qualified Logging Professionals and Certified Logging Companies | Not a focus of 2023 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. |

| SFI Fibre Sourcing Objective #                  | Key Evidence of Conformity   |
|---|--|
| 5. Forestry Research, Science & Technology      | Not a focus of 2023 audit.   |
| 6. Training and Education                       | Not a focus of 2023 audit.   |
| 7. Community Involvement and Landowner Outreach | SIC minutes & resources, community and landowner outreach records, staff interviews. |
| 8. Public Land Management Responsibilities      | Not a focus of 2023 audit.   |
| 9. Communications and Public Reporting          | Not a focus of 2023 audit.   |
| 10. Management Review and Continual Improvement | Management review records, internal audit and related action plans.                  |
| 11. Avoid Controversial Sources                 | Not a focus of 2023 audit.   |

## Follow-up on Findings from Previous Audits

At the time of this assessment there were three open non-conformities from the 2022 Atco Wood Products Ltd. audit. Procedures to mark special sites (i.e. a mining post inside a harvest area was not flagged for protection) were improved. Secondly, at the 2022 audit a required policy addressing the engagement of Indigenous Peoples was a draft and at the 2023 audit was confirmed to have been finalized and made publicly available. Thirdly, Atco has identified and prioritized climate change risks based on the nature, severity and their expected impact on forest management and adaptation plans have been considered.

## Areas of Nonconformance

No non-conformities were identified during the 2023 audit.

## Opportunities for Improvement

One new opportunity for improvement was identified during the SFI audit of Atco Wood Products' woodlands and fibre sourcing operations considering the 2022 SFI standard. The key opportunities noted during the audit included:

1. *SFI Forest Management Standard 13.1.1 (Training/Education)* - Interviews with contractor crews confirmed a good level of awareness of operational specific issues, operational controls, emergency response, and water management. Lower levels of awareness in the areas of species at risk and invasive plants across sampled contractors.

## 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 2022 Forest Management and Fibre Sourcing 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 team 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. continue to be certified to the 2022 SFI forest management and fibre sourcing standards.

## Corrective Action Plans

Since non-conformities were not detected, no corrective action plans were required.



### Focus Areas for the Next Audit Visit

The following issues/potential concerns have been identified as focus areas for the next audit visit:

- Follow-up on 2023 findings.
- Silviculture planning and practices.
- Procurement from the USA

#### Contacts:

Shawn Ellsworth, MBA, RPF, EMS(LA) (604) 691 3390

Bodo von Schilling, RPF, EP(EMSLA) (604) 691 3440

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.

© 2023 KPMG. All rights reserved.