



# REPORT Forest Certification



## Sierra Pacific Industries - 2023 SFI Surveillance Audit

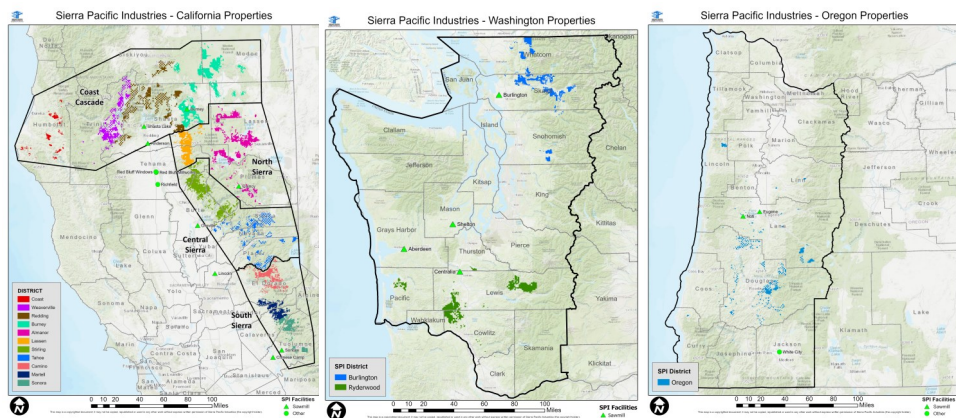
Between June 20 and July 20, 2023, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI surveillance audit of Sierra Pacific Industries' (SPI or "Company") woodlands operations and fiber procurement activities against the requirements of the 2022 Sustainable Forestry Initiative® (SFI) forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the process and KPMG's findings.

### Description of Sierra Pacific Industries Woodlands Operations

SPI owns private forest land in and carries out fiber sourcing in California, Oregon and Washington State.

#### Sierra Pacific Industries

California and Washington Timberlands and California, Oregon and Washington Manufacturing Facilities



SFI-01154



PEFC/26-31-155



SIERRA PACIFIC INDUSTRIES

### California

#### 1. Forest Management Operations:

SPI is the largest private forest land owner in California, with operations currently encompassing just under 1.823 million acres of timberland throughout northern California. The land ownership pattern consists of both large contiguous tracts of land and a significant number of smaller non-contiguous tracts. The private timberland operations are managed by the Company through eleven separate field operations. Planning and research staff are located at the main office in Anderson, California.

SPI's land holdings in California reside in the Klamath Mountains, Southern Cascades and Sierra Nevada ecological subregions. Dominant forest types under SPI management in these subregions include Ponderosa Pine, Douglas-fir, Klamath and Sierra Mixed Conifer (Ponderosa Pine, Sugar Pine, White Fir, Douglas Fir, Incense Cedar), Mixed Hardwood-Conifer, Black Oak, Red Fir, White Fir and Jeffrey Pine. SPI carries out even aged, uneven aged, shelterwood and seed tree silviculture regeneration systems, along with pre-commercial thinning and commercial thinning. All clear-cut stands are planted with trees grown from the corresponding specific seed zones stratified by 500 foot elevation bands.

Three Option A demonstrations of Maximum Sustained Production (MSP) have been prepared and submitted for SPI's California operations—one each for the northern, southern and coastal State Forest Districts. Each Option A establishes long-term goals and objectives for key timber and non-timber values consistent with the requirements of the California Forest Practices Rules and SPI's voluntary practices and commitments. They also establish the associated forest management approaches, standing inventory and growth and yield modeling scenarios, assumptions and timber

production constraints to address these goals and objectives, as well as to model growth, harvest and long term sustained yield levels over a 100 year strategic planning horizon.

In order to ensure that the harvest is sustainable over time, existing annual harvest levels have been established at levels well below the long term sustained yield. SPI's tracked actual harvest level over the 1999—2022 period averaged well below the calculated allowed annual harvest level for its California operations.

Short-term (7-year) Timber Harvesting Plans (THPs) are established to guide specific harvesting, road development and silviculture scheduling/strategies on a sub-basin or larger basis. THPs incorporate specific operational approaches for addressing MSP goals and objectives, Forest Practices Rules and Company practices and commitments for identifying and protecting timber and non-timber resource values (wildlife and habitat features, aesthetic, recreation, range/forage, riparian, watersheds, fisheries, etc.).

### 2. Fiber Sourcing Operations:

SPI fiber sourcing operations in California are carried out by procurement foresters associated with sawmills located in Anderson (where there is also a pole plant), Burney, Shasta Lake, Oroville, Quincy, Chinese Camp, Sonora and Lincoln. A substantial proportion of the Company's California mills' fiber supply is obtained through SPI's procurement program.

Logs are received at the sawmills from a number of sources, including SPI's own fee lands, stumpage sales on private or federal land and direct log purchases from land managed or owned by Timber Investment Management Organizations, Real Estate Investment Trusts, family forest owners, tribal lands, private landowners and other US public lands. The majority of the incoming logs originate from California, with very small proportions of the total supply coming from Oregon and Nevada.

The log supply monitoring system in place for SPI's California mills includes a combination of establishing log purchase contracts with suppliers prior to acceptance of logs at the mills, Best Management Practices monitoring carried out by each mill's procurement forester on a sample of its suppliers and rule enforcement data received from the California Department of Forestry.

### Washington State

#### 1. Forest Management Operations:

SPI manages 143,542 acres (Burlington District) and 161,971 acres (Centralia District) of private timberlands in the northwest and southwest portions of the State respectively, managed from district woodlands offices located in Burlington and Centralia. The Company's Washington holdings also include a conifer seed orchard situated on Whidbey Island.

SPI's land holdings in Washington reside in the Cascade Mixed Coniferous Forest ecological subregion. Dominant forest types under SPI management in this subregion include Douglas-fir, Western Hemlock, Western Red Cedar, Sitka Spruce, Grand Fir, Red Alder and Broadleaf Maple at lower elevations and Pacific Silver Fir, Mountain Hemlock and Subalpine Fir at higher elevations. SPI carries out even aged management on its Washington holdings, along with pre-commercial thinning and commercial thinning. All clear-cut stands are planted with trees grown from specific seed zones and elevation bands corresponding to the area of harvest.

### Sierra Pacific Industries. SFI Surveillance Audit Findings

Open nonconformities from previous audits	0
New major nonconformities	0
New minor nonconformities	7
New opportunities for improvement	3

#### Types of audit findings

##### Major nonconformities:

Are pervasive or critical to the achievement of the SFM Objectives.

##### Minor nonconformities:

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.

Long term resource analyses, based on SPI's inventory program and growth and yield model functions, and associated harvest plans have been established for both the Burlington and Centralia Forest Districts. The analyses and plans reflect the requirements of the Washington Forest Practice Rules, which establish the overall legal requirements respecting long term management planning, harvest scheduling and the identification and protection of non-timber resource values. The operable, forested land base was arrived at in the analyses following reductions for riparian, non-forest, unstable slopes, unproductive land, etc. Mid-term harvest levels have been developed for the two Forest Districts based on the calculated long term sustained yield levels established for the two Forest Districts. Shorter term harvest scheduling (3 years) refines the delineation of the block boundaries by incorporating other spatially explicit considerations (riparian, heritage, roads, etc.). Forest Practice Applications (FPAs) submitted for approval to the Department of Natural Resources (DNR) establish the stand-level operational plan covering timber and non-timber values (which link to Washington's Forest Practice Rule requirements). Detailed annual harvest plans (with block-specific inventory and scheduled cut volumes) are also prepared specifying proposed layout and development and FPA approval status. Harvesting on SPI managed land in Washington also addresses the retention standards of the State of Washington Aquatic Species Habitat Conservation Plan.

In order to ensure that the harvest is sustainable over time, existing annual harvest levels have been established at levels well below the long term sustained yield. SPI's tracked actual harvest level over the 2009—2022 period at the two Forest Districts averaged below the calculated allowed annual harvest level for its Washington operations.

### 2. Fiber Sourcing Operations:

SPI fiber sourcing operations in Washington State are carried out by procurement foresters associated with sawmills located in Aberdeen, Burlington, Centralia and Shelton. A substantial proportion of the Company's Washington mills' fiber supply is obtained through SPI's procurement program.

For SPI's Washington sawmills, the majority of the incoming logs originate from Washington State with small proportions of the total supply coming from British Columbia and Oregon.

The log supply monitoring system in place for SPI's Washington sawmills includes a combination of establishing log purchase contracts with suppliers prior to acceptance of logs at the mills, Best Management Practices (BMP) monitoring carried out by its procurement foresters on a sample of its suppliers and rule enforcement data received from the Department of Natural Resources.

### Oregon

#### 1. Forest Management Operations:

SPI manages 177,133 acres of private timberlands in the Western portion of the State (with much of the holdings located between Eugene and Roseburg), which is managed from the district's main office located in Eugene with support from its southern office located in Roseburg.

SPI's land holdings in Oregon reside in the Coast/Cascade Mixed Coniferous Forest ecological subregion. Dominant forest types under SPI management in this subregion include Douglas-fir, Western Hemlock, Western Red Cedar, Grand Fir, Red Alder and Broadleaf Maple at lower elevations and Noble Fir at higher elevations. SPI carries out even aged management on its Oregon holdings, along with pre-commercial thinning and commercial thinning. All clear-cut stands are



The 2023 audit included for the first time an assessment of SPI's Oregon forestry operations against the requirements of the SFI FM standard, including a field audit of plan implementation and operational practices in active and completed harvest blocks.

planted with trees grown from specific seed zones and elevation bands corresponding to the area of harvest.

Long term resource analyses, based on SPI's inventory program and growth and yield model functions have been established for the Oregon District. The operable, forested land base was arrived at in the analyses following reductions for riparian, non-forest, unstable slopes, unproductive land, etc. The Forest Planning Projection System projects forest growth out 50 years based on the inventory data gained from compiled cruise plots along with other factors, including site class. In addition to the 50-year long term sustainable yield (LTSY) plan, harvest levels in 5-year buckets have been developed for the District based on the calculated long term sustained yield level established from the 50-year LTSY plan. Annual harvest levels are also established on the basis of the updated standing inventory (which is updated on an ongoing basis through full re-measurement of the cruise plots over a 10 year period), with annual harvest scheduling refining the delineation of the block boundaries by incorporating other spatially explicit considerations (riparian, heritage, roads, etc.). Notification of Operations / Permit to Operate Power-Driven Machinery (NOAP) are submitted for approval to the Oregon Department of Forestry (ODF) at least 15 days prior to the start up of operations; NOAPs establish the stand-level operational plan covering timber and non-timber values. In addition to NOAPs, Resource Protection Written Plans (RPWP) are statutory written plans that also need to be submitted in relation to special resource values that are present in the proposed operational area (such as specific classifications of streams and wetlands, wildlife / nesting sites, estuaries). The written plan is required to contain a detailed description of how the operation is planned to be conducted to protect the identified non-timber resource value. Both NOAPs and RPWP link to Oregon's Forest Practice Act requirements.

In order to ensure that the harvest is sustainable over time, existing annual harvest levels have been established at levels below the long term sustained yield. SPI's tracked actual harvest level in 2022 in the Oregon District averaged below the calculated allowed annual harvest level for its operations.

### 2. Fiber Sourcing Operations:

SPI fiber sourcing operations in Oregon are carried out by procurement foresters associated with sawmills located in Eugene and Noti. A substantial proportion of the Company's Oregon mills' fiber supply is obtained through SPI's procurement program.

For SPI's Oregon sawmills, the majority of the incoming logs originate from Oregon with an extremely small proportion of the total supply originating from California and Washington.

The log supply monitoring system in place for SPI's Oregon sawmills includes a combination of establishing log purchase contracts with suppliers prior to acceptance of logs at the mills and BMP monitoring carried out by its procurement foresters on a sample of its suppliers (with emphasis on non-certified private units). At a broader scale, the Oregon State Forest Practices Monitoring and Reporting Program continually reviews the effectiveness of the Forest Practices Act (FPA) and its rules through monitoring and research.

### Audit Scope

The audit was conducted against selected requirements of the 2022 edition of the SFI forest management (FM) and fiber sourcing (FS) standards, and thus incorporated an assessment of selected SFI program objectives for SPI operations in Oregon (FM and FS) and California (FM and FS) as noted under "Evidence of Conformity with SFI 2022" below.

In addition to time spent off-site conducting a document review and following the audit preparing the reports and files, the scope of the 2023 SFI surveillance audit included



The field audit on SPI's Oregon freehold lands observed numerous examples of streams and other waterbodies protected by prescribed treed buffers. The bottom photo, for example, shows a small wetland on which a heronry exists that is protected by a 300 foot buffer.

approximately 12.5 person days of on-site assessment time related to the following SPI California and Oregon operations:

- California procurement operations for the Burney, Oroville and Quincy sawmills and Oroville fiber plant.
- Land management operations in California conducted by the Burney, Martell and Tahoe Districts.
- Oregon procurement operations for the Eugene sawmill.
- Land management operations in Oregon conducted by the Eugene District.
- On-site audit of SPI's head office located in Anderson, CA.

### The Audit

- **Audit Team** – The audit was conducted by Craig Roessler, RPF (BC), EP (EMSLA), CF(SAF), who acted as lead auditor, Cindy Hutchison, RPF (BC), EP (EMSLA), and Michael Buell, RPF (BC), EP(EMSLA). Craig, Cindy and Michael were employees of KPMG PRI at the time of the audit, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC.
- **2023 SFI Surveillance Audit** – The audit involved an on-site assessment of selected elements of the Company's SFI program, and included visits to several field sites (22 roads, 22 cutblocks, 10 silviculture sites and 6 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fiber sourcing standards. The 2023 SPI audit took a total of 15.5 auditor days to complete, 12.5 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.
- **Multi-Site Sampling** – Sierra Pacific Industries holds a multi-site SFI certificate covering a total of 14 woodlands operations (11 in California, 1 in Oregon and 2 in Washington State) and associated fiber sourcing activities relating to 14 mills (8 in California, 4 in Washington State and 2 in Oregon). The sites included within the scope of the Company Sierra Pacific Industries' certification are contained in a total of 3 strata respecting SFI FM and 3 strata respecting SFI FS (i.e., by State). Field visits were made to 4 of 14 woodlands operations in California, Oregon and Washington (3 of 11 in California, 1 of 1 in Oregon and 0 of 2 in Washington) and 5 of 14 fiber sourcing operations in California, Oregon and Washington (3 of 8 in California, 1 of 2 in Oregon and 0 of 4 in Washington) (see "Audit Scope" above for the sites visited during the 2023 audit). The percentage of sites sampled within each strata was as follows: California FM (27.2%), Washington FM (0%), Oregon FM (100%), California FS (37.5%), Washington FS (0%) and Oregon FS (50%): The Company's head office in Anderson, CA was also visited for staff interviews and a review of SFI-related documents. This sample size surpasses IAF requirements regarding audit sampling for multi-site certifications.
- **SPI SFI Program Representative** – Mr. Cedric Twilight served as the SPI SFI program representative during the audit.

### Use of Substitute Indicators

The following supplemental indicator 4.1.9 was added and assessed against during the 2023 surveillance audit:



The field audit assessed operational and forest management practices at logging and, as depicted in this photo, commercial thinning stages (photo taken in Oregon).

Indicator 9: Retention and recruitment of Pacific Fisher habitat elements on SPI California lands through the implementation of the following specific conservation measures established in section 7.3.4 of the “Candidate Conservation Agreement with Assurances for Fishers on the SPI ownership in the Klamath, Cascade, and Sierra Nevada Mountains” between Sierra Pacific Industries and the U.S Fish and Wildlife Service (signed agreement dated October 2016).

No other indicators included in the SFIS were added, modified or substituted for the purpose of this audit.

### Audit Objectives

The objectives of the audit were to evaluate the sustainable forest management and fiber sourcing systems at Sierra Pacific Industries to:

- Determine their conformance with the requirements of the SFI 2022 Forest Management and SFI 2022 Fiber Sourcing standards;
- Evaluate the ability of the systems to ensure that Sierra Pacific Industries operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the systems in ensuring that Sierra Pacific Industries meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.

### Addressing Fisher Candidate Conservation Agreement with Assurances and Spotted Owl Habitat Conservation Plan

The audit in the California Districts included a focused assessment of the fulfillment of the CCAA and HCP requirements respecting the conservation and improvement of Pacific Fisher and Spotted Owl habitat. The field audit found that SPI was effectively implementing its conservation plans to promote fisher and spotted owl habitat by retaining the required CCAA and HCP habitat elements (i.e., as specified above in relation to supplemental SFI FM indicator 4.1.9). Adequate retention was evident from the field audit of both green harvest and wildfire salvage areas. Consequently, SPI was found to be in full conformance with supplemental SFI FM indicator 4.1.9.



As occurs during every annual KPMG audit, the 2023 field audit in the California Forest Districts included a focused assessment of SPI’s implementation of protection measures to address the requirements of the Fisher Candidate Conservation Agreement (CCAA). As shown in the photos above and at left, the field audit observed many examples of effectively retained CCAA habitat elements.

### Evidence of Conformity with the SFI 2022 Forest Management and Fiber Sourcing Standards

Primary sources of evidence assessed to determine conformity with the SFI 2022 forest management and Fiber sourcing standards are presented in the following tables.

SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	<p>CA – NA – not in scope for the 2023 audit.</p> <p>OR – Notice of Operations/Permit To Operate Power-Driven Machinery (NOAP); Resource Protection Written Plan (RPWP); Inventory data; Growth &amp; Yield model results; Annual harvest summary; Interviews with planning staff.</p>
2. Forest Health and Productivity	<p>CA – NA – not in scope for the 2023 audit.</p> <p>OR – NOAP; RPWP; Planting, seedling protection, site prep and herbicide application/use records/summaries/maps; Herbicide treatment community notification letters; SPI pesticide policy; SPI fire prevention policy; Fire Plan; Field inspections and interviews.</p>
3. Protection and Maintenance of Water Resources	<p>Timber Harvesting Plans (THPs) and Notice of Emergency Timber Operations (EMs) (CA) and NOAPs and RPWPs (OR); Master Timber Harvesting Operation Lake and Streambed Alteration Agreement (MATO) (CA); Water Quality Control Waivers (WQCW) (CA); Water quality monitoring reports / records re. MATO and WQCW (CA); Oregon Department of Forestry (ODF) Activity Inspection Reports (OR); Timber Harvesting and Road Construction contracts; SPI road inspection policy; Road inspection/maintenance records; GIS topographic map layers; Field inspections and interviews.</p>
4. Conservation of Biological Diversity	<p>CA –Fisher Candidate Conservation Agreement with Assurances (CCAA in CA); District lists and maps depicting Fisher CCAA protected features; SPI THP wildlife reporting chart; SPI floristic window tables; Habitat Conservation Plans (Northern and California Spotted Owl; listed Salmonids); GIS topographic map layers; Field inspections and interviews.</p> <p>OR – NOAP; RPWP; SPI botany policy; SPI policy regarding raptors and raptor surveys; SPI snag management objectives; Completed botany THP checklists; ODF Threatened, Endangered and Candidate Fish and Wildlife Species Listing (with Federal and State status); SPI research projects’ documentation; Staff training records; Field inspections and interviews.</p>
5. Management of Visual Quality and Recreational Benefits	<p>THPs and EMs (CA) and NOAPs and RPWPs (OR); GIS topographic map layers; SPI Public access policy; SPI supporting records for SFI annual progress report; Latest (2022) annual SFI progress report; Staff and contractor training records; Field inspections and interviews.</p>



With this being SPI Oregon woodland’s first SFI FM audit, all SFI FM objectives were in scope with respect to the Division, including Objective 2. In relation to this, the field audit reviewed the implementation of SPI Oregon’s planting program to verify that it is addressing both the SFI and Forest Practices Act requirements respecting prompt (within 2 years of logging) reforestation using ecologically suited tree species.

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SFI Forest Management Objective	Key Evidence of Conformity
6. Protection of Special Sites	CA – NA – not in scope for the 2023 audit.  OR – NOAPs and RPWPs and related archeological planning records; State Historic Preservation Office cultural resource inventory; SPI policy for special sites and forests of exceptional conservation value; Staff training records; Field inspections and interviews.
7. Efficient Use of Fiber Resources	THPs and EMs (CA) and OAPs and RPWPs (OR); Log purchase contracts; USFS Stewardship Contracts (CA); SPI log sort and bucking specifications; Logger training records; Field inspections and interviews.
8. Recognize and Respect Indigenous Peoples Rights	CA – NA – not in scope for the 2023 audit.  OR – SPI Policy Re. “Objective 8 – “Recognize and Respect Indigenous Peoples Rights”; NOAPs and RPWPs and related archeological planning records; State Historic Preservation Office cultural resource inventory; SPI referral, consultation and communication records respecting indigenous peoples; Field inspections and interviews.
9. Climate Smart Forestry	CA – NA – not in scope for the 2023 audit.  OR – OAPs and RPWPs; Silviculture (planting) records; SPI fire prevention policy and associated records; Fire Plan; Training records; Field inspections and interviews.
10. Fire Resilience and Awareness	CA – NA – not in scope for the 2023 audit.  OR – OAPs and RPWPs; SPI fire prevention policy and associated records; Fire Plan; Training records; Field inspections and interviews.
11. Legal and Regulatory Compliance	THPs and EMs (CA) and OAPs and RPWPs (OR); SPI landowner information package; SPI log purchase contracts; CA Department of Forestry notices and Oregon Department of Forestry (ODF) Activity Inspection Reports (OR); SPI Employee Manual; Field inspections and interviews.
12. Forestry Research, Science and Technology	CA – NA – not in scope for the 2023 audit.  OR – SPI research projects’ documentation and lists; SPI public website; SIC meeting minutes; SPI membership and participation records; Latest (2022) annual SFI progress report; Interviews.
13. Training and Education	CA – NA – not in scope for the 2023 audit.  OR – SPI policy statement of commitment to SFI; SPI training records for staff and contractors; SPI staff and contractor logger training materials; SPI public website; SIC meeting minutes; State forestry / contractor association website; Purchase wood BMP field inspection results; Employee and contractor interviews.



Sierra Pacific Industries employs a variety of sediment control measures to protect water quality in its road building and crossing installation operations, including liberal use of well placed rip rap (Oregon District).



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SFI Forest Management Objective	Key Evidence of Conformity
14. Community Involvement and Landowner Outreach	SIC meeting minutes; SPI public, forest landowner and stakeholder outreach, involvement & communication records; SPI public website; State forestry / contractor association and SIC websites; SPI staff and contractor logger training materials; Latest (2022) annual SFI progress report; Interviews.
15. Public Land Management Responsibilities	NA – SPI does not have forest management responsibilities on public lands.
16. Communications and Public Reporting	CA – NA – not in scope for the 2023 audit.  OR – SPI website; SPI supporting records for SFI annual progress report; Latest (2021) and previous years’ annual SFI progress reports.
17. Management Review and Continual Improvement	SPI annual management review meeting memorandum; Corporate and District field audit results; Annual Chairman/CFO letter confirming SFI performance review.



The field audit in Oregon included reviews of active operations in part to verify that the operation and its contractors have adequate fire response equipment in place (as required under SFI FM Objectives’ 2 and 10).

SFI Fiber Sourcing Objective	Key Evidence of Conformity
1. Biodiversity in Fiber Sourcing	SPI log purchase policy; SPI log purchase contracts; SPI landowner information letter and package; SPI public website; SPI log purchase contracts; CA and OR SIC meeting minutes; CA and OR SIC websites; SPI due diligence systems; Habitat Form Modeling; Biodiversity Fact Sheets (CA: <a href="https://www.californiasfi.org/Home/BioDiversityInFiberSourcing">https://www.californiasfi.org/Home/BioDiversityInFiberSourcing</a> ; OR: <a href="https://www.oregonsfi.org/biodiversity.html">https://www.oregonsfi.org/biodiversity.html</a> ; WA: <a href="https://forests.org/sic-resources/">https://forests.org/sic-resources/</a> ); THPs and EMs (CA) and OAPs and RPWPs (OR); Habitat Conservation Plans (CA); SPI Wildlife and Botany Information System (WBIS) and sample of botany scoping reports and planning watersheds wildlife reports respecting THPs reviewed during the CA audit; State natural heritage databases; Candidate Conservation Agreement with Assurances (CCAA in CA); SPI research projects’ documentation; Purchase wood BMP field inspection results; Staff training records; Field inspections and interviews. .
2. Adherence to Best Management Practices	THPs and EMs (CA) and OAPs and RPWPs (OR); SPI landowner information letter and package; SPI log purchase contracts; SPI public website; SIC meeting minutes; State forestry/ logging contractor association and SIC websites; Purchase wood BMP field inspection results; SPI logger training materials; Field inspections and interviews.
3. Use of Qualified Resource Professionals, Qualified Logging Professionals and Certified Logging Companies	NA – not in scope for the 2023 audit.

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SFI Fiber Sourcing Objective	Key Evidence of Conformity
4. Legal and Regulatory Compliance	THPs and EMs (CA) and OAPs and RPWPs (OR); SPI landowner information letter and package; SPI log purchase contracts; SPI log purchase records/database (AS400); CA Dept of Forestry violation reports (CA) and ODF Activity Inspection Reports (OR); SPI Employee Manual; SPI due diligence systems.
5. Forestry Research, Science and Technology	NA – not in scope for the 2023 audit.
6. Training and Education	NA – not in scope for the 2023 audit.
7. Community Involvement and Landowner Outreach	SIC meeting minutes; SPI public and stakeholder outreach, involvement & communication records; SPI landowner information package; SPI public website; State forestry / contractor association and SIC websites, SPI staff and contractor logger training materials.
8. Public Land Management Responsibilities	NA – SPI does not have forest management responsibilities on public lands.
9. Communications and Public Reporting	NA – not in scope for the 2023 audit.
10. Management Review and Continual Improvement	SPI annual management review meeting memorandum; Corporate and District field audit results; Annual Chairman/CFO letter confirming SFI performance review.
11. Avoid Controversial Sources	SPI’s CoC Procedure; SPI’s Internal Audit / Due Diligence Procedure; SPI’s SFI Policy Statement on Controversial Sources of Raw Material; SPI’s due diligence systems (SFI, PEFC and FSC); Source/delivery level records (scale/truck tickets, AS400 and associated queried reports); SPI audit reports; Signed supplier controversial sources declaration letters; Purchase wood BMP field inspection results; Log Purchase Agreements; THPs and EEs (CA) and OAPs and RPWPs (OR); Interviews with procurement staff and others.



Field audits were conducted for a sample of SPI divisions with fiber sourcing responsibilities in order to confirm that its BMP monitoring program was being effectively implemented in order to verify that its purchased fiber is being procured from landowners who are adhering to best forest management practices (as required by SFI FS Objective 2) (photos taken, from top to bottom, in the Oroville, Burney and Oregon divisions).

### Good Practices

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

- SFI FM Indicators' 2.4.3 and 11.1.2 – Placing fire water on “skidgine” where it can be readily moved into a harvest unit to fight fires (identified in Tahoe, but more widely applicable).
- SFI FM Indicator 3.1.1 – The field audit observed the implementation of good practices at water drafting sites to protect water quality, including the shifting of water truck pads further up and away from the high-water mark and liberal placement of crushed rock to reduce the risk of sedimentation (Martell).
- SFI FM Indicator 3.1.1 – The field audit observed noteworthy instances where class III streams were given class II protection (Martell).
- SFI FS Indicator 2.1.2 – A stumpage sale block field reviewed was found to have been well managed to minimize soil damage during flash flooding (Burney).
- SFI FS Indicator 2.2.2 – The Fiber Sourcing field audit forms contain very thoughtful well documented comments (Eugene).

### Follow-up on Findings from Previous Audits

At the time of this assessment there was 3 open minor nonconformities from previous audits requiring follow-up on. The audit team reviewed the implementation of the action plans developed by Sierra Pacific Industries to address these issues, and found that they had been effectively implemented; however there was one outstanding issue associated with one minor nonconformity (re. the promotion and conservation of Forests with Exceptional Conservation Value) – i.e., while it was confirmed that G1 and G2 species habitat management guidelines have been established for all of the ecoregions in CA, OR and WA and posted on the respective State SIC websites, the existing SPI wood producer information materials provides no clear linkage to the material posted on these websites. This however is raised as a newly reformulated minor nonconformity in this audit report and, as a result, all of the nonconformities identified during previous audits have now been closed.

### Areas of Nonconformity

A total of seven minor nonconformities were identified during the SFI surveillance/audit of SPI's woodlands and fiber sourcing operations. These included:

- SFI Forest Management Performance Measure 3.1 (Protection and maintenance of water resources) – The audit found that the established SPI Road Maintenance Policy was not fully implemented at the Tahoe District, where 1 high and 15 medium road maintenance items have not been addressed and some maintenance activities have not been inspected for many years.
- SFI Forest Management Performance Measure 4.1 and 4.2 (Conservation of biological diversity) – While elements of landscape level biodiversity and old-growth assessments are in place on SPI's Oregon forest lands, a comprehensive evaluation of biodiversity at landscape and ownership levels has not been undertaken to assess if there are gaps that need to be addressed in SPI's existing biodiversity outcomes respecting current landscape level conditions on its ownership (respecting forest composition and seral stages, including the adequacy of existing old growth levels by forest type).



Example of a Class 2 stream being effectively protected by a 50 foot WLPZ (Watercourse and Lake Protection Zone) (Martel District).

- SFI Forest Management Performance Measure 4.2 (Conservation of biological diversity) – While significant progress has been made in gaining available information on known locations of G1 and G2 species and communities from database searches (such as State and BLM) along with initial fieldwork on SPI’s Oregon property, there is still work to be done to fully identify potential occurrences of G1 and G2 species and ecological communities on SPI’s Oregon property based on the fulsome application of this data and associated additional survey work.
- SFI Forest Management Performance Measure 11.1 (Legal and regulatory compliance) – While some divisions have established formal pre-work / pre-operations meeting checklists to go over with contractors the key prescription elements and resource issues on blocks and roads to be developed and are maintaining these records as documented evidence, this is not universally the case across all divisions. In addition, nonconformities and incidents are not being routinely formally documented along with the corrective action plans established and implemented to address them.
- SFI Forest Management Performance Measure 11.2 (Legal and regulatory compliance) – The audit found that one truck driver in the Tahoe District did not have a fire shovel, as legally required by the Forest Practices Rules. Additionally, the driver did not have a fire extinguisher on the vehicle as required under Federal regulations; the audit found that this is not specifically required to be monitored by SPI.
- SFI Fiber Sourcing Performance Measure 1.2 (Biodiversity in fiber sourcing) – While G1 and G2 species habitat management guidelines have been established for all of the ecoregions in CA, OR and WA and posted on the respective State SIC websites, the existing SPI wood producer outreach materials provides no clear and direct linkage to the FECV materials posted on these websites to enable its wood suppliers to gain ready and direct access to this information.
- SFI Fiber Sourcing Performance Measure 2.1 (Adherence to best management practices) and 3.2 (use of qualified logging professionals) – A different agreement from the standard SPI Memorandum of Agreement was signed in relation to a Federal Forest Service stumpage sale in Quincy (Volcano Fire Salvage Sale) and consequently the required clauses to use BMPs and QLPs are not in the signed agreement with the Forest Service.

### Opportunities for Improvement

A total of three opportunities improvement were identified during the audit. These included:

- SFI Forest Management Performance Measure 4.2 – An interview with a Faller during the field audit of an active harvest block in the Tahoe District determined that they had little understanding of wildlife and threatened and endangered species. While a discussion with the QLP for the organization confirmed that the QLP was aware of endangered species, it was not shared with the crew; this is a missed opportunity to expand the knowledge base amongst a broader crew to facilitate more eyes on the ground respecting the identification of wildlife and threatened and endangered species.
- SFI Fiber Sourcing Performance Measure 2.2 – An opportunity exists to verify if the Associated Oregon Loggers reviews the nature of the non-compliances issued to its members to finetune and target its training programs.



Example of an effectively implemented shaded fuel break prescription (Martell District).

- SFI Fiber Sourcing Performance Measure 2.2 (best management practices) – Opportunities exist to refine SPI’s BMP monitoring processes in order to (1) facilitate the monitoring of logging and forest management practices throughout the harvest cycle, (2) bolster monitoring during wet seasons/conditions and (3) factor such risk-based criteria as landowner/logger compliance history and history of poor practices into the monitoring process to better inform the level and focus of BMP monitoring in relation to particular landowners/loggers.

### Audit Conclusions

The audit found that the Sierra Pacific Industries’ sustainable forest management system and fiber sourcing programs:

- Were in full conformance with the requirements of the SFI 2022 forest management and fiber 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 SPI be certified to the SFI 2022 forest management and fiber sourcing standards and that SPI’s existing SFI FM certificate be expanded to include its Oregon woodland operation.

### Corrective Action Plans

Corrective action plans designed to address the root cause(s) of the non-conformities identified during the audit have been developed by Sierra Pacific Industries 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.

### Focus Areas for the Next Audit Visit

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

- Implementation of the action plans developed by Sierra Pacific Industries to address all open non-conformities identified during previous external audits.
- Field visits to a sample of Districts that were not visited this year.



While there is still work to be done to fully address SFI FM Objective 4 on SPI’s Oregon property (including full implementation of its program to identify potential occurrences of G1 and G2 species), much work has already been done, including database searches and initial fieldwork (which has yielded identified occurrences of Umpqua Mariposa Lily (*Calochortus umpquaensis*), a G3 listed species, on a specific area of its property).

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