



REPORT Forest Certification



Sierra Pacific Industries - 2022 SFI Re-certification Audit

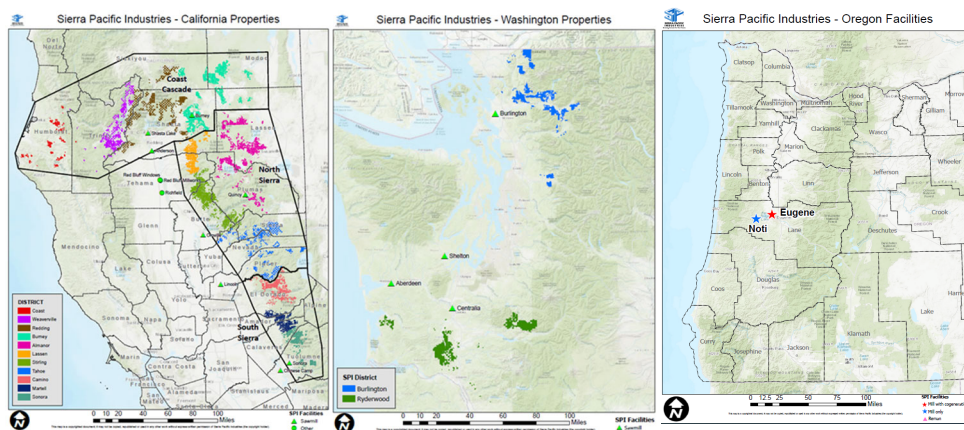
Between May and July, 2022, an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an SFI re-certification audit of Sierra Pacific Industries' (SPI or "Company") woodlands operations and Fiber procurement activities against the requirements of the 2022 Sustainable Forestry Initiative® (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



SUSTAINABLE FORESTRY INITIATIVE
SFI-01154

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

Sierra Pacific Industries. SFI Re-certification Audit Findings	
Open nonconformities from previous audits	0
New major nonconformities	0
New minor nonconformities	3
New opportunities for improvement	0

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.

thinning. All clear-cut stands are 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, 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—2021 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. 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.



The field audit in the California Forest Districts observed numerous examples of effectively implemented fuel break prescriptions designed to promote protection in higher risk tracks. Vegetation Management Specialists have been hired by SPI to manage the maintenance of these fuel breaks over time.

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 all requirements of the 2022 edition of the SFI forest management (FM) and fiber sourcing (FS) standards, and thus incorporated an assessment of all applicable SFI program objectives for SPI operations in Washington State (FM and FS), Oregon (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 2022 SFI re-certification audit included approximately 15 person days of on-site assessment time related to the following SPI California, Washington and Oregon operations:

- Washington procurement operations for the Aberdeen and Centralia sawmills.
- Land management operations in Washington conducted by the Centralia District.
- California procurement operations for the Anderson, Shasta and Lincoln sawmills and Anderson pole plant.
- Land management operations in California conducted by the Almanor, Redding, Coast, Stirling and Weaverville Districts.
- Oregon procurement operations for the Eugene and Noti sawmills.
- 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, Shawn Ellsworth, RPF (BC), (EMSLA), Yurgen Menninga, RPF (BC), EP(EMSLA), and Michael Buell, RPF (BC), EP(EMSLA). Craig, Shawn, Yurgen 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.
- **2022 SFI Re-Certification Audit** – The audit involved an on-site assessment of all elements of the Company's SFI program, and included visits to several field sites (21 roads, 25 cutblocks, 14 silviculture sites and 7 wood procurement sites) to evaluate conformance with the requirements of the current SFI forest management and fiber sourcing standards. The 2022 SPI audit took a total of 18 auditor days to complete, 15 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.



The Company has had to focus a great deal of its harvesting efforts in salvaging wood across several California Districts impacted by wildfire. While this facilitates increased utilization of a resource that would otherwise rapidly deteriorate, other resource values (such as archaeological and water / riparian, as depicted above) are protected during these salvage cuts.

- Multi-site Audit Sampling** – Sierra Pacific Industries holds a multi-site SFI certificate covering a total of 13 woodlands operations (11 in California and 2 in Washington State) and associated fiber sourcing activities relating to 15 mills (9 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 2 strata respecting SFI FM and 3 strata respecting SFI FS (i.e., by State). Field visits were made to 6 of 13 woodlands operations in California and Washington (5 of 11 in California and 1 of 2 in Washington) and 7 of 15 fiber sourcing operations in California, Oregon and Washington (3 of 9 in California, 2 of 2 in Oregon and 2 of 4 in Washington) (see “*Audit Scope*” above for the sites visited during the 2022 audit). The percentage of sites sampled within each strata was as follows: California FM (45.5%), Washington FM (50%), California FS (33.3%), Washington FS (50%) and Oregon FS (100%): 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.
- SFI SFI Program Representative** – Mr. Cedric Twight served as the SFI SFI program representative during the audit.

Use of Substitute Indicators

The following supplemental indicator 4.1.9 was added and assessed against during the 2022 re-certification audit:

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.



Sierra Pacific Industries produces many lumber products from fire salvaged wood, demonstrating its commitment to the efficient use of fiber resources (Objective 7 of the SFI 2022 Forest Management Standard).

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.

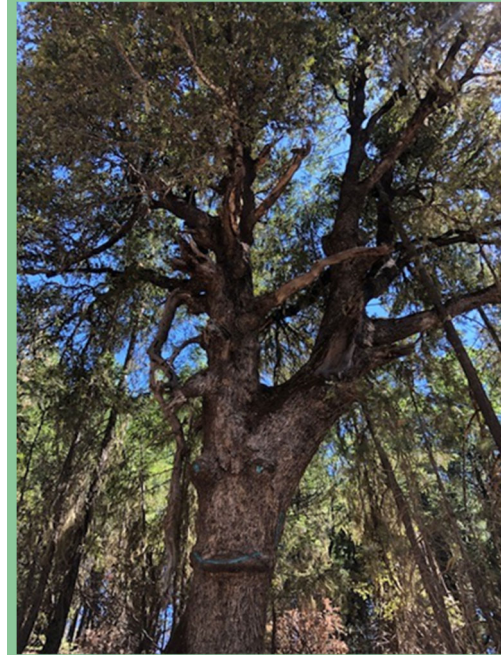
SFI Forest Management Objective	Key Evidence of Conformity
1. Forest Management Planning	Sustained Yield Plans (California) Long-Term Harvest Plan (Washington); Timber Harvest Plans (THPs - CA), Notice of Emergency Timber Operations (Emergency Notices – EMs – CA) and Forest Practices Applications (FPAs -WA); Inventory data; Growth Yield model results; Annual harvest summaries; Interviews with planning staff.
2. Forest Health and Productivity	THPs and EMs (CA) FPAs (WA); Regeneration plans; Unit Completion data spreadsheets; Regeneration and stocking survey results; SPI pesticide policy; Pesticide use records; SPI fire prevention policy and sample of associated records at the Districts visited; SPI fire weather forecast system; District Fire Plans; Latest (2021) annual SFI progress report; SPI supporting records for SFI annual progress report; Field inspections and interviews.
3. Protection and Maintenance of Water Resources	THPs and EMs (CA), FPAs (WA) and Hydraulic Permits (WA); Road Maintenance and Abandonment Plans (RMAPs) (WA); 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); Timber Harvesting and Road Construction contracts; SPI road inspection policy; Road inspection/maintenance records; GIS topographic map layers; Field inspections and interviews.
4. Conservation of Biological Diversity	Sustained Yield Plans (CA) Long-Term Harvest Plan (WA); Habitat Form Modeling; THPs and EMs (CA); FPAs and Hydraulic Permits (WA); SPI botany policy; SPI policy regarding raptors and raptor surveys; SPI raptor field guides (CA); SPI rare plant field guides (CA); District-specific plant lists; SPI snag management objectives; SPI WA Wildlife Species Distribution Analysis; 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; Completed botany THP checklists; State natural heritage databases; 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; SPI research projects' documentation; Staff training records; Field inspections and



In addition to facilitating the utilization of wood impacted by wildfire whilst protecting other resource values, Sierra Pacific Industries is promptly planting trees on its fire salvaged private land in order to promote rapid regeneration of the forest and the associated long-term forest productivity across the land base.

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SFI Forest Management Objective	Key Evidence of Conformity
5. Management of Visual Quality and Recreational Benefits	THPs and EMs (CA) and FPAs (WA); GIS topographic map layers; SPI Public access policy; SPI supporting records for SFI annual progress report; Latest (2021) annual SFI progress report; Staff and contractor training records; Field inspections and interviews.
6. Protection of Special Sites	THPs and EMs (CA) and FPAs (WA) and related archeological and historical scoping, survey and planning records; State natural heritage databases; GIS topographic map layers; 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 FPAs (WA); USFS Stewardship Contracts (CA); SPI log sort and bucking specifications; Logger training records; Field inspections and interviews.
8. Recognize and Respect Indigenous Peoples Rights	SPI Policy Re. “Objective 8 – “Recognize and Respect Indigenous Peoples Rights”; THPs and EMs (CA) and FPAs (WA) and related archeological scoping, survey and planning records; State natural heritage databases; SPI referral, consultation and communication records respecting indigenous peoples; Field inspections and interviews.
9. Climate Smart Forestry	THPs and EMs (CA) and FPAs (WA); Forest Fuels Reduction and Species Conservation in California MOU; Silviculture (planting) records; SPI fire prevention policy and sample of associated records at the Districts visited; SPI fire weather forecast system; District Fire Plans; District training records; Field inspections and interviews.
10. Fire Resilience and Awareness	THPs and EMs (CA) and FPAs (WA); Forest Fuels Reduction and Species Conservation in California MOU; District-level strategic fuel break maps; SPI fire prevention policy and sample of associated records at the Districts visited (i.e., completed Contractor Fire Protection Checklists, Fire Suppression Resource Inventories, Incident Action Plan, Patrol Logs, etc.); SPI fire weather forecast system; District Fire Plans; District training records; Field inspections (e.g., fuel break prescriptions) and interviews.
11. Legal and Regulatory Compliance	THPs and EMs (CA) and FPAs and Hydraulic Permits (WA); SPI landowner information package; SPI log purchase contracts; WA Department of Natural Resources CA Department of Forestry notices; SPI Employee Manual; Field inspections and interviews.



Sierra Pacific Industries employs a variety of measures to protect biodiversity during harvesting and other forest management activities, including, as shown here, the identification and protection of wildlife trees (Weaverville District).

SFI Forest Management Objective	Key Evidence of Conformity
12. Forestry Research, Science and Technology	SPI research projects' documentation and lists; SPI public website; SIC meeting minutes; SPI membership and participation records; Latest (2021) annual SFI progress report; Interviews.
13. Training and Education	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 websites; Purchase wood BMP field inspection results; Employee and contractor interviews.
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 (2021) 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	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.

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; WA and CA SIC meeting minutes; WA and CA SIC websites; SPI due diligence systems; Lifeform Modeling; THPs and EMs (CA); FPAs and Hydraulic Permits (WA); Habitat Conservation Plans; 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 FPAs (WA); 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.



In addition to planting tree species ecologically suited to the site (i.e., to match those harvested and naturally occurring on its lands, as shown in the upper photo), Sierra Pacific Industries continues to implement its Giant Sequoia (GS; *Sequoiadendron giganteum*) Genetic Conservation Plan (GSGCP) designed to create new GS groves extending its distribution in California. Assisting in the establishment of new groves of Giant Sequoia will help ensure these iconic species and their genetics persist through the various disturbances California forests are subject to. SPI intends to manage these groves across the landbase on a long-term basis (lower photo).

SFI Fiber Sourcing Objective	Key Evidence of Conformity
3. Use of Qualified Resource Professionals, Qualified Logging Professionals and Certified Logging Companies	SPI landowner information letter and package; SPI log purchase contracts; SPI log purchase records/database (AS400); SPI public website; SIC meeting minutes; State forestry/logging contractor association and SIC websites; SPI policy on the use of certified and qualified logging professionals; SPI log purchase policy; CA SIC policy regarding Qualified Logging Professionals and Qualified Resource Professionals; Memorandum of Agreement between SPI and Logging Contractors Operating on Stumpage Sales Owned or Controlled by SPI; Field inspections and interviews.
4. Legal and Regulatory Compliance	THPs and EMs (CA) and FPAs Hydraulic Permits (WA); SPI landowner information letter and package; SPI log purchase contracts; SPI log purchase records/database (AS400); WA Dept of Natural Resources CA Dept of Forestry violation reports; SPI Employee Manual; SPI due diligence systems.
5. Forestry Research, Science and Technology	SPI research projects' documentation and lists; SIC meeting minutes; SPI membership and participation records; Landowner outreach materials; Latest (2021) annual SFI progress report; Interviews.
6. Training and Education	SPI policy statement of commitment to SFI; SPI training records for staff and contractors; SPI staff and contractor logger training materials; SPI log purchase contracts; SPI log purchase records/database (AS400); SPI public website; SIC meeting minutes; State forestry / contractor association websites; Purchase wood BMP field inspection results; SPI policy on the use of certified and qualified logging professionals; SPI log purchase policy; CA SIC policy regarding Qualified Logging Professionals and Qualified Resource Professionals; Memorandum of Agreement between SPI and Logging Contractors Operating on Stumpage Sales Owned or Controlled by SPI; Employee and contractor interviews.
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	SPI website; SPI supporting records for SFI annual progress report; Latest (2021) and previous years' annual SFI progress reports.
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.



Wildfire continues to be the biggest threat to forest productivity across the Company's ownership, which it addresses in part with a comprehensive fire prevention, fire weather forecasting and education/communication program (including the installation of both permanent and portable weather stations across its ownership in order to gather, record and transmit fire weather readings and associated fire weather ratings and forecasts to Company employees and contracted licensed timber operators).

SFI Fiber Sourcing Objective	Key Evidence of Conformity
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 EMs (CA) and FPAs (WA); Interviews with procurement staff and others.

Good Practices

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

- SFI Forest Management Objective 2 (Forest Health and Productivity) – The Company is continuing to demonstrate its commitment to effective fire preparedness and cautious due diligence in preventing the risk of fires by continuing to hire each year an independent external auditor to assess and verify the continued conformance of a sample of Licensed Timber Operators (LTOs) with the Company's fire policy and plan.
- SFI Forest Management Objectives 2 (Forest Health and Productivity) and 10 (Fire Resilience and Awareness) – The field audit in all California Forest District observed numerous examples of effectively implemented fuel break prescriptions to promote fire protection in higher risk tracts. Given the criticality of maintaining the fuel breaks over time, SPI has hired three Vegetation Management Specialists to manage the maintenance of these fuel breaks.
- SFI Forest Management Objectives 2 (Forest Health and Productivity) and 10 (Fire Resilience and Awareness) – The multi-stakeholder memorandum of understanding (MOU) that SPI has entered into (with Cal Fire, National Fish Wildlife Foundation, USDA Forest Service and other large landowners) demonstrates the Company's commitment to working collaboratively with others to promote a coordinated approach to fuel reduction (and associated forest resource protection and species conservation) across the land base to limit the forests susceptibility to the undesirable impacts of fires on a broader landscape level.
- SFI Forest Management Objective 7 (Water Quality) – The Company's rapid response and focused harvesting efforts in salvaging wood from recent fires occurring over very large areas of its private lands across several Districts is facilitating the increased utilization of wood that would have otherwise rapidly deteriorated.

Follow-up on Findings from Previous Audits

At the time of this assessment there were no open nonconformities from previous audits requiring follow-up on.



Sierra Pacific Industries comprehensive fire preparedness and response program includes the requirement of having sufficient and suitable fire response equipment on-site, including water tankers and trailers (and associated access to proximate water drafting sites), along with pumps, hoses and hand tools.

Areas of Nonconformity

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

- SFI Fiber Sourcing Performance Measure 1.2 (promotion and conservation of Forests with Exception Conservation Value (FECV)) – The audit determined that a number of western US SICs (from WA, OR, CA and ID) have hired a consultant to undertake analyses at the ecoregional level across these states to identify the presence of critically imperiled and imperiled species and ecological communities and to establish associated habitat management guidelines available to wood producers. However, this analysis work has only recently started and consequently the requirements of this performance measure have not yet been met.
- SFI Forest Management Performance Measure 9.1 (development of fire adaptation objectives and strategies) – While elements of an adaptation plan are in place in disparate SPI planning documents, a comprehensive adaptation plan that directly documents SPI's adaptive management strategies for addressing priority climate risks across its ownership and how it fits within the broader regional climate adaptation strategies and plans has not been cohesively documented to fully address these requirements.
- SFI Forest Management Performance Measure 13.2 and SFI Fiber Sourcing Performance Measure 6.2 (fostering improvement in professionalism of wood producers specific to qualified logging professionals) – While work is being undertaken by specific western SICs to assess the existence of any gaps in the existing state logging professional organizations' curriculum respecting core training and continuing education courses in order to facilitate updates to the curriculum to address the incremental requirements of these clauses, this process has not concluded and consequently it is unclear at this point if they fully address the requirements in all of the States from which SPI procures logs.

Opportunities for Improvement

No new opportunities improvement were identified during the audit.

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.



Sierra Pacific Industries has established an access policy which promotes the control and management of access to its lands in order to protect its forest resources and roads from damage while facilitating public access to its lands for compatible use purposes (such as low-impact non-motorized recreation). The Company had to take the extraordinary measure in July 2022 of restricting access onto its lands however due to the extremely high fire danger ratings during that period.

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.
- While requested reports were eventually successfully generated out of the AS400 system for review during the audit, it was not possible to review records live in AS400 due to a cyber-attack taking SPI offline during the audit. The next audit will include this live review and confirm the integrity of the data in the system.
- Field visits to a sample of Districts that were not visited this year.



In relation to SFI 2022 FM Objective 3 (protection and maintenance of water resources), numerous examples of effectively protected riparian areas (above) and waterbodies (at left) were observed during the field audit of Sierra Pacific Industries' 2022 sampled Forest Districts in California and Washington State.

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