

REPORT Forest Certification



Skeena Sawmills Ltd. - 2022 SFI Re-Certification Audit

From August 18-19 2022 (document review) and August 22-25 (on-site) an audit team from KPMG Performance Registrar Inc. (KPMG PRI) carried out an Sustainable Forestry Initiative® re-certification audit of Skeena Sawmills Ltd. woodlands operations and fiber procurement activities against the requirements of the 2022 SFI forest management and fiber sourcing standards. This Certification Summary Report provides an overview of the SFI re-certification audit process and KPMG's findings.

Description of Skeena Sawmills Ltd. Woodlands Operations

Skeena Sawmills Ltd. ("Skeena" or "Company") woodlands operations are located in the vicinity of Terrace, BC and encompass a total area of 649,155 hectares. Skeena has three licenses on crown land (FL A16885, FL A16882, TFL 41) and a total AAC (allowable annual cut) of 316,601 m³/year. The 2022 audit found that the Company's forest harvesting conforms to the AAC applicable to these operations.

The woodlands operations included within the scope of the Company's SFI certification are covered by government-approved harvest plans that address both timber and non-timber values. These are developed to be consistent with their Forest Stewardship Plan for operations administered by Skeena in the Kalum and Nass Timber Supply Areas located within the Coast Mountains Resource District.

The areas covered by Skeena's SFI certification fall within the following WWF ecoregions: (11) Northern Pacific Coastal Forests, (12) Northern Transitional Alpine Forests, and (14) Pacific Coastal Mountains Icefields and Tundra. The forests managed by Skeena are predominantly coniferous with the main commercial tree species being Western hemlock, Amabilis fir, Western redcedar, Sitka spruce, and Yellow-cedar. The forest management approach employed by the company is based on even-aged management, ground-based harvesting systems, clearcut harvesting with the retention of reserves of standing trees either within or adjacent to harvest areas and replanting of harvest areas within a few years with a mix of ecologically suited tree species.

Description of Skeena Sawmill's Manufacturing Facilities and Fiber Sourcing Program

The Company operates its sawmill in the community of Terrace, BC and sources fiber from the Coast Mountain Natural Resource District. Approximately half of the logs for the mills are sourced from the Company's two Forest licenses and one Tree Farm License with the other half from other tenures holders, BCTS and privately held land.

The Company participates in the Western Canada SFI Implementation Committee (WCSIC) Purchase Wood Monitoring Program by completing risk assessments for all wood purchases and 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 fiber sourcing standards, and incorporated an assessment against the SFI program objectives identified as within scope in Tables 1 & 2 of this report.

The scope of the 2022 SFI re-certification audit included forestry and logging practices (including planning, roads, harvesting, and silviculture) on Skeena Sawmills Ltd.'s forest licenses and fiber sourcing for the company's sawmill located in Terrace, BC.



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Audit Scope

The audit was conducted against the requirements of the 2022 edition of the SFI forest management and fiber sourcing standards, and incorporated an assessment against the SFI program objectives for:

- Forest management planning;
- Forest health and productivity;
- Protection and maintenance of water resources;
- Conservation of biological diversity;
- Management of visual quality and recreation benefits;
- Protection of special sites;
- Efficient use of fiber resources;
- Recognize and respect Indigenous Peoples' rights;
- Climate Smart Forestry;
- Fire Resilience and Awareness;
- Legal and regulatory compliance;
- Forestry research, science and technology;
- Training and education;
- Community involvement and landowner outreach;
- Public land management responsibilities;
- Communications and public reporting, and;
- Management review and continual improvement.

The scope of the 2022 SFI re-certification audit of Skeena Sawmills Ltd.'s woodlands operations included each of the woodlands three License operations noted above, as well as fiber procurement activities for the Company's sawmills located within the community of Terrace.

The Audit

- **Audit Team** – The audit was conducted by Mike Buell, RPF (SFI Lead), Cynthia Lu, RPF, and Bodo von Schilling, RPF, EP(EMSLA) (PEFC Lead). Mike and Bodo are employees of KPMG PRI, and have conducted numerous forest management audits under a variety of standards including SFI, ISO 14001, CSA Z809 and FSC. Cynthia is an independent consultant with experience in conducting forest audits in accordance to the ISO 14001 and SFI standards.
- **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 (1 road, 3 cutblocks, 2 silviculture sites, 2 wood procurement sites and 2 special sites) to evaluate conformance with the requirements of the current SFI forest management and fiber sourcing standards. The 2022 Skeena Sawmills Ltd. audit took a total of 5 auditor days to complete, 3 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.
- **Skeena Sawmills Ltd's SFI Program Representative** – Greg Demille served as Skeena Sawmills Ltd.'s SFI program representative during the audit.

Skeena Sawmills Ltd. SFI Re-certification Audit Findings

| | |
|--|---|
| Open non-conformities from previous audits | 0 |
| New major non-conformities | 0 |
| New minor non-conformities | 3 |
| New opportunities for improvement | 1 |

Types of audit findings

Major non-conformities:

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

Minor non-conformities:

Are isolated incidents that are non-critical to the achievement of SFM Objectives.

All non-conformities require the development of a corrective action plan within 30 days of the audit. Corrective action plans to address major non-conformities must be fully implemented by the operation within 3 months or certification cannot be achieved / maintained. Corrective action plans to address minor non-conformities must be fully implemented within 12 months.

Opportunities for Improvement:

Are not non-conformities but are comments on specific areas of the SFM System where improvements can be made.

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 objective(s) of the audit were to evaluate the sustainable forest management/Chain of Custody system at Skeena Sawmills Ltd. to:

- Determine its conformance with the requirements of the SFI 2022 forest management and fiber sourcing standards;
- Evaluate the ability of the system to ensure that Skeena Sawmills Ltd. woodlands operations meet applicable regulatory requirements;
- Evaluate the effectiveness of the system in ensuring that Skeena Sawmills Ltd. meets its specified SFM objectives, and;
- Where applicable, identify opportunities for improvement.



Skeena Sawmill Ltd. are conducting archaeological impact assessments which identify Culturally Modified Trees (CMTs). CMTs were identified and flagged appropriately and will be protected until the assessment is completed and First Nations sign-off on the site application permit.

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.

Table 1: Evidence of Conformity with the SFI 2022 Forest Management Standards

| SFI Forest Management Objective | Key Evidence of Conformity |
|---|--|
| 1. Forest Management Planning | Forest management plan, geographic information system, forest inventory records, harvesting records, interviews with planning staff. |
| 2. Forest Health and Productivity | Site plans, silviculture reports, system reviews, interviews with planners, field |
| 3. Protection and Maintenance of Water Resources | Field inspections of riparian areas, review of site plans & harvest plans, interviews with |
| 4. Conservation of Biological Diversity | Forest management plan, FSP, site plans, interviews with planning staff, field |
| 5. Management of Visual Quality and Recreational Benefits | Forest management plans, review of visual quality assessments and plans, FSP, harvest |
| 6. Protection of Special Sites | Forest management plan, FSP, site plans, |
| 7. Efficient Use of Fiber Resources | Forest management plans, waste reports, field inspections. |
| 8. Recognize and Respect Indigenous Peoples Rights | Company policy on Indigenous Peoples' rights, records of consultation with local Indigenous Peoples, interviews with Company staff. |
| 9. Climate Smart Forestry | Forest management plans, climate change risk and mitigation plans, review of records indicating involvement in climate forest research, interview with Company staff. |
| 10. Fire Resilience and Awareness | Forest management plans, environmental management plan (EMP), review fire preparedness plans, climate change risk and mitigation plans, review of records indicating involvement in fire awareness programs, interview with Company staff. |



Skeena Sawmills Ltd. have a program to incorporate the conservation of native biological diversity, including species, wildlife habitats, and ecological community types at stand and landscape levels. During the site visit to a cutblock, a contractor discussed and demonstrated the use of high stumping to clearly identify and protect an area of in-block retention.

| SFI Forest Management Objective | Key Evidence of Conformity |
|--|---|
| 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 and Technology | Forest management plans, EMP, records of research projects and funding, staff interviews. |
| 13. Training and Education | Forest management plans, EMP, training records, SIC minutes & resources, management review minutes & resources, interviews with staff and contractors. |
| 14. Community Involvement and Landowner Outreach | Forest management plans, EMP, SIC minutes & resources, community and landowner |
| 15. Public Land Management Responsibilities | Records of cooperative public land planning processes, forest management plan, FSPs and associated referral process, site plans, records of plan referrals to local stakeholders, staff |
| 16. Communications and Public Reporting | Certification summary report, annual report to SFI Inc. |
| 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 Fiber Sourcing Standard

| SFI Fiber Sourcing Objective # | Key Evidence of Conformity |
|---|---|
| 1. Biodiversity in Fiber Sourcing | Program to promote biodiversity in fiber sourcing, records of involvement in local or regional conservation efforts, interviews with procurement staff. |
| 2. Adherence to Best Management Practices | Fiber sourcing policy and records of its distribution to wood producers, written fiber sourcing agreements, records of implementation of the BMP monitoring system, inspection of a sample of |
| 3. Use of Qualified Resource Professionals, Qualified Logging Professionals and Certified Logging Companies | List of Qualified Resource and Logging Professionals, records of proportion of fiber delivered by QLPs, interviews with procurement staff. |
| 4. Legal and Regulatory Compliance | Company policies regarding regulatory compliance, procedures to ensure compliance with applicable regulatory requirements, inspection of a sample of procurement sites. |
| 5. Forestry Research, Science and Technology | Records of research projects and funding, staff interviews. |
| 6. Training and Education | Training records, SIC minutes & resources, interviews with staff and contractors. |
| 7. Community Involvement and Landowner Outreach | SIC minutes & resources, community and landowner outreach records, staff interviews. |
| 8. Public Land Management Responsibilities | Records of cooperative public land planning processes, records of plan referrals to local stakeholders, procurement staff interviews. |
| 9. Communications and Public Reporting | Certification summary report, annual report to SFI Inc. |
| 10. Management Review and Continual Improvement | Management review records, internal audit and related action plans. |
| 11. Avoid Controversial Sources | Controversial sources risk assessment, procedures to address any significant risks that have been identified, interviews with procurement staff. |

Good Practices

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

- SFI Forest Management Objective 7 (Indicator 7.1.1) requires that Program Participants have a program or monitoring system to ensure efficient utilization. During the site visit to a cutblock, a harvester calibration was performed to ensure products were being produced per the block specifications. This type of testing is performed on a regular basis to ensure merchantable products are maximized while minimizing waste.
- SFI Forest Management Objective 4 (Indicator 4.1.1) require that Program Participants have a program to incorporate the conservation of native biological diversity, including species, wildlife habitats, and ecological community types at stand and landscape levels. During the site visit to cutblock, a contractor discussed and demonstrated the use of high stumping to clearly identify and protect an area of in-block retention.
- SFI Forest Management Objective 5 (Indicator 5.4.1) requires that Program Participants provide recreational opportunities for the public, where consistent with forest management objectives. During block layout a trail was discovered and buffered which resulted in splitting the block in half to protect the trail.

Follow-up on Findings from Previous Audits

At the time of this assessment there were no open non-conformities from previous Skeena Sawmills Ltd. external SFI audits.

Areas of Nonconformance

A total of 3 minor non-conformities were however identified during the SFI re-certification/surveillance audit of Skeena Sawmills Ltd. woodlands and fiber sourcing operations. These included:

- SFI Forest Management Performance Measure 13.1.4 and Fiber Sourcing Performance Measure 6.1.4 (Training and Education) – Harvesting contractor crew on-site supervisors, alternate supervisors, and crew members interviewed during the audit demonstrated inconsistent knowledge of the SFI program, and company SOPs and BMPs.
- SFI Fiber Sourcing Performance Measure 1.2.1 (Biodiversity in Fiber Sourcing) The query to determine if purchase wood overlaps with critically imperiled species and ecological communities is not currently being completed as part of the Purchase Wood Assessment process.
- SFI Forest Management Performance Measure 9.2.3 (Climate Smart Forestry) - While Skeena is reporting on GHG emissions for the bioenergy plant, progress has not been made on the program and methods for reporting on GHG emissions from woodlands operations.

Opportunities for Improvement

Two new opportunities for improvement were also identified during the audit. The key opportunities noted during the audit included:



During the site visit to a cutblock, a harvester calibration was performed to ensure products met block specifications. This type of testing is performed on a regular basis to ensure merchantable products are maximized while minimizing waste.

- SFI Forest Management Performance Measure 3.2.1 (Protection and Maintenance of Water Resources) – Skeena Sawmills Ltd. has a Best Management Practices for Water Quality SOP. In this SOP there are commitments to establish machine free zones (MFZ) on all classified drainages without established RRZ, to avoid decking timber in RMA were practical, and locating logging debris outside of RMAs where practical. To avoid impacts to water quality, standardize field marking expectations for classified drainages (MFZ and stream ribbon). Field marking should be easily visible to machine operators. Skeena may wish to consider marking MFZ's beyond ground-based and cable harvest system split lines in case yarding methods are modified.
- SFI Fiber Sourcing Performance Measure 2.2.1 (Adherence to Best Management Practices) – Skeena Sawmills Ltd. has procedures to conduct site inspections of procurement sites where risk assessment indicators identify significant risk of sourcing controversial fiber. While Skeena has identified the risk of sourcing controversial fiber as negligible, Skeena conducts site inspections anyway since staff generally view the fiber purchase site for business purposes. An inspection program to confirm that controversial fiber is not sourced could be considered to also meet requirements of the Standard for monitoring best practices as required by the SFI Fiber Sourcing Standard at indicator 2.2.1.

Audit Conclusions

The audit found that the Skeena Sawmills Ltd.'s sustainable forest management system and fiber sourcing program:

- 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 Skeena Sawmills Ltd. continue to be certified to the SFI 2022 forest management and fiber sourcing standards.

Corrective Action Plans

Corrective action plans designed to address the root causes of the non-conformities identified during the audit have been developed by the company and reviewed and approved by KPMG PRI. The next 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

Note: For re-certifications and surveillance audits conducted after March 31, 2022, any non-conformities identified against the incremental requirements of the SFI 2022 standard(s) are intended to help the Company transition to the SFI 2022 standard(s) and will not affect Skeena Sawmills Ltd.'s certification until after December 31, 2022. However, the action plans developed to address such non-conformities must be fully implemented and the associated non-conformities closed by KPMG PRI by that date.

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 Skeena Sawmills Ltd, to address all open non-conformities identified during previous external audits.
- Review of the survey and planting program including site visits.
- Progress on developing a climate adaptation plan and management strategy.
- Continued participation in the local wildfire committee and progress in establishing a co-chair.

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