

SCS Global Services Evaluation of Drax Biomass Inc., Baton Rouge Transit Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.4

*For further information on the SBP Framework and to view the full set of documentation see
www.sbp-cert.org*

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

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1 Overview

CB Name and contact: SCS Global Services, 2000 Powell St. Ste 600 Emeryville, CA 94608

Primary contact for SBP: Sarah Harris, SHarris@scsglobalservices.com

Current report completion date: 26/Aug/2019

Report authors: Tucker Watts

Name of the Company: Drax Biomass Inc., Baton Rouge Transit, 1434 Pete Riviere Drive, Baton Rouge, LA 70767; Corporate address: Drax Biomass Inc., 2571 Tower Drive, Monroe, LA 71201

Company contact for SBP: Kyla Cheynet

Certified Supply Base: Highland Pellets, Drax Biomass

SBP Certificate Code: SBP-04-37

Date of certificate issue: 26/Jan/2019

Date of certificate expiry: 27/Jan/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Trade of SBP-certified biomass pellets, with point of purchase after material is received and loaded into storage and loaded onto vessel and equal to point of sale, and located in US ports of Port Allen, LA. The scope of the certificate does not include Supply Base Evaluation.

3 Specific objective

The specific objective of this evaluation was to confirm the management system of Drax Biomass Inc. – Baton Rouge Terminal (hereafter referred to in this report as “BRT”) is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification. The scope of evaluation included a review of:

- Organization’s management procedures
- SFI, FSC, PEFC certificate
- Chain of custody control points, including purchases and sales
- Records, calculations, and interviews
- GHG data collection and dissemination practices.

The following critical control points were identified and evaluated:

- Processes for procurement and processing, transport and storage
- Volume accounting method
- Documentation of transactions
- Energy data collection and reporting

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

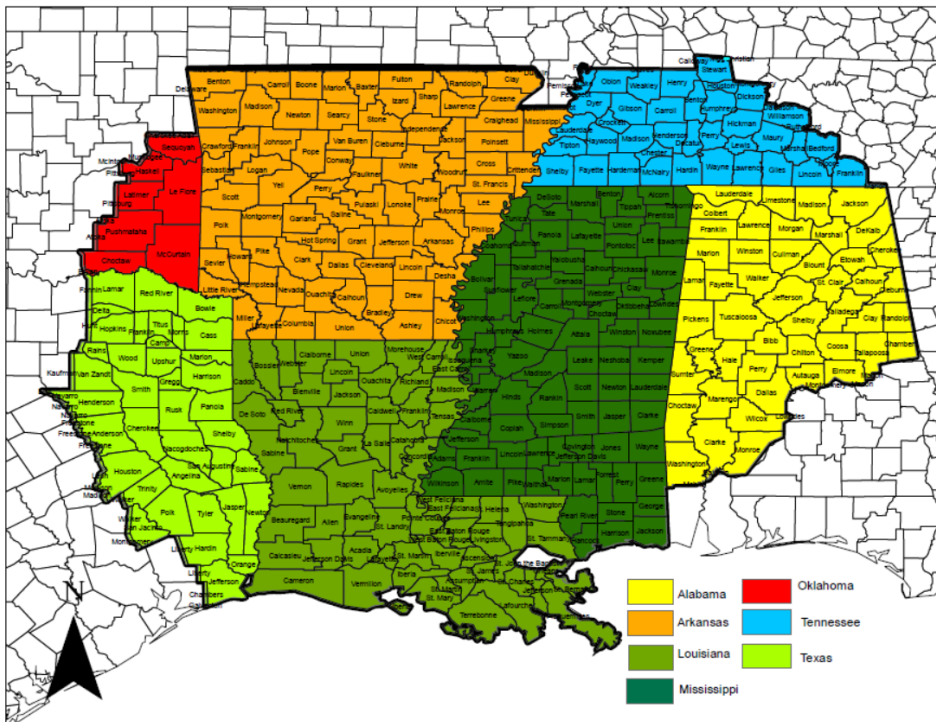
4.2 SBP-endorsed Regional Risk Assessment

Not applicable

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Drax Biomass Inc’s (“DBI” or “Company”) Gulf Cluster of Biomass Producers fiber procurement catchments Arkansas, Louisiana, Mississippi, and portions of Alabama, Texas, Oklahoma, and Tennessee (see map of supply area below). DBI owns and operates three pellet plants: Amite BioEnergy LLC (“Amite BioEnergy” or “ABE”) in Gloster, MS; Morehouse BioEnergy LLC (“Morehouse BioEnergy” or “MBE”) near Beekman, LA; and LaSalle BioEnergy LLC (“LaSalle BioEnergy” or “LBE”) near Urania, LA. Fiber sourced directly from the forest is generally within a 60 mile radius of the the plant. However, residuals produced by wood manufactures are usually procured from 150 miles or less radius. In response to market pressures and/or weather events DBI reserves the ability to source fiber from any of the risk assessed counties shown on map below. Baton Rouge Transit is the location for receiving, storing, and shipping wood pellets to customers. Ownership of the wood pellets is passed as the pellets are loaded on the vessel



5.2 Description of Company's Supply Base

Not applicable.

5.3 Detailed description of Supply Base

Not applicable.

5.4 Chain of Custody system

The Chain of Custody System is managed by Richard Peberdy, VP, Sustainability. He is assisted by Kyla Cheynet, Sustainability Manager. All locations are part of a multi-site system managed by the Central Office. DBI is certified to the FSC[®], SFI[®], and PEFC[™] Chain of Custody Standards.

Processing involves the receiving of roundwood and residual fiber by the pellet plant. The raw material is converted to chips and moisture is driven away for pelletizing. DBI uses the credit system at its BPs to determine claims for both SBP and FSC[®] certified pellets. All material received is covered under the Supply Base Evaluation. Following pelletizing, pellets are transported by rail or truck to BRT. BRT receives wood pellets from company owned plants and 3rd party plants. Wood pellets are then received, stored, and shipped.

Raw material is sourced at the pellet mills as roundwood and residual fiber. During the start-up phase for each facility, most of the volume was received from a single forest management certified supplier. As operations ramped-up production to the designed run level, additional suppliers were added. Pellets received at BRT are from 3rd party suppliers and from company plants. Upon audit, DBI has purchased and sold 3rd party pellets. Future 3rd party pellet suppliers will be SBP certified. At pellet mills, raw material is received with a Purchase Agreement, Purchase Order, and Load Receipt which contains supplier information. The Purchase Order and Load Receipt contain the tract name, and state, county, and location of the tract. Volumes are entered electronically into the 3LOG System for receiving, inventory, and shipping. Traceability and segregation are provided by the 3LOG System. Sales and deliveries are internal transfers from ABE, LBE, and MBE, and 3rd party pellets to BRT. BRT ships pellets to the parent company in England. The ownership of the pellets is transferred to the parent company upon loading of the vessel.

6 Evaluation process

6.1 Timing of evaluation activities

| Activity | Date | Location | Persons Involved | Time |
|-------------------------------------|-----------------|---|--|-------------|
| Surveillance audit, opening meeting | August 19, 2019 | Baton Rouge Transit Facility | <p><u>Drax Biomass Inc.</u> Stephen Wright, Kyla Cheynet, Lloyd Wedblad, Bretta Palmer</p> <p>Supplier Representatives* <u>SCS</u> Tucker Watts</p> | 8 hours |
| Surveillance Audit | August 20, 2019 | Morehouse BioEnergy & field visits (6) | <p><u>Drax Biomass Inc.</u> Stephen Wright, Kyla Cheynet, Ray Seymour, Cody Gage, Richard Harris</p> <p>Supplier Representatives* <u>Halley Timber Company</u> Milton Roberts</p> <p><u>SCS</u> Tucker Watts</p> | 8 Hours |
| Surveillance Audit | August 21, 2019 | Morehouse BioEnergy & contractor interviews (4) | <p><u>Drax Biomass Inc.</u> Stephen Wright, Kyla Cheynet, Bretta Palmer, Ray Seymour, Cody Gage, Richard Harris, Michael Wilkinson, Brad Wimbish, Ashton Diel, Mark Marrow</p> <p>Supplier Representatives* <u>LaSalle Lumber Company</u> Will Tullos</p> <p><u>Canfor (Anthony Forest Products)</u> Michael Best</p> <p><u>Hixson Lumber</u> David Duke</p> <p><u>H G Toler & Sons</u> John Grisby</p> <p><u>SCS</u></p> | 8 hours |

| | | | | |
|--|------------------------|------------------------------|---|----------------|
| | | | Tucker Watts | |
| <i>Surveillance Audit</i> | <i>August 22, 2019</i> | <i>Monroe Central Office</i> | <p><u>Drax Biomass Inc.</u> Richard Peberdy, Kyla Cheynet, Stephen Wright, Bretta Palmer, Annmarie Sartor</p> <p><u>Contractors*</u> <u>SCS</u> Tucker Watts</p> | <i>8 hours</i> |
| <i>Surveillance Audit, closing meeting</i> | <i>August 23, 2019</i> | <i>Monroe Central Office</i> | <p><u>Drax Biomass Inc.</u> Kyla Cheynet, Stephen Wright, Bretta Palmer, Jim Stemple, John Bennett, Amber Bouska, Richard Lamb, Ray Seymour, Richard Harris</p> <p><u>Contractors*</u> <u>SCS</u> Tucker Watts</p> | <i>4 hours</i> |

6.2 Description of evaluation activities

The scope of evaluation included a review of:

- Organization’s management procedures
- SFI, FSC, and PEFC certificate
- Chain of custody control points, including purchases and sales
- Records, calculations, and interviews
- GHG data collection and dissemination practices.

The following SBP critical control points were identified and audited:

- Accounting of volumes
- Documentation of transactions in DTS
- Collection and reporting of energy and greenhouse gas data

6.3 Process for consultation with stakeholders

Not applicable.

7 Results

7.1 Main strengths and weaknesses

Strengths with respect to the BP's overall conformity include the diversity of sources and the experience of the personnel. Members of the organization have been and continue to be involved with the development of the SBP Standards and their evolution. Within the development/management team there are many years of experience in the area of operation. The capture of energy and GHG data works well, is centralized in a database system and substantiated by appropriate evidence. For identified weaknesses please refer to the non-conformities and observations section 10 in this report.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

The BP is fully committed to collecting and reporting all greenhouse gas emissions data deemed necessary by its customer and regulators. The company uses proprietary software to collect and communicate the data.

7.4 Competency of involved personnel

Monitoring and managing of Drax Biomass Inc. is a combined effort of internal team members and external parties. Persons involved are very competent for the development and on-going monitoring. The Internal team consists of professionals that have a long history and expertise of working in the Supply Base individually, as well as in groups and associations. Internal team members have been actively involved in the development of the SBP requirements.

Personnel interviewed was very competent at the positions. The Manager, Sustainability Standards oversees the chain of custody certifications for all certificates related to Drax Biomass, including a Multisite certificate for SFI, FSC, and PEFC. The Sustainability Manager is responsible for overseeing the SBP trader's certification. She is assisted by Sustainability Foresters. They demonstrated a deep understanding of the SBP process and background. They also calculate Greenhouse Gas emissions for all sites with SBP certification. Managers and foresters understand the requirements for BPs and traders and showed a good understanding of what documents need to be passed on.

7.5 Stakeholder feedback

Not applicable.

7.6 Preconditions

None

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Not applicable.

9 Review of Company's mitigation measures

Not applicable

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- *applicable requirement(s)*
- *grading of the non-conformity (major or minor) or observation with supporting rationale*
- *timeframe for resolution of the non-conformity*
- *a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

None identified.

11 Certification decision

| Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken: | |
|---|---|
| Certification decision: | Certification approved |
| Certification decision by (name of the person): | Theodore Brauer |
| Date of decision: | 19/Nov/2019 |
| Other comments: | <i>Click or tap here to enter text.</i> |