

SCS Global Services Evaluation of LaSalle BioEnergy Plant Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

Scope Change Audit

www.sbp-cert.org



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

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

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1 Overview

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Current report completion date: 17/Nov/2019

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Company contact for SBP: Kyla Cheynet, 1500 19th St., Suite 501, Monroe, LA 71201
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Certified Supply Base: Arkansas, Louisiana, Mississippi, and portions of Alabama, Texas, Oklahoma, and Tennessee.
SBP Certificate Code: SBP-04-23

Date of certificate issue: 06/Apr/2018

Date of certificate expiry: 05/Apr/2023

This report relates to the Second Surveillance Audit & Scope Change Audit

2 Scope of the evaluation and SBP certificate

The scope of this surveillance audit included a review of procedures, documentation, records and databases to ensure the organization's management system is appropriate to ensuring conformance to SBP Standards 1, 2, 4, and 5. Other audit methods used were field audits, site walkthrough of pellet mill and interviews with relevant staff, and supplier representatives. The Surveillance Audit included a review of documentation such as the Supply Base Report including the Risk Assessment, due diligence systems, supplier contracts and SAR, among others.

This certificate covers production and distribution of wood pellets, for use in energy production, at LaSalle BioEnergy LLC and transportation to Baton Rouge Transit LLC for storage, aggregation and seafaring vessel loadout. It also covers a Supply Base Evaluation for the sourcing of feedstock from the states of Arkansas, Louisiana, Mississippi, and portions of Alabama, Texas, Oklahoma, and Tennessee.

3 Specific objective

The specific objective of this surveillance evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

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

Facility is designed to consume 800,000 to 1 million green metric tons of biomass material per annum. The sourced material is comprised of mainly southern yellow pine with a potential *de minimis* quantity of mixed southern hardwoods. The pellet and furnace feedstock arrives in the form of low grade roundwood, thinnings, tops, logging and mill residues. According to the USDA Forest Service Timber Products Output Reports, consumption by other forest industry participants within 100 miles of LBE's fiber catchment in 2015 was estimated to be in excess of 14 million metric tonnes per annum which puts into perspective the ability of the catchment to supply the forest products industry. Pulp and chip mills in the region also have an average capacity of around 1 million green short tons per facility per year, with some consuming well over 2 million green tons per year. Sawmills are slightly smaller, consuming on average around 300,000 green short tons per year.

In 2018/19 there have been continuing changes in the number and type of other wood using industries operating in LBE's catchment. Housing starts, although slowing down slightly from last year, are still contributing to sawmilling activity, which results in increased available residual fiber streams. LaSalle Lumber, LLC, a partnership between Tolko Industries, Ltd and Hunt Forest Products, LLC began production at their state of the art sawmill in 2019. LaSalle Lumber is co-located with LaSalle Bioenergy and receives 100% of their residual materials.

In-woods chipping capacity also remains available in the catchment due to suppressed boiler fuel markets related to low fossil fuel costs. Some suppliers and landowners prefer in-woods chipping operations over conventional harvests because the enable better utilization of forest residuals and brushy hardwood competition which can improve forest vigour, reduce future site preparation costs, and enhance harvest aesthetics.

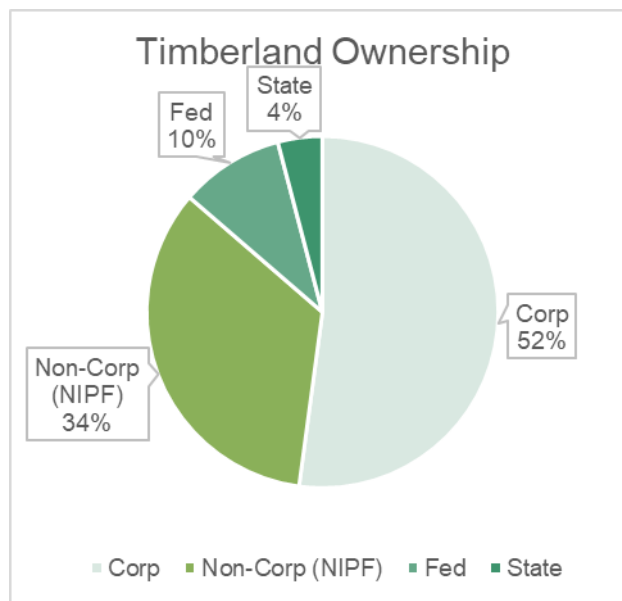
LBE has also completed the construction of a rail spur to facilitate shipment of pellets to the Port of Baton Rouge by train. This change in mode of transportation has resulted in both monetary and carbon emissions savings over trucking.

5.2 Description of Company's Supply Base

Land Use and Ownership patterns

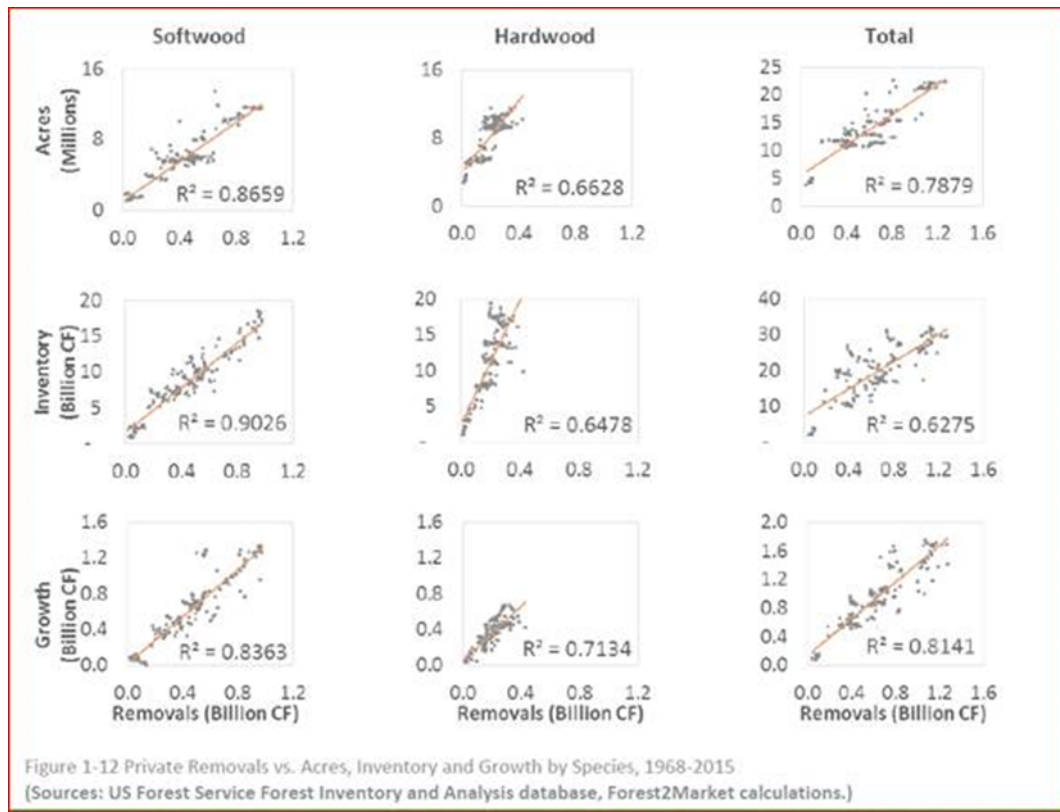
Forestry followed by crop agriculture are the dominant land uses in the LBE catchment. Planted pine forests and other timberlands make up much of the forestland. Some sizeable areas of predominantly unmanaged forest are present along the larger rivers. Most of the forests in these areas have been harvested and regenerated multiple times over the last two centuries. The forests in LBE's catchment are a mosaic of ownerships, acreages and management regimes/intensities.

Over half of the forestlands surrounding LBE are privately owned by corporate forest landowners (i.e. REITs & TIMOs). These forests are often managed more intensively because they must produce shareholder returns. The second largest ownership, comprising slightly over a third of the landbase, is in non-corporate private ownership. These landowners typically manage their timberlands to achieve more diverse objectives. As the average tract size of these holdings is less than 100 acres, timber revenue generally represents just a portion of their total income but is still important to owning and maintaining their properties. The remaining of acreage in LBE’s fiber basket is in public ownership (i.e. federal and state governments), but it is the predictable management regimes of corporate owners, augmented by management on family forest lands, which provide a steady flow of pulpwood for LBE and the surrounding markets.



While forest coverage has stayed steady in these areas during the past 40-50 years, the forests have become increasingly productive in that time. Forest Inventory Analyses (FIA) data shows that growth per acre per year has doubled in the US South since the 1950’s, and it continues to increase as healthy markets provide incentives for owners to invest in forest management. Put simply, landowners’ access to markets helps to ensure that their forests remain as working forests¹.

¹ F2M Report: [Historic Perspective on the Relationship between Demand and Forest Productivity in the US South: At A Glance](#). SCS Global Services Evaluation of LaSalle BioEnergy Plant: Public Summary Report, Second Surveillance & Scope Change Audit



Local decline of the US pulp and paper industry has resulted in the closure or curtailment of large pulp mills in or adjacent to the catchment that previously consumed over 3 million tonnes of feedstock collectively each year. The catchment also historically supported several panel mills. The emergence of a wood pellet market has benefited forest owners and contractors in the area by offsetting a portion of the lost demand from the closed mills.

The overall market downturn, subsequent housing market crash of 2008 and the slow recovery in residential construction resulted in reduced levels of demand for sawtimber. This produced an increase in stocks of larger-diameter trees, with a corresponding reduction in felling and replanting. These market dynamics have had long-term consequences for the structure of the forest. One outcome of the changing structure has been the opening of the LaSalle Lumber, LLC sawmill facility, to utilize some of the oversupply of logs.

Looking to the future, further increases in pine forest productivity can be achieved through simple measures such as planting with improved seedlings and implementing diligent forest establishment practices. We will seek to engage with and support this process through the sharing of information and supporting sensible partnerships that promote forest certification through direct landowner contact. In areas with strong markets for forest products, we should expect forests to stay as working forests, whereas other areas may cycle out of forestry into row crops or pastureland, and other agricultural areas may cycle back into forestry. Urban expansion remains the biggest threat to the forest area. Private ownership is expected to remain the main form of forest ownership, but there may be fragmentation as land is split into smaller parcels as it is passed down through generations, thereby creating challenges to implement consistent good forest management practices.

Forestry and Land Management Practices

There is a mature and well-developed forest sector in this geography. Described as a “wood basket to the world”, the US South has grown, harvested and sold many hundreds of millions of cubic meters per year for many decades, while seeing both its forest inventories and productivity levels increase. In the US South and in LBE’s catchment, annual growth exceeds annual drain by a considerable margin. Seventy-six percent of the acres surrounding LBE are heavily forested and defined as timberland. Sixty percent of the timberland base is dedicated to pine production (USDA Forest Service, 2012)².

The main reasons for this include a productive land base that benefits from long growing seasons, sufficient precipitation, and healthy soils, as well as the longstanding engagement of experts and professionals from across industry, academia, and public agencies which help advance sound forest management practices. Species selection is another principal factor, as most landowners grow trees that are indigenous to the area, which creates environmental and economic benefits, such as maintenance of habitats for local flora and fauna, as well as establishing a resilient native growing stock with improved pest and disease resistance. Federal and state governments also provide effective oversight to ensure that forest activities comply with relevant laws and regulations and minimise environmental harm. Moreover, each state employs long-established “Best Management Practices”, with programs to promote logger training and audits that demonstrate high compliance rates. Though the region also possesses a vigorous and productive hardwood sector, LBE primarily uses Southern Yellow Pine (SYP), an abundant and highly productive species. Production and sale of sawlogs remains the main economic driver for landowners, with SYP rotation lengths typically ranging from 20-40 years. The shorter rotations are for the most productive trees on the best sites, while the longer rotations typically apply to trees grown on lower quality sites.

Thinning is an important forest management strategy for growing sawlog-quality SYP. Stands are typically thinned at 12 years old and again at 18 years old to promote faster growth of the remaining trees. Thinning also allows more light, moisture and nutrients to reach the forest floor, which increases the vitality of the forest, improves wildlife habitat, and in turn offers recreational benefits. Forest thinnings make up a considerable proportion of the feedstocks for LBE.

Rotation harvest of SYP is typically conducted through clear cutting. SYP is not tolerant of shade, so the next rotation of young trees requires abundant access to light to grow well. DBI accepts material from rotation harvests, although this is typically limited to residuals and roundwood that are not sold into higher paying markets. The vast majority of material from rotation harvests are completed for and sold into sawlog markets.

The next rotation may be re-established through natural regeneration, or the planting of seedlings, or a combination of both. Reforestation often involves some ground preparation to control competing vegetation.

Presence of CITES or IUCN species

There is no Convention on International Trade in Endangered Species of Wild Flora and Fauna (“CITES”) listed species in the catchment that are threatened or otherwise impacted by forest management activities. There is one International Union for Conservation of Nature (“IUCN”) Red List of Threatened Species that is

² USDA Forest Service Forest Inventory Analysis Program. 2012 data assessed and critiqued by consultancy for procurement region. Accessed Sept 2016. Database accessible at <http://www.fia.fs.fed.us/>.

worthy of note – Longleaf pine (*Pinus palustris*). This species is far less common than it once was, and efforts are underway to promote longleaf pine coverage in the region. The intent of listing species to the Red List is not to promote prohibition of their use but rather to heighten priority setting for conservation of the species (IUCN 2014)³.

Critical to the recovery of the species is continued access to markets for longleaf pine. If landowners do not expect to be able to sell this wood, then they will not plant the tree in the first place. This position is captured in a statement from a USDA researcher and supported by the conservation group the Longleaf Alliance:

“Strong markets for forest products provide incentives for private landowners to keep their lands in forest cover (Wear 2013). This is particularly important across the longleaf range where recent forecasts of human population and income growth point toward increasing pressure in some locations to convert forest land to other uses (Wear 2013)⁴. Strong markets also enable landowners to invest in the management practices required to establish longleaf pine forests and implement practices such as prescribed fire and thinning which are crucial restoration activities⁵.”

³ IUCN Standards and Petitions Subcommittee. 2014. Guidelines for Using the IUCN Red List Categories and Criteria. Version 11. Prepared by the Standards and Petitions Subcommittee. Downloadable from <http://www.iucnredlist.org/documents/RedListGuidelines.pdf>.

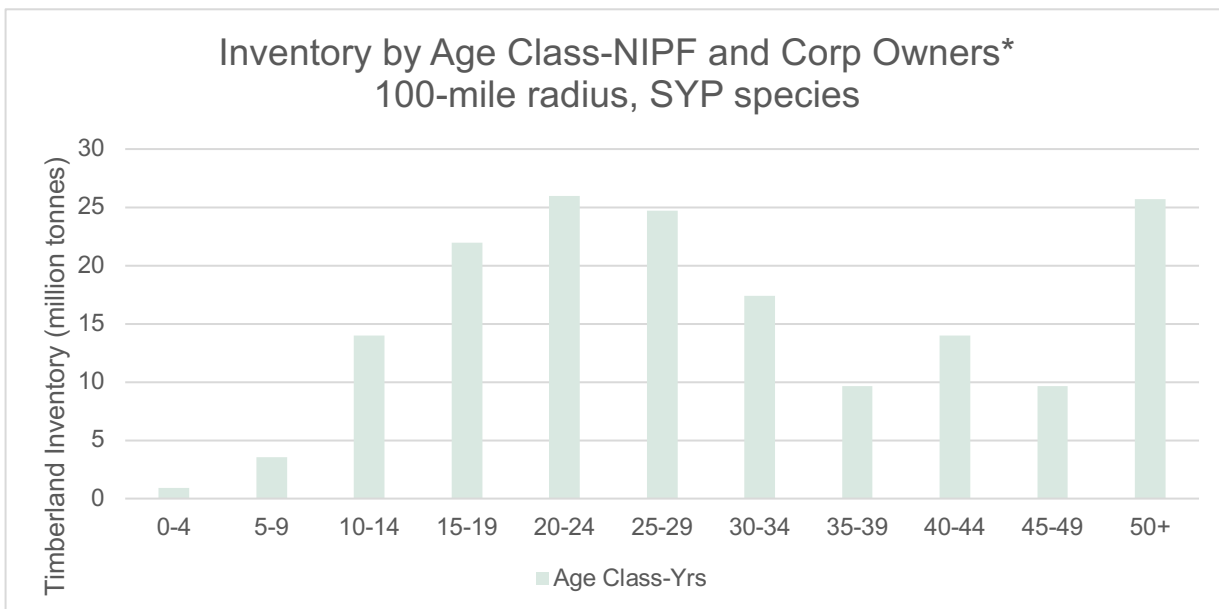
⁴ Wear, D. N. 2013. “Forecasts of Land Uses.” Chapter 4 in Southern Forest Futures Project Technical Report. <http://www.srs.fs.usda.gov/futures/reports/draft/Frame.htm>.

⁵ Longleaf Alliance and NCASI. 2014 “Longleaf Pine: Sustainable Forest Management and the Restoration of a Species” brochure.

5.3 Detailed description of Supply Base

LBE is located near the southern tip of an extensive pine forest situated between the Mississippi River and the Red River’s alluvial plains. These rivers act as a natural geographic barrier for LBE’s supply basin. Despite the presence of two large watersheds in the area, 60% of the acreage within the shed is established as site suitable pine forest and over half of the inventory is pine pulpwood.

State forestry websites feature detailed descriptions of forests and include noteworthy facts about each state’s forests. FIA data is also publicly available, and provide many important parameters, including changes over time, in the states that supply LBE. Summaries of forest coverage near LaSalle (Urania, LA) are shown in the tables below.



***Inventory by Age Class - Non-Industrial Private Forest and Corporate owners**

SBP Feedstock Product Groups & Supplier Make-Up⁶

All Primary and Secondary feedstock used by LBE is SBP-compliant. If Tertiary Feedstock is used, it too will be SBP-compliant⁷.

LBE’s supplier base is made up of timber dealers, logger-dealers and managers of corporately owned timberland providing primary feedstocks in addition to wood manufacturing suppliers who provide secondary feedstocks. Specific supplier list and volumes by feedstock types is maintained and stringently reviewed by external auditor.

⁶ Commercial sensitivity: Specific numbers omitted. Divulging current or forecasted supplier types and numbers may be used by third parties to gain a competitive advantage in the catchment. These figures are subject to change.

⁷ SBP Compliant Primary, Secondary and Tertiary feedstocks are defined in the “SBP Glossary of Terms and Definition” and described further in “SBP Standard 1, section 6, indicator 1.1.3.”

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 at LBE is covered under the Supply Base Evaluation. Following pelletizing at LBE, pellets are transported by rail or truck o 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 as roundwood and residual fiber by LBE. During the start-up phase, 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 LBE, raw material is received with a Fiber Purchase Agreement, Purchase Order, and Delivery Ticket which contains supplier information. The Purchase Order and Delivery Ticket 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 LBE 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

Site Name or Location:	<i>Amite Bioenergy Plant / LaSalle Bioenergy Plant</i>	
Date and Time of Audit:	Monday, October 28, 2019 – Wednesday, October 30, 2019	
Audit Activity	Items to Review / Actions	Approx. Start Time
Monday, October 28, 2019		
Opening Meeting	Introductions, auditor review of audit scope, audit plan and intro/update to SBP, client description of organization	8:30 AM
Review of SBP Framework Standard 4 FSC-STD-40-004 SFI 2015-2019 Chain of Custody PEFC 2002:2013 Chain of Custody	Review of physical inputs and outputs, material receipt, processing, storage, shipment, claims /trademark activities, and overall control Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position.	9:15 AM
Walk through of BioEnergy Plant	Review of receiving, processing, monitoring, loading	2:00 PM
Interview of Secondary Suppliers	SBP interviews of secondary suppliers for Supply Based Evaluation	3:00 PM
Daily Summary	Summary of day – Discuss agenda for next day	4:30 PM
Return to hotel		
Tuesday, October 29, 2019		
Daily Opening	Agenda Review	8:00 AM
Field Site Visits	SBP, SFI Certified, FSC Certified, and BMP monitoring of Gatewood.	8:30 AM
Daily Summary	Summary of day – Discuss agenda for next day	4:30 PM
Return to hotel		
Wednesday, October 30, 2019		
Daily Opening	Agenda Review	8:00 AM
SFI 2015-2019 Fiber Sourcing Review	SFI Program Review (SFI 2015-2019 Fiber Sourcing Standard) Objectives 1 to 10 Requirements for Fiber Sourcing Standard 1 Biodiversity in Fiber Sourcing 2 Adherence to Best Management Practices 3 Use of Qualified Resource and Qualified Logging Professionals 4 Legal & Regulatory Compliance 5 Forest Research, Science & Technology 6 Training & Education 7 Community Involvement & Landowner Outreach 8 Public Land Management Responsibilities 9 Communications & Public Reporting (Central Office)	8:30 AM

	10 Management Review & Continual Improvement (Central Office)	
Review of Standards Framework Standard 1 Framework Standard 2 Framework Standard 5	Discuss Principles, criteria, and indicators <ul style="list-style-type: none"> Standard 1 (Kyla) Standard 2 Standard 5 (Stephen) Development of Locally Applicable Verifiers (LAV) Discuss determination of Supplier Base, Supply Base Report, Stakeholder Consultation, Supplier Verification Programme, and Management System.	11:00 AM
Daily Summary	ABE - Summary of day; Travel to Monroe	2:30 PM
Daily Summary	LBE - Summary of day; Return to hotel	4:30 PM
Meet at hotel	Discuss agenda for next day	

Site Name or Location:	<i>Monroe Office</i>	
Date and Time of Audit:	Thursday, October 31, 2019	
Audit Activity	Items to Review / Actions	Approx. Start Time
Daily Opening	Agenda Review	8:00 AM
Closing meeting preparation	Auditors takes time to consolidate notes and review remaining audit needs	8:15 AM
FSC Controlled Wood Review	Review FSC-STD-40-005, US National Risk Assessment, Mitigation Steps	10:00 AM
Closing meeting preparation	Auditor takes time to consolidate notes and review audit findings for presentation at closing meeting	2:00 PM
Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next steps	3:00 PM
End		

6.2 Description of evaluation activities

Surveillance Audit:

The on-site Surveillance Audit included an audit of the Supply Base Evaluation, Documented Management System, Collection and Communication of Greenhouse Gas data, and Chain of Custody. Also included were a 2-day site tour, interview of 3 secondary suppliers, and visits to 4 procurement sites to evaluate DBI’s management and monitoring system. Procurement and production processes at MBE, LBE, and ABE are similar, so some information reviewed during the audit of MBE is also applicable to LBE and ABE. Sampling of secondary suppliers and procurement sites was established by SCS scoping process. Specific suppliers and sites were selected by the auditor based on a random sample based on volume supplied and size and type of harvest. Audit methods consisted of review of documentation, studies, assessments, surveys, websites, emails, databases and staff interviews. The site tour and visits were evaluated by review of documentation, monitoring results, observations, and interviews. One day was spent conducting field evaluations. One day was spent on the Supply Base Evaluation, Documented Management System, supplier interviews, and Chain of Custody. An additional day was spent at the Central Office reviewing the Greenhouse Gases. Critical control points were witnessed in all areas.

6.3 Process for consultation with stakeholders

For the Surveillance Audit, SCS did not conduct stakeholder consultation.

7 Results

7.1 Main strengths and weaknesses

Strengths with respect to the BP's overall conformity include the diversity of sources used for the development of the SBE and the experience of the persons conducting the SBE. 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

Rigor of the Supply Base Evaluation was sufficient to document the findings of low risk. Use of documented reports and assessments, in combination with local experts, personal knowledge, and stakeholder comments provided a multi-faceted approach for evaluation of each Indicator. The scope statement adequately describes the characteristics of the Supply Base and management systems.

There is "low risk" for most indicators of the SBP Standard 1 based on the evidence provided of sound forestry practices, existing effective legislation and diligent procurement processes that guide industry and landowners on the sustainable management of forests. For the four indicators where "specified risk" has been concluded, mitigating actions derived from multi-stakeholder processes will be implemented and monitored for effectiveness.

Forest inventories are steadily increasing, and carbon stocks remain stable in BE's catchment. Local communities benefit from the economic impact resulting from LBE's operations.

In conclusion, with diligent procurement processes and implementation of mitigation measures where required, the raw material supply and resulting production of pellets meets the requirements for "SBP-compliant" pellets.

DBI is constantly engaged with stakeholders to ensure any changes are evaluated.

7.3 Collection and Communication of Data

Richard Peberdy, VP, Sustainability and Kyla Cheynet, Sustainability Manager are responsible for collecting data on energy, moisture content, material movements and inventories and related records such as ledgers, and invoices from different departments of the organization and external suppliers. Data are centrally compiled in a master spreadsheet. This spreadsheet also contains all necessary calculations.

Manager of Sustainability and Sustainability Analyst are well versed in all requirements regarding data collection and reporting, and manage comprehensive databases with clearly laid out tables and calculations. All records required during the audit were readily available and the numbers and calculations as reported in the SAR are conclusive and replicable.

7.4 Competency of involved personnel

The Supply Base Evaluation was a joint effort of internal and external expertise. Persons involved are very competent for the development and on-going monitoring of the Supply Base Evaluation. 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.

7.5 Stakeholder feedback

No comments were received for the scope expansion stakeholder consultation.

7.6 Preconditions

No preconditions were issued by the certification body, as this was a surveillance audit.

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.

SCS assessed risk for the Indicators by evaluating comments received during the stakeholder consultation conducted by both SCS and DBI, reviewing the means of verification DBI developed, interviews with relevant staff, and conducting interviews with 3 secondary suppliers and 4 on-site field audits of forest suppliers.

Table 1. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Specified	Specified
2.2.4	Specified	Specified
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Specified	Specified
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

2.3.1	Low	Low
2.3.2	Low	Low

Table 2. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

9 Review of Company's mitigation measures

Specific mitigation measures, beyond diligent procurement processes, were identified for 4 indicators – 2.1.2, 2.2.3, 2.2.4, and 2.4.1. These are all related, and the same mitigations are appropriate to make the risk of non-compliance with the indicators “low”.

2.1.2 - The Biomass Producer has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

2.2.3 - The Biomass Producer has implemented appropriate control systems and procedures to ensure that key ecosystems and habitats are conserved or set aside in their natural state.

2.2.4 - The Biomass Producer has implemented appropriate control systems and procedures to ensure that biodiversity is protected.

2.4.1 - The Biomass Producer has implemented appropriate control systems and procedures for verifying that the health, vitality and other services provided by forest ecosystems are maintained or improved.

DBI has taken note of work done in producing the Guidance for Assessment of Risk, Means of Verification and Mitigation Measures in the SE US, carried out in Q3 2018. DBI undertakes risk profiling of suppliers..

Beyond the established due diligence procedures including knowledge of location of primary tracts, access to NatureServe information, prevalence of trained loggers, monitoring, state and federal legislation, contractual requirements, monitoring, etc. (detailed in Annex 1), the following mitigation measures have been identified for these indicators – the text is per Annex 1, DBI's supply base evaluation:

FSC US has identified, and developed mitigation measures, for four key ecosystems: Late Successional Bottomland Hardwoods, Native Longleaf Pine Systems, Southern Appalachian Critical Biodiversity Area, and the Central Appalachian Critical Biodiversity Areas.

DBI has integrated the FSC HCV maps into its GIS system and screens all suppliers for their intersection with the Specified Risks identified by FSC. Mitigation for primary feedstock includes controls embedded in DBI's internal processes which are subject to monitoring and internal audit. DBI does not have line of sight to individual tracts that provide fiber to secondary and tertiary feedstock suppliers, so other mitigations are appropriate. The following provides an overview of mitigations chosen for each FSC Specified risk:

Late Successional Bottomland Hardwoods (LSBH)

As DBI primarily sources Southern Yellow Pine, Late Successional Bottomland Hardwoods are mainly an issue for residual suppliers who use hardwoods and are proximate to LSBH areas. The areas that potentially have LSBH have been mapped by FSC and integrated into DBI's GIS system and RRA procedures. For residual suppliers, outreach and education will be the mitigation tool of choice. For primary suppliers, information is collected on forest type and species is collected for all harvests. If a forest tract is identified as having a high hardwood component, the site will be evaluated to determine if it is a LSBH tract. No fiber will be sourced from harvests that endanger the health, vigour, and long-term persistence of these bottomland

hardwood tracts. In addition, educational materials will be provided which will attempt to engage landowners, foresters, and loggers in conservation of this forest system.

Native Longleaf Pine Systems (NLPS)

For NLPS, the areas at risk have been identified by FSC at county/parish level. These areas have been included in the GIS system and RRA process. For primary suppliers, information is collected on forest type and species. If longleaf pine is present on the tract DBI will evaluate the tract and determine the regeneration plans for the site. Educational materials will be provided. If conversion of a LSBH is suspected fiber will not be sourced from the tract. Education and outreach will be the primary mitigation for residual suppliers who's sourcing area intersects FSC identified risk areas. The desired outcome of these communications is engaging landowners, foresters, and loggers in conservation of Native Longleaf Pine systems.

Southern and Central Appalachian Critical Biodiversity Area (CACBA & SACBA respectively)

Both the Central and Southern Appalachian Critical Biodiversity Areas will only affect DBI's residuals sourcing due to the distance from existing pellet mills. Education and outreach will be the mitigation tool employed. As described for the risks above, these materials will be developed according to best available science and be adapted as new information and approaches come available (i.e. through FSC CW Regional meetings). This educational material will be aimed at increasing awareness of the sensitivities and unique nature of these CBAs in hopes of increasing conservation of these highly biodiverse areas.

Other Relevant Internal Procedures:

DBI utilizes Failure Mode Effects Analysis (FMEA) to develop a risk profile of secondary suppliers. Location of sourcing area in reference to known HCVs, mill sourcing profile (species mixed used), and certification status are a few key criteria that influence risk rank and direct level of engagement and internal audit.

DBI's Sustainability and Procurement team conduct supplier reviews every six months to discuss the results of FMEA analysis and information gained through **Residual Supplier Questionnaires** (formal guided check-ins performed at a minimum annually). Analysis of the existing matrix of SFI Fiber Sourcing certified mills and suppliers is also reviewed. Currently DBI's supply base is over 90% covered by the reach of other SFI certified mills, significantly reducing the risk of sourcing non-compliant material. DBI is active in SFI State Implementation Committees (SICs) and actively shares and acts on information relevant to sustaining a high level of sustainability compliance in the supply basin. DBI also communicates findings and trends gained through SIC participation and internal audit of primary suppliers directly with mills from which residuals are sourced.

If it is determined that the risk of negative impact to the HCV cannot be effectively mitigated through information flow and internal controls, DBI can choose not to accept material from a region or a supplier.

DBI's existing programmatic procedures combined with the mitigations described above are sufficient to bring the risk of non-compliance with this requirement to "low".

Drax Biomass is in the process of implementing the FSC Controlled Wood National Risk Assessment. Mitigation steps are being planned, implemented, and monitored annually.

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):	Ciara McCarthy
Date of decision:	4 th December 2019
Other comments:	<i>Click or tap here to enter text.</i>