

SBP

Sustainable Biomass Partnership

SCS Global Services Evaluation of Morehouse BioEnergy LLC Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

www.sustainablebiomasspartnership.org



Completed in accordance with the CB Public Summary Report Template Version 1.0

For further information on the SBP Framework and to view the full set of documentation see www.sustainablebiomasspartnership.org

Document history

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1 Overview

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Report completion date: 29/Nov/2016

Report authors: Sebastian Häfele, Tucker Watts

Certificate Holder: Drax Biomass Inc., Morehouse BioEnergy, 7070 Carl Road, Bastrop, LA 71220

Corporate address: Drax Biomass Inc., 5 Concourse Parkway, Suite 3100, Atlanta, GA 30328-7117

Producer contact for SBP: Richard Peberdy, richard.peberdy@draxbiomass.com

Certified Supply Base: Louisiana and Mississippi were covered under the SBE

SBP Certificate Code: SBP-04-02

Date of certificate issue: 1/Aug/2016

Date of certificate expiry: 31/Jul/2021

Indicate where the current audit fits within the certification cycle				
Main (Initial) Audit	First Surveillance Audit	Second Surveillance Audit	Third Surveillance Audit	Fourth Surveillance Audit
<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Scope of the evaluation and SBP certificate

This certificate covers production and distribution of wood pellets, for use in energy production, at Morehouse 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 Louisiana, Mississippi and Arkansas with potential from east Texas.

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.

4 SBP Standards utilised

4.1 SBP Standards utilised

SBP Framework Standard 1: Feedstock Compliance Standard, Version 1.0, March 2015

SBP Framework Standard 2: Verification of SBP-compliant Feedstock, Version 1.0, March 2015

SBP Framework Standard 3: Certification Systems. Requirements for Certification Bodies, Version 1.0, March 2015

SBP Framework Standard 4: Chain of Custody, Version 1.0, March 2015

SBP Framework Standard 5: Collection and Communication of Data, Version 1.0, March 2015

All standards can be accessed on the SBP website:

<http://www.sustainablebiomasspartnership.org/documents/standards-documents/standards>

4.2 SBP-endorsed Regional Risk Assessment

Not applicable

5 Description of Biomass Producer, Supply Base and Forest Management

5.1 Description of Biomass Producer

Drax Biomass Inc. (“DBI” or “Company”) is an energy company manufacturing and transporting wood pellets. The Central Office is located in Atlanta, GA. The transportation facility, BRT is located in Baton Rouge, LA. Wood pellets are received from company pellet plants and 3rd party pellet suppliers. DBI owns and operates two pellet plants: Amite BioEnergy LLC (“Amite BioEnergy” or “ABE”) in Gloster, MS; and Morehouse BioEnergy LLC (“Morehouse BioEnergy” or “MBE”) near Beekman, LA. ABE is covered under the scope of a separate certificate.

All feedstock inputs for MBE are covered under the Supply Base Evaluation that was conducted by the Biomass Producer (“BP”). MBE currently receives roundwood and residual fiber from local suppliers. Deliveries are from stumpage located within 70 to 90 miles of MBE. One supplier owns the land and timber. Remaining suppliers purchase stumpage from private landowners and deliver the fiber to MBE. Roundwood and residual fiber are received at MBE via truck. Once the pellets are manufactured at MBE, the finished product is transported via train to BRT for storage, aggregation and seafaring vessel loadout.

5.2 Description of Biomass Producer’s Supply Base

MBE’s fiber procurement catchment includes southern Louisiana and Mississippi in the United States. MBE draws feedstock within a 70-mile radius, but maintains the ability to procure out to a 90-mile radius in response to market pressures and weather events. All statements based on the 90-mile radius are made for precautionary purposes.

The MBE 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 (SYP) with a potential *de minimis* quantity of mixed southern hardwoods. The material 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 150 miles of MBE’s fiber catchment in 2009 was estimated to be in excess of 20 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 have an average capacity of around 1 million tons per facility per year, with some consuming well over 2 million tons per year. Sawmills are slightly smaller, consuming on average around 300,000 tons per year.

Forestry is the dominant land use in MBE’s catchment. The majority of forests in these areas have been harvested several times during the 19th and 20th Centuries. Over 80% of the forests are privately owned, with most owned by “non-institutional private family forest owners”. As the average size of these holdings is less than 100 acres, some owners may have income from sources other than their forest holdings. There is also a significant amount of land owned and managed by large corporations (institutional investors), which typically practice more intensive silviculture and land management driven by the need to produce

shareholder returns than the smaller family forest landowners who typically manage to achieve more diverse and competing objectives.

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 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 forests.

Recent changes in the US pulp and paper industry have resulted in the closure of several large pulp mills in or adjacent to the catchment that collectively previously consumed over 3 million tonnes of feedstock each year. 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 pulp mills.

The overall market downturn, subsequent housing market crash of 2008 and the slow recovery in residential construction has 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 long-term consequences for the structure of the forest.

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 remain as working forests, whereas other areas may cycle out of forestry into row crops or husbandry, 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 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 as a whole, and in the organization's catchments, annual growth exceeds annual drain by a significant margin (USDA Forest Service, 2010)¹.

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 in helping to advance sound forest management practices. Species selection is another important factor, as the majority of 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

¹ USDA Forest Service Forest Inventory Analysis Program. 2010 data assessed and critiqued by consultancy for procurement region. Accessed May, 2012. Database accessible at <http://www.fia.fs.fed.us/>.

comply with relevant laws and regulations and minimise environmental harm. Moreover, each state employs well-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, MBE primarily uses Southern Yellow Pine (SYP), an abundant and highly productive native 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 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 and also offers recreational benefits. Forest thinnings make up a significant proportion of the feedstock for MBE.

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. MBE 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 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.

There are 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 species that is 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)².

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)³. 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 activities⁴.”

² 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>.

³ 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>.

⁴ Longleaf Alliance and NCASI. 2014 “Longleaf Pine: Sustainable Forest Management and the Restoration of a Species” brochure.

Include a link to the Supply Base Evaluation on the Biomass Producer's own website.

<http://draxbiomass.com/sustainability/certifications/>

5.3 Detailed description of Supply Base

Summary statistics from that report may be quoted here. However make note that a quantitative description of the Supply Base can be found in the Biomass Producer's Public Summary Report.

State forestry websites feature detailed descriptions of forests and include noteworthy facts about each state's forests. Forest Inventory Analyses data is also publically available, and provide many important parameters, including changes over time, in the states that supply MBE. A thumbnail of MBE's forest coverage summary shown in the tables present in the BP's Public Summary Report. Charts detailing the land ownership, species distribution, and age class of forested areas surrounding MBE are shown in the BP's Public Summary Report. A quantitative description of the Supply Base can also be found in the Biomass Producer's Public Summary Report.

Qualitative description of the supply base:

- Total Supply Base area (hectares): 3.9 million ha cumulative area of all forest types within Supply Base
- Tenure by type (ha):
 - Privately owned ca. 91% (c. 66% private, c. 25% large corporates, investment-institutional).
 - Public ca. 9%
 - Community concession de minimis
- Forest by type (ha): 3.9 million ha Temperate
- Forest by management type (ha):
 - Plantation 1.7 million ha (ca. half the softwood area)
 - Managed Natural ca. 2.2 million ha (remainder of the pine, mixed forests, hardwood areas)
 - Natural less than 200,000 ha
- Certified forest by scheme (ha): Not known in detail for catchment. *PEFC-endorsed forest management schemes: SFI® and American Tree Farm™ are the predominant schemes, with minor areas of FSC® certified forest. DBI expects the feedstock supply to generally mimic the certified percentage offerings state wide. DBI estimates the ability to procure a conservative 20% of feedstock from certified sources.
- Total volume of Feedstock: 800K to 1.0M green metric tonnes
- Volume of primary feedstock: 600K to 800K green metric tonnes
- List of species in primary feedstock: Predominantly Southern Yellow Pine – Majority Loblolly Pine (*Pinus taeda*), smaller quantities of other pines – Slash pine (*Pinus elliotii*), Shortleaf pine (*Pinus echinata*), Spruce pine (*Pinus glabra*), Virginia pine (*Pinus virginiana*) and de minimis volumes of Longleaf Pine (*Pinus palustris*)-see comments in Presence of CITES or IUCN species section. Minute component of mixed southern hardwoods, various varieties of oak, maple, hickory, ash and others-Full list of 56 hardwood species available.
- Forest Management Schemes (estimated ranges):
 - ca. 20% to 39% certified to an SBP-approved Forest Management Scheme
 - ca. 60% to 79% not certified to an SBP-approved Forest Management Scheme

5.4 Chain of Custody system

The Chain of Custody System is managed by Richard Peberdy, VP, Sustainability. He is assisted by David James, Manager, Sustainability. 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 percentage system at its BPs to determine claims for both SBP and FSC[®] certified pellets. All material received at MBE is covered under the Supply Base Evaluation. Following pelletizing at MBE, pellets are transported by 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 as roundwood and residual fiber by MBE. 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, no 3rd party suppliers were supplying pellets. Future 3rd party pellet suppliers will be SBP certified. At MBE, raw material is received with a Master Contract, 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 MBE 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
<i>Pre-Assessment</i>	<i>July 28, 2016</i>	<i>Conference Call</i>	<u>Drax Biomass Inc.</u> Richard Peberdy, David James, Russell Hatcher, Rusty Booker <u>SCS</u> Tucker Watts, Sebastian Häfele	<i>4 Hours</i>
<i>Surveillance Audit</i>	<i>August 15, 2016</i>	<i>Morehouse BioEnergy</i>	<u>Drax Biomass Inc.</u> Richard Peberdy, David James, Rusty Booker, Russell Hatcher, Remington Poydasheff, Brad Mayhew, Catherine Parris <u>SCS</u> Tucker Watts, Sebastian Häfele	<i>9 Hours</i>
<i>Supplier site visits</i>	<i>August 16, 2016</i>	<i>Timber harvest site visits⁵</i>	<u>Drax Biomass Inc.</u> David James, Richard Peberdy, Rusty Booker, Russell Hatcher, Remington Poydasheff <u>Supplier Representatives*</u> <u>SCS</u> Tucker Watts, Sebastian Häfele	<i>8 hours</i>
<i>Surveillance Audit</i>	<i>August 19, 2016</i>	<i>Baton Rouge Transit Facility</i>	<u>Drax Biomass Inc.</u> Richard Peberdy, David James, Travis Euggino <u>Contractor*</u> <u>SCS</u> Tucker Watts, Ellen Kincaid, Sebastian Häfele	<i>6 hours</i>

6.2 Description of evaluation activities

Pre-Assessment:

*Information omitted due to commercial sensitivity.

The Pre-Assessment consisted of a desk review of the draft Supply Base Evaluation, Risk assessment, and Documented Control System. Method of review consisted of a discussion of documentation, procedures, and interviews. Most time was spent on evaluating documentation for the organizations forest product chain of custody certification schemes. Critical control points consisted of the development of Supply Base Evaluation and collection of documentation. Prior to the pre-assessment, DBI submitted, among others, the following documents to SCS which were reviewed prior to and during the pre-assessment: Commitment statement to various standards, training records, trademark license agreement for FSC, SFI dues payment verification, complaint process, internal audit records, management review, product group list, supplier list & verification, risk assessment / due diligence assessment, procedures, volume of feedstock by supplier, supply base evaluation, supply base report, etc.

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 and visits to procurement sites to evaluate DBI's management and monitoring system. Procurement and production processes at MBE and ABE are similar, so some information reviewed during the audit of MBE was also applicable to ABE. 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, Greenhouse Gases, and Chain of Custody. Critical control points were witnessed in all areas.

6.3 Process for consultation with stakeholders

SCS did not conduct a stakeholder consultation for this surveillance audit. An initial 30-day stakeholder consultation was performed in 2015 prior to the evaluation audit. In response to a CAR issued during the audit, the BP conducted a supplementary stakeholder consultation in Nov.-Dec. 2015 to seek comments on the LAV development process. SCS then conducted an additional consultation in Jan.-Feb. 2016 to evaluate whether stakeholder responses were adequately addressed by the BP. Adequate corrective actions have been undertaken by the organization and related CARs are closed.

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.

7.3 Compilation of data on Greenhouse Gas emissions

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. At the audit, there was one observation issued, regarding reporting units and one aggregate energy demand parameter. Nonconformities identified during the main evaluation audit have been properly addressed by DBI and all CARs are closed.

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. The consultant used for the SBE has performed many resource based assessments of similar criteria for forest management systems.

7.5 Stakeholder feedback

No stakeholder consultation has been performed for this surveillance audit cycle.

7.6 Preconditions

No preconditions were issued by the certification body, as this was a surveillance audit. The certificate holder was awarded the certificate prior to this audit.

8 Review of Biomass Producer’s Risk Assessments

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 on-site field audits of forest suppliers.

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

Indicator	Risk rating (Low or Specified)		Indicator	Risk rating (Low or Specified)	
	Producer	CB		Producer	CB
1.1.1	L	L	2.3.3	L	L
1.1.2	L	L	2.4.1	L	L
1.1.3	L	L	2.4.2	L	L
1.2.1	L	L	2.4.3	L	L
1.3.1	L	L	2.5.1	L	L
1.4.1	L	L	2.5.2	L	L
1.5.1	L	L	2.6.1	L	L
1.6.1	L	L	2.7.1	L	L
2.1.1	L	L	2.7.2	L	L
2.1.2	L	L	2.7.3	L	L
2.1.3	L	L	2.7.4	L	L
2.2.1	L	L	2.7.5	L	L
2.2.2	L	L	2.8.1	L	L
2.2.3	L	L	2.9.1	L	L
2.2.4	L	L	2.9.2	L	L
2.2.5	L	L	2.10.1	L	L
2.2.6	L	L			
2.2.7	L	L			
2.2.8	L	L			
2.2.9	L	L			
2.3.1	L	L			
2.3.2	L	L			

9 Review of Biomass Producer's mitigation measures

No specified risks were identified and thus, mitigation measures have not been developed. DBI is certified to the FSC-STD-40-004 v2-1, FSC-STD-40-005 v2-1, FSC-STD-40-003 v2-1, SFI 2015-2019 Fiber Sourcing Standard, SFI 2015-2019 Chain of Custody Standard, and PEFC ST 2002:2013. The management system that DBI has developed to meet the requirements of these standards includes the monitoring of forest operations, and as part of this evaluation, SCS has audited this aspect of DBI's operation.

10 Non-conformities and observations

<i>Requirement</i>	<i>Type & Grade of Finding</i>	<i>Deadline</i>	<i>Impact statement</i>
SBP Standard 5, Instruction Document-5A V1.0, 3.2.2	<i>Observation</i>	<i>na</i>	This observation is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

11 Certification decision

Drax Biomass Inc., Morehouse BioEnergy is in conformance with SBP Standard 1, SBP Standard 2, SBP Standard 4, and SBP Standard 5 with no nonconformities identified. One observation was issued. Continued certification is approved.

12 Surveillance updates

12.1 Evaluation details

The first surveillance audit was carried out August 15 through 19, 2016, whereby the audit of the Morehouse facility was performed August 15 and the field visits for the supply base of said facility on August 16. The facility visit included a walkthrough of the whole facility following the feedstock from delivery through production, storage and shipping. During the field visit 8 sites were inspected together with representatives of DBI's suppliers.

12.2 Significant changes

There have been no changes in the supply base, mitigation measures or risk ratings since the main evaluation in 2015.

12.3 Follow-up on outstanding non-conformities

<i>Requirement</i>	<i>Type & Grade of Finding</i>	<i>Deadline</i>	<i>Actions taken by certificate holder</i>	<i>SCS's conclusions</i>
SBP Standard 1, IN-1A, 3.1	<i>Minor NC</i>	<i>Pre-condition to certification</i>	The certificate holder submitted a list of laws which was used in DBI's evaluation of SBP Standard 1 against relevant legal requirements. Per updated version of DBI's CoC Manual, no conflicts were found to exist between SBP Standard 1 and legal requirements and thus, no modification of indicators was necessary. Review of the list of laws and comparison to SBP Standard 1 has been included in DBI's Draft Operational Control Procedure and is referenced in the LAV section of the DBI CoC Manual.	Per phone conversation with David James and Richard Peberdy on Oct. 27, 2015, DBI understands that SBP Standard 1 must be reviewed with respect to legal requirements as part of the LAV development process. SCS found actions taken to be adequate to resolve the nonconformity. CAR is closed.
SPB Standard 1, IN-1A, 6.1	<i>Minor NC</i>	<i>Oct 21, 2016 or next audit</i>	Developed list of applicable laws, regulations and nationally-ratified international treaties, conventions and agreements. List is included with Procedures for an Annex to Standard.	SCS found actions List to be adequate to resolve the nonconformity. CAR is closed.
SPB Standard 1, IN-1A, Section 4	<i>Major NC</i>	<i>Pre-condition to</i>	CH conducted an additional stakeholder consultation from	SCS reviewed following documentation: Stakeholder

		<i>certification</i>	<p>November 27th to December 11th to inform stakeholders of the LAV process and present verifiers used to conduct the SBE. A total of 27 responses (13 complete/14 partial) were collected during the consultation period. Responses were reviewed by a retained consultant to obtain an objective analysis. No stakeholder feedback to date has influenced the modification or further development of LAVs but has contributed additional evidence and verifiers to include in the SBE. Total consultee list, survey questions, responses and analysis attached.</p> <p>To prevent reoccurrence, a description of the LAV process, conclusion and stakeholder notification was included in DBI's CoC Manual (sec 8.9 pg 29). LAV and stakeholder consultation processes will be updated periodically in conjunction with the catalogue of Risk Assessments as described in sections 8.7-8.9 of the CoC Manual and presented in subsequent stakeholder consultations.</p>	<p>consultation list, Email notification sent to stakeholders, Stakeholder consultation questionnaire, copies of completed questionnaires, spreadsheet of tabulated responses, revised CoC manual, summary of qualitative and quantitative responses to the consultations, copy of SBR and SBE, updated procedures (DBI CoC Manual, DBI-MI-EHS-150-A).</p> <p>SCS found actions taken to be adequate to resolve the nonconformity. CAR is closed.</p>
SPB Instruction Note 5A, 3.7.1	<i>Minor NC</i>	<i>Oct 21, 2016 or next audit</i>	CH has provided the necessary data in their internal database	SCS reviewed Internal database entries and Monthly Report "Environmental & Sustainability Data" where necessary data were given. SCS found actions taken to be adequate to resolve the nonconformity. CAR is closed.
SPB Instruction Note 5A, 4.9.1	<i>Observation</i>	<i>n/a</i>	<i>No follow up action necessary</i>	
SPB Instruction Note 5A, 4.9.2, sentence 2	<i>Minor NC</i>	<i>Oct 21, 2016 or next audit</i>	CH compiled necessary data in internal database, presented purchase records for natural gas for audit period to substantiate numbers.	SCS reviewed CH database and purchase records for natural gas. Since the natural gas is used exclusively for biomass production, the data does not have to be allocated to

				different uses. SCS found actions taken to be adequate to resolve the nonconformity. CAR is closed.
SPB Instruction Note 5A, 4.11.2	<i>Observation</i>	<i>n/a</i>	<i>No follow up action necessary</i>	-
SPB Instruction Note 5A, 6	<i>Observation</i>	<i>n/a</i>	<i>No follow up action necessary</i>	-

12.4 New non-conformities

No non-conformities were identified during this surveillance audit. One observation was issued.

12.5 Stakeholder feedback

None.

12.6 Conditions for continuing certification

There are no conditions for continued certification.

12.7 Certification recommendation

This company has been assessed and found to be in conformance with the requirements of: SBP Standard 1, Feedstock Compliance Standard, V 1.0, 26 March 2015; SBP Standard 2, Verification of SBP-compliant Feedstock, V1.0, 26 March 2015; SBP Standard 4, Chain of Custody, V 1.0, 26 March 2015; SBP Standard 5, Collection and Communication of Data, V 1.0, 26 March 2015.

SCS recommends the continued certification of Drax Biomass, Inc. Morehouse Bioenergy. No conditions apply.