SBP

Sustainable Biomass Program

SCS Global Services Evaluation of Varn Wood Products, LLC Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report Template Version 1.3

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

Table of Contents

1 Overview

CB Name and contact:	SCS Global Servcices, 2000 Powell St. Ste 600 Emeryville, CA 94608
Primary contact for SBP:	Sarah Harris
Current report completion date:	31/Aug/2018
Report authors:	Kyle Meister
Name of the Company:	Varn Wood Products, LLC
Company contact for SBP:	William Varn
Certified Supply Base:	Select Counties in Alabama, Florida and Georgia
SBP Certificate Code:	SBP-04-20
Date of certificate issue:	15/Apr/2016
Date of certificate expiry:	14/Apr/2021

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers the production of wood pellets for transportation to the port of Brunswick, Georgia, USA per SBP Standards 1, 2, 4, and 5. It also covers a Supply Base Evaluation for the sourcing of feedstock from 135 counties located in Southern Georgia (84 counties), Northern Florida (48 counties), and Southeastern Alabama (3 counties).

3 Specific objective

The specific objective of this evaluation was complete the third surveillance audits of Varn Wood Pellets, LLC (VWP or BP), as well as to confirm that its management system can continue to ensure that requirements of applicable SBP Standards are implemented across the scope of certification.

The following critical control points were identified and evaluated:

Feedstock procurement: All wood delivered to the mill is tracked in a centralized system. Most feedstock is sourced from the adjacent sawmill and timber sale documentation is kept, purchase orders and wood supply agreements were reviewed. All material that enters the premises is scaled before it enters storage or production.

*Storage and processing: Feedstock is entirely made up of secondary material and the organization uses a wood-flow accounting system to keep track of volumes. Sawmill residual is hammered and pelletized. Usually feedstock is dried, but no drying is undertaken for a small percentage of feedstock of shavings of kiln-dried wood.

*Volume Accounting: The procedures details the process to properly maintain the volume credit spreadsheet, with provisions for subtracting certified product sold. The BP uses a PEFC Credit Account worksheet to keep track of certified and un-certified material.

*Outgoing transactions: Invoices are issued, and all outgoing transactions of SBP-certified biomass are recorded in the DTS.

*Energy data collection and reporting: The organization developed and maintains databases to record data values and calculate energy data as required by Standard 5 and keeps records that substantiate the data.

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 - there is no RRA.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

VWP supplies wood fiber to a pellet mill in Hoboken, Georgia. The company sources sawmill residuals from its sawmill located in Hoboken, GA and a small amount of residual material from nearby sawmills. Pine is the only genus utilized. Inputs: Approximately 50% of the input material is from PEFC-endorsed standards (SFI and ATFS) and the remaining is PEFC controlled. Outputs are SBP Compliant Biomass and EUTR Compliant Biomass.

5.2 Description of Company's Supply Base

The supply base includes one-hundred-thirty-five (135) counties (18,557,462 hectares) in Alabama (3 counties), Georgia (84 counties) and Florida (48 counties) within the United States of America. Forests are the predominant land use in the supply base (66%); pine forests comprise the largest forest type (49%) of the supply area's forest type followed by hardwood forests (38%). The pine/oak forest comprises 10% of the supply area's forest type while about 3% of the forest is considered non-stocked. About 64% of the supply area's forests are managed as natural forests (7,686,610 hectares) while the remaining 38% of the supply area's forests are artificially regenerated (4,326,487 hectares). VWP purchases its fiber primarily from its sister pine sawmill. Small private landowners provide 19% of the fiber to needed for the pine sawmill, while large private landowners provide the remaining 81%. No fiber originates from public lands. Pine forests are typically managed on an even-aged basis with a rotation age of 25 to 30 years. During this rotation, the pine stand may be thinned one to two times prior to final harvest. Most pine forests are artificially regenerated with pine seedlings planted by hand or machine to defined stand densities. Chemical and/or mechanical site preparation is typically used to manage the less desirable hardwood and herbaceous species at stand establishment. Chemical treatments are minimal or below label rates, do not kill all competing species, and last about two years so the pine seedlings can become established or "free-to-grow". Fertilizers are not normally applied to these forests due to costs. Some private investment groups (e.g., REITS, TIMOs) may apply fertilizers on forests which are more intensively managed. However, these intensively managed pine forests represent a very small percentage of the overall pine forests in the supply basin. Hardwood forests can be managed either as even- or uneven-aged stands. Most hardwood stands are 40 to 50 years when harvested if managed as an even-aged stand. No site preparation or fertilizers are used on hardwood forests. Most forests in the VWP supply area are managed according to state forestry best management practices (BMPs). While these BMPs are normally voluntary, all VWP suppliers are contractually required to abide by them. Supplier compliance with state BMPs is verified by periodic audits conducted by VWP. VWP's Sustainable Forestry Initiative (SFI) fiber-sourcing certification and procedures require all harvesting professionals to maintain continuing education training on BMPs and other sustainable forestry issues such as wildlife habitat, biodiversity, and aesthetics. Overall BMP compliance reported for GA was 91.1% (2015), FL was 98% (2016), and AL was 98.2% (2016). Sustainable forestry certification is present in VWP's supply with the pine sawmill purchasing 50% of its fiber as certified (SFI – 33% and ATFS – 17%). No FSC certified fiber has been purchased to date. VWP does not purchase any primary feedstock. Secondary feedstock is received in the form of pine chips, pine sawdust, and pine shavings from the company's sister sawmill and five sawmills within the company's supply area.

5.3 Detailed description of Supply Base

The Company is PEFC Chain of Custody certified and uses the management and control systems required for these certifications to implement the SBP program. The CoC certificates are for a single site. Pellets are manufactured at the facility and trucked to the port in Brunswick, GA. Ownership of the pellets transfers to another entity when the trucks cars are weighed at the port. The audit confirmed that the Company's wood flow accounting system is capable of correctly tracking certified and uncertified inputs.

5.4 Chain of Custody system

The Company is PEFC and SFI Chain of Custody certified and uses the management and control systems required for these certifications to implement the SBP program. The COC certificates are for a single site. Pellets are manufactured at the facility and trucked to the port in Brunswick, GA. Ownership of the pellets transfers to another entity when the trucks' trailers are weighed at the port. The audit confirmed that the Company's wood flow accounting system is capable of correctly tracking certified and uncertified inputs.

6 Evaluation process

6.1 Timing of evaluation activities

Item	Date and time	Location	Participants
Standard 5: review of records and procedures	27 August: 1:00pm	BP offices	Auditor, BP's comptroller and administrative assistant
Standard 5: review of records and procedures; verification of GHG measurement locations and calculations; interviews with staff Standard 4: review of records and procedures; and verification of critical control points in mill; interviews with staff.	28 August: 8:00am	BP offices and pellet mill	Auditor, BP's comptroller, plant superintendent, operating manager
Standards 1 and 2: review of SBE, SBR, procedures, supporting records, and responses to open findings.	28 August: 1:00pm	BP offices	Timber buyer/land manager; president; Administrative assistant
Standards 1 and 2: review of SBE, SBR, procedures, supporting records, and responses to open findings.	29 August: 8:00am	BP offices	Timber buyer/land manager; president; Adminstrative assistant
Standard 4: verification of end-point chain-of-custody; review of transport records	30 August: 8:30am	Georgia Ports Authority, Brunswick, Georgia	President; plant superintendent; pellet buyer
Closing meeting	30 August: 10:00am	Brunswick, Georgia	President; plant superintendent

6.2 Description of evaluation activities

Relevant documents and records relating to standards 1, 2, 4, and 5 were reviewed as provided by the Company. Critical control points at the company mill, transport of pellets to the port, and at the port itself were observed. Review of supplier and sales documentation and interviews with staff were conducted to verify the company's control measures and elements of its SBE.

6.3 Process for consultation with stakeholders

There have been no changes to the supply base and no new stakeholders were consulted. No stakeholder comments have been received since the last audit.

7 Results

7.1 Main strengths and weaknesses

The Company has a well-organized document control system used to identify and locate policies and procedures related to its PEFC and SBP compliance. Record-keeping systems are readily accessible by relevant staff.

7.2 Rigour of Supply Base Evaluation

The Company updated its SBE in response to findings from the 2018 certificate transfer audit. Notably, measures to avoid sourcing from areas with potential HCVs and justification for low risk of negative impacts to HCVs are described. Measures for ensuring low risk for legal and regulatory requirements, including for topics such as human rights, are addressed through contracts and supplier agreements that require legal compliance.

7.3 Collection and Communication of Data

The Company regularly updates transaction and GHG data to the SBP DTS, as confirmed via interivews with staff, record review, and files downloaded from DTS.

7.4 Competency of involved personnel

The SBE was performed by a well-known Forestry Program certification consultant, in consultation with key Company employees. The Company's management and control systems for SBP are the same as those used to meet the SFI Fiber Sourcing and PEFC Chain of Custody requirements. Key personnel tasked with implementing the Company's management and control systems relating to SBP compliance are well trained and competent, with strengths in markets, silviculture, management, harvesting, and conservation issues. Their knowledge of SBP requirements is strong.

7.5 Stakeholder feedback

Per review of company stakeholder communication records, no comments have been received since the last audit. Nevertheless, letters dating from July to August 2017 were reviewed from people and organizations that support the Company's efforts to recover wood waste and make it into a useful product. The Company sent letters to representatives of indigenous peoples and forest worker organizations in May 2018, but no responses have been received to date.

7.6 Preconditions

No preconditions were identified.

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.

The risk assessment determined that all indicators are low risk for all areas from which the BP procures biomass. The risk ratings were determined by reviewing the SBE along with supporting evidence such as the company policy requires, Chain of Custody Procedures, procurementd and sourcing procedures, records of stumpage harvest inspections, BMP implementation reports. There are no sub-scopes.

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	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

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

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

Mitigation Measures are not necessary because the risk rating is low for all indicators. Due to the Company's certification to the above referenced Standards, the Company has built mitigation measures into its procedures and fiber sourcing programs.

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.*

NC number 1	**NC Grading:** Minor
Standard & Requirement:	SBP Standard 5, V1-0, 6.2
Description of Non-conformance and Related Evidence:	
The BP has not provided all necessary data (pertinent to its own operations) to the accuracy needed to enable the calculation of the energy and carbon balance of the supply chain. The following discrepancies were found in the 2018 SAR:•For Feedstock ID#3 (p. 10), the distance travelled from the pellet mill to the port (39.8 miles) was converted incorrectly to 61.9 km (distance to a supplier mill near Brunswick, GA). The actual figure is ≈64 km.•For the same Feedstock ID#3, the “Energy use in forestry operations and chipping” reads “Diesel”. This should be NA.•For Biofuel #1 (p. 29), the fuel consumption calculation is based on 77,039 MT. In fact, 77,035 MT were produced.•The Static Data Indicator is correctly reported on the cover page of the SAR (SBP-04-20-18), but not on page 32.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Revised SAR
Findings for Evaluation of Evidence:	Revised SAR addresses all errors detected as described above.
NC Status:	Closed

NC number 2	NC Grading: Minor
Standard & Requirement:	ID 5C, 3.1.1, ID 5C, 2.1.3, ID-5a, 2.2.5
Description of Non-conformance and Related Evidence:	
There is no SBPD for the most recent SDI (SBP-02-04-03).	
Timeline for Conformance:	Other November 4, 2018
Evidence Provided by Company to close NC:	Static Biomass Profiling Datasheet (SBPD) was submitted
Findings for Evaluation of Evidence:	Reviewed SBPD and found to be in conformance. SDI has been correctly assigned.
NC Status:	Closed

NC number 3 (issued during 2018 transfer audit as # 5)	NC Grading: Major
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, 2.7, 2.1.1 and 2.1.2
Description of Non-conformance and Related Evidence:	
There are some discrepancies between the SBE and the SBR regarding risks to HCVs, mainly in the omission of conclusions of low risk determined in the SBR, but not communicated in the publicly available SBE.There are sources and examples of endangered ecosystems/species cited in the SBE (Varn Wood Pellets - Supply Base Report - Annex 1 (08-08-17) copy), such as Alliance for Zero Extinction, IUCN Centre for Plant Diversity's (CPD) NAs, Greenpeace Intact Forest, World Wildlife Fund, and Global 200 Ecoregions, for which the level of risk has not been reported.Upon closer examination, in the BP's SBR, VWP-DOC-008a SBP Supply Base Risk Assessment, the BP's conclusion is that "The district of origin may be considered LOW RISK in relation to threat to high conservation values because the protected areas evaluated under 3.2 eliminates (or greatly mitigates) the threat posed to the district of origin by non-compliance with 3.1."In VWP-DOC-008a, some of the sources, such as Alliance for Zero Extinction and IUCN CPD NA28 and other NAs, have concluded that there is initially undetermined risk. VWP-DOC-008a then includes an analysis of how low risk was determined for these ecosystems based on an analysis of known protected areas and conservation activities. How undetermined risk for such ecosystems was finally determined as low risk is not communicated in the SBE.There are other actions (or inactions) that also contribute to the low risk designation that are not included in the SBE and VWP-DOC-008a SBP Supply Base Risk Assessment. For example, the harvest of sand pine (Pinus clausa) is unlikely since it grows very slowly and rarely reaches merchantable sizes beyond pulp-grade. Most regional pulp mills have a 3-inch top minimum and a minimum length of 16-ft. on top wood. Due to the length specifications, most minimum top sizes are effectively between 4.5-5.0". While very unlikely, any harvest of this species therefore would only occur at an ecosystem boundary where it would not be a dominant species.Species such as Florida nutmeg (Torreya taxifolia) occur in areas that are difficult to access with logging equipment, which also could lead one to conclude low risk. In fact, most harvests are on planted-pine sites and most of the low areas are excluded from sales. So, most ecosystems that are associated with low areas are rarely, if ever, entered with equipment. When they are entered, in most cases it is to cross them to access other production areas. These factors may also contribute to low risk designations in certain cases.	
Timeline for Conformance:	Other November 4, 2018
Evidence Provided by Company to close NC:	Updated SBE
Findings for Evaluation of Evidence:	Through review of the updated SBE, BP has added text after each HCV that occurs in the supply base to explain how no material is sourced from these areas (Elimination Measures Resulting in Low Risk). This matches what is reported in VWP-DOC-008a.
NC Status:	Closed

NC number 4 (issued during 2018 transfer audit as # 7)	NC Grading: Major
Standard & Requirement:	ID 5C, 3.1.1, ID 5C, 2.1.3, ID-5a, 2.2.5
Description of Non-conformance and Related Evidence:	
There is no SBPD for the most recent SDI (SBP-02-04-03).	
Timeline for Conformance:	Other November 4, 2018
Evidence Provided by Company to close NC:	Static Biomass Profiling Datasheet was submitted
Findings for Evaluation of Evidence:	Reviewed SBPD and found to be in conformance. SDI has been correctly assigned.
NC Status:	Closed

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):	Sebastian Häfele
Date of decision:	09/Oct/2018
Other comments:	*Click or tap here to enter text.*