

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

First Surveillance Audit

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

*For further information on the SBP Framework and to view the full set of documentation see
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1 Overview

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

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

Current report completion date: 08/Dec/2018

Report authors: Tucker Watts

Name of the Company: Drax Biomass Inc., LaSalle BioEnergy, 4915 Highway 125, Urania, LA 71480
Corporate address: Drax Biomass Inc., Drax Biomass Inc., 2571 Tower Drive, Monroe, LA 71201

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

Certified Supply Base: Southern Arkansas, northern Louisiana and east Texas

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 First Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers production and distribution of wood pellets for use in energy production, at La Salle BioEnergy LLC and transportation to Baton Rouge Transit LLC for storage, aggregation and seafaring vessel loadout. It covers a Supply Base Evaluation for the sourcing of feedstock from southern Arkansas, northern Louisiana and potentially from east Texas. The certificate also covers the trade of SBP-certified pellets with point of purchase after pellets are unloaded at Baton Rouge Transit, LA and point of sale at seafaring vessel loadout.

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 audited:

Feedstock procurement

Receiving of feedstock

Accounting of volumes

Storage and production

Documentation of transactions

Collection and reporting of energy and greenhouse gas 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

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Drax Biomass Inc. (“DBI” or “Company”) is a company manufacturing and transporting wood pellets. The Central Office is located in Monroe, LA. The transportation facility, Baton Rouge Transit (BRT) is located in Baton Rouge, LA. Wood pellets are received from company pellet plants and 3rd party pellet suppliers. DBI owns and operates three pellet plants: Amite BioEnergy LLC (“Amite BioEnergy” or “ABE”) in Gloster, MS, LaSalle BioEnergy LLC (“LaSalle BioEner” or “LBE”) Urania, LA, and Morehouse BioEnergy LLC (“Morehouse BioEnergy” or “MBE”) near Beekman, LA. ABE, LBE, and MBE are covered under the scope of separate certificates. DBI purchases raw material and maintains ownership of the biomass throughout the manufacturing processes at BPs. All feedstock inputs for LBE are covered under the Supply Base Evaluation that was conducted by the Biomass Producer (BP). LBE currently receives roundwood and residual material from local suppliers. Deliveries are from supplier procured stumpage located within 70 to 100 miles of LBE. One current supplier owns the land and timber. Remaining suppliers purchase stumpage from private landowners and deliver the fiber to LBE. Roundwood is received at LBE via truck. Once the pellets are manufactured at LBE, the finished product is transported via truck to BRT for storage, aggregation and seafaring vessel loadout.

5.2 Description of Company’s Supply Base

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. A development that occurred in 2018 (anticipated in last year’s report) is that sawmills have expanded their activity in response to increased housing starts, and a sawmill is being built adjacent to LBE. The residuals from that mill will be used at LBE, significantly increasing the amounts of mill residuals as feedstock. 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 to reasonably capture available fiber by using in-woods chipping operations to restore forest health, implement aesthetically pleasing harvests and reduce site preparation costs for reforestation. One further development at LBE has been the construction of a rail spur to allow pellets to be transported to the Port of Baton Rouge by rail. This will lead to both monetary and carbon savings compared to trucking material. 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 forest area. Some sizeable areas of natural lands

are present along the larger rivers. Smaller natural areas are scattered unevenly through the area. 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 forestland surrounding LBE are privately owned by corporate landowners-institutional investors (i.e. REITs & TIMOs). Corporate forest owners, who must produce shareholder returns, generally practice more intensive silviculture and land management than the smaller family forest landowners who typically manage to achieve more diverse objectives. The predictable management regimes of the corporate owners will provide a steady flow of pulpwood for LBE and the surrounding markets. The second largest group of landowners are private landowners with the remainder of acreage owned by the public (i.e. federal and state governments). 30% of the forests are privately owned, with over a third held by "non-institutional private family forest owners". As the average tract size of these holdings is less than 100 acres, timber revenue generally represents just a portion of their total income. Therefore, harvest timing for family forest landowners can be less predictable. 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 forests. Senescence of the US pulp and paper industry has resulted in the closure or curtailment of a couple large pulp mills in or adjacent to the catchment that previously consumed over 1.2 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 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 had long-term consequences for the structure of the forest. A recent uptick in housing starts has meant increased demand for lumber. Sawmills have increased output, and in some areas new sawmilling capacity has emerged. Increase in resource use has been the story of US Forests, As described in the paragraphs above, the renewal process, the market response to increased demand, has led to forests staying as forests, increased productivity and increased inventories (carbon stores). One outcome may be that growth-drain ratio's decline in some catchments. This is to be expected and allows the process of renewal of the forest to continue. 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. 76% of the acres

surrounding LBE are heavily forested and defined as timberland. 60% of the timberland base is dedicated to pine production. (USDA Forest Service, 2012). 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 who have helped to advance sound forest management practices. Species grown in the region are indigenous to the area, which improves pest and disease resistance and provides habitat for local flora and fauna. Federal and state governments also provide effective oversight to ensure that forest activities comply with relevant laws and regulations, and state Forestry Best Management Practices that minimise environmental harm. 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 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). 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). 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 activities.”

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. SBP Feedstock Product Groups & Supplier Make-Up All Primary and Secondary feedstock used by LBE is SBP-compliant. If Tertiary Feedstock is used, it too will be SBP-compliant. 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.

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 credit system at its BPs to determine claims for both SBP and FSC® certified pellets. All material received at LBE is addressed by the Supply Base Evaluation. Following pelletizing at LBE, 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 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. 3rd party pellet suppliers are SBP certified. At LBE, 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 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

Opening meeting: November 5, 2018; Site: La Salle BioEnergy & field visits; Participants: Drax Biomass Inc.: Richard Peberdy, Stephen Wright, Kyla Cheynet, Ray Seymour, Michael Bellow, Johnny Keen, John Bennett, Cody Davis, Austin Malicoate, James Pendarvis, Britta Palmer, Jay Evans, Jim Stemple; Supplier Representatives*; SCS: Tucker Watts; Duration: 8 hours; Audit November 6, 2018; site: La Salle BioEnergy; Participants: Drax Biomass Inc.: Richard Peberdy, Stephen Wright, Kyla Cheynet, Ray Seymour, Jay Evans; SCS: Tucker Watts; Duration: 8 Hours

6.2 Description of evaluation activities

The on-site Evaluation 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 and interviews of secondary suppliers to evaluate DBI's management and monitoring system. Audit methods consisted of review of documentation, studies, assessments, surveys, websites, emails, databases and staff interviews. The site tour, site visits, and supplier interviews 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, Chain of Custody, and supplier interviews. Critical control points were witnessed in all areas.

6.3 Process for consultation with stakeholders

SCS conducted a stakeholder consultation for this evaluation audit. An initial 30-day stakeholder consultation was performed August 28, 2017 prior to the evaluation audit. The stakeholder consultation was sent to stakeholders in a region that corresponds to the entirety of Drax Biomass' Supply Base of Arkansas, Louisiana, Mississippi, east Texas, and west-central Alabama. La Salle BioEnergy intends to only source material from southern Arkansas, northern Louisiana and possibly east Texas.

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 Collection and Communication of Data

The BP is fully committed to collecting and reporting all greenhouse gas emissions data deemed necessary by its customer and regulators. The company uses proprietary software to collect and communicate the data and records the data in SBP Audit Report on Energy and GHG data (SAR), SBP Audit report on Energy and GHG Data for Supplied Biomass (SREG) and SBP Static Biomass Profiling Data sheet (BPD).

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 stakeholder consultation has been conducted for this surveillance audit cycle.

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 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
2.3.1	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

2.3.2	Low	Low
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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

FSC US identified key ecosystems as “specified risk” - Late Successional Bottomland Hardwoods (LSBH), and Native Longleaf Pine Systems (NLPS), and has outlined mitigations for these sensitivities. Separately they have identified the Dusky Gopher Frog. No further mitigation required for primary feedstock, as DBI has access to location of tracts and can assess sensitivities and appropriate controls directly. DBI has access to FSC's maps. Controls are applied through DBI's internal processes and are subject to **monitoring and internal audit**.

Mitigations are appropriate for secondary and tertiary feedstock suppliers. LSBH is an issue for secondary and tertiary feedstock suppliers who use hardwoods and are proximate to LSBH areas. The areas that potentially have LSBH have been mapped by FSC, and DBI can identify suppliers who may intersect with that sensitivity. For NLPS, the areas at risk have been identified by FSC at county/parish level. DBI has determined which secondary or tertiary suppliers may source from those counties. For the Dusky Gopher Frog, FSC identifies two small areas at the extreme south of our sourcing area. These areas already have Critical Habitat protections, so the control is “avoidance”.

Mitigation involves the following:

For Late Successional Bottomland Hardwoods: Using materials , and with a desired outcome of engaging landowners within the specified risk area and the Organization's supply area in conservation of Late Successional Bottomland Hardwoods (LSBH), communicate to audiences the social benefits and values of LSBH, threats from forest management (and related loss of values), and management practices for restoration and maintenance, including the importance of natural functions (e.g., hydrologic processes).

For Native Longleaf Pine Systems – Using materials and with a desired outcome of engaging landowners within the specified risk area and the Organization's supply area in conservation of Native Longleaf Pine Systems (NLPS), communicate to audiences the social benefits and values of NLPS, threats from forest management (and related loss of values), and management practices for restoration and maintenance, including the importance of the understory and fire.

Through these mitigations combined with further controls, such as contractual requirements to follow best practices, to use trained loggers, and to follow the law, and additional steps such as the right to audit suppliers for compliance, and regular assessment of supplier performance, these controls are sufficient to bring the risk of non-compliance with this requirement to “low” for all feedstocks. Through on-going monitoring DBI will assess the effectiveness of the mitigations. DBI utilizes Failure Mode Effects Analysis (FMEA) to develop a risk profile of secondary suppliers. 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).

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.*

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:	07/Feb/2019
Other comments:	<i>Click or tap here to enter text.</i>