

SCS Global Services Evaluation of Morehouse BioEnergy Plant 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 1.4

*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

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., Morehouse BioEnergy, 7070 Carl Road, Bastrop, LA 71220
Corporate address: Drax Biomass Inc., 2571 Tower Drive, Monroe, LA 71201

Company 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: 01/Aug/2016

Date of certificate expiry: 31/Jul/2021

This report relates to the Third 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 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 and parts of Oklahoma.

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

Drax Biomass Inc's ("DBI" or "Company") Gulf Cluster of Biomass Producers fiber procurement catchments includes southern Arkansas, Louisiana, Mississippi, west central Alabama, east Texas and parts of Oklahoma in the United States. DBI owns and operates three pellet plants: Amite BioEnergy LLC ("Amite BioEnergy" or "ABE") in Gloster, MS; Morehouse BioEnergy LLC ("Morehouse BioEnergy" or "MBE") near Beekman, LA; and LaSalle BioEnergy LLC ("LaSalle BioEnergy" or "LBE") near Urania, LA.

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. Feedstock is directly drawn from the forest within a 70-mile radius, but reserves the ability to procure out to a 100-mile radius in response to market pressures and/or weather events. However, residuals produced by wood manufactures could be procured from as far away as 200 miles. All statements based on the 100-mile radius for feedstocks direct from the forest are made for precautionary purposes. MBE specifically procures fiber from southern Arkansas, northwest Mississippi, northern Louisiana with the potential to draw from east Texas and parts of Oklahoma. ABE is covered under the scope of a separate certificate. 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 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 arrive 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 23 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 short tons per year. Sawmills are slightly smaller, consuming on average around 300,000 green short tons per year.

In 2017/18 there have been continuing changes in the number or type of other wood using industries operating in MBE's catchment. The uptick in housing starts has lead to an increase in sawmilling activity, making more residual streams available to the market. Underutilized capacity in the sector has been re-activated, it remains to be seen how long demand is sustained. The addition of in-woods chipping capacity is occurring and expansion of operations is of interest to suppliers in the catchment. These harvest operation types help restore some of the timber types in areas that have been left to grow with minimal management

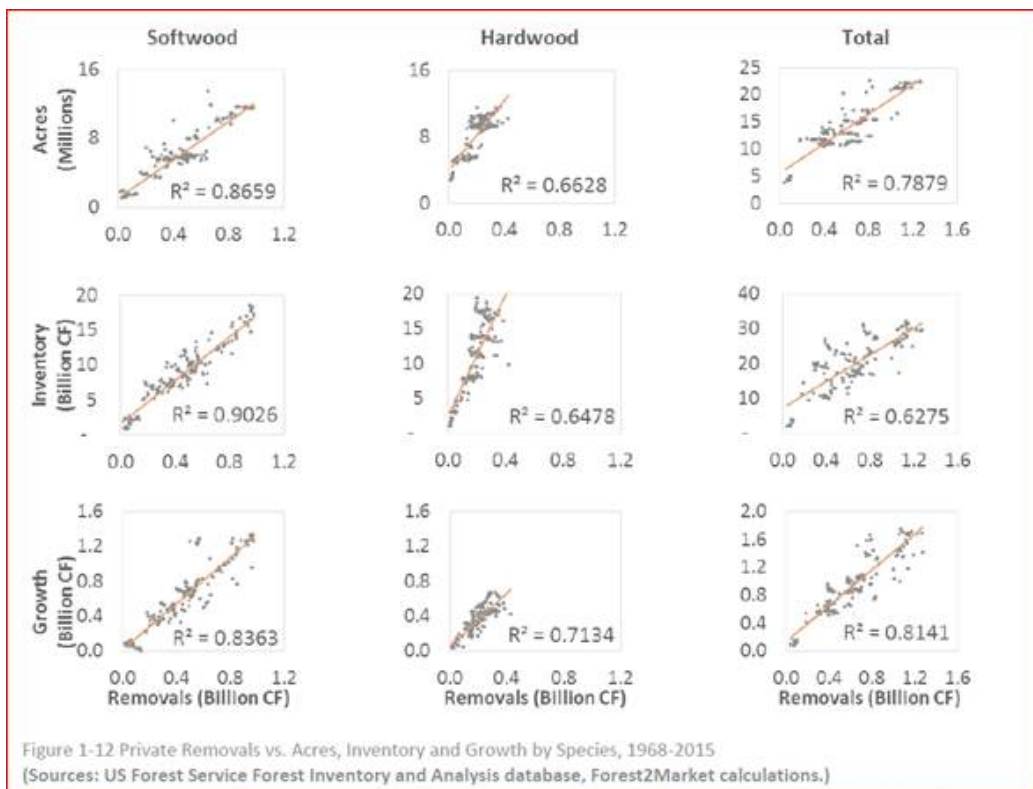
due to suppressed or vacated markets while implementing good aesthetics and reduced site preparation costs for reforestation.

Land Use and Ownership patterns

Forestry followed by crop agriculture is the dominant land use in the MBE catchment. The majority of forests in these areas have been harvested and regenerated multiple times over the last two centuries.

Over 80% of the forests surrounding MBE are privately owned, with most held 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). 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.

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 forests¹.



Senescence of the US pulp and paper industry has resulted in the closure or curtailment of several large pulp mills in or adjacent to the catchment that collectively consumed over 3 million tonnes of feedstock each

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 Morehouse BioEnergy Plant: Public Summary Report, Third Surveillance Audit Page 6

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 suppressed levels of demand for sawtimber. This has 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 contact². 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 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.

In 2017/18 MBE's catchment experienced the continued consolidation of private institutional landowners. These changes did not significantly change land ownership patterns in MBE's catchment as these companies' (i.e. REITs & TIMOs) forest management regimes and business models are more alike than different. However, some of these companies employ FSC certification more readily than the legacy owners. MBE's catchment has numerous institutional forest landowners of various sizes.

MBE's catchment also experienced the change of ownership in several privately-owned lumber manufactures to publicly traded companies along with the upgrading/expansion of curtailed mills in the region. The new sawmill ownerships employ SFI Fiber Sourcing certification more readily than the legacy owners.

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

² [Morehouse Family Forest Initiative](#)

a whole, and in MBE's catchment, annual growth exceeds annual drain by a significant margin (USDA Forest Service, 2010)³.

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 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 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, MBE 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 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. 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 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, longleaf pine (*pinus palustris*). This species is far less common than it once was, and efforts are underway

³ 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/>.

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)⁴.

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)⁵. 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 activities⁶.”

5.3 Detailed description of Supply Base

MBE’s catchment is located in a unique geographic area with different land cover and terrain characteristics.

MBE is located on the border of the Mississippi Delta agricultural area and the heavily forested uplands to the west. Despite the high percentage of floodplain land in the supply shed, 42% of the acreage within the shed is upland forest. SYP, generally the most productive forest type in the region, is estimated to make up approximately 25% of the land cover, and it represents 44% of forest species in the area.

⁴ 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>.

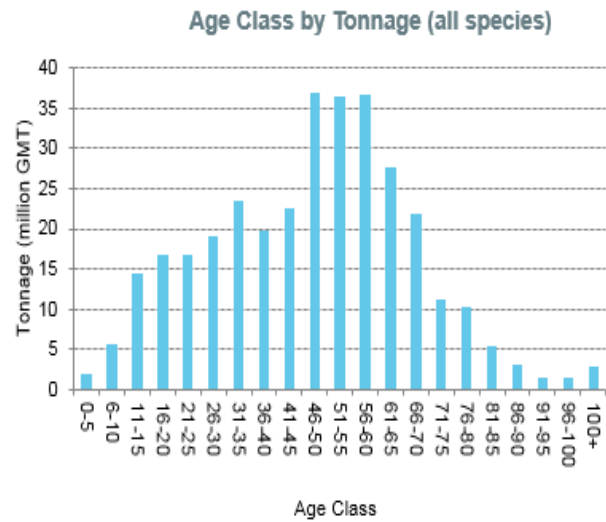
⁵ Wear, D. N. 2013. “Forecasts of Land Uses.” Chapter 4 in Southern Forest Futures Project Technical Report. <http://www.srs.fs.usda.gov/futures/reports/draft/Frame.htm>.

⁶ Longleaf Alliance and NCASI. 2014 “Longleaf Pine: Sustainable Forest Management and the Restoration of a Species” brochure. SCS Global Services Evaluation of Morehouse BioEnergy Plant: Public Summary Report, Third Surveillance Audit

State forestry websites feature detailed descriptions of forests and include noteworthy facts about each state’s forests. Forest Inventory Analyses data is also publicly available, and provides many important parameters, including changes over time, in the states that supply MBE. Summaries of forest coverage near Morehouse (Beekman) are shown in the tables below.

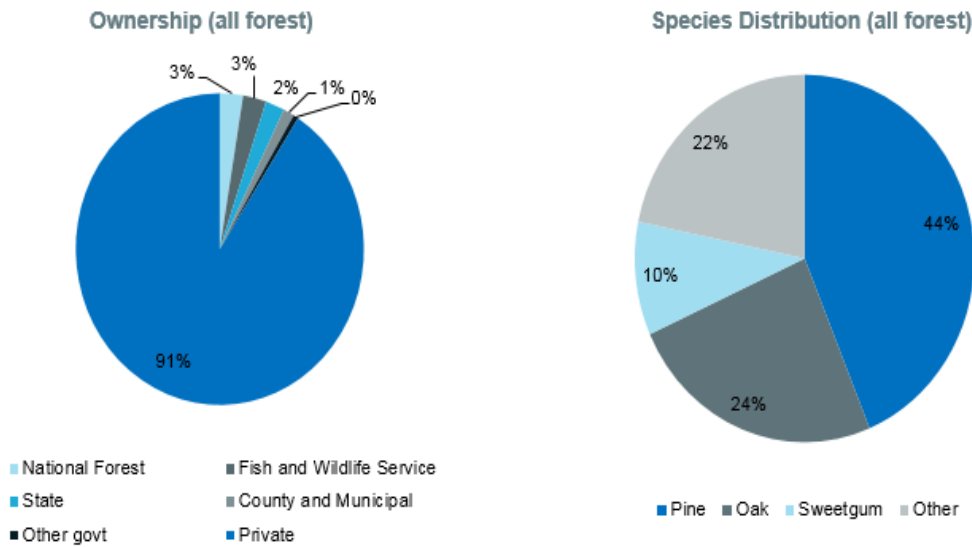
Beekman, 90 mile radius - Age Class (all species)

- There are a reported 3.9 million ha of Timberland within the catchment (60% of the total area).
- There is quite a large area in the older age class range and this is also reflected in the high standing that is between 45 and 70.



Beekman, 90 mile radius - Ownership and species distribution

- Private ownership represents 91% of the total forest by area.
- The species mix is more evenly distributed than in other parts of the south with hardwoods much more prominent within this catchment area. Pine species represent 44% of the standing timber.



SBP Feedstock Product Groups & Supplier Make-Up⁷

All Primary and Secondary feedstock used by MBE is SBP Compliant.⁸

MBE’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 lists and volumes by feedstock types are maintained and stringently reviewed by external auditors.

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.

⁷ 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.

⁸ 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.”

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 MBE is covered under the Supply Base Evaluation. Following pelletizing at MBE, pellets are transported by rail 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, DBI has purchased and sold 3rd party pellets. Future 3rd party pellet suppliers will be SBP certified. At MBE, 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 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

Opening meeting: November 7, 2018; Site: Morehouse BioEnergy & field visits; Participants: Drax Biomass Inc.: Richard Peberdy, Stephen Wright, Kyla Cheynet, Ray Seymour, Cody Gage, James Pendarvis, Bobby Cooper, Brad Wimbish; Supplier Representatives*; SCS: Tucker Watts; Duration: 8 hours; Audit November 8, 2018; site: Morehouse BioEnergy; Participants: Drax Biomass Inc.: Stephen Wright, Kyla Cheynet, Ray Seymour, Cody Gage, James Pendarvis; SCS: Tucker Watts; Duration: 8 Hours

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 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 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. 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.

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 |
|-------|-----|-----|

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: | 13/Feb/2019 |
| Other comments: | <i>Click or tap here to enter text.</i> |