SBP

Sustainable Biomass Program

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

Transfer Audit Report

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report Template Version 1.1

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

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1 Overview

CB Name and contact:	SCS Global Services, 2000 Powell ST STE 600, Emeryville, CA 94608 USA
Primary contact for SBP:	Sarah Harris, sharris@scsglobalservices.com
Current report completion date:	06/Aug/2018
Report authors:	Kyle Meister (Lead auditor) and Ellen Kincaid (GHG technical expert)
Name of the Company:	Varn Wood Pellets, LLC
Company contact for SBP:	William F. Varn, Jr.
Certified Supply Base:	Select Counties in Alabama, Florida and Georgia
SBP Certificate Code:	SBP-- 04-- 20
Date of certificate issue:	27/Dec/2017
Date of certificate expiry:	14/Apr/2021

This report relates to the Transfer 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 a certificate transfer of Varn Wood Pellets, LLC (VWP or BP) from its previous certifier to SCS Global Services, as well as to confirm that its management system can ensure that requirements of applicable SBP Standards are implemented across the scope of certification.

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

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

a.Total Supply Base area (ha): 12,165,914 b.Tenure by type (ha): privately owned (9,883,983) / public (2,281,931) c.Forest by type (ha):temperate (12,165,914) d.Forest by management type (ha): plantation (4,356,337)/managed natural (7,469,687)/natural (399,890) e.Certified forest by scheme (ha): SFI (1,819,987 - total) (GA - 973,479; FL - 826,508; AL - 20,000) / ATF (92,188 ha - total) (GA - 32,008; FL - 37,103; AL - 22,997) / FSC (15,785 - total) (GA - 15,120; AL - 665)

5.4 Chain of Custody system

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.

6 Evaluation process

6.1 Timing of evaluation activities

An opening meeting was held on March 19, 2019 to confirm the scope of the desk audit, availability of documents, and timing of the closing meeting. The audit was led by Kyle Meister (Standards 1, 2, and 4) with Ellen Kincaid assisting (Standard 5). Participants from the organization included Will Varn, Matt Stephens, and Mike Hollingsworth. Audit activities consisted of document and record review, as well as a series of interviews conducted with staff of the organization over the phone. A closing meeting was held on March 21, 2018 to summarize findings. No diverging opinions were noted.

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. Phone interviews were held as part of the desk audit to clarify the purpose of certain documents and records. This was a desk audit.

6.3 Process for consultation with stakeholders

Since this was a transfer audit conducted as a desk audit, less than one year has passed since the last audit, and there have been no changes to the supply base, no stakeholders were consulted.

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

Some discrepancies between the Company's internal documents used to conduct the SBE and the information made available to the public were noted, mainly in how low risk to certain High Conservation Values (HCVs) was determined.

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.

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 after the SVP has been performed and after any mitigation measures have been implemented.

Table 1. 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 during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. Click on the + symbol on the right bottom corner of the table to repeat the table. *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:** Observation
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, 4.3
Description of Non-conformance and Related Evidence:	
No representatives of indigenous peoples or forest worker groups are represented on the BP's stakeholder list.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 2	**NC Grading:** Observation
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, section 2.7, 1.2.1 SBP Framework Standard 1: Feedstock Compliance V1.0, section 2.7,1-5
Description of Non-conformance and Related Evidence:	
BP's SBE includes state and federal laws as evidence of conformance. Laws in and of themselves are not acceptable evidence; however, evidence of implementation and/or enforcement of laws are acceptable forms of evidence (i.e., systems in place). BP provided evidence of legal compliance and compliance to quasi-regulatory items (e.g., BMPs) in the form of timber harvest notifications, quarterly tax payments, and BMP compliance checks. BP has a publicly available sustainable	

forestry policy that affirms its commitment to comply with labor, health & safety, and other social laws. Per interviews with staff, BP also implements training, salary reviews, and other HR-related process to ensure compliance to labor, health & safety, and other social laws.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 3	**NC Grading:** Observation
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, section 2.7, 1.3.1
Description of Non-conformance and Related Evidence:	
BP has cited timber harvest notification laws cited for Georgia, but not for Alabama and Florida. For example, Alabama has the Logging Notice Act of 2012. It is not clear what Florida's laws are to ensure that evidence of legal harvest is secured prior to harvest. Timber harvest notifications were demonstrated for Georgia, the only state from which timber has been sourced since the last audit. Signed harvest contracts reviewed ensure that rights to harvest the timber are secured prior to harvest. Severance and ad valorem taxes may also be used to demonstrate evidence of legal harvest during or upon completion of harvest in any state.One of the purposes of harvest notification laws is to ensure that any issues regarding ownership and access rights of adjacent landowners and other parties are handled prior to harvest. Conformance to this requirement would be strengthened if any additional evidence of harvest notifications for other states in the supply base were cited and examples of such notifications were provided in future audits (if timber sales are purchased in those states).	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 4	**NC Grading:** Observation

Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, 2.7, 1.6.1
Description of Non-conformance and Related Evidence:	
BP states that "Harvesting in the supply basin presents a low risk of violation of traditional, civil and collective rights based on the following factors: (1) There is no UN Security Council ban on timber exports from the country concerned; (2) The country or district is not designated a source of conflict timber (e.g. USAID Type 1 conflict timber); (3) There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use rights, cultural interests or traditional cultural identity in the district concerned; and (4) There is no evidence of violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned."Contracts include provisions to respect laws, which includes discrimination and fair labor. The company maintains a list of applicable US and State Laws, as well as ILO Conventions that the US has ratified. However, no sources of information for the BP's conclusion are cited. Furthermore, the USA has not ratified ILO Convention 169; however, there are laws and regulations in place per item (3) that are in line with the spirit and intent of this Convention.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 5	**NC Grading:** Major
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0, 2.7, 2.1.1 and 2.1.2 SBP Framework Standard 2: Verification of SBP-compliant Feedstock V1.0, 11.7
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 3 months from date of report finalization.
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 6	**NC Grading:** Observation
Standard & Requirement:	SBP Framework Standard 4: Chain of Custody V1.0, 5.2.5
Description of Non-conformance and Related Evidence:	
BP uses VWP-DOC-002 Stumpage Tract Plan to document whether a timber sale is SFI or ATFS certified. There are checkboxes next to a line item for "Certified" that state "None", "SFI" or "ATFS". There are spaces to write the certificate code of the seller if applicable. However, these check boxes are not being used consistently. For 3667 Brasington 3 Comp. 700 and 3668 William H. Gross, no boxes are checked. While one can reasonably conclude from the rest of the documentation that these timber sales are not certified, using the checkboxes reduces sources of error.	
Timeline for Conformance:	Other

Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 7	**NC Grading:** Major
Standard & Requirement:	ID 5C, 3.1.1, ID 5C, 2.1.3, ID-5a, 2.2.5 ID 5C 2.2.1, ID 5C, 3.1.3, ID 5C, 4.1.1, ID 5C, 4.1.2, ID 5C, 4.1.3, ID 5C, 4.2.1,
Description of Non-conformance and Related Evidence:	
There is no SBPD for the most recent SDI (SBP-02-04-03).	
Timeline for Conformance:	Other 3 months
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 8	**NC Grading:** Observation
Standard & Requirement:	ID 5A, 2.1.3/ ID 5B, 2.1.2/ ID 5C, 2.1.2 ID 5B, 3.2.8
Description of Non-conformance and Related Evidence:	
While all the Greenhouse Gas data is recorded correctly, there are no explicit procedures covering these requirements. It is suggested that procedures be written up to prevent a nonconformance later.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*

Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 9	**NC Grading:** Minor
Standard & Requirement:	ID 5B, 3.2.7
Description of Non-conformance and Related Evidence:	
The electricity is a simple addition of the 12 months, and no simple proportional calculation has been done to match the electricity use completely to the Reporting Period for the first and last months.	
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 with corrected electricity data.
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Closed

NC number 10	**NC Grading:** Minor
Standard & Requirement:	ID 5B, 3.2.7
Description of Non-conformance and Related Evidence:	
In review of the SAR a typo was noticed where short tons were used in biofuels #1, sawdust, instead of metric tonnes, where all the other numbers were in metric tonnes. Due to the small number of the typo, the effect on the overall result is negligible.	
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:	Updated SAR with typo corrected was submitted as evidence.
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
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):	Ciara McCarthy
Date of decision:	06/08/2018
Other comments:	*Click or tap here to enter text.*