

# SBP

Sustainable Biomass Partnership

## Supply Base Report: Highland Pellets LLC, Pine Bluff

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## Completed in Accordance with the Supply Base Report Template Version 1.2

*For further information on the SBP Framework and to view the full set of documentation see [www.sustainablebiomasspartnership.org](http://www.sustainablebiomasspartnership.org)*

### *Document history*

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# 1 Overview

**Producer name:** Highland Pellets LLC  
**Producer location:** Pine Bluff, Arkansas  
**Geographic position:** 34.26509 N  
 -92.067747 W  
**Primary contact:** Mr. Robert McKenzie  
 Managing Director  
 +44 (0)7887 498 483  
[rob@highland-pellets.com](mailto:rob@highland-pellets.com)  
**Company website:** [www.highland-pellets.com](http://www.highland-pellets.com)  
**Date report finalised:** 20/Nov/2016  
**Close of last CB audit:** 2/Dec/2016, Pine Bluff  
**Name of CB:** NSF  
**Translations from English:** N/A  
**SBP Standard(s) used:** Versions 1.0 of Standard 1, Version 1.0 of Standard 2, Version 1.0 of Standard 4, Version 1.0 of Standard 5  
**Weblink to Standard(s) used:** <http://www.sustainablebiomasspartnership.org/documents>  
**SBP Endorsed Regional Risk Assessment:** Not applicable  
**Weblink to SBE on Company website:** [www.highland-pellets.com](http://www.highland-pellets.com)

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<b>X</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## 2 Description of the Supply Base

### 2.1 General description

Highland Pellets LLC's wood pellet production plant is located in Pine Bluff, Arkansas, USA. Highland Pellets LLC contracts with Weyerhaeuser Services, Inc. for certain procurement services, including on-the-ground implementation of the various certification standards. Highland Pellets LLC owns all wood and fiber inputs, owns and manages the pellet manufacturing facility and owns and sells the finished wood pellets to customers in Europe. Weyerhaeuser Services, Inc. never takes legal ownership of any material inputs/outputs and serves as an Outsource entity or agent to Highland Pellets LLC.

The Pine Bluff facility sources from a largely rural area where forestry and agriculture are the primary sources of income for workers, the local communities and the tax base. The supply base consists of upland pine forests in the Ozarks, Ouachita Mountains, Upper West Gulf Coastal Plain, West Gulf Coastal Plain and the Mississippi River Alluvial Plain Regions. The two species of pine trees (Loblolly/Short Leaf) represent a sub-scope of the supply base. No hardwoods and no Cypress trees are sourced. A map of the procurement area is included in the Supply Base Evaluation (SBE) and Risk Assessment (RA) as an Appendix B, and is available upon request.

The SBE and RA encompass South Central and East Arkansas for conifer inputs and Northern Louisiana for future conifer residual sawmill inputs. Highland Pellets LLC pellet mill is an important market for low grade and low valued wood and fiber products. This otherwise low valued and marginal material contributes to the increased use of renewable energy and serves to mitigate greenhouse gas emissions and potential climate change.

Highland Pellets LLC does not own forest land and does not have decision making authority over what forests to harvest and is not engaged in the harvesting or forest management activities. Highland Pellets LLC can indirectly influence forest management, but cannot directly control how the forests are managed and how they are harvested.

Land management and harvesting decisions are made by private industrial and family forest owners in the context of U.S. Federal and State laws, regulations and State administered Best Management Practices for water quality and beneficial use protection. It is important that approximately 90% of the current wood inputs originate from SFI Forest Management certified forests. This high level of Certified Forest Content is exceptionally high and is probably the highest of any pellet producer in the U.S. The SFI Forest Management Standard is recognized by the SBP as an acceptable and endorsed Standard.

The States of Arkansas and Louisiana have large and well-funded State Forestry Commission and Dept. of Agriculture & Forestry that administer a comprehensive set of programs including: landowner outreach and extension, forest inventory and analysis, forest fire and pest prevention, BMP implementation and monitoring, smoke management planning and scheduling, forest resource and wildlife assessments and

action plans, and other forest sustainability programs. State and Federal programs and regulations provide a safety-net of policies and procedures that help ensure the sustainability of the forest resource.

Highland Pellets LLC's influence is through policies, supply agreements and periodic monitoring of suppliers. Wood pellets provide an important market for low valued wood products that improves forest health conditions, minimizes fuels that contribute to wildfire, reduces site preparation costs, facilitates prompt reforestation and establishment of forest cover and provides the landowner and investors with an economic incentive to keep their land in forest production.

The State-wide forest resource assessments have identified development pressure as one of the major threats to the forest resource. A viable forest products industry and demand for wood products is the best defence against the loss of forest cover.

All fiber material is sourced according to the Sustainable Forestry Initiative (SFI), Forest Stewardship Council (FSC) and PEFC Chain of Custody & Controlled Wood Standards and are considered an "SBP-approved Controlled Feedstock". The additional SBE addresses each of the Biomass Feedstock Indicators contained in Standard # 1, documents the Objective Evidence of Conformance, and assigns each Indicator with the appropriate "Risk" rating.

Highland Pellets LLC has not modified or adjusted the SBP Indicators contained in Standard # 1. Highland Pellets LLC is, in all cases, one or more contracts removed from the Forest Management Unit (FMU). The verifiers or evidence of conformance have been developed to meet the requirements of Federal and State laws, State BMPs, and the requirements of the SFI, FSC and PEFC Standards. The verifiers contained in the SBE represent objective evidence of conformance that can be audited by an independent Certification Bodies accredited to conduct audits to the above Standards. Independent audits involve stakeholder consultations and provide feedback that the verifiers are appropriate and acceptable evidence of conformance to the SFI, FSC, PEFC and SBP Standards.

In addition to the SBP Standards, certification is being sought to the SFI Fiber Sourcing, Section 3 (2015-2019), FSC and PEFC Chain of Custody and Controlled Wood/Due Diligence System Standards. The conclusion from the SFI/FSC/PEFC Risk Assessments is Low Risk of sourcing from uncontrolled/controversial sources. These complimentary certifications help to ensure "Low Risk" of sourcing controversial or uncontrolled wood and fiber under the SBP Standard as well.

The company's existing Standard Operating Procedures (SOPs) and "Wood Purchase Agreements" contribute to the finding of Low Risk for all Standard # 1 Indicators. Thus, all wood pellet outputs are considered "SBP-compliant Biomass" and "EUTR-compliant Biomass."

Highland Pellets LLC does not utilize feedstock from any CITES species within the procurement region. No longleaf pine, hardwoods and Cypress trees that may be considered controversial are sourced. The pellet manufacturing process at the Pine Bluff mill cannot currently accept and use hardwoods. Upland planted forests of loblolly and shortleaf pine are the sole species sources. A list of two sourced pine species is contained in the Master Tree Species List and in the Controlled Wood Risk Assessment.

## 2.2 Actions taken to promote certification amongst feedstock supplier

All of the Highland Pellets LLC's softwood inputs are sourced as wood directly from the forest and potentially as residuals indirectly from local softwood sawmills. All wood and fiber material is sourced according to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards and is considered at least "controlled material," which provides evidence that it is Low Risk of illegal logging and unsustainability.

A formal procedure contains correspondence that can be sent to landowners, wood producers and contract loggers under the SFI Fiber Sourcing Standard with Wood Purchase Agreements/Contract Provisions specifying conditions and requirements to ensure compliance with all applicable laws and regulations, implementation of water quality BMPs and the use of Qualified Logging Professionals.

The SFI Fiber Sourcing Standard requires that certificate holders promote forest certification with landowners and wood producers. Conformance to the SFI Fiber Sourcing Standard is evidence of implementation of this requirement. Currently, approximately 90% of inputs are from SFI Certified Forests.

Highland Pellets LLC is a member of the Arkansas Forestry Association and the Arkansas SFI Implementation Committee that promotes forest certification and provides technical information to landowners addressing water quality BMPs, reforestation, visual quality protection, efficient utilization, protection of wildlife and biodiversity, control of invasive species and the identification and protection of forests. Highland Pellets LLC is also a member of the U.S. Industry Pellet Association (USIPA) that promotes renewable energy and represents the pellet organizations in legislative and regulatory affairs.

## 2.3 Final harvest sampling programme

This section is not applicable as Highland Pellets LLC does not source biomass from fellings containing stands with an expected rotation length of more than 40 years.



## 2.4 Flow diagram of feedstock inputs showing feedstock type

Highland Pellets LLC utilizes softwood from the forest and may also utilize softwood sawmill residuals in future years. The residual sawdust and wood chips are generated by primary sawmills, all of which are located in Arkansas. The pellet facility does not own forest land and does not have responsibility for forest management decisions. The facility also does not use any construction, demolition or post-consumer derived feedstock. During the initial 12 months, it is anticipated that all of the feedstock inputs will be supplied from primary feedstock (forest thinnings and tops).

### Primary Feedstock



Pine Tree Tops



Pine pulp wood and small round wood from forest thinnings

### Secondary Feedstock



Sawmill residuals

### Pellet Production



## 2.5 Quantification of the Supply Base

### Supply Base

- a. Total Supply Base area (ha): 10.78 million ha cumulative area of all forest types in supply base
- b. Tenure by type (ha):
  - Privately owned – 82%
  - Public – 18%
  - Community Concession – de minimis
- c. Forest by type (ha): 10.78 million ha Temperate
- d. Forest by management type (ha):
  - Plantation – 2.55 million ha
  - Managed Natural or Natural – 8.23 million ha
- e. Certified forest in Arkansas and Louisiana by scheme (ha):
  - Sustainable Forestry Initiative – 2.26 million ha / 21%
  - American Tree Farm System – 1.09 million ha / 10%
  - Forest Stewardship Council - 0.51 million ha / 5%
  - Certified Forest Content inputs are documented and tracked back to specific certified forests. Uptake of forest management certification by landowners has been very high and approximately 90% of inputs are from SFI Certified Forests. Uptake of Chain of custody certification by pine sawmills has been slow to develop and few, if any, are FSC/PEFC Chain of Custody certified. All fiber material is scoped within the FSC/PEFC Controlled Wood Risk Assessment and is considered "controlled material."

### Feedstock

- f. Total volume of Feedstock: assuming full capacity production of 600k metric tons of pellets annually
  - 1.2 million green metric tons
  - < 0.8 million green metric tons during Dec 2016 – Nov 2017 plant commissioning
- g. Volume of primary feedstock: assuming full capacity production of 600k metric tons of pellets annually
  - 1.2 million green metric tons
  - < 0.8 million green metric tons during Dec 2016 – Nov 2017 plant commissioning
- h. Percentage of primary feedstock (g), by SBP-approved Forest Management Schemes:
  - 90% or more Certified to an SBP-approved Forest Management Scheme (SFI)
  - 10% or less Not certified to an SBP-approved Forest Management Scheme (Controlled Wood)
- i. List all species in primary feedstock, including scientific name: Predominately Southern Yellow Pine, primarily Loblolly Pine, *Pinus taeda*, smaller component of Shortleaf Pine, *Pinus echinata*
- j. Volume of primary feedstock from primary forest - Nil
- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
  - Primary feedstock from primary forest certified to an SBP-approved FMS- Nil
  - Primary feedstock from primary forest not certified to an SBP-approved FMS - Nil
- l. Volume of secondary feedstock:
  - 0% to 20% residues from area sawmills once fully commissioned in future years.
  - Likely 0% during plant commissioning period Dec 2016 – Nov 2017.
- m. Volume of tertiary feedstock: None anticipated

### 3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
X	<input type="checkbox"/>

Suppliers report 90% SFI Certified Forest Content to Highland Pellets LLC. However, the remaining suppliers and potential for future supply from pine residual sawmill supplier are not Chain of Custody certified and do not report Certified Forest Content from any certified forests.

All sources of supply are subject to the SBE/RA and have been determined to be Low Risk.

## 4 Supply Base Evaluation

### 4.1 Scope

While the SBE & Risk Assessment includes information and evidence from across 70 Counties in Arkansas and 27 Counties from Northern Louisiana. The fiber supply area is significantly smaller than the area covered by these States and extends approximately 75 highway miles from all roundwood and primary sawmill sources of supply. A map of the Supply Base is available upon request (See HP-SBP-03d-Highland Pellets\_Supply Basin\_Conservation lands.pdf).

### 4.2 Justification

The Supply Base Evaluation & Risk Assessment addresses each of the SBP Indicators contained in Standard # 1. Highland Pellets LLC did not attempt to modify or adapt the Indicators. Many of the verifiers are similar to the requirements contained in the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. The evidence of conformance to the Indicators in Standard # 1 was drawn from SFI/FSC/PEFC Procedures that demonstrate conformance.

Additional objective evidence of conformance was drawn from publicly available sources including: State BMP monitoring, forest inventory & analysis statistics, statewide resource assessments, research reports, the FSC US National Risk Assessment, wildlife action plans and other publicly available sources of information.

The Highland Pellets LLC's SFI, FSC, PEFC and SBP Documents and Procedures provide the bulk of the evidence and locally adapted verifiers contained in the Supply Base Evaluation and Risk Assessment.

### 4.3 Results of Risk Assessment

The Risk Assessment considered all of the Standard Operating Procedures (SOPs) that are being implemented by Highland Pellets LLC as part of its SFI Fiber Sourcing, FSC and PEFC Chain of Custody and Controlled Wood certifications. The SOPs constitute existing Wood Purchase Agreements and contract provisions that have been approved and certified by an independent Certification Body to meet the rigorous requirements of the SFI, FSC and PEFC Standards to ensure legality and sustainability.

The Low Risk findings of the Supply Base Evaluation & Risk Assessment are consistent with the findings of the FSC/PEFC Chain of Custody and Controlled Wood Assessment under FSC-STD-40-005 V2-1 and PEFC Chain of Custody Due Diligence System (PEFC ST 2002:2013).

The First Draft of the FSC US National Risk Assessment did not identify any High Conservation Value Forests in Highland Pellets LLC's sub-supply base consisting of planted pine forests. Any potential water quality impacts are effectively mitigated by the very high rates of water quality BMP Compliance across the two States within the Supply Base. Note that BMP compliance rates for Arkansas are 89% and Louisiana

95.75%. It should also be noted that while both states fell out of schedule with their BMP surveys, Louisiana performed a survey in 2015 (results reflected above) and Arkansas is scheduled to release in 2017 the survey currently in progress.

Highland Pellets LLC has Wood Purchase Agreements with its wood producers and suppliers including the following requirements: 1) implement water quality BMPs to protect water quality and beneficial aquatic habitats, 2) use qualified logging professionals that have been SFI trained, 3) comply with all applicable laws and regulations and 4) avoid controversial sources in their supply chain. The SOPs also include BMP monitoring: every tract on Forest Management Certified land and purchased stumpage; Non-Certified delivered sources have internal audits based on a randomly selected sample. It should also be noted that the logger training programs in Arkansas and Louisiana includes sections on wildlife, biodiversity, endangered species and special places in the forest.

## 4.4 Results of Supplier Verification Programme

By virtue of the finding of Low Risk to all of the SBP Standard # 1 Indicators, the Low Risk finding of the applicable FSC/PEFC Controlled Wood and Due Diligence System Risk Assessment and the implementation of policies and contract provisions to avoid any negative environmental impacts, there is a "Low Risk" of non-conformance to the SBP requirements in Standard # 1. Thus, no additional supplier verification is necessary or required at this time.

It is important to note that Highland Pellets LLC sources approximately 90% of its wood and fiber inputs from SFI Certified Forests. It does not own forest land and does not have management authority. Highland Pellets LLC does not procure any hardwoods or Cypress species. Highland Pellets LLC has no direct control and limited influence over long-term forest management decisions of private industrial and family forest owners.

## 4.5 Conclusion

The Supply Base Evaluation & Risk Assessment concluded "Low Risk" for all SBP Indicators, based upon the Standard Operating Procedures (SOPs) of Highland Pellets LLC. The Supply Base Evaluation drew on the experience of the company's implementation and conformance to SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood/Due Diligence certification Standards.

The States of Arkansas and Louisiana document high levels of BMP compliance and have strong legal and regulatory systems in place to ensure legality. Highland Pellets LLC requires its suppliers to use trained loggers, requires compliance with laws and regulations, as well as State Best Management Practices.

Approximately 90% of the softwood inputs are from SFI Certified Forests. This is documented through the FSC and PEFC Chain of Custody Procedures. Certified Forest Content is considered SBP-Compliant Feedstock and is not technically subject to the SBP Supply Base Evaluation and Risk Assessment.

100% of the wood and fiber inputs are supplied within the scope of the SFI Fiber Sourcing and FSC/PEFC Controlled Wood/Due Diligence Systems approved by SBP. Thus, all softwood roundwood and residual

inputs included in the Sub-scope are at least considered "SBP Controlled Feedstock" and, according to the SBE/RA, "SBP-compliant Feedstock." Note that the Sub-scope of the Supply Base includes Loblolly (*Pinus taeda*) and Shortleaf Pine (*Pinus echinata*) only. Longleaf Pine trees are not sourced and are not within the scope of the Supply Base Evaluation (SBE).

All non-certified sources are Low Risk for all Standard # 1 Indicators, with Contract Provisions already in place addressing the potential, but Low Risk, of sourcing wood and fiber from unacceptable sources.

Feedback from the Stakeholder Consultation process was positive and reinforced the finding that there is a need for markets of low valued softwood sawmill residual material. The Arkansas Forestry Association provided feedback, and it was very positive about the efforts being made by Highland Pellets LLC in its efforts to source sustainable feedstock. Comments from the Arkansas Forestry Association (AFA) include that the AFA is "confident that [Highland's] fiber inputs are at Low Risk of coming from controversial sources" and "Highland Pellets LLC is demonstrating a strong commitment to implementing [SBP] standards". The Arkansas Timber Producers Association also said that it had no concerns regarding Highland pursuing SBP approval and was grateful for Highland locating in the area as it would support increased work opportunities for the logging industry in the State. See 'HP-SBP-02-Stakeholder Input' for a copy of the responses from Stakeholders.

By virtue of the Low Risk rating and Contract Provisions already being applied, all wood pellet outputs from Highland Pellets LLC's pellet mill are considered "SBP-compliant Biomass" and "EUTR-compliant Biomass."

## 5 Supply Base Evaluation Process

Highland Pellets LLC retained R.S. Berg & Associates, Inc. to prepare the SFI Fiber Sourcing, FSC/PEFC Chain of Custody/Controlled Wood and SBP Program and Procedures, including conducting the Supply Base Evaluation & Risk Assessment. R.S. Berg & Associates, Inc. has provided consulting assistance to over two hundred and ninety (290) forestry organizations in North America and has conducted over forty (40) independent and internal audits to the FSC, SFI, PEFC and American Tree Farm System Standards. Resume, Client List and other information is available at the following website: <http://www.rsbergassoc.com/>

Highland Pellets LLC is also seeking independent certification to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Highland Pellets LLC sources all Direct and Indirect inputs from suppliers that are within scope of the FSC/PEFC Chain of Custody and Controlled Wood/Due Diligence Standards.

## 6 Stakeholder Consultation

A Stakeholder Consultation Procedure (HP-SBP-01) was developed that included correspondence to interested and affected stakeholders across the two State procurement region. A list of relevant Stakeholders was developed based upon several selection criteria including: the geographic scope of the Supply Base, relevant federal and state natural resource agencies, representatives of indigenous people, private conservation organizations, forestry colleges and universities, advocacy organizations, and forest products organizations.

Correspondence was forwarded to all Stakeholders at least 30 days prior to the completion of the SBE/RA. A Summary of Stakeholder input was prepared documenting input and responses by Highland Pellets LLC (HP-SBP-02).

### 6.1 Response to stakeholder comments

#### **Comment from the Arkansas Forestry Association:**

The AFA is confident that Highland's fiber inputs are at Low Risk of coming from controversial sources" and "Highland Pellets LLC is demonstrating a strong commitment to implementing SBP standards".

#### **Response from Highland:**

Highland thanked the AFA for their support.

#### **Comment from the Arkansas Timber Producers Association:**

The Arkansas Timber Producers Association (ATPA) said that it had no concerns regarding Highland pursuing SBP approval and was grateful for Highland locating in the area as it would support increased work opportunities for the logging industry in the State.

#### **Response from Highland:**

Highland thanked the ATPA for their support.



## 7 Overview of Initial Assessment of Risk

Table 1. Overview of results from the risk assessment of all Indicators (prior to SVP):

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1		X	
1.1.2		X	
1.1.3		X	
1.2.1		X	
1.3.1		X	
1.4.1		X	
1.5.1		X	
1.6.1		X	
2.1.1		X	
2.1.2		X	
2.1.3		X	
2.2.1		X	
2.2.2		X	
2.2.3		X	
2.2.4		X	
2.2.5		X	
2.2.6		X	
2.2.7		X	
2.2.8		X	
2.2.9		X	

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1		X	
2.3.2		X	
2.3.3		X	
2.4.1		X	
2.4.2		X	
2.4.3		X	
2.5.1		X	
2.5.2		X	
2.6.1		X	
2.7.1		X	
2.7.2		X	
2.7.3		X	
2.7.4		X	
2.7.5		X	
2.8.1		X	
2.9.1		X	
2.9.2		X	
2.10.1		X	

## 8 Supplier Verification Programme

### 8.1 Description of the Supplier Verification Programme

The results of the Supply Base Evaluation and Risk Assessment addressing the requirements in Standard # 1 were all Low Risk, and Wood Purchase Agreements already in place and functioning effectively justify the Low Risk rating.

Wood Purchase Agreements including contract provisions have been incorporated as part of implementing the FSC and PEFC Chain of Custody and Controlled Wood Standards.

### 8.2 Site visits

Highland Pellets LLC is in regular contact with its suppliers and conducts periodic monitoring of BMPs, documents and records as part of its SFI Fiber Sourcing and FSC/PEFC Controlled Wood Procedures. Highland relies on the internal monitoring and independent auditing of the organizations that are SFI Forest Management Certified.

All inputs are confirmed from known "Districts of Origin" and are considered "certified or controlled material." The results of the BMP Monitoring and District of Origin Monitoring is available upon request.

### 8.3 Conclusions from the Supplier Verification Programme

All current evidence leads to a conclusion that there is an extremely Low Risk of sourcing from unacceptable sources as defined by the SBP, SFI, FSC and PEFC.

The Wood Purchase Agreements include Policies to avoid potential negative impacts to the environment that may be associated with forestry activities, including harvesting and roads. Such policies have been inserted into Highland Pellets LLC's Sustainable Forestry Policy and have been implemented as part of the SFI Fiber Sourcing and FSC/PEFC Controlled Wood Risk Assessment and Procedures.

Supplier compliance is assessed via monitoring of Highland Pellets LLC's suppliers, state agency on-site inspections, stakeholder feedback, and state agency inspections or reports where relevant and available.

The Contract Provisions adopted by Highland Pellets LLC are contained in the Wood Purchase Agreements (HP-COC-11).

To date, no stakeholders have documented any concerns regarding unacceptable sources of softwood. Overall, the southern region BMP implementation average increased from 87% in 2008 to 92% in 2012, thus mitigating potential impacts to Aquatic resources and habitats. Highland Pellets LLC Policies and Contract Provisions are sufficient to justify a finding of Low Risk.

## 9 Mitigation Measures

### 9.1 Mitigation measures

Highland Pellets LLC's Standard Operating Procedures (SOPs) addressing sustainability and legality are already in place and have been functioning under the SFI Fiber Sourcing and FSC and PEFC Chain of Custody and Controlled Wood programs. In addition the feedstock used by Highland Pellets LLC is softwood that will be predominately sourced from privately owned, industrially managed forests, thus minimizing the potential for sourcing from HCV areas.

Similar provisions are also included in the Wood Purchase Agreements as extra measures of precaution. Supplier compliance is assessed via monitoring of Highland Pellets LLC's suppliers, state agency inspections, stakeholder feedback, and state agency inspections or reports where relevant and available.

The Contract Provisions adopted by Highland Pellets LLC are contained in the Wood Purchase Agreements.

### 9.2 Monitoring and outcomes

Highland Pellets LLC conducts monitoring of its softwood suppliers where it purchases stumpage. District of Origin Monitoring is conducted on a sub-sample basis to confirm sources of origin.

Residual sawmill suppliers shall be monitored to confirm compliance with contract provisions and policies as part of the District of Origin Monitoring and the annual internal audit and management review. The SFI Fiber Sourcing and FSC/PEFC Controlled Wood Standards require periodic monitoring the supply base and suppliers.

## 10 Detailed Findings for Indicators

Detailed findings for each Indicator are contained in the Supply Base Report in Annex 1.

## 11 Review of Report

### 11.1 Peer review

The SFI, SBP, FSC and PEFC Standards program at Highland Pellets LLC has involved the development of detailed written Documents and Procedures to address all relevant requirements. An outside consultant with expertise in forest certification standards was retained to help develop the procedures and conduct the Supply Base Evaluation.

A Readiness Review was conducted with the accredited Certification Body (NSF). Thirty (30) letters and notices were sent to potential stakeholders. The accredited Certification Body has assigned auditors to conduct an independent audit of the SBP Program. The Certification Body is also required to conduct an independent consultation with potential stakeholders.

Approximately 90% of the softwood inputs are from SFI Certified Forests that have been independently audited for the past twenty (20) years. Additionally, the Certification Body's assessment is subject to independent Technical Committee review by SBP. Independent auditors conduct annual surveillance audits of the Highland Pellets LLC's SFI, SBP, FSC and PEFC certification programs.

Highland Pellets LLC believes that sufficient independent reviews of its Programs and Procedures have already taken place and that an additional Peer Review is not warranted or required.

### 11.2 Public or additional reviews

See the summary response to Section 10.1 above.

## 12 Approval of Report

<b>Approval of Supply Base Report by senior management</b>			
<b>Report Prepared by:</b>	<b>R Scott Berg</b>	<b>President, R.S. Berg &amp; Associates, Inc.</b>	<b>11/20/16</b>
	<b>Name</b>	<b>Title</b>	<b>Date</b>
<p>The undersigned persons confirm that I/we are members of the organisation’s senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.</p>			
<b>Report approved by:</b>	<b>S Derato</b>	<b>Senior Manager Bioenergy Weyerhaeuser Services, Inc.</b>	<b>11/20/16</b>
	<b>Name</b>	<b>Title</b>	<b>Date</b>
<b>Report approved by:</b>	<b>R McKenzie</b>	<b>Managing Director Highland Pellets LLC</b>	<b>11/20/16</b>
	<b>Name</b>	<b>Title</b>	<b>Date</b>

## 13 Updates

Highland Pellets LLC intends to update the SBP Program on an annual basis and conduct annual auditing and management review. These will be conducted prior to normally schedule surveillance audits of the SBP, FSC and PEFC Standards.

### 13.1 Significant changes in the Supply Base

Not applicable.

### 13.2 Effectiveness of previous mitigation measures

Not applicable.

### 13.3 New risk ratings and mitigation measures

Not applicable.

### 13.4 Actual figures for feedstock over the previous 12 months

Not applicable.

### 13.5 Projected figures for feedstock over the next 12 months

- Total volume of Feedstock: < 0.8 million green metric tons during Dec 2016 – Nov 2017 plant commissioning
- Volume of primary feedstock: < 0.8 million green metric tons during Dec 2016 – Nov 2017 plant commissioning
- Percentage of primary feedstock (g), by SBP-approved Forest Management Schemes:
  - 90% or more Certified to an SBP-approved Forest Management Scheme (SFI)
  - 10% or less Not certified to an SBP-approved Forest Management Scheme (Controlled Wood)
  - Highland Pellets LLC projects that fully 90% of softwood inputs will be from SFI Certified Forests. Only 10% would be considered non-certified, but controlled material according to the SFI, FSC, PEFC and SBP Standards.
- List all species in primary feedstock, including scientific name: Predominately Southern Yellow Pine, primarily Loblolly Pine, *Pinus taeda*, smaller component of Shortleaf Pine, *Pinus echinata*
- Volume of primary feedstock from primary forest - Nil
- List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:

- Primary feedstock from primary forest certified to an SBP-approved FMS - Nil
  - Primary feedstock from primary forest not certified to an SBP-approved FMS - Nil
- Volume of secondary feedstock:
  - Anticipate no residues from area sawmills during plant commissioning period Dec 2016 – Nov 2017.
- Volume of tertiary feedstock: None anticipated



## Annex 1: Detailed Findings for Supply Base Evaluation Indicators

	Indicator
1.1.1	The Biomass Producer's Supply Base is defined and mapped.
Finding	All softwood roundwood and residual wood fiber sourced by Highland Pellets LLC originates from a sub-scope of the softwood forests of Ozarks, Ouachita Mountains, Upper West Gulf Coastal Plain, West Gulf Coastal Plain, Mississippi River Alluvial Plain and the East Gulf Coastal Plain Eco-regions of the States of Arkansas and Louisiana are defined and mapped.
Means of Verification	The means of verification of Indicator 1.1.1 is inspection of the hardcopy maps of the supply base of the Highland Pellets LLC mill. Species of trees and hauling distances also confirm the extent of the supply base. Verification is also confirmed by interviewing Procurement Staff and mill residual suppliers.
Evidence Reviewed	<p>The Supply Base is also defined as part of demonstrating conformance to the following Forest Sustainability Standards:</p> <ul style="list-style-type: none"> <li>-FSC Chain of Custody (FSC-STD-40-004)</li> <li>-FSC Controlled Wood (FSC-STD-40-005)</li> <li>-PEFC Chain of Custody/Due Diligence System (2002:2013)</li> <li>-SFI Fiber Sourcing Standard, Section 3 (2015-2019)</li> </ul> <p>The Supply Base is also defined as part of demonstrating conformance to the following SFI requirements.</p> <p>SFI Fiber Sourcing, Section 3:</p> <ul style="list-style-type: none"> <li>-1.1.2. Program to address Forests with Exceptional Conservation Values in harvests of purchased stumpage.</li> <li>-2.1.1. Program to require that harvests of purchased stumpage comply with Best Management Practices.</li> <li>-4.1.4. Program to assess the risk of sourcing material from illegal logging.</li> <li>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</li> </ul> <p>Hardcopy maps of the Supply Base are maintained and available in HP-SBP-03d-Highland Pellets_Supply Basin_Conservation lands 092616.pdf.</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.1.2	Feedstock can be traced back to the defined Supply Base.
Finding	<p>Highland Pellets LLC’s pellet manufacturing facility maintains formal Wood Supply Agreements with its suppliers that requires clear title and legal ownership of all wood fiber inputs and can track all wood inputs back to the defined Supply Base.</p> <p>Highland Pellets LLC keeps records of payments and receipts with all of its suppliers. Title to the wood material is exchanged as it is delivered at the pellet mill using Delivery Tickets or an equivalent paper trail. These documents and records provide objective evidence of the suppliers’ supply base.</p>
Means of Verification	The means of verification of Indicator 1.1.2 includes inspection of the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Procedures that define the “Districts of Origin/Material Categories.” Inspection of periodic monitoring also confirms the supply base.
Evidence Reviewed	<p>Feedstock can also be traced back to the defined Supply Base as part of demonstrating conformance to the SFI Fiber Sourcing Standard including:</p> <p>SFI Fiber Sourcing, Section 3:</p> <ul style="list-style-type: none"> <li>-1.1.2. Program to address Forests with Exceptional Conservation Values in harvests of purchased stumpage.</li> <li>-2.1.1. Program to require that harvests of purchased stumpage comply with Best Management Practices.</li> <li>-2.1.2. Use of written agreements for the purchase of raw material sourced directly from the forest is required and must include provisions requiring the use of best management practices.</li> <li>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</li> </ul> <p>Refer to the Highland Pellets LLC’s FSC/PEFC Chain of Custody Procedure for the procedures to identify suppliers of all wood and fiber material (HP-COC-09).</p> <p>Refer to Highland Pellets LLC’s FSC/PEFC Controlled Wood/Due Diligence System Risk Assessment for the identification of the supply base (HP-COC-16).</p> <p>Refer to the Approved Supplier List (HP-COC-11) for records of supplier names, FSC/PEFC/SFI certificate numbers and the supplied "material categories."</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.1.3	The feedstock input profile is described and categorised by the mix of inputs.
Finding	All feedstocks are inspected and defined as softwood species categorized as SFI Certified Forest Content, FSC/PEFC/SBP-compliant Feedstocks, and SFI Certified Sourcing.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody Standards.
Evidence Reviewed	<p>All inputs are supplied with as FSC/PEFC "controlled material" indicating that they are Low Risk of originating from uncontrolled or controversial sources. Over 90% of inputs are SFI Certified Forest Content, which qualifies as SBP-compliant Feedstocks.</p> <p>The mix of feedstock inputs are described as "Categories of Origin" in the Chain of Custody Procedures (HP-COC-09).</p> <p>Material categories are also identified for purposes of Chain of Custody tracking in the Product Group Lists (HP-COC-07).</p> <p>Species of trees that are sourced are documented in the Tree Species List (HP-COC-15) and represent a sub-scope for purposes of the Supply Base Evaluation.</p> <p>The SFI Fiber Sourcing Standard also requires that feedstock inputs are described and categorized:</p> <ul style="list-style-type: none"> <li>-1.1.2. Program to address Forests with Exceptional Conservation Values in harvests of purchased stumpage.</li> <li>-2.1.1. Program to require that harvests of purchased stumpage comply with Best Management Practices.</li> <li>-2.1.2. Use of written agreements for the purchase of raw material sourced directly from the forest is required and must include provisions requiring the use of best management practices.</li> <li>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</li> </ul>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.2.1	The Biomass Producer has implemented appropriate control systems and procedures to ensure that legality of ownership and land use can be demonstrated for the Supply Base.
Finding	Highland Pellets LLC implements an FSC/PEFC Controlled Wood/Due Diligence Procedure for all of its Supply Areas/Districts of Origin (HP-COC-16) and all inputs are considered FSC "controlled material," PEFC non-controversial and SBP Controlled Feedstock .
Means of Verification	The means of verification include inspection of the Procedures to achieve conformance to the SFI Fiber Sourcing Standard and the FSC Controlled Wood Standard and the PEFC Chain of Custody and Due Diligence System Standard. Wood purchase agreements and delivery tickets also serve as a means of verification of legality of ownership.
Evidence Reviewed	<p>The SFI Fiber Sourcing Standard ensures the legality of ownership and land use through the following requirements:</p> <p>SFI Fiber Sourcing, Section 3:</p> <ul style="list-style-type: none"> <li>-2.1.2. Use of written agreements for the purchase of raw material sourced directly from the forest is required and must include provisions requiring the use of best management practices.</li> <li>-4.1 Program Participants comply with applicable laws and regulations and take steps to avoid illegal logging.</li> <li>-4.1.4 Program to assess the risk of sourcing material from illegal logging</li> <li>-4.1.5 Program to address any significant risks identified under 4.1.4.</li> </ul> <p>The World Bank has awarded the U.S. a Global Governance Index rating that exceeds 90% for Regulatory Quality. This objective evidence demonstrates Low Risk for legality. See the Global Governance Index for the United States:  <a href="http://info.worldbank.org/governance/wgi/index.aspx#reports">http://info.worldbank.org/governance/wgi/index.aspx#reports</a></p> <p>The “Assessment of Lawful Harvesting &amp; Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: <a href="http://www.ahec-europe.org/">http://www.ahec-europe.org/</a> concluded that:</p> <p style="padding-left: 40px;">“We come to the conclusion that wood procured in the study area can be considered Low Risk to threat to legality. This conclusion is based on the determination that there is no reported systematic illegal logging, as we interpret the term, reported in the study area and regulatory processes in the study area have been found to be highly effective.”</p> <p>Highland Pellets LLC requires contracts, Delivery Tickets and other documentation verifying legal ownership of incoming wood material from its mill residual suppliers. Refer to the Wood Purchase Agreement (HP-COC-11)</p> <p>Highland Pellets LLC implements an FSC/PEFC Controlled Wood/Due Diligence Procedure for all of its Supply Areas/Districts of Origin (HP-COC-16).</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.3.1	The BP has implemented appropriate control systems and procedures to ensure that feedstock is legally harvested and supplied and is in compliance with EUTR legality requirements.
Finding	Highland Pellets LLC has conducted a comprehensive risk assessment for its wood supply areas/districts of origin and has concluded Low Risk for “Illegally Harvested Wood.”
Means of Verification	The means of verification include inspection of the SFI/FSC/PEFC Chain of Custody Procedures and certificates that demonstrate the legality of harvested feedstocks.
Evidence Reviewed	<p>Evidence includes a comprehensive list of U.S. Federal Laws and Regulations can be found at one or more of the following websites:</p> <p style="padding-left: 40px;">U.S. Fish &amp; Wildlife Service -<a href="http://www.fws.gov/">http://www.fws.gov/</a>                      U.S. F&amp;WS Endangered Species – <a href="http://endangered.fws.gov/">http://endangered.fws.gov/</a>                      National Wetlands Inventory Center – <a href="http://wetlands.fws.gov/">http://wetlands.fws.gov/</a>                      U.S. Environmental Protection Agency – <a href="http://www.epa.gov/">http://www.epa.gov/</a>                      U.S. Environmental Protection Agency Region 4 - <a href="http://www.epa.gov/region10/">http://www.epa.gov/region10/</a>                      U.S. EPA/Wetlands – <a href="http://www.epa.gov/OWOW/wetlands/">http://www.epa.gov/OWOW/wetlands/</a>                      U.S Army Corps of Engineers – <a href="http://www.usace.army.mil/">http://www.usace.army.mil/</a>                      Federal Register – <a href="http://www.access.gpo.gov/nara/cfr/cfr-table-search.html">http://www.access.gpo.gov/nara/cfr/cfr-table-search.html</a>                      U.S.D.A. Forest Service - <a href="http://www.fs.fed.us/">http://www.fs.fed.us/</a>                      U.S.D.A. Forest Service – Southern Research Station - <a href="http://www.srs.fs.usda.gov/index.htm">http://www.srs.fs.usda.gov/index.htm</a></p> <p>The States of Arkansas and Louisiana also have extensive laws and regulations to protect water quality and provide natural areas for the protection of native biodiversity. Those State laws and regulations are accessible through the state agency websites that can be found at the National Association of State Foresters website.</p> <p>The SFI Fiber Sourcing Standard requires systems and procedures to ensure the legality of feedstock inputs including:</p> <ul style="list-style-type: none"> <li>-2.2.1 &amp; 2.2.2. A verifiable monitoring system monitor and evaluate BMP compliance</li> <li>-4.1.1 Access to relevant laws and regulations</li> <li>-4.1.2 System to achieve compliance with applicable laws and regulations</li> <li>-4.1.3 Demonstration of commitment to legal compliance</li> <li>-4.1.4 Program to assess the risk of sourcing material from illegal logging</li> <li>-4.1.5 Program to address any significant risks identified under 4.1.4.</li> </ul> <p>A summary of the FSC/PEFC Controlled Wood/Due Diligence Procedures (HP-COC-10) are available for review, upon request. A Public Summary of the Risk Assessment has been made available to FSC and is posted on its Global Risk Registry website.</p> <p>Additional findings of the Controlled Wood/Due Diligence Risk Assessment (HP-COC-16)</p>

	include: <ol style="list-style-type: none"> <li>1. Law enforcement in the Districts of Origin is active and aggressive.</li> <li>2. There is evidence within the district that demonstrates the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.</li> <li>3. There is little or no evidence or reporting of illegal harvesting in the district of origin.</li> <li>4. There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.</li> </ol>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.4.1	The Biomass Producer has implemented appropriate control systems and procedures to verify that payments for harvest rights and timber, including duties, relevant royalties and taxes related to timber harvesting, are complete and up to date.
Finding	Delivery Tickets and payment records, along with Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody Standards, demonstrate payment of fees and taxes.
Means of Verification	Means of verification include inspection of delivery tickets and payment records, as well as the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody Standards.
Evidence Reviewed	<p>The SFI Fiber Sourcing Standard requires legal and regulatory compliance including:</p> <ul style="list-style-type: none"> <li>• - 2.1.2. Use of written agreements for the purchase of raw material sourced directly from the forest is required and must include provisions requiring the use of best management practices.</li> <li>• -4.1 requires Program Participants to comply with applicable laws and regulations and take steps to avoid illegal logging.                             <ol style="list-style-type: none"> <li>a. Access to laws and regulations</li> <li>b. System to achieve compliance</li> <li>c. Demonstration of legal compliance</li> </ol> </li> </ul> <p>U.S. Federal and State laws require forestry organizations to pay timber harvesting and other taxes.</p> <p>The U.S. Forest Service provides information on appropriate tax laws and regulations.</p> <p><a href="http://www.timbertax.org/">http://www.timbertax.org/</a>                      Arkansas:  <a href="http://www.timbertax.org/statetaxes/states/proptax/arkansas/">http://www.timbertax.org/statetaxes/states/proptax/arkansas/</a></p> <p>Louisiana:  <a href="http://www.timbertax.org/statetaxes/states/proptax/louisiana/">http://www.timbertax.org/statetaxes/states/proptax/louisiana/</a>                      Details on Severance for Louisiana:  <a href="http://www.revenue.louisiana.gov/SeveranceTaxes/Timber">http://www.revenue.louisiana.gov/SeveranceTaxes/Timber</a></p> <p>Highland Pellets LLC requires a formal Wood Purchase Agreement/Contract (HP-COC-11) containing all legal and contractual requirements, as well as Due Diligence System (DDS) record</p>

	collection and maintenance. These documents are confidential and proprietary, but are available to the CB during annual audits and upon request.
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>1.5.1</b>	The Biomass Producer has implemented appropriate control systems and procedures to verify that feedstock is supplied in compliance with the requirements of CITES.
Finding	No CITES Listed Tree Species are found within the wood and fiber procurement areas/Districts of Origin. No wood is imported from outside the States of Arkansas and Louisiana.  Both softwood wood and mill residuals are used as inputs and Highland Pellets LLC is not involved in land management and harvesting decisions and operations.
Means of Verification	Means of verification include inspection of delivery tickets, the Species List and the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards.
Evidence Reviewed	Highland Pellets LLC's has a Controlled Wood/Due Diligence Procedure (HP-COC-10) and an FSC/PEFC Controlled Wood Risk Assessment that addresses the requirements of CITES (HP-COC-16).  The species of trees that are common to the supply base are included in the Tree Species List (HP-COC-15). See the CITES website: <a href="http://www.cites.org/eng/disc/species.php">http://www.cites.org/eng/disc/species.php</a>  The SFI Fiber Sourcing Standard prohibits the use of CITES listed trees including:  -2.2.1 & 2.2.2. A verifiable monitoring system monitor and evaluate BMP compliance. -4.1.1 Access to relevant laws and regulations -4.1.2 System to achieve compliance with applicable laws and regulations -4.1.3 Demonstration of commitment to legal compliance
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
1.6.1	The Biomass Producer has implemented appropriate control systems and procedures to ensure that feedstock is not sourced from areas where there are violations of traditional or civil rights.
Finding	<p>The findings from the Controlled Wood Risk Assessment and the AHEC Legality Study include:</p> <p>“Based upon the risk assessment and evaluation of available information, there is a “low risk” that any wood that is sourced is in violation of traditional, civil and indigenous peoples' rights.”</p>
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards.
Evidence Reviewed	<p>Highland Pellets LLC has adopted a formal Sustainable Forestry Policy addressing respect for traditional and civil rights (HP-COC-03).</p> <p>Highland Pellets LLC has conducted an FSC/PEFC Controlled Wood/Due Diligence Risk Assessment that addresses the issue of violations of traditional and civil rights issues (HP-COC-16).</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address traditional and civil rights including:</p> <ul style="list-style-type: none"> <li>-2.2.1 &amp; 2.2.2. A verifiable monitoring system monitor and evaluate BMP compliance</li> <li>-4.1 Program Participants comply with applicable laws and regulations and take steps to avoid illegal logging.</li> <li>-4.1.4 Assessment of the risk of sourcing material from illegal logging</li> <li>-4.1.5 Program to address any significant risks identified under 4.1.4.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws including civil rights, Indigenous Peoples' rights etc.</li> <li>-6.1.1 Written statement of commitment to the SFI Standard communicated throughout the organization and to suppliers and customers.</li> <li>-7.1 Support and promote efforts by Indigenous Peoples, community groups, labour, etc to apply principles of sustainable forest management.</li> </ul> <p>Also see the SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk RA</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)



	Indicator
2.1.1	The Biomass Producer has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation values are identified and mapped.
Finding	<p>Appropriate control measures and procedures are in place to identify and map any high conservation values. Due to the sub-scope of only sourcing Loblolly and Shortleaf Pine from managed planted forests, no high conservation values are present across the supply base.</p> <p>The Draft FSC US National Risk Assessment has not identified any High Conservation Values within the wood fiber supply area. The Draft is expected to be finalized first quarter of 2017.</p>
Means of Verification	<p>The means of verification include the Procedures and Certificates of conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards.</p> <p>All protected areas are mapped and are available for download from the national GAP database which contains state and federally protected parks, reserves, refuges, wilderness areas among other designations. These protected areas are also referenced by the IUCN classification. No such areas are included within the sub-scope of the SBE.</p>
Evidence Reviewed	<p>High Conservation Value Forests are addressed in the FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-COC-16). The Risk Assessment concluded that there is a Low Risk of sourcing from High Conservation Value areas.</p> <p>Highland Pellets LLC uses Guidance on HCVs provided by the High Conservation Value Network. Natural Heritage databases from Arkansas and Louisiana are utilized to confirm that there are no HCV occurrences:</p> <p><a href="http://www.hevnetwork.org/">http://www.hevnetwork.org/</a>  <a href="http://www.worldwildlife.org/science/ecoregions.cfm">http://www.worldwildlife.org/science/ecoregions.cfm</a>  <a href="https://www.biodiv.org/world/parties.asp">https://www.biodiv.org/world/parties.asp</a>  <a href="https://www.biodiv.org/reports/list.aspx?type=for">https://www.biodiv.org/reports/list.aspx?type=for</a></p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to identify forests with high conservation values including:</p> <ul style="list-style-type: none"> <li>-1.1: Promote the conservation of biological diversity through procurement programs.</li> <li>-1.1.1: Promote biological diversity using appropriate State Wildlife Action Plans, State Forest Action Plans, conducting landscape assessments, etc.</li> <li>-1.1.2: Program to address Forests with Exceptional Conservation Value in harvests of purchased stumpage.</li> <li>-4.1: Comply with applicable forestry and related environmental laws and regulations.</li> <li>-5.1: Provide support for forestry research.</li> <li>-5.3: Broaden the awareness of climate change impacts on forests, wildlife and biological diversity.</li> <li>-7.2: Support and promote mechanisms for public outreach, education and involvement in sustainable forest management.</li> </ul>
Risk Rating	<p><input checked="" type="checkbox"/> <b>Low Risk</b>                      <input type="checkbox"/> <b>Specified Risk</b>                      <input type="checkbox"/> <b>Unspecified Risk at RA</b></p>

Comment or Mitigation Measure	Not Applicable (NA)
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Indicator	
2.1.2	The Biomass Producer has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.
Finding	<p>Highland Pellets LLC sources only two species of pine roundwood and residuals (no hardwood). Thus, all current evidence leads to a conclusion that there is a Low Risk of sourcing from forest areas that are considered High Conservation Value and associated Critical Biodiversity Areas.</p> <p>No stakeholders have documented any substantiated concerns regarding the Critical Biodiversity Areas identified in the FSC US NRA.</p>
Means of Verification	The means of verification include confirming that planted and managed pine stands do not contain high conservation values and cannot be threatened by sourcing only two conifer species into the Highland Pellets LLC facility.
Evidence Reviewed	<p>High Conservation Value Forests are addressed in the FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-COC-16). The CB approved Risk Assessment concludes "Low Risk."</p> <p>The southern region BMP implementation average increased from 87% in 2008 to 92% in 2012, thus mitigating potential impacts to Aquatic resources and habitats. The combined Policies and contract provisions are sufficient to demonstrate Low Risk.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address potential threats to the forest including:</p> <ul style="list-style-type: none"> <li>-1.1: Promote the conservation of biological diversity through procurement programs.</li> <li>-1.1.1: Promote biological diversity using appropriate State Wildlife Action Plans, State Forest Action Plans, conducting landscape assessments, etc.</li> <li>-1.1.2: Program to address Forests with Exceptional Conservation Value in harvests of purchased stumpage.</li> <li>-4.1: Comply with applicable forestry and related environmental laws and regulations.</li> <li>-5.1: Provide support for forestry research.</li> <li>-5.3: Broaden the awareness of climate change impacts on forests, wildlife and biological diversity.</li> <li>- 6.1.3-6.1.5 Staff and Contractor Training</li> <li>- 6.2.1- 6.2.3 Improvement in the professionalism of wood producers</li> <li>-7.2: Support and promote mechanisms for public outreach, education and involvement in sustainable forest management.</li> </ul> <p>The WWF Global 200 has determined that aquatic habitats in SE US rivers and streams are potentially at risk. If adequate BMP's are installed during harvesting, this risk is adequately mitigated. Supply Agreements require the use of BMP's.</p> <p>The Arkansas Forestry Commission and Louisiana Dept of Agriculture &amp; Forestry also monitor BMP compliance. BMP compliance rates for Arkansas are 89% and 95% for Louisiana. .</p>

Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.1.3</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that feedstock is not sourced from forests converted to production plantation forest or non-forest lands after January 2008.
<b>Finding</b>	<p>Highland Pellets LLC has concluded in its FSC/PEFC Controlled Wood/Due Diligence System Risk Assessment that:</p> <p style="padding-left: 40px;">“there is “low risk” that the organization’s wood procurement contributes to a significant rate of loss of “natural forests and other natural wooded ecosystems”</p> <p>Highland Pellets LLC uses the definition of "plantations" as contained in the FSC U.S. Forest Management Standard for purposes of its FSC/PEFC and other certification programs.</p> <p>Intensively managed plantations involving exotic species, clones and heavy use of forest chemicals are not being harvested and sourced by any suppliers in the U.S. States of Arkansas and Louisiana.</p> <p>Again, approximately 90% of wood inputs are SFI Certified Forest Content and are not being converted. This is an exceptionally high percentage of certified forest content.</p>
<b>Means of Verification</b>	<p>The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Inspection of delivery tickets also verifies that inputs are from managed forests.</p> <p>Inspection of the Forest Inventory &amp; Analysis data confirm that forest growth exceeds the rate of harvest and mortality.</p>
<b>Evidence Reviewed</b>	<p>Evidence includes the FSC/PEFC Controlled Wood/Due Diligence System Risk Assessment (HP-COC-06).</p> <p>The Forest Inventory &amp; Analysis Data are available at:</p> <p>Arkansas: <a href="http://www.srs.fs.fed.us/pubs/su/su_srs055.pdf">http://www.srs.fs.fed.us/pubs/su/su_srs055.pdf</a>                      Louisiana: <a href="http://www.privatelandownernetnetwork.org/pdfs/Louisiana%202012.pdf">http://www.privatelandownernetnetwork.org/pdfs/Louisiana%202012.pdf</a></p> <p>The SFI Fiber Sourcing Standard requires control systems and procedure to partially address conversion of forests to plantation forests or non-forest lands including:</p> <ul style="list-style-type: none"> <li>-2.2.1 &amp; 2.2.2. A verifiable monitoring system monitor and evaluate BMP compliance</li> <li>-4.1: Comply with applicable forestry and related environmental laws and regulations.</li> <li>-7.2: Support and promote mechanisms for public outreach, education and involvement in sustainable forest management.</li> </ul> <p>Also see SFI Guidance to 2015-2019 Standards and Rules (Forest Management Section 2):</p> <ul style="list-style-type: none"> <li>-3.1 Conversion of one Forest Cover Type to Another</li> <li>-3.2 Conversion of Forest Land to Another Land Use</li> </ul> <p>Also see SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy.</p>

Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.2.1</b>	The Biomass Producer has implemented appropriate control systems and procedures to verify that feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them.
Finding	Highland Pellets LLC has conducted extensive assessments in order to achieve conformance to multiple certification standards and in compliance with applicable forestry laws and regulations.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Other means include inspection of State Forestry Commission assessments and monitoring addressing implementation of BMPs, statewide forest resource assessments and wildlife action plans.
Evidence Reviewed	<p>Each State Forestry Agency/Commission conducts periodic BMP implementation monitoring. BMP compliance has been documented to be 89% for Arkansas and 95 % for Louisiana. Forestry practices were evaluated by the Arkansas Forestry Commission in 2010-2011 as part of their Statewide Forestry BMP Survey and by the Louisiana Department of Forestry in 2015 as part of its BMP Survey.</p> <p><a href="http://forestry.arkansas.gov/Services/ManageYourForests/Documents/2010-11%20BMP%20Imp.%20Report_CORRECTED.pdf">http://forestry.arkansas.gov/Services/ManageYourForests/Documents/2010-11%20BMP%20Imp.%20Report_CORRECTED.pdf</a> )</p> <p>The overall state-wide rate of forestry BMP implementation was 89%. Statewide, implementation of forestry BMPs related to harvesting and regeneration practices scored highest with a rate of 95%. Implementation of forestry BMPs related to roads scored 86%, while SMZ BMP implementation scored 82%. Harvesting and Regeneration BMP implementation was significantly higher than Road and SMZ implementation.</p> <p>The results follow the typical pattern observed in previous surveys. However, while the overall implementation rate has remained in the upper 80th percentile for the last three surveys, the statewide rate of 89 % represents a statistically significant 3% increase from the previous survey.</p> <p>Forestry practices were evaluated by the Louisiana Dept. of Agriculture &amp; Forestry in 2015 as part of their Statewide Forestry BMP Survey. See website below: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf</a> for the 2009 report. The newest survey has not yet been uploaded to the website.</p> <p>The report from the Southern Group of State Foresters (SGSF) in 2012 reported high rates of BMP compliance: <a href="http://www.forestry.alabama.gov/PDFs/SGSF_BMP_Report_2012.pdf">http://www.forestry.alabama.gov/PDFs/SGSF_BMP_Report_2012.pdf</a></p> <p>Seven BMP categories were considered in the report and covered 11 states in the southern region. Alabama, Arkansas, Georgia, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee and Virginia where among those studied. Overall, the southern region BMP implementation average increased from 87% in 2008 to 92% in 2012.</p>

	<p>The SFI Fiber Sourcing Standard requires control systems and procedures to assess impacts, planning, implementation and monitoring to minimize risk including:</p> <ul style="list-style-type: none"> <li>-2.1.2 Use of written agreements for the purchase of raw material sourced directly from the forest is required and must include provisions requiring the use of best management practices.</li> <li>- 2.1.4 Program Participants to define their fiber sourcing policies in writing and make them available to wood producers.</li> <li>-2.2 Program Participants shall conduct and use BMP monitoring information to maintain high rates of conformance to best management practices and to identify areas for improved performance.</li> <li>4.1 Comply with Federal, provincial, state and local forestry and related social and environmental laws and take steps to avoid illegal logging</li> <li>-4.1.4 Program to assess the risk of illegal logging</li> <li>-5.3.1 Monitor climate models on long-term forest health, productivity and economic viability</li> <li>7.1.4 Program Participants are knowledgeable about regional conservation planning and priority setting efforts.</li> <li>7.1.5 Program Participants to encourage forest landowners to participate in forest management certification programs.</li> </ul> <p>Exceptionally high levels of logger training and BMP compliance across the supply base provide sufficient objective evidence of Low Risk. The FSC/PEFC Controlled Wood/Due Diligence Procedures (HP-COC-10) specifies that the certified suppliers are requested to make an FSC/PEFC Controlled Wood claim on all wood fiber inputs.</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk RA</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.2.2</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that feedstock is sourced from forests where management maintains or improves soil quality (CPET S5b).
Finding	<p>See requirement 2.2.1 above.</p> <p>Virtually all wood fiber in the supply area is harvested by trained loggers as a result of the SFI Fiber Sourcing Standard and American Forest Foundation Standards of Sustainability requirements implemented by major segments of the forest and paper industry in Arkansas and Louisiana. Highland Pellets LLC is a beneficiary of the near universal use of trained loggers across the region.</p> <p>Highland Pellets LLC sources approximately 90% of its wood from SFI Forest Management certified sources. This very high level of SBP-accepted forest management certification (SBP-compliant Feedstock) is likely the highest of any pellet mill in the U.S.</p>
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Protection of soil quality is also verified by State BMP Monitoring addressing the prevention of erosion.

Evidence Reviewed	<p>Compliance with BMPs is required in contracts with suppliers through the Wood Purchase Agreement/Contract (HP-COC-11).</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to maintain or improve soil quality including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.1 Harvests of purchased stumpage to comply with BMPS.</li> <li>-2.1.2 Use of written agreements for the purchase of raw material include provisions requiring use of BMPS.</li> <li>4.1 Comply with Federal, provincial, state and local forestry and related social and environmental laws and take steps to avoid illegal logging</li> </ul>
Risk Rating	<p><input checked="" type="checkbox"/> <b>Low Risk</b>                      <input type="checkbox"/> <b>Specified Risk</b>                      <input type="checkbox"/> <b>Unspecified Risk at RA</b></p>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.2.3	The Biomass Producer has implemented appropriate control systems and procedures to ensure that key ecosystems and habitats are conserved or set aside in their natural state (CPET S8b).
Finding	<p>The sub-scope of sourcing only two conifer species from managed planted forests ensures that key ecosystems and habitats are not present across the supply base.</p> <p>If such key ecosystems and habitats were to be identified, Highland Pellets LLC would ensure that they are conserved or set aside in their natural state.</p>
Means of Verification	<p>The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards.</p> <p>Highland Pellets LLC assesses the US Protected Area Database for information about protected lands that was published in April 2009: (<a href="http://protectedlands.net/padus/">http://protectedlands.net/padus/</a>).</p>
Evidence Reviewed	<p>The FSC/PEFC Chain of Custody Program contains a Controlled Wood/Due Diligence Procedure (HP-COC-10), Risk Assessment (HP-COC-16) and Supplier Correspondence Procedure (HP-COC-11/HP-SFI-04) addressing conservation of High Conservation Value Forests.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to conserve key ecosystems including:</p> <ul style="list-style-type: none"> <li>-1.1.1 Address the conservation of biodiversity.</li> <li>-1.1.2 Program to protect Forests with Exceptional Conservation Value in harvests of purchased stumpage.</li> <li>-4.1.2 System to achieve compliance with applicable laws and regulations.</li> <li>-5.2.1 Participation in the development of biodiversity conservation information for family forest owners.</li> <li>-6.2.1 Participation in and support of efforts to establish criteria and identify delivery mechanisms for training courses and periodic continuing education that address awareness</li> </ul>

	<p>of rare forested natural communities.</p> <p>-6.2.3 Participation in efforts to establish criteria for logger certification programs that include compliance with laws and regulations including the U.S. Endangered Species Act and Canadian Species at Risk Act</p>
Risk Rating	<p><input checked="" type="checkbox"/> <b>Low Risk</b>                      <input type="checkbox"/> <b>Specified Risk</b>                      <input type="checkbox"/> <b>Unspecified Risk at RA</b></p>
Comment or Mitigation Measure	<p>Not Applicable (NA)</p>

	Indicator
2.2.4	The Biomass Producer has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).
Finding	Highland Pellets LLC promotes the State Wildlife Action Plans that are focused on wildlife species and habitats that have declined and need concerted effort by Federal and State agencies, conservation organizations and the private sector.
Means of Verification	The means of verification include the Procedures that are in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Inspection of the Wildlife Action Plans also verifies the presence or absence of wildlife species and associated biodiversity.
Evidence Reviewed	<p>The FSC/PEFC Chain of Custody Program contains a Controlled Wood/Due Diligence Procedure (HP-COC-10), Supplier Correspondence Procedure and Wood Purchase Agreement (HP-COC-11) addressing conservation of High Conservation Value Forests to address Critical Biodiversity Areas.</p> <p>The State Wildlife Action Plans can be found at:</p> <p>Arkansas: <a href="http://www.wildlifearkansas.com/">http://www.wildlifearkansas.com/</a>                      Louisiana: <a href="http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf">http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf</a></p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to ensure biodiversity protection including:</p> <ul style="list-style-type: none"> <li>-1.1.1 Address the conservation of biodiversity.</li> <li>-1.1.2 Program to protect Forests with Exceptional Conservation Value on purchased stumpage.</li> <li>-4.1.2 System to achieve compliance with applicable laws and regulations</li> <li>-5.1.1 Financial support for research of relevance including biodiversity, community issues, etc.</li> <li>-5.2.1 Participation in the development of information addressing biodiversity conservation information for family forest owners.</li> <li>-5.3.2 Program Participants are knowledgeable about climate change impacts on wildlife, wildlife habitat and conservation of biological diversity.</li> <li>-6.2.3 Participation in efforts to establish criteria for logger certification programs that include compliance with laws and regulations including the U.S. Endangered Species Act</li> </ul>



	and Canadian Species at Risk Act.
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.2.5</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that the process of residue removal minimises harm to ecosystems.
Finding	Highland Pellets LLC has implemented appropriate procedures to ensure that there is a low risk of impacts to forest ecosystems from the removal of forest residues.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Controlled Wood Standards.
Evidence Reviewed	<p>Highland Pellets LLC monitors its logging contractors on purchased stumpage tracts using a BMP Monitoring Form (HP-SFI-05). Loggers are required to following applicable BMPs containing control systems and procedures to protect forests from harmful impacts (HP-SFI-04).</p> <p>The SFI Fiber Sourcing Standard requires control system and procedures to minimize harm to ecosystems from residue removal including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.1 Program to require BMPs on purchased stumpage.</li> <li>-2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices.</li> <li>-2.1.3 Program to address adverse weather conditions.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-2.2 BMP Monitoring across the wood and fiber supply area.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-6.1.5 Written agreement for the use of Qualified Logging Professionals</li> <li>-6.2.3 Participation in logging certification programs addressing compliance with acceptable silviculture and utilization standards.</li> <li>-7.1.2 Support education and outreach to forest landowners addressing management of harvest residues and other utilization needs.</li> </ul>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)



	Indicator
<b>2.2.6</b>	The Biomass Producer has implemented appropriate control systems and procedures to verify that negative impacts on ground water, surface water and water downstream from forest management are minimised (CPET S5b).
Finding	<p>Procedures are in place to ensure that water quality is protected during forest management operations. Highland Pellets LLC requires suppliers to implement State BMPs to protect water quality.</p> <p>State BMP programs described under requirement 2.2.1 adequately address the protection of water quality.</p> <p>The States of Arkansas and Louisiana which are included in the Highland Pellets LLC Supply Base/Districts of Origin have active and aggressive programs for the protection of water quality. BMP Compliance statistics are available on-line.</p>
Means of Verification	The means of verification include contract provisions requiring the use of BMPs, as well as BMP Monitoring Reports documenting high rates of BMP compliance.
Evidence Reviewed	<p>A recent Technical Bulletin 966 (September, 2009) issued by the National Council for Air and Stream Improvement (NCASI) has reported high levels of compliance with water quality laws and BMP requirements across the U.S: (<a href="http://www.ncasi.org/Publications/Detail.aspx?id=3204">http://www.ncasi.org/Publications/Detail.aspx?id=3204</a>).</p> <p>State BMP Manuals prescribe best practices to avoid water quality impacts. The State BMP Manuals for forestry are contained below:</p> <p>Arkansas: <a href="http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf">http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf</a></p> <p>Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</a></p> <p>The SFI Fiber Sourcing Standard requires control system and procedures to protect water quality including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.1 Program to require BMPs on purchased stumpage.</li> <li>-2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices.</li> <li>-2.1.3 Program to address adverse weather conditions.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-2.2 BMP Monitoring across the wood and fiber supply area.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-6.1.5 Written agreement for the use of Qualified Logging Professionals</li> </ul>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.2.7	The Biomass Producer has implemented appropriate control systems and procedures for verifying that air quality is not adversely affected by forest management activities.
Finding	The only potential adverse impact to air quality from forestry activities would be from prescribed burning. State Smoke Management Plans and permitting provide adequate protection of air quality.
Means of Verification	The means of verification include inspection of State Smoke Management Plans and permitting systems to allow the use of prescribed burning without impacting air quality.
Evidence Reviewed	<p>Prescribed fire is regulated, for example, by the Arkansas State Forestry Commission:</p> <p><a href="http://forestry.arkansas.gov/Services/ProtectYourForests/Documents/AFC%20LEO%20Quick%20Reference.pdf">http://forestry.arkansas.gov/Services/ProtectYourForests/Documents/AFC%20LEO%20Quick%20Reference.pdf</a></p> <p>The SFI Fiber Sourcing Standard is focused on wood procurement, recognizing that SFI Program Participants do not have direct responsibility or control for how private landowners manage their forests. Air quality and smoke management is regulated by the State Forestry Commissions and Agencies. State and local smoke management results in the protection of air quality that may be impacted by forest management. Smoke management regulations are available on-line:</p> <p><a href="http://www.bugwood.org/pfire/smoke.html">http://www.bugwood.org/pfire/smoke.html</a></p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures that result in the partial protection of air quality that may be influenced by forest management including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-7.1.2 Support education and outreach to forest landowners addressing management of harvest residues and other utilization needs.</li> <li>-6.1.5 Written agreement for the use of Qualified Logging Professionals</li> <li>-7.1.2 Support education and outreach to forest landowners addressing reduction of wildfire risk.</li> </ul> <p>It should be noted that Highland Pellets LLC does not control forest management activities and has no involvement in decisions to conduct prescribed burning. State prescribed burning requirements are sufficient to address any air quality related concerns. Exceptionally high levels of SFI Certified Forest Content also ensures protection of air quality.</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.2.8	The Biomass Producer has implemented appropriate control systems and procedures for verifying that there is controlled and appropriate use of chemicals, and that Integrated Pest Management (IPM) is implemented wherever possible in forest management activities (CPET S5c).
Finding	<p>Chemicals applied commercially are strictly regulated and trained and licensed applicators must be used. Highland Pellets LLC has no involvement in the decision to use or not use forest chemicals, and relies on Federal and State laws and regulations and the enforcement authority of State and Federal regulators.</p> <p>Highland Pellets LLC contributes to Integrated Pest Management (IPM) through its utilization of low valued primary feedstock and low quality mill residues that may otherwise contribute to fire, insect and disease problems. Utilization of low valued wood fiber also contributes to more effective site preparation and reforestation of young and healthy trees.</p>
Means of Verification	The means of verification include inspection of Federal and State rules and regulations addressing the use of forest chemicals. The Procedures to ensure conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards also provide a means of verification.
Evidence Reviewed	<p>Chemical applications are regulated by the U.S. EPA and trained and licensed applicators must be used. See EPA website for regulation of forest chemicals under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA).</p> <p><a href="http://www.epa.gov/agriculture/lfra.html">http://www.epa.gov/agriculture/lfra.html</a></p> <p>State BMP Manuals address the application of chemicals and prescribe best practices to avoid water quality impacts. The Arkansas and Louisiana State BMP Manuals for forestry are contained below:</p> <p>Arkansas: <a href="http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf">http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf</a></p> <p>Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</a></p> <p>Pest management programs are administered by the Arkansas State Forestry Commission and Louisiana Dept. of Agriculture &amp; Forestry.</p> <p>Arkansas: <a href="http://forestry.arkansas.gov/Services/ManageYourForests/Pages/forestHealth.aspx">http://forestry.arkansas.gov/Services/ManageYourForests/Pages/forestHealth.aspx</a></p> <p>Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</a></p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures that partially address integrated pest management and the appropriate use chemicals including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-6.1.4 Contractor education and training sufficient to their roles and responsibilities.</li> </ul>

	-6.1.5 Written agreement for the use of Qualified Logging Professionals -7.1.2 Support education and outreach to forest landowners addressing control of invasive exotic plants and animals.
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.2.9</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that methods of waste disposal minimise negative impacts on forest ecosystems (CPET S5d).
Finding	Highland Pellets LLC requires that its suppliers implement BMPs to minimize negative impacts on forest ecosystems. Logger training programs also emphasize the removal of wastes following timber harvesting.  The fact that upwards of 90% of inputs qualify as SFI Certified Forest Content (SBP-compliant Feedstocks) ensures appropriate waste removal.
Means of Verification	The means of verification include the Procedures to ensure conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody Standards. Inspection of supplier forest management certificates also provides a means of verification of compliance.
Evidence Reviewed	State BMPs require the removal of garbage and other wastes.  Arkansas: <a href="http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf">http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf</a>  Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</a>  The SFI Fiber Sourcing Standard requires control systems and procedures that partially address waste disposal including:  -2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry. -2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices. -2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers. -3.1.1 Promote the use of qualified logging professionals. - 4.1. Program Participants shall comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging. -4.1.1. Access to relevant laws and regulations in appropriate locations. -4.1.2. System to achieve compliance with applicable federal, provincial, state or local laws and regulations. -4.1.3. Demonstration of commitment to legal compliance through available regulatory action information. 6.1.4 Contractor education and training sufficient to their roles and responsibilities. -6.1.5 Written agreement for the use of Qualified Logging Professionals

	<p>The SFI Fiber Sourcing Standard is focused on wood procurement, recognizing that SFI Program Participants do not have direct responsibility or control for how private landowners manage their forests. The disposal of waste and residue is regulated by the State Forestry Commissions and Agencies. The National Association of State Foresters publishes additional information on State BMP including:</p> <p><a href="http://stateforesters.org/sites/default/files/issues-and-policies-document-attachments/Protecting_Water_Quality_through_State_Forestry_BMPs_FINAL.pdf">http://stateforesters.org/sites/default/files/issues-and-policies-document-attachments/Protecting_Water_Quality_through_State_Forestry_BMPs_FINAL.pdf</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.3.1	Analysis shows that feedstock harvesting does not exceed the long-term production capacity of the forest, avoids significant negative impacts on forest productivity and ensures long-term economic viability. Harvest levels are justified by inventory and growth data.
Finding	<p>Highland Pellets LLC’s procurement of softwood roundwood and residual material contributes to reducing environmental impacts and enhancing the productivity of forests. Markets for low valued wood fiber products allow for more efficient and cost-effective site preparation and reforestation.</p> <p>The latest forest inventory data for the State of Arkansas indicate that softwood inventories have increased 7% and the forestland has increased by 442,900 acres since the 2005 survey.</p> <p>The latest forest inventory data for the State of Louisiana indicate that forested area has increased by about 1.7 percent since 2005. The number of live trees on Louisiana’s forest land increased by 4.3 percent to 8.6 billion trees, while net volume increased by 3.2 percent and aboveground biomass increased by 0.6 percent. Thus, harvest levels are justified by increasing growth of the softwood forests within the supply base.</p>
Means of Verification	The means of verification include inspection of the State Forest Inventory & Analysis Data for Arkansas and Louisiana.
Evidence Reviewed	<p>State Forest Inventory &amp; Analysis (FIA) Updates and Fact Sheets are available on-line:                  Arkansas: <a href="http://srsfia2.fs.fed.us/states/arkansas.shtml">http://srsfia2.fs.fed.us/states/arkansas.shtml</a>                  Louisiana: <a href="http://www.srs.fs.usda.gov/pubs/su/su_srs050.pdf">http://www.srs.fs.usda.gov/pubs/su/su_srs050.pdf</a></p> <p>Market history and recent studies show that forest owners can increase forest bioenergy fuel from well-managed forests by as much as 150% on planted forests and 75% on naturally growing forests as the market demand for forest bioenergy fuel increases.</p> <p><a href="http://www.nafoalliance.org/images/issues/carbon/resources/A-Developing-Bioenergy-Market-and-Its-Implications-on-Forests-and-Forest-Products-Markets-in-the-US-4-2010-Clutter-et-al.pdf">http://www.nafoalliance.org/images/issues/carbon/resources/A-Developing-Bioenergy-Market-and-Its-Implications-on-Forests-and-Forest-Products-Markets-in-the-US-4-2010-Clutter-et-al.pdf</a></p> <p>USDA reports that the standing inventory or volume of growing trees in U.S. forests has grown by 50% between 1953 and 2011.</p>

	<p><a href="http://www.fs.fed.us/research/publications/gtr/gtr_wo87.pdf">http://www.fs.fed.us/research/publications/gtr/gtr_wo87.pdf</a></p> <p>The SFI Fiber Sourcing Standard partially addresses forest productivity and long-term economic viability including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.2 Written agreements for the purchase of raw material sourced directly from the forest including provisions requiring the use of best management practices.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-5.1.1 Financial support for forestry research addressing forest productivity, community issues and the benefits and impacts of forest management.</li> <li>-6.1.4 Contractor education and training sufficient to their roles and responsibilities.</li> <li>-6.1.5 Written agreement for the use of Qualified Logging Professionals</li> </ul> <p>The sustainable harvest levels and growth data are addressed and maintained by the U.S. Forest Service and State Forestry Commissions and Agencies. The U.S. Forest Service Forest Inventory &amp; Analysis Program reports that forest growth generally exceeds harvest and that the amount of forest land is stable:</p> <p><a href="http://www.fia.fs.fed.us/">http://www.fia.fs.fed.us/</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.3.2</b>	Adequate training is provided for all personnel, including employees and contractors (CPET S6d).
Finding	Highland Pellets LLC conducts in-depth internal training for all responsible personnel as part of its programs to achieve conformance to the various forest certification standards.
Means of Verification	The means of verification include inspection of Training Program Agendas, Training Sign-in Sheets, the State Logger Training Databases and other training records. These Procedures are part of the program to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody Standards.
Evidence Reviewed	<p>Highland Pellets LLC requires its wood suppliers to utilize trained loggers (HP-COC-11/HP-SFI-04). Virtually all logging contractors across the region are considered Qualified Logging Professionals due to the SFI Fiber Sourcing Standard requirements.</p> <p>Training Sign-in Sheets and records (HP-COC-04) are maintained and are available upon request.</p> <p>A formal Training Session Agenda (HP-COC-05) guided SBP Training for responsible personnel within Highland Pellets LLC. A formal Training Documentation letter documents the competency training for Highland Pellets LLC personnel (HP-COC-19).</p>

	<p>The SFI Fiber Sourcing Standard requires adequate training of employees and contractors including:</p> <ul style="list-style-type: none"> <li>-1.1.1 Program Participants shall address conservation of biodiversity including use of relevant information in approved training and education programs.</li> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-6.1.3 Staff education and training sufficient to their roles and responsibilities</li> <li>-6.1.4 Contractor education and training sufficient to their roles and responsibilities.</li> <li>-6.1.5 Written agreement for the use of Qualified Logging Professionals</li> </ul>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.3.3</b>	Analysis shows that feedstock harvesting and biomass production positively contribute to the local economy, including employment.
Finding	Harvesting for low valued biomass fuel makes a significant contribution to employment by loggers, harvesters and processors, trucking companies and income to landowners. Local harvesting contractors are always used. Improved utilization results in other economic benefits to landowners in reducing site preparation costs and making reforestation more affordable.
Means of Verification	The means of verification include inspection of economic statistics for local and State economies and employment.
Evidence Reviewed	<p>The economic contribution of forestry to the States of Arkansas and Louisiana economies is substantial. Forestry is either # 1 or #2 in the States in terms of economic impact:</p> <p>Arkansas: <a href="http://forestryimpacts.net/reports/arkansas">http://forestryimpacts.net/reports/arkansas</a></p> <p>Louisiana: <a href="http://forestryimpacts.net/reports/louisiana">http://forestryimpacts.net/reports/louisiana</a></p> <p>The SFI Fiber Sourcing Standard requires that harvesting and utilization contribute to the local economy including:</p> <ul style="list-style-type: none"> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws including equal employment opportunity.</li> <li>-5.2.1 Participation in the development or use of social, cultural or economic benefit</li> </ul>



	assessment. -6.1.3 Staff education and training sufficient to their roles and responsibilities -6.1.4 Contractor education and training sufficient to their roles and responsibilities. -6.1.5 Written agreement for the use of Qualified Logging Professionals
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.4.1</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that the health, vitality and other services provided by forest ecosystems are maintained or improved (CPET S7a).
Finding	Strong demand for wood fiber products provides landowners an incentive to keep their lands in forest cover. Highland Pellets LLC directly and indirectly contributes to the health and vitality of the forest resource, ecosystem services and dependent communities. Certification to the forest management and chain of custody standards ensures that such procedures are being implemented.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Inspection of the State Forest Resource Assessments and Action Plans demonstrates conformance.
Evidence Reviewed	<p>The latest forest inventory data for the States of Arkansas and Louisiana indicate that softwood inventories are increasing over the long term, with some yearly fluctuations.</p> <p>Highland Pellets LLC has reviewed the Arkansas and Louisiana Statewide Forest Resource Assessments, inventory updates and supports the State Action Plans addressing forest health.</p> <p>The forest resource assessments conducted under the 2010 Farm Bill are some of the most comprehensive assessments conducted in the world.</p> <p>Arkansas: <a href="http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf">http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf</a></p> <p>Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</a></p> <p>The SFI Fiber Sourcing Standard partially addresses procedures to ensure healthy and productive forests including:</p> <ul style="list-style-type: none"> <li>-1.1.1 Program Participants shall address conservation of biodiversity including use of relevant information in approved training and education programs.</li> <li>-2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry.</li> <li>-2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers.</li> <li>-3.1.1 Promote the use of qualified logging professionals.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws including equal employment opportunity.</li> <li>-5.2.1 Participation in the development or use of social, cultural or economic benefit</li> </ul>



	assessment. -6.1.3 Staff education and training sufficient to their roles and responsibilities -6.1.4 Contractor education and training sufficient to their roles and responsibilities. -6.1.5 Written agreement for the use of Qualified Logging Professionals
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.4.2	The Biomass Producer has implemented appropriate control systems and procedures for verifying that natural processes, such as fires, pests and diseases are managed appropriately (CPET S7b).
Finding	Highland Pellets LLC works with, and supports through taxes, the Arkansas Forestry Commission/Forest Service and the Louisiana Dept. of Agriculture & Forestry to monitor and manage to prevent forest fires, pest and diseases.  Increased wood fiber utilization results in a reduction in fires, pests and diseases.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Inspection of the State Forest Resource Assessments and Action Plans helps verify that fires, pests and diseases are monitored and appropriately controlled.
Evidence Reviewed	The Arkansas and Louisiana Forest Resource Assessments document that forest health is not significantly threatened by forest pests.  Arkansas: <a href="http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf">http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf</a>  Louisiana: <a href="http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf">http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</a>  A comprehensive forest health program at the Federal and State levels focuses on protecting the forests from fires, pests and diseases. The National Association of State Foresters website contains details on those cooperative efforts.  <a href="http://www.stateforesters.org/current-issues-and-policy/other-priorities/forest-health-and-sustainability">http://www.stateforesters.org/current-issues-and-policy/other-priorities/forest-health-and-sustainability</a>  The SFI Fiber Sourcing Standard partially addresses the management of natural fire, pests and diseases including:  -2.1 Program Participants to clearly define and implement policies to ensure that facility inventories and fiber sourcing activities do not compromise adherence to the principles of sustainable forestry. -2.1.4 Clearly define fiber sourcing polities in writing and make them available to wood producers. -3.1.1 Promote the use of qualified logging professionals.

	<p>-5.1.1 Financial support for forestry research on the benefits and impacts of forest management.</p> <p>-6.1.4 Contractor education and training sufficient to their roles and responsibilities.</p> <p>-6.1.5 Written agreement for the use of Qualified Logging Professionals</p> <p>-7.1.2 Support education and outreach to forest landowners addressing control of invasive exotic plants and animals and reduction in wildfire risk.</p>
Risk Rating	<p><input checked="" type="checkbox"/> <b>Low Risk</b>                      <input type="checkbox"/> <b>Specified Risk</b>                      <input type="checkbox"/> <b>Unspecified Risk at RA</b></p>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.4.3	The Biomass Producer has implemented appropriate control systems and procedures for verifying that there is adequate protection of the forest from unauthorised activities, such as illegal logging, mining and encroachment (CPETS7c).
Finding	Highland Pellets LLC has implemented procedures to protect the forests from unauthorised activities, such as illegal logging, mining and encroachment.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards. Inspection of the State Forest Resource Assessments and Action Plans helps verify that unauthorized and illegal activities are not a threat to the forests.
Evidence Reviewed	<p>Highland Pellets LLC’s Sustainable Forestry Policy (HP-COC-03) addresses legality and compliance with applicable laws and regulations.</p> <p>The Arkansas Forestry Commission and Louisiana Dept. of Agriculture &amp; Forestry have law enforcement divisions that address illegal trespass, timber theft, forest arson and illegal encroachment on private lands. Local law enforcement is active and takes immediate action against illegal forest activities.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to protect the forest from unauthorized and illegal activities including:</p> <ul style="list-style-type: none"> <li>• -4.1 Program Participants comply with applicable laws and regulations and take steps to avoid illegal logging.</li> <li>• -4.1.4 Program to assess the risk of sourcing material from illegal logging</li> <li>• -4.1.5 Program to address any significant risks identified under 4.1.4.</li> </ul> <p>The World Bank has awarded the U.S. and Canada a Global Governance Index rating that exceeds 90% for Regulatory Quality. See the Global Governance Indexes: (<a href="http://info.worldbank.org/governance/wgi/sc_chart.asp">http://info.worldbank.org/governance/wgi/sc_chart.asp</a>)</p> <p>The “Assessment of Lawful Harvesting &amp; Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: <a href="http://www.ahec-europe.org/">http://www.ahec-europe.org/</a> concluded that:</p> <p>“We come to the conclusion that wood procured in the study area can be considered Conformance to threat to legality. This conclusion is based on the determination that there is no reported</p>

	systematic illegal logging, as we interpret the term, reported in the study area and regulatory processes in the study area have been found to be highly effective.”
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.5.1</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that legal, customary and traditional tenure and use rights of indigenous people and local communities related to the forest are identified, documented and respected (CPET S9).
Finding	FSC/PEFC Chain of Custody and Controlled Wood Procedures and Certificates provide sufficient objective evidence of conformance to the Indicator.  There are no Federally recognized indigenous peoples tribes located within the Wood Supply Area.
Means of Verification	The means of verification include the Procedures to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards.  Inspection of the Bureau of Indian Affairs website for the Eastern Region demonstrates that there are no legally recognized indigenous peoples within the supply base:
Evidence Reviewed	Highland Pellets LLC relies on the FSC/PEFC Controlled Wood Risk Assessment (HP-COC-16) that concludes that:  “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.”  The Federal Bureau of Indian Affairs website demonstrates that there are no legally recognized indigenous peoples.  <a href="http://www.bia.gov/WhoWeAre/RegionalOffices/Eastern/index.htm">http://www.bia.gov/WhoWeAre/RegionalOffices/Eastern/index.htm</a>  The SFI Fiber Sourcing Standard partially addresses the identification of traditional use rights of indigenous peoples and local communities including: <ul style="list-style-type: none"> <li>• -4.1 Program Participants comply with applicable laws and regulations and take steps to avoid illegal logging.</li> <li>• -4.1.4 Program to assess the risk of sourcing material from illegal logging</li> <li>• -4.1.5 Program to address any significant risks identified under 4.1.4.</li> <li>• -4.2.1 Written policy demonstrating commitment to comply with social laws, Indigenous Peoples' rights.</li> <li>• -7.1 Program Participants shall support and promote efforts by conservation organizations, Indigenous Peoples and governments, community groups, etc. to apply principles of sustainable forest management.</li> </ul>

Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.5.2</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that production of feedstock does not endanger food, water supply or subsistence means of communities, where the use of this specific feedstock or water is essential for the fulfilment of basic needs.
Finding	FSC/PEFC Chain of Custody and Controlled Wood Certificates provide sufficient objective evidence of conformance to this Indicator.  There are no identified communities that rely on the forests for the fulfilment of basic needs.
Means of Verification	No subsistence level communities are present across the supply base where the use of the wood fiber feedstock is essential to fulfill basic human needs. Therefore, this Indicator is not applicable and is outside the scope of Highland Pellets LLC’s SBP Program. As such, it is considered Low Risk.
Evidence Reviewed	Highland Pellets LLC relies on the FSC/PEFC Controlled Wood Risk Assessment (HP-COC-16) as evidence of no subsistence level communities.
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.6.1</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that appropriate mechanisms are in place for resolving grievances and disputes, including those relating to tenure and use rights, to forest management practices and to work conditions.
Finding	FSC/PEFC Chain of Custody and Controlled Wood Certificates provide objective evidence of conformance related to having systems in place to resolve grievances and disputes.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing public complaints and worker grievances and disputes.

Evidence Reviewed	<p>Highland Pellets LLC has a formal process for receiving and responding to public inquiries, particularly those that potentially relate to practices that may be inconsistent with the FSC/PEFC and SBP Standards (HP-COC-13).</p> <p>Highland Pellets LLC has a formal Complaints Procedure for addressing substantiated public concerns related to Controlled/Controversial Wood (HP-COC-10).</p> <p>The SFI Fiber Sourcing Standard partially addresses mechanisms to resolve grievances and disputes over tenure and use rights and work conditions including:</p> <ul style="list-style-type: none"> <li>-4.1 Comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>-4.2 Comply with all applicable social laws at the federal, provincial, state and local levels in the country in which the <i>Program Participant</i> operates</li> <li>-7.3.1 Support for SFI Implementation Committees to address concerns about apparent nonconforming practices.</li> <li>-7.3.2 Process to receive and respond to public inquiries.</li> <li>-8.1.2 Appropriate contact with local stakeholders over forest management issues through state, provincial, federal or independent collaboration.</li> </ul> <p>Also see the SFI Public Inquiries and Official Complaints, Section 11:</p> <ol style="list-style-type: none"> <li>1. Public inquiries regarding inconsistent practices             <ol style="list-style-type: none"> <li>2.1 Official Complaints Process</li> </ol> </li> <li>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</li> <li>4. Challenges or complaints regarding SFI on-product label use (Section 5)</li> </ol> <p>Also see SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy</p> <p>The SFI Fiber Sourcing Standard is focused on wood procurement, recognizing that SFI Program Participants do not have direct responsibility or control for how private landowners manage their forests and address use rights and working conditions. However, the health and safety of workers and mechanisms for resolving disputes are addressed by Federal and State Forestry Commissions and Agencies.</p> <p>Workers may file a complaint to have OSHA inspect their workplace if they believe that their employer is not following OSHA standards or that there are serious hazards. Employees can <a href="#">file a complaint</a> with OSHA by calling 1-800-321-OSHA (6742), online via <a href="#">eCompliant Form</a>, or by printing the complaint form and mailing or faxing it to your local OSHA area office. Complaints that are signed by an employee are more likely to result in an inspection.</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

Indicator	
<b>2.7.1</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that Freedom of Association and the effective recognition of the right to collective bargaining are respected.

Finding	FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence of conformance addressing Freedom of Association.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing Freedom of Association and collective bargaining.
Evidence Reviewed	<p>The FSC Self-Declaration Policy addresses the ILO Principles (HP-COC-03).</p> <p>Wood Purchase Agreements/Contracts specify compliance with applicable U.S. and state labour laws and regulations (HP-COC-11).</p> <p>The FSC ILO Policy recognizes the pre-eminence of U.S. and State laws and regulations in meeting the intent of the ILO Core Conventions.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address social laws and regulations addressing workers' rights including:</p> <ul style="list-style-type: none"> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws such as equal employment opportunity, workers' rights and communities' right to know, prevailing wages, workers' right to organize and health and safety.</li> <li>-13.1.1 Process to assess the risk that fiber sourcing could take place in countries without effective laws addressing fair labor practices, prevailing wages and worker's right to organize.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <ul style="list-style-type: none"> <li>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</li> </ul> <p>U.S. law clearly specifies rights to collective bargaining and freedom of association.</p> <p><a href="http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm">http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm</a></p> <p>The FSC ILO Policy recognizes the pre-eminence of U.S. and State laws and regulations in meeting the intent of the ILO Core Conventions.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address social laws and regulations addressing workers' rights including:</p> <ul style="list-style-type: none"> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws such as equal employment opportunity, workers' rights and communities' right to know, prevailing wages, workers' right to organize and health and safety.</li> <li>-13.1.1 Process to assess the risk that fiber sourcing could take place in countries without effective laws addressing fair labor practices, prevailing wages and worker's right to organize.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <ul style="list-style-type: none"> <li>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</li> </ul> <p>U.S. law clearly specifies rights to collective bargaining and freedom of association.</p> <p><a href="http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm">http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.7.2	The Biomass Producer has implemented appropriate control systems and procedures for verifying that feedstock is not supplied using any form of compulsory labour.
Finding	FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence of conformance addressing the elimination of compulsory labour.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing compulsory labour.
Evidence Reviewed	<p>Highland Pellets LLC has conducted a Controlled Wood Risk Assessment (HP-COC-16) covering this issue and concluded that:</p> <p>“There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address social laws and regulations addressing compulsory labour including:</p> <ul style="list-style-type: none"> <li>• -4.1 Comply with applicable federal, provincial, state and local <i>forestry</i> and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>• -4.2.1 Written policy demonstrating commitment to comply with social laws addressing civil rights, equal employment opportunity, prevailing wages, workers' right to organize, etc.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <p style="padding-left: 40px;">3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>The “Assessment of Lawful Harvesting &amp; Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: <a href="http://www.ahec-europe.org/">http://www.ahec-europe.org/</a> concluded that:</p> <p style="padding-left: 40px;">“There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <p>The U.S. Department of Labour enforces laws and regulations addressing compulsory labour.</p> <p><a href="http://www.dol.gov/ilab/child-forced-labor/What-are-Child-Labor-and-Forced-Labor.htm">http://www.dol.gov/ilab/child-forced-labor/What-are-Child-Labor-and-Forced-Labor.htm</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)



	Indicator
2.7.3	The Biomass Producer has implemented appropriate control systems and procedures to verify that feedstock is not supplied using child labour.
Finding	FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence addressing child labour.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing child labour.
Evidence Reviewed	<p>Highland Pellets LLC has completed a Controlled Wood Risk Assessment (HP-COC-16) that covers this issue:</p> <p>“There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to comply with social laws and regulations addressing child labour including:</p> <ul style="list-style-type: none"> <li>-4.1 Comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws addressing civil rights, equal employment opportunity, prevailing wages, workers' right to organize, etc.</li> <li>-13.1.1 Process to assess the risk that fiber sourcing could take place in countries without effective laws addressing fair labor practices, prevailing wages and worker's right to organize.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <p>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>The “Assessment of Lawful Harvesting &amp; Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: <a href="http://www.ahec-europe.org/">http://www.ahec-europe.org/</a> concluded that:</p> <p>“There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <p>The U.S. Department of Labor enforces laws and regulations addressing child labor.</p> <p><a href="http://www.dol.gov/whd/childlabor.htm">http://www.dol.gov/whd/childlabor.htm</a></p> <p>Child Labour laws and regulations are enforced by the U.S. Department of Labour:</p> <p><a href="http://www.dol.gov/dol/topic/youthlabor/">http://www.dol.gov/dol/topic/youthlabor/</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)



	Indicator
2.7.4	The Biomass Producer has implemented appropriate control systems and procedures for verifying that feedstock is not supplied using labour which is discriminated against in respect of employment and occupation.
Finding	FSC/PEFC Certificates provide objective evidence of elimination of discrimination in employment.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing discrimination.
Evidence Reviewed	<p>Highland Pellets LLC has completed an FSC Controlled Wood Risk Assessment (HP-COC-16) that concludes:</p> <p>“Based upon the risk assessment and evaluation of available information, there is a “low risk” that any wood fiber that is sourced into Highland Pellets LLC’ facility is in violation of traditional, civil and indigenous peoples' rights.”</p> <p>The SFI Fiber Sourcing Standard requires control system and procedures to comply with social laws and regulations address discrimination including:</p> <ul style="list-style-type: none"> <li>-4.1 Comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws addressing civil rights, equal employment opportunity, prevailing wages, workers' right to organize, etc.</li> <li>-13.1.1 Process to assess the risk that fiber sourcing could take place in countries without effective laws addressing fair labor practices, prevailing wages and worker's right to organize.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <ul style="list-style-type: none"> <li>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</li> </ul> <p>U.S. anti-discrimination laws and regulations are enforced by the Department of Labour:</p> <p><a href="http://www.eeoc.gov/facts/qanda.html">http://www.eeoc.gov/facts/qanda.html</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
2.7.5	The Biomass Producer has implemented appropriate control systems and procedures for verifying that feedstock is supplied using labour where the pay and employment conditions are fair and meet, or exceed, minimum requirements.
Finding	Highland Pellets LLC contracts with its suppliers to supply wood fiber for use in wood pellets. Contractors can attest to the fact that pay and employment conditions meet or exceed minimum requirements.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing equal pay and fair employment conditions.
Evidence Reviewed	<p>The Wood Purchase Agreement (HP-COC-11) specifies contract conditions and compliance with Department of Labour regulations.</p> <p>The SFI Fiber Sourcing Standard addresses compliance with social laws and regulations address fair labour practices and prevailing wages including:</p> <ul style="list-style-type: none"> <li>-4.1 Comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws addressing civil rights, equal employment opportunity, prevailing wages, workers' right to organize, etc.</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <p>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>The U.S. Department of Labour enforces U.S. fair labour laws. The Fair Labour Standards Act (FLSA), which prescribes standards for the basic minimum wage and overtime pay, affects most private and public employment. It requires employers to pay covered employees who are not otherwise exempt at least the federal minimum wage and overtime pay.</p> <p><a href="http://www.dol.gov/compliance/laws/comp-flsa.htm">http://www.dol.gov/compliance/laws/comp-flsa.htm</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not Applicable (NA)

	Indicator
<b>2.8.1</b>	The Biomass Producer has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).
Finding	The SFI Fiber Sourcing and FSC/PEFC Chain of Custody Certificates provide objective evidence of conformance with health and safety laws and regulations.
Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing the health and safety of workers.
Evidence Reviewed	<p>Highland Pellets LLC’s Wood Purchase Agreement/Contract (HP-COC-11) provisions address worker compensation insurance coverage.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to comply with social laws and regulations addressing worker health and safety including:</p> <ul style="list-style-type: none"> <li>-4.1 Comply with applicable federal, provincial, state and local forestry and related social and environmental laws and regulations and take steps to avoid illegal logging.</li> <li>-4.2.1 Written policy demonstrating commitment to comply with social laws addressing civil rights, equal employment opportunity, prevailing wages, workers' right to organize, etc.</li> <li>-6.2.1 Participation in support of wood producer training courses addressing U.S. Occupational Safety and Health Administration (OSHA) and Canadian Centre for Occupational Health and Safety (CCOHS) regulations, wage and hour rules, and other laws .</li> </ul> <p>SFI Public Inquiries and Official Complaints, Section 11</p> <ul style="list-style-type: none"> <li>3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</li> </ul> <p>The U.S. Department of Labour enforces OSHA laws and regulations relating to logging. Refer to the OSHA Logging Safety website:</p> <p><a href="https://www.osha.gov/SLTC/logging/">https://www.osha.gov/SLTC/logging/</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not applicable (NA).

	Indicator
<b>2.9.1</b>	Biomass is not sourced from areas that had high carbon stocks in January 2008 and no longer have those high carbon stocks.
Finding	Highland Pellets LLC’s wood fiber procurement activities do not result in significant impacts on carbon stocks and resources, do not drain wetlands and are considered “normal silviculture” under the Federal Clean Water Act.

Means of Verification	The means of verification includes the Procedures in place to achieve conformance to the SFI Fiber Sourcing and FSC/PEFC Chain of Custody and Controlled Wood Standards addressing discrimination.
Evidence Reviewed	<p>Wood Purchase Agreement provisions requiring BMPs ensure that Peat areas and high carbon stocks are not negatively impacted (HP-COC-11).</p> <p>Greenpeace has an active campaign to conserve forests and maintain forest lands in forest cover. Normal forestry activities ensure that soil carbon stocks are maintained and conversion to other agricultural land uses is avoided.</p> <p><a href="http://www.greenpeace.org/international/Global/international/briefings/forests/2013/HCS-Briefing-2013.pdf">http://www.greenpeace.org/international/Global/international/briefings/forests/2013/HCS-Briefing-2013.pdf</a></p> <p>The SFI Fiber Sourcing Standard addresses carbon sequestration and climate change including:</p> <ul style="list-style-type: none"> <li>-SFI 5.3.1 Where available, monitor information generated from regional climate models on long-term forest health, productivity and economic viability.</li> <li>-SFI 5.3.2 Program Participants are knowledgeable about climate change impacts on wildlife, wildlife habitat, and conservation of biological diversity.</li> </ul> <p>The SFI Fiber Sourcing Standard is focused on wood procurement, recognizing that SFI Program Participants do not have direct responsibility or control for how private landowners manage their forests and whether forests with high carbon stocks are harvested. Research indicates that forest carbon in U.S. forests is maintained.</p> <p>Research is available that demonstrates that forest management in the U.S. does not diminish the capability of the forest to serve as carbon sinks. Forests are shown to serve as a carbon sink and offset 13% of carbon emissions from the burning of fossil fuel. See U.S. Forest Service website:</p> <p><a href="http://www.fs.usda.gov/ccrc/topics/forest-carbon">http://www.fs.usda.gov/ccrc/topics/forest-carbon</a></p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not applicable (NA).

	Indicator
<b>2.9.2</b>	Analysis demonstrates that feedstock harvesting does not diminish the capability of the forest to act as an effective sink or store of carbon over the long term.
Finding	State BMPs monitoring shows very high levels of BMP compliance and the avoidance of impacts to water quality and quantity that wetlands containing carbon depend upon.
Means of Verification	The means of verification include research reports showing managed forests as carbon sinks. Certification to the SFI Fiber Sourcing and FSC/PEFC Controlled Wood Standards demonstrates the protection of forest resources, including carbon.
Evidence Reviewed	Research is available that demonstrates that forest management in the U.S. does not diminish the capability of the forest to serve as carbon sinks. Forests are shown to serve as a carbon sink and

	<p>offset 13% of carbon emissions from the burning of fossil fuel.</p> <p>See U.S. Forest Service website: <a href="http://www.fs.usda.gov/ccrc/topics/forest-carbon">http://www.fs.usda.gov/ccrc/topics/forest-carbon</a></p> <p>Research addressing harvest impacts on soil carbon storage in temperate forests indicates that there are no significant impacts on mineral soils and their capacity to serve as carbon sinks. See Forest Ecology and Management research article:</p> <p><a href="http://www.nrs.fs.fed.us/pubs/jrnl/2010/nrs_2010_nave_001.pdf">http://www.nrs.fs.fed.us/pubs/jrnl/2010/nrs_2010_nave_001.pdf</a></p> <p>According to the U.S. Environmental Protection Agency (EPA) in 2007, forest bioenergy does not increase carbon dioxide in the atmosphere when it is used sustainably.</p> <p>According to the U.S. Environmental Protection Agency (EPA), carbon dioxide storage in U.S. forests continues to increase, sequestering more than 900 million metric tons of carbon dioxide equivalents annually and offsetting about 12% of U.S. CO2 emissions.</p> <p><a href="http://www3.epa.gov/climatechange/Downloads/ghgemissions/US-GHG-Inventory-2013-Chapter-7-LULUCF.pdf">http://www3.epa.gov/climatechange/Downloads/ghgemissions/US-GHG-Inventory-2013-Chapter-7-LULUCF.pdf</a></p> <p>The SFI Fiber Sourcing Standard addresses forest productivity and the ability to serve as carbon sinks including:</p> <p>-5.2.1 Participation, individually and/or through cooperative efforts involving SFI Implementation Committees and/or associations at the national, state, provincial or regional level, in the development or use of some of the following:</p> <ol style="list-style-type: none"> <li>a. regeneration assessments;</li> <li>b. growth and drain assessments;</li> <li>c. best management practices implementation and conformance;</li> <li>d. biodiversity conservation information for forest owners;</li> <li>e. social, cultural or economic benefit assessments.</li> </ol> <p>-SFI 5.3.1 Where available, monitor information generated from regional climate models on long-term forest health, productivity and economic viability.</p> <p>-SFI 5.3.2 Program Participants are knowledgeable about climate change impacts on wildlife, wildlife habitat, and conservation of biological diversity.</p>
Risk Rating	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
Comment or Mitigation Measure	Not applicable (NA).

	Indicator
<b>2.10.1</b>	Genetically modified trees are not used.
<b>Finding</b>	Highland Pellets LLC did not find its wood fiber supply areas on any lists contained in the FAO preliminary review of biotechnology in forestry
<b>Means of Verification</b>	The means of conformance includes certification to the FSC/PEFC Chain of Custody and Controlled Wood Standards that prohibit the use of GMOs in forestry.
<b>Evidence Reviewed</b>	<p>The FSC/PEFC Controlled Wood Risk Assessment confirms that GMOs are not used (HP-COC-16).</p> <p>FAO preliminary review of biotechnology in forestry:  <a href="http://www.fao.org/docrep/008/ae574e/AE574E00.HTM">http://www.fao.org/docrep/008/ae574e/AE574E00.HTM</a>.</p> <p>The SFI Fiber Sourcing Standard requires compliance with applicable laws and regulations addressing genetically modified trees. No GMOs are commercially deployed in the U.S. or Canada.</p>
<b>Risk Rating</b>	<input checked="" type="checkbox"/> <b>Low Risk</b> <input type="checkbox"/> <b>Specified Risk</b> <input type="checkbox"/> <b>Unspecified Risk at RA</b>
<b>Comment or Mitigation Measure</b>	Not applicable (NA).