

Supply Base Report: Highland Pellets LLC (Pine Bluff)

Scope Change Audit

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Completed in accordance with the Supply Base Report Template Version 1.3

For further information on the SBP Framework and to view the full set of documentation see www.sbp-cert.org

Document history

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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: Ellen Kincaid
Sustainability Manager
+1 870-209-2686
ellen@highland-pellets.com

Company website: www.highland-pellets.com

Date report finalised: 4/Jan/ 2018

Close of last CB audit: January 2019, Pine Bluff

Name of CB: SCS

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, Version 1.0 of Standard 6.

Weblink to Standard(s) used: <https://sbp-cert.org/documents>

SBP Endorsed Regional Risk Assessment: Not applicable

Weblink to SBE on Company website: www.highland-pellets.com

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

2 Description of the Supply Base

2.1 General description

Please note that all changes to the supply base area represented in section 13 and 14 including the results of the most recent stakeholder consultation. The prior sections have been left unchanged to allow for a true comparison between the original and changes occurred.

Highland Pellets LLC's wood pellet production plant is located in Pine Bluff, Arkansas, USA. 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.

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 upland pine trees (Loblolly/Short Leaf) represent a sub-scope. 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 Arkansas and Northern Louisiana for conifer roundwood and 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 landowner decisions and 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 50-60% of the current wood inputs originate from SFI Forest Management certified forests. The SFI Forest Management Standard is recognized by the SBP as an acceptable and endorsed Standard and those inputs are considered SBP-Compliant Feedstock.

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. Additional and more specific requirements represent Locally Applicable Verifiers (LAVs) under the SBP scheme. 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. All material is covered by Highland Pellets LLC's Supply Base Evaluation and are SBP Compliant.

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 Locally Applicable 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 has been achieved 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 thinning, tops and other forest and mill residuals 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 suppliers, 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. The SFI Fiber Sourcing Standard has been recognized by PEFC as providing evidence of Legality. Currently, approximately 50-60% 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 stands with an expected rotation length of more than 40 years.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

Highland Pellets LLC utilizes softwood pine species from the forest and softwood sawmill residuals. The residual sawdust and wood chips are generated by primary sawmills, all of which are located in Arkansas and Louisiana. 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. The vast majority of feedstock is from primary sources (forest thinnings and tops). Less than 5% of indirect sawmill residuals are used.

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 – 100%
 - Public – 0%
 - Community Concession – de minimis
- c. Forest by type (ha): 10.78 million ha Temperate
- d. Forest by management type (ha):
 - Managed Semi-Natural or Natural – 10.78 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 50-60% 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 Low Risk of coming from controversial sources 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:
 - 70% or more Certified to an SBP-approved Forest Management Scheme (SFI)
 - 30% 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 - None
- 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- None
 - Primary feedstock from primary forest not certified to an SBP-approved FMS - None
- l. Volume of secondary feedstock:
 - Currently <5% residues from area sawmills, although this may increase in future years.
- m. Volume of tertiary feedstock: specify origin and composition - None

3 Requirement for a Supply Base Evaluation

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

Suppliers report 53% certified material to Highland Pellets LLC over the past 12 months. 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.

All sources of supply are subject to the SBE/RA and have been determined to be Low Risk of coming from illegal and unsustainable sources after a control measure for Late Successional Bottomland Hardwoods was implemented for 0.25% of the feedstock that may be sourced as hardwood.

4 Supply Base Evaluation

4.1 Scope

While the SBE & Risk Assessment includes information and evidence from across 75 Counties in Arkansas and 25 Counties from Northern Louisiana, the fiber supply area is significantly smaller than the area covered by these States. The majority of the material comes from approximately 75 highway miles from the mill. A map of the Supply Base is available upon request (See HP-SB Supply Basin.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 change the Indicators. It has adopted Locally Applicable Verifiers (LAVs) based upon state BMPs, SFI Fiber Sourcing Standard requirements and FSC/PEFC Chain of Custody and Controlled Wood requirements. These verifiers have been developed through open and inclusive public involvement processes. The evidence of conformance to the Indicators in Standard # 1 was drawn from SFI/FSC/PEFC Procedures and Objective Evidence that demonstrate conformance.

Additional objective evidence of conformance was drawn from publicly available sources including: State BMP monitoring; forest inventory & analysis statistics; fire, insect and disease control programs; statewide forest resource assessments; research reports; Draft of the FSC US National Risk Assessment; wildlife action plans and other publicly available sources of information addressing laws, regulations and other safety-net programs.

The Highland Pellets LLC's SFI, FSC, PEFC and SBP Documents and Procedures provide the bulk of the evidence and Locally Applicable Verifiers (LAVs) 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 contain 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 V3-1, the PEFC Chain of Custody Due Diligence System (PEFC ST 2002:2013) and the SFI Fiber Sourcing Standard.

The First Draft of the FSC US National Risk Assessment did not identify any High Conservation Value Forests (HCVFs) in Highland Pellets LLC's sub-supply base consisting of semi-natural 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 93.5% and

Louisiana 96%. It should also be noted that the state BMP surveys are conducted periodically, and Louisiana performed its most recent survey in 2015 (results reflected above) and Arkansas has completed its survey and released the results in Fall 2018.

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 for every tract of Forest Management Certified land. 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 include 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/SFI 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 50-60% of its wood and fiber inputs from SFI Certified Forests. It does not own forest land and does not have management authority over privately owned lands. 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 50-60% of the upland pine 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. This is a high level of independent forest certification and ensures that the SBP Standard # 1 Indicators are fully met.

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).

The small proportion of non-certified sources are Low Risk for all Standard # 1 Indicators, with Contract Provisions already in place to ensure that there is a 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. There were no comments addressing the Locally Applicable Verifiers that are being used to demonstrate Standards conformance. 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 and update 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 has achieved 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, FSC/PEFC Controlled Wood, and SBP 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-Supplier List).

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 given 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 70-80% 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

Approval of Supply Base Report by senior management			
Report Prepared by:	Ellen Kincaid	Highland Pellets LLC Sustainability Manager	11/01/19
	Name	Title	Date
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.			
Report approved by:	Robert McKenzie 	Managing Director	11/01/19
	Name	Title	Date
Report approved by:	[name]	[title]	[date]
	Name	Title	Date
Report approved by:	[name]	[title]	[date]
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

In 2019 Highland Pellets is conducting an expansion of scope to include 1% of hardwoods into the mix of its feedstock. These hardwoods will be located from the current supply base area.

13.2 Effectiveness of previous mitigation measures

N/A – prior to the sourcing of hardwoods, there have been no risks and thus no mitigation measures implemented.

13.3 New risk ratings and mitigation measures

Highland Pellets does not accept any pure hardwood stands, the only location that Late Successional Bottomland Hardwoods can grow. All hardwood inclusion results from mixed stands, primarily softwood with natural hardwood growth. However, further control measures to exclude any Late Successional Bottomland Hardwoods and educate landowners on best management practices have been implemented. The below paragraphs summarize the measures that Highland Pellets is taking to negate this risk.

The FSC NRA requires the implementation of one of five listed control measure option from the result of the July 2018 Atlanta meeting. Highland Pellets is will implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods. Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.

Highland Pellet's also conducts regular BMP checks and tracts the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.

Finally, Highland Pellets communicates directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.

This Mitigation Measure affects the following Indicators from Standard 1: Feedstock Compliance Standards: 2.1.1, 2.1.2, 2.2.3, 2.2.4, and 2.4.1.

13.4 Actual figures for feedstock over the previous 12 months

- Total volume of Feedstock: **580,524.17tons**
- Volume of primary feedstock: **538,242.83tons**
- Percentage of primary feedstock by SBP-approved Forest Management Schemes:
 - **52% Certified to an SBP-approved Forest Management Scheme (SFI)**
 - **48% Not certified to an SBP-approved Forest Management Scheme (Controlled Wood)**
- 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 - **None**
- Volume of secondary feedstock:
 - **<1% residues from area sawmills**
- Volume of tertiary feedstock: **None**

13.5 Projected figures for feedstock over the next 12 months

- Total volume of Feedstock: **1.1 million green metric tons during Dec 2017 – Nov 2018 plant commissioning**
- Volume of primary feedstock: **1.05 million green metric tons during Dec 2017 – Nov 2018 plant commissioning**
- Percentage of primary feedstock (g), by SBP-approved Forest Management Schemes:
 - **50% or more Certified to an SBP-approved Forest Management Scheme (SFI)**
 - **50% or less Not certified to an SBP-approved Forest Management Scheme (Controlled Wood)**
 - **Highland Pellets LLC projects that 50% of softwood inputs will be from SFI Certified Forests. The remaining 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*. Very small amount of Ash (*Fraxinus Americana*), Elm (*Ulmus Americana*), Cottonwood (*Populus deltoides*), Gum (*Liquidambar styraciflua*), Hickory (*carya tomentosa*), Maple (*Acer rubrum*), Oak (*Quercus virginiana*), Sycamore (*Platanus occidentalis*), and Yellow Poplar (*Liriodendron tulipifera*).**
- Volume of primary feedstock from primary forest - **None**
- 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 - None**
 - **Primary feedstock from primary forest not certified to an SBP-approved FMS - None**
- Volume of secondary feedstock:
 - **Anticipate 5% residues from area sawmills during period Jan 2019 – Dec 2019.**
- Volume of tertiary feedstock: **None anticipated**

14 Stakeholder Consultation for Expansion of Scope

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).

Comment from the Louisiana Forestry Association:

The Louisiana Forestry Association confirmed that the Louisiana woodbasket meets Highland's standards for sourcing and invited Highland to join their Association.

Response from Highland:

Highland clarified that it has not sourced from Louisiana in the past, however it would be delighted to join the Louisiana Forestry Association and joined the Louisiana Forestry Association.

Comment from the Arkansas Historic Preservation Program:

The Arkansas Historic Preservation Program thanked Highland for the opportunity to respond to the stakeholder consultation and indicated they may respond with further thoughts.

Response from Highland:

Highland thanked the Arkansas Historic Preservation Program for their response.

Comment from the Atchafalaya Basinkeepers:

The Environmental Non Governmental organization, the Atchafalaya Basinkeepers wrote to express their fear that Highland Pellets would source Cypress Tupelo from the Atchafalaya region.

Response from Highland:

Highland had several phone calls with the Atchafalaya Basinkeepers to further explain our supply area and our policy to avoid all Cypress Tupelo systems. In addition an in-person meeting on August 12 will be held in Louisiana to discuss the Cypress Tupelo systems and how Highland Pellets can best support the efforts of the Atchafalaya Basinkeepers.

Annex 1: Detailed Findings for Supply Base Evaluation Indicators

	Indicator
1.1.1	The Biomass Producer's Supply Base is defined and mapped.
Finding	<p>All softwood roundwood and residual wood fiber sourced by Highland Pellets LLC originates from 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. There is a potential of less than 1% of hardwoods to enter the supply chain as residuals. The Supply Base encompasses all of the state of Arkansas and specific parishes in Louisiana.</p> <p>Hardcopy maps of the Supply Base are maintained and available in Appendix 2. The Supply Base has been confirmed with Highland Pellets LLC and the mill residual suppliers.</p> <p>The Supply Base is also defined as part of demonstrating conformance to the following Forest Chain of Custody and Controlled Wood Standards:</p> <ul style="list-style-type: none"> -FSC Chain of Custody (FSC-STD-40-004 V3-0) -FSC Controlled Wood (FSC-STD-40-005 V 3-1) -PEFC Chain of Custody/Due Diligence System (2002:2013) -SFI Fiber Sourcing Standard, Section 3 (2015-2019) <p>The Supply Base is also defined as part of demonstrating conformance to the following SFI requirements.</p> <p>Additional objective evidence of conformance is demonstrated in SFI Fiber Sourcing, Section 3:</p> <p><i>-1.1.2. Program to address Forests with Exceptional Conservation Values in harvests of purchased stumpage.</i></p> <p>Where the Natural Heritage Database indicates that a G-1 or G-2 species or community is known to exist in close proximity to the purchased stumpage tract, Procurement Staff shall assess whether the species or community is actually present on the tract or associated with the habitat type present. If a G-1 or G-2 species or community is present and represents a viable population on a purchased stumpage tract, the Procurement Staff would contact the landowner and notify him/her of the location of the species or community and provide information from the natural heritage database</p> <p><i>-2.1.1. Program to require that harvests of purchased stumpage comply with Best Management Practices.</i></p> <p>Highland Pellets LLC requires a Timber Deed to be signed with each purchased stumpage landowner. The Contract requires compliance with applicable laws and regulations, including State water quality BMPs.</p>

	<p>The Procurement Staff use the BMP Monitoring Report to document pre-harvest meetings with contract loggers and the findings of the final close-out inspection and any appropriate follow-up or corrective action. The Contract Logging Supervisor is required to sign the BMP Monitoring Report, in situations where Corrective Actions are issued to ensure understanding and compliance.</p> <p>The Procurement Staff periodically review the BMP Monitoring Reports to identify any patterns or trends in BMP implementation/compliance. The information is used to evaluate the effectiveness of the SFI promotion program.</p> <p>Highland Pellets LLC has a verifiable monitoring system to evaluate the effectiveness of its promotion of the use of BMPs across its wood supply system, and uses that information to set goals for continual improvement and maintaining high rates of BMP compliance.</p> <p>The BMP Monitoring Programs show very high rates of BMP compliance, from 89% to 99%.</p> <p>Highland Pellets LLC also conducts BMP Monitoring (HP-Suppliers- BMP Monitoring CHK) documenting the location of each harvest, the supplier/contract logger and whether BMPs are implemented and effective.</p> <p><i>-4.1.4. Program to assess the risk of sourcing material from illegal logging.</i></p> <p>The Company has undertaken a comprehensive Due Diligence System and Risk Assessment of its sourcing of all wood material across its wood and fiber supply area, sufficient to fulfill the SFI Fiber Sourcing requirements.</p> <p>The State forestry commissions/agencies have the responsibility to inspect logging jobs; this includes public lands and privately-owned lands.</p> <p><i>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</i></p> <p>The Company collects and reports regarding its supply base and procurement practices to SFI, Inc. on an annual basis.</p>
Means of Verification	<p>National and State laws and implementation records</p> <p>Internal documents</p> <p>Interviews</p>
Evidence Reviewed	<ul style="list-style-type: none"> • BMP Monitoring Report • BMP Monitoring Programs • HP-Suppliers- BMP Monitoring CHK Highland Pellet's DDS and RA • FSC Chain of Custody (FSC-STD-40-004 V3-0) • FSC Controlled Wood (FSC-STD-40-005 V 3-1) • PEFC Chain of Custody/Due Diligence System (2002:2013) • SFI Fiber Sourcing Standard, Section 3 (2015-2019)
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	N/A

	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.</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 for primary feedstock.</p> <p>Secondary suppliers are audited prior to receiving fiber from them and a declaration of scope is produced stating which counties in Arkansas and Louisiana they source from. In the case of sub-suppliers, the suppliers' suppliers are interviewed for district of origin as well to ensure district of origin is clear.</p> <p>FSC/PEFC Chain of Custody and Controlled Wood requirements address the need to define the "Districts of Origin/Material Categories" and conduct periodic monitoring of the supply base. Highland Pellets LLC's pellet facility is FSC/PEFC Chain of Custody and Controlled Wood/DDS certified.</p> <p>Refer to the Highland Pellets LLC's FSC/PEFC COC Procedure for the procedures to identify suppliers of all wood and fiber material (HP-COC-COC Procedures).</p> <p>Highland Pellets LLC has developed a approved list of suppliers that have current Forest Management Certificates and Fiber Purchase Agreements that are contained in the Supplier List and Contract Procedure (HP-COC- Supplier List).</p> <p>A Delivery Ticket on each load identifies the forest management unit (FMU) or primary wood supplying mill and contains a reference to the Wood Purchase or other Agreement.</p> <p>The Delivery Ticket contains information about the supplier including their name, contact information, forest management certificate number, quantity of material and other relevant information.</p> <p>Secondary feedstock Delivery Tickets has similar information, however the location is taken back to the supplier's mill, where district of origin has been established prior to material coming onsite. Currently secondary feedstock accounts for less than 5% of total feedstock.</p> <p>Each load of wood and fiber is identifiable by supplier, which ensures that the wood fiber inputs are coming from suppliers that have Wood Purchase Agreements.</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-SB-CW Procedure & DDS and HP-SB-CWRA).</p> <p>The Supplier List and Wood Purchase Agreements (HP-COC-Supplier List) specify that the suppliers are not permitted to deliver uncontrolled/controversial wood and fiber to Highland Pellets LLC. This is requirement is also stated in the Purchase Agreement with the ability for Highland Pellets LLC to reject any material that does not meet its sustainability requirements. All wood and fiber suppliers are required to be pre-approved,</p>

	<p>have identifying information on file, and a signed Purchase Agreement in order to deliver wood and fiber to the Pine Bluff Pellet Plant.</p> <p>District of Origin monitoring shall be conducted periodically to verify the source of origin of all wood and fiber inputs.</p> <p>Refer to the Approved Supplier List (HP-COC-Supplier List) for records of supplier names, FSC/PEFC/SFI certificate numbers and the supplied "material categories."</p> <p>The Procurement Staff have developed a list of wood and fiber suppliers that deliver certified wood and fiber material to the Highland Pellets LLC Pellet Plant. (*See FSC Definitions)</p> <p>Highland Pellets LLC has entered into formal Wood Purchase Agreements with all suppliers specifying the conditions under which inputs can be delivered. The Wood Purchase Agreements include provisions addressing certified and/or controlled wood to ensure conformance to the applicable Standards.</p> <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><i>SFI Fiber Sourcing, Section 3:</i></p> <p><i>-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.</i></p> <p>Highland Pellets LLC requires all suppliers with whom the company has a contractual relationship to sign a contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of state water quality BMPs for the protection of water quality.</p> <p><i>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</i></p> <p>The Sustainability Manager will submit the annual report to SFI, Inc. by the deadline of March 31st for the previous years' activities. Adequate records are maintained in order to provide accurate and complete information addressing all categories of information.</p>
Means of Verification	<p>Supplier documentation</p> <p>Maps</p> <p>Internal documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Wood Supply Agreements with its suppliers (HP-COC-Supplier List) • Records of payments and receipts with all suppliers • Delivery Tickets • Chain of Custody Procedure (HP-COC-CoC Procedures) • Delivery Ticket • Wood Purchase Agreement • Controlled Wood/Due Diligence System Risk Assessment (HP-SB-CWRA & HP-SB-CW Procedure & DDS) • List of wood and fiber suppliers
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>

Comment or Mitigation Measure	N/A
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	Indicator
1.1.3	The feedstock input profile is described and categorised by the mix of inputs.
Finding	<p>The vast majority of feedstocks are defined as softwood supplied in accordance with the FSC/PEFC Chain of Custody and Controlled Wood/Due Diligence Standards. There is a potential for a very minor amount of hardwoods to enter the feedstock, which is also sourced in accordance with FSC/PEFC Chain of Custody and Controlled Wood/ Due Diligence Standards (in particular in accordance with the FSC National Risk Assessment for the USA). The total amount of hardwoods that may enter the feedstock will be less than 1% of the total feedstock. The mix of feedstock inputs are described as "Categories of Origin" in the Chain of Custody Procedures (HP-COC-COC Procedures).</p> <p>Material categories are also identified for purposes of Chain of Custody tracking in the Product Group Lists (HP-COC-Product Group List). Records of input material categories and other information are maintained as part of the Chain of Custody Program:</p> <p><i>HP-COC-COC Procedures, Section 2.2: All incoming wood and fiber material used in the manufacture of the identified Industrial Wood Pellet product groups is appropriately categorized in the Product Group List (HP-COC-Product Group List).</i></p> <p>All incoming material is currently considered at least "controlled material" or "SBP-Compliant and Controlled Feedstock." All inputs, including those that are SFI Certified, are subject to the SBP Supply Base Evaluation/Risk Assessment and are considered SBP-Compliant Feedstock. Once inputs are received at the woodyards, they are mixed together at the pellet manufacturing facility. The Physical Separation/Transfer method of accounting is not used.</p> <p><i>HP-COC-COC Procedures, Section 2.3: Highland Pellets LLC has developed an approved list of suppliers that have current Forest Management Certificates and Fiber Purchase Agreements that are contained in the Supplier List and Contract Procedure (HP-COC-Supplier List). The List of Suppliers includes the suppliers' SFI Forest Management certificate number. If Chain of Custody certified material inputs are sourced in the future, the FSC/PEFC Chain of Custody/Controlled Wood certificate number would be validated.</i></p> <p>The Procurement and Sustainability Staff identifies all known certified organizations and suppliers (HP-COC-11/HP-SBP-04). The Procurement and Sustainability Staff verifies the validity of applicable certificates and has access to copies of each certified organization's Forest Management certificate.</p> <p>The certificate numbers are verified against the relevant databases to confirm that they are valid. The Procurement and Sustainability Staff check www.info.fsc.org, www.sfiprogram.org, www.treefarmssystem.org. and www.pefc.org for accurate and up-to-date information about forest management and chain of custody certified organizations. Currently, very few primary sawmills are delivering residuals and none are Chain of Custody certified.</p>

	<p>Species of trees that are sourced are documented in the Tree Species List (HP-COC-Species List) and represent a sub-scope for purposes of the Supply Base Evaluation. The tree species include Loblolly, Shortleaf Pine.</p> <p>All inputs are supplied with as FSC/PEFC "controlled material" indicating that they are Low Risk of originating from uncontrolled or controversial sources.</p> <p>The SFI Fiber Sourcing Standard Section 3 also requires that feedstock inputs are described and categorized:</p> <p><i>-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.</i></p> <p>Highland Pellets LLC requires all suppliers with whom the company has a contractual relationship to sign a contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of State water quality BMPs for the protection of water quality.</p> <p><i>-9.2.2. Record keeping for all the categories of information needed for SFI annual progress report surveys.</i></p> <p>The Sustainability Manager submits the annual report to SFI, Inc. by the deadline of March 31st for the previous years' activities. Adequate records are maintained in order to provide accurate and complete information addresses all categories of information.</p>
Means of Verification	<p>Supplier documentation Internal Documentation Forestry Schemes websites</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Chain of Custody Procedures (HP-COC-COC Procedures) • Product Group Lists (HP-COC-Product Group List) • Forest Management Certificates and Fiber Purchase Agreements • Supplier List and Contract Procedure (HP-COC-Supplier List) • www.info.fsc.org, www.sfiprogram.org, www.treefarmssystem.org. and www.pefc.org • Tree Species List (HP-COC-Species List) • Written Agreements • Supplier Contracts • SFI Annual Reports
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>N/A</p>

	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.

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-Supplier List). Highland Pellets LLC also encourages participation in the Arkansas Forestry Commission's Witness Reward Program through paraphernalia advertising the program. The Witness Reward Program offers up to \$5,000 for information leading to the arrest and conviction of persons willfully involved in crimes on AFA members' property.

Highland Pellets LLC implements an FSC/PEFC Controlled Wood/Due Diligence Procedure for all of its Supply Areas/Districts of Origin (HP-SB-CWRA) and all inputs are considered FSC "controlled material," PEFC non-controversial and SBP Controlled Feedstock.

Highland Pellets LLC conducts Sourcing Area Auditing as part of its Controlled Wood Procedure (HP-SB-CWRA) that is used to confirm the legality of ownership and land use. The Appendix A Checklist is contained below:

Appendix A

Supplier Declaration

Name of person filling out declaration					
Supplier Name					
Address					
Certification status of supplier (please circle)	SFI	FSC	ATFS	PEFC	None
Species delivered to Highland Pellets					
Do you exclusively use Pro Logger trained loggers? If not, what type of training do you require from your loggers?					
Please attach the safety policy for contractors and employees.					
Do you agree to inform HP of any changes that could affect risk designation or mitigation of risk?					
Do you agree to grant access to Highland Pellets, our Certification Body and any other related entities, in order to provide evidence of conformity to environmental standards?					

The SFI Fiber Sourcing Standard ensures the legality of ownership and land use through the following requirements:

Finding

SFI Fiber Sourcing, Section 3:

-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.

Highland Pellets LLC requires all suppliers with whom the Company has a contractual relationship to sign a Contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of State water quality BMPs for the protection of water quality.

-4.1 Program Participants comply with applicable laws and regulations and take steps to avoid illegal logging.

Highland Pellets LLC's Sustainable Forestry Policy specifies a commitment to achieving compliance with applicable laws and regulations. The Company has a system in place to ensure that applicable federal, state or local laws and regulations are implemented and achieved.

Highland Pellets LLC's system to achieve regulatory compliance is based upon environmental management system elements, similar to those contained in ISO 14001. The management system elements include:

1. a policy commitment to achieve continuing regulatory compliance;
2. contract provisions with landowners and loggers requiring regulatory compliance;
3. ready access to applicable laws and regulations through the internet;
4. SFI Logger training of appropriate staff and contractors in applicable regulations;
5. monitoring of BMP compliance on all purchased stumpage tracts;
6. corrective and preventive action where compliance is unsatisfactory; and
7. annual management review and continual improvement by the SFI Team.

If a regulatory compliance issue were to be uncovered on a purchased stumpage tract, the Procurement Staff would work with the contractor and/or landowner to take appropriate corrective and preventive measures. Highland Pellets LLC is required by the SFI Standard to ensure BMP implementation on purchased stumpage tracts.

The most likely legal and regulatory issues on purchased stumpage tracts involve timber theft, a Federally listed Threatened or Endangered Species, fuel or hydraulic oil spills, Federal Clean Water Act water quality standards and state laws addressing the protection of cemeteries.

If a regulatory compliance issue were to be uncovered or reported on a wood producer tract where the wood was delivered to Highland Pellets LLC, the Procurement Staff would work with the wood producer to take appropriate corrective and preventive action.

-4.1.4 Program to assess the risk of sourcing material from illegal logging

Highland Pellets LLC has a high level of confidence that illegal logging is not widespread across its wood supply areas, including violations of Federal and State laws and regulations. The comprehensive laws and regulations relating to

	<p>forest management and timber harvesting are aggressively enforced by appropriate regulatory agencies.</p> <p>The Company has undertaken a comprehensive Due Diligence System and Risk Assessment of its sourcing of all wood material across its wood and fiber supply area, sufficient to fulfill the SFI Fiber Sourcing requirements. The assessment is also required by the PEFC and FSC Chain of Custody and Controlled Wood Standards, as well as the Sustainable Biomass Partnership. The Controlled Wood Risk Assessment (HP-SB-CWRA) supports the conclusion that there is a negligible risk of illegal logging and activity.</p> <p>There are multiple state and federal rules and laws that govern how logging and other forestry activities must be conducted in order to protect the quality of State water and other forest related resources.</p> <ul style="list-style-type: none"> • The foundation of rules that apply statewide are called the State Best Management Practices for Water Quality Protection. • There are also state laws that prohibit obstructing streams, ditches or other drainages. • There are several riparian buffer rules that limit logging and other forestry activities alongside certain streams within specific watershed regions of State. • There are laws that protect coastal marshland and wetland areas. <p>The State forestry commissions/agencies have the responsibility to inspect logging jobs; this includes public lands and privately-owned lands. Some State agencies/commissions inspect logging jobs within their designated work areas and document if the logging job is in compliance with water quality and other regulations. A team of water quality specialists in the agency provides additional education, technical assistance, advice and training on water quality related topics.</p> <p>Loggers may notify State agencies before starting their work and many loggers voluntarily request assistance or advice from Company Procurement Staff and State Forestry Commission experts. Procurement Staff maintain good working knowledge of what's going on in their area of operations and have good relationships within the logging community and forestry agencies.</p> <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: (http://info.worldbank.org/governance/wgi/sc_chart.asp)</p> <p>The "Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports" (AHEC Legality Study) available at: http://www.ahec-europe.org/ concluded that:</p> <p>"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>
Means of Verification	<p>Federal and State laws and regulations</p> <p>International agencies</p> <p>Internal Policies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Refer to the Wood Purchase Agreement (HP-COC-Supplier List) • Delivery Tickets • Due Diligence System and Risk Assessment

	<ul style="list-style-type: none"> • Supply Areas/Districts of Origin (HP-SB-CW Procedure & DDS) • Supplier Contract • Highland Pellets LLC's Sustainable Forestry Policy • Federally listed Threatened or Endangered Species • Federal Clean Water Act • Controlled Wood Risk Assessment (HP-SB-CWRA) • State Best Management Practices for Water Quality Protection • Arkansas Forestry Commission • The World Bank, U.S. a Global Governance (http://info.worldbank.org/governance/wgi/sc_chart.asp) • AHEC Legality Study (http://www.ahec-europe.org/)
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	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	<p>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."</p> <p>A summary of the FSC/PEFC Controlled Wood/Due Diligence Procedures (HP-SB-CW Procedure & DDS) are available for review, upon request. A Public Summary of the Risk Assessment has been made available to FSC and is posted on its website.</p> <p>Additional findings of the Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA) include:</p> <ol style="list-style-type: none"> 1. Law enforcement in the Districts of Origin is active and aggressive. 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. 3. There is little or no evidence or reporting of illegal harvesting in the district of origin. 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. <p>A comprehensive list of U.S. Federal Laws and Regulations can be found at one or more of the following websites:</p> <p>U.S. Fish & Wildlife Service -http://www.fws.gov/ U.S. F&WS Endangered Species – http://endangered.fws.gov/ National Wetlands Inventory Center – http://wetlands.fws.gov/ U.S. Environmental Protection Agency – http://www.epa.gov/ U.S. EPA/Wetlands – http://www.epa.gov/OWOW/wetlands/</p>

	<p>U.S Army Corps of Engineers – http://www.usace.army.mil/</p> <p>U.S.D.A. Forest Service - http://www.fs.fed.us/</p> <p>The States of Arkansas and Louisiana also have extensive laws and regulations to protect v quality and provide natural areas for the protection of native biodiversity.</p> <p>Those State laws and regulations are accessible through the state agency websites that can be found at the National Association of State Foresters website at: https://www.stateforesters.org/</p> <p>The SFI Fiber Sourcing Standard requires systems and procedures to ensure the legality of feedstock inputs. See the evidence provided in 1.2.1.</p> <p>Highland Pellets LLC conducts BMP Monitoring (HP-Suppliers- BMP Monitoring CHK) that documents legality and illegal logging as a checklist item.</p> <p>Highland Pellets LLC conducts Sourcing Area Auditing of suppliers (HP-SB-CWRA, Appendix A) that includes Timber Theft/Trespass/Illegal Logging to address EUTR requirements.</p> <p>Highland Pellets LLC has a publicly available Product Group List (HP-COC-Product Group List) that contains the EUTR Compliant Biomass claim to customers.</p> <p>No regulatory or compliance notices have been issued to Highland Pellets LLC or any of its suppliers.</p> <p>FSC US issued Draft # 3 of the National Risk Assessment that determined legality as Low Risk and not subject to further identification of specified risk, control measures or monitoring.</p> <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: (http://info.worldbank.org/governance/wgi/sc_chart.asp)</p> <p>The “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: http://www.ahec-europe.org/ concluded that:</p> <p>“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 also encourages participation is the Arkansas Forestry Commission’s Witness Reward Program through paraphernalia advertising the program. The Witness Reward Program offers up to \$5,000 for information leading to the arrest and conviction of persons willfully involved in crimes on AFA members’ property.</p>
Means of Verification	<p>International laws and regulations</p> <p>National and State laws and regulations</p> <p>International Agencies</p> <p>Internal documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Due Diligence System/ Risk Assessment • FSC/PEFC Controlled Wood/Due Diligence Procedures (HP-SB-CW Procedure & DDS)

	<ul style="list-style-type: none"> • FSC Global Risk Registry website • Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA) • U.S. Fish & Wildlife Service -http://www.fws.gov/ • U.S. F&WS Endangered Species – http://endangered.fws.gov/ • National Wetlands Inventory Center – http://wetlands.fws.gov/ • U.S. Environmental Protection Agency – http://www.epa.gov/ • U.S. EPA/Wetlands – http://www.epa.gov/OWOW/wetlands/ • U.S Army Corps of Engineers – http://www.usace.army.mil/ • U.S.D.A. Forest Service - http://www.fs.fed.us/ • National Association of State Foresters (State Forestry & Conservation Laws) • State Laws (State Forestry & Conservation Laws) • BMP Monitoring (HP-Suppliers- BMP Monitoring CHK) • Sourcing Area Auditing of suppliers (HP-SB-CWRA, Appendix A) • Product Group List (HP-COC-Product Group List) • EUTR requirements (http://ec.europa.eu/environment/forests/timber_regulation.htm) • FSC US issued Draft # 3 of the National Risk Assessment • the Global Governance Index for the United States: (http://info.worldbank.org/governance/wgi/sc_chart.asp) • AHEC Legality Study (http://www.ahec-europe.org/)
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	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	<p>Delivery Tickets and payment records demonstrate payment of fees and taxes. These documents are confidential and proprietary, but are available to the CB during annual audits and upon request. Highland Pellets pays severance taxes on behalf of our roundwood suppliers. Highland Pellets LLC requires a formal Wood Purchase Agreement/Contract containing all legal and contractual requirements, as well as Due Diligence System (DDS) record collection and maintenance.</p> <p>The SFI Fiber Sourcing Standard requires legal and regulatory compliance including:</p> <p>- 2.1.2. <i>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.</i></p> <p>Highland Pellets LLC requires all suppliers with whom the Company has a contractual relationship to sign a Contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of State water quality BMPs for the protection of water quality.</p>

	<p><i>-4.1 requires Program Participants to comply with applicable laws and regulations and take steps to avoid illegal logging.</i></p> <ul style="list-style-type: none"> a. <i>Access to laws and regulations</i> b. <i>System to achieve legal compliance</i> c. <i>Demonstration of legal compliance</i> <p>U.S. Federal and State laws require forestry organizations to pay timber harvesting and other taxes. The U.S. Forest Service provides information on appropriate tax laws and regulations. http://www.timbertax.org/</p>
Means of Verification	National laws and legislation Internal documentation
Evidence Reviewed	<ul style="list-style-type: none"> • Delivery Tickets • Payment records • Wood Purchase Agreement/Contract (HP-COC-11) • Due Diligence System (DDS) • SFI Fiber Sourcing Standard • Supplier Contracts • U.S. Forest Service (http://www.timbertax.org/)
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
1.5.1	The Biomass Producer has implemented appropriate control systems and procedures to verify that feedstock is supplied in compliance with the requirements of CITES.
Finding	<p>Highland Pellets LLC's has a Controlled Wood/Due Diligence Procedure (HP-SB-CW Procedure & DDS)) and an FSC/PEFC Controlled Wood Risk Assessment that addresses the requirements of CITES (HP-SB-CWRA).</p> <p>The species of trees that are common to the supply base are included in the Tree Species List (HP-COC-Species List). Both softwood wood and mill residuals are used as inputs.</p> <p>The Product Group List (HP-COC-Product Group List) contains a list of species sourced as inputs. Those species include Loblolly, Shortleaf Pine</p> <p>No wood is imported from outside the States of Arkansas and Louisiana. No CITES Listed Tree Species are found within the wood and fiber procurement areas/Districts of Origin. See the CITES website: http://www.cites.org/eng/disc/species.php</p> <p>The SFI Fiber Sourcing Standard prohibits the use of CITES listed trees, or any other illegal activities including:</p> <ul style="list-style-type: none"> • -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
Means of Verification	International agencies Internal documentation

Evidence Reviewed	<ul style="list-style-type: none"> Controlled Wood/Due Diligence Procedure (HP-SB-CW Procedure & DDS) FSC/PEFC Controlled Wood Risk Assessment (HP-SB-CWRA) CITES (http://www.cites.org/eng/disc/species.php) Tree Species List (HP-COC-Species List) The Product Group List (HP-COC-Product Group List) Delivery tickets
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at
Comment or Mitigation Measure	N/A

	Indicator
1.6.1	<p>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.</p>
Finding	<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-SB-CWRA). The objective evidence addressed in the Risk Assessment includes:</p> <p>The FSC/PEFC Controlled Wood Standards state that civil rights are the rights that every person in a society has, for example to be treated equally, to be able to vote and work. These rights are usually outlined in the country's constitution. Traditional rights are rights which result from a long series of habitual or customary actions, constantly repeated, which have, by such repetition and by uninterrupted acquiescence, acquired the force of a law within a geographical or sociological unit. An example of a traditional right related to forests is access by local communities to forest areas to visit sacred and ritual sites.</p> <p>There are 565 federally recognized Native American tribes in the U.S. There is, furthermore, a process by which native groups that are not federally recognized as distinct tribes may seek that status. Federally recognized Native American tribes with a land base constitute sovereign nations with the authority to manage their own land.</p> <p>There are several vehicles through which conflicts involving traditional or civil rights may be addressed in the U.S. The most prominent mechanisms are the judicial and legislative system (i.e., lawsuits, lobbying, and legislation). In cases involving federal forests, there are also opportunities to resolve conflicts related to management decisions through the National Environmental Policy Act (NEPA).</p> <p>Although there are certainly instances of past traditional and civil rights violations in the U.S., there are also myriad examples in which groups and individuals claiming infringement of their rights have won reparations. The relative impartiality of the U.S.' justice system is widely acknowledged, a fact that is underscored by the World Bank good governance indicators presented in section 1.</p>

Requirements related to wood harvested in violation of traditional and civil rights.

2. The district of origin may be considered low risk in relation to the violation of traditional and civil rights when the following indicators are present.

2.1 There is no UN Security Council ban on timber exports from the country concerned.

There are no bans on timber exports from Highland Pellets LLC's wood supply areas. A review of the following websites was conducted:

<http://www.un.org/en/index.html>, <http://www.un.org/News/>. The FSC National Initiatives and Regional Offices were reported by FSC supporters as not being in a position to provide detailed assistance in this area.)

2.2 The country or district is not designated a source of conflict timber (e.g. USAID Type 1 Conflict Timber). (Also, PEFC 5.1.7: Conflict timber shall not be used by the organization.)

Highland Pellets LLC's wood and fiber supply areas are not designated within a country or district that is a source of conflict timber. See the US AID website report on Conflict Timber: Dimensions of the Problem in Asia and Africa Volume I Synthesis Report (available at www.usaid.gov).

2.3 There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.

Highland Pellets LLC's wood and fiber supply areas do not experience child labor or violation of ILO Principles and Rights. The jurisdictions where Highland Pellets LLC procures wood material have comprehensive laws prohibiting the use of child labor or violating citizen's rights.

2.4 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

There is no objective evidence of violations of traditional rights within Highland Pellets LLC's wood and fiber supply areas. U.S. laws preclude such violations and there are recognized processes in place to resolve conflicts over traditional rights and cultural interests.

The FSC US in its Draft Guidance on Controlled Wood Sources has concluded that:

"Within the U.S. there is no UN Security Council ban on timber exports, the areas are not designated as a source of conflict timber, child labor does not occur systematically, and ILO Fundamental Principles and rights at work are generally respected. In addition, the U.S. has 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 U.S., Native Americans with a land base are recognized as Sovereign Nations and accorded rights to manage their land and affairs. In addition, Native Americans have an equitable process to resolve conflicts over land management. Through the U.S. court system, many Native American tribes have challenged, won decisions, and resolved issues concerning land management and use rights. There are many examples within the U.S. where tribes have successfully been able to exercise treaty rights through formal and informal conflict resolutions systems."

The AHEC Legality Study, written by the same authors that prepared the Draft Guidance on Controlled Wood Sources for FSC US, concluded that:

"We come to the conclusion that wood procured in the study area can be considered Low Risk of violating traditional and civil rights. This conclusion is

based on the determination that there is no UN Security Council ban, there is no evidence of prolific child labor, there is no evidence that ILO Fundamental Principles are not respected, and there are recognized and equitable processes in place to resolve conflicts of substantial magnitude.”

2.5 There are laws in place that protects the rights of indigenous people

There is legislation in place within Highland Pellets LLC’s wood and fiber supply areas that serves to protect the interests and rights of indigenous people. This includes:

- Indian Self Determination and Education Assistance Act of 1975
- Native American Grave Protection and Repatriation Act
- Varied treaties with American Indian Nations, Tribes, and Bands in the United States.
- National Historic Preservation Act, including in relation to American Indian sites (1966)
- Tribes are considered Sovereign Nations (a rough legal equivalent to a US State) and have their own judicial systems

CONCLUSION: Based upon the risk assessment and evaluation of available information, there is a “low risk” that any wood that is sourced into Highland Pellets LLC’s facility is in violation of traditional and civil rights.

And finally, FSC US has concluded in Draft # 3 of the National Risk Assessment that there is a Low Risk for Traditional and Civil Rights and no further identification of Specified Risk, Control Measures or Monitoring is necessary or required.

The findings from the Risk Assessment and the AHEC Legality Study include:

“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.”

The SFI Fiber Sourcing Standard requires control systems and procedures to address traditional and civil rights including:

-4.2.1 Written policy demonstrating commitment to comply with social laws including civil rights, Indigenous Peoples' rights etc.

The Company has a written statement of commitment to comply with the law and the SFI Fiber Sourcing Standard as part of its Sustainable Forestry Policy. The Policy is formally communicated to Company personnel via annual correspondence and training. It is also communicated to forest landowners, wood producers and contract loggers where a contractual relationship exists. The Company has also signed a Self-Declaration of Association with the FSC, which includes a commitment to respect Indigenous Peoples, including:

The Organization explicitly agrees currently and in the future, as long as the relationship with FSC exists, not to be directly or indirectly involved in the following unacceptable activities:

- a) Illegal logging or the trade in illegal wood or forest products;
- b) Violation of traditional and human rights in forestry operations;
- c) Destruction of high conservation values in forestry operations;
- d) Significant conversion of forests to plantations or non-forest use;
- e) Introduction of genetically modified organisms in forestry operations;

Also see the Appendix A Sourcing Area Auditing Form that specifically addresses traditional or civil rights in 1.2.1. In the interest of space, evidence need not be repeated more than once, even though the SBP Standard # 1 is highly repetitious.

	Also see the SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy.
Means of Verification	International agencies and organizations National laws and legislations Non-governmental organizations Internal Documentation
Evidence Reviewed	<ul style="list-style-type: none"> • Sustainable Forestry Policy (HP-COC-Policy) • FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA) • National Environmental Policy Act (NEPA) (https://www.epa.gov/nepa) • World Bank Good Governance Indicators (https://datacatalog.worldbank.org/dataset/worldwide-governance-indicators) • UN Security Council (http://www.un.org/en/index.html, http://www.un.org/News/) • US AID website report on Conflict Timber: Dimensions of the Problem in Asia and Africa Volume I Synthesis Report (available at www.usaid.gov) • ILO Principles and Rights • The FSC US Draft Guidance on Controlled Wood Sources • AHEC Legality Study • Indian Self Determination and Education Assistance Act of 1975 • Native American Grave Protection and Repatriation Act • Varied treaties with American Indian Nations, Tribes, and Bands in the United States. • National Historic Preservation Act, including in relation to American Indian sites (1966) • FSC US Draft #3 National Risk Assessment • SFI Fiber Sourcing Standard
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk at RA <input type="checkbox"/> Unspecified Risk
Comment or Mitigation Measure	N/A

	Indicator
2.1.1	<p>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.</p>
Finding	<p>High Conservation Value Forests are addressed in the FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA). The Risk Assessment concluded that there is a Low Risk of sourcing from High Conservation Value areas.</p> <p>The FSC US National Risk Assessment has identified one High Conservation Values in the region of the Highland Pellets LLC supply area, Late Successional Bottomland Hardwoods.</p> <p>Late Successional Bottomland Hardwoods are located in wetlands in Arkansas and Louisiana. Over 99% of Highland Pellet's feedstock will remain two species of Southern Yellow Pine, Loblolly and Shortleaf and less than 1% of hardwoods will be accepted by Highland Pellets. This represents a Specified Risk in the supply base. Please refer to the mitigation measure below.</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 are also referenced by the IUCN classification.</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>http://www.hcvnetwork.org/ http://www.worldwildlife.org/science/ecoregions.cfm https://www.biodiv.org/world/parties.asp https://www.biodiv.org/reports/list.aspx?type=for</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to identify forests with high conservation values including:</p> <p><i>-1.1.1: Promote biological diversity using appropriate State Wildlife Action Plans, State Forest Action Plans, conducting landscape assessments, etc.</i></p> <p>The key sources of information addressing the conservation of Biodiversity are the State Wildlife Action Plans. This information is reviewed and key components of the Action Plans are part of the communication with landowners and wood producers. Statewide priorities are also considered by the Arkansas SIC in customizing its information to landowners and as part of the logger training program. The Arkansas and Louisiana State Wildlife Action Plans are included as a reference in the landowner and wood producer correspondence. The full Action Plans are available on the internet at:</p> <p>Arkansas: http://www.wildlifearkansas.com/strategy.html Louisiana: http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf</p> <p><i>-1.1.2: Program to address Forests with Exceptional Conservation Value in harvests</i></p>

	<p>The Procurement and Sustainability Staff have accessed the State Natural Heritage Databases for the wood supply areas where purchased stumpage tracts are located and planned. The Arkansas and Louisiana Natural Heritage Programs can be accessed at the following websites:</p> <p>Arkansas: http://www.naturalheritage.com/ Louisiana: http://www.wlf.louisiana.gov/wildlife/louisiana-natural-heritage-program</p> <p>Where the Natural Heritage Database indicates that a G-1 or G-2 species or community is known to exist in close proximity to the purchased stumpage tract, Procurement Staff shall assess whether the species or community is actually present on the tract or associated with the habitat type present. This may involve assessing the forest and habitat type prior to harvesting and notifying the landowner of its presence. If it is likely that the G-1 or G-2 species or community is present on a purchased stumpage tract, the Procurement Staff would conduct an on-site visit to look for the presence of the species or community. If the G-1 or G-2 species or community is not present, no further action would be taken. As appropriate to the situation, the Procurement Staff may contact the natural heritage program staff to suggest an update to their database.</p> <p>If a G-1 or G-2 species or community is present and represents a viable population on a purchased stumpage tract, the Procurement Staff would contact the landowner and notify him/her of the location of the species or community and provide information from the natural heritage database. The Procurement Staff would encourage the landowner to manage the tract so as to protect and maintain habitat conditions conducive to the long-term survival of the G-1 or G-2 species or community.</p> <p>If the landowners request additional information about the species or community and desires to implement active management measures to protect the species or community, the Procurement Staff would provide contact information for the State Natural Heritage Agency or State Department of Natural Resources and/or Wildlife agencies.</p>
Means of Verification	<p>State Wildlife Action Plans State Forest Action Plans International Agencies Non-governmental organizations National and State laws and legislations Internal Documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA) • Draft FSC US National Risk Assessment • GAP database (https://database.globalgap.org) • IUCN • Natural Heritage databases from Arkansas and Louisiana are utilized to confirm that there are no HCV occurrences (http://www.hcvnetwork.org/, http://www.worldwildlife.org/science/ecoregions.cfm, https://www.biodiv.org/world/parties.asp, https://www.biodiv.org/reports/list.aspx?type=for) • Arkansas Action Plan (http://www.wildlifearkansas.com/strategy.html) • Louisiana Action Plan (http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf) • State Wildlife Action Plans, State Forest Action Plans • SFI Fiber Sourcing Standard • Arkansas Natural Heritage Database (http://www.naturalheritage.com/)

	<ul style="list-style-type: none"> Louisiana Natural Heritage Database (http://www.wlf.louisiana.gov/wildlife/louisiana-natural-heritage-program)
Risk Rating	<input type="checkbox"/> Low Risk <input checked="" type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	<p>In order to mitigate this minor risk in the Highland Pellet's supply base Highland Pellets will first follow the control measure as determined in the FSC NRA control measure meetings. The FSC NRA requires the implementation of one of five listed control measure option from the result of the July 2018 Atlanta meeting. Highland Pellets is required to implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods. Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.</p> <p>Highland Pellet's also conducts regular BMP checks and tracks the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.</p> <p>Finally, Highland Pellets will communicate directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.</p>

	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>High Conservation Value Forests are addressed in the FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-SB-CWRA). The CB approved Risk Assessment concludes "Low Risk" after implementation of the recommended control measure for Late Successional Bottomland Hardwoods. (See section 2.1.1 for further information on control measure).</p> <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 & Forestry also monitor BMP compliance. BMP compliance rates for Arkansas are 93% and 73.5% for Louisiana.</p> <p>Highland Pellets LLC primary sources two species of upland pine. Upland pine forests that have been artificially regenerated are inherently Low Risk for containing High Conservation Value Forests. 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>To date, no stakeholders have documented any substantiated concerns regarding the Critical Biodiversity Areas identified in the FSC US NRA.</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 after implementation of below mitigation measure.</p>
Means of Verification	<p>Internal Documentation</p> <p>State Laws</p> <p>Environmental Organizations</p>
Evidence Reviewed	<ul style="list-style-type: none"> FSC/PEFC Controlled Wood/Due Diligence Risk Assessment (HP-SB-CW Procedure & DDS) WWF Global 200 Arkansas Forestry Commission Louisiana Dept of Agriculture & Forestry Controlled Wood Risk Assessment (HP-SB-CWRA)
Risk Rating	<input type="checkbox"/> Low Risk <input checked="" type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	<p>Highland Pellets intends on sourcing a maximum of 1% of hardwoods. These have been deemed as Specified Risk by the FSC NRA v1.0.</p> <p>In order to mitigate this minor risk in the Highland Pellet's supply base Highland Pellets will first follow the control measure as determined in the FSC NRA control measure meetings. The FSC NRA requires the implementation of one of five listed control measure option from the result of the July 2018 Atlanta meeting. Highland Pellets is required to implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods.</p>

	<p>Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.</p> <p>As part of the Arkansas SFI Implementation Committee Highland Pellets is well positioned to be at the forefront of knowledge and improve the environment at a state level.</p> <p>Highland Pellet's also conducts regular BMP checks and tracks the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.</p> <p>Finally, Highland Pellets will communicate directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.</p>
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	Indicator
2.1.3	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.
Finding	<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><i>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.</i></p> <p>Planted forests in the conventional sense are not FSC/PEFC or SBP Plantations, and the Arkansas and Louisiana Forest Inventory and Analysis Fact Sheets referenced to planted forests are not applicable.</p> <p>Arkansas: http://www.srs.fs.fed.us/pubs/su/su_srs055.pdf Louisiana: http://www.privatelandownernetwork.org/pdfs/Louisiana%202012.pdf</p> <p>The Company has a written statement of commitment to comply with the law and the SFI Fiber Sourcing Standard as part of its Sustainable Forestry Policy. The Policy is formally communicated to Company personnel via annual correspondence and training. It is also communicated to forest landowners, wood producers and contract loggers where a contractual relationship exists.</p> <p>The Company has also signed a Self-Declaration of Association with the FSC, which includes a commitment to respect Indigenous Peoples, including:</p>

	<p>“The Organization explicitly agrees currently and in the future, as long as the relationship with FSC exists, not to be directly or indirectly involved in the following unacceptable activities:</p> <ul style="list-style-type: none"> a) Illegal logging or the trade in illegal wood or forest products; b) Violation of traditional and human rights in forestry operations; c) Destruction of high conservation values in forestry operations; d) Significant conversion of forests to plantations or non-forest use; e) Introduction of genetically modified organisms in forestry operations; <p>Also see the Appendix A Sourcing Area Auditing Form that specifically addresses forest conversion in 1.2.1.</p> <p>Highland Pellets LLC’s Purchase Agreement includes reference to conversion and the company retains the right to reject any material that is found to be not in compliance with its sustainability requirements.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedure to address conversion of forests to plantation forests or non-forest.</p> <p>Also see SFI Guidance to 2015-2019 Standards and Rules (Forest Management Section 2):</p> <ul style="list-style-type: none"> -3.1 <i>Conversion of one Forest Cover Type to Another</i> -3.2 <i>Conversion of Forest Land to Another Land Use</i> <p>Again, approximately 70% of wood inputs are SFI Certified Forest Content. This is an exceptionally high percentage of certified forest content.</p> <p>Also see SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy.</p> <p>The U.S. Forest Service Forest Inventory & Analysis Program reports that forest growth exceeds harvest in all regions and that the amount of forest land is stable:</p> <p>http://www.fia.fs.fed.us/</p> <p>The Draft FSC US National Risk Assessment has concluded low risk for conversion in both Arkansas and Louisiana.</p>
Means of Verification	<p>Internal Documentation State Laws and Agencies Forestry Standards National Laws and Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC Controlled Wood/Due Diligence System Risk Assessment • Purchase Agreement • Arkansas Forest Inventory and Analysis Fact Sheets (http://www.srs.fs.fed.us/pubs/su/su_srs055.pdf) • Louisiana Forest Inventory and Analysis Fact Sheets (http://www.privatelandownernetwork.org/pdfs/Louisiana%202012.pdf) • Sustainable Forestry Policy • Self-Declaration of Association with the FSC • Appendix A Sourcing Area Auditing Form • SFI Fiber Sourcing Standard • SFI Guidance to 2015-2019 Standards and Rules • U.S. Forest Service Forest Inventory & Analysis Program (http://www.fia.fs.fed.us/) • Draft FSC US National Risk Assessment

Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.2.1	<p>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.</p>
Finding	<p>Each State Forestry Agency/Commission conducts periodic BMP implementation monitoring. BMP compliance has been documented to be 93% for Arkansas and 73.5% for Louisiana.</p> <p>Forestry practices were evaluated by the Arkansas Forestry Commission in 2010-2011 as part of their Statewide Forestry BMP Survey. (http://forestry.arkansas.gov/Services/ManageYourForests/Documents/2010-11%20BMP%20Imp.%20Report_CORRECTED.pdf)</p> <p>According to the <i>Voluntary Implementation of Forestry Best Management Practices for Water Quality Protection in Arkansas: Results of the 2017-2018 BMP Implementation Survey</i> conducted by the Arkansas Forestry Commission, the overall Arkansas statewide rate of forestry BMP implementation was 93%. Statewide, implementation of forestry BMPs related to harvesting and regeneration practices scored highest with a rate of 96%. Implementation of forestry BMPs related to roads scored 92%, while SMZ BMP implementation scored 89%. Harvesting and Regeneration BMP implementation was 98%.</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 93 % represents a statistically significant 3% increase from the previous survey.</p> <p>Forestry practices were evaluated by the Louisiana Dept. of Agriculture & Forestry in 2009 as part of their Statewide Forestry BMP Survey. (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf)</p> <p>Additionally, the rates of BMP Implementation was assessed in 2015 with an overall BMP compliance of 96%. Overall, implementation of streamside management zone BMPs was 98%, Stream crossings 97%, permanent roads 98%, skid trails/temporary roads 95%, site preparation 98%, landings 99%, wetlands 97%, and fire-line construction 97%. (http://www.ldaf.state.la.us/wp-content/uploads/2016/01/2015-BMP-Results.pdf)</p> <p>The report from the Southern Group of State Foresters (SGSF) in 2012 reported high rates of BMP compliance: http://www.forestry.alabama.gov/PDFs/SGSF_BMP_Report_2012.pdf. 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>

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-SB-CW Procedure & DDS) specifies that the certified suppliers are requested to make an FSC/PEFC Controlled Wood claim on all wood fiber inputs.

The SFI Fiber Sourcing Standard requires control systems and procedures to assess impacts, planning, implementation and monitoring to minimize risk including:

- 2.1.4 Program Participants to define their fiber sourcing policies in writing and make them available to wood producers.

The Company has a Sustainable Forestry Policy that defines its fiber sourcing policies, makes commitments to comply with applicable laws and regulations (SFIS 4.2.1) and commits to independent certification to the SFI Fiber Sourcing Standard (SFIS 6.1.1).

The Sustainable Forestry Policy is communicated internally to responsible personnel via correspondence and annual training. The Policy is also communicated to purchased-stumpage landowners, contract loggers and wood producers via formal correspondence.

Purchased Stumpage and Wood Producer Contracts contain or reference the Sustainable Forestry Policy and require compliance with laws and regulations, implementation of State water quality BMPs and the use of Qualified Logging Professionals.

-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.

Highland Pellets LLC has a verifiable monitoring system to evaluate the effectiveness of its promotion of the use of BMPs across its wood supply system, and uses that information to set goals for continual improvement and maintaining high rates of BMP compliance. Where forest landowners are SFI or Tree Farm certified, that certification is evidence of compliance with State BMPs.

For wood producers operating within Highland Pellets LLC's multi-state wood supply area, the SFI Certification Team reviews available State BMP Compliance Monitoring Reports to assess the use of BMPs of Wood Producers. The State Forestry Commissions and water quality agencies conduct periodic state-wide monitoring of BMP implementation and use that information to improve the programs and to refocus the logger training programs.

The BMP Monitoring Programs in Arkansas and Louisiana address all relevant regions of the states and accurately characterize BMP implementation, as well as identify areas for improvement. Highland Pellets LLC reviews the regionally specific information contained in the State BMP Reports to gather information from its wood and fiber supply area.

The BMP Monitoring Programs show very high rates of BMP compliance, from 89%, for Arkansas streamside management zones, to 99%, for Louisiana landings. These monitoring programs are conducted by trained water quality inspectors, working for the State Forestry Commissions or other regulatory agency.

The Company has a written statement of commitment to comply with the law and the SFI Fiber Sourcing Standard as part of its Sustainable Forestry Policy. The Policy is formally communicated to Company personnel via annual correspondence and training. It is also communicated to forest landowners, wood producers and contract loggers where a contractual relationship exists.

	<p>The Company has also signed a Self-Declaration of Association with the FSC, which includes a commitment to respect Indigenous Peoples, including:</p> <p>“The Organization explicitly agrees currently and in the future, as long as the relationship with FSC exists, not to be directly or indirectly involved in the following unacceptable activities:</p> <ul style="list-style-type: none"> a) Illegal logging or the trade in illegal wood or forest products; b) Violation of traditional and human rights in forestry operations; c) Destruction of high conservation values in forestry operations; d) Significant conversion of forests to plantations or non-forest use; e) Introduction of genetically modified organisms in forestry operations; <p>Also see the Appendix A Sourcing Area Auditing Form that specifically addresses the assessment of impacts and monitoring in 1.2.1.</p>
Means of Verification	<p>State Agencies Internal Documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Louisiana Forestry Agency/Commission • Arkansas Forestry Agency/Commission • <i>Voluntary Implementation of Forestry Best Management Practices for Water Quality Protection in Arkansas: Results of the 2017-2018 BMP Implementation Survey</i> Louisiana Dept. of Agriculture & Forestry 2009 BMP Survey (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf) • Louisiana Dept. of Agriculture & Forestry 2015 BMP Results (http://www.ldaf.state.la.us/wp-content/uploads/2016/01/2015-BMP-Results.pdf) • Southern Group of State Foresters (SGSF) Report in 2012 (http://www.forestry.alabama.gov/PDFs/SGSF_BMP_Report_2012.pdf) • FSC/PEFC Controlled Wood/Due Diligence Procedures (HP-SB-CW Procedure & DDS) • SFI Fiber Sourcing Standard • Sustainable Forestry Policy • Wood Producer Contracts • Self-Declaration of Association with the FSC • Appendix A Sourcing Area Auditing Form
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk at RA <input type="checkbox"/> Unspecified Risk</p>
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.2.2	<p>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).</p>
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>Compliance with BMPs is required in contracts with suppliers through the Wood Purchase Agreement/Contract</p> <p>Best Management Practices address the protection of soils from erosion, compaction and disturbance. BMP compliance is consistently higher than 90-95%.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to maintain or improve soil quality including:</p> <p><i>-2.1.1 Harvests of purchased stumpage to comply with BMPS.</i></p> <p>The BMP monitoring information from the BMP Monitoring Reports on purchased stumpage tracts, State BMP Compliance Monitoring Reports and the certification status of wood producers are collected and utilized by the SFI Team during the annual Management Review Process. BMPs also address soil erosion, soil compaction and disturbance and protection of long-term site productivity. Highland Pellets LLC conducts BMP Monitoring (HP-Suppliers- BMP Monitoring CHK) that includes consideration of: Minimize Rutting/Soil Disturbance. If a nonconformance is identified, corrective and preventive actions are required at the bottom of the report form.</p> <p>The Management Review Process as outlined in Objective 10 is to evaluate the effectiveness of promoting the use of BMPs and to set goals for continual improvement and maintaining high rates of BMP compliance. Forest practices activities that are not in compliance with applicable BMPs will be identified and the Company BMP promotion program may be adjusted to improve effectiveness. Any changes to the SFI Promotion Program and/or BMP Monitoring Reports would be communicated to responsible personnel by the Sustainability Manager.</p> <p><i>-2.1.2 Use of written agreements for the purchase of raw material include provisions requiring use of BMPS.</i></p> <p>Highland Pellets LLC requires all suppliers with whom the Company has a contractual relationship to sign a Contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of State water quality BMPs for the protection of water quality. Copies of the contracts with logging contractors and wood producers are maintained by the Procurement Staff.</p> <p>Highland Pellets LLC has a comprehensive program to address adverse weather conditions and ensure that soil and water quality is protected on its purchased stumpage tracts. The Procurement Staff take appropriate steps to plan their procurement activities</p>

	<p>and operations to avoid adverse weather conditions and to implement measures to protect water quality, consistent with State water quality BMPs.</p> <p>Where Highland Pellets LLC directly purchases stumpage from forest landowners and has control of the harvesting operations, the Procurement Staff use the following guidelines to plan for and manage adverse weather conditions, including:</p> <ol style="list-style-type: none"> 1. Follow all applicable state Best Management Practices and local regulations in the harvesting of timber and construction of road, landings and skid trails; 2. Identify when soil and road conditions are not conducive to forest management and logging activities and plan such activities when conditions are more favorable; 3. Harvest upland portions of tracts that are appropriate for wet weather conditions; 4. Use gravel, mats and other practices as appropriate to stabilize roads, minimize soil erosion, and improve accessibility during adverse weather; 5. Maintain a number of optional sites that can be harvested without causing excessive soil rutting or other environmental damage; 6. Schedule harvests on stumpage contracts to coincide with proper weather and soil conditions and landowner requirements; 7. Access drier and more accessible tracts that can be harvested during periods of inclement weather; and 8. Evaluate operations that may require the use of alternative logging systems or should be suspended until weather and soil moisture conditions improve. <p>Highland Pellets LLC's Procurement Staff is authorized to suspend operations on purchased stumpage tracts if, in their opinions, continuation of operations would result in excessive rutting or soil disturbance would compromise adherence to State BMP guidelines.</p>
Means of Verification	<p>State Agencies Forestry Standards Internal Documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> • American Forest Foundation Standards of Sustainability • Wood Purchase Agreement/Contract • Louisiana Best Management Practices • Arkansas Best Management Practices • SFI Fiber Sourcing Standard • BMP Monitoring (HP-Suppliers- BMP Monitoring CHK)
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at</p>
Comment or Mitigation Measure	<p>N/A</p>

	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 FSC/PEFC Chain of Custody Program contains a Controlled Wood/Due Diligence Procedure (HP-SB-CW Procedure & DDS), Risk Assessment (HP-SB-CWRA) and Supplier Correspondence Procedure addressing conservation of High Conservation Value Forests.</p> <p>The US Protected Area Database contains information about protected lands that was published in April 2009: (http://protectedlands.net/padus/).</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to conserve key ecosystems including:</p> <p><i>-1.1.1 Address the conversation of biodiversity.</i></p> <p>Highland Pellets LLC has an active program to provide information to non-certified forest landowners and wood producers, in order to promote the objectives of the SFI Standard (hereafter referred to as "SFI Information Packets"). This program involves supplying information and, upon request, forestry advice directly to landowners where the Company purchases stumpage and has direct influence over the harvesting operation. Where the company purchases wood from outside wood producers, the company encourages those wood producers to pass the SFI Information Packets or brochures on to landowners from whom they purchase wood.</p> <p>Procurement Staff provides SFI Information Packets and other relevant information directly to landowners or their consultants as part of the timber deed contract process. A letter of correspondence and packet of information may be sent through the mail or provided directly to the landowner or his/her agent, as appropriate to the situation. The company also supports the development and distribution of such educational and informal packets for use by forest landowners through cooperative efforts with the Arkansas SIC.</p> <p>Where Highland Pellets LLC purchases wood through "wood producers," as defined in the SFI Standard, the Procurement Staff sends a letter of correspondence to the wood producer with a sample SFI Information Packet. The wood producers are requested to copy and pass the SFI information on to landowners from whom they purchase wood. If the wood producers need additional copies of the SFI Information Packets, they are encouraged to copy the information or notify Highland Pellets LLC and additional copies will be provided.</p> <p>Highland Pellets LLC is focusing its SFI Fiber Sourcing Program on those in the forestry community that would not otherwise receive information about sustainable forestry practices and plan to keep their land in long-term forest production. For 2019, around 50% of wood inputs are expected to come from SFI Forest Management certified landowners.</p> <p>The key sources of information addressing the conservation of Biodiversity are the State Wildlife Action Plans. This information is reviewed and key components of the Action Plans are part of the communication with landowners and wood producers. Statewide priorities are also considered by the Arkansas SIC in customizing its information to landowners and as part of the logger training program. The Arkansas and Louisiana State Wildlife Action Plans are included as</p>

a reference in the landowner and wood producer correspondence. The full Action Plans are available on the internet at:

Arkansas: <http://www.wildlifearkansas.com/strategy.html>

Louisiana: http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf

-1.1.2 Program to protect Forests with Exceptional Conservation Value in harvests of purchased stumpage.

The Procurement Staff have accessed the State Natural Heritage Databases for the wood supply areas where purchased stumpage tracts are located and planned. The Arkansas and Louisiana Natural Heritage Programs can be accessed at the following websites:

Arkansas: <http://www.naturalheritage.com/>

Louisiana: <http://www.wlf.louisiana.gov/wildlife/louisiana-natural-heritage-program>

Where the Natural Heritage Database indicates that a G-1 or G-2 species or community is known to exist in close proximity to the purchased stumpage tract, Procurement Staff shall assess whether the species or community is actually present on the tract or associated with the habitat type present. This may involve assessing the forest and habitat type prior to harvesting and notifying the landowner of its presence. If it is likely that the G-1 or G-2 species or community is present on a purchased stumpage tract, the Procurement Staff would conduct an on-site visit to look for the presence of the species or community. If the G-1 or G-2 species or community is not present, no further action would be taken. As appropriate to the situation, the Procurement Staff may contact the natural heritage program staff to suggest an update to their database.

If a G-1 or G-2 species or community is present and represents a viable population on a purchased stumpage tract, the Procurement Staff would contact the landowner and notify him/her of the location of the species or community and provide information from the natural heritage database. The Procurement Staff would encourage the landowner to manage the tract so as to protect and maintain habitat conditions conducive to the long-term survival of the G-1 or G-2 species or community.

If the landowners requests additional information about the species or community and desires to implement active management measures to protect the species or community, the Procurement Staff would provide contact information for the State Natural Heritage Agency or State Department of Natural Resources and/or Wildlife agencies.

-5.2.1 Participation in the development of biodiversity conservation information for family forest owners.

The Company actively participates in the Arkansas Forestry Association and SFI Implementation Committee to use available resource information and cooperate with BMP monitoring studies. The Arkansas SIC actively works with the state forestry agencies to improve BMP monitoring efforts and to report findings. Both Arkansas and Louisiana have conducted comprehensive statewide forest resource assessments and prepared detailed Action Plans. Those assessments and Action Plans are intended to guide governmental and non-governmental programs and initiatives to achieve sustainable forest management. Those assessments can be found on the following websites.

Arkansas: <http://www.stateforesters.org/forest-action-plans/arkansas>

	<p>Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</p> <p>Also see Section 7.1.4.</p> <p><i>-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 of rare forested natural communities.</i></p> <p>The Company actively participates in the Arkansas SFI Implementation Committee to address the full range of SFI Standard requirements contained in the above Sections including: developing and coordinating logger education and training programs, supporting research, participation in state BMP monitoring programs, development of sustainable forestry information for landowners, development of public outreach and education materials, promoting the conservation of working forests, and addressing inconsistent forest practices. The Arkansas SIC is active in a number of landowner outreach and education initiatives, including sponsorship of the American Tree Farm System State Committees. The SIC has also developed educational materials for landowners addressing BMPs, regeneration of the forest, aesthetics, wildlife and biodiversity, invasive species and other required elements of the SFI Standard.</p> <p>The Company supports other state and county organizations that are active in broadening the practice of sustainable forestry with private forest owners, conducting training sessions, and sponsoring forestry field days and other events with landowners and loggers.</p> <p>See below for information regarding the Mitigation Measure for a de minimis amount of hardwoods that may be purchased.</p>
Means of Verification	<p>Internal Documentation</p> <p>Forestry Standards</p> <p>State Agencies</p> <p>National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> Controlled Wood/Due Diligence Procedure (HP-SB-CW Procedure & DDS) Risk Assessment (HP-SB-CWRA) Supplier Correspondence Procedure (HP-COC-Supplier List and Procedure) US Protected Area Database (http://protectedlands.net/padus/) SFI Fiber Sourcing Standard SFI Information Packets Louisiana Wildlife Action Plans (http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf) Arkansas Wildlife Action Plans (http://www.wildlifearkansas.com/strategy.html) Louisiana Natural Heritage Programs (http://www.wlf.louisiana.gov/wildlife/louisiana-natural-heritage-program) Arkansas Natural Heritage Programs (http://www.naturalheritage.com/) Arkansas Forestry Association SFI Implementation Committee
Risk Rating	<p><input type="checkbox"/> Low Risk <input checked="" type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>Highland Pellets intends on sourcing a maximum of 1% of hardwoods. These have been deemed as Specified Risk by the FSC NRA v1.0.</p> <p>In order to mitigate this minor risk in the Highland Pellet's supply base Highland Pellets will first follow the control measure as determined in the FSC NRA control measure meetings. The FSC NRA requires the implementation of one of five listed control measure</p>

option from the result of the July 2018 Atlanta meeting. Highland Pellets is required to implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods. Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.

As part of the Arkansas SFI Implementation Committee Highland Pellets is well positioned to be at the forefront of knowledge and improve the environment at a state level.

Highland Pellet's also conducts regular BMP checks and tracks the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.

Finally, Highland Pellets will communicate directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.

	Indicator
2.2.4	The Biomass Producer has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).
Finding	<p>The FSC/PEFC Chain of Custody Program contains a Controlled Wood/Due Diligence Procedure (HP-SB-CW Procedure & DDS) and Supplier Correspondence Procedure and Wood Purchase Agreement (HP-COC-Supplier List) addressing conservation of High Conservation Value Forests to address Critical Biodiversity Areas.</p> <p>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.</p> <p>The key sources of information addressing the conservation of Biodiversity are the State Wildlife Action Plans. This information is reviewed and key components of the Action Plans are part of the communication with landowners and wood producers. Statewide priorities are also considered by the Arkansas SIC in customizing its information to landowners and as part of the logger training program. The Arkansas and Louisiana State Wildlife Action Plans are included as a reference in the landowner and wood producer correspondence. The full Action Plans are available on the internet at:</p> <p>Arkansas: http://www.wildlifearkansas.com/strategy.html Louisiana: http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf</p> <p>Highland Pellets LLC has also researched the State Forest Resource Assessments and Action Plans to ensure that its certification programs and procedures are consistent with the direction of federal and state agencies. The SFI Fiber Sourcing Program (HP-COC-Program) goes into great detail in explaining the relationships between the State Action Plans and the Company's conservation programs. A short excerpt is provided below:</p> <p><i>Regional summaries of State Forest Resource Assessments and Strategies highlight the most common forest and forestry-related issues and goals:</i></p> <ul style="list-style-type: none"> • Keeping forests as forests • Forest ecosystem health and productivity • Urban and community forest health and sustainability • Water, biodiversity, recreation, and other ecosystem services • Forest products industry and markets • Sustainable forest management across all ownerships • Climate change • Wildfire threats to forests, public safety, and property • State and private capacity for forestry • Awareness of and support for forests <p>All State forestry agencies completed their Statewide Forest Resource Assessment and Strategy in 2010. As part of that process, States considered the U.S. Forest Service State and Private Forestry National Priorities: (1) conserve and manage working forest landscapes for multiple values and uses, (2) protect forests from threats, and (3) enhance public benefits from trees and forests. States identified forest resource conditions and trends, key forest-related issues, and priority landscape areas, then identified strategies and the resources necessary to implement them.</p> <p>The U.S. Forest Service, State and Private Forestry provided technical support to help States meet the Federal requirements. The USFS State and Private Forestry and the</p>

Association of State Foresters collaborated to provide regional guidance for the State Assessments and Strategies, and all three branches of the Forest Service provided support and assistance.

State forestry agencies consulted a wide range of stakeholders to develop their Assessments and Strategies, including the State Forest Stewardship committee, State wildlife agency, State Natural Resource Conservation Service technical committee, State Urban and Community Forestry council, universities, forest industry groups, environmental non-governmental organizations and woodland owners. The full Statewide Forest Resource Assessments are available at the appropriate websites.

The Statewide Assessments for Arkansas and Louisiana are included here as examples of the assessments for Highland Pellets LLC's key procurement areas. All of the assessments are consistent in their findings that the forests are being sustainably managed and forest volumes have been increasing over the last five years, even while forest acreage has decreased in certain regions due to urban and residential growth. More information is available on each of the relevant statewide assessments by going to the following internet links. These are the major examples and do not attempt to include all of the Districts of Origin.

Arkansas' Forest Resources Assessment:

Arkansas's Forest Resources Assessment is a statewide analysis of the past, current and projected future conditions of Arkansas's forest resources. It is also known as the Forest Action Plan, which was completed in 2010 by the Arkansas Forestry Commission and partners.

The forest resource assessment and accompanying strategic plan and priority maps constitute a coordinated plan for moving Arkansas forests into the future. Priority landscape and program maps supplement the document by illustrating areas within the state that are detailed in the Plan. The maps reflect the conservation, protection and enhancement themes that were the focus on the assessment document and federal directives. The priority landscape and program maps were developed to educate and inform stakeholders about forest resources and assist resource professionals with focused implementation of plan goals, strategies and objectives.

There were six high priority issues identified for Arkansas including:

- Water Quality and Quantity
- Forest Health/Invasive Species
- Forest Fragmentation/Parcelization/Changing Ownerships
- Increase and Enhance the Benefits of Working Forests
- Climate Change
- Fire Management

The SFI Fiber Sourcing Standard requires control systems and procedures to ensure biodiversity protection including:

-1.1.1 Address the conversation of biodiversity.

Highland Pellets LLC has an active program to provide information to non-certified forest landowners and wood producers, in order to promote the objectives of the SFI Standard (hereafter referred to as "SFI Information Packets"). This program involves supplying information and, upon request, forestry advice directly to landowners where the company purchases stumpage and has direct influence over the harvesting operation. Where the company purchases wood from outside wood producers, the company encourages those

wood producers to pass the SFI Information Packets or brochures on to landowners from whom they purchase wood.

Procurement Staff provides SFI Information Packets and other relevant information directly to landowners or their consultants as part of the timber deed contract process. A letter of correspondence and packet of information may be sent through the mail or provided directly to the landowner or his/her agent, as appropriate to the situation. The company also supports the development and distribution of such educational and informal packets for use by forest landowners through cooperative efforts with the Arkansas SIC.

Where Highland Pellets LLC purchases wood through “wood producers,” as defined in the SFI Standard, the Procurement Staff sends a letter of correspondence to the wood producer with a sample SFI Information Packet. The wood producers are requested to copy and pass the SFI information on to landowners from whom they purchase wood. If the wood producers need additional copies of the SFI Information Packets, they are encouraged to copy the information or notify Highland Pellets LLC and additional copies will be provided.

Highland Pellets LLC forwards information to Landowner and Wood Producers promoting biological diversity. The Supplier Correspondence addressing biodiversity is captured below.

Highland Pellets LLC wants to ensure that appropriate State Best Management Practices (BMPs) are implemented to protect water quality and take steps to manage wildlife habitat and biodiversity. We also encourage you to promote landowner recognition and certification programs. Please see the attached information packet and visit the following sites for more information regarding sustainable forestry practices and certification programs:

*<http://www.arkforests.org>
<http://www.aad.arkansas.gov/arkansas-forestry-commission>
<http://www.sfiprogram.org>
<https://www.treefarmssystem.org>*

We are also requiring you to ensure that the on-site supervisor of each logging crew with responsibility for operations has successfully completed the SFI sponsored logger training or equivalent program. We are committed to expanding the use of professional foresters and loggers that have been trained and understand sustainable forestry practices.

In addition, please see your latest Wood Purchase Agreement that contains a number of requirements including: use of State BMPs and Qualified Logging Professionals, avoidance of controversial sources and compliance with applicable laws and regulations. Please maintain records of your wood supply area, suppliers, species of trees sourced and be prepared to provide those records to our Procurement Staff upon request.

-5.2.1 Participation in the development of information addressing biodiversity conservation information for family forest owners.

The Company actively participates in the Arkansas Forestry Association and SFI Implementation Committee to use available resource information and cooperate with BMP monitoring studies. The Arkansas SIC actively works with the state forestry agencies to improve BMP monitoring efforts and to report findings.

Both Arkansas and Louisiana have conducted comprehensive statewide forest resource assessments and prepared detailed Action Plans. Those assessments and Action Plans

	<p>are intended to guide governmental and non-governmental programs and initiatives to achieve sustainable forest management. Those assessments can be found on the following websites. Also see Section 7.1.4.</p> <p>Arkansas: http://www.stateforesters.org/forest-action-plans/arkansas Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</p> <p><i>-5.3.2 Program Participants are knowledgeable about climate change impacts on wildlife, wildlife habitat and conservation of biological diversity.</i></p> <p>The Company participates in cooperative efforts through the State SFI Implementation Committee to broaden awareness about the impacts of global climate change on forests, wildlife and biodiversity.</p> <p>The Intergovernmental Panel on Climate Change (http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-chapter9.pdf) concluded that there may be significant regional transitions associated with shifts in forest location and composition in the U.S. due to climate change. Climate change is likely to alter the geographic distribution of North American forests, including regionally important tree species, such as sugar maples in the Lake States.</p> <p>The effects of climate change on forests in the U.S. and other parts of the world will depend not only on climatic factors but also on stresses from pollution (e.g., acid rain); future trends in forest management practices, including fire control and demand for timber; and land-use change. It is difficult to separate the influence of climate change from these other pressures.</p> <p>Climate change effects on forests are likely to include changes in forest health and productivity and changes in the geographic range of certain tree species. These effects can in turn alter timber production, outdoor recreational activities, water quality, wildlife and rates of carbon storage.</p> <p>See below for Mitigation Measure in regards to Late Successional Bottomland Hardwoods.</p>
Means of Verification	<p>International Agencies State Agencies Internal Documentation</p>
Evidence Reviewed	<ul style="list-style-type: none"> Controlled Wood/Due Diligence Procedure (HP-SB- CW Procedure & DDS) Supplier Correspondence Procedure Wood Purchase Agreement (HP-COC-Supplier List) Arkansas State Action Plan (http://www.wildlifearkansas.com/strategy.html) Louisiana State Action Plan (http://www.wlf.louisiana.gov/sites/default/files/pdf/page_wildlife/33691-Wildlife%20Action%20Plan%20Details/la_wap_pdf.pdf) State Forest Resource Assessments SFI Fiber Sourcing Program (HP-COC-Program) SFI Information Packets Intergovernmental Panel on Climate Change (http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-chapter9.pdf)
Risk Rating	<p><input type="checkbox"/> Low Risk <input checked="" type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>Highland Pellets intends on sourcing a maximum of 1% of hardwoods. These have been deemed as Specified Risk by the FSC NRA v1.0.</p>

	<p>In order to mitigate this minor risk in the Highland Pellet's supply base Highland Pellets will first follow the control measure as determined in the FSC NRA control measure meetings. The FSC NRA requires the implementation of one of five listed control measure option from the result of the July 2018 Atlanta meeting. Highland Pellets is required to implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods. Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.</p> <p>As part of the Arkansas SFI Implementation Committee Highland Pellets is well positioned to be at the forefront of knowledge and improve the environment at a state level.</p> <p>Highland Pellet's also conducts regular BMP checks and tracts the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.</p> <p>Finally, Highland Pellets will communicate directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.</p>
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	Indicator
2.2.5	The Biomass Producer has implemented appropriate control systems and procedures for verifying that the process of residue removal minimises harm to ecosystems.
Finding	<p>Highland Pellets LLC monitors its logging contractors on purchased stumpage tracts using a BMP Monitoring Form (HP-Supplier- BMP Monitoring CHK). Loggers are required to following applicable BMPs containing control systems and procedures.</p> <p>The SFI Fiber Sourcing Standard requires control system and procedures to minimize harm to ecosystems from residue removal including:</p> <p><i>-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.</i></p> <p>The effectiveness of the purchase program is checked by the Procurement Staff who conduct internal monitoring to assess logger training and implementation of BMPs using a "BMP Monitoring Checklist." The Procurement Staff use the BMP Monitoring Checklist to document meetings with contract loggers and the findings of the final close-out inspection and any appropriate follow-up or corrective action. The Contract Logging Supervisor is required to sign the BMP Monitoring Checklist, in situations where Corrective Actions are issued to ensure understanding and compliance. The Procurement Staff conducts periodic and ongoing monitoring of purchased primary feedstock to identify any BMP related problems and to take immediate corrective action, but do not document those inspections unless there is an unsatisfactory situation that needs to be resolved.</p>

Pellets LLC encourages landowners to maintain the BMPs, but cannot take long-term responsibility for maintaining BMPs once the logging contractor has left the site and the tract is closed-out.

The Procurement Staff periodically review the BMP Monitoring Checklists to identify any patterns or trends in BMP implementation/compliance. The information is used to evaluate the effectiveness of the SFI promotion program, determine whether any changes or improvements are necessary, and to set overall goals for maintaining high rates of BMP compliance over time.

In addition to State water quality BMPs, there are Federal BMPs addressing road construction in jurisdictional wetlands. Road Construction for Silvicultural purposes in jurisdictional wetlands does not require a Section 404 dredge and fill permit, due to the silvicultural exemption under the Clean Water Act. However, to qualify for the silvicultural exemption, the road construction must comply with the following BMPs (from Clean Water Section 404 Program Definition and Permit Exemption, Part 232.3).

Highland Pellets LLC requires all suppliers with whom the company has a contractual relationship to sign a contract or other agreement for wood sourced directly from the forest. The agreement requires compliance with applicable laws and regulations and use of State water quality BMPs for the protection of water quality. Copies of the contracts with logging contractors and wood producers are maintained by the Procurement Staff.

-2.1.3 Program to address adverse weather conditions.

Highland Pellets LLC has a comprehensive program to address adverse weather conditions and ensure that soil and water quality is protected on its purchased stumpage tracts. The Procurement Staff take appropriate steps to plan their procurement activities and operations to avoid adverse weather conditions and to implement measures to protect water quality, consistent with State water quality BMPs.

Highland Pellets LLC Procurement Staff communicates the following guidelines to plan for and manage adverse weather conditions, including:

1. Follow all applicable state Best Management Practices and local regulations in the harvesting of timber and construction of road, landings and skid trails;
2. Identify when soil and road conditions are not conducive to forest management and logging activities and plan such activities when conditions are more favorable;
3. Harvest upland portions of tracts that are appropriate for wet weather conditions;
4. Use gravel, mats and other practices as appropriate to stabilize roads, minimize erosion, and improve accessibility during adverse weather;
5. Maintain a number of optional sites that can be harvested without causing excessive rutting or other environmental damage;
6. Schedule harvests on stumpage contracts to coincide with proper weather conditions and landowner requirements;
7. Access drier and more accessible tracts that can be harvested during periods of inclement weather; and
8. Evaluate operations that may require the use of alternative logging systems or should be suspended until weather and soil moisture conditions improve.

Highland Pellets LLC's Procurement Staff is authorized to suspend operations on purchased tracts if, in their opinions, continuation of operations would result in excessive rutting or soil disturbance would compromise adherence to State BMP guidelines.

On both purchased stumpage and wood producer tracts, the Procurement Staff ensure that, during periods of adverse weather conditions, the Company will be able to meet its raw material needs without compromising its adherence to the objective of sustainable forestry.

The Company intends to build wood inventory levels at the Pellet Mill during periods of dry weather to support the mill's wood requirements through the wetter months of the year. Wood inventory records are kept that demonstrate adjustments based upon adverse weather conditions. The Procurement Team periodically monitors and manages wood inventories to avoid logging during such adverse weather conditions.

Highland Pellets LLC also works to develop and maintain a diverse wood supplier network throughout its wood supply area to offset localized supply interruptions due to adverse weather. The Company encourages its suppliers to curtail their fiber sourcing in certain areas during times of saturated soil conditions and during periods of adverse weather conditions, and shift procurement to unaffected areas.

-2.1.4 Clearly define fiber sourcing policies in writing and make them available to wood producers.

The company has a Sustainable Forestry Policy that defines its fiber sourcing policies, makes commitments to comply with applicable laws and regulations (SFIS 4.2.1) and commits to independent certification to the SFI Fiber Sourcing Standard (SFIS 6.1.1).

The Sustainable Forestry Policy is communicated internally to responsible personnel via correspondence and annual training. The Policy is also communicated to purchased-stumpage landowners, contract loggers and wood producers via formal correspondence.

Wood Producer Contracts contain or reference the Sustainable Forestry Policy and require compliance with laws and regulations, implementation of State water quality BMPs and the use of Qualified Logging Professionals.

-2.2 BMP Monitoring across the wood and fiber supply area.

Highland Pellets LLC has a verifiable monitoring system to evaluate the effectiveness of its promotion of the use of BMPs across its wood supply system, and uses that information to set goals for continual improvement and maintaining high rates of BMP compliance. Where forest landowners are SFI or Tree Farm certified, that certification is evidence of compliance with State BMPs.

For wood producers operating within Highland Pellets LLC's multi-state wood supply area, the SFI Certification Team reviews available State BMP Compliance Monitoring Reports to assess the use of BMPs of Wood Producers. The State Forestry Commissions and water quality agencies conduct periodic state-wide monitoring of BMP implementation and use that information to improve the programs and to refocus the logger training programs.

The BMP Monitoring Programs in Arkansas and Louisiana address all relevant regions of the states and accurately characterize BMP implementation, as well as identify areas for improvement. Highland Pellets LLC reviews the regionally specific information contained in the State BMP Reports to gather information from its wood and fiber supply area.

The BMP Monitoring Programs show very high rates of BMP compliance, from 89% to 99%. These monitoring programs are conducted by trained water quality inspectors, working for the State Forestry Commissions or other regulatory agency.

-6.1.5 Written agreement for the use of Qualified Logging Professionals

	<p>The Company requires contract loggers to attend SFI sponsored Professional Logger or equivalent training, and to maintain their continuing education. SFI Logger Training or equivalent training is documented in the Logging Contract. The Procurement Staff also check the contractor's logging supervisor against the SFI Logger Training websites in the respective States.</p> <p>The Procurement Staff are responsible for tracking compliance with the Company's logger training program. Documentation of training is kept on the State Trained Logger websites for loggers contracting directly with the Company.</p> <p>The Procurement Staff also provide direct contractors with information on available training. In addition to the state logger training programs, the Company's Procurement Staff provide on-the-job instruction or training, as appropriate to the situation.</p> <p>The Company also requires its wood producers to employ contract loggers that are Qualified Logging Professionals. This is communicated to the wood producers through a variety of communications, including Supplier Contracts.</p> <p><i>-7.1.2 Support education and outreach to forest landowners addressing management of harvest residues and other utilization needs.</i></p> <p>The Company actively participates in the Arkansas Forestry Association and SFI Implementation Committee to use available resource information, cooperate with BMP monitoring studies, support the American Tree Farm Program and promote the conservation of working forests.</p> <p>The Company works through the SIC to develop information for private forest owners addressing the advantages of providing wildlife biodiversity at the stand and landscape levels. This information has been incorporated into the SFI Implementation Committee information packets and/or brochures for distribution to forest landowners and wood producers.</p> <p>The Company also monitors the Statewide Forest Resource Assessments and Action Plans that have been developed as a result of the Farm Bill. The Statewide Resource Assessments have involved a wide range of Stakeholders at the State and regional level. The Executive Summaries of the Assessments and Action Plans are taken into consideration during the annual Management Review.</p>
Means of Verification	<p>Internal Documentation National Laws and Regulations State Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • BMP Monitoring Form (HP-Supplier-BMP Monitoring CHK) • BMPs containing control systems and procedures • SFI Fiber Sourcing Standard • Clean Water Section 404 Program Definition and Permit Exemption, Part 232.3 • Sustainable Forestry Policy • Wood Producer Contracts
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at</p>
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.2.6	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>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.</p> <p>Highland Pellets LLC also requires all contract loggers operating on purchased stumpage tracts to complete and maintain their SFI Logger Training and comply with applicable laws and regulations, including State BMPs. A formal Timber Harvest Agreement is signed with each independent contract logger that harvests purchased stumpage.</p> <p>The effectiveness of the purchase program is checked by the Procurement Staff who conduct internal monitoring to assess logger training and implementation of BMPs using a “BMP Monitoring Checklist.” The Procurement Staff use the BMP Monitoring Checklist to document meetings with contract loggers and the findings of the final close-out inspection and any appropriate follow-up or corrective action. The Contract Logging Supervisor is required to sign the BMP Monitoring Checklist, in situations where Corrective Actions are issued to ensure understanding and compliance. The Procurement Staff conducts periodic and ongoing monitoring of purchased primary feedstock to identify any BMP related problems and to take immediate corrective action, but do not document those inspections unless there is an unsatisfactory situation that needs to be resolved.</p> <p>Purchased stumpage tracts are closed-out and the final inspection date is noted on the BMP Monitoring Report by the Procurement Staff. Highland Pellets LLC encourages landowners to maintain the BMPs, but cannot take long-term responsibility for maintaining BMPs once the logging contractor has left the site and the tract is closed-out.</p> <p>The Procurement Staff periodically review the BMP Monitoring Reports to identify any patterns or trends in BMP implementation/compliance. The information is used to evaluate the effectiveness of the SFI promotion program, determine whether any changes or improvements are necessary, and to set overall goals for maintaining high rates of BMP compliance over time.</p> <p>In addition to State water quality BMPs, there are Federal BMPs addressing road construction in jurisdictional wetlands. Road Construction for Silvicultural purposes in jurisdictional wetlands does not require a Section 404 dredge and fill permit, due to the silvicultural exemption under the Clean Water Act. However, to qualify for the silvicultural exemption, the road construction must comply with the following BMPs (from Clean Water Section 404 Program Definition and Permit Exemption, Part 232.3).</p> <p>Highland Pellets LLC has a verifiable monitoring system to evaluate the effectiveness of its promotion of the use of BMPs across its wood supply system, and uses that information to set goals for continual improvement and maintaining high rates of BMP compliance. Where forest landowners are SFI or Tree Farm certified, that certification is evidence of compliance with State BMPs.</p> <p>For wood producers operating within Highland Pellets LLC’s multi-state wood supply area, the SFI Certification Team reviews available State BMP Compliance Monitoring Reports to assess the use of BMPs of Wood Producers. The State Forestry Commissions and water</p>

	<p>quality agencies conduct periodic state-wide monitoring of BMP implementation and use that information to improve the programs and to refocus the logger training programs.</p> <p>The BMP Monitoring Programs in Arkansas and Louisiana address all relevant regions of the states and accurately characterize BMP implementation, as well as identify areas for improvement. Highland Pellets LLC reviews the regionally specific information contained in the State BMP Reports to gather information from its wood and fiber supply area.</p> <p>The BMP Monitoring Programs show very high rates of BMP compliance, from 89% to 99%. These monitoring programs are conducted by trained water quality inspectors, working for the State Forestry Commissions or other regulatory agency. The water quality BMP Monitoring Reports are contained on the State Forestry agency websites as outlined below:</p> <p>Arkansas: https://www.aad.arkansas.gov/Websites/aad/files/Content/5944990/2008_Monitoring_Report_.pdf Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf</p> <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: http://www.ncasi.org/Publications/Detail.aspx?id=3204. State BMP Manuals prescribe best practices to avoid water quality impacts. The State BMP Manuals for forestry are contained below:</p> <p>Arkansas: http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</p> <p>The SFI Fiber Sourcing Standard requires control system and procedures to protect water quality. The Objective Evidence is provided in the preceding SBP Indicators.</p>
Means of Verification	<p>Internal Documentation State Agencies National Agencies Forestry Standards</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Timber Harvest Agreement • Arkansas BMP Monitoring Report (https://www.aad.arkansas.gov/Websites/aad/files/Content/5944990/2008_Monitoring_Report_.pdf) • Louisiana BMP Monitoring Report (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf) • National Council for Air and Stream Improvement (NCASI) (http://www.ncasi.org/Publications/Detail.aspx?id=3204) • Arkansas BMP Manual (http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf) • Louisiana BMP Manual (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf) • SFI Fiber Sourcing Standard
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>N/A</p>

	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	<p>The only potential adverse impact to air quality from forestry activities would be from prescribed burning. Air quality and smoke management concerns are reported to be factors in limiting the ability to apply prescribed fire, which is critical to maintaining Longleaf Pine ecosystems and managing for dependent wildlife species that are a concern of conservation organizations.</p> <p>Prescribed fire is regulated, for example, by the Arkansas State Forestry Commission: https://www.agriculture.arkansas.gov/</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures that result in the protection of air quality that may be influenced by forest management. The Objective Evidence is provided in the preceding SBP Indicators.</p> <p><i>-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.</i></p> <p><i>-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.</i></p> <p><i>-2.1.4 Clearly define fiber sourcing policies in writing and make them available to wood producers.</i></p> <p><i>-3.1.1 Promote the use of qualified logging professionals.</i></p> <p><i>-7.1.2 Support education and outreach to forest landowners addressing management of harvest residues and other utilization needs.</i></p> <p><i>-6.1.5 Written agreement for the use of Qualified Logging Professionals</i></p> <p><i>-7.1.2 Support education and outreach to forest landowners addressing reduction of wildfire risk.</i></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, http://www.bugwood.org/pfire/smoke.html.</p> <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. The Highland Pellets LLC Purchase Agreements cover all applicable legislation.</p>
Means of Verification	State Agencies Forestry Standards Internal Documentation
Evidence Reviewed	<ul style="list-style-type: none"> Arkansas State Forestry Commission (https://www.agriculture.arkansas.gov/) SFI Fiber Sourcing Standard Smoke management regulations (http://www.bugwood.org/pfire/smoke.html) State prescribed burning requirements Purchase Agreements
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA

Comment or Mitigation Measure	N/A
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	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>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). http://www.epa.gov/agriculture/lfra.html</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: http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevis e.pdf</p> <p>Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</p> <p>Highland Pellets LLC contributes to Integrated Pest Management (IPM) through its utilization of low valued 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> <p>Pest management programs are administered by the Arkansas State Forestry Commission and Louisiana Dept. of Agriculture & Forestry.</p> <p>Arkansas: http://forestry.arkansas.gov/Services/ManageYourForests/Pages/forestHealth.aspx</p> <p>Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures that address integrated pest management and the appropriate use chemicals.</p> <p>Highland Pellets does not manage timberland and is not involved in the application of chemicals or management of insects, pests and diseases. The fact that over 50% of raw material inputs are SFI Forest Management Certified provides strong evidence that forest health conditions are adequately addressed.</p>
Means of Verification	<ul style="list-style-type: none"> • National Agencies • Voluntary Forestry Standards • State Agencies

Evidence Reviewed	<ul style="list-style-type: none"> EPA, Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) (http://www.epa.gov/agriculture/lfra.html) Arkansas BMP Manual (http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevis e.pdf) Louisiana BMP Manual (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf) Arkansas State Forestry Commission (http://forestry.arkansas.gov/Services/ManageYourForests/Pages/forestHealth.aspx) Louisiana Dept. of Agriculture & Forestry (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf) SFI Fiber Sourcing Standard
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.2.9	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	<p>Highland Pellets LLC requires that its suppliers implement BMPs to minimize negative impacts on forest ecosystems. Otherwise, the company has no involvement in forest harvesting methods and relies on State BMP programs. State BMPs require the removal of garbage and other wastes.</p> <p>Arkansas: http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevis e.pdf</p> <p>Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures that address waste disposal by requiring the use of State BMPs.</p> <p><i>-4.1.2. System to achieve compliance with applicable federal, provincial, state or local laws and regulations.</i></p> <p>Highland Pellets LLC's Sustainable Forestry Policy specifies a commitment to achieving compliance with applicable laws and regulations. The Company has a system in place to ensure that applicable federal, state or local laws and regulations are implemented and achieved.</p> <p>Highland Pellets LLC's system to achieve regulatory compliance is based upon environmental management system elements, similar to those contained in ISO 14001. The management system elements include:</p> <ul style="list-style-type: none"> -a policy commitment to achieve continuing regulatory compliance; contract provisions with landowners and loggers requiring regulatory compliance; -ready access to applicable laws and regulations through the internet; SFI Logger training of appropriate staff and contractors in applicable regulations; -monitoring of BMP compliance on all purchased stumpage tracts; corrective and preventive action where compliance is unsatisfactory; and

-annual management review and continual improvement by the SFI Team.

If a regulatory compliance issue were to be uncovered on a purchased stumpage tract, the Procurement Staff would work with the contractor and/or landowner to take appropriate corrective and preventive measures. Highland Pellets LLC is required by the SFI Standard to ensure BMP implementation.

The most likely legal and regulatory issues on purchased tracts involve timber theft, a Federally listed Threatened or Endangered Species, fuel or hydraulic oil spills, Federal Clean Water Act water quality standards and state laws addressing the protection of cemeteries.

If a regulatory compliance issue were to be uncovered or reported on a wood producer tract where the wood was delivered to Highland Pellets LLC, the Procurement Staff would encourage the wood producer to take appropriate corrective and preventive action.

Information addressing applicable laws and regulations is available through appropriate Internet websites and associated links.

-6.1.5 Written agreement for the use of Qualified Logging Professionals

The Company requires contract loggers to attend SFI sponsored Professional Logger or equivalent training, and to maintain their continuing education. SFI Logger Training or equivalent training is documented in the Logging Contract. The Procurement Staff also check the contractor's logging supervisor against the SFI Logger Training websites in the respective States.

The Procurement Staff are responsible for tracking compliance with the Company's logger training program. Documentation of training is kept on the State Trained Logger websites for loggers contracting directly with the Company. In cases where websites are not kept up-to-date, copies of logger training certificates are kept by Highland Pellets LLC.

The Procurement Staff also provide direct contractors with information on available training. In addition to the state logger training programs, the Company's Procurement Staff provide on-the-job instruction or training, as appropriate to the situation.

The Company also requires its wood producers to employ contract loggers that are Qualified Logging Professionals. This is communicated to the wood producers through a variety of communications, including Supplier Contracts.

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:

http://stateforesters.org/sites/default/files/issues-and-policies-document-attachments/Protecting_Water_Quality_through_State_Forestry_BMPs_FINAL.pdf

Forestry operations involving mechanical equipment run the small risk of discharges of fuel and hydraulic fluid. State BMPs require that refueling tanks are to be located outside of wetland and streamside management areas and all used containers are to be cleaned up during closeout of the harvesting operations.

The Clean Water Act requires that any discharges of oil based products in quantities that may be harmful to public health and welfare are required to be reported if they violate water quality standards by: causing a sheen upon or discoloration of the surface of the water or adjoining shorelines and cause a sludge or emulsion to be deposited beneath the surface of the water or adjoining shorelines. Oil reporting does not depend upon the specific amount of oil spilled. The

	<p>EPA regulations are contained in 40 CFR 110. If any of the above occur, an immediate telephone report to the National Response Center is required: 800-424-8802.</p> <p>The report shall include the name, location, organization and telephone number; the name and address of the party involved; the date and time of the incident; the location of the incident; the source and cause of the spill; the type of material released or spilled; the quantity of the material; the danger or threat posed by the spill; weather conditions at the location and any other information that may help emergency personnel respond to the incident.</p> <p>State regulations can have additional spill reporting requirements. Those State level requirements can be found at the following website: https://normanswei.files.wordpress.com/2010/11/spill-reporting-table-by-states.pdf</p>
Means of Verification	<p>State Agencies</p> <p>Internal Documentation</p> <p>Federal Laws and Regulations</p>
Evidence Reviewed	<ul style="list-style-type: none"> Arkansas BMP Manual (http://forestry.arkansas.gov/Services/ManageYourForests/Documents/bmpbookrevise.pdf) Louisiana BMP Manual (http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMP.pdf) Sustainable Forestry Policy SFI Fiber Sourcing Standard Federally listed Threatened or Endangered Species Federal Clean Water Act Purchase Agreements The National Association of State Foresters (http://stateforesters.org/sites/default/files/issues-and-policies-document-attachments/Protecting_Water_Quality_through_State_Forestry_BMPs_FINAL.pdf) National Response Center (800-424-8802)
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	N/A

	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.</p> <p>State Forest Inventory & Analysis (FIA) Updates and Fact Sheets are available on-line: Arkansas: http://srsfia2.fs.fed.us/states/arkansas.shtml Louisiana: http://www.srs.fs.usda.gov/pubs/su/su_srs050.pdf</p> <p>National Alliance of Forest Land Owners 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. 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</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. http://www.fs.fed.us/research/publications/gtr/gtr_wo87.pdf</p> <p>The SFI Fiber Sourcing Standard partially addresses forest productivity and long-term economic viability. See the SFI Objective Evidence provided in previous sections.</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. The sustainable harvest levels and growth data are addressed and maintained by the U.S. Forest Service and State Forestry Commissions and Agencies.</p> <p>The U.S. Forest Service Forest Inventory & Analysis Program reports that forest growth generally exceeds harvest and that the amount of forest land is stable: http://www.fia.fs.fed.us/</p>
Means of Verification	National Agencies Non-governmental agencies State Agencies
Evidence Reviewed	<ul style="list-style-type: none"> State Forest Inventory & Analysis (FIA) Updates and Fact Sheets are available on-line: <ul style="list-style-type: none"> Arkansas: http://srsfia2.fs.fed.us/states/arkansas.shtml Louisiana: http://www.srs.fs.usda.gov/pubs/su/su_srs050.pdf

	<ul style="list-style-type: none"> National Alliance of Forest Land Owners (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) USDA (http://www.fs.fed.us/research/publications/gtr/gtr_wo87.pdf) The U.S. Forest Service Forest Inventory & Analysis Program (http://www.fia.fs.fed.us/) SFI Fiber Sourcing Standard Arkansas Forestry Commission Louisiana Forestry Commission
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.3.2	Adequate training is provided for all personnel, including employees and contractors (CPET S6d).
Finding	<p>Highland Pellets LLC conducts in-depth internal training for all responsible personnel.</p> <p>Highland Pellets LLC requires its wood suppliers to utilize trained loggers (HP-COC-Supplier List/HP-COC-Program). 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-IAMR-TMP-Training) are maintained and are available upon request.</p> <p>The SFI Fiber Sourcing Standard requires adequate training of employees and contractors.</p> <p><i>-3.1.1 Promote the use of qualified logging professionals.</i></p> <p>Highland Pellets LLC actively encourages landowners that it purchases from to utilize the services of qualified resource professionals in applying principles of sustainable forest management.</p> <p>The Company requires its direct contract loggers to attend SFI Logger Training. Contract loggers used to harvest stumpage tracts have all been SFI Logger Trained and are required to maintain their continuing education. SFI Logger Training or equivalent logger training is documented on the BMP Monitoring Report by the Procurement Staff. The Procurement Staff also check the contractors against the SFI Logger Training websites in the respective States. In cases where the website is not kept up-to-date, logger training certificates are also collected.</p> <p>Highland Pellets LLC requires its wood producers to work with qualified logging professionals. The Company encourages others in the forestry community to promote logger training. This is communicated directly to wood producers through a formal letter of correspondence from the Procurement Staff, as well as through ongoing discussions and communication.</p>

	<p>The majority of the loggers working in the multi-state wood supply area of Highland Pellets LLC's manufacturing facility have received SFI Logger Training. Many of the professional forestry consultants have also taken ongoing professional training courses to maintain their professional forester credentials.</p> <p>Documentation of training is kept on the Trained Logger websites for all applicable States. Links to the State Logger Training websites are contained below.</p> <p>Arkansas: http://www.arkloggers.com/training/graduates/ Louisiana: http://www.laforestry.com/MasterLoggers/TrainingProgram.aspx</p> <p><i>-6.1.5 Written agreement for the use of Qualified Logging Professionals</i></p> <p>The Company requires contract loggers to attend SFI sponsored Professional Logger or equivalent training, and to maintain their continuing education. SFI Logger Training or equivalent training is documented in the Logging Contract. The Procurement Staff also check the contractor's logging supervisor against the SFI Logger Training websites in the respective States.</p> <p>The Procurement Staff are responsible for tracking compliance with the Company's logger training program. Documentation of training is kept on the State Trained Logger websites for loggers contracting directly with the Company.</p> <p>The Procurement Staff also provide direct contractors with information on available training. In addition to the state logger training programs, the Company's Procurement Staff provide on-the-job instruction or training, as appropriate to the situation. The Company also requires its wood producers to employ contract loggers that are Qualified Logging Professionals. This is communicated to the wood producers through a variety of communications, including Supplier Contracts.</p>
Means of Verification	<p>Internal Documentation State Agencies Logging Training Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Training Sign-in Sheets and records (HP-IAMR-TMP-Training) • Supplier Contracts • State Logger Training <ul style="list-style-type: none"> ◦ Arkansas: http://www.arkloggers.com/training/graduates/ ◦ Louisiana: http://www.laforestry.com/MasterLoggers/TrainingProgram.aspx • BMP Monitoring Report • Training Documentation • Training Session Agenda
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.3.3	Analysis shows that feedstock harvesting and biomass production positively contribute to the local economy, including employment.
Finding	<p>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.</p> <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. Arkansas: http://forestryimpacts.net/reports/arkansas Louisiana: http://forestryimpacts.net/reports/louisiana</p> <p>Highland Pellets LLC has also adopted a Sustainable Forestry Policy (HP-COC-Policy) that promotes biomass production that supports the local economy and employment. The Policy states:</p> <p><i>The responsible thinning and harvesting of working forests ensures that local land owners have a stake in the growth and sustainability of their holdings. It provides a needed incentive for these owners to reinvest into growing their working forests. This in turn supports a much needed 'in-woods' industry that many families rely on for their livelihoods and is an economic driver for rural areas. Highland has heard time and again from a cross section of local citizens who have delayed thinning their working forests for many years because there are insufficient markets to sell their wood. Forests that are not thinned will become over-crowded so that the value and quality of the holdings will deteriorate over time.</i></p> <p>Summary:</p> <p><i>Highland's wood pellet business is environmentally friendly and sustainable in several ways:</i></p> <ol style="list-style-type: none"> <i>1. Wood pellets directly replaces coal burned in European power stations, reducing the emission of GHG emissions by up to 80%;</i> <i>2. Contributes to protecting the commercial viability of the forestry sector, thereby helping forests to remain as forest rather than be converted to alternative land uses;</i> <i>3. Highland will use a large volume of wood thinnings which will enable the local forests to become healthier and so better able to absorb harmful carbon dioxide from the atmosphere, compared to if the forests were left over-grown and unmanaged.</i> <i>4. Our wood pellets are sourced from thinnings, tops, branches, non-merchantable trees (e.g. diseased) and waste material from mills. This ensures that a greater portion of the whole tree which has been harvested for other markets, or which would not otherwise be sold because it is poor quality, will be used as a renewable resource to produce energy.</i> <i>5. Our fiber demand creates an additional local market which helps the livelihood of local rural communities</i> <p>Highland Pellets LLC is committed to sourcing wood and residual fiber from renewable, legal and sustainable sources and to promote the principles of sustainable development and use of renewable resources. It also strives to broaden the practice of sustainable forestry and improve the professionalism of forest workers and the forestry community.</p>

	Highland Pellets LLC has set an overall goal of increasing the use of renewable wood energy, reducing wood waste and decreasing greenhouse gas emissions. The use of woody biomass as a replacement for fossil fuels is a proven way to improve forest utilization, facilitate regeneration of the forest, reduce the risk of wildfire, reduce carbon emissions, and improve the international trade in forest based products. It will also provide a market incentive for landowners to keep their lands in forest cover.
Means of Verification	Internal Documentation Non-governmental organizations
Evidence Reviewed	<ul style="list-style-type: none"> • Sustainable Forestry Policy (HP-COC-Policy) • A collaboration between The Southern Group of State Foresters (SGSF) and Southern Regional Extension Forestry (SREF) Economic Reports <ul style="list-style-type: none"> ◦ Arkansas: http://forestryimpacts.net/reports/arkansas ◦ Louisiana: http://forestryimpacts.net/reports/louisiana
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.4.1	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	<p>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 and dependent communities.</p> <p>The latest forest inventory data for the States of Arkansas and Louisiana indicate that forest 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 and geographic specific assessments conducted in the world.</p> <p>Arkansas: http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</p> <p>The SFI Fiber Sourcing Standard addresses procedures to ensure healthy and productive forests. The Objective Evidence addressing this SBP Indicator is provided in the above indicators.</p> <p>See below for Mitigation Measure for Specified Risk regarding Late Successional Bottomland Hardwoods.</p>
Means of	State government assessments Non-governmental organizations

Verification	
Evidence Reviewed	<ul style="list-style-type: none"> Arkansas Forestry Assessment http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf https://www.agriculture.arkansas.gov/Websites/aad/files/Content/5945006/2017_Forest_Facts_of_Arkansas.pdf Louisiana Forestry Assessment http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf
Risk Rating	<input type="checkbox"/> Low Risk <input checked="" type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	<p>Highland Pellets intends on sourcing a maximum of 1% of hardwoods. These have been deemed as Specified Risk by the FSC NRA v1.0.</p> <p>In order to mitigate this minor risk in the Highland Pellet's supply base Highland Pellets will first follow the control measure as determined in the FSC NRA control measure meetings. The FSC NRA requires the implementation of one of five listed control measure option from the result of the July 2018 Atlanta meeting. Highland Pellets is required to implement a low level of risk mitigation as defined by the FSC NRA V1.0. This is because the Highland Pellets procures from less than 25% of the specified risk area, the AAF level of Highland Pellets is low (level 4), and less than 1% of the total feedstock procured by Highland Pellets has the potential to include Late Successional Bottomland Hardwoods. Highland Pellets is implementing the Education and Outreach control measure. Outreach followed by education will be sent to all suppliers annually and encouraged to be passed along to all interested parties and landowners.</p> <p>As part of the Arkansas SFI Implementation Committee Highland Pellets is well positioned to be at the forefront of knowledge and improve the environment at a state level.</p> <p>Highland Pellet's also conducts regular BMP checks and tracks the BMP implementation from all primary feedstock. These BMP checks ensure that all precautions are taken to reduce the negative environmental impacts and that all ecosystems are protected. The contract between Highland Pellet's and its supplier allows the company to reject any material that is not compliant with Highland Pellet's sustainability requirements.</p> <p>Finally, Highland Pellets will communicate directly with secondary suppliers who may supply hardwoods a) what Late Successional Bottomland Hardwoods are, b) proper management and harvesting techniques for Late Successional Bottomland Hardwoods, c) What will happen if proper management and harvesting techniques are not followed, i.e. Highland Pellets will reject the material.</p>

	Indicator
2.4.2	<p>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).</p>
Finding	<p>Increased wood fiber utilization directly results in a reduction in fires, pests and diseases.</p> <p>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.</p> <p>Highland Pellets LLC sources fiber from thinnings, non-merchantable low-grade round wood and tree tops from the surrounding private forests, as well as 'mill residual' products such as chips, bark and dust from local sawmills. This provides a route for saw mills to dispose of their waste products and ensures that less waste is produced from the timber supply chain.</p> <p>Commercial thinning is considered a best practice common in Southern Yellow Pine timber management where a portion of the standing timber is removed. Forest thinnings are young smaller trees, typically around 10 inches in diameter at the base, which must be removed from the commercial forest to allow more light and nutrition for the remaining trees to grow to full size. Trees removed during thinning are too small to be used as quality saw logs and yet stands without a market outlet for thinnings are often left to struggle to grow.</p> <p><i>A managed forest after thinning</i></p> <p>There are several methods of commercial thinning, whether it is selecting every other tree, removal of a row, or a combination of both. The type of thinning performed is determined by the initial stocking and the desired volume and design of the remaining stand.</p> <p>The practice of thinning has multiple benefits:</p> <ul style="list-style-type: none"> Improving forest health by removing poor quality, deformed trees and strategic portions of the stand of fiber, allowing the remaining stand greater access to light, water and nutrients so as to increase productivity and growth into higher value products Capturing fiber from trees that would otherwise die from overcrowding Lowering fire hazard and susceptibility to insects and disease Allowing the landowner access to another source of revenue Allowing for visual and volume variety in an otherwise similar age group of timber Modifying the stand structure for the benefit of wildlife habitat or biodiversity <p>The Arkansas and Louisiana Forest Resource Assessments document that forest health is not significantly threatened by forest pests.</p> <p>Arkansas: http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf</p> <p>Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf</p> <p>The fact that over 50% of inputs are Certified to the SFI Forest Management Standard is clear evidence that natural processes are managed appropriately. Note that SBP recognizes PEFC endorsed forest management standards (SFI Forest Management) as SBP Compliant Feedstock.</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. Fire, pests and diseases are addressed by Federal and State Forestry Commissions and Agencies.</p> <p>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.</p> <p>http://www.stateforesters.org/current-issues-and-policy/other-priorities/forest-health-and-sustainability</p>
Means of Verification	<p>State Agencies</p> <p>National Agencies</p> <p>Non-governmental agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> Arkansas Forest Resource Assessments http://forestry.arkansas.gov/SiteCollectionDocuments/ArkansasForestryCommAssessment.pdf Louisiana Forest Resource Assessments http://www.ldaf.state.la.us/wp-content/uploads/2014/10/Louisiana-Statewide-Forest-Resource-Assessment-and-Strategy.pdf The National Association of State Foresters website contains details on those cooperative efforts. http://www.stateforesters.org/current-issues-and-policy/other-priorities/forest-health-and-sustainability SFI Fiber Sourcing Standard
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	N/A

	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	<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 & 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>State forestry commissions also monitor BMP compliance. BMP implementation compliance rates for Arkansas are 93% and Louisiana 96%.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to protect the forest from unauthorized and illegal activities including:</p> <p><i>-4.1 Program Participants comply with applicable laws and regulations and take</i></p>

steps to avoid illegal logging.

Highland Pellets LLC's Sustainable Forestry Policy specifies a commitment to achieving compliance with applicable laws and regulations. The Company has a system in place to ensure that applicable federal, state or local laws and regulations are implemented and achieved.

Highland Pellets LLC's system to achieve regulatory compliance is based upon environmental management system elements, similar to those contained in ISO 14001. The management system elements include:

1. a policy commitment to achieve continuing regulatory compliance;
2. contract provisions with landowners and loggers requiring regulatory compliance;
3. ready access to applicable laws and regulations through the internet;
4. SFI Logger training of appropriate staff and contractors in applicable regulations;
5. monitoring of BMP compliance on all purchased stumpage tracts;
6. corrective and preventive action where compliance is unsatisfactory; and
7. annual management review and continual improvement by the SFI Team.

-4.1.4 Program to assess the risk of sourcing material from illegal logging

Highland Pellets LLC has a high level of confidence that illegal logging is not widespread across its wood supply areas, including violations of Federal and State laws and regulations. The comprehensive laws and regulations relating to forest management and timber harvesting are aggressively enforced by appropriate regulatory agencies.

The Company has undertaken a comprehensive Due Diligence System and Risk Assessment of its sourcing of all wood material across its wood and fiber supply area, sufficient to fulfill the SFI Fiber Sourcing requirements. The assessment is also required by the PEFC and FSC Chain of Custody and Controlled Wood Standards, as well as the Sustainable Biomass Partnership. The Controlled Wood Risk Assessment (HP-SB-CWRA) supports the conclusion that there is a negligible risk of illegal logging and activity. Highland Pellets LLC helps to increase awareness of the Arkansas Forestry Commission's Reward Program, which offers rewards for information on illegal logging, by placing paraphernalia regarding the program in the scale house where it can be viewed by incoming trucks.

There are multiple state and federal rules and laws that govern how logging and other forestry activities must be conducted in order to protect the quality of State water and other forest related resources.

- The foundation of rules that apply statewide are called the State Best Management Practices for Water Quality Protection.
- There are also state laws that prohibit obstructing streams, ditches or other drainages.
- There are several riparian buffer rules that limit logging and other forestry activities alongside certain streams within specific watershed regions of State.
- There are laws that protect coastal marshland and wetland areas.

The State forestry commissions/agencies have the responsibility to inspect logging jobs; this includes public lands and privately-owned lands. Some State agencies/commissions inspect logging jobs within their designated work areas and document if the logging job is in compliance with water quality and other regulations. A team of water quality specialists

	<p>in the agency provides additional education, technical assistance, advice and training on water quality related topics.</p> <p>Loggers may notify State agencies before starting their work and many loggers voluntarily request assistance or advice from Company Procurement Staff and State Forestry Commission experts. Procurement Staff maintain good working knowledge of what's going on in their area of operations and have good relationships within the logging community and forestry agencies.</p> <p>Also see the Sourcing Area Monitoring Form that specifically addresses timber theft/trespass/illegal logging. The Monitoring Form is contained in SBP Indicator 1.2.1.</p> <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: (http://info.worldbank.org/governance/wgi/sc_chart.asp)</p> <p>The "Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports" (AHEC Legality Study) available at: http://www.ahec-europe.org/ 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 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>
Means of Verification	<p>Internal Documentation</p> <p>Global Agencies</p> <p>State Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Sustainable Forestry Policy (HP-COC-Policy) • Arkansas Forestry Commission and Louisiana Dept. of Agriculture & Forestry • The SFI Fiber Sourcing Standard • Controlled Wood Risk Assessment (HP-SB- CW Procedures & DDS) • Arkansas and Louisiana State Best Management Practices for Water Quality Protection • State Forestry Commission Experts • World Bank Global Governance Indexes (http://info.worldbank.org/governance/wgi/sc_chart.asp) • "Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports" (AHEC Legality Study) available at: http://www.ahec-europe.org/
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.5.1	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	<p>FSC/PEFC Chain of Custody and Controlled Wood Certificates provide sufficient objective evidence of conformance to the Indicator. There are no identified indigenous peoples with legal use rights within the wood fiber supply areas.</p> <p>There are no Federally recognized indigenous peoples tribes located within the Fiber Supply Area. See the Bureau of Indian Affairs website for the Eastern Region: http://www.bia.gov/WhoWeAre/RegionalOffices/Eastern/index.htm</p> <p>Any feedback from a Federally recognized tribe would be documented and a response provided to any concerns received. The Public Complaints Procedure (HP-COC-Complaints) would be used to address any Indigenous Peoples' inquiries and concerns.</p> <p>Highland Pellets LLC relies on the FSC/PEFC Controlled Wood Risk Assessment (HP-SB-CW Procedures & DDS) that concludes that:</p> <p>"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."</p> <p>The SFI Fiber Sourcing Standard partially addresses the identification of traditional use rights of indigenous peoples and local communities.</p> <p><i>-4.2.1 Written policy demonstrating commitment to comply with social laws, Indigenous Peoples' rights.</i></p> <p>The Company has a written statement of commitment to comply with the law and the SFI Fiber Sourcing Standard as part of its Sustainable Forestry Policy. The Policy includes respect for Indigenous Peoples and is formally communicated to Company personnel via annual correspondence and training. It is also communicated to forest landowners, wood producers and contract loggers where a contractual relationship exists.</p> <p><i>-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.</i></p> <p>The Company actively participates in the Arkansas SFI Implementation Committee to address the full range of SFI Standard requirements contained in the above Sections including: developing and coordinating logger education and training programs, supporting research, participation in state BMP monitoring programs, development of sustainable forestry information for landowners, development of public outreach and education materials, promoting the conservation of working forests, respect for Indigenous Peoples and addressing inconsistent forest practices.</p> <p>The Arkansas SIC is active in a number of landowner outreach and education initiatives, including sponsorship of the American Tree Farm System State Committees. The SIC has also developed educational materials for landowners addressing BMPs, regeneration of the forest, aesthetics, wildlife and biodiversity, invasive species and other required elements of the SFI Standard.</p> <p>Highland Pellets LLC also conducts Sourcing Area Monitoring (HP-COC-10a, Appendix A)</p>

	that includes a checklist for violations of traditional and civil rights. This is addressed in Indicator 1.2.1. and is not repeated here.
Means of Verification	Government Agencies Non-government organizations Internal Documentation
Evidence Reviewed	<ul style="list-style-type: none"> Bureau of Indian Affairs website for the Eastern Region: http://www.bia.gov/WhoWeAre/RegionalOffices/Eastern/index.htm The Public Complaints Procedure (HP-COC-Complaints) FSC/PEFC Controlled Wood Risk Assessment (HP-SB-CWRA) SFI Fiber Sourcing Standard The Arkansas SIC American Tree Farm System Sourcing Area Monitoring (HP-SB-CW Procedures & DDS, Appendix A)
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.5.2	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	<p>FSC/PEFC Chain of Custody and Controlled Wood Certificates provide sufficient objective evidence of conformance to this Indicator.</p> <p>All incoming wood and fiber material used in the manufacture of the identified Industrial Wood Pellet product groups is appropriately categorized in the Product Group List (HP-COC-Product Group List).</p> <p>All incoming material is currently considered at least "controlled material" or "SBP-Compliant and Controlled Feedstock." All inputs, including those that are SFI Certified, are subject to the SBP Supply Base Evaluation/Risk Assessment and are considered SBP-Compliant Feedstock. Once inputs are received at the woodyards, they are mixed together at the pellet manufacturing facility.</p> <p>Highland Pellets LLC has developed an approved list of suppliers that have current Forest Management Certificates and Fiber Purchase Agreements that are contained in the Supplier List and Contract Procedure (HP-COC-Supplier List). The List of Suppliers includes the suppliers' SFI Forest Management certificate number. If Chain of Custody certified material inputs are sourced in the future, the FSC/PEFC Chain of Custody/Controlled Wood certificate number would be validated.</p> <p>The Procurement Staff identifies all known certified organizations and suppliers (HP-COC-Supplier List). The Procurement Staff verifies the validity of applicable certificates and has access to copies of each certified organization's Forest Management certificate.</p> <p>The certificate numbers are verified against the relevant databases to confirm that they are valid. The Procurement Staff checks www.info.fsc.org, www.sfiprogram.org, www.treefarmssystem.org and www.pefc.org for accurate and up-to-date information about</p>

	<p>forest management and chain of custody certified organizations. Currently, very few primary sawmills are delivering residuals and none are expected to be Chain of Custody certified.</p> <p>Upon receipt of incoming material at the scale house, Highland Pellets LLC staff to take over the chain of custody process from the Procurement Staff.</p> <p>A Delivery Ticket on each load identifies the forest management unit (FMU) or primary wood supplying mill and contains a reference to the Wood Purchase or other Agreement. This information is entered into the internal database by the Scale House Operator and recorded. All green tons of wood and fiber, purchased under a specific Wood Purchase Agreement, are entered into the appropriate Accounting Database and could be identified as FSC/PEFC/SBP certified forest content and/or controlled material.</p> <p>The Delivery Ticket contains information about the supplier including their name, contact information, forest management certificate number, quantity of material and other relevant information. This information can be checked against the list of approved organizations that are in possession of valid forest management or Chain of Custody certificates to confirm receipt of certified forest content (PEFC/FSC).</p> <p>The Sustainability Manager confirms that incoming non-certified wood fiber is considered “controlled material” according to the Controlled Wood Procedure (HP-SB-CW Procedures & DDS), the Controlled Wood Risk Assessment (HP-SB-CWRA) and the Supply Base Evaluation and Risk Assessment. Non-certified, but controlled wood inputs, can then be mixed with any certified and other controlled material inputs.</p> <p>Each load of wood and fiber is identifiable by supplier, which ensures that the wood fiber inputs are coming from suppliers that have Wood Purchase Agreements. The supplier list is derived from the formal Wood Purchase Agreements (HP-COC-Supplier List) that contain required FSC and PEFC Chain of Custody & Controlled Wood provisions. Wood deliveries that do not have a Wood Purchase Agreement are rejected.</p> <p>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.</p>
Means of Verification	Non-governmental organizations Internal Documentation
Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC Chain of Custody and Controlled Wood Certificates • Product Group List (HP-COC-Product Group List) • Supplier List and Contract Procedure (HP-COC-Supplier List) • Forest sustainability certificate holder checks: www.info.fsc.org, www.sfiprogram.org, www.treefarmssystem.org and www.pefc.org • Delivery Tickets • Controlled Wood Risk Assessment (HP-SB-CWRA) • Supply Base Evaluation and Risk Assessment
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.6.1	<p>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.</p>
Finding	<p>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.</p> <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. Highland Pellets LLC has a formal Complaints Procedure for addressing substantiated public concerns related to Controlled/Controversial Wood (HP-COC-Complaints).</p> <p>The SFI Fiber Sourcing Standard partially addresses mechanisms to resolve grievances and disputes over tenure and use rights and work conditions.</p> <p><i>-7.3.2 Process to receive and respond to public inquiries.</i></p> <p>Highland Pellets LLC may receive inquiries through mail/e-mail or telephone. If the complaint pertains to a potential inconsistent practice, it will be directed to the Sustainability Coordinator, who shall follow the general procedures outlined immediately below.</p> <ol style="list-style-type: none"> 1. The complainant shall present specific claims of inconsistent forest practice in writing and in sufficient detail; 2. The Sustainability Coordinator shall respond in writing to any formal complainant within 45 days and forward the complaint and written response to its SFI accredited certification body; 3. The Sustainability Coordinator shall coordinate with the SFI accredited certification body as part of its annual surveillance audit and procedures; 4. A complainant who believes the issue has not been satisfactorily resolved, may provide the relevant information to the SFI Implementation Committee inconsistent practices program, which shall investigate and respond to the complaint with 45 days; and 5. Formal complaints and their resolution shall be reviewed and recorded as part of the annual SFI Management Review. 6. SFI Inconsistent Practices & ILO Core Conventions 7. The following procedure will be implemented for sources of wood supply suspected of being inconsistent with the ILO Core Conventions as defined in the SFI Standards, respectively: 8. The complainant shall present specific claims of inconsistent practice in writing and in sufficient detail to the Company; 9. The Sustainability Coordinator shall respond in writing to any formal complainant within 45 days and forward the complaint and written response to its SFI accredited certification body; 10. The Sustainability Coordinator shall coordinate with the SFI accredited certification body as part of its annual surveillance audit and procedures; 11. A complainant who believes the issue has not been satisfactorily resolved, may provide the relevant information to the SFI ILO Task Force, which shall investigate and provide copies of its findings to the SFI Board of Directors; and 12. Formal complaints and their resolution shall be reviewed and recorded as part of the annual SFI Management Review. <p>Also see the SFI Public Inquiries and Official Complaints, Section 11:</p>

	<ol style="list-style-type: none"> 1. Public inquiries regarding inconsistent practices 2. Official Complaints Process 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11) <p>Challenges or complaints regarding SFI on-product label use (Section 5) Highland Pellets LLC has a procedure in place to address complaints regarding its Chain of Custody compliance. The procedure involves:</p> <ol style="list-style-type: none"> 1. Acknowledge receipt of the complaint and inform stakeholders of the complaint procedure with an initial response within two (2) weeks of receiving the complaint; 2. Assess and investigate the evidence provided in the written complaint; 3. Forward complaints related to risk designations to the responsible body; 4. Forward substantial complaints to the Certification Body and relevant FSC National Office for the supply area within two (2) weeks of receipt of the complaint, providing information on resolving the complaint, while taking precautionary measures; 5. Implement a verification process (field visit and/or desk verification) for substantial complaints within two (2) months of receipt; 6. Enter into a dialogue with complainants with the aim of solving substantial complaints before further action is taken; 7. For documented cases considered relevant and potentially accurate, specify a proposed action in response to the complaint within three (3) months; 8. If a non-compliance with the procedures is uncovered, document the non-conformance on a Corrective Preventive Action Request (CAR) Form according to the corrective action process described in HP-COC-16. If a CAR is not possible then the material and/ or suppliers shall be excluded by Highland; 9. Once the CAR Form has been completed, any corrective action by the suppliers verified and the Corrective Action Plan has been "Closed," the Sustainability Coordinator confirms and signs off that the Corrective Action has been completed. If no corrective action has been taken by the suppliers then the relevant material and suppliers will be excluded by Highland; 10. The CAR Forms are maintained as a record of all corrective actions that have been taken; and 11. Make these records available to the complainant, the relevant FSC National Office and SCS when the complaints is successfully addressed and closed. <p><i>Also see SFI 2015-2019 Standards and Rules: Section 7 - SFI Illegal Logging Policy</i></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 file a complaint with OSHA by calling 1-800-321-OSHA (6742), online via Compliant Form, 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>
Means of Verification	<p>Internal Documentation</p> <p>Non-government organizations</p>

Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC and SBP Standards • Complaints Procedure for addressing substantiated public concerns related to Controlled/Controversial Wood (HP-COC-Complaints) • SFI Fiber Sourcing Standard
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.7.1	<p>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.</p>
Finding	<p>FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence of conformance addressing Freedom of Association.</p> <p>The FSC Self-Declaration Policy addresses the ILO Principles (HP-COC-Policy). The FSC ILO Policy recognizes the preeminence 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. SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11).</p> <p><i>SFI Inconsistent Practices & ILO Core Conventions</i></p> <p>The following procedure will be implemented for sources of wood supply suspected of being inconsistent with the ILO Core Conventions as defined in the SFI Standards, respectively:</p> <ol style="list-style-type: none"> The complainant shall present specific claims of inconsistent practice in writing and in sufficient detail to the Company; The Sustainability Manager shall respond in writing to any formal complainant within 45 days and forward the complaint and written response to its SFI accredited certification body; The Sustainability Manager shall coordinate with the SFI accredited certification body as part of its annual surveillance audit and procedures; A complainant who believes the issue has not been satisfactorily resolved, may provide the relevant information to the SFI ILO Task Force, which shall investigate and provide copies of its findings to the SFI Board of Directors; and Formal complaints and their resolution shall be reviewed and recorded as part of the annual SFI Management Review. <p>U.S. law clearly specifies rights to collective bargaining and freedom of association. http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm</p> <p>Wood Purchase Agreements/Contracts specify compliance with applicable U.S. and state labor laws and regulations (HP-COC-Supplier List).</p>

Means of Verification	Internal Documentation Federal Law
Evidence Reviewed	<ul style="list-style-type: none"> FSC Self-Declaration Policy addresses the ILO Principles (HP-COC-Policy). SFI Fiber Sourcing Standard SFI Public Inquiries and Official Complaints, Section 11 U.S. law http://www.dol.gov/dol/aboutdol/history/amworkerconclusion.htm Wood Purchase Agreements/Contracts (HP-COC-Supplier List).
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	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	<p>FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence of conformance addressing the elimination of compulsory labor.</p> <p>Highland Pellets LLC has conducted a Controlled Wood Risk Assessment (HP-SB-CWRA) covering this issue and concluded that:</p> <p>“There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <p>FSC requires a signed Self-Declaration of Association. The section of the Self-Declaration states that:</p> <p><i>The signing Organization recognizes that the principles established by the International Labor Organization through the 1998 Declaration on Fundamental Principles and Rights at Work (the “Principles”) serve to guide governments in the protection of the basic rights of workers without defining a uniform path for every nation to follow. Based upon these Principles, and consistent with applicable national law, rights, regulations, and administrative/judicial rules and procedures, the signing Organization shall respect:</i></p> <ul style="list-style-type: none"> <i>a) freedom of association and the effective recognition of the right to collective bargaining;</i> <i>b) the elimination of all forms of forces or compulsory labor;</i> <i>c) the effective abolition of child labor; and</i> <i>d) the elimination of discrimination in respect of employment and occupation.</i> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to address social laws and regulations addressing compulsory labor.</p> <p>SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11):</p> <p><i>SFI Inconsistent Practices & ILO Core Conventions</i></p>

	<p><i>The following procedure will be implemented for sources of wood supply suspected of being inconsistent with the ILO Core Conventions as defined in the SFI Standards, respectively:</i></p> <ol style="list-style-type: none"> <i>The complainant shall present specific claims of inconsistent practice in writing and in sufficient detail to the Company;</i> <i>The Sustainability Coordinator shall respond in writing to any formal complainant within 45 days and forward the complaint and written response to its SFI accredited certification body;</i> <i>The Sustainability Coordinator shall coordinate with the SFI accredited certification body as part of its annual surveillance audit and procedures;</i> <i>A complainant who believes the issue has not been satisfactorily resolved, may provide the relevant information to the SFI ILO Task Force, which shall investigate and provide copies of its findings to the SFI Board of Directors; and</i> <i>Formal complaints and their resolution shall be reviewed and recorded as part of the annual SFI Management Review.</i> <p>The “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: http://www.ahec-europe.org/ concluded that: “There is no evidence of child labor or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.”</p> <ul style="list-style-type: none"> The U.S. Department of Labor enforces laws and regulations addressing compulsory labor. http://www.dol.gov/ilab/child-forced-labor/What-are-Child-Labor-and-Forced-Labor.htm
Means of Verification	Internal Documentation International Agencies Federal Agencies Voluntary Forestry Standards
Evidence Reviewed	<ul style="list-style-type: none"> Controlled Wood Risk Assessment (HP-SB-CWRA) ILO Fundamental Principles and Rights Self-Declaration of Association SFI Public Inquiries and Official Complaints, Section 11 “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: http://www.ahec-europe.org/ U.S. Department of Labor enforces laws and regulations addressing compulsory labor. http://www.dol.gov/ilab/child-forced-labor/What-are-Child-Labor-and-Forced-Labor.htm
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	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	<p>FSC/PEFC Chain of Custody and Controlled Wood Certification provides objective evidence addressing child labor.</p> <p>FSC requires a signed Self-Declaration of Association. The section of the Self-Declaration states that:</p> <p><i>The signing Organization recognizes that the principles established by the International Labor Organization through the 1998 Declaration on Fundamental Principles and Rights at Work (the “Principles”) serve to guide governments in the protection of the basic rights of workers without defining a uniform path for every nation to follow. Based upon these Principles, and consistent with applicable national law, rights, regulations, and administrative/judicial rules and procedures, the signing Organization shall respect:</i></p> <ul style="list-style-type: none"> <i>a) freedom of association and the effective recognition of the right to collective bargaining;</i> <i>b) the elimination of all forms of forced or compulsory labor;</i> <i>c) the effective abolition of child labor; and</i> <i>d) the elimination of discrimination in respect of employment and occupation.</i> <p>Highland Pellets LLC has completed a Controlled Wood Risk Assessment (HP-SB-CWRA) that covers this issue:</p> <p>“There is no evidence of child labor 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 labor.</p> <p>SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11):</p> <p><i>SFI Inconsistent Practices & ILO Core Conventions</i></p> <p><i>The following procedure will be implemented for sources of wood supply suspected of being inconsistent with the ILO Core Conventions as defined in the SFI Standards, respectively:</i></p> <ul style="list-style-type: none"> <i>a. The complainant shall present specific claims of inconsistent practice in writing and in sufficient detail to the Company;</i> <i>b. The Sustainability Coordinator shall respond in writing to any formal complainant within 45 days and forward the complaint and written response to its SFI accredited certification body;</i> <i>c. The Sustainability Coordinator shall coordinate with the SFI accredited certification body as part of its annual surveillance audit and procedures;</i> <i>d. A complainant who believes the issue has not been satisfactorily resolved, may provide the relevant information to the SFI ILO Task Force, which shall investigate and provide copies of its findings to the SFI Board of Directors; and</i>

	<p>e. <i>Formal complaints and their resolution shall be reviewed and recorded as part of the annual SFI Management Review.</i></p> <p>The “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: http://www.ahec-europe.org/ concluded that:</p> <p>“There is no evidence of child labor 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. http://www.dol.gov/whd/childlabor.htm</p> <p>Child Labor laws and regulations are enforced by the U.S. Department of Labor: http://www.dol.gov/dol/topic/youthlabor/</p>
Means of Verification	<p>Voluntary Forestry Standards</p> <p>Internal Documentation</p> <p>International Agencies</p> <p>National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC Chain of Custody and Controlled Wood Certification • Self-Declaration of Association • Controlled Wood Risk Assessment (HP-SB-CWRA) • ILO Fundamental Principles and Rights • SFI Fiber Sourcing Standard • SFI Public Inquiries and Official Complaints, Section 11 • “Assessment of Lawful Harvesting & Sustainability of US Hardwood Exports” (AHEC Legality Study) available at: http://www.ahec-europe.org/ • The U.S. Department of Labor http://www.dol.gov/whd/childlabor.htm • Child Labor laws enforced by U.S. Department of Labor: http://www.dol.gov/dol/topic/youthlabor/
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	N/A

	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	<p>FSC/PEFC Certificates provide objective evidence of elimination of discrimination in employment.</p> <p>FSC requires a signed Self-Declaration of Association. The section of the Self-Declaration states that:</p> <p><i>The signing Organization recognizes that the principles established by the International Labor Organization through the 1998 Declaration on Fundamental Principles and Rights at Work (the “Principles”) serve to guide governments in the protection of the basic rights of workers without defining a uniform path for every nation to follow. Based upon these</i></p>

	<p><i>Principles, and consistent with applicable national law, rights, regulations, and administrative/judicial rules and procedures, the signing Organization shall respect:</i></p> <ul style="list-style-type: none"> <i>a) freedom of association and the effective recognition of the right to collective bargaining;</i> <i>b) the elimination of all forms of forced or compulsory labor;</i> <i>c) the effective abolition of child labor; and</i> <i>d) the elimination of discrimination in respect of employment and occupation.</i> <p>The SFI Fiber Sourcing Standard requires control system and procedures to comply with social laws and regulations address discrimination.</p> <p>SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>See SFI Evidence provided in 2.7.2 and 2.7.3.</p> <p>U.S. anti-discrimination laws and regulations are enforced by the Department of Labor: http://www.eeoc.gov/facts/qanda.html</p> <p>Highland Pellets LLC has completed an FSC Controlled Wood Risk Assessment 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>
Means of Verification	<p>Voluntary Forestry Standards Internal Documentation National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Self-Declaration of Association • SFI Fiber Sourcing Standard • SFI Public Inquiries and Official Complaints, Section 11 • U.S. anti-discrimination laws and regulations are enforced by the Department of Labor: • http://www.eeoc.gov/facts/qanda.html • Controlled Wood Risk Assessment (HP-SB-CWRA)
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at</p>
Comment or Mitigation Measure	<p>N/A</p>

	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.

	<p>See FSC Self-Declaration statement in the above Indicators.</p> <p>The Wood Purchase Agreement (HP-COC-Supplier List) specifies contract conditions and compliance with Department of Labor regulations.</p> <p>The SFI Fiber Sourcing Standard addresses compliance with social laws and regulations address fair labor practices and prevailing wages.</p> <p>SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>See SFI Evidence provided in 2.7.2 and 2.7.3.</p> <p>The U.S. Department of Labor enforces U.S. fair labor laws. The Fair Labor 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. http://www.dol.gov/compliance/laws/comp-flsa.htm</p>
Means of Verification	<p>Voluntary Forestry Standards</p> <p>Internal Documentation</p> <p>National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Supplier contracts • FSC Self-Declaration • Wood Purchase Agreement (HP-COC-Supplier List) • SFI Fiber Sourcing Standard • SFI Public Inquiries and Official Complaints, Section 11 • The Fair Labor Standards Act (FLSA) http://www.dol.gov/compliance/laws/comp-flsa.htm
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	N/A

	Indicator
2.8.1	<p>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).</p>
Finding	<p>Highland Pellets LLC's Wood Purchase Agreement/Contract (HP-COC-Supplier List) provisions address worker compensation insurance coverage.</p> <p>FSC/PEFC Certificates provide objective evidence of conformance with health and safety laws and regulations.</p> <p>See FSC Self-Declaration statement in the above Indicators.</p> <p>Also see the Sourcing Area Monitoring Form that includes checking for health and safety issues. This is contained in SBP Indicator 1.2.1.</p> <p>The SFI Fiber Sourcing Standard requires control systems and procedures to comply with social laws and regulations addressing worker health and safety.</p>

	<p><i>-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.</i></p> <p>The Company actively participates in the Arkansas SFI Implementation Committee to address the full range of SFI Standard requirements contained in the above Sections including: developing and coordinating logger education and training programs, supporting research, participation in state BMP monitoring programs, development of sustainable forestry information for landowners, development of public outreach and education materials, promoting the conservation of working forests, protection of worker health and safety and addressing inconsistent forest practices.</p> <p>The Arkansas SIC is active in a number of landowner outreach and education initiatives, including sponsorship of the American Tree Farm System State Committees. The SIC has also developed educational materials for landowners addressing BMPs, regeneration of the forest, aesthetics, wildlife and biodiversity, invasive species, health and safety and other required elements of the SFI Standard.</p> <p>SFI Public Inquiries and Official Complaints, Section 11, 3. Public Inquiries regarding inconsistent practices and the ILO Core Conventions (87, 98, 11)</p> <p>See SFI Evidence provided in 2.7.2 and 2.7.3.</p> <p>The U.S. Department of Labor enforces OSHA laws and regulations relating to logging. Refer to the OSHA Logging Safety website: https://www.osha.gov/SLTC/logging/</p>
Means of Verification	<p>Voluntary Forestry Standards</p> <p>Internal Documentation</p> <p>State Agencies</p> <p>National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • Highland Pellets LLC's Wood Purchase Agreement/Contract (HP-COC-11) • FSC/PEFC Certificates • FSC Self-Declaration • SFI Fiber Sourcing Standard • Arkansas and Louisiana BMPs • SFI Public Inquiries and Official Complaints, Section 11 • OSHA Logging Safety website: https://www.osha.gov/SLTC/logging/
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.9.1	Biomass is not sourced from areas that had high carbon stocks in January 2008 and no longer have those high carbon stocks.
Finding	<p>According to the USDA Department of Agriculture Forest Services (https://forest-atlas.fs.fed.us/benefits-carbon-stocks.html), carbon stocks in the US are stable at a national scale, though there is some variability on a more local scale. Highland Pellets LLC only procures southern yellow pine species of Shortleaf and Loblolly. While Shortleaf and Loblolly species can grow in wetlands or peatlands, strong implementation of BMPs in Arkansas and Louisiana ensure appropriate harvesting practices to protect current carbon levels. In addition, high level of logger training requirements from suppliers, as evidenced by the Supplier Declaration suppliers must fill out offer additional evidence that BMPs are followed on all harvest sites. Where wetlands occur in the supply area, they are strongly protected by the Clean Water Act.</p> <p>Wood Purchase Agreement provisions requiring BMPs ensure that Peat areas and high carbon stocks are not negatively impacted (HP-COC-Supplier List). The SFI Fiber Sourcing Standard, the Sustainable Forestry Policy and the Highland Pellets LLC SFI Fiber Sourcing Program (HP-COC-Program) addresses carbon sequestration and climate change.</p> <p>Education plays a large role in encouraging land owners to manage their forests carefully and increasing the carbon sequestration and storage in forests. To this end, Highland Pellets LLC participates in cooperative efforts through the State SFI Implementation Committee to broaden awareness about the impacts of global climate change and best land management practices for carbon sequestration. The Procurement Staff periodically review available literature and web sites for available information on regional climate models and the potential impacts on wildlife and conservation of biodiversity.</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 http://www.fs.usda.gov/ccrc/topics/forest-carbon).</p> <p>The net carbon stocks in the national forest regions in Arkansas have increased 0-19.5% and 37.7 – 77.2% in Louisiana between the years of 1990 to 2013 according to the USDA Forest Service “Baseline Estimates of Carbon Stocks in Forests and Harvested Wood Products for National Forest System Units” (file:///C:/Users/ellen/Desktop/Files/SBE%20Documents/SouthernRegionCarbonAssessment.pdf). Showing that carbon loss in Louisiana and Arkansas is not a concern on the state level.</p> <p>It can be concluded that 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.</p>
Means of Verification	Voluntary Forestry Standards Internal Documentation International Agencies National Agencies State Agencies
Evidence Reviewed	<ul style="list-style-type: none"> • Federal Clean Water Act • Wood Purchase Agreement (HP-COC-Supplier List). • SFI Fiber Sourcing Program (HP-COC-Program) • SFI Implementation Committee • Intergovernmental Panel on Climate Change (http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-chapter9.pdf)

	<ul style="list-style-type: none"> EPA Carbon Storage https://www.epa.gov/sites/production/files/signpost/cc.html SFI Fiber Sourcing Standard U.S. Forest Service website: http://www.fs.usda.gov/ccrc/topics/forest-carbon Louisiana and Arkansas BMPs Supplier Declaration USDA Forest Service “Baseline Estimates of Carbon Stocks in Forests and Harvested Wood Products for National Forest System Units”. Accessed August 14, 2018. file:///C:/Users/ellen/Desktop/Files/SBE%20Documents/SouthernRegionCarbonAssessment.pdf
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A

	Indicator
2.9.2	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	<p>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.</p> <p>State forestry commissions also monitor BMP compliance. BMP compliance rates for Arkansas are 93% and Louisiana 96%.</p> <p>Arkansas: http://forestry.arkansas.gov/Services/ManageYourForests/Documents/2011%20BMP%20Imp.%20Report_CORRECTED.pdf Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2014.pdf</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.</p> <p>See U.S. Forest Service website: http://www.fs.usda.gov/ccrc/topics/forest-carbon</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: http://www.nrs.fs.fed.us/pubs/jrnl/2010/nrs_2010_nave_001.pdf</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. http://www3.epa.gov/climatechange/Downloads/ghgemissions/US-GHG-Inventory-2013-Chapter-7-LULUCF.pdf</p> <p>The SFI Fiber Sourcing Standard addresses forest productivity and the ability to serve as</p>

	<p>carbon sinks. The Highland Pellets LLC Sustainable Forestry Policy (HP-COC-Policy) states that:</p> <p><i>Highland Pellets LLC is committed to sourcing wood and residual fiber from renewable, legal and sustainable sources and to promote the principles of sustainable development and use of renewable resources. It also strives to broaden the practice of sustainable forestry and improve the professionalism of forest workers and the forestry community.</i></p> <p>Highland Pellets LLC has set an overall goal of increasing the use of renewable wood energy, reducing wood waste and decreasing greenhouse gas emissions. The use of woody biomass as a replacement for fossil fuels is a proven way to improve forest utilization, facilitate regeneration of the forest, reduce the risk of wildfire, reduce carbon emissions, and improve the international trade in forest based products. It will also provide a market incentive for landowners to keep their lands in forest cover.</p> <p>To help implement and achieve the above sustainability, renewability and greenhouse gas reduction objectives, Highland Pellets LLC has developed and adopted appropriate programs and documented procedures to guide its wood and fiber procurement and sustainable forestry practices and certification claims.</p>
Means of Verification	<p>Voluntary Forestry Standards Internal Documentation International Agencies National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> BMP Arkansas: http://forestry.arkansas.gov/Services/ManageYourForests/Documents/2010-11%20BMP%20Imp.%20Report_CORRECTED.pdf BMP Louisiana: http://www.ldaf.state.la.us/wp-content/uploads/2014/04/BMPsummary2009.pdf U.S. Forest Service website: http://www.fs.usda.gov/ccrc/topics/forest-carbon Forest Ecology and Management research article: http://www.nrs.fs.fed.us/pubs/jrnl/2010/nrs_2010_nave_001.pdf U.S. Environmental Protection Agency (EPA) Highland Pellets LLC Sustainable Forestry Policy (HP-COC-03) SFI Fiber Sourcing Standard
Risk Rating	<p><input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA</p>
Comment or Mitigation Measure	<p>N/A</p>

	Indicator
2.10.1	Genetically modified trees are not used.
Finding	<p>The FSC/PEFC Controlled Wood Risk Assessment confirms that GMOs are not used (HP-SB-CWRA).</p> <p>FSC requires a signed Self-Declaration of Association. The section of the Self-Declaration states that:</p> <p><i>The Organization explicitly agrees currently and in the future, as long as the relationship with FSC exists, not to be directly or indirectly involved in the following unacceptable activities:</i></p> <ul style="list-style-type: none"> a) <i>Illegal logging or the trade in illegal wood or forest products;</i> b) <i>Violation of traditional and human rights in forestry operations;</i> c) <i>Destruction of high conservation values in forestry operations;</i> d) <i>Significant conversion of forests to plantations or non-forest use;</i> e) <i>Introduction of genetically modified organisms in forestry operations;</i> <p>Highland Pellets LLC has also adopted a Sustainable Forestry Policy in HP-COC-Policy.</p> <p>Also see the Sourcing Area Monitoring Form (HP-SB-CW Procedures & DDS, Appendix A) that addresses GMOs. The Form is contained in SBP Indicator 1.2.1.</p> <p>Highland Pellets LLC did not find its wood fiber supply areas on any lists contained in the FAO preliminary review of biotechnology in forestry: http://www.fao.org/docrep/008/ae574e/AE574E00.HTM.</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>
Means of Verification	<p>Voluntary Forestry Standards</p> <p>Internal Documentation</p> <p>International Agencies</p> <p>National Agencies</p>
Evidence Reviewed	<ul style="list-style-type: none"> • FSC/PEFC Controlled Wood Risk Assessment (HP-SB-CWRA) • Self-Declaration of Association • Sustainable Forestry Policy in HP-COC-Policy • Sourcing Area Monitoring Form (HP-SB-CW Procedures & DDS, Appendix A) • FAO preliminary review of biotechnology in forestry: http://www.fao.org/docrep/008/ae574e/AE574E00.HTM • SFI Fiber Sourcing Standard
Risk Rating	<input checked="" type="checkbox"/> Low Risk <input type="checkbox"/> Specified Risk RA <input type="checkbox"/> Unspecified Risk at RA
Comment or Mitigation Measure	N/A