SBP

Sustainable Biomass Program

SBP Guidance Document: Assessment of risk, means of verification and mitigation measures in the southeast US

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Contents

1 Introduction

In August 2018, SBP established a Southeast US Working Group with the objective of developing a guidance document on primary and secondary feedstocks, focusing on HCVs and conversions in the southeast US, to identify evidence for low-risk or mitigation of specified risk.

The establishment of the Working Group followed on from the FSC US Board of Directors' approval of a final draft FSC US Controlled Wood National Risk Assessment (CWNRA).

1.1 Purpose of this guidance

The purpose of this document is to provide practical guidance to the producers of wood pellets in the south east US that seek to achieve and maintain certification under the SBP certification system. SBP refers to these producers of wood pellets as "Biomass Producers" (BPs).

The guidance is particularly focused on BPs undertaking Supply Base Evaluations (SBEs). The guidance has been developed with primary and secondary feedstock streams in mind, including how risks can be identified and then avoided or mitigated where they are present in the supply base. This document is intended to provide helpful and informative guidance that expands upon what is already provided in the standards.

2 Risk Assessment

SBP Standard 2, clauses 17.2 and 17.3

A significant proportion of SBP certified BPs with Supply Base Evaluations are situated in the SE US, an area that currently is not covered by an SBP endorsed RRA. SBP has yet to receive a Regional Risk Assessment (RRA) for the US to evaluate for approval and considers all of the currently available assessment resources in and of themselves to be only partially adequate in assessing high conservation value and conversion indicators. Third party multi-stakeholder risk assessments and other assessment resources provide information for a Biomass Producer (BP) to use in assessing risk in the development of supply base evaluations. The BP should demonstrate awareness of these resources and provide a justification for the resources they choose to use in assessing risk in their Supply Base. BP's may need to consider additional guidance to assess some indicators in determination of the appropriate level of risk. BP's can find additional information useful in assessing risk for high conservation values in SBP Guidance Documents: *Meeting SBP criteria in relation to protecting exceptional conservation values in the southern US*.

As described in *SBP Standard 2 Verification of SBP-complaint Feedstock Section 9 Implementing a Supply Base Evaluation,* assessment of risk is the first step in developing a supply base evaluation. The process is to evaluate the risks associated with sourcing feedstocks used in the BP's manufacturing process and identify those the BP will have to mitigate or avoid feedstock which cannot be considered SBP-compliant. The Risk Assessment will result in a risk rating for each indicator. *Section 11* discusses the process for establishing risk ratings. BP's conducting a supply base evaluation must follow the rules for establishing Locally Applicable Verifiers (LAV) as described in *Standard 1 Instruction Note 1A Instructions for Biomass Producers for the development of Locally Applicable Verifiers.* This includes engagement with stakeholders to solicit feedback on the applicability of the BP's LAVs as described in *Standard 2 Verification of SBP-compliant Feedstock Section 13 Stakeholder Consultation and Instruction Note 2B: Supply Base Evaluation Stakeholder Consultation – Requirements for Biomass Producers*. In determining the risk rating the BP should consider "the likely impact of non-compliance along with the probability of that non-compliance arising" (Standard 2 Section 11 item 11.4).

If a BP is referencing a publicly available third party multi-stakeholder risk assessment such as the *FSC US Controlled Wood National Risk Assessment V1-0 D3-0* (FSC US CWNRA), and where the nature and location of the specified risk are located within the BP's Supply Base, and the assessment of risk has been completed, the risk rating assigned by the authors should be used unless the BP can provide additional new verification data to prove low risk.

It is the responsibility of the BP to ensure that risk within the supply base is appropriately identified. In some instances, the FSC US CWNRA may be the only source required to identify a specific risk (low, specified or unspecified) and in other instances additional sources may be required. In any

case, it is not mandatory to list multiple (duplicative) sources for the same area of risk. A BP should be able to demonstrate an understanding of how the risk was assessed and rating determined for each indicator.

If a BP is not referencing a publicly available third party multi-stakeholder risk assessment the evaluation of the Supply Base should be robust, evaluate information from multiple stakeholders and provide objective evidence of risk ratings.

A BP may continue to source SBP-compliant feedstock from areas of specified risk where they demonstrate implementation of appropriate mitigation measures that reduce the risk to low.

The use of third party multi-stakeholder risk assessments or other assessment resources is not a substitute for an SBE.

Note: This guidance does not change the requirements for the implementation of Supply Base Evaluations as described in Standard 2 Section 8 Determining the need for a Supply Base Evaluation.

The BP will need to identify and/or map specified risk in their Supply Base and either avoid those areas or implement mitigation measures and/or management systems to ensure those risks are managed to low. A BP may be able to demonstrate that risks identified in third party sources do not apply to their Supply Base where it geographically excludes those risks, or the sources of risks identified in third party sources do not apply to the feedstock being used by the BP.

If a BP is using a third party multi-stakeholder risk assessment that includes suggested mitigation measures, the suggested mitigation measures could be considered adequate to address the specified risk outlined by the authors and use by the BP to demonstrate low risk for specific criterion is acceptable.

3 Locally Applicable Verifiers and Means of Verification

BPs must determine if risk is present in their supply base using the guidance provided by SBP and Locally Applicable Verifiers.

BP's conducting a risk assessment ahead of developing a supply base evaluation identify Locally Applicable Verifiers and conduct a stakeholder consultation to determine their validity as means to assess risk. After the stakeholder consultation, BP's review comments and make necessary adjustment to the LAVs and then assess the risk associated with each criterion using the LAVs.

Standard 1 Section 2.4 Locally Applicable Verifiers

> *The Standard is applicable globally and does not define the specific means of verification which are appropriate to each BP in determining risk. BPs must prepare Locally Applicable Verifiers (LAVs) by applying the SBP requirements in Instruction Note 1A.*

Standard 1 Instruction Note 1A

> *This Instruction Note sets out the requirements for the development Locally Applicable Verifiers (LAVs) required in the absence of an SBP-endorsed Regional Risk Assessment. The LAVs will facilitate evaluation of the risk that Biomass Producers (BPs) must manage in their own local contexts.*

Normative Interpretations Section 2.4 Locally Applicable Verifiers

> *Clarification: In undertaking an SBE, all BPs must prepare Locally Applicable Verifiers (LAVs). Standard 1 includes examples of Means of Verification, but these may not be appropriate to the Supply Base. LAVs are Means of Verification for each indicator in Standard 1 locally appropriate to the Supply Base of the BP. BPs are required to consult with stakeholders in determining appropriate LAVs (Means of Verification) to help ensure that appropriate evidence is used to evaluate risk against each indicator. Although the LAV procedure must be followed for each SBE, modification of indicators is only required in the specific cases detailed in Instruction Note 1A.*

In short LAVs are regionally specific Means of Verification (MoV). Means of Verification is defined in the SBP Glossary of Terms and Definitions as a "systematic collection and review of objective evidence to verify compliance with a specific criterion". The spirit and intent of the definition applies to LAVs as well.

Evidence may include records, statements of fact or other information which is verifiable. An MoV might include information from:

- Third party multi-stakeholder risk assessment
- Regionally specific information related to a specific criterion
- State Forest or Wildlife Action Plans
- NatureServe
- The Nature Conservancy
- US Fish & Wildlife Service
- Published information from credible sources

Generally, MoVs are publicly available but some may be related to specific work a BP does to determine risk such as stakeholder engagement related to specific criterion, information sources a BP might access because of membership of a group, information from local experts, or information in a BP's own certification systems that were used in a determination of risk in a due diligence system. MoVs used in the determination of risk do not include the results of a BP's management systems or mitigation measures. Risk assessment is made based on information available prior to the BP's involvement or intervention.

4 Mitigation Measures for Southeast US

SBP's Glossary of Terms and Definitions defines mitigation measures as actions taken to control the risk of non-compliance of an indicator so that it may be considered to have a low risk rating.

Note: Evaluation of indicators as low risk at a smaller scale usually means the BP will break up the larger Supply Base into sub-scopes, of which only some will be evaluated as specified risk. This helps to narrow down the mitigation measures to the specific scopes where they are needed, and is described in Standard 2, Section 10.

A mitigation measure is any action taken by the BP to reduce the risk associated with an indicator from specified risk to low risk.

Mitigation measures should:

- Decrease negative impacts of an action or result in improvement or positive impacts or demonstrate avoidance
- Provide auditable results at the point of implementation
- Be applicable at scale

When mitigation measures are required the BP needs to monitor the effectiveness of the mitigation measures, at least annually (Standard 2, Section 16.3). The means of implementation therefore determines where verification and monitoring must occur. Monitoring should measure the effectiveness of the mitigation measure in reducing risk or highlight the need to modify or make corrections to the implementation of the mitigation measure.

If mitigation measures are implemented at the FMU level, monitoring and verification must occur at the FMU level. If mitigation measures are implemented at the sawmill level, monitoring and verification must occur at the sawmill level. Where a BP's mitigation measure requires action further up the supply chain then monitoring of the effectiveness of that action is also required.

While SBP cannot specify which mitigation measures will be appropriate for each BP, guidance on mitigation measures is provided to help BPs in the SE US develop effective and auditable mitigation measures.

SBP Guidance Document *Meeting SBP criteria in relation to protecting exceptional conservation values in the southern US, Section 4, Best Practices* gives guidance on mitigation measures a BP may use when sourcing primary and secondary feedstocks. The following provides additional guidance and suggested mitigation measures for indicators related to high conservation values and conversion:

For Primary feedstock

- A BP whose supply base contains areas of specified risk may use contract requirements instructing suppliers to take actions to mitigate the risk associated with those areas.

Note: An area can be of any suitable size, e.g. state, geographic region, county, forest type or habitat or tract specific. Monitoring of the effectiveness of the contract requirements is required. Appropriate monitoring will depend on the level of risk associated with the supplier and the feedstock that they supply in relation to their operation.

Examples of monitoring include:

  - Information from suppliers can be shown to support the BP's instructions to avoid areas with specified risk as per contract instructions; and
  - Sampling records against actual harvest sites.

- Where a supplier is sourcing from an area identified as containing specified risk related to high conservations values:

  - Management activities must enhance or protect the values associated with the identified risk;
  - These activities should be based on sound justification;
  - Verification of the implementation and effectiveness of measures protecting the high conservation values will require BP FMU audits implemented in line with a defined and justified sampling procedure; and
  - Verification of implementation and effectiveness of measures protecting the high conservation values will require CB FMU audits implemented in line with a defined and justified sampling procedure.

Example: An HCV is identified within a BP's supply area. A BP's sourcing activity improves the HCV, promotes expansion of the HCV or demonstrates a reduction of risk due to forest management activities. Implementation of this is verified by the BP.

For Secondary feedstock[1]

This guidance should be read in conjunction with the normative interpretations published by SBP, including those relating to secondary feedstocks. The requirements are as for Primary feedstock, namely:

- A BP whose supply base contains areas of specified risk may use contract requirements instructing secondary feedstock suppliers to take actions to mitigate the risk associated with those areas.

  Note: an area can be of any suitable size, e.g. state, geographic region, county, forest type or habitat or tract specific. Monitoring of the effectiveness of this is required. Appropriate monitoring will depend on the level of risk associated with the supplier and the feedstock that they supply in relation to their operation.

  Examples of monitoring include:

  - Information from suppliers can be shown to support the BP's instructions to avoid areas with specified risk as per contract instructions; and
  - Sampling records against actual harvest site or sourcing areas depending where the mitigation measure or management system is applied.

- Where a supplier is sourcing from an area identified as containing specified risk related to high conservations values[2]:

  - Management activities must enhance or protect the values associated with the identified risk; and
  - These activities should be based on sound justification.

The BP needs to demonstrate it has evaluated the implementation of requirements by the secondary feedstock supplier. Where a BP's mitigation measure requires action further up the supply chain then monitoring of the effectiveness of that action is required.

While SBP cannot specify which mitigation measures will be appropriate for each BP, examples of appropriate mitigation measures that can be implemented at the secondary feedstock supplier site include:

Legally-binding contracts with suppliers which could exclude feedstock from areas identified as specified risk. Monitoring of this mitigation measure would need to verify that the terms

[1] These requirements also apply to tertiary feedstock.
[2] In addition to HCVs, this is applicable also to areas identified as important for key ecosystems and habitats, biodiversity, health, vitality and other services provided by forest ecosystems and conversion as per the requirements of each indicator

of the contract were being adhered to including further up the supply chain as required. Evidence such as the Worldwide Governance indicators and rule of law could be used to help demonstrate the effectiveness of contracts in controlling feedstock supplies;

- BP audits of sawmills to confirm that contractual requirements were being met. The frequency and scope of the audits would need to be implemented in line with a defined and justified sampling procedure which, at minimum, would be based on a risk profiling of the sawmill. Risk profiling of sawmills would be likely to include factors such as the location, scale, product type, inputs, management system of the sawmill as well as the SFI, ATFS or FSC certification status of the sawmill or parent procurement group;
- Use of trained loggers by sawmills where the training is consistent with avoiding the identified risk. Monitoring would need to confirm that the training was being effectively implemented and was successful in bringing the indicator to low risk. The distribution of maps of risks to suppliers and distribution of educational material of risks can be helpful tools for educating suppliers on risk;
- Mitigations developed through multi-stakeholder processes (e.g. actions referenced in third party multi-stakeholder risk assessments) where these can demonstrate mitigation of the risk in the feedstock supply;
- Onsite visits by competent personnel to verify implementation of safeguards defined for each specific risk;
- Implementation of bans regarding certain species or sources (i.e., not accepting feedstock of a certain species or certain regions or areas);
- Secondary feedstock supplier's in-house program to monitor harvesting activities; and
- Sources of information that could be used to effectively identify risks and develop appropriate mitigation measures include land use change maps; list of counties sourced from; tract maps, interviews with procurement foresters.

Example: An HCV is identified within a BP's supply area in specific counties. There is evidence that the regional logger training program provides appropriate competencies to ensure the HCV is protected. The BP requires the secondary feedstock supplier to use only trained loggers and the secondary feedstock supplier agrees. The BP audits the saw mill delivery records during the supplier audit to verify feedstocks were delivered by trained loggers.

Additionally:

- The BP is required to audit secondary feedstock suppliers in compliance with the SBP Normative Interpretations, including, Section 8.4. These audits should:

  - Identify the feedstock supplier's supply base and determine any specified risks in the feedstock supplied;
  - Identify the feedstock supplier's supply chain;
  - Identify (list or map) areas, supply chains (including sub-contractors) and feedstock types containing specified risks;
  - Review representative secondary feedstock records to verify location of the tree stump (to county of origin level at a minimum); and
  - Monitor the implementation and effectiveness of mitigation measures in bringing the relevant indicator to low risk.

- The CB is required to verify this in compliance with the SBP Normative Interpretations, including, section 8.4.