

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

Fourth Surveillance Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.4

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

Document history

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1 Overview

CB Name and contact: SCS Global Services, 2000 Powell St. Ste 600 Emeryville, CA 94608

Primary contact for SBP: Sarah Harris, SHarris@scsglobalservices.com

Current report completion date: 19/Aug/2019

Report authors: Shannon Wilks

Name of the Company: Varn Wood Products, LLC.

Company contact for SBP: William F. Varn, Jr.

Certified Supply Base: Select Counties in Alabama, Florida and Georgia

SBP Certificate Code: SBP-04-20

Date of certificate issue: 15/Apr/2016

Date of certificate expiry: 14/Apr/2021

Date of last update: 26/Mar/2020

This report relates to the Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers the production of wood pellets for transportation to the port of Brunswick, Georgia, USA per SBP Standards 1, 2, 4, and 5. It also covers a Supply Base Evaluation for the sourcing of feedstock from 135 counties located in Southern Georgia (84 counties), Northern Florida (48 counties), and Southeastern Alabama (3 counties). The scope includes communication of Dynamic Batch Sustainability Data.

3 Specific objective

The specific objective of this surveillance audit was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of SBP Standards 1: Feedstock Compliance Standard, 2: Verification of SBP-compliant Feedstock, 4: Chain of Custody, and 5: Collection and Communication of Data (including Instruction Documents 5A: Collection and Communication of Data, 5B: Energy of GHG Data, 5C: Static Biomass Profiling Data, 5D: Dynamic Batch Sustainability Data) are implemented across the entire scope of certification. This was achieved by review of risk assessments, procedures, GHG and other data, observation of harvest sites, BP facility and Port facility. Interviews with key personnel and stakeholders were also conducted.

The following critical control points were identified and evaluated:

*Feedstock procurement: All wood delivered to the adjacent sawmill is tracked in a centralized system. Prior to delivery of round-wood, residual chips and saw dust to the scale house, the owner name, district of origin (Lat/Long), product type, etc. are obtained from the supplier. All vendors are required to execute a Supplier Agreement with specific terms and conditions.

*Storage and processing: Roundwood is processed into lumber and a residual product of wood chips. The wood chips are conveyed from the adjacent sawmill to the BP facility for storage. The wood chips along with a minimal amount of secondary residuals are then dried, hammered, and extruded into pellets. The conversion factors used to allocate the roundwood and secondary residuals into pellets are reasonable.

*Volume Accounting: The procedures detail the process to properly maintain the volume credit spreadsheet, with provisions for subtracting certified product sold and for carrying only the past 12 months of credits, in accordance with PEFC standards.

*Outgoing transactions: Records of pellet shipments by truck are recorded, and outgoing transactions of SBP-certified biomass are recorded in the DTS

*Energy data collection and reporting: The organization developed and maintains excel based worksheets to record data values and calculate energy data as required by Standard 5 and keeps records that substantiate the data.

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

4.2 SBP-endorsed Regional Risk Assessment

Not Applicable

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Varn Wood Products supplies wood fiber to a pellet mill in Hoboken, Georgia. The company sources sawmill residuals from its sawmill located in Hoboken, GA and a small amount of residual material from nearby sawmills. Pine is the only species utilized. Inputs: Approximately 50% of the input material is from PEFC-endorsed standards (SFI and ATFS) and the remaining feedstock is PEFC controlled material. Outputs are SBP Compliant Biomass.

5.2 Description of Company's Supply Base

The supply base includes one-hundred-thirty-five (135) counties (18,557,462 hectares) in Alabama (3 counties), Georgia (84 counties) and Florida (48 counties) within the United States of America. Forests are the predominant land use in the supply base (66%); pine forests comprise the largest forest type (49%) of the supply area's forest type followed by hardwood forests (38%). The pine/oak forest comprises 10% of the supply area's forest type while about 3% of the forest is considered non-stocked. About 64% of the supply area's forests are managed as natural forests (7,686,610 hectares) while the remaining 38% of the supply area's forests are artificially regenerated (4,326,487 hectares). VWP purchases its fiber primarily from its sister pine sawmill. Small private landowners provide 19% of the fiber to needed for the pine sawmill, while large private landowners provide the remaining 81%. No fiber originates from public lands. Pine forests are typically managed on an even-aged basis with a rotation age of 25 to 30 years. During this rotation, the pine stand may be thinned one to two times prior to final harvest. Most pine forests are artificially regenerated with pine seedlings planted by hand or machine to defined stand densities. Chemical and/or mechanical site preparation is typically used to manage the less desirable hardwood and herbaceous species at stand establishment. Chemical treatments are minimal or below label rates, do not kill all competing species, and last about two years so the pine seedlings can become established or "free-to-grow". Fertilizers are not normally applied to these forests due to costs. Some private investment groups (e.g., REITS, TIMOs) may apply fertilizers on forests which are more intensively managed. However, these intensively managed pine forests represent a very small percentage of the overall pine forests in the supply basin. Hardwood forests can be managed either as even- or uneven-aged stands. Most hardwood stands are 40 to 50 years when harvested if managed as an even-aged stand. No site preparation or fertilizers are used on hardwood forests. Most forests in the VWP supply area are managed according to state forestry best management practices (BMPs). While these BMPs are normally voluntary, all VWP suppliers are contractually required to abide by them. Supplier compliance with state BMPs is verified by periodic audits conducted by VWP. VWP's Sustainable Forestry Initiative (SFI) fiber-sourcing certification and procedures require all harvesting professionals to maintain continuing education training on BMPs and other sustainable forestry issues such as wildlife habitat, biodiversity, and aesthetics. Overall BMP compliance reported for GA was 93.17% (2017), FL was 99.6% (2017), and AL was 98.2% (2016). Sustainable forestry certification is present in VWP's supply with the pine sawmill purchasing 50% of its fiber as certified (SFI – 33% and ATFS – 17%). No FSC certified fiber has been purchased to date. VWP purchased a small amount of primary feedstock during audit period due to sawmill outage (2.90%). Secondary feedstock is received in the form of pine chips, pine sawdust, and pine shavings from the company's sister sawmill and five sawmills within the company's supply area.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 18,557,462 ha of which 12,165,914 ha are forested (66%)

- a. Tenure by type (ha): privately owned (9,883,983) / public (2,281,931)
- b. Forest by type (ha): temperate (12,165,914)
- c. Forest by management type (ha): plantation (4,356,337)/managed natural (7,469,687)/natural (399,890)
- d. Certified forest by scheme (ha): (e.g. hectares of FSC or PEFC-certified forest)

	SFI	ATFS	FSC
AL	1,131,611	1,250,834	257,656
FL	761,859	425,713	36,399
GA	993,925	1,208,351	40,681
	2,887,395	2,884,898	334,736

5.4 Chain of Custody system

The organization is PEFC Chain of Custody certified and uses the management and control systems required for these certifications to implement the SBP program. The CoC certificates are for a single site. Pellets are manufactured at the facility and trucked to the port in Brunswick, GA. Ownership of the pellets transfers to another entity when the trucks are unloaded at the port. The audit confirmed that the Company’s wood flow accounting system is capable of correctly tracking certified and uncertified inputs.

6 Evaluation process

6.1 Timing of evaluation activities

Site Name or Location:	Varn Wood Products, LLC.	
Date and Time of Audit:	August 13-15, 2019	
Audit Activity	Items to Review / Actions	Approx. Start Time
Day 1 Opening meeting	Introductions, auditor review of audit scope, audit plan and intro/update to SBP, FSC, and SCS standards and protocols, client description of organization	Aug 13 8:30 AM
Review of previous nonconformities (if applicable)	Review of evidence of corrective actions taken by organization since previous audit (records, documents, pictures, etc.)	9:00 AM
Review of CoC/SBP procedures, products and material accounting	Written procedures, work instructions, feedstock description (see ID 5B section 4), product group list, accounting system (transfer, percentage or credit; physical separation, percentage method)	9:30 AM
Review of material balances and records	Auditor-selected sample of the following: material tracking system, summary of purchases and sales, invoices, shipping documents, training records, outsourcing agreements, other applicable SBP/CoC systems, procedures and records, tracebacks from certified outputs to eligible inputs	11:00 AM
Lunch	Lunch TBD	12:00 PM
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable	1:00 PM
Evaluation of trademarks	Review of auditor-selected sample of SBP/FSC/PEFC and/or SCS on-product and/or promotional trademark uses; review of any on-site trademark uses such as banners, posters, entryway signs	2:00 PM
SBP ST 5, ID5A, ID5B, ID5C & ID5D	Review of GHG data collection (onsite)	Aug 13-15
Walkthrough of facility	Review of physical inputs and outputs, material receipt, processing, storage, credit account (if applicable), sale, and overall control	3:00 PM
Staff interviews (During facility tour)	Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position	Aug 13-15
Closing meeting and review of findings	Convene with all relevant staff to summarize day's audit findings and discuss next day's plan	4:30 PM

Day 2 Field visits	Sampled harvest sites-(2 Sites Selected) (Lunch stop included in harvest site visits)	Aug 14 8:00 AM
Staff Interviews (Varn Wood Products, LLC.)	Varn Wood Products, LLC: Interviews with EHS Manager and Human Resources Manager (or designated representatives)	3:00 PM
Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next day's plan	4:00 PM
Day 3 Secondary/Tertiary	Agenda Review (2 Sawmills Selected) – Supplying secondary feedstock (2 secondary suppliers in total)	Aug 15 8:30 AM

Total audit duration was approximately 40 hours. For the evaluation of Forest Management Units (FMUs), the sample size was selected per SBP scoping requirements using $0.8\sqrt{Y}$, where Y = # of FMU's or suppliers wthat are included as part of the organization's internal audit program. Auditor name = Shannon Wilks

6.2 Description of evaluation activities

The onsite Surveillance Audit was conducted over the course of three days and included an audit of the Supply Base Evaluation, Documented Management System, Collection and Communication of Greenhouse Gas data, site tour, procurement site inspections and interviews with secondary feedstock suppliers.

Audit methods consisted of review of documentation, studies, assessments, surveys, websites, and staff interviews. The site tour and visits were evaluated by review of documentation, monitoring results, observations, and interviews. Most time was spent on the Supply Base Evaluation. Equal time was spent on the Documented Management System and Greenhouse Gases. The port facility that is included in the certificate carry a negligible risk to mixing SBP-certified biomass with uncertified biomass and was evaluated remotely via staff interviews and review of documentation.

During the evaluation of FMUs and sawmill suppliers, the auditor verified evidence of compliance to all SBP requirements through interviews, visual observations during site walkthrough, and review of documentation. Topics included post-harvest soil conditions, protected areas, buffers, water, forest type, harvest type, best management practices, mitigation measures implementation, site regeneration for FMUs. For secondary suppliers, evaluation consisted of a review of description of origin, species type, product specifications, process and procedures, mitigation measures implementation.

6.3 Process for consultation with stakeholders

SCS relies on its Master Stakeholder List, which contains stakeholders that are identified by type, e.g. ENGO, Government/regulatory, Educational/Academic, Industry, Indigenous/Aboriginal/Tribal, etc... This list is categorized by country and state/province at the very least, and for this consultation was filtered to omit any stakeholders that were not geographically relevant to the certificate-holder/applicant's supply area(s). A stakeholder notification is sent out to all identified stakeholders after the BP's stakeholder consultation period has ended. Stakeholder comments that are received outside of regular stakeholder consultation periods are fully taken into account.

There have been no changes to the supply base and no new stakeholders were consulted. No stakeholder comments have been received or come to the attention of the auditor since the last audit.

7 Results

7.1 Main strengths and weaknesses

The Company has a well-organized document control system used to identify and locate policies and procedures related to its PEFC and SBP compliance. Record-keeping systems are readily accessible by relevant staff. Certificate Manager and other relevant personnel demonstrated knowledge of requirements and maintain adequate training program with 3rd party consultant.

7.2 Rigour of Supply Base Evaluation

BP has developed a detailed SBE including a clear description of their Supply Base Area. The geographical scope of the SBE are select counties in Alabama, Georgia and Florida for primary and secondary feedstock. The SBE was developed by third party consultant using credible third-party data sources. VWP utilized existing management and monitoring systems implemented to meet other voluntary standards and designed to ensure compliance with applicable laws and regulations. Risk was designated low for all core indicators. SCS Global Services conducted a review of the SBE process and concluded that the control systems in place meet the SBP standard requirements during the surveillance audit.

7.3 Collection and Communication of Data

BP has a comprehensive set of records where all Standard 5 data is compiled and maintained. All compilation is conducted by organization's Controller. Energy use is invoiced by the month and requires no adjustment to match the reporting period.

7.4 Competency of involved personnel

The SBE was performed by a well-known Forestry Program certification consultant, in consultation with key organization employees. The Biomass Producer's management and control systems for SBP are the same as those used to meet the SFI Fiber Sourcing and PEFC Chain of Custody requirements. Key personnel tasked with implementing the management and control systems relating to SBP compliance are well trained and competent, with strengths in markets, silviculture, management, harvesting, and conservation issues. Their knowledge of SBP requirements is strong.

7.5 Stakeholder feedback

There have been no changes to the supply base and no new stakeholders were consulted. No stakeholder comments have been received or come to the attention of the auditor since the last audit.

7.6 Preconditions

Not Applicable

8 Review of Company’s Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB’s final risk ratings in Table 1, together with the Company’s final risk ratings. Default for each indicator is ‘Low’, click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Review of SBE and SBR confirmed low risk for all indicators.

Table 1. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)		Indicator	Risk rating (Low or Specified)	
	Producer	CB		Producer	CB
1.1.1	Low	Low	2.3.3	Low	Low
1.1.2	Low	Low	2.4.1	Low	Low
1.1.3	Low	Low	2.4.2	Low	Low
1.2.1	Low	Low	2.4.3	Low	Low
1.3.1	Low	Low	2.5.1	Low	Low
1.4.1	Low	Low	2.5.2	Low	Low
1.5.1	Low	Low	2.6.1	Low	Low
1.6.1	Low	Low	2.7.1	Low	Low
2.1.1	Low	Low	2.7.2	Low	Low
2.1.2	Low	Low	2.7.3	Low	Low
2.1.3	Low	Low	2.7.4	Low	Low
2.2.1	Low	Low	2.7.5	Low	Low
2.2.2	Low	Low	2.8.1	Low	Low
2.2.3	Low	Low	2.9.1	Low	Low
2.2.4	Low	Low	2.9.2	Low	Low
2.2.5	Low	Low	2.10.1	Low	Low
2.2.6	Low	Low			
2.2.7	Low	Low			
2.2.8	Low	Low			

2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Table 2. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

9 Review of Company's mitigation measures

Mitigation Measures are not necessary because the risk rating is low for all indicators. A finding was issued following a desk review because The BP presented mitigation measures as justifications for reaching a low risk designation which is not adequate.

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- *applicable requirement(s)*
- *grading of the non-conformity (major or minor) or observation with supporting rationale*
- *timeframe for resolution of the non-conformity*
- *a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

No non-conformances or observations identified during surveillance audit.

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Sebastian Häfele
Date of decision:	23/Sep/2019
Other comments:	Click or tap here to enter text.