



# SCS Global Services Evaluation of Highland Pellets LLC Compliance with the SBP Framework: Public Summary Report

Third 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](http://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: Maggie Schwartz

Current report completion date: 10/Apr/2020

Report authors: Ciara McCarthy

Name of the Company: Highland Pellets LLC

Company contact for SBP: Ellen Kincaid, Sustainability Manager

Certified Supply Base: Selected counties in the states of Arkansas and Louisiana

SBP Certificate Code: SBP-04-14

Date of certificate issue: 13/Nov/2017

Date of certificate expiry: 23/May/2022

This report relates to the Third Surveillance Audit

## 2 Scope of the evaluation and SBP certificate

This certificate covers the production of wood pellets and rail transport to the port of Port Allen, LA. It also covers a Supply Base Evaluation for the sourcing of feedstock from Arkansas and select counties Louisiana.

The scope of the evaluation was the third surveillance audit against SBP standards 1,2,4 and 5 which covers the entire scope of the certificate.

### 3 Specific objective

The specific objective of this evaluation was to confirm that Highland Pellet's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The following critical control points were identified and evaluated:

- Processes for procurement and processing: The tract location for all roundwood and in-woods inputs is recorded before delivery. The information is entered into the Supply Chain Management System for Wood Dealer inputs and into the Forest Management System. The company has a supplier audit procedure to confirm tract location and mitigation measure implementation. Supply Base Risk assessment and revised procurement activities have been evaluated through document review and interviews. The biomass producer identified specified risk within their supply base, and applied mitigation measures to reduce their risk to low. Feedstock is processed into wood pellets by being chipped, dried, hammered, and extruded into pellets and the bark is used as boiler fuel. The conversion factors used are recorded. This was audited through review of procedures, accounting records, interview of staff, and a walkthrough of the facility
- Volume accounting method: all incoming loads are tracked and uploaded into the 3LOG system, including feedstock type, origin, volume, etc. Volumes are tracked in a credit account for the one site. Auditor verified the accounting record.
- Documentation of transactions: Invoices are issued and all outgoing transactions of SBP-certified biomass are recorded in the DTS. This was verified through a review of the BP's DTS records.
- Energy data collection and reporting: The organization developed and maintains databases to record data values and calculate energy data as required by Standard 5 and keeps records that substantiate the data. Review of energy data collection, SAR and DTS confirmed this.

## 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

N/A

# 5 Description of Company, Supply Base and Forest Management

## 5.1 Description of Company

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.

Since the last audit, the BP add the sourcing of 1% of hardwoods into the mix of its feedstock. These hardwoods will be located from the current supply base area. 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.

## 5.2 Description of Company's Supply Base

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 supply base evaluation was expanded to allow for the sourcing of secondary feedstock derived from hardwood species from regional sawmills.

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. In early 2019 SCS conducted an expansion of scope audit to include 1% of hardwoods into the mix of its feedstock. These hardwoods are located from the current supply base area. 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.

More information on the ecoregions and tree species of the United States can be found via several websites, such as [Ecoregions of North America](#), [National Forest Type Dataset](#), [Trees for Me](#), and [Tree species](#)



[distribution range maps from Little's "Atlas of United States trees" series](#). Information on harvesting practices can also be found via a simple websearch.

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.

Arkansas' ecoregions can be grouped into the following types: Ozark Highlands, Boston Mountains, Ouachita Mountains, Arkansas Valley, Upper West Gulf Coastal Plain, Mississippi Alluvial plain and Mississippi Valley Loess Plains. Forested areas are mainly made up of Cedar 2%, Oak-Pine 10%, Bottom Land Hardwood 16% Pine 31%, and Oak-Hickory forests. Refer to the Arkansas Forest Action Plan for further details:

<https://www.stateforesters.org/districts/arkansas/>

Adjacent lands are comprised of pastures, agricultural crops, urban areas and water.

The economic contribution of the forestry sector in Arkansas is roughly 5% and creates and contributes to roughly 70,000 jobs in the state. Ownership status of Arkansas' forests is as follows: federal and public ownership: 19%, private ownership: 81%, with 58% owned by Family Forest Owners. For more details refer to the Arkansas Statewide Forest Resource Assessment.

Forestry practices include the following: Uneven-Aged Management for Hardwood, Even-Aged Hardwood and Mixed Stands Management, Even-Aged Planted Pine Management, Even-Aged Natural Pine Management, with natural and artificial regeneration.

Louisiana is comprised of different forest ecosystems with Oak-gum-cypress, Oak-hickory, Loblolly-shortleaf pine, Oak-pine, Longleaf-slash pine and Elm-ash-cottonwood being the predominant forest types.

Ecoregions in the north of Louisiana are covered by South Central Plains and the Mississippi Alluvial Plain. Forests cover 14 million acres, about 50% of Louisiana's land area, making it the state's greatest single land

use. Private non-industrial landowners own 81% of the state's forestland, forest products industries own 10% and the public owns 9%. Adjacent lands include shrubs/scrubs, wetlands, pasture, cultivated crop, developed space and grassland.

The forestry sector created nearly \$4.3 billion in economic impact and generated more than 9,000 jobs in northwest Louisiana. Forestry is the state's top-grossing agricultural commodity, with the sector accounting for an annual economic output of approximately \$13 billion.

Ownership in Louisiana's forest is predominantly private (ca. 69%), forest industry (18%) and the rest public ownership.

More information on forest policies and practices, including the legal framework, results of BMP implementation and monitoring, and natural heritage can be found via the [State Foresters website](#). Further socioeconomic data can be accessed through several sources, such as the [US Census Bureau](#) and US Forest Service's [U.S. Forest Resource Facts and Historical Trends](#). Key sources of common practices, including a basic overview of Best Management Practices (BMPs), include the [State Foresters website](#), the [Global Forest Atlas](#), and the [US Forest Service](#).

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 and Cypress trees that may be considered controversial are sourced. The pellet manufacturing process at the Pine Bluff mill cannot currently accept and use hardwood logs as feedstock. Sourcing includes the use of residual secondary feedstock, sourced from regional sawmills within the supply base. Upland planted forests of loblolly and shortleaf pine thinning, tops and other forest and mill residuals are the main species sources. A list of all sourced species is contained in the Master Tree Species List and in the Controlled Wood Risk Assessment.

For further details see the BP's SBR on the following website:

<http://highland-pellets.com/supply-base-report/>

## 5.3 Detailed description of 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 70-80% 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."

A quantitative description of the Supply Base can be found in the Company's Supply Base Report.

## 5.4 Chain of Custody system

The Company is FSC/PEFC Chain of Custody certified and has used 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 railed to the port in Port Arthur, LA. Ownership of the pellets transfers to another entity when the rail cars are weighed at the port.

## 6 Evaluation process

### 6.1 Timing of evaluation activities

<b>Site Name or Location:</b>	5601 Industrial Drive North, Pine Bluff	
<b>Auditor:</b>	Ciara McCarthy	
<b>Date and Time of Audit:</b>	9 <sup>th</sup> -11th December 2019 – 8.30am. 2.5 days and 20 <sup>th</sup> February 2020 1 day	
<b>Audit Activity</b>	<b>Items to Review / Actions</b>	<b>Approx. Start Time (EST)</b>
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	8:30am-9:00pm
Start of audit. Audit teams split up. Team Auditor (TA): field visits, lead auditor (LA) on-site		
SBP ST4, review of management system	Review of procedures: Written procedures, work instructions, feedstock description, product group list, accounting system OHSA, training records, interview with personnel, walkthrough of mill. Credit account and conversion factors (if time permits).	3-5pm
Short summary of the day and outlook 2 <sup>nd</sup> day	Audit team reconvenes at office	5-5:15pm
End day 1		
SBP ST 1	Team Auditor: field visits, including staff and supplier interviews	9-5pm
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	9-9:30am
SBP ST 4, & 5	Walkthrough of mill, if not already conducted: Review of OHSA, Energy reporting, production	9:30am-12pm
<b>Lunch break</b>		12 – 1pm
Audit team reconvenes at office		
SBP 2, review of management system	Cont'd: Review of procedures: Written procedures, work instructions, feedstock description, product group list, complaints procedure, management review system, accounting system, training records, interview with personnel.	1– 3pm
SBP ST 4, 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, review of DTS. Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable, OHSA	1-3pm

Review of previous nonconformities	Review of evidence of corrective actions taken by organization since previous audit (records, documents, pictures, etc.)	3-5pm <i>and in parallel with other audit activities</i>
Short summary of the day and outlook 2 <sup>nd</sup> day		5-5:15
End day 2		
SBP ST1, 2, 4 and 5.	Continued as necessary	9am- 12pm
SBP ST 1 & ST2	Any remaining field visits	9am-12pm
Preliminary Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next steps.	
20 <sup>th</sup> February 2020 – GHG audit		
SBP ST 5, ID5A, ID5B, & ID5C	Review of energy data collection and interviews with relevant staff	9am-12pm
Lunch		12-1pm
SBP ST 5, ID5A, ID5B, & ID5C	Continue with review of energy data collection	1-3pm

BP representative: Ellen Kincaid

## 6.2 Description of evaluation activities

SCS Global Services initiated the SBP audit process with a planning call to confirm the scope of the audit. SCS then prepared an audit plan and conducted the SBP 3<sup>rd</sup> Surveillance Audit of conformance to the SBP Standards 1,2,4 and 5 over 2.5 days from 9<sup>th</sup> December and concluding on 11<sup>th</sup> December 2019. Field audits, primary and secondary supplier interviews were conducted during the on-site portion of the audit. The selection of primary and secondary suppliers was conducted using the sampling formula per SBP protocol, then within the selection higher risk suppliers and a variation in operations and forest type were selected. The GHG component of the audit was conducted on 20<sup>th</sup> February 2020, once all energy invoices for 2019 were received.

Official Stakeholder consultation was not conducted for the 3<sup>rd</sup> Surveillance audit.

## 6.3 Process for consultation with stakeholders

The organization has a stakeholder list that represents stakeholders' interests from local contractors and businesses, local governments, state forestry and wildlife agencies, conservation organizations such as the Nature Conservancy, state forestry associations, local forest landowner associations, US Forest Service and US Fish & Wildlife Service. For the initial evaluation audit, a letter was sent by the Company to the identified stakeholders notifying them the intent of the Company to become SBP certified and asking for input on their thoughts on the Company's business practices and their impact on sustainable forestry in their area. Feedback was requested during the certification process via letter, email and/or telephone. All feedback was reviewed and responses provided.

Stakeholder Consultation by the CB: 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 base. No comments were received or came to the attention of SCS or the auditor. No official stakeholder consultation was conducted by SCS as the audit was a 3rd Surveillance audit

# 7 Results

## 7.1 Main strengths and weaknesses

The Company is certified to the FSC/PEFC Chain of Custody Standards, the FSC Controlled Wood and PEFC Controlled Sourcing Standards and the SFI Fiber Sourcing Standard. Accordingly, it has developed and refined its procedures to enable it to track fiber from the district of origin and throughout the supply system and manufacturing process.

Strengths include the ability to track input material back to the stump. The Company's defined supply basin extends well beyond the normally accepted haul radii for its mill to ensure the district of origin of the fiber is within the supply basin. The Company has exhibited a strong corporate commitment to source fiber sustainably. For other findings please refer to section 10.

## 7.2 Rigour of Supply Base Evaluation

The Company has conducted a rigorous Supply Base Evaluation. 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.

In addition, the Company has chosen to define the geographical scope of the SBE to extend well beyond the normally accepted haul radii for mill to ensure the district of origin of the fiber is within the supply basin.

## 7.3 Collection and Communication of Data

The company's effort to provide comprehensive and reliable data for energy calculation is adequate and the organization provides data in a clear way in well maintained databases. The organization satisfied all sections of Standard 5, IDE with no non-conformities issued. The SAR is annually submitted to SBP for approval. The energy data are recorded and calculated in Excel spreadsheets.

## 7.4 Competency of involved personnel

The SBE was performed by Scott Berg of RS BERG Associates, a well-known Forestry Program Certification Consulting company, in consultation with key Company employees and Weyerhaeuser Services personnel.

Mr. Berg has provided consulting assistance to over two hundred and eighty (280) 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. Mr. Berg also provided SBP certification consulting services to Lee Energy and Fram Renewable Fuels

The relevant management team consists of Rob McKenzie, Managing Director Highland Pellets, Ellen Kincaid, Sustainability Manager and Brian Reed Procurement Manager.

## 7.5 Stakeholder feedback

No official stakeholder consultation was conducted by SCS as the audit was a 3rd Surveillance audit. The auditor conducted several primary and secondary supplier and staff interviews as part of the audit process.

## 7.6 Preconditions

No preconditions to certification.



# 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.*

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.

**Table 1. Final risk ratings of Indicators as determined BEFORE 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

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Specified	Specified
2.4.2	Low	Low
2.4.3	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	Specified	Specified
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Specified	Specified
2.2.4	Specified	Specified
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

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

**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

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

2.2.5	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

2.10.1	Low	Low
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## 9 Review of Company's mitigation measures

Highland pellets expanded their scope to include 1% hardwoods from residual suppliers in early 2019. Mitigation measures are being implemented to ensure Highland Pellets do not procure hardwoods from areas of specified risk such as Bottomland Hardwoods. See section 13 of the Supply Base Report for updates on procurement procedures, 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 implements 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 is 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 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 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.

Mitigation measures are evaluated through annual internal audits and monitoring of suppliers.

## 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.

<b>NC number 01</b>	<b>NC Grading: Minor</b>
<b>Standard &amp; Requirement:</b>	Standard 2 section 16.4
<b>Description of Non-conformance and Related Evidence:</b>	
Organization has implemented control measures to reduce the risks in 2.1.1, 2.1.2, 2.2.3, 2.2.4 and 2.4.1 to low, however did not provide evidence of a monitoring plan to assessment effectiveness and implementation by suppliers.	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open

<b>NC number 02</b>	<b>NC Grading: Minor</b>
<b>Standard &amp; Requirement:</b>	Standard 1 section 2.7
<b>Description of Non-conformance and Related Evidence:</b>	
Organization has not detailed how the use of BMPs is used to conclude low risk for indicators 2.2.2, 2.2.5, 2.2.6, 2.9.1. The company cites appropriate sources for BMP implementation, however does not describe how the implementation of BMP reduces the risk of not meeting the criteria by not mentioning what the BMPs consist of and how the practices ensure conformance to the indicator during harvesting. For 2.9.1, the BP has not stated how they assessed that they are not sourcing from areas that were carbon rich before January 2008, but are not anymore.	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date

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

<b>NC number 03</b>	<b>NC Grading: OBS</b>
<b>Standard &amp; Requirement:</b>	Standard 2 section 7.5
<b>Description of Non-conformance and Related Evidence:</b>	
Some evidence presented in the SBR is outdated and no longer valid or have been replaced by newer versions for some indicators: FSC Global Risk Registry website, Draft FSC US National Risk Assessment. This does not affect the overall risk conclusion, thus is graded as observation.	
<b>Timeline for Conformance:</b>	Other
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open

<b>NC number 04</b>	<b>NC Grading: Minor</b>
<b>Standard &amp; Requirement:</b>	Standard 2, Instruction Note 2C, 4.1
<b>Description of Non-conformance and Related Evidence:</b>	
Some required elements of the SBR are not reported:Section 2.1 does not include the following: comparison of the scale of harvesting compared to other forest-based industries in the region.General description of the forest resources:land use and ownership statussocio-economic conditionsforest compositionprofile of adjacent landsOverview of the proportions of SBP feedstock product groups (Controlled Feedstock, SBP-compliant Primary Feedstock, SBP-compliant Secondary Feedstock, SBP-compliant Tertiary Feedstock, SBP non-compliant Feedstock) showing the proportions of each which are certified and uncertifiedIndication of the number of suppliers for each SBP feedstock product groupDescription of the forestry management practices or land management practicespresence of any IUCN speciesSpecies mix.	
<b>Timeline for Conformance:</b>	Other
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open



# 11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:

<b>Certification decision:</b>	Certification approved
<b>Certification decision by (name of the person):</b>	Sebastian Häfele
<b>Date of decision:</b>	05/May/2020
<b>Other comments:</b>	<i>Click or tap here to enter text.</i>