



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

First 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

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Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Compilation of data on Greenhouse Gas emissions
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification recommendation

1 Overview

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

Primary contact for SBP: Maggie Schwartz; info@scsglobalservices.com

Current report completion date: 10/Dec/2020

Report authors: Kyle Meister

Name of the Company: Huntsville Pellets, LLC

Company contact for SBP: Damon Burris

Certified Supply Base: Select Counties of Texas and Parishes of Louisiana

SBP Certificate Code: SBP-04-52

Date of certificate issue: 31/Jan/2020

Date of certificate expiry: 30/Jan/2025

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers the production of wood pellets per SBP Standards 1, 2, 4, and 5. It also covers a Supply Base Evaluation for the sourcing of feedstock from 31 counties located in Texas and 22 parishes located in Louisiana, USA. The scope includes communication of Dynamic Batch Sustainability Data.

It also covers a Supply Base Evaluation for sourcing feedstock from: Texas, USA (40 Counties), and Louisiana, USA (22 Parishes).	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
The scope includes communication of Dynamic Batch Sustainability Data.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

As already stated on the cover page and the overview page, the evaluation was a/an:	<input type="checkbox"/> Evaluation audit	<input checked="" type="checkbox"/> Surveillance audit
	<input type="checkbox"/> Re-Evaluation audit	<input type="checkbox"/> Other: Describe
The scope of this audit included a review of procedures (e.g., data collection, chain of custody, Due Diligence System (DDS), etc.), documentation (e.g., risk assessments), records (e.g., supplier contracts, SAR, SREG), and databases to ensure the organization's management system is appropriate to ensuring conformance to applicable SBP Standards cited in section 4.1.		
Other audit methods that may have been used include field audits, inspection of production facilities (remotely and/or onsite), and interviews with relevant staff, supplier representatives and stakeholders/rightsholders.		

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer’s management system is capable of ensuring that all requirements of specified SBP Standards are implemented over scope of certification.

If applicable, the following *pre-audit activities* were conducted: pre-assessment; site visits N/A

The following Critical Control Points (CCPs) were identified and evaluated (edit list as appropriate and describe how the organization controls each point and how it was evaluated). Note that you may identify other CCPs for a particular client which you should also describe in the report:

CCP	Description, including how evaluated by SCS
Processes for procurement and processing, transport and storage	<p>All wood delivered to the adjacent sawmill (joint owner of BP facility) is tracked in a centralized system. Prior to delivery of roundwood, residual chips, and sawdust 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 to ensure compliance to requirements related to legality, safety, and risk assessments.</p> <p>At the adjacent sawmill, roundwood is processed into lumber and a residual product of dry pine shavings. These shavings and other feedstock (wood chips and sawdust) are transported a <i>de minimis</i> distance (250 meters) from the sawmill to the BP facility for storage. The feedstock is hammered and extruded into pellets. Conversion factors used to allocate shavings and other feedstock into pellets are reasonable.</p>
Volume accounting method	Procedures detail the process to maintain the volume credit spreadsheet, with provisions for subtracting certified product sold and for carrying the past 12 months of credits in accordance with PEFC standards.
Documentation of transactions	Records of pellet shipments by truck are recorded, and outgoing transactions of SBP-certified biomass are recorded in DTS.
Energy data collection and reporting	The organization has developed internal systems based on its IT infrastructure to record data values and calculate energy data as required by Standard 5, as well as maintenance of records to 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

- Name of SBP-endorsed Regional Risk Assessment (RRA):
- N/A, no SBP-endorsed RRA.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

The BP operates a pellet mill located in the town of Huntsville, Texas, which is a rural area with both agriculture and forestry present on the landscape. Huntsville is located in a region with an active forest products industry, and, in addition to primary sources of raw material (i.e. forest harvesting), there are secondary sources of fiber locally available to the mill, such as sawmill residuals. It is anticipated that 100% of the pellet mill’s supply will originate in just one source: Steely Lumber, a sawmill and one of two owners of the BP. The mill began operation on 9 January 2020. The only raw material to be supplied to the pellet mill is dry shavings from this sawmill. More information can be found in the BP’s Supply Base Report (SBR).

The organisation is a legal entity located in: Texas, United States of America

The following descriptions and activities apply to the organisation:

Biomass activity	Feedstock sourced <input type="checkbox"/> NA, trader only	Feedstock claims* <input type="checkbox"/> NA, trader only	Relationship to other SBP-certified biomass producers/traders
<input checked="" type="checkbox"/> Pellet producer & trader <input type="checkbox"/> Stationary/ <input type="checkbox"/> Mobile Woodchip producer & trader <input type="checkbox"/> Pellet trader <input type="checkbox"/> Woodchip trader	<input type="checkbox"/> Primary <input type="checkbox"/> Secondary <input checked="" type="checkbox"/> Pre/ <input type="checkbox"/> Post-consumer tertiary	<input type="checkbox"/> FSC 100%/Mix Credit <input type="checkbox"/> FSC Mix x% <input checked="" type="checkbox"/> 100% PEFC ¹ /Volume Credit <input type="checkbox"/> SFI Forest Management or 100% <input type="checkbox"/> ATFS <input checked="" type="checkbox"/> Other FSC, SFI or PEFC (e.g., FSC Controlled Wood): PEFC Controlled, X% PEFC Certified	<input type="checkbox"/> NA, not linked via ownership and/or agreement to other SBP-certified entities; or <input checked="" type="checkbox"/> Organisation is linked to other SBP-certified entities via ownership or agreement: CM Biomass Partners A/S

*This refers to feedstock claims that the BP may receive per the scope of its Chain of Custody (COC) certificate(s) and not necessarily to claims actually received during the audit period. Equivalents to FSC Controlled Wood or PEFC Controlled Sources must also qualify per an SBE and/or RRA to qualify as SBP-compliant feedstock. See section 5.4 for more details.

Feedstock is sourced from the following regions by administrative unit: Country(ies)	United States of America
States/Provinces/Territories	Texas and Louisiana

¹ PEFC recognizes SFI Forest Management, American Tree Farm Standard (ATFS), and CAN/CSA Z809 SFM as 100% PEFC in North America. Other duly recognized standards may be found here: <https://www.pefc.org/> (e.g., CERFLOR Brazil, CERFOAR Argentina, CertforChile, PEFC Estonia, PEFC Latvia, PEFC Lithuania, PEFC Uruguay, Responsible Wood Australia, New Zealand NZFCA, etc.).

Number of counties sourced from in case only a portion of an administrative unit is in the SB	Texas (40 counties) and Louisiana (22 parishes)
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5.2 Description of Company's Supply Base

All this information can be found in the BP's SBR, which can be found on the BP's SBP certificate page.

Brief description of the Supply Base within the regional context
The greater part of the forested landbase upon which the mill draws consists of pine plantations, rather than natural forestry operations, and Southern Yellow Pine as an industry-accepted group of species is the primary (if not exclusive) source of fiber for the mill. This means in practice a very large proportion of Loblolly Pine (<i>Pinus taeda</i>), although minor amounts of Shortleaf Pine (<i>Pinus echinata</i>), and Slash Pine (<i>Pinus elliottii</i>) may be included in the species mix, as well as a very small amount of Longleaf Pine (<i>Pinus palustris</i>). As mentioned above, the supply base, or SB, is primarily rural with forestry and agriculture the primary land uses.
Description of how the producer sources feedstock
The BP sources sawmill pre-consumer residuals from an adjacent sawmill, Steely Lumber.
General description of the forest resources and forest management practices within the Supply Base
<p>Land use: Rural with forestry and agriculture as the primary land uses.</p> <p>Ownership status: In terms of tenure, the vast majority of forestry operations in the region are located on private land, whether in the holdings of large corporate entities (principally TIMOs, or Timber Investment Management Organizations), or Non-Industrial Private Forests (NIPFs), the latter often being family-owned.</p> <p>Socioeconomic conditions: Socioeconomic statistics on the states included in the supply base can be explored on the US Census Bureau's website (https://www.census.gov/quickfacts/fact/table/TX,LA,US/PST045219; viewed 10 December 2020) and from the US Bureau of Economic Analysis (https://apps.bea.gov/regional/bearfacts/; viewed 10 December 2020). For example, the regional economy is dominated by finance and related industries (e.g., insurance), retail trade, business services, education, healthcare, and government sectors. Forestry, agriculture, and manufacturing are nevertheless important parts of the regional economy, especially as they support several several of the industries previously mentioned. There are several sources of information on socioeconomic conditions that are not affiliated with government agencies, such as Investopedia, which maintains statistics on median income and unemployment by state (https://www.investopedia.com/median-income-by-state-5070640 and https://www.investopedia.com/unemployment-rate-by-state-4843541, respectively; both viewed 10 December 2020). Also, see links below under forest composition.</p> <p>Forest Composition: The pine species mentioned above are sourced as feedstock, though there are several other tree species in the supply base. More information on the composition of the forests of the US Southeast and socioeconomic trends is available from the USDA Forest Service:</p> <ol style="list-style-type: none"> 1. Ecosystem Provinces: https://www.fs.fed.us/land/ecosysmgmt/colorimagemap/ecoreg1_provinces.html 2. Silvics of North America: https://www.srs.fs.usda.gov/pubs/misc/ag_654/table_of_contents.htm; and 3. Fire Effects Information System: https://www.fs.usda.gov/rmrs/tools/fire-effects-information-system-feis and https://www.fs.fed.us/database/feis/pdfs/Little/aa_SupportingFiles/LittleMaps.html. 4. U.S. Forest Resource Facts and Historical Trends: https://www.fia.fs.fed.us/library/brochures/docs/2012/ForestFacts_1952-2012_English.pdf

Profile of adjacent lands: Forestry practices in the region are dictated to a great extent by the management priorities of landowners, whether (for example) there is a focus on hunting, and provision of habitat for game species, or primary emphasis on timber production. Forestry is the responsibility of the States of Texas and Louisiana, although there is Federal oversight particularly in the area of Rare, Threatened, and Endangered species (US Fish and Wildlife Service), and navigable waters (Environmental Protection Agency). The Texas Forest Service and Louisiana Agricultural Extension Service provide support to landowners through tax incentives or cost-sharing for conservation projects and also by providing access to forest management decision-making tools (thinning scheduler, timber investment calculator), and other resources publicly available on their website.²

Forest harvesting in the region is almost entirely mechanized at this juncture, certainly for industrial operations (as opposed to manual harvesting using a chainsaw), and silviculture is typically based on evenaged systems of plantation management, with several interventions culminating in a final harvest and subsequent reforestation, with supplementary planting (artificial regeneration) a common practice.

The conservation of forest soils and water resources, as well as wildlife values including nesting sites and the like are protected by both federal and state-level legislation in the US. Management regimes that go 'beyond compliance' are promoted by voluntary certification systems present in the region, such as the Sustainable Forestry Initiative® (SFI), American Tree Farm System® (ATFS), and the Forest Stewardship Council® (FSC®); the former two are by far the most prevalent. Best Management Practices, or BMPs, even in the absence of third-party certification, are promoted by SFI State Level Implementation Committee (SIC) training, as well as by state-level forestry bodies; the Texas Pro Logger and Louisiana Master Logger Programs is a key element.

The Texas Forest Service (TFS) and the Louisiana Department of Agriculture and Forestry (LDAF) provides assistance and incentives to landowners to manage their properties for the protection of Threatened and Endangered (T&E) species. These programs range from simply providing landowners with technical assistance to take action on their property to improve and/or protect habitat, to financial and tax incentives to implement conservation plans. The TFS and LDAF has developed guidelines for the protection of habitat (available on TFS and LDAF websites). Most of the activities for landowners in forested landscapes focus on leaving buffer zones around identified T&E habitat, protecting late successional bottomland woodlands and natural regeneration, restoring Longleaf pine, and implementing prescribed burning with professional support, etc. These activities can be part of a conservation plan and be eligible for financial support or tax incentives.³

Link to BP's Supply Base Report

BP's webpage: N/A – BP has no webpage.

BP's SBP certificate page: <https://sbp-cert.org/certificate-holders/huntsville-pellets-llc-sbp-04-52/>

5.3 Detailed description of Supply Base

- a. Total area of HP's Supply Base (in hectares): 7,166,324 ha (the surface area of all counties).

2

<http://tfsfrd.tamu.edu/tdss/>

3 <http://tfsweb.tamu.edu/wildlifemanagement/non-game/>

Louisiana Department of Agriculture and Forestry: <http://www.ldaf.state.la.us/forestry/>

b. Forest Tenure by type (ha): (for East Texas):

Type of Ownership	Hectares	Percentage
Private	4,420,867	91.8%
Federal	298,577	6.2%
State	52,973	1.1%
County/Municipal	43,342	0.9%
Total	4,815,759	100%

c. Forest by type (ha):

Forest type	Hectares
Pine	2,215,249
Oak-hickory	1,107,625
Oak-pine	577,891
Oak-gum-cypress	529,733
Elm-ash, cottonwood	240,788
others	144473
Total	4,815,759

d. Forest by management type (ha): plantation/managed natural:

52% of pine stands (1,157,400 hectares) are managed under a plantation regime. The rest of the pine-producing areas are managed under a natural regeneration regime.

e. Certified forest by scheme (ha): (e.g. hectares of FSC or PEFC-certified forest).

An estimated 50% of raw material was to come from PEFC/SFI certified forests, but that percent was not achieved so far in 2020.

A quantitative description of the Supply Base can be found in the organisation's Supply Base Report (SBR) file located on its entry page of the SBP Certificate Database. The following are summary statistics from the SBR:

5.4 Chain of Custody system

As applicable, all material is subject to the organization's COC procedures for sourcing certified and non-certified material. The organization sources material from certified sources under its valid COC certificate(s) per the following systems: FSC PEFC and/or SFI.

As applicable, any non-certified sources have been evaluated under the BP's COC Due Diligence System (DDS) or Controlled Wood procedures, as well as an SBE and/or duly approved Regional Risk Assessment.

6 Evaluation process

6.1 Timing of evaluation activities

Auditor name:	Kyle Meister	Auditor role:	Lead auditor
Auditor name:	Rance Frye	Auditor role:	Technical Expert

Supplier audits	Primary supplier FMUs visited: 4 Secondary/Tertiary supplier interviews: 0
<i>Supplier sampling is determined using SBP sampling formulas described or cited in SBP Standard 3. Audit teams ensure to sample across the variety of forest ecosystems and/or feedstocks from which the organization sources, including by selecting different land ownership/management (e.g., small, public, private, etc.), harvesting types (thinning, final harvest), and feedstock type (primary, secondary, tertiary, hardwood, softwood, etc.).</i>	

A. Number of days spent on-site for evaluation:	2
B. Number of auditors participating in on-site evaluation:	1
C. Number of days spent by any technical experts (in addition to amount in line A):	1
D. Additional days spent on preparation, stakeholder consultation, and follow-up:	0
E. Total number of person days used in evaluation (A * B + C + D):	3

Site Name or Location:	Huntsville Pellets, LLC	
Date and Time of Audit:	7 October 2020 – 10 December 2020	
Audit Activity	Items to Review / Actions	Approx. Time
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	30 min.
Primary tract site visits (7 October 2020)	SBP ST1 – Primary harvest site evaluations (4 Sites Selected) (Lunch stop included in harvest site visits) Interviews with appropriate number and diversity of staff to assess knowledge of procedures related to their position	1 day
Review of previous nonconformities	Review of evidence of corrective actions taken by organization since previous audit (records, documents, pictures, etc.)	60 min.
Review of CoC/SBP procedures, products and material accounting, and material balances and records	Written procedures, work instructions, feedstock description, product group list, accounting system (transfer, percentage or credit; physical separation, percentage method) and verification of calculations Auditor-selected sample of the following: material tracking system, summary of purchases and sales, DTS records, training records, outsourcing agreements, other applicable SBP/CoC systems, procedures and records, etc.	0.5 days
Evaluation of trademarks	Review of auditor-selected sample of SBP and/or SCS on-product and/or promotional trademark uses; review of any on-site trademark uses such as banners, posters, entryway signs	15 min.
SBP ST 5/ID5E	Review of GHG data collection	1 day
Walkthrough of facility	Review of physical inputs and outputs, material receipt, processing, storage, credit account (if applicable), sale, and overall control	0.25 days
Staff interviews	Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position	

Closing meeting preparation	Auditor takes time to consolidate notes and review audit findings for presentation at closing meeting	0.25 days
Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next steps	
End		

6.2 Description of evaluation activities

Refer to the audit itinerary above. For all SBP evaluations, SCS may collect evidence using a combination of direct observation, document and record review, and interviews with stakeholders, rightsholders and the organization’s personnel & service providers. As reviewing all operations would be cost-prohibitive, SCS implements sampling techniques to ensure that all CCPs are assessed during evaluations. When relevant, other areas and locations are sampled during sequential audits to ensure that different aspects of the organization’s control systems are evaluated. If a pre-evaluation visit was conducted, results are described below.

- N/A, no pre-evaluation visits.
- Results of any pre-evaluation visits:

6.3 Process for consultation with stakeholders

SCS relies on its Master Stakeholder List, which contains interested parties such as stakeholders and/or rightsholders 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/territory at the very least, and for this consultation was filtered to omit any interested parties that were not geographically relevant to the certificate holder/applicant’s supply base. A notification is sent out to all identified interested parties after the BP’s consultation period has ended. Comments from interested parties that are received outside of regular consultation periods are fully considered. Methods used to communicate with interested parties may include, but are not limited to, public, private or semi-private meetings, email, telephone, written correspondence, and/or messaging application.

Consultation that may have been conducted by the BP during the audit period may be described in the BP’s SBR. Sometimes, formal and informal consultation may not be documented in the BP’s SBR due to confidentiality concerns of interested parties.

The following consultation activities occurred as a part of this audit:

- Consultation has been conducted by SCS Global Services.
- Consultation has been conducted by SCS Global Services, but interested parties did not respond to any communications and/or did not provide permission to include comments in the report.
- No consultation has been conducted by SCS Global Services.

7 Results

7.1 Main strengths and weaknesses

Strengths	Weaknesses
The BP 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 a training program with the 3 rd party consultant.	Refer to section 10.

7.2 Rigour of Supply Base Evaluation

N/A, no Supply Base Evaluation (SBE) conducted.

Is the current definition of scope adequate for the specific characteristics of the Supply Base and management systems in place?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are the means of verification and evidence provided enough to support the risk conclusion?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are mitigation measures implemented for specified risk sufficient and adequate?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> NA, no mitigation measures necessary
Are the personnel involved in the development of the Supply Base Evaluation (SBE) knowledgeable in the required fields?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<i>Refer to Section 10 for any deficiencies noted in the SBE.</i>	

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 Certificate Manager through use of IT platforms.

7.4 Competency of involved personnel

The SBE was performed by a well-known Forestry Program certification consultant, in consultation with key BP employees. The BP’s management and control systems for SBP are the same as those used to meet 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.

7.5 Stakeholder feedback

- No stakeholder comments were received before, during or after the evaluation.
- The following comments were received as described in the table below:

Stakeholder Comment	SCS Response

7.6 Preconditions

- No preconditions were issued.
- Preconditions were issued, which remain *open* as described in the Major NCRs noted in section 10.
- Preconditions were issued, all of which the organization *closed* as described in the Major NCRs noted in Section 10.

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.

- N/A, no SBE conducted.
- Refer to SBE risk ratings below. SCS assessed risk for the Indicators by evaluating MOV and evidence cited in the SBE, and interviews with relevant staff.

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
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	Specified	Specified
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

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

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

N/A, no mitigation measures.

The organization implements the following mitigation measures (the following content is from the SBR)

Five indicators were identified that had specified risk, requiring mitigation measures. These measures are laid out below. Their implementation resulted in arrival at a 'low-risk' designation for all five indicators.

Indicator 2.1.1: The Biomass Producer has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation values are identified and mapped.

Mitigation measure: *In order to lower the risk, a desk audit and if necessary the Supplier Verification Program will be used to verify that values identified as potentially present are not harmed by forest operations. The Desk Audit screens all purchases against the results of the SBE. Counties with known critical habitat for endangered species are further scrutinized based on location of critical habitat and location of the forest tract. Other criteria refer to the type of operation (thinning or final cut), age and type of stand (natural or plantation) to assess against risk for conversion or to natural southern yellow pine stands which are also suitable habitat for the Red Cockaded Woodpecker.*

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.

Mitigation measure: *Steely, as HP's sole supplier, sources primary material based either on the purchase of timber on the stump or the purchase of volume offered for purchase as part of the off-take of a harvesting operation managed by another entity. In this scenario, there are no difficulties in identifying the tract (FMU) of origin and conducting a verification audit under the Supplier Verification Program. Steely's fiber procurement staff, on behalf of HP, performs a Desk Audit of all tracts from which purchases may originate to assess the risk to the values identified. If necessary, a field visit focusing on the implementation of Texas' BMPs, Health & Safety, proper training for logging crews (Pro-Logger certification in Texas) is carried out. In addition, all suppliers are required to sign a Supplier Declaration Form committing to meet HP's requirements. HP evaluates suppliers and keep records of their performance. Suppliers are required to identify the tracts of origin of their supply and internal audits of Bills of Sale are conducted.*

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.

Mitigation Measures: *HP's Procurement Procedures require that primary suppliers provide a Bill of Sale that allows the identification of the forest tract for inspection purposes. During the Desk Audit, all purchases are scrutinized to assess risk of conversion (amongst others). The study includes criteria such as age and type of the forest and type of harvesting method, to determine risk of conversion and the potential need to carry out field inspections. Field inspections are carried out as part of a Supplier Verification Program, used in Specified Risk counties to re-categorize suppliers' risk profile, where possible, through mitigation measures. Suppliers are required to identify the tracts of origin of their supply and internal audits of Bills of Sale are conducted to assess the risk of conversion based on the profile of the forest tracts.*

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).

Mitigation measure: All Suppliers are subject to a desk audit where values of concern can be identified in relation to the specific tract using the US Fish and Wildlife Service’s IPaC tool or by checking the Texas Forest Service website identifying habitats of concern for the Federal T&E species list. The Desk Audit screens all purchases against the results of the SBE. Counties with known critical habitats for endangered species are further scrutinized based on location of critical habitat and location of the forest tract. Other criteria refer to the type of operation (thinning or final cut), age and type of stand (natural or plantation) to assess against risk for conversion or risk to natural southern yellow pine stands which are also suitable habitat for the Red Cockaded Woodpecker

HP requires suppliers to comply with laws and regulations, to use trained logging crews and implement BMPs. In addition, HP verifies and evaluates suppliers through field inspections, as necessary.

Indicator 2.2.4: The Biomass Producer has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).

Mitigation measure: All Suppliers are subject to a desk audit where values of concern can be identified in relation to the specific tract using the US Fish and Wildlife Service’s IPaC tool, or by checking the Texas Forest Service website identifying habitats of concern for the Federal T&E species list. The Desk Audit screens all purchases against the results of the SBE. Counties with known critical habitats for endangered species are further scrutinized based on location of critical habitat and location of the forest tract. Other criteria refer to the type of operation (thinning or final cut), age and type of stand (natural or plantation) to assess against risk for conversion or risk to natural southern yellow pine stands which are also suitable habitat for the Red Cockaded Woodpecker

HP requires suppliers to comply with laws and regulations, to use trained logging crews and implement BMPs. In addition, HP verifies and evaluates suppliers through field inspections. Suppliers are required to identify the tracts of origin of their supply and internal audits of Bills of Sale are conducted to assess the risk to biodiversity based on the profile of the forest tracts.

Monitoring and outcomes

Indicator	Mitigation Measures	Monitoring
2.1.2	A total of 12 tracts were reviewed using IPaC to determine if the tract was in the proximity of HCVPs or T&E species. Four of the 12 were located on U.S. Forest Service property in the proximity of red-cockaded woodpeckers. The USFS had harvest timing restrictions by contractual obligation to protect nesting birds. Steely used loggers trained in accordance with the Texas Pro-Logger program, which includes information on the protection of red-cockaded woodpeckers	The harvest sites were inspected by both Steely and the USFS. Both inspections are recorded on inspection forms, Steely’s on its Field Inspection Form. An examination of the Field Inspection Form and the USFS inspection forms provide evidence of compliance with the protection requirements for the red-cockaded woodpecker

No other indicators with specified risk required any mitigation measures.

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.

2019

NC number 1	NC Grading: Minor
Standard & Requirement:	SBP STD 1: 4.3
Description of Non-conformance and Related Evidence:	
No representatives from USFS (National Forest is located within close proximity of BP facility), local government or USFWS representatives were contacted based on review of Stakeholder list.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	In January 2020 we reviewed our stakeholder list and found that it did include a member of USFS and some representatives of the Texas Forestry Association. In August 2020, emails were sent to representatives of the following organizations: Louisiana Department of Wildlife and Fisheries, Louisiana Forestry Association, The Nature Conservancy of Louisiana, The Louisiana Wildlife Federation, The Louisiana Department of Agriculture and Forestry, and The Louisiana Department of Natural Resources. The stakeholder list was also updated to include other representatives.
Findings for Evaluation of Evidence:	The stakeholder list now includes two representatives of the USFS and the general email for the regional office, the general USFWS contact, Texas Forest Service, and Texas Forestry Association. Evidence of communications with the other organizations cited was also reviewed.
NC Status:	Closed

NC number 4	NC Grading: Minor
Standard & Requirement:	Interpretation Supply Base Report, Section 7: Clarification: Overview of Initial Assessment of Risk & SBP STD 2, Instruction Note 2C, 4.1,
Description of Non-conformance and Related Evidence:	
For indicators 2.2.1, 2.2.2, 2.2.5, 2.2.6, 2.2.8, 2.2.9, 2.4.3, 2.10.1, the company's management system was used to conclude low risk, when any action taken by the BP whether as a result of the identification of	

the risk or as part of the ongoing management system of the BP shall be reported under Section 9, Mitigation Measures in the SBR template and specified risk declared for the indicators. The organization has not provided verifiable third-party resources or publications for these indicators in the means of verification and evidence section. For example, for 2.10.1 no sources outside of the BP's management system are cited, such as the FSC US NRA.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	The SBE has been updated for each of these indicators and per the latest SBP template.
Findings for Evaluation of Evidence:	While some of these indicators have been updated and supported with complete evidence (e.g., 2.4.3), there are several for which incomplete evidence is cited. For example, 2.2.1 cites the legal framework and BMPs (which are how compliance to the Clean Water Act are determined). The BP uses contracts, bills of sale, supplier declarations or other agreements to ensure legal compliance. While these are a part of the PEFC Due Diligence System (DDS) and Procurement Policies & Procedures, they are not specifically cited as MOV/Evidence or described in the finding. Similarly for 2.2.2, 2.2.5, 2.2.6, 2.2.8, 2.2.9, 2.3.1, 2.3.2, 2.4.1, 2.4.2, 2.5.2, 2.7.1, 2.7.2, 2.7.3, 2.7.4, 2.7.5, 2.8.1, 2.9.1, 2.9.2, and any other indicator for which the legal framework (including BMPs) is a mechanism of assurance, contracts or other agreements are the primary mechanism of enforcement. Field inspection is done for some indicators as a part of PEFC DDS and as a part of evaluating compliance to contractual requirements, which is something that most forestry procurement organizations do in North America as a part of good business practice. Logger training is also cited in the finding for 2.3.2 and is checked as a part of DDS, but the specific record checked is not cited in MOV/Evidence. The BP has not addressed 2.10.1.
NC Status:	Upgraded to Major CAR 2020.2

2020

NC number 2020.1	NC Grading: Minor
Standard & Requirement:	<i>ST 1, 1.1.1 and IN-2C 5.2</i>
Description of Non-conformance and Related Evidence:	
Supply Base is defined and mapped in the BP's SBR. However, the Supply Base map in the SBR does not include the Louisiana parishes.	
Furthermore, there are some inconsistencies in the number of counties and parishes reported in the SBR. In some sections of the SBR, 31 Texas counties are reported. However, in the list of counties and parishes in Appendix 14, there are 40 Texas counties and 22 Louisiana parishes.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>

Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	<i>Choose status.</i>

NC number 2020.2	NC Grading: Major
Standard & Requirement:	Interpretation Supply Base Report, Section 7: Clarification: Overview of Initial Assessment of Risk & SBP STD 2, Instruction Note 2C, 4.1
Description of Non-conformance and Related Evidence:	
<p>For 2.2.1, 2.2.2, 2.2.5, 2.2.6, 2.2.8, 2.2.9, 2.3.1, 2.3.2, 2.4.1, 2.4.2, 2.5.2, 2.7.1, 2.7.2, 2.7.3, 2.7.4, 2.7.5, 2.8.1, 2.9.1, 2.9.2, and any other indicator for which the legal framework (including BMPs) is a mechanism of assurance, contracts or other agreements are not cited as the primary mechanism of enforcement, which therefore allows the BP to conclude low risk. Logger training is also cited in the finding for 2.3.2 and is checked as a part of DDS, but the specific record checked is not cited in MOV/Evidence.</p> <p>The organization has not provided verifiable third-party resources or publications for several of these indicators in the means of verification and evidence section. For example, for 2.10.1 no sources outside of the BP's management system are cited, such as the FSC-US NRA, V1-0.</p>	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	<i>Choose status.</i>

NC number 2020.3	NC Grading: Major
Standard & Requirement:	ST 1, 2.1.1, 2.1.2, 2.1.2, 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.9.1 and 2.9.2
Description of Non-conformance and Related Evidence:	
<p>The BP has not demonstrated sufficient means of verification for the following indicators of SBP-STD-1-V1-0:</p> <ul style="list-style-type: none"> • 2.1.1 and 2.1.2 – Even though the FSC-US NRA contains numerous references to sources used to evaluate for the presence and protection/conservation status of Intact Forest Landscapes (IFLs; see https://www.globalforestwatch.org) in the US and that these same sources show that there are no IFLs within the BP's supply base, the BP has concluded that there are IFLs. Per FSC, Global Forest Watch is the primary source of data on IFLs and thus extends to SBP. SBP requires that BPs in the USA cite sources used to identify the presence and protection/conservation status of IFLs within the Supply Base; <ul style="list-style-type: none"> ○ Any justification for low risk at the initial stage must include a description of a protective framework through effective legislation, conservation programs, etc. Alternatively, it can be demonstrated by the BP how sourcing from these areas is avoided; 	

<ul style="list-style-type: none"> ○ Note that evidence is not sufficient if only sources or protection frameworks are mentioned. A description of the effectiveness of legal frameworks or conservation programs is required; ● 2.1.2, 2.2.1, 2.2.2, 2.2.3, 2.2.4 – BMPs are cited in a general fashion as evidence of low risk. Per the Major CAR from the accreditation body, the specific BMP or BMPs must be referenced in each of these indicators and a description of how they help ensure low risk to the specific indicator is required. For example, how certain BMPs protect biodiversity must be described. ● 2.9.1 and 2.9.2 - Per the Major CAR from the accreditation body, the assessment of feedstock from areas that had high carbon stocks in January 2008 and no longer have those high carbon stocks must specifically reference the 2008 cut-off date, and not just how the BP avoids sourcing from existing high carbon stock areas. <ul style="list-style-type: none"> ○ Not only must the present situation be assessed, but also the past to exclude sourcing from areas that may have been converted from carbon rich ecosystems such as wetland/peatland to ecosystems with less soil carbon (e.g., plantations). 	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	<i>Choose status.</i>

NC number 2020.4	NC Grading: Minor
Standard & Requirement:	ST 2, 12.2 and 12.3
Description of Non-conformance and Related Evidence:	
<p>While the competencies of the personnel are described in the SBR, per a Major CAR issued by the accreditation body the following must be documented in procedures:</p> <ul style="list-style-type: none"> ● 12.2: the determination of the competences required for achieving the objectives of the SBE, and how they are to be demonstrated or assessed; and ● 12.3: the process for selecting and appointing an evaluation team with the required competences. 	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	<i>Choose status.</i>

NC number 2020.5	NC Grading: Minor
Standard & Requirement:	<i>ST 2, 16.3 and 18.4</i>
Description of Non-conformance and Related Evidence:	
<p>Through review of field inspection forms, it was found that the BP is partially monitoring its mitigation measures. The BP has also been certified for less than a year. However, it has not recored the results of its monitoring of all mitigation measures in the SBR. For some mitigation measures, the BP states in section 9.2 of the SBR that no monitoring is required. However, there is no such exemption permitted by SBP requirements. However, there is no specific requirement that states that all monitoring measures occur annually. That is, certain monitoring activities or monitoring outcomes can be done periodically depending on the risk or sensitivity of the resource.</p> <p>Evidence: Field inspection forms, SBR section 9.2</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	<i>Choose status.</i>

NC number 2020.6	NC Grading: Minor
Standard & Requirement:	<i>ID 5E, 6.2.5, ID 5E, 6.8.2, and ID 5E, 6.5.2</i>
Description of Non-conformance and Related Evidence:	
<p>Due to differences in monthly meter reading periods for the first and last month of reporting electricity, the total number of days that the data relates to is not exactly the same as the Reporting Period and an adjustment to match the data to the Reporting Period has not been made (e.g. using a simple proportional relationship). Whatever method is used it shall be recorded in the SAR.</p> <p>For fossil fuel use for fork lift and loader, the total fuel calculation includes dates from AFTER the final date of the reporting period (1/Nov/2020). For example, the load data includes dates from 3-13 November and the forklift includes dates from 2-12 November.</p> <p>Evidence: electricity invoices, sections 3.2 and 3.4 of SAR, and supporting Energy Excel file</p>	
Timeline for Conformance:	Other Prior to finalization of SAR.
Evidence Provided by Company to close NC:	The Energy tracking spreadsheet was updated to calculate the average daily electricity use for the first and last month of the reporting period, and multiplied by the number of days reported for each of those months. The electricity figure in the SAR was updated. The diesel use figures were also updated to remove the excess dates.

Findings for Evaluation of Evidence:	Confirmed calculations and changes in spreadsheet and SAR.
NC Status:	Closed

NC number 2020.7	NC Grading: Minor
Standard & Requirement:	<i>ID 5E, 6.9.1</i>
Description of Non-conformance and Related Evidence:	
While data for 3.3.a such as moisture content of feedstock is included in Table 2.1, it has not been included 3.3.a (moisture of feedstock (% wet basis); method of monitoring; and moisture of biomass as produced (% wet basis)).	
Timeline for Conformance:	Other Prior to finalization of SAR.
Evidence Provided by Company to close NC:	Table 3.3.a was completed
Findings for Evaluation of Evidence:	Confirmed via review of updated SAR and a sample of daily pellet sampling forms.
NC Status:	Closed

NC number 2020.8	NC Grading: Minor
Standard & Requirement:	<i>ID 5E, 3.2.6 and ID 5E, 3.2.7</i>
Description of Non-conformance and Related Evidence:	
While one Static Data Identifier (SDIs) has been defined, the BP has not been designated in the proper form.	
ID 5E, 3.2.6: Static Data Identifiers shall be in the form: SBP-XX-YY-ZZ where:	
<ul style="list-style-type: none"> - SBP-XX-YY is the BP certificate number issued by SCS - XX is a 2-digit number allocated to SCS by SBP - YY is a 2-digit number allocated to the Certificate Holder by SCS - ZZ is a unique 2-digit integer unique to the Reporting Period and the Scope End-point for biomass as determined by the BP 	
Note: The BP may add additional '0' (zero) values in front of the 'XX', 'YY' and 'ZZ' values where this facilitates integration with existing data systems.	
Note: The BP may use three digits once ZZ = 99 has been reached, i.e. 'ZZZ' = 100. A preceding '0' may be used such that ZZ = 23 = 023.	
ID 5E, 3.2.7: ZZ and ZZZ are sequential integers that have been increased by 1 (one) for sequential Reporting Periods and were allocated in ascending linear numerical order.	
Note: For example, if during last year's audit, the BP specified an SDI of SBP-04-YY-01, then at this year's audit, the SDI needs to be SDI-04-YY-02	
Timeline for Conformance:	Other

	Prior to finalization of SAR.
Evidence Provided by Company to close NC:	SDI has been assigned in the SAR.
Findings for Evaluation of Evidence:	Confirmed that SDI was defined and assigned in SAR.
NC Status:	Closed

NC number 2020.9	NC Grading: Major
Standard & Requirement:	<i>ID 5E, 6.7.1, ID 5E, 6.4.5, and ID 5E, 5.2.5</i>
Description of Non-conformance and Related Evidence:	
<p>The feedstock input and total biomass production reported in for the Reporting Period includes delivery and shipping dates outside of the reporting period, which affects total feedstock input in Table 2.1, total biomass produced leaving the processing plant during the Reporting Period, and total biomass claimed with Dynamic Batch Sustainability Data (DBSD).</p> <p>The Excel file with “YTD Shavings” tab includes feedstock delivery dates AFTER (Nov/02-Nov/16/20) the close of the reporting period of 1/Nov/2020.</p> <p>The Excel file with “YTD Pellets – TRAILERS” tab includes shipping dates AFTER (Nov/02-Nov/16/20) the close of the reporting period of 1/Nov/2020.</p> <p>Through review of DTS transactions and invoices for DBSD, pellets on invoice HP57 were delivered on Nov/2 (invoiced Nov/9; Transaction ID 27cbc7c5-73cc-30a4-b5f6-8608192437e6), which falls outside of the reporting period.</p> <p>Evidence: Tracking Electricity, Fuel, Diesel.xlsx (YTD Shavings, column E; YTD Pellets – TRAILERS, column H); SAR (sections 3.1 and 5); DTS transaction report; and invoice HP57</p>	
Timeline for Conformance:	Other Prior to finalization of SAR
Evidence Provided by Company to close NC:	We have updated the Excel files to remove the November dates that are outside of the reporting period, and updated the SAR.
Findings for Evaluation of Evidence:	Confirmed that SAR and supporting evidence has been updated.
NC Status:	Closed

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):	Theodore Brauer
Date of decision:	28/Dec/2020
Other comments:	<i>Click or tap here to enter text.</i>