



SCS Global Services Evaluation of LaSalle BioEnergy, 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*

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: Theodore Brauer

Current report completion date: 25/Nov/2020

Report authors: Tucker Watts

Name of the Company: Drax Biomass Inc., LaSalle BioEnergy, 4915 Highway 125, Urania, LA 71480
Corporate address: Drax Biomass Inc., 1500 19th St., Suite 501, Monroe, LA 71201

Company contact for SBP: Kyla Cheynet 1500 19th St., Suite 501, Monroe, LA 71201
+1 404 229-8847 kyla.cheynet@draxbiomass.com

Certified Supply Base: Arkansas, Louisiana, Mississippi, and portions of Alabama, Texas, Oklahoma, and Tennessee

SBP Certificate Code: SBP-04-23

Date of certificate issue: 06/Apr/2018

Date of certificate expiry: 05/Apr/2023

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers production and distribution of wood pellets, for use in energy production, at LaSalle BioEnergy LLC and transportation to Baton Rouge Transit LLC for storage, aggregation and seafaring vessel loadout. It also covers a Supply Base Evaluation for the sourcing of feedstock from the states of Arkansas, Louisiana, Mississippi, and portions of Alabama, Texas, Oklahoma, and Tennessee.

3 Specific objective

The specific objective of this surveillance evaluation was to confirm that the Biomass Producer'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, transport and storage
- Volume accounting method
- Documentation of transactions
- Energy data collection and reporting

4 SBP Standards utilised

4.1 SBP Standards utilised

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

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

4.2 SBP-endorsed Regional Risk Assessment

Not applicable

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

LaSalle Bioenergy Plant (LBE) is a wood pellet production plant located in Urania, LA, USA and owned by Drax Biomass. The Plant is designed to consume just over 1 million green metric tons of biomass material per annum. The sourced material is comprised of mainly southern yellow pine with a potential *de minimis* quantity of mixed southern hardwoods. The material arrives in the form of low grade roundwood, thinnings, tops, logging and mill residues

The majority of feedstock is purchased as in-woods fiber indirectly from private landowners via a fiber supplier network, with negligible amounts originating from public ownership. About half of the in-woods fiber originates from institutionally owned private forests while the other half is derived from family-owned private forests.

This audit project includes the 3rd Surveillance Audit of LaSalle BioEnergy, LLC.

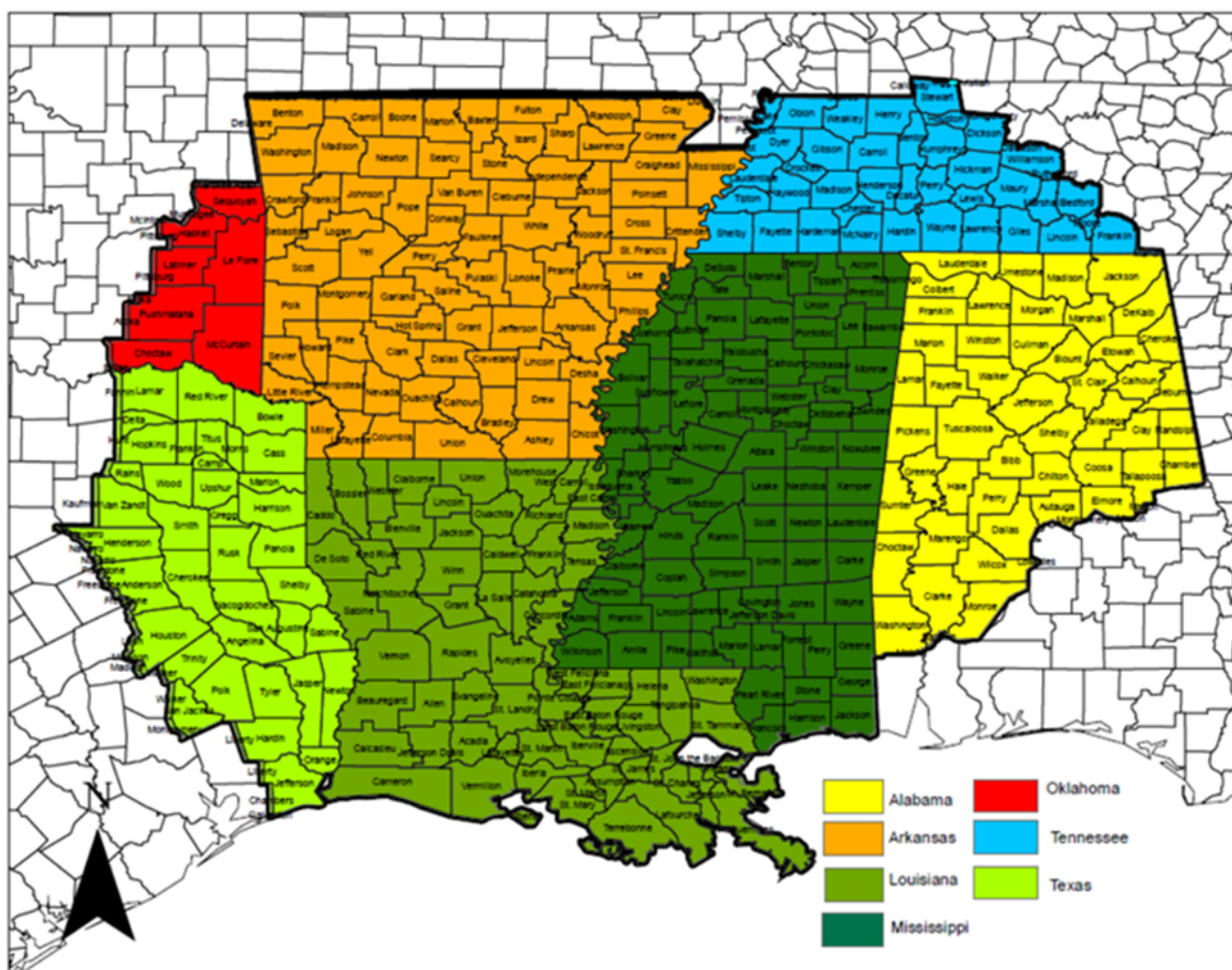
The SBE encompass a supply area that spans Arkansas, Louisiana, Mississippi, and portions of Alabama (47 counties), Texas (37 counties), Oklahoma (7 counties), and Tennessee (37 counties). Fiber sourced directly from the forest is generally within a 60 mile radius of the plant. However, residuals produced by wood manufactures are usually procured from 150 miles or less radius. In response to market pressures and/or weather events, DBI reserves the ability to source fiber from a larger area as defined in the SBE.

Feedstock arrives in the form of low grade roundwood, thinnings, tops, logging and mill residues. LaSalle Bioenergy Plant 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.

LaSalle Bioenergy, 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. LaSalle Bioenergy, 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

Drax Biomass Inc's ("DBI" or "Company") fiber procurement catchment spans Arkansas, Louisiana, Mississippi, and portions of Alabama (47 counties), Texas (37 counties), Oklahoma (7 counties), and Tennessee (37 counties) (see map of supply area below). DBI owns and operates three pellet plants: Amite BioEnergy, LLC ("Amite BioEnergy" or "ABE") in Gloster, MS; Morehouse BioEnergy, LLC ("Morehouse BioEnergy" or "MBE") near Beekman, LA; and LaSalle BioEnergy, LLC ("LaSalle BioEnergy" or "LBE") near Urania, LA. Fiber sourced directly from the forest is generally within a 60 mile radius of the plant. However, residuals produced by wood manufactures are usually procured from 150 miles or less radius. In response to market pressures and/or weather events, DBI reserves the ability to source fiber from any of the risk assessed counties shown on map below.



DBI purchases the majority of its in-woods fiber indirectly from private landowners via a fiber supplier network, with negligible amounts originating from public ownership. About half of the in-woods fiber originates from institutionally owned private forests while the other half is derived from family-owned private forests.

LaSalle BioEnergy

There have been continuing changes in the number and type of other wood using industries operating in LBE's catchment as sawmill production expansion has been announced. The lumber market suffered in the onset of the COVID -19 worldwide pandemic, but has slightly recovered as a result of an increased home remodelling activity. LaSalle Lumber, LLC, a partnership between Tolko Industries, Ltd and Hunt Forest Products, LLC began production at their state of the art sawmill in early 2019 and have reached nameplate capacity. LaSalle Lumber is co-located with LaSalle Bioenergy and receives 100% of their residual materials.

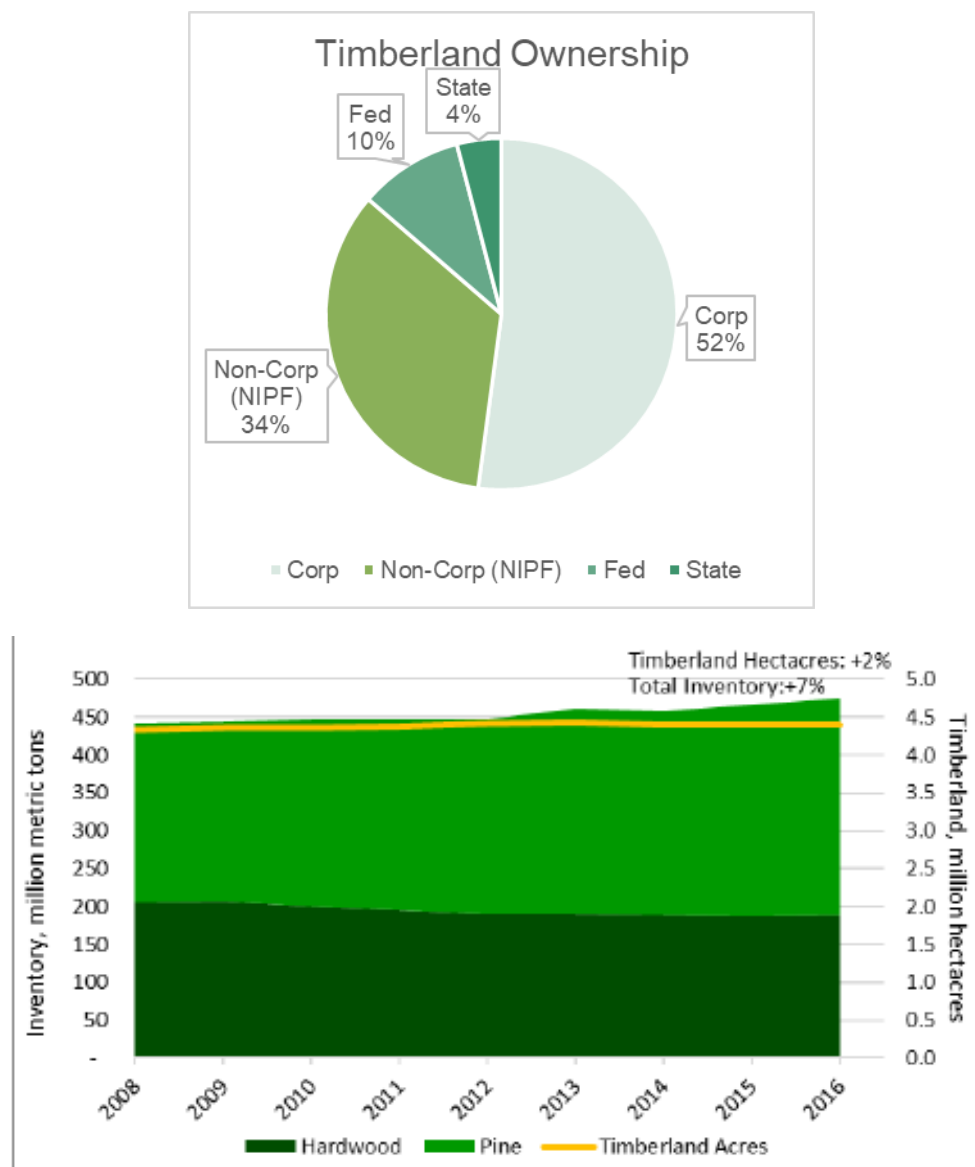
In-woods chipping capacity also remains available in the catchment area due to suppressed boiler fuel markets related to low natural gas costs. Some suppliers and landowners prefer in-woods chipping operations over conventional harvests because they enable better utilization of forest residuals and brushy hardwood competition which can improve forest vigour, and reduce future site preparation costs.

The LBE rail spur for transportation of wood pellets to the Port of Baton Rouge by train completed in mid-2019 is now at full utilization. This change in mode of transportation has resulted in both monetary and carbon emissions savings over trucking.

Land Use and Ownership patterns

Forestry followed by crop agriculture are the dominant land uses in the LBE catchment. Planted pine forests and other timberlands make up much of the forestland. Some sizeable areas of predominantly unmanaged forest are present along the larger rivers. Most of the forests in these areas have been harvested and regenerated multiple times over the last two centuries. The forests in LBE's catchment are a mosaic of ownerships, acreages and management regimes/intensities.

Over half of the forestlands surrounding LBE are privately owned by corporate forest landowners (i.e. REITs & TIMOs). These forests are often managed more intensively because they must produce shareholder returns. The second largest ownership, comprising slightly over a third of the landbase, is in non-corporate private ownership. These landowners typically manage their timberlands to achieve more diverse objectives. As the average tract size of these holdings is less than 100 acres, timber revenue generally represents just a portion of their total income but is still important to owning and maintaining their properties. The remaining of acreage in LBE's fiber basket is in public ownership (i.e. federal and state governments), but it is the predictable management regimes of corporate owners, augmented by management on family forest lands, which provide a steady flow of pulpwood for LBE and the surrounding markets.



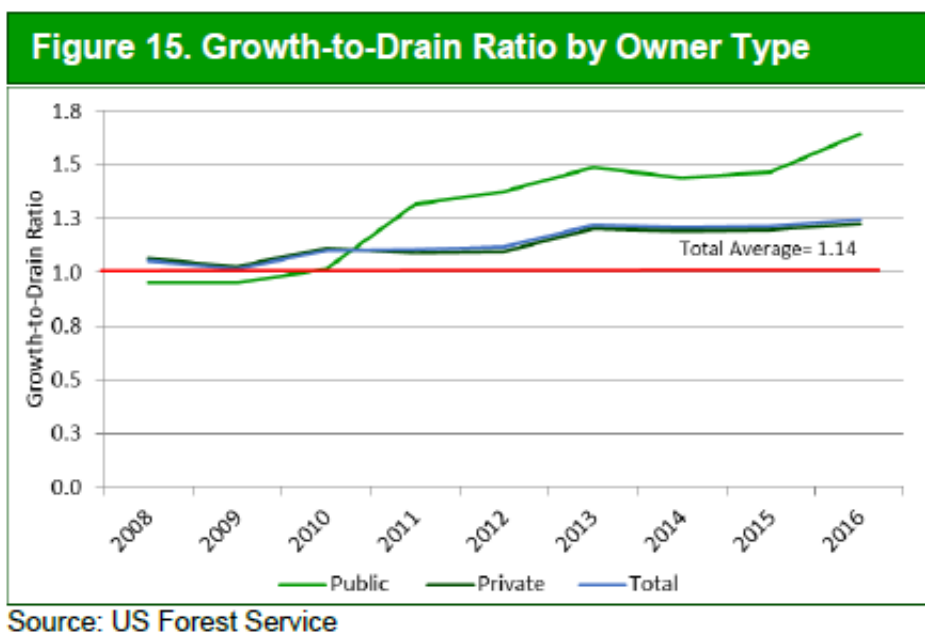
While forest coverage has stayed steady in these areas during the past 40-50 years, the forests have become increasingly productive in that time. Forest Inventory Analysis (FIA) data shows that growth per acre

per year has doubled in the US South since the 1950's, and it continues to increase as healthy markets provide incentives for owners to invest in forest management. Put simply, landowners' access to markets helps to ensure that their forests remain as working forests¹.

Local decline of the US pulp and paper industry has resulted in the closure or curtailment of large pulp mills in or adjacent to the catchment that previously consumed over 3 million tonnes of feedstock collectively each year. The catchment also historically supported several paper mills. The emergence of a wood pellet market has benefited forest owners and contractors in the area by offsetting a portion of the lost demand from the closed mills.

The overall market downturn, subsequent housing market crash of 2008 and the slow recovery in residential construction resulted in reduced levels of demand for sawtimber. This produced an increase in stocks of larger-diameter trees, with a corresponding reduction in felling and replanting. These market dynamics have had long-term consequences for the structure of the forest. One outcome of the changing structure has been the opening of the LaSalle Lumber, LLC sawmill facility, to utilize some of the local oversupply of logs.

Looking to the future, further increases in pine forest productivity can be achieved through simple measures such as planting with improved seedlings and implementing diligent forest establishment practices. We will seek to engage with and support this process through the sharing of information and supporting sensible partnerships that promote forest certification through direct landowner contact. In areas with strong markets for forest products, we should expect forests to stay as working forests, whereas other areas may cycle out of forestry into row crops or pastureland, and other agricultural areas may cycle back into forestry. Urban expansion remains the biggest threat to the forest area. Private ownership is expected to remain the main form of forest ownership, but there may be fragmentation as land is split into smaller parcels as it is passed down through generations, thereby creating challenges to implement consistent good forest management practices.



¹ F2M Report: [Historic Perspective on the Relationship between Demand and Forest Productivity in the US South: At A Glance](#).
SCS Global Services Evaluation of LaSalle BioEnergy, LLC:
Public Summary Report, Third Surveillance Audit

Forestry and Land Management Practices

There is a mature and well-developed forest sector in this geography. Described as a “wood basket to the world”, the US South has grown, harvested and sold many hundreds of millions of cubic meters per year for many decades, while seeing both its forest inventories and productivity levels increase. In the US South and in LBE’s catchment, annual growth exceeds annual drain by a considerable margin. Seventy-six percent of the acres surrounding LBE are heavily forested and defined as timberland. Sixty percent of the timberland base is dedicated to pine production (USDA Forest Service, 2012)².

The main reasons for this include a productive land base that benefits from long growing seasons, sufficient precipitation, and healthy soils, as well as the longstanding engagement of experts and professionals from across industry, academia, and public agencies which help advance sound forest management practices. Species selection is another principal factor, as most landowners grow trees that are indigenous to the area, which creates environmental and economic benefits, such as maintenance of habitats for local flora and fauna, as well as establishing a resilient native growing stock with improved pest and disease resistance. Federal and state governments also provide effective oversight to ensure that forest activities comply with relevant laws and regulations and minimise environmental harm. Moreover, each state employs long-established “Best Management Practices”, with programs to promote logger training and audits that demonstrate high compliance rates.

Though the region also possesses a vigorous and productive hardwood sector, LBE primarily uses Southern Yellow Pine (SYP). SYP is a term used to describe an abundant and highly productive group of native pine species, of which loblolly pine (*Pinus taeda*) is the most prevalent in this region. Production and sale of sawlogs remains the main economic driver for landowners, with SYP rotation lengths typically ranging from 20-40 years. The shorter rotations are for the most productive trees on the best sites, while the longer rotations typically apply to trees grown on lower quality sites.

Thinning is an important forest management strategy for growing sawlog-quality SYP. Stands are typically thinned at 12 years old and again at 18 years old to promote faster growth of the remaining trees. Thinning also allows more light, moisture and nutrients to reach the forest floor, which increases the vitality of the forest, improves wildlife habitat, and in turn offers recreational benefits. Forest thinnings make up a considerable proportion of the feedstocks for LBE.

Rotation harvest of SYP is typically conducted through clearcutting. SYP is not tolerant of shade, so the next rotation of young trees requires abundant access to light to grow well. DBI accepts material from final rotation harvests, although the material received is limited to residuals and roundwood that are not sold into higher paying markets. The vast majority of material from rotation harvests are completed for and sold into sawlog markets.

² USDA Forest Service Forest Inventory Analysis Program. 2012 data assessed and critiqued by consultancy for procurement region. Accessed Sept 2016. Database accessible at <http://www.fia.fs.fed.us/>.

The next rotation may be re-established through natural regeneration, or the planting of seedlings, or a combination of both. Reforestation often involves some ground preparation to control competing vegetation.

	2016		2018		2020	
	Gulf Region	South	Upper Coastal Plain	South	Upper Coastal Plain	South
Advanced Genetic Stock (% hectares)	46%	65%	49%	56%	43%	54%
Seedling Survival	85%	90%	89%	89%	88%	88%
Woody Competition Control*	5%	4%	58%	45%	60%	68%
Fertilization (% respondents)	57%	55%	58%	60%	61%	61%
Clearcut age	36	32	30	28	31	28
Avg. Clearcut Revenue	\$3,744	\$3,988	\$3,776	\$3,862	\$4,008	\$4,228

*Survey question changed from 2016 to 2018 from total % hectares treated in a given year to total % receiving treatment in a rotation.

Source: Forisk Consulting

Looking to the future, further increases in pine forest productivity can be achieved through simple measures such as planting with improved seedlings and implementing diligent forest establishment practices. We will seek to engage with and support this process through the sharing of information and supporting sensible partnerships that promote forest certification through direct landowner contact. In areas with strong markets for forest products, we should expect forests to stay as working forests, whereas other areas may cycle out of forestry into row crops or husbandry, and other agricultural areas may cycle back into forestry. Urban expansion remains the biggest threat to the forest area. Private ownership is expected to remain the main form of forest ownership, but there may be fragmentation as land is split into smaller parcels as it is passed down through generations, thereby creating challenges to implement good forest management practices.

Presence of CITES or IUCN species

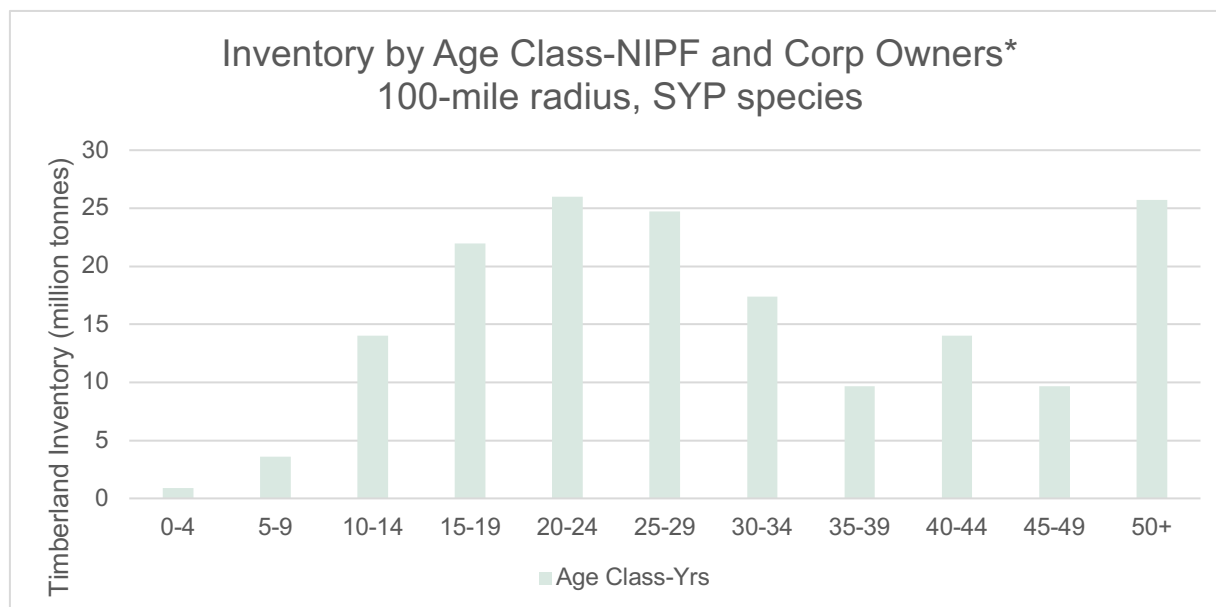
There is no Convention on International Trade in Endangered Species of Wild Flora and Fauna ("CITES") listed species in the catchment that are threatened or otherwise impacted by forest management activities.

There are six species on the IUCN Red List that occur within the states DBI sources from. *Quercus oglethorpensis* (oglethorpe oak), *Fraxinus profunda* (pumpkin ash), *Fraxinus caroliniana* (carolina ash), maple-leaved oak (*Quercus acerifolia*), *Quercus boyntonii*, and *Pinus palustris* (longleaf pine). Longleaf pine is the only species which may be materially impacted by DBI's sourcing, with the others species occurring in wetlands or extreme remote locations where southern yellow pine, DBI's primary feedstock, is not found. Longleaf pine is far less common than it once was, and efforts are underway to promote longleaf pine coverage in the region. The intent of listing species to the Red List is not to promote prohibition of its use but rather to heighten priority setting for conservation of the species (<http://www.iucnredlist.org/documents/RedListGuidelines.pdf>). Critical to the recovery of the species is continued access to markets for longleaf pine. If landowners do not expect to be able to sell this wood, then they will not plant the tree in the first place.

Forestland Descriptions

LBE is located near the southern tip of an extensive pine forest situated between the Mississippi River and the Red River's alluvial plains. These rivers act as a natural geographic barrier for LBE's supply basin. Despite the presence of two large watersheds in the area, 60% of the acreage within the shed is established as site suitable pine forest and over half of the inventory is pine pulpwood.

State forestry websites feature detailed descriptions of forests and include noteworthy facts about each state's forests. FIA data is also publicly available, and provide many important parameters, including changes over time, in the states that supply LBE. Summaries of forest coverage near LaSalle (Urania, LA) are shown in the tables below.



SBP Feedstock Product Groups & Supplier Make-Up³

All Primary and Secondary feedstock used by LBE is SBP-compliant. If Tertiary Feedstock is used, it too will be SBP-compliant⁴.

LBE's supplier base is made up of timber dealers, logger-dealers and managers of corporately owned timberland providing primary feedstocks in addition to wood manufacturing suppliers who provide secondary feedstocks. Specific supplier list and volumes by feedstock types is maintained and stringently reviewed by external auditor.

5.3 Detailed description of Supply Base

LaSalle Supply Base

- a. Total Supply Base area (hectares): 2.95 million ha cumulative area of all forest types within Supply Base
- b. Tenure by type (ha):

Privately owned	c. 86% (c. 34% small private owners, 52% corporates, investment)
Public	c. 14%
Community concession	<i>de minimis</i>
- c. Forest by type (ha): 2.95 million ha Temperate
- d. Forest by management type (ha):

Plantation	c. 1.05 million ha (c. 70% of softwood areas)
Managed Natural	c. 1.46 million ha (remainder of pine, mixed forests and hardwood areas,)

³ Commercial sensitivity: Specific numbers omitted. Divulging current or forecasted supplier types and numbers may be used by third parties to gain a competitive advantage in the catchment. These figures are subject to change.

⁴ SBP Compliant Primary, Secondary and Tertiary feedstocks are defined in the "SBP Glossary of Terms and Definition" and described further in "SBP Standard 1, section 6, indicator 1.1.3."

Natural unk ha

- e. Certified forest by scheme (ha): *Not known in detail for catchment.* Programme for the Endorsement of Forest Certification™ (PEFC) endorsed forest management schemes: SFI® and American Tree Farm™ are the predominant schemes, with minor areas of Forest Stewardship Council® (FSC®) certified forest. DBI expects the feedstock supply to generally mimic the certified percentage offerings state-wide. DBI estimates the ability to procure a conservative 30% of feedstock from certified sources.

Feedstock

Assuming steady state operations for production of 400,000 – 600,000 tonnes of pellets:

- f. Total volume of Feedstock: 800K to 1.0M green metric tonnes
- g. Volume of primary feedstock: 600K to 800K green metric tonnes
- h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes.

Our expectation for SBP-approved certified primary feedstocks in steady state operation would be in ranges shown below

- 40% to 59% certified to an SBP-approved Forest Management Scheme
 - i. *FSC®: c. 0% to 19%*
 - ii. *PEFC-endorsed forest management schemes: c. 80% to 100%*
 - 1. *SFI®: c. 80% to 100%*
 - 2. *ATFS™: c. 0% to 19%*
- 40% to 59% not certified to an SBP-approved Forest Management Scheme

- i. List all species in primary feedstock, including scientific name
Predominantly Southern Yellow Pine – Majority Loblolly Pine (*Pinus taeda*), smaller quantities of other pines – Slash pine (*Pinus elliotii*), Shortleaf pine (*Pinus echinata*), Spruce pine (*Pinus glabra*), Virginia pine (*Pinus virginiana*) and de minimis volumes of Longleaf Pine (*Pinus palustris*)-see comments in the Presence of CITES or IUCN species section. Minimal component of mixed southern hardwoods, various varieties of oak, maple, hickory, ash and others. Full list of 56 hardwood species available.

Many components of these wide range of species may appear when in-woods chipping occurs. At present, in-woods chips comprise $\approx 18\%$ of LBE's feedstock. However, if this feedstock type is further utilized it could increase to $\sim 20\text{-}30\%$ of LBE's feedstock. The vast majority of the species mix in this feedstock type would be comprised of Southern Yellow Pine with understory and/or timber stand improvement treatments including mixed southern hardwoods making up a minimal amount of the diverse species mix.

- j. Volume of primary feedstock from primary forest - *Nil*
- k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
- l. Volume of secondary feedstock: *c 20% to 39% residues*
- m. Volume of tertiary feedstock: *0 – 200,000 tonnes or m3*

5.4 Chain of Custody system

The Chain of Custody System is managed by Kyla Cheynet, Director of Sustainability. All locations are part of a multi-site system managed by the Central Office. DBI is certified to the FSC[®], SFI[®], and PEFC[™] Chain of Custody Standards.

Processing involves the receiving of roundwood and residual fiber by the pellet plant. The raw material is converted to chips and moisture is driven away for pelletizing. DBI uses the credit system at its BPs to determine claims for both SBP and FSC[®] certified pellets. All material received at LBE is covered under the Supply Base Evaluation. Following pelletizing at LBE, pellets are transported by truck to BRT. BRT receives wood pellets from company owned plants and 3rd party plants. Wood pellets are then received, stored, and shipped.

Raw material is sourced as roundwood and residual fiber by LBE. Raw material is received from independent suppliers from certified and controlled lands. Pellets received at BRT are from 3rd party suppliers and from company plants. DBI has purchased and sold 3rd party pellets. Third party pellet suppliers are SBP certified. At LBE, raw material is received with a Fiber Purchase Agreement, Purchase Order, and Delivery Ticket which contains supplier information. The Purchase Order and Delivery Ticket contain the tract name, and state, county, and location of the tract. Volumes are entered electronically into the 3LOG System for receiving, inventory, and shipping. Traceability and segregation are provided by the 3LOG System. Sales and deliveries are internal transfers from LBE to BRT. BRT ships pellets to the parent company in England. The ownership of the pellets is transferred to the parent company upon loading of the vessel.

6 Evaluation process

6.1 Timing of evaluation activities

Site Name or Location:	Central Office – Monroe, LA	
Date and Time of Audit:	Monday, August 17, 2020	
Audit Activity	Items to Review / Actions	Approx. Start Time
Audit Preparation	Sustainability Team and Auditor meet to discuss plan for the day, outstanding issues, and audit needs	8:00 AM
Opening meeting	Introductions, auditor review of audit scope, audit plan and intro/update to FSC/PEFC/SFI/SBP and SCS standards and protocols, client description of organization.	9:00 AM
	Audit of SFI/FSC/PEFC Chain of Custody and SBP Standard 4	
Review of CoC procedures, products and material accounting	Written procedures, work instructions, product group list, accounting system (transfer, percentage or credit; physical separation, percentage method).	9:30 AM
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable.	10:30 AM
Evaluation of trademarks	Review of auditor-selected sample of FSC/PEFC and/or SCS on-product and/or promotional trademark uses.	11:00 AM
	Lunch	12:00 PM
Audit of FSC Controlled Wood and Supply Base Evaluation	FSC-STD-40-005, US National Risk Assessment, Mitigation Steps, Supply Base Evaluation. Review development, implementation, and mitigation.	1:00 PM
Audit of SFI/FSC/PEFC Multi-site Standard and SFI Fiber Sourcing Standard - Objectives 9-10	Review of Central Office function – Procedures, Training, Internal Audit, Management Review, Add/Removing sites	3:30 PM
Summary of day and review of findings	Virtually convene with all relevant staff to summarize findings, review identified nonconformities, and discuss next day.	4:15 PM

Site Name or Location:	Morehouse Bioenergy Plant, Bastrop, LA	
Date and Time of Audit:	Tuesday, August 18, 2020	
Audit Preparation	Sustainability Team and Auditor meet to discuss plan for the day, outstanding issues, and audit needs	8:00 AM
	Audit of SFI/FSC/PEFC Chain of Custody and SBP Standard 4	
Beginning of Day	Review plan for day. Begin audit of Morehouse Bioenergy Plant	8:30 AM
Review of CoC procedures, products and material accounting	Written procedures, work instructions, product group list, accounting system (transfer, percentage or credit; physical separation, percentage method).	8:45 AM
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable.	10:30 AM
Audit of SFI Fiber Sourcing Standard	<u>SFI 2015-2019 Fiber Sourcing Standard Review</u> Objectives 1 to 10 Requirements for Fiber Sourcing Standard 2 Adherence to Best Management Practices 3 Use of Qualified Resource and Qualified Logging Professionals 6 Training & Education 7 Community Involvement & Landowner Outreach	11:00 AM
	Lunch	12:00 PM
Audit of FSC Controlled Wood and Supply Base Evaluation	FSC-STD-40-005, US National Risk Assessment, Mitigation Steps, Supply Base Evaluation. Review development, implementation, and mitigation.	1:30 PM
	Audit of LaSalle Bioenergy Plant, Urania, LA Audit of SFI/FSC/PEFC Chain of Custody and SBP Standard 4	
Review of CoC procedures, products and material accounting	Written procedures, work instructions, product group list, accounting system (transfer, percentage or credit; physical separation, percentage method).	2:30 PM
Summary of day and review of findings	Virtually convene with all relevant staff to summarize findings, review identified nonconformities, and discuss next day.	4:00 PM
Site Name or Location:	LaSalle Bioenergy Plant, Urania, LA	
Date and Time of Audit:	Wednesday, August 19, 2020	
Audit Preparation	Sustainability Team and Auditor meet to discuss plan for the day, outstanding issues, and audit needs	8:00 AM

	Continue Audit of SFI/FSC/PEFC Chain of Custody and SBP Standard 4	
Beginning of Day	Review plan for day. Begin audit of Morehouse Bioenergy Plant	8:30 AM
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable.	8:45 AM
Audit of SFI Fiber Sourcing Standard	<p><u>SFI 2015-2019 Fiber Sourcing Standard Review</u></p> <p>Objectives 1 to 10 Requirements for Fiber Sourcing Standard</p> <p>2 Adherence to Best Management Practices</p> <p>3 Use of Qualified Resource and Qualified Logging Professionals</p> <p>6 Training & Education</p> <p>7 Community Involvement & Landowner Outreach</p>	10:00 AM
Audit of FSC Controlled Wood and Supply Base Evaluation	FSC-STD-40-005, US National Risk Assessment, Mitigation Steps, Supply Base Evaluation. Review development, implementation, and mitigation.	11:00 AM
Summary of day and review of findings	Virtually convene with all relevant staff to summarize findings, review identified nonconformities, and discuss next day.	12:00 PM
	Lunch	12:30 PM
Audit of SBP Standard 5	Review of calculations, bills, documentation	1:30 PM
Audit of SBP Standard 2	Review of reporting to SBP and public information	3:30 PM
Summary of day and review of findings	Virtually convene with all relevant staff to summarize findings, review identified nonconformities, and discuss next day.	4:30 PM
Site Name or Location:	Amite Bioenergy Plant, Gloster, MS	
Date and Time of Audit:	Thursday, August 20, 2020	
Audit Preparation	Sustainability Team and Auditor meet to discuss plan for the day, outstanding issues, and audit needs	8:00 AM
	Audit of SFI/FSC/PEFC Chain of Custody and SBP Standard 4	
Beginning of Day	Review plan for day. Begin audit of Amite Bioenergy Plant	8:30 AM
Review of CoC procedures, products and material accounting	Written procedures, work instructions, product group list, accounting system (transfer, percentage or credit; physical separation, percentage method).	8:45 AM
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable.	10:30 AM

Audit of SFI Fiber Sourcing Standard	<u>SFI 2015-2019 Fiber Sourcing Standard Review</u> Objectives 1 to 10 Requirements for Fiber Sourcing Standard 2 Adherence to Best Management Practices 3 Use of Qualified Resource and Qualified Logging Professionals 6 Training & Education 7 Community Involvement & Landowner Outreach	11:00 AM
	Lunch	12:00 PM
Audit of FSC Controlled Wood and Supply Base Evaluation	FSC-STD-40-005, US National Risk Assessment, Mitigation Steps, Supply Base Evaluation. Review development, implementation, and mitigation.	1:30 PM
Closing meeting preparation	Auditor takes time to consolidate notes and review audit findings for presentation at closing meeting.	3:45 PM
Site Name or Location:	Central Office – Monroe, LA	
Date and Time of Audit:	Friday, August 21, 2020	
Closing meeting and review of findings	Virtually convene with all relevant staff to summarize remote audit findings, review identified nonconformities, and discuss next steps.	9:00 AM
Site Name or Location:	Baton Rouge Transit, Amite Bioenergy Plant	
Date and Time of Audit:	Thursday, September 3, 2020	
	Remote site visit of Baton Rouge Transit, Baton Rouge, LA	7:00 AM
	Remote site visit of Amite Bioenergy Plant, Gloster, MS	9:00 AM
Site Name or Location:	Morehouse Bioenergy Plant, LaSalle Bioenergy Plant	
Date and Time of Audit:	Thursday, September 10, 2020	
	Remote site visit of Morehouse Bioenergy Plant, Bastrop, LA	9:00 AM
	Remote site visit of LaSalle Bioenergy Plant, Urania, LA	2:00 PM
Site Name or Location:	Central Office Remote Planning of Interviews and Site Visits	
Date and Time of Audit:	Monday, October 5, 2020	

	Selection of primary sites to visit, and secondary and tertiary supplier interviews for Amite Bioenergy Plant, LaSalle Bioenergy Plant, and Morehouse Bioenergy Plant	2:00 PAM
Site Name or Location:	Morehouse Bioenergy Plant field site review	
Date and Time of Audit:	Wednesday, October 21, 2020	
	Visit of 4 selected field sites	8:00 AM
Site Name or Location:	LaSalle Bioenergy Plant field site review	
Date and Time of Audit:	Thursday, October 22, 2020	
	Visit of 6 selected field sites	8:00 AM
Site Name or Location:	Amite Bioenergy Plant field site review	
Date and Time of Audit:	Friday, October 23, 2020	
	Visit of 5 selected field sites	8:00 AM
Site Name or Location:	Remote call for Central Office	
Date and Time of Audit:	Friday, October 23, 2020	
Closing meeting and review of findings	Virtually convene with all relevant staff to summarize remote audit findings, review identified nonconformities, and discuss next steps.	3:30 PM
End		

6.2 Description of evaluation activities

The Re-certification Audit included a remote audit using Microsoft Teams of the Supply Base Evaluation, Documented Management System, Collection and Communication of Greenhouse Gas data, and Chain of Custody. Also included was a review of documentation, studies, assessments, surveys, websites, emails, databases and staff interviews. A remote site tour was conducted using FaceTime. Critical control points and monitoring locations were visited and discussed. Field site visits to procurement sites were conducted to evaluate DBI's management and monitoring system. Procurement and production processes at ABE, LBE, and MBE are similar, so some information reviewed during the audit of LBE was also applicable to ABE, and MBE. Critical control points were witnessed in all areas.

6.3 Process for consultation with stakeholders

DBI conducted a stakeholder consultation from July 14 – August 14, 2020.as part of the SBP recertification process for ABE and MBE. Stakeholder Consultation was not conducted for LBE.

7 Results

7.1 Main strengths and weaknesses

Strengths with respect to the BP's overall conformity include the diversity of sources used for the development of the SBE and the experience of the persons conducting the SBE. Members of the organization have been and continue to be involved with the development of the SBP Standards and their evolution. Within the development/management team there are many years of experience in the area of operation. The capture of energy and GHG data works well, is centralized in a database system and substantiated by appropriate evidence.

The Company is certified to the SFI/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 identified weaknesses please refer to the non-conformities and observations Section 10 in this report.

7.2 Rigour of Supply Base Evaluation

Rigor of the Supply Base Evaluation was sufficient to document the findings of low risk. Use of documented reports and assessments, in combination with local experts, personal knowledge, and stakeholder comments provided a multi-faceted approach for evaluation of each Indicator. The scope statement adequately describes the characteristics of the Supply Base and management systems.

There is "low risk" for most indicators of the SBP Standard 1 based on the evidence provided of sound forestry practices, existing effective legislation and diligent procurement processes that guide industry and landowners on the sustainable management of forests. For the four indicators where "specified risk" has been concluded, mitigating actions derived from multi-stakeholder processes have been implemented and monitored for effectiveness.

Forest inventories are steadily increasing, and carbon stocks remain stable in LBE's catchment. Local communities benefit from the economic impact resulting from LBE's operations.

In conclusion, with diligent procurement processes and implementation of mitigation measures where required, the raw material supply and resulting production of pellets meets the requirements for "SBP-compliant" pellets.

DBI is constantly engaged with stakeholders to ensure any changes are evaluated.

7.3 Collection and Communication of Data

The BP is fully committed to collecting and reporting all greenhouse gas emissions data deemed necessary by its customer and regulators. The company uses proprietary software to collect and communicate the data

and records the data in SBP Audit Report on Energy and GHG data (SAR). SAR has been submitted to SBP for approval and have received it.

7.4 Competency of involved personnel

The Supply Base Evaluation was a joint effort of internal and external expertise. Persons involved are very competent for the development and on-going monitoring of the Supply Base Evaluation. Internal team consists of professionals that have a long history and expertise of working in the Supply Base individually, as well as in groups and associations. Internal team members have been actively involved in the development of the SBP requirements.

The consultant used for the SBE has performed many resource-based assessments of similar criteria for forest management systems.

7.5 Stakeholder feedback

Stakeholder consultation was not required for audit. No comments have been received by stakeholders.

7.6 Preconditions

No preconditions were issued by the certification body.

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.

SCS assessed risk for the Indicators by evaluating comments received during the stakeholder consultation conducted by both SCS and DBI, reviewing the means of verification DBI developed, interviews with relevant staff, and conducting interviews with secondary suppliers and on-site field audits of forest suppliers. Risk rating of Specified Risk has been determined for Indicator 2.1.2, 2.2.3, 2.2.4, and 2.4.1. Mitigation steps have been implemented to move the risk rating to Low Risk. Mitigation steps taken by DBI have been reviewed, discussed, and found to be effective in lowering the risk for the identified Specified Risk ecosystems and species.

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	Low	Low
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

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
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

2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

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

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

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

9 Review of Company's mitigation measures

Specific mitigation measures, beyond diligent procurement processes, were identified for 4 indicators – 2.1.2, 2.2.3, 2.2.4, and 2.4.1. These are all related, and the same mitigations are appropriate to make the risk of non-compliance with the indicators “low”.

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.

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.

2.2.4 - The Biomass Producer has implemented appropriate control systems and procedures to ensure that biodiversity is protected.

2.4.1 - The Biomass Producer has implemented appropriate control systems and procedures for verifying that the health, vitality and other services provided by forest ecosystems are maintained or improved.

DBI has taken note of work done in producing the Guidance for Assessment of Risk, Means of Verification and Mitigation Measures in the SE US, carried out in Q3 2018. DBI undertakes risk profiling of suppliers..

Beyond the established due diligence procedures including knowledge of location of primary tracts, access to NatureServe information, prevalence of trained loggers, monitoring, state and federal legislation, contractual requirements, monitoring, etc. (detailed in Annex 1), the following mitigation measures have been identified for these indicators – the text is per Annex 1, DBI's supply base evaluation:

FSC US has identified, and developed mitigation measures, for four key ecosystems: Late Successional Bottomland Hardwoods, Native Longleaf Pine Systems, Southern Appalachian Critical Biodiversity Area, and the Central Appalachian Critical Biodiversity Areas.

DBI has integrated the FSC HCV maps into its GIS system and screens all suppliers for their intersection with the Specified Risks identified by FSC. Mitigation for primary feedstock includes controls embedded in DBI's internal processes which are subject to monitoring and internal audit. DBI does not have line of sight to individual tracts that provide fiber to secondary and tertiary feedstock suppliers, so other mitigations are appropriate. The following provides an overview of mitigations chosen for each FSC Specified risk:

FSC Specified Risks & Mitigations Reviewed

FSC US has identified *two key ecosystems* (HCV3) as “specified risk” - Late Successional Bottomland Hardwoods (LSBH), and Native Longleaf Pine Systems (NLPS), and *three HCVs specifically related to Species Diversity* (HCV1), the Central Appalachian Critical Biodiversity Area, the Southern Appalachian Critical Biodiversity Area, and the Dusky Gopher Frog. These specified risks are described in detail in section VI of this document. DBI recognizes these as specified risks and implements the mandatory Control Measures defined in the [FSC US Controlled Wood National Risk Assessment](#) (Section VII of this document). As specified by the mandatory Control Measures, DBI implements mitigation actions identified during the collaborative dialogue at the Controlled Wood Regional Meetings and detailed in the Controlled Wood Regional Meeting Report, available at: <https://us.fsc.org/en-us/certification/controlled-wood/fsc-us-controlled-wood-national-risk-assessment-us-nra>.

The following describes DBI's procedures and mitigation actions implemented for primary and secondary feedstock sourcing.

Primary Feedstock Sourcing

Only two of the specified risks are relevant to DBI's primary sourcing of roundwood and in-woods chips, NLPS and LSBH. LSBH is a very small risk due to the fact that DBI sources primarily southern yellow pine, with a de minimis amount of in-woods chip material which may contain hardwood. Current procurement procedures and processes mitigate the risk of sourcing fiber in a manner that would threaten NLPS and LSBH forests. These primary feedstock controls, embedded in DBI's internal processes, are subject to monitoring and internal audit. DBI has integrated the FSC HCV maps into its GIS system and Rapid Risk Assessment process and actively screens all tracts for sensitivities. In addition, DBI requires comprehensive forest cover type and species information be provided during source set-up which allows stands to be assessed for the potential of sourcing from longleaf pine or hardwood systems. If a risk is identified, then DBI has an opportunity provide educational mitigation materials and to identify management requirements which will protect the integrity of the system. DBI also reserves the right to refuse purchase of fiber if the harvesting method and/or the subsequent management plans will threaten the integrity of these high conservation value forests.

**Note - a further safeguard for the protection of LSBH is the commitment that DBI has made to not utilize material from cypress tupelo ecosystems in the production of wood pellets.*

Secondary Feedstock Sourcing

DBI does not have line of sight to individual tracts that provide fiber to secondary and tertiary feedstock suppliers, therefore the following mitigations will be applied:

Dusky Gopher Frog

FSC identifies two small areas at the extreme south of DBI's sourcing area which are only of relevance to residual sourcing. These areas are under Federal Critical Habitat protections. FSC has identified education and outreach as a mitigation option for the DGF. DBI will provide educational materials to the suppliers which have the potential to source from the FSC identified risk areas. Educational materials will be informed by the best available science and adapted as new information and/or approaches become available. The desired outcome of these communications is engaging landowners, foresters, and loggers in conservation of DGF populations.

Late Successional Bottomland Hardwoods (LSBH)

As DBI primarily sources Southern Yellow Pine, Late Successional Bottomland Hardwoods are mainly an issue for residual suppliers who use hardwoods and are proximate to LSBH areas. The areas that potentially have LSBH have been mapped by FSC and integrated into DBI's GIS system and RRA procedures. For residual suppliers, outreach and education will be the mitigation tool of choice. For primary suppliers, information is collected on forest type and species is collected for all harvests. If a forest tract is identified as having a high hardwood component, the site will be evaluated to determine if it is a LSBH tract. No fiber will be sourced from harvests that endanger the health, vigour, and long-term persistence of these bottomland hardwood tracts. In addition, educational materials will be provided which will attempt to engage landowners, foresters, and loggers in conservation of this forest system.

Native Longleaf Pine Systems (NLPS)

For NLPS, the areas at risk have been identified by FSC at county/parish level. These areas have been included in the GIS system and RRA process. For primary suppliers, information is collected on forest type and species. If longleaf pine is present on the tract DBI will evaluate the tract and determine the regeneration plans for the site. Educational materials will be provided. If conversion of a LSBH is suspected

fiber will not be sourced from the tract. Education and outreach will be the primary mitigation for residual suppliers who's sourcing area intersects FSC identified risk areas. The desired outcome of these communications is engaging landowners, foresters, and loggers in conservation of Native Longleaf Pine systems.

Southern and Central Appalachian Critical Biodiversity Area (CACBA & SACBA respectively)

Both the Central and Southern Appalachian Critical Biodiversity Areas will only affect DBI's residuals sourcing due to the distance from existing pellet mills. Education and outreach will be the mitigation tool employed. As described for the risks above, these materials will be developed according to best available science and be adapted as new information and approaches come available (i.e. through FSC CW Regional meetings). This educational material will be aimed at increasing awareness of the sensitivities and unique nature of these CBAs in hopes of increasing conservation of these highly biodiverse areas.

DBI utilizes Failure Mode Effects Analysis (FMEA) to develop a risk profile of secondary suppliers. Location of sourcing area in reference to known HCVs, mill sourcing profile (species mixed used), and certification status are a few key criteria that influence risk rank and direct level of engagement and internal audit.

DBI's Sustainability and Procurement team conduct supplier reviews every six months to discuss the results of FMEA analysis and information gained through Residual Supplier Questionnaires (formal guided check-ins performed at a minimum annually). Analysis of the existing matrix of SFI Fiber Sourcing certified mills and suppliers is also reviewed. Currently DBI's supply base is over 90% covered by the reach of other SFI certified mills, significantly reducing the risk of sourcing non-compliant material. DBI is active in SFI State Implementation Committees (SICs) and actively shares and acts on information relevant to sustaining a high level of sustainability compliance in the supply basin. DBI also communicates findings and trends gained through SIC participation and internal audit of primary suppliers directly with mills from which residuals are sourced.

If it is determined that the risk of negative impact to the HCV cannot be effectively mitigated through information flow and internal controls, DBI can choose not to accept material from a region or a supplier.

DBI's existing programmatic procedures combined with the mitigations described above are sufficient to bring the risk of non-compliance with this requirement to "low".

DBI is in the process of implementing the FSC Controlled Wood National Risk Assessment. Mitigation steps are being planned, implemented, and monitored annually.

DBI has drafted informational materials for distribution to residual suppliers and are now monitoring their understanding and use of the materials. Their dialogue with suppliers indicates that suppliers have a better understanding of the specified risks in their operational area and that they are aware of no issues pertaining to the protection of these ecosystems or critical biodiversity areas/species. Copies of informational materials which continue to serve as a valuable communication tool for continuous improvement in harvest implementation are available.

DBI has also decided to partner with the Longleaf Alliance and the Forest Stewards Guild to promote improved management of the longleaf and bottomland hardwood ecosystems. See a brief description of the initiatives and actions taken thus far:

Longleaf Alliance

DBI has supported the Longleaf Alliance through an annual conference sponsorship. This year DBI again support the conference, but have also engaged them to help host an event near Alexandria LA aimed at attracting local landowners and increasing interest and understanding of the longleaf system. This event was planned to happen in conjunction with a technical course the LL Alliance is providing on competition

control in the LL system. Originally planned for August it has been pushed to November and may not occur due to Covid-19 restrictions.

Quote has been provided by the LL Alliance for their help in meeting FSC mitigation requirements.

The Forest Stewards Guild

The Forest Stewards Guild has initiated an effort focused on improving bottomland hardwood in the lower Mississippi Alluvial Plain. This effort involves both the synthesis of technical information as well as the dissemination of this information to landowners in the region, with an ultimate goal of improving bottomland hardwood forests management and the value that they provide to wildlife.

DBI helped sponsor, and participated in, a technical meeting in the Baton Rouge held last November ([second bottomland hardwood learning exchange](#)). The intent was to help support/encourage landowner workshops within the DBI sourcing area this year. Unfortunately, Covid-19 has not allowed that to happen but they continue to communicate with the Guild and will be back on track soon.

DBI's monitoring of FSC mitigation success will also include continuing attendance at regional FSC® meetings, a forum which should provide insight into effectiveness of FSC mitigation implementation at a regional level. These regional forums will be valuable as mitigation approaches can be shared.

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.*

None identified.

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:	17/Feb/2021
Other comments:	<i>Click or tap here to enter text.</i>