

## Highland Pellets, Inc. 2016 SFI Public Summary Certification Audit Report

The SFI Program of the Highland Pellets, Inc. of Pine Bluff, AR has achieved conformance with the SFI 2015-2019 Standard and Rules®, Section 3, according to the NSF SFIS Certification Audit Process.

Highland Pellets consists of a pellet mill situated in the east central part of Arkansas that processes pine based inputs into wood pellets. The Company currently uses low grade roundwood from pine plantation thinnings and final harvests as inputs and will likely source chips, sawdust and shavings from sawmills in the future. The facility is located near Pine Bluff, Arkansas, sources roundwood fiber from southern Arkansas. The Company’s SFI program is managed by Rob McKenzie.

The audit was performed by NSF on November 30, 2016 by an audit team headed by Norman Boatwright, Lead Auditor and Tucker Watts – Team Auditor. Audit team members fulfill the qualification criteria for conducting audits contained in the SFI 2015-2019 Standards and Rules®.

The objective of the audit was to assess conformance of the firm’s SFI Program to the requirements of the SFI 2015-2019 Standards and Rules®, Section 3. The Company is also seeking certification to Annex 1 which is reported in the CoC report.

The scope of the audit included procurement operations. Procurement operations occurring in the past 12 months were reviewed to ensure that the standards were met. In addition, SFI obligations to promote sustainable forestry practices, to seek legal compliance, and to incorporate continual improvement systems were within the scope of the audit.

The 2015-2019 Sustainable Forestry Initiative Standard® was used without modifying any requirements. Several of the SFI Indicators were outside of the scope of the company’s program and were excluded from the scope of the audit as follows:

Requirement Number	Brief Description	Reason for Change <i>(Note: see Matrix for full text of modified requirement)</i>
Core Indicator 4.1.5	Program to address risk	Low Risk was found
Core Indicator 5.1.2	Research on genetically engineered trees	The Company does not conduct research
Objective 8	Public land management responsibilities	The Company does not manage public land
Objectives 11-13	Fiber sourcing outside the United States and Canada	The Company sources fiber from Arkansas

### Audit Process

The review was governed by a detailed audit protocol designed to enable the audit team to determine conformance with the applicable SFI requirements. The process began with a Readiness Review and included the assembly and review of audit evidence consisting of documents, interviews, and on-site inspections of ongoing or completed forest practices. Documents describing these activities were provided to the auditor in advance, and a sample of the available audit evidence was designated by the auditor for review.

During the audit NSF reviewed a sample of the written documentation assembled to provide objective evidence of SFIS Conformance. NSF also selected field sites for inspection based upon the risk of environmental impact, likelihood of occurrence, special features, and other criteria outlined in the NSF SFI-SOP. The Company began receiving wood 2 days before the audit and conducted site visits to the 2 tracts from which fiber was delivered. Sites visits were also conducted to 2 other tracts that were harvested by the Company’s single supplier. NSF also selected and interviewed stakeholders such as contract loggers, landowners and other interested parties, and interviewed employees within the organization to confirm that the SFI Standard was understood and actively implemented.

The possible findings for specific SFI requirements included Exceeds the Requirements, Full Conformance, Opportunity for Improvement and Major and Minor Non-conformances.

## Overview of Audit Findings

Highland Pellets was found to be in full conformance with the standard with an opportunity for improvement identified.

CI 6.1.1 *There is an opportunity to improve the written statement of commitment to the SFI 2015-2019 Fiber Sourcing Standard*  
The next surveillance audit is scheduled for the week of November 13, 2017.

## General Description of Evidence of Conformity

NSF's audit team used a variety of evidence to determine conformance. A general description of this evidence is provided below, organized by SFI Objective.

### Objective 1 Biodiversity in Fiber Sourcing

To address the practice of *sustainable forestry* by conserving *biological diversity*.

**Summary of Evidence:** *Highland Pellets LLC has an active program to provide SFI Information Packets to non-certified forest landowners and wood producers. Procurement Staff provides SFI Information Packets and other relevant information directly to landowners or their consultants as part of the timber deed contract process. The Company has adequate procedures to access the Natural Heritage Databases for AR and LA as part of its HCV review process for purchase stumpage tracts.*

### Objective 2 Adherence to Best Management Practices

To broaden the practice of sustainable forestry through the use of best management practices to protect water quality.

**Summary of Evidence:** *Field observations, review of BMP monitoring records and on-site inspections. The Company's verifiable monitoring program includes review of State BMP implementation data and the suppliers own BMP inspections.*

### Objective 3 Use of Qualified Resource and Qualified Logging Professionals

To encourage forest landowners to utilize the services of *qualified logging professionals, certified logging professionals* (where available) and *qualified resource professionals*.

**Summary of Evidence:** *Training records of selected personnel, records associated with harvest sites audited, and Wood supplier interviews were the key evidence for this objective.*

### Objective 4 Legal and Regulatory Compliance

Compliance with applicable federal, provincial, state and local laws and regulations.

**Summary of Evidence:** *Field reviews of ongoing and completed operations were the most critical evidence. Arkansas BMP state forester was also contacted.*

### Objective 5 Forestry Research, Science, and Technology

To support forestry research, science, and technology, upon which sustainable forest management decisions are based.

**Summary of Evidence:** *Confirmed by the Company's participation in the AR SIC and donation to a prominent research foundation.*

### Objective 6 Training and Education

To improve the implementation of *sustainable forestry* practices through appropriate training and education *programs*.

**Summary of Evidence:** *Confirmed by review of the Company's training requirements for employees and contractors and confirmed by review of documents of databases that the employees and contractors met the requirements.*

### Objective 7 Community Involvement and Landowner Outreach

To broaden the practice of *sustainable forestry* through public outreach, education, and involvement and to support the efforts of *SFI Implementation Committees*.

**Summary of Evidence:** *Confirmed by the Company's financial and physical support of the AR SIC and its development of handouts for forest landowners.*

### Objective 9 Communications and Public Reporting

To broaden the practice of sustainable forestry by documenting progress and opportunities for improvement.

**Summary of Evidence:** Interviews and a review of the Company's wood flow accounting system indicate the Company is aware of the reporting requirements.

## **Objective 10 Management Review and Continual Improvement**

To promote continual improvement in the practice of sustainable forestry, and to monitor, measure, and report performance in achieving the commitment to sustainable forestry.

**Summary of Evidence:** Records of program reviews, agendas and notes from management review meetings, internal audits and interviews with personnel from all involved levels in the organization were assessed.

### **Relevance of Forestry Certification**

Third-party certification provides assurance that forests are being managed under the principles of sustainable forestry, which are described in the Sustainable Forestry Initiative Standard as:

#### **1. Sustainable Forestry**

To practice *sustainable forestry* to meet the needs of the present without compromising the ability of future generations to meet their own needs by practicing a land stewardship ethic that integrates *reforestation* and the managing, growing, nurturing and harvesting of trees for useful products and *ecosystem services* such as the *conservation* of soil, air and water quality, carbon, *biological diversity*, *wildlife* and *aquatic habitats*, recreation and aesthetics.

#### **2. Forest Productivity and Health**

To provide for regeneration after harvest and maintain the productive capacity of the forest land base, and to protect and maintain *long-term* forest and soil *productivity*. In addition, to protect forests from economically or environmentally undesirable levels of wildfire, pests, diseases, *invasive exotic plants and animals* and other damaging agents and thus maintain and improve *long-term forest health* and *productivity*.

#### **3. Protection of Water Resources**

To protect water bodies and *riparian areas* and to conform with forestry *best management practices* to protect water quality.

#### **4. Protection of Biological Diversity**

To manage forests in ways that protect and promote *biological diversity*, including animal and plant species, *wildlife habitats*, and ecological or natural community types.

#### **5. Aesthetics and Recreation**

To manage the visual impacts of forest operations, and to provide recreational opportunities for the public.

#### **6. Protection of Special Sites**

To manage lands that are ecologically, geologically or *culturally important* in a manner that takes into account their unique qualities.

#### **7. Responsible Fiber Sourcing Practices in North America**

To use and promote among other forest landowners *sustainable forestry* practices that are both scientifically credible and economically, environmentally and socially responsible.

#### **8. Legal Compliance**

To comply with applicable federal, provincial, state, and local *forestry* and related environmental laws, statutes, and regulations.

#### **9. Research**

To support advances in sustainable forest management through *forestry* research, science and technology.

#### **10. Training and Education**

To improve the practice of *sustainable forestry* through training and education *programs*.

#### **11. Community Involvement and Social Responsibility**

To broaden the practice of *sustainable forestry* on all lands through community involvement, socially responsible practices, and through recognition and respect of *Indigenous Peoples'* rights and *traditional forest-related knowledge*.

**12. Transparency**

To broaden the understanding of forest certification to the *Fiber Sourcing* Standard by documenting certification audits and making the findings publicly available.

**13. Continual Improvement**

To continually improve the practice of forest management, and to monitor, measure and report performance in achieving the commitment to *sustainable forestry*.

**14. Avoidance of *Controversial Sources* including *Illegal Logging* in Offshore *Fiber Sourcing***

To avoid wood fiber from *illegally logged* forests when procuring fiber outside of North America, and to avoid sourcing *fiber from countries without effective social laws*.

*Source: Sustainable Forestry Initiative® (SFI) Standard, 2015-2019 Edition*

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