

Control Union Certification B.V. Evaluation of Premium Pellet Ltd. Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

Scope Change 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:	Control Union Certifications; Meeuwenlaan 4-6; P.O.Box 161, 8000AD, Zwolle, Netherlands. certification@controlunion.com
Primary contact for SBP:	Andrea Ferrazzo, aferrazzo@controlunion.com
Current report completion date:	29/Mar/2019
Report authors:	Koen Jongste (lead Auditor), Hubert Jurczynsyn (Certifier)
Name of the Company:	Premium Pellet Ltd., 2301 Campbell Road, Vanderhoof, B.C., Canada
Company contact for SBP:	Tammy Scott, Vanderhoof, B.C., Canada, 250-570-9949
Certified Supply Base:	Prince George, Lakes and Mackenzie Timber Supply Areas in North/Central British Columbia
SBP Certificate Code:	SBP-06-11
Date of certificate issue:	01/Jan/2018
Date of certificate expiry:	15/Mar/2022

This report relates to the Third Surveillance Audit & Scope Change Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site in Vanderhoof, BC, Canada and transport to Fiberco Export Inc. and Westview Wood Pellet Terminal for storage, aggregation, vessel loading and shipping. The scope of the certificate does not include a Supply Base Evaluation. The scope includes communication of Dynamic Batch Sustainability Data according to the Instruction Document 5D: Dynamic Batch Sustainability Data v1.1 evaluation. The following SBP standards are applicable and form the scope of the evaluation and thus, the SBP certificate: Standard 2, Standard 4 and Standard 5: Producer of wood pellets without a SBE (standard 1) and all material is either SBP compliant or SBP controlled as it is sourced from certified companies (SFI Forest Management and PEFC CoC).

The certification scope excludes a Supply Base Evaluation.

SBP certificate: SBP-06-11

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 the specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of PEFC system control points and an analysis of the existing PEFC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients; and
- GHG data collection analysis.
- Instruction Document 5D: Dynamic Batch Sustainability Data v1.1 evaluation

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 - No SBP endorsed Regional Risk Assessment was used for this assessment

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Premium Pellet Ltd. (“Premium Pellet” or “Premium”) is based in Vanderhoof, British Columbia, Canada. Premium Pellet manufactures approximately 140,000 tonnes/year of wood pellets from secondary feedstock, including sawmill sawdust, planer shavings, and chip fines (white wood waste). Premium Pellet is a subsidiary of L&M Lumber Ltd. and Nechako Lumber Co Ltd., which have two production facilities located on the same physical site as Premium Pellet. The three entities share a common multi-site chain of custody management system and the two production facilities provide a significant portion of Premium Pellets’ feedstock. Additional secondary feedstock is currently procured from three other primary or secondary production facilities in the region. The pellet mill is positioned on a major highway and a major rail line and has been designed for efficient operations, shipping and handling. Premium utilizes 100% secondary feedstock from lumber production or remanufacturing facilities. All sawmill residues used as raw materials for the pellets are sourced from certified companies (SFI Forest Management and PEFC CoC). All suppliers sign purchase wood agreements with a statement that the fiber originates from non-controversial sources. Certified suppliers provide claims attached to invoices and the credits are transferred to the organization. Premium Pellet supplies the market with SBP-compliant biomass

5.2 Description of Company's Supply Base

Premium Pellet Ltd. (Premium Pellet) Supply Base is located in the geographical centre of British Columbia (BC), Canada and is made up of the Prince George, Lakes and Mackenzie Timber Supply Area's (TSA's). Premium Pellet utilizes 100% secondary feedstock from local primary facilities (lumber sawmills) or other secondary facilities (lumber remanufacturers). There are seven potential suppliers of secondary feedstock in the area including a related sawmill and planer mill, Nechako Lumber, located on the same site in Vanderhoof, B.C. as Premium Pellet. These two entities, along with Nechako Green Energy, are collectively known of as the Nechako Group of Companies. Additionally, secondary fibre is also obtained from an external sawmill and a remanufacturing facility in Vanderhoof from Canfor Plateau, Lakeland Mills in Prince George, BC and Conifex in Fort St James, BC. The majority of the forest management and harvesting in the Supply Base Area is conducted on Government of British Columbia crown lands, which are managed by either the government through their BC Timber Sales (BCTS) program, or by forest companies with area or volume based licenses awarded by government. The BCTS program and all local forest companies have their operations certified to Sustainable Forest Management (SFM) programs such as Sustainable Forestry Initiative® (SFI) or Canadian Standards Association (CSA). For 2017 more than 95% of the fibre utilized by the sawmill and planer mill located on the same site as Premium Pellet was obtained from tenures awarded and managed by the Province of British Columbia. The majority of the fibre harvested is pine, spruce and sub alpine fir with a smaller component of Douglas-fir. In addition to the SFM and Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody (CoC) systems certifications held by government and local forest companies, SFM plans and practices are also legislated in BC and there are no species harvested in BC that are on the CITES or IUCN lists. There is a small amount of private land (i.e. farms) in the Supply Base Area and there are private woodlots and First Nations reserves and licenses, therefore the primary facilities in the region around Vanderhoof, BC may purchase a small amount of primary fibre for their facilities from uncertified lands that are not managed under a tenure issued by the Ministry of Forests Lands and Natural Resource Operations (MoFLNRO). These lands are not classified as forest land, but are private lands with forests and can be used by the owner for agricultural purposes once harvesting is complete. In 2017 for example, the sawmill and planer mill on the same site as Premium Pellet received less than 5% of their supply from uncertified sources that were not harvested from tenures issued and monitored by MoFLNRO (the government). Of the seven secondary feedstock suppliers to Premium Pellet, four of them have PEFC, Chain of Custody (CoC) systems. Premium Pellet and the two solid wood production facilities that share the same site have a common multi-site CoC PEFC system. Premium Pellet receives a supplier assertion confirming that feed stock that is either sourced through processes that meet the PEFC criteria and have a risk assessment carried out at the supplier level to confirm that it is obtained from non-controversial sources. 96% of the feedstock is certified compliant and 4% is controlled.

5.3 Detailed description of Supply Base

Supply Base

a. Total Supply Base area (ha): 5.253 million hectares of Timber Harvesting Landbase (THLB)

b. Tenure by type (%): Privately owned 3 % - 153,000 ha's
 . Public 97% - 5.10 Million ha's of THLB
 . Community concession 0% - 0 ha's

c. Forest by type (%): 100% Temperate (5.253 million ha.)

d. Forest by management type (%): 100% Managed Natural (5.253 million ha.)

e. Certified forest by scheme (%): 97% CSA & SFI FM -certified forest (4.947 million ha)

Currently the Majority of Licensee's in the Supply Base Area are certified to either SFI or CSA certification standard. Certified Licensee's in the supply base area include: British Columbia Timber Sales, Carrier Lumber Ltd., Canadian Forest Products Ltd, Conifex Timber Inc, Nechako Lumber Ltd., Mackenzie Fibre Ltd., Sinclair Group Forest Products Ltd and West Fraser Timber Ltd.

Feedstock.

a. Total volume of Feedstock: 154,313.69 odt's (sawdust 52.71%, shavings 47.29%)

b. Volume of primary feedstock: 0 odt's

c. List percentage of primary feedstock (g), by the following categories: not applicable

d. List all species in primary feedstock, including scientific name

e. not applicable. Volume of primary feedstock from primary forest: not applicable

f. List percentage of primary feedstock from primary forest (j), by the following categories.

. Subdivide by SBP-approved Forest Management Schemes: not applicable

g. Volume of secondary feedstock 154,313.69 odt's (sawdust 52.71%, shavings 47.29%)

. Secondary Feedstock species is as follows:

- . Lodgepole Pine – Pinus contorta Var Latifolia 68%
- . White Spruce – Picea glauca 22%
- . Balsam – Sub Alpine Fir – Abies lasiocarpa 8%
- . Douglas-fir – Pseudotsuga menziesii 2%

h. Volume of tertiary feedstock: specify origin and composition - not applicable.

5.4 Chain of Custody system

The Organisation is holding valid PEFC Chain of Custody certificate system which they share through a group scheme with the two related production facilities at the same physical location. Valid PEFC system description and other documents exist. All wood fiber is tracked through the process from the district of origin through the mill to the final bill of sale. Premium considers only the following feedstock inputs to be SBP-compliant feedstock:

- Feedstock received with an SBP-approved Forest Management Scheme claim
- Feedstock received with an SBP-approved Chain of Custody (CoC) System claim.

A database is used to gather and control information related to the feedstock such as supplier name, scale tickets, fibre type, certification, and district of origin. Premium has appropriate control mechanisms to calculate output volumes and claims. and trademark/logo approval. Additionally, Premium conducts an annual management review of the commitments, programs and procedures to evaluate the overall effectiveness of the SBP management system. The SBP claim is stated on the sales invoices and recorded

in the DTS. The SBP Batch code is also included. These carry the GHG profiling, batch specific data from the Biomass producer and GHG data relating to the transport, which are the responsibility of the BP

6 Evaluation process

6.1 Timing of evaluation activities

The audit occurred between March 25 and 28, 2019 by the above mentioned audit team. This report is the result of the findings of a certification evaluation carried out by an independent lead auditor representing Control Union Certifications. The purpose of the assessment was to evaluate the compliance of the client with respect to the standards used within the scope of the certificate.

Names and affiliations of people interviewed:

Dave Herzig	Site manager
Tammy Scott	Controller
Les Dillabaugh	Stewardship Forester
Frank Wall	Operations Superintendent / Quality manager
Mike Fantillo	Production supervision
Edmond Martineau	Train Loader / Quality lab
Beryl Oke	Woodlands Accounting Manager
Laura Nagasaka	Woodlands Senior Accountant
Ray Louie	Assistant Fibre Manager FibreCo
Eugene Lupynis	Director - Marine Logistics Pinnacle Renewable Energy Inc.
Steve Robin	Terminal Manager Pinnacle Pellets Renewable energy Westview terminal
Brenna Boyle	Terminal Safety, Operations and Admin of PRE Westview terminal

The schedule was as follows according the audit plan:

Activity	Site	Date/Time
		Monday 25-03-2019
Opening meeting	Premium Pellets	09:00-09:15
Agreement on Scope		09:15-09:30
Checking the documents at hand		09:30-09:45
Checking the availability of basic certification requirements		09:45-10:00
Presentation company		10:00-10:30
Checking the documents at hand		10:30-10:45
Presentation company and processes and procedures		10:45-12:00
Lunch Break		12:00-13:00
Management system overview		13:00-14:00
Introduction into Supply Base		14:00-14:30
Supply Base report		14:30-16:00
Chain of Custody system		16:00- 17:00
Final discussion / days closing meeting		17:00- 17:15

Activity	Site	Date/Time
		Tuesday 26-03-2019
Opening meeting	Premium Pellets	09:00-09:15
Chain of Custody registrations		09:15-11:15
Output claims		11:15-12:15
Lunch Break		12:15-13:15
Logo/Trademark use		13:15-13:30
Complaints procedures		13:30-14:00
Tour of the facility: - Receiving of materials - Wood Yard - Equipment used		14:00-15:00
Business integrity, social, health and safety requirements		15:00-16:00
GHG data registrations		16:00-17:00
Final discussion / days closing meeting		17:00- 17:15

Activity	Site	Date/Time
		Wednesday 27-03-2019
Opening meeting	Port of Prince Rupert (remote)	09:00-09:15
Agreement on Scope		09:15-09:30
GHG data registrations		09:15-10:00
Mass balance		10:00-10:30
Contractor requirements		10:30-11:00
GHG data registrations	Premium Pellets	11:00-12:30
Lunch break		12:30-13:30
Finalization GHG data/SAR		13:30-17:00
Final discussion / days closing meeting		17:00- 17:15

Activity	Site	Date/Time
		Thursday 28-03-2019
Day's Opening meeting	Port of Vancouver	09:00-09:15
Overview of process		09:15-09:30
Contractor requirements		09:30-10:00
Mass balance		10:00-10:30
GHG		10:30-11:30
Tour of the facility		11:30-12:30
Final discussion / closing meeting		12:30-13:00

6.2 Description of evaluation activities

The audit consisted of an opening meeting, during which the scope was confirmed. The auditor also explained the methods to be employed during the audit. After this introduction, all relevant requirements of the applicable SBP standard(s) were verified on compliance through the use of a report template and checklists. The audit was completed by filling in the audit report and discussing the audit results. Critical Control points were evaluated and found to be sufficiently managed. During the closing meeting it was also discussed how evidence can be submitted of corrective action with respect to non-conformities that were identified during the audit.

6.3 Process for consultation with stakeholders

During the pre-assessment / document review phase, Premium initiated a stakeholder consultation prior to the finalization of their SBE and they gave their stakeholders 30 days to respond. Additionally, PwC sent letters on December 15, 2015 to stakeholders in Premium's Supply Base Area inviting them to provide feedback directly to PwC. PwC did not receive any information during their stakeholder consultation process. Premium Pellet re-launched its stakeholder consultation on October 21, 2016 to a wider range of stakeholders. More than 100 stakeholders were informed via email, letters and phone calls. the stakeholders included First Nations and Public Advisory Group members from Mackenzie, Fort St. James, Vanderhoof and Prince George. Premium pellet did not receive any comments from the second stakeholder consultation.

7 Results

7.1 Main strengths and weaknesses

The audit of Premium Pellet demonstrated a good level of compliance with the required criteria of Standard 2, 4 and 5. There was reasonable evidence provided to support compliance where a Non-Conformity was not detected. The Non-Conformities presented in this report identify actions that must be taken in order to comply with the SBP system and its standards. The existence of a PEFC Chain of Custody system in combination with ISO 14001:2004 are considered a main strength with respect to Premium Pellet overall conformity with the relevant SBP standards.

Weaknesses: Non conformity identified in this audit.

7.2 Rigour of Supply Base Evaluation

An SBE was not considered required as all fibre used for pellet production is currently 100% PEFC Certified for SBP-Compliant claims.

7.3 Collection and Communication of Data

The organization has employed an external consultant who helped the organization with implementation of the system for collection of the emission and energy data. The company supplied the audit team actual data on Greenhouse Gas emissions, except for forest operations as all feedstock is secondary.

7.4 Competency of involved personnel

N/A as no SBE has been completed

7.5 Stakeholder feedback

See 6.3 above

7.6 Preconditions

N/A, no preconditions.

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 as no SBE was conducted

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	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

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

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

N/A as no SBE was conducted.

10 Non-conformities and observations

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

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

B

Description of Non-conformance and Related Evidence:	
The SDi for the port of Westview in Prince Rupert (SBP-06-11-71) should be SBP-06-11-71-00. In DTS a wrong code was used for three shipments: GTS-152778516399443006508-TR: SBP-06-11-01-00, GTS-153435191988035533810-TR : SBP-06-11-01-00, GTS-154119018643521164510-TR : SBP-06-11-01-00. Where 01 was used (in SBP-06-11-01-00) it should have read 71 (SBP-06-11-71-00).	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	None
Findings for Evaluation of Evidence:	None
NC Status:	Open

NC number 2019-01	NC Grading: Minor
Standard & Requirement:	Standard 2 - 15,3 "The BP management system shall document all necessary procedures."
Description of Non-conformance and Related Evidence:	
"SBP manual is missing: a) the procedure for SBP logo use, b) the procedure (and description) of the mass balance system use for fibre to pellets is missing, c) SDi numbering rules (see major NC 2019-1), d) The use of 99 instead of 00 for the SDi when DBS is used (ID5D)."	

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:	None
Findings for Evaluation of Evidence:	None
NC Status:	Open

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):	Hubert Jurczyszyn
Date of decision:	28/Jun/2019
Other comments:	The Organization is in conformity with the certification requirements, and certificate should be maintained provided that open NC's as mentioned in this report are closed within the given timeframes