SBP

Sustainable Biomass Program

SCS Global Services Evaluation of Pinnacle Renewable Energy - Smithers Pellet Limited Partnership Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

www.sbp-cert.org

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:	Sarah Harris, SHarris@scsglobalservices.com
Current report completion date:	23/Jul/2019
Report authors:	Haris Gilani, Ph.D.
Name of the Company:	Pinnacle Renewable Energy - Smithers Pellet Limited Partnership
Company contact for SBP:	Joseph Aquino
Certified Supply Base:	British Columbia
SBP Certificate Code:	SBP-04-38
Date of certificate issue:	01/Mar/2019
Date of certificate expiry:	29/Feb/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation:

First annual surveillance audit to assess the CH's conformance to SBP standards 1, 2, 4, and 5 and respective Instruction Notes and Documents. The audit included on-site visits to the pellet mill in Smithers and forest level evaluations. Port facility, Fibreco Export Inc.in Vancouver, BC, Canada was also visited as part of this audit.

Scope of certificate:

This certificate covers production and distribution of wood pellets, for use in energy production, at Pinnacle pellet mill in Smithers and rail transportation to port facility Prince Rupert and/or Fibreco Export Inc. for storage, aggregation and seafaring vessel loadout. The scope of the certificate includes Supply Base Evaluation for the province of British Columbia pertaining to Crown land, and the communication of dynamic batch sustainability data.

3 Specific objective

The specific objective of this audit 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

The overall system in Pinnacle procurement, production and sales process include several critical control points. The feedstock is received from several different suppliers and is stored in the warehouse. The material is weighed on the truck scaled and a load slip is issued which includes supplier name, address, origin, type of feedstock and quantity.

Volume accounting method

the volumes are recorded on the inventory spreadsheets and for PEFC certification, PEFC credit table has been developed.

Documentation of transactions

The DTS is used for any SPB related transactions and all transactions are recorded in DTS.

Energy data collection and reporting

The Energy data is recorded on GHG spreadsheet. Auditor reviewed GHG spreadsheet, DTS, PEFC ledger and load slips to ensure material is tracked throughout critical control points.

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

Pinnacle owns and operates seven pellet plants, one deep-water port and leases space at another port all in the British Columbia ("BC"). Collectively the pellet plants produce more than one and a half million tonnes annually. All Pinnacle plants operate 24 hours a day, seven days a week. The pellet plants are located in the BC communities of Houston, Burns Lake, Meadowbank, Williams Lake, Smithers, Armstrong and Lavington. Smithers just started operating in 2018. In total, more than 250 people are employed by Pinnacle in those communities. In addition to the production facilities, Pinnacle operates a port in Prince Rupert called Westview Wood Pellet Port where pellets from Pinnacle's northern facilities (Houston & Burns Lake) are transported. Pinnacle also leases space at Fiberco Export Inc., a deep-water port in Vancouver, B.C. Pellets produced at the southern plants are transported to Fiberco.

The Smithers wood pellet production facility ("Smithers") is located in Smithers, BC. The Smithers facility has a production capacity of ca. 210,000 metric tons of pellets per year. Pellets produced at this plant are transported by rail to either Westview in Prince Rupert, BC or Fiberco in Vancouver, BC for export to European utilities.

5.2 Description of Company's Supply Base

The area of BC is 55 million hectares of forestland. 83% of BC's forests are coniferous leading, 6% are mixed forests containing both coniferous and deciduous species, and 6% are deciduous leading.

The total annual volume of secondary feedstock procured by Smithers is expected to be between 100,000 and 150,000 odt oven dried tonnes (odt). Approximately 89% of the secondary feedstock is certified to an SBP-approved CoC Scheme. The total annual volume of primary feedstock is 0% of the total.

A quantitative description of the Supply Base can be found in Smithers' Supply Base.

5.3 Detailed description of Supply Base

All primary fibre supplied to Pinnacle Renewable Energy Inc. (PREI) originates in the Province of British Columbia (BC), Canada, excluding Vancouver Islands. BC's land base is 95 million hectares of which 62% or (55 million hectares) is forested, where only 24% is available for harvest. Approximately 83% of BC's forests are coniferous leading, 6% are mixed forests containing both coniferous and deciduous species and 6% are deciduous leading. Six million hectares (approximately15%) of BC's forests are in protected areas and 13% of all forests in protected areas are 141-250 years old. BC is Canada's most ecologically diverse province containing coastal and inland temperate rainforests, dry pine forests, sub-alpine forests, and other forested ecosystems.

95% of BC's forests are a government/publicly owned resource. As such BC is a global leader in terms of forest legislation and certification. Approximately 52 million hectares of forest in BC is covered by third-party certification (e.g. SFI, FSC, CSA) or meets specific criteria required for environmental management systems (e.g. ISO 14001).

Smithers procures their feedstock from secondary sources only. Pinnacle's internal fiber procurement group is responsible for implementing and maintaining conformance to the Programme for the Endorsement of Forest Certification (PEFC) CoC Standard, which operates as the platform to the Sustainable Biomass Partnership Standards. Secondary feedstock is sourced through their PEFC Due Diligence system from a variety of sawmill suppliers. Sawmills source high-quality logs from the forest and mill them into products like two-by-fours. Smithers procures the sawdust and shavings generated by these sawmills.

5.4 Chain of Custody system

Joseph Aquino, Head of Sustainability, is the person responsible for implementing the PEFC Chain of Custody system and also manages the organizations SBP management system. The organization operates the volume based method for controlling PEFC claims based on volume credits. Pinnacle also verifies PEFC Controlled Sources through a DDS including a risk assessment covering British Columbia.

All wood fibre is tracked through the process from the District of Origin through the mill to the final bill of sale. Pinnacle uses a database to gather and control information related to the feedstock such as supplier name, scale tickets, fibre type, certification, and district of origin. Pinnacle has appropriate control mechanisms to calculate output volumes, claims and trademark/logo approval. Additionally, Pinnacle conducts an annual Management Review of the commitments, programs and procedures to evaluate the overall effectiveness of the SBP management system.

The organizations PEFC management system and procedures were previously evaluated by another certification body and no open nonconformities exist. The organization has detailed and comprehensive procedures and databases to cover the necessary requirements regarding the SBP-approved Chain of Custody system.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Date	Location	Persons Involved	Time
Desk review (pre-audit)	May 16, 2019	Auditor Office	SCS Haris Gilani	8 Hours
Opening meeting and surveillance audit	May 21, 2019	Pinnacle Head Office in Prince George, BC	Pinnacle: Joe Aquino SCS Haris GIlani	4 Hours
Site walkthrough	May 22, 2019	Pinnacle mill - Smithers Division	Pinnacle: Plant Manager, Plant Operator, Plant Accountant. SCS Haris Gilani	2 Hours
Standard 1 and 2. Field visits, facility walkthrough.	June 4th to 6th and June 17th to 21st	Burns Lake, Smithers, Meadowbank, Houston, Williams Lake, Armstrong, Lavington,	Joe Aquino and Josh McQuillin – Pinnacle Renewable Ciara McCarthy – SCS Global Services	8 days
Port visit	July 11, 2019	Fibreco	Pinnacle: Joe Aquino SCS Haris Gilani	2 Hours

6.2 Description of evaluation activities

Desk review:

The desk review consisted of a review of the Supply Base Report (SBR), Audit Report on Energy and GHG Data (SAR), Static Biomass Profiling Data sheet, PEFC and SBP procedures, Health and Safety procedures, suppliers list, product groups PEFC certificate validity check and review of last PEFC audit report.

Surveillance audit:

The on-site audit included an audit of the SBR, documented management system, work instructions, training plan and training records, health and safety procedures and commitment, and procedures on collection and communication of greenhouse gas data. The appropriate personnel were interviewed to cover all aspects of the audit and certificate scope and the SBP requirements.

A tour of the site including a tour of the pellet plant in Smithers from receiving, storage, hammer mills, dryers, pelletization, cooling, storage to loading. Furthermore, the scale was inspected, and records reviewed at the scale house.

The audit methods consisted of review of documentation, records, websites, emails, databases and staff interviews. The site tour and visits were evaluated by review of documentation, monitoring results, observations, and interviews. Field visits were used to evaluate risk conclusions in the risk assessment.

6.3 Process for consultation with stakeholders

SCS launched their stakeholder consultation for the main evaluation audit of Pinnacle facility prior to the onsite audit. Stakeholders had the opportunity to present their points of view to the auditor(s) in confidence.

Geographical area(s): The geographical area for the stakeholder consultation is the same as the supply areas identified in the company's Supply Base. This area is, at minimum, at the level of the province of British Columbia.

List of Stakeholders invited: SCS relies on its Master Stakeholder List, which contains stakeholders that are identified by type, e.g. ENGO, Government/regulatory, Educational/Academic, Industry, Indigenous/Aboriginal/Tribal, etc. This list is categorized by country and state/province at the very least, and for this consultation was filtered to omit any stakeholders that were not geographically relevant to the certificate-holder/applicant's supply area(s). Relevant FSC Network Partners were also included in the invitation process.

No stakeholder comments were received by SCS or have come to the attention of SCS and the audit team.

7 Results

7.1 Main strengths and weaknesses

Pinnacle's staff, which include registered professional foresters who have a strong knowledge of the B.C. forestry industry, practices as well as a good working relationship with their suppliers. The organization has a very comprehensive and detailed management and procedural system in place which covers all aspects of the SBP audit scope and the underlying PEFC chain of custody certification. The databases to keep track of qualitative and quantitative information are well managed, readily accessible and featured all information as requested by the auditor. Procedures, commercial documentation, records on paper were also easily accessible throughout the audit.

Weaknesses have been recorded as nonconformities and observations and are discussed in section 10.

7.2 Rigour of Supply Base Evaluation

Pinnacle Renewable Energy Inc has developed a detailed SBE including a clear description of their Supply Base Area. The geographical scope of the SBE is within the British Columbia providence, ensuring fiber is not received from outside the SBE scope area. The SBE was developed internally by qualified personnel using credible third-party data sources and their existing management and monitoring systems implemented to meet other voluntary standards and designed to ensure compliance with applicable laws and regulations. Risk was designated low for all core Indicators.

7.3 Collection and Communication of Data

The auditor confirmed the Greenhouse Gas (GHG) sources for feedstock input from the forest, production at the facility, transportation to the port and storage and handling at the port and reviewed how the input data was measured. Findings were substantiated by on-site staff interviews with operations personnel on the overview of the operations at the facility, historical operations, changes to operations, procedures and processes used to maintain the facility, and procedures and processes used to ensure data quality. Smithers division demonstrated full competency to analyse and report the required data.

7.4 Competency of involved personnel

Pinnacle's fibre procurement team are registered professional foresters in the Province of British Columbia with local forestry experience and knowledge of ecological and social values associated with the supply base, applicable laws and regulations, business management practices, operation of suppliers, and the local forest resource. Pinnacle assigned management with appropriate skills and competency to implement and execute the management and control systems relating to SBP compliance. Management interviewed during the assessment were found to be knowledgeable of the SBP requirements.

7.5 Stakeholder feedback

No stakeholder feedback was received. No other comments from stakeholders came to the attention of SCS and the audit team.

The audit team conducted interviews with 8 suppliers located in British Columbia. The interviews were positive and showed conformance with standards. One minor non-conformity was identified through interviews and is detailed in the non-conformity section 10.

ASI assessors and one local forester witnessed the audit.

7.6 Preconditions

None.

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.

The initial risk assessment determined that all indicators are low risk for all areas from which the BP procures biomass. The risk ratings were determined by reviewing the SBE along with supporting evidence such as the company policy requires, COC procedures, PEFC Due Diligence Risk Assessment, supplier agreements and verification through field visits to the forest and supplier interviews.

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

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

2.2.8	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

Not applicable.

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.*

NC number 01	**NC Grading:** Minor
Standard & Requirement:	Std 1 Section 2.5, and principle 1 indicator 1.1.1 and 1.1.2 Std 2 Section 6.1 and 6.3, Standard 4 section 5.2.7, and Standard 5C Section 4.1.1
Description of Non-conformance and Related Evidence:	
It was identified through supplier interviews, that some raw lumber was sourced from Alberta, processed in BC, and the residue was recorded at PREI as a % compliant and % controlled. These logs were not covered by the organization's (PREI) SBE to be recorded as compliant.	
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:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	
NC Status:	Open
NC number 2	**NC Grading:** Observation
Standard & Requirement:	Standard 4, Sections 5.4.1 a-d and 5.4.2
Description of Non-conformance and Related Evidence:	

PREI have a bank credit system for PEFC claims and described the process of how they ensure the claims are managed and go through checks and balances. There are delays with certain suppliers in terms of the claim being passed on with the material.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	
Findings for Evaluation of Evidence:	
NC Status:	Open
NC number 3	**NC Grading:** Minor
Standard & Requirement:	Standard 5A section 2.2.4 Standard 5A section 2.1.3
Description of Non-conformance and Related Evidence:	
SAR had incorrect SDI numbers assigned for the 2018 period. Minor issues were identified with maximum distance and therefore average distance and a typo with moisture content.	
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:	SAR was updated to ensure correct figures from background data were communicated.
Findings for Evaluation of Evidence:	SAR corrected.
NC Status:	Closed
NC number 4	**NC Grading:** Minor
Standard & Requirement:	Standard 1, Principle 2, Criterion 2.1.1, 2.1.2
Description of Non-conformance and Related Evidence:	
The organization has not explicitly stated the WWF ecoregions within the supply base. The Supply Base for BC is predominantly crown land within British Columbia and the forest industry must adhere to extensive regulatory compliance with the state government.	
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:	
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
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):	Theodore Brauer
Date of decision:	19/Aug/2019
Other comments:	*Click or tap here to enter text.*