

Supply Base Report: Premium Pellet Ltd

Third Surveillance Audit

Scope Change Audit

www.sbp-cert.org



Completed in Accordance with the Supply Base Report Template version 1.3

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

Producer name: Premium Pellet Ltd.
Producer location: 2301 Campbell Road, Vanderhoof, B.C., Canada
Geographic position: [54°00'52"N 124°00'32"W](#)
Primary contact: Tammy Scott, Vanderhoof, B.C., Canada +12505706122
Company website: www.sinclar.com
Date report finalised: 25/Mar/2019
Close of last CB audit: 20/Mar/2018, Premium Pellet Office
Name of CB: Control Union Canada Inc. (Start January 1, 2018)
Translations from English: No
SBP Standard(s) used: SBP standard 2 v 1.0
 SBP standard 4 v 1.0
 SBP standard 5 v 1.0
Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/>
SBP Endorsed Regional Risk Assessment: N/A
Weblink to SBE on Company website: N/A

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

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%, which is used at the Nechako Green Energy and for bagged pellets which does not have any SBP claims, is controlled.

2.2 Actions taken to promote certification amongst feedstock supplier

Premium Pellet Ltd. achieved PEFC CoC certification in 2009. In order to ensure an adequate amount of certified fibre for its operation, Premium Pellet, promotes certification, including SFI and CSA, with our suppliers. Premium Pellet, through Nechako Lumber Co. Ltd., requires operations to be conducted by loggers trained in accordance with the programs developed by the Western Canada SFI Implementation Committee (WSIC). It is a requirement of Premium Pellet Ltd's fibre purchase contract that all non-certified fibre is sourced from non-controversial sources as defined by PEFC (listed below). Prior to purchasing fibre the supplier goes through another risk assessment to ensure compliance with all standards and the supplier's past compliance history.

Supplier Assertion (included in all purchase contracts)

The supplier confirms that the logs and wood fibre was not sourced from forest activities which are:

(a) not complying with local, national or international legislation, applying to forest related activities, in particular in the following areas:

- forestry operations and harvesting, including biodiversity conservation and conversion of forest to other use
- management of areas with designated high environmental and cultural values,
- protected and endangered species, including requirements of CITES,
- health and labour issues relating to forest workers,
- indigenous peoples' property, tenure and use rights,
- third parties' property, tenure and use rights,
- payment of taxes and royalties related to timber harvesting are complete and up to date,

(b) not complying with legislation of the country of harvest relating to trade and customs, in so far as the forest sector is concerned,

(c) utilizing genetically modified forest based organisms,

(d) converting forest to other vegetation type, including conversion of primary forests to forest plantations.

These are therefore considered to be from non-controversial sources.

Furthermore, our company may consider future purchases from the supplier as low risk of originating from controversial sources as the logs come from:

1. British Columbia;
2. Areas not covered by the UN Security Council ban on Timber; and
3. Areas governed by a legislated stumpage system that requires documentation to confirm the supply of the fibre to the forest management unit (i.e.: license or tenure).

If any of the log sources change in relation to this assertion the company must notify our company immediately.

In a case where the logs supplied to our company are considered "high" risk of being obtained from controversial sources, the supplier will provide our company with the necessary information to identify the

forest management unit(s) of origin as well as the whole supply chain of the raw material relating to the “high” risk supply. Should our company require on-site inspection of the associated operations, the supplier will assist in the coordination, as needed.

2.3 Final harvest sampling programme

Premium Pellet only utilizes secondary feedstock therefore, this is not applicable, although all purchases of primary fibre and the Nechako Lake tenures are monitored for compliance.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

N/A

2.5 Quantification of the 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	Public	Community concession
3%	97%	0%
153,000 ha's	5.10 Million ha's of THLB	0%

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: not applicable

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

f. List percentage of primary feedstock from primary forest: 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: not applicable.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

Premium Pellet receives 100% PEFC certified secondary fibre and therefore does not require a SBE.

4 Supply Base Evaluation

4.1 Scope

Not Applicable.

4.2 Justification

Not Applicable.

4.3 Results of Risk Assessment

Not Applicable.

4.4 Results of Supplier Verification Programme

Not Applicable.

4.5 Conclusion

Not Applicable.

5 Supply Base Evaluation Process

Not Applicable.

6 Stakeholder Consultation

During the pre-assessment / document review phase, Premium initiated a stakeholder consultation prior to the finalization of the SBE and gave the stakeholders 30 days to respond. During the Initial Assessment, PwC reviewed the names and organizations that were included in the stakeholder consultation and followed-up after the closure of the Premium's stakeholder consultation to obtain a summary of any feedback received and the resulting changes to the SBE/Risk Assessment, if applicable. Premium reported that they had received no feedback during the stakeholder consultation period.

Premium discussed the SBP Standards and their draft SBE with stakeholders during a community forest meeting in Vanderhoof, B.C. Stakeholders interested in and affected by Premium's operations were primarily their suppliers. PwC interviewed a sample of the supplier stakeholders in Premium's Supply Base Area inviting them to provide feedback directly to PwC. PwC did not receive any information during the stakeholders consultation process that changed the assessment of risk which is discussed in more detail in section 8 of the Public Summary Report, dated May 11, 2016.

Note: Premium Pellet Ltd. Does not require a SBE at this time.

6.1 Response to stakeholder comments

No Comments Received

7 Overview of Initial Assessment of Risk

Not Applicable.

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not Applicable.

8.2 Site visits

Not Applicable.

8.3 Conclusions from the Supplier Verification Programme

Not Applicable.

9 Mitigation Measures

9.1 Mitigation measures

Not Applicable.

9.2 Monitoring and outcomes

Not Applicable.

10 Detailed Findings for Indicators

Not Applicable.

11 Review of Report

11.1 Peer review




The Supply Based Report was completed by Les Dillabaugh, RPF Stewardship Forester, Sinclar Group Forest Products Ltd, Nechako Lumber Co Ltd and Premium Pellet. Mr. Dillabaugh was responsible for all certification initiatives while working for Premium and has successfully completed the EN Plus, Green Gold and PEFC Certification for Premium Pellet. Mr. Dillabaugh is a Registered Professional Forester (RPF) with 27 years' experience in the BC Forest Industry and has been the lead on the various certification initiatives for Sinclar Group Forest Products Ltd. for the past four years. It was then reviewed by the rest of the Senior Management Team.

The Supply Base Report was independently peer-reviewed by Nate Ryant, RPF from NMR Resource Management Ltd, a past consultant to the Wood Pellet Association of Canada and the forest industry. Mr. Ryant is a registered professional forester and forestry consultant with 16 years of forest certification experience and 30 years of work experience in the forest industry of BC.

11.2 Public or additional reviews

Premium Pellet's Supply Base Report is publicly available on Sinclar Group Forest Products homepage (www.Sinclar.com). Any and all comments received will be addressed immediately and the SBP governing body will be notified.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	 Les Dillabaugh	Sinclar Forestry Manager	<i>March 25/19.</i> [date]
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	 Tammy Scott	Controller	<i>Apr. 11, 2019</i> [date]
	Name	Title	Date
Report approved by:	 Dave Herzig	Site Manager	<i>APRIL 11, 2019</i> [date]
	Name	Title	Date
Report approved by:	[name]	[title]	[date]
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

As of January 1, 2018 – No significant changes in the supply base have occurred since the initial audit.

13.2 Effectiveness of previous mitigation measures

Not Applicable.

13.3 New risk ratings and mitigation measures

Not Applicable.

13.4 Actual figures for feedstock over the previous 12 months

Feedstock	Volume	%
Certified	151,826.07	98.39%
Controlled	2,487.62	1.61%

Feedstock Type	Volume	%
Sawdust	81,331.11	52.71%
Shavings	72,982.57	47.29%

13.5 Projected figures for feedstock over the next 12 months

The future feedstock is projected to be the same as the previous 12 months.