

NEPCon Evaluation of Vanderwell Contractors (1971) Ltd. Compliance with the SBP Framework: Public Summary Report

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Completed in accordance with the CB Public Summary Report Template Version 1.2

*For further information on the SBP Framework and to view the full set of documentation see
www.sbp-cert.org*

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

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1 Overview

CB Name and contact:	NEPCon, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus
Current report completion date:	25/Jan/2019
Report authors:	Christian Rahbek and Darren Johnson
Name of the Company:	Vanderwell Contractors (1971) Ltd.
Company contact for SBP:	Mike Haire, Woodlands Manager Ph: (780) 849-3824 Email: mike.haire@vanderwell.com
Certified Supply Base:	Province of Alberta, Canada
SBP Certificate Code:	SBP-07-17
Date of certificate issue:	04/Mar/2019
Date of certificate expiry:	03/Mar/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The scope of the SBP certificate is production of wood pellets from secondary feedstock by the Biomass Producer's pellet mill in Slave lake, Alberta, Canada. All feedstock is sourced as PEFC certified or as PEFC Controlled Sources under the BP's PEFC Due Diligence System, and the BP does not implement a SBE. The BP implements a PEFC Volume Credit System. The BP has defined a single endpoint railside at the mill location, and the scope of the certification does not include the use of remote storage or logistics sites.

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

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

Vanderwell Contractors (1971) Ltd. operates a pellet mill and acts as a Biomass Producer with production of wood pellets from secondary feedstock near the city of Slave Lake, Alberta, Canada. The feedstock for the production of wood pellets is exclusively sourced from the BP's own sawmill located at the same site as the pellet mill. The feedstock includes material from a Supply Base fully contained within the province of Alberta. The scope of the certification does not include the use of storage or logistics sites.

5.2 Description of Company's Supply Base

All feedstock for the production of wood pellets is sourced as secondary feedstock from the BP's own sawmill. The feedstock includes material from a Supply Base consisting of an area fully contained within the province of Alberta.

Quantification of Supply Base:

- a. Total Supply Base area (ha): 7,435,817 ha
- b. Tenure by type (ha): 7,385,817 ha Crown Land and 50,000 ha Private Land. There are no known or published amounts of forested private land in the region. The 50,000 ha is an estimate of the potential area.
- c. Forest by type (ha): 7,435,817 ha boreal
- d. Forest by management type (ha): 7,435,817 managed natural
- e. Certified forest by scheme (ha): 1,473,063 ha SFI Certified and 5,912,754 ha FSC Certified

Data that quantifies the BP's Supply Base can also be found in the Supply Base Report, which will be available online for download from www.sbp-cert.org/accreditations-and-certifications/certificate-holders/ and from the biomass producer's website at <http://www.vanderwell.com/home/responsibility/>

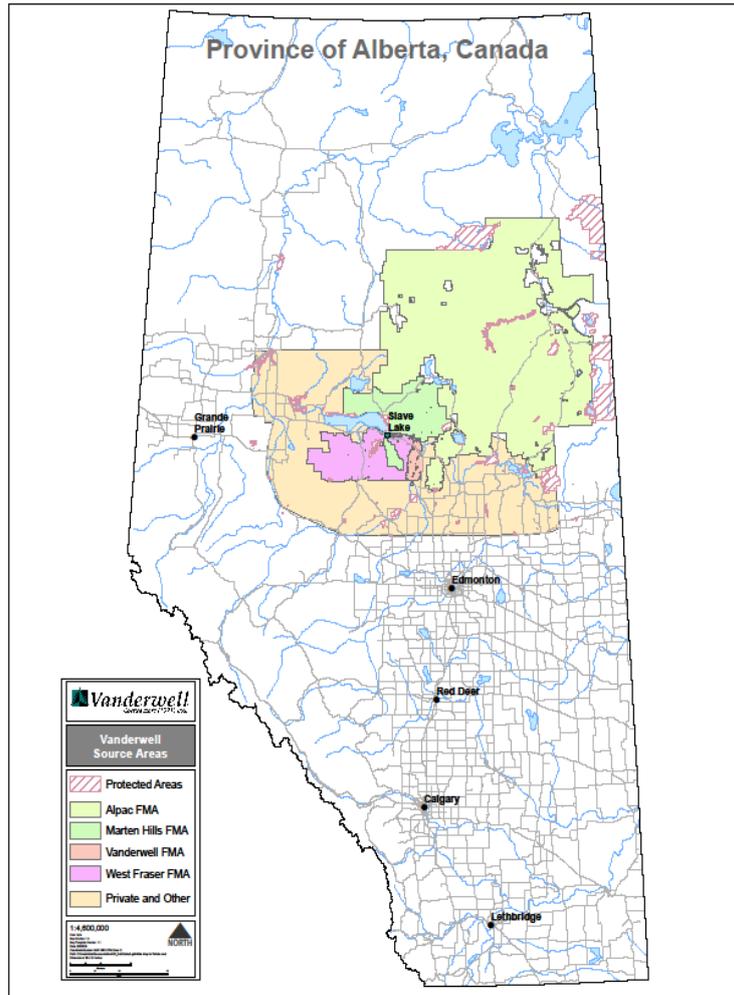
5.3 Detailed description of Supply Base

A Detailed description of the BP's Supply Base can also be found in the Supply Base Report, which will be available online for download from www.sbp-cert.org/accreditations-and-certifications/certificate-holders/ and from the biomass producer's website at <http://www.vanderwell.com/home/responsibility/>

The supply base for the company's sawmill operations is within the province of Alberta, Canada. Generally, all required logs for the sawmill come from the Slave Lake region of Alberta located in the North Central part of the province which is in the boreal forest. The majority of the forest is government owned crown land that is managed by the forest companies operating in the region under long term tenure agreements. There are minor amounts of forested private land within the region as well that form a portion of the supply base. The

main forest -based industry operating on crown land within the forest is the local forest industry. The other main industry that is very active within the forest is the Oil and Gas industry in both development and ongoing operations of oil and gas fields. These two industries are the main industries within the region along with agriculture, tourism and other service industries.

Complete Supply Base Region, Vanderwell Contractors (1971) Ltd.



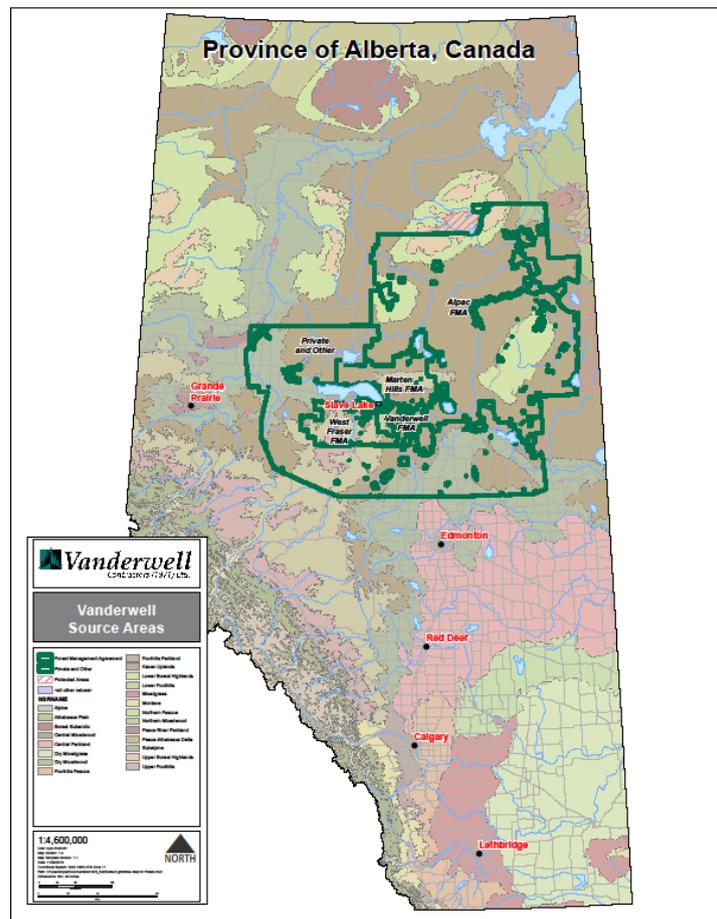
The supply base is part of the boreal forest where it consists of conifer, conifer/deciduous mixedwood and deciduous dominated stands. The commercial tree species present within the forest is White Spruce (*Picea glauca*), Black Spruce (*Picea mariana*), Lodgepole Pine (*Pinus contorta*), Jack Pine (*Pinus banksiana*), Balsam Fir (*Abies balsamia*), Trembling Aspen (*Populus tremuloides*), Balsam Poplar (*Populus balsamifera*) and White Birch (*Betula papyrifera*). There is no presence of any tree species listed on CITES.

Complete Supply Region with Ecoregions, Vanderwell Contractors (1971) Ltd.

uncertified from an FSC managed forest and approximately 5% uncertified from other sources. 100% of the logs are considered SBP compliant or SBP controlled because they are either certified or controlled and fall within the companies SFI Fibre Sourcing and PEFC certification.

The pellet plant only consumes residual material in the form of sawdust and shavings from the company’s own sawmill. No other sawmill residuals are sourced for the manufacture of pellets nor is there any processing of logs specifically for the manufacture of pellets. All the residual material is considered secondary feedstock for the production of biomass (white wood pellets).

Complete Supply Region with Ecoregions, Vanderwell Contractors (1971) Ltd.



5.4 Chain of Custody system

The Biomass Producer's PEFC Chain of Custody system is based on the Volume Credit method, and all inputs to the production site are either received as PEFC, SFI or FSC certified or sourced as PEFC Controlled Sources under the BP’s PEFC Due Diligence System.

6 Evaluation process

6.1 Timing of evaluation activities

The main assessment auditing process was conducted largely in accordance with the audit agenda below which had been provided to the BP prior to the audit.

Agenda Tuesday, December 11th

Activity	Location	Auditor(s)	Date/time
Opening meeting*	Main Office	CAR, DJ	11/12/2018 9.00 - 9.30
Documents and procedures review, including review of: <ul style="list-style-type: none"> 1. Supply Base Report 2. Management System for SBP (and PEFC) 3. Feedstock invoices, dummy sales invoice 4. Training records 	Office	CAR, DJ	9:30 - 12.00
Lunch break			12:00 – 13:00
Interview with Purchasing department representative	Purchasing department	CAR, DJ	13:00 - 13:30
Site tour: Interview with feedstock reception department, production and shipping. Inspection of installations, comparison with „SAR“ technical data	Production facilities, Offices	CAR, DJ	13:30 - 14:30
Review of „SAR“ and GHG calculations, including review of documentation: <ul style="list-style-type: none"> 1. Production records 2. Records of and invoices for: <ul style="list-style-type: none"> o electricity o diesel o natural gas o propane o biomass (for drying) 3. Samples of transport documents / invoices (finished products) 	Office	CAR, DJ	14:30 – 16:00
Summarizing meeting	Office	CAR, DJ	16:00 – 16:30

Agenda Wednesday, December 12th

Activity	Location	Auditor(s)	Date/time
Continued review of „SAR“ and GHG calculations, including review of documentation: <ul style="list-style-type: none"> 4. Production records 5. Records of and invoices for: <ul style="list-style-type: none"> o electricity o diesel o natural gas o propane o biomass (for drying) 6. Samples of transport documents / invoices (finished products) 	Office	CAR, DJ	12/12/2018 9.00 - 10.30
Interview with Sales and Marketing department representatives: <ul style="list-style-type: none"> 1. Preperation of invoices for SBP biomass 2. Use of DTS for SPB claims 3. SBP Trademark use 	Sales department	CAR, DJ	11:00 - 11:30
Audit team meeting	Office	CAR, DJ	11:30 – 12:00
Closing meeting*	Office	CAR, DJ	12:00 – 12:30
Estimated end of the evaluation			App. 12:30

6.2 Description of evaluation activities

The audit started with an opening meeting on Tuesday Dec 11 at 9:00 - 9:30 with attendance from the Managing Director, the Operations Manager, The Financial Controller and the Woodlands Manager, who is the main responsible person for the BP's CoC and SBP procedures, and the BPs external consultant.

The audit consisted of an extensive review of documents relating to the BP's CoC system and the sourcing of feedstock and check of calculations in regard to the GHG emission data reported by the BP. A site tour was conducted, with inspection of production facilities and equipment, weighbridge and feedstock reception system, feedstock storage and final product storage. Interviews were conducted with all staff relevant to the critical control points and key responsibilities in relation to the reception, production, storage and sales of the certified products.

The audit was concluded on Wednesday, Dec 12 with a closing meeting with attendance by the Woodlands Manager, Managing Director and the BPs external consultant. During the closing meeting the auditor presented the conclusions of the audit, including the NCRs and Observations and a few points for follow-up.

6.3 Process for consultation with stakeholders

NEPCon has conducted a stakeholder consultation by means of sending a stakeholder notification email to stakeholder organizations on Dec 4, 2018. The notification encourages all stakeholders to forward any comments regarding harvesting practices, environmental performance and any other direct or indirect effect on stakeholders to NEPCon. NEPCon had received one comment from a stakeholder at the time of the main assessment. The audit team also contacted Forest Area Manager Iain Johnston of the Slave Lake Forest Area in Slave Lake, Alberta during the audit.

7 Results

7.1 Main strengths and weaknesses

The main strength of the BP lies within its relatively simple scope and its use of secondary feedstock from the BP's own sawmill, where all inputs are received as PEFC, SFI or FSC Certified or PEFC Controlled Sources and therefore can be sourced without the need for a Supply Base Evaluation. There is access to all necessary information regarding the forest management unit of origin through the specialized system Log Inventory Management System (L.I.M.S.) With this system, the geographical location of the stand is recorded and can be confirmed as being inside the defined Supply Base.

For weaknesses, please see the NCRs in Section 10 of this report.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

Since the BP uses secondary feedstock only, has documentation for most energy and fuel use in the production of pellets, and a simple transport scheme to the endpoint at the BP pellet mill in Slave Lake, Alberta, the accuracy and completeness of GHG data is evaluated as good. However, see OBS 04/19 regarding the proportion of biomass used as fuel in the dryer.

7.4 Competency of involved personnel

The BP does not implement an SBE. The Woodlands Manager Mike Haire has been appointed overall responsible for the SBP and PEFC CoC systems and was found to have very detailed knowledge of all aspects of the feedstock sourcing, pellet production and final product characteristics and logistics. He is supported by the external consultant Nicolas Blanchette, INCOS Strategies, who showed very good understanding of both the overall objectives and specific requirements of the SBP system and standards.

7.5 Stakeholder feedback

Prior to the on-site main assessment of the BP, NEPCon received a stakeholder comment stating that:

- Significant conversion of forest land to non-forest uses occurs in Northern Alberta as a result of the very large-scale expansion of oil and gas production.
- There is a possibility that the supply of wood fibre for this facility that ends up in pellets is a direct consequence and product of conversion to non-forest uses.

When presented with the above comments, the BP replied:

- The BP's sawmill does receive wood originating from sites converted from forest to oil and gas use, including extraction sites etc.
- In the last financial reporting period the proportion of logs received at the BP's sawmill classed as "Industrial Salvage", which includes logs from oil and gas extraction areas was app 3,1%. The percentage volume received on an annual basis fluctuates greatly from year to year. Last financial period was 3.1% due to a major transmission line project in the region. Most recent years this volume would be below that % in the range of 0-1.0% of our overall supply needs
- The land for oil and gas development is removed from our long-term tenure areas as outlined in our Tenure agreements with the government of Alberta. This removal of productive land from the managed land base is deemed a temporary withdrawal and once the land is no longer needed for oil and gas or other industrial uses the land is reclaimed and reforested as set out in the GoA regulations related to the oil and gas or other disposition holders agreements with the crown. Once they have met their obligations under those agreements the land is returned back to the managed forest. Each year FMA holders get small parcels of land back that then go back to being part of the sustainably managed forest land base.
- The sourcing of logs from oil/gas areas happens under the BP's PEFC Due Diligence System, and the practice has been accepted by the BP's PEFC Certification Body PricewaterhouseCoopers LLP
- In situations where the logs from clearing an area for oil/gas usage cannot be delivered to a sawmill they are typically burned at the cleared site instead. This is not consistent with Sustainable Forest Management practices, and the forest companies attempt to utilize as much of this volume as possible, so they are not harvesting standing green volume when there is volume available. By doing this the forest industry is "saving" the standing volume for the future to sustain the sustainable AAC associated with the area. This is a key to practicing long term sustainable forest management within forests with overlapping tenure agreements and uses.
- The total forest conversion rate in Canada is less than 0.5% and is declining. About one third of forest conversion is due to oil, gas and mining. The BP cites Natural Resources Canada:
<https://www.nrcan.gc.ca/forests/report/area/16546>

NEPCon's comments:

With regards the use of secondary feedstock from wood from areas cleared for oil and gas extraction purposes to produce SBP wood pellets, NEPCon notes the following:

- The logs from which the secondary feedstock is derived are sourced as PEFC Controlled Sources, hence they are not regarded as certified sustainable, but as a controlled, non-controversial input, which can be mixed with the certified inputs, but does not contribute to the volume of product that can be sold as certified.
- The feedstock that is used to produce the biomass is secondary feedstock, which is the co-product from the production of sawn timber.
- The utilization of logs and sawdust from these logs does not act as a driver for the deforestation caused by clearing of areas for oil and gas extraction.

- Areas cleared for mining or oil or gas extraction purposes shall be reforested after the extraction has finished, and governmental fund has been established for areas that are orphaned due to bankruptcy or similar. The effectiveness of the legislative requirements regarding reforestation of sites after extraction has ended has not been evaluated.

NEPCon has contacted PEFC Canada for a comment on the acceptability of wood from Industrial Salvage under a PEFC Due Diligence System, but PEFC Canada did not provide an official stand on the question at the time of the finalization of the report.

NEPCon's conclusion:

Based on the fact that the BP only sources Secondary Feedstock for the biomass production and that the proportion of feedstock from oil and gas related sources are very low, NEPCon has found that the classification of the feedstock as PEFC controlled material is acceptable. NEPCon is committed to continually evaluate the classification of all feedstock sourced for the production of SBP biomass.

7.6 Preconditions

The evaluation has not caused any 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.

Not applicable

9 Review of Company's mitigation measures

Not applicable

10 Non-conformities and observations

Identify all non-conformities and observations raised during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. Click on the  symbol on the right bottom corner of the table to repeat the table. 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 01/19	NC Grading: Observation
Standard & Requirement:	SBP Standard #2, Instruction Note 2C, req 4.1
Description of Non-conformance and Related Evidence:	
<p>Auditor has reviewed the SBR and found that the BP uses the latest available version of the SBR template (v1.2), and that it is concise and correct when compared to the sourcing of feedstock and activities of the BP. During the audit, the person with overall responsibility explained that a part of the Supply base is also a habitat for the IUCN red-listed Boreal Woodland Caribou (<i>Rangifer tarandus caribou</i>), and that the forest management activities are planned in accordance with legislative requirement for protection of this species and its habitat. However, this is not mentioned in the SBR. See exhibit 1.</p> <p>The BP should include information about threatened and endangered species in the description of the Supply Base in the SBR.</p>	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	The BP has provided an updated version of the SBR that includes a description of the management adaptations in woodland caribou habitat.
Findings for Evaluation of Evidence:	Auditor finds that the corrective actions are sufficient to close the observation.
NC Status:	Closed

NC number 02/19	NC Grading: Minor
Standard & Requirement:	SBP Standard #2, requirement 15.3

Description of Non-conformance and Related Evidence:	
Auditor reviewed the Management System, which is integrated in the existing PEFC management system, prior to the audit and found that it includes most necessary procedures. However, the procedures for handling complaints and other minor discrepancies between the documented and implemented procedures were not found during the audit.	
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:	The BP and their external consultant updated the documented procedures during the audit. See exhibit 2.
Findings for Evaluation of Evidence:	Auditors find that the Management system now documents all necessary procedures.
NC Status:	Closed

NC number 03/19	NC Grading: minor
Standard & Requirement:	SBP Standard #4, Instruction Note 4B requirement 2.3
Description of Non-conformance and Related Evidence:	
The BP has defined brief procedures for SBP trademark use to always respect the rules of the SBP standard 2, Instruction Note 4B and the SBP Brand Guidelines, to send all SBP logo usage to SBP before publishing and for not using SBP logo on-product. See management system section 1.6.13 . Exhibit 2. However, during the audit it was observed that the BP had described its engagement with SBP in its website, and therefore had used the name Sustainable Biomass Program in off-product communication. The use of the name Sustainable Biomass Program had not been forwarded to SBP for approval prior to publication, in contradiction with the SBP Trademark License Agreement and the BP’s own documented procedures. See NCR 03/19	
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:	During the audit, the BP sent an email to the SBP secretariat requesting approval of usage of SBP trademarks on their website. The SBP Secretariat has accepted the online use of the SBP trademarks. See exhibit 6a and 6b.
Findings for Evaluation of Evidence:	Auditor finds that the corrective actions are sufficient to close the NCR.
NC Status:	Closed

NC number 04/19	NC Grading: Observation
Standard & Requirement:	SBP Instruction Document 5B, requirement 3.2.9
Description of Non-conformance and Related Evidence:	
The BP has provided the most operationally specific and detailed information available in the SAR, but the volume of biomass used in the burner for the rotary dryer is based on estimated number based on a trial, rather than actual and continuous metering. Since the volume of biomass used for heating the dryer has a	

significant impact on the GHG profile of the pellets produced, it is recommended that the BP further validates the assumptions made through additional trials or metering.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
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):	Pilar Gorriá Serrano
Date of decision:	25-02-2019
Other comments:	

12 General information

Dispute resolution: If NEPCon clients encounter organisations or individuals having concerns or comments about NEPCon services, these parties are strongly encouraged to contact the relevant NEPCon regional office or any member of the NEPCon Chain of Custody Programme. Formal complaints and concerns should be sent in writing.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here:

<http://www.nepcon.org/impartiality-policy>