

SBP

Sustainable Biomass Partnership

PricewaterhouseCoopers LLP Evaluation of Premium Pellet Ltd Compliance with the SBP Framework: Public Summary Report

www.sustainablebiomasspartnership.org



Completed in accordance with the CB Public Summary Report Template Version 1.0

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

Document history

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1 Overview

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Primary contact for SBP: Mike Harris, Practice Leader, 604-806-7711, mike.harris@ca.pwc.com

Report completion date: 11/May/2016

Report authors: Cheryl Woode, Shawn Ellsworth, Bruce Eaket

Certificate Holder: Premium Pellet Ltd.,2301 Campbell Road, Vanderhoof, B.C., Canada

Producer contact for SBP: Robert Tarcon, 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-03-08

Date of certificate issue: 16/Mar/2017

Date of certificate expiry: 15/Mar/2022

Indicate where the current audit fits within the certification cycle				
Main (Initial) Audit	First Surveillance Audit	Second Surveillance Audit	Third Surveillance Audit	Fourth Surveillance Audit
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Scope of the evaluation and SBP certificate

Certification scope: production of wood pellets, for use in energy production, at Premium Pellet Ltd. and transport to Fiberco Export Inc. and Westview Wood Pellet Terminal for storage, aggregation, vessel loading and shipping.

SBP certificate: SBP-03-08

3 Specific objective

The primary objectives of the assessment were:

- Collecting assessment information;
- Confirming that information and comparing it to the Sustainable Biomass Partnership (SBP) Standards 1,2,4,5, (V1.0) (the “Standards”), the Client’s documented processes and public documents, and PwC’s requirements (the “Requirements”);
- Generating assessment findings; and
- Preparing the Assessment report and SBP Public Summary.

4 SBP Standards utilised

4.1 SBP Standards utilised

The following SBP Standards were utilized:

- Standard 1: Feedstock Compliance Standard. Version 1.0. 26 March 2015
- Standard 2: Verification of SBP – Compliant Feedstock. Version 1.0. 26 March 2015
- Standard 4: Chain of Custody. Version 1.0. 26 March 2015
- Standard 5: Collection and Communication of Data. Version 1.0. 26 March 2015

The above Standards can be accessed or requested from SBP at the following website:
www.sustainablebiomasspartnership.org

4.2 SBP-endorsed Regional Risk Assessment

Not applicable - No SBP endorsed Regional Risk Assessment was used for this assessment.

5 Description of Biomass Producer, Supply Base and Forest Management

5.1 Description of Biomass Producer

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 seven 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. The majority of sawmill residues 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.

5.2 Description of Biomass Producer’s Supply Base

The supply base is considered the Prince George, Lakes and Mackenzie Timber Supply Areas (TSAs) in North/Central British Columbia. The TSAs are legally defined and mapped forest management areas by the British Columbia government. The Prince George, Mackenzie and Lakes TSA’s are located in the north–central interior of B.C., and combined cover approximately 15.48 million hectares. The Prince George TSA includes the City of Prince George and the communities of Vanderhoof, Mackenzie, Burns Lake and Fort St. James, as well as several smaller communities such as Fraser Lake. The Prince George TSA stretches from near the Alberta border in the southeast to Tweedsmuir Provincial Park in the southwest and Spatsizi Plateau Wilderness Park in the northwest. The Lakes timber supply area (TSA) ranges from Tweedsmuir Provincial Park in the south to the Tildelsy watershed in the north. The Mackenzie timber supply area (TSA) is situated in north-eastern British Columbia and is the fourth largest timber supply area in the province.

5.3 Detailed description of Supply Base

The majority of the fibre is harvested from lands owned by the Province of British Columbia and harvesting is completed under a variety of different Forest Licenses or a Tree Farm License (TFL) issued by the Province of British Columbia to Licensee's, or through the government's own BC Timber Sales program (BCTS). BCTS and the large Licensees in the region are SFM certified and the Licensees have CoC certifications at their processing facilities. All harvesting and silviculture activities on Crown lands are approved and monitored by the Ministry of Forests, Lands and Natural Resources under the Forest and Range Practices Act (FRPA) of British Columbia.

These TSA's support a variety of forest types, from high elevation Balsam-fir to interior Cedar Hemlock stands, with the majority being a Spruce/ Pine/Fir mix. The largest industry sector in this area is the forest industry. The timber from these TSA's support 15 sawmills, 4 pulp and paper mills, 4 pellet plants and many small secondary manufacturing facilities.

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, 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 (FLNRO). 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 2015 for example, the sawmill and planer mill on the same site as Premium Pellet received approximately 0.85% of their supply from uncertified sources that were not harvested from tenures issued and monitored by MoFLNRO (the government).

Additional detail is provided in Premium Pellet's Supply Base Report (SBR), which can be found on their website at the following address: www.premiumpellet.com

5.4 Chain of Custody system

Premium has a chain of custody management system and documented procedures that are fully capable of determining feedstock compliance. Premium shares a common multi-site chain of custody management system with the two related production facilities at the same physical location, which is certified by PwC to the SFI and PEFC chain of custody standards. 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 sourced from within the BP's defined Supply Base (SB) and for which a valid Supply Base Evaluation (SBE) has determined that all the indicators in the SBP Feedstock Compliant Standard are low risk.

Premium has completed a Supply Base Evaluation (SBE). The SBE determined that all wood fiber in the supply base area met the definitions, criterion and indicators in SBP Standards 1 & 2 and are considered "low risk". 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, 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.

6 Evaluation process

6.1 Timing of evaluation activities

Evaluation Activity	Date / Location	Persons Involved	Approx. Duration
Pre-Assessment / Document Review	August 6, 2015. Off-site from PwC's office.	Cheryl Woode, PwC. SBP Team Leader	6 hours
Initial Assessment	August 10-14, 2015. On-site in Vanderhoof, BC and surrounding area.	Cheryl Woode, PwC SBP Team Leader Shawn Ellsworth, PwC SBP Lead Auditor Robert Tarcon, Premium Pellet Ltd. Supplier Assessments: <ul style="list-style-type: none"> • 3 primary feedstock suppliers - harvesting sites • 1 secondary feedstock supplier - sawmill 	12 hours
	February 3, 2016. On-site in Westview Wood Pellet Terminal, Prince Rupert, B.C.	Cheryl Woode, PwC SBP Team Leader Steve Robin, Westview Terminal Manger	4 hours
	February 9, 2016. On-site in Fiberco Export, Inc., Vancouver, B.C.	Cheryl Woode, PwC SBP Team Leader Ray Love, Fiberco Assistant Fiber Manager	4 hours
PwC Stakeholder Consultation	December 15, 2015-January 15, 2016. Off-site from PwC's office.	Cheryl Woode, PwC SBP Team Leader	2 hours
Audit Closure and PwC Certification Decision	May 11, 2016. Off-site from PwC's office.	Bruce Eaket, PwC SBP Approved Lead Auditor, Peer Review Mike Harris, PwC Certification Decision Maker	4 hours

6.2 Description of evaluation activities

PwC completed the initial SBP assessment in four phases, with the most significant phase being the on-site assessment.

Pre-Assessment / Document Review (DRR):

During the DRR Assessment, PwC's purpose was to evaluate if the requirements of the Standards had been met, in particular those requirements that must be documented. In addition, PwC evaluated the Chain of Custody Process/Management System to ensure that it had been through a complete Plan-Do-Check-Act (PDCA) cycle; including internal audit and management review or that these activities have been scheduled

to occur prior to the Initial Assessment. In addition, Premium is certified to the SFI and PEFC CoC assessments are conducted at the same time using an integrated audit approach. Premium completed their SBE Risk Assessment with significant reliance on their existing management systems and procedures designed to meet the voluntary standards discussed above and the applicable laws and regulations. Time during this phase of the assessment was focused on reviewing the SBP requirements that are unique from the other standards, such as Greenhouse Gas (GHG) data and collection and SBE.

Initial Assessment:

PwC conducted the Initial Assessment on-site at Premium pellet plant through observations, reviewing records and conducting interviews with staff and management. A thorough review of the CoC processes, GHG data and collection, and fiber input and output were conducted. Critical control points such as the weigh station, quality testing lab, control room, and rail loadout were included in the Assessment. PwC also observed Premium's monitoring system for supplier sustainable forest management practices being implemented at a sample of their suppliers, which included three primary feedstock suppliers and one secondary feedstock supplier.

Additionally, PwC conducted site visits to two ports, Westview Wood Pellet Terminal and Fiberco Export, Inc. Pellets are transported via rail from Premium Pellet to the port for storage, handling and export. A thorough review of the CoC processes, GHG data and collection, and storage and handling of the pellets were conducted. Critical control points such as the weigh station, quality testing, control room, and storage were included in the Assessment.

PwC Stakeholder Consultation:

PwC received no comments from the 30 day stakeholder consultation process. Further details are discussed below in Section 6.3 of this Public Summary.

Audit Closure and PwC Certification Decision:

PwC provided the draft non-conformities and opportunities for improvement to Premium at the closing meeting of the Initial Assessment. Premium responded with their root cause/action plans and if appropriate, provided PwC with revised management system procedures and templates, forms, etc. Once the lead auditor accepted Premium's changes and closed the audit findings, the PwC lead auditor's working papers including protocols/checklists and evidence of conformance was reviewed by a peer lead auditor. The complete file was then reviewed by the PwC Practice Leader who made the final PwC certification decision.

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. Therefore, 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 their stakeholder consultation period.

Premium discussed the SBP Standards and their draft SBE with stakeholders during a community forest meeting in Vanderhoof. Stakeholders interested in and affected by Premium's operations are primarily their suppliers, therefore PwC interviewed a sample of supplier stakeholders during the Initial Assessment. 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 our stakeholder consultation process that changed our assessment of risk which is discussed in more detail in Section 8 of this Public Summary.

7 Results

7.1 Main strengths and weaknesses

This summary of strengths and weaknesses should be read in conjunction with the summary of the SBE Risk Assessment in Section 8 and the summary of the Initial Assessment findings in Section 10 of this Public Summary. The strength of Premium Pellet's SBP program is their integration of the SBP requirements with their existing fiber sourcing management system and procedures designed to meet the requirements of applicable laws and regulations in the Supply Base Area (SBA) and the requirements of PEFC CoC Standard. Premium Pellet has long-term integrated relationships with their suppliers operating in the region.

Premium Pellet has fiber supply agreements with their secondary suppliers. Most of their suppliers are third-party certified to voluntary forestry standards including the Sustainable Forestry Initiative® (SFI) Forest Management and Fiber Sourcing, Canadian Standards Council of Canada (CSA), and Chain of Custody (CoC) standards. Certification demonstrates the rigor of B.C.'s forest management laws and documents the province's sustainable forest management record. In B.C., these certification programs are supplemental to the existing laws that ensure the management of its public forests. The PEFC CoC Standard requires a due diligence system to assess the risk of fiber supply in the supply area. While Premium Pellet had a risk assessment, it was only completed for their primary supply and not for their residual supply. This issue has been addressed by Premium during the completion of the Initial Assessment.

PwC has concluded that the Client has the organizational capability to systematically meet the performance objectives and the requirements of the SBP Standards based on the elements of the SBP Standards that were tested, with the exception of nonconformities that were identified.

7.2 Rigour of Supply Base Evaluation

Premium Pellet has developed a detailed SBE including a clear description of their Supply Base Area ("SBA"). 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.

The SBE was completed by a Registered Professional Forester who is responsible for maintaining the PEFC Chain of Custody management system. The SBE process involved a detailed review of all feedstock sources within the Supply Base Area for the facility which includes the Prince George and Lakes Timber Supply Area of the north central area of British Columbia in the general location of Vanderhoof, B.C.

Furthermore, the SBE was peer reviewed by a qualified Registered Professional Forester. Nate Ryant, RPF, has many years of experience in auditing forestry certification programs across Canada and risk assessments for chain of custody systems. Nate Ryant is a consultant based out of British Columbia whom has experience assisting clients with the acquisition of forest management certifications, and is the recommended consultant of the Wood Pellets Association of Canada (WPAC).

7.3 Compilation of data on Greenhouse Gas emissions

During the initial on-site assessment PwC:

- 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;
- Reviewed how the input data was measured;
- Conducted 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.
- Where appropriate, we obtained a sample of records to support the evidence provided in these interviews;
- Reviewed procedures and records on how and when emissions were calculated; and
- Inquired about controls on data collection and records.

PwC concluded that Premium has the competency to analyse and accurately report the required data on Greenhouse Gas emissions.

7.4 Competency of involved personnel

Premium Pellet engaged Nate Ryant, an external forestry consultant to assist the internal team with the Supply Base Evaluation and to peer review the Supply Base Report. PwC found that the combined team of internal and external individuals assigned to perform the SBE had local forestry experience and knowledge of ecological and social values associated with the SB, applicable laws and regulations, business management practices, operation of suppliers, and the local forest resource.

Premium Pellet also 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

As discussed in Section 6.3 of this Public Summary, neither Premium Pellet nor PwC received feedback during the stakeholder consultation processes that changed our assessment of risk as discussed in Section 8 of this Public Summary.

7.6 Preconditions

PwC issued two preconditions to Premium Pellet. As discussed in Section 10 of this Public Summary, there were two non-conformities that were closed prior to PwC's certification recommendation.

8 Review of Biomass Producer’s Risk Assessments

PwC assessed the risk for each Indicator using the guidance in Section 11 of SBP Framework Standard 2: Verification of SBP-compliant Feedstock and evaluated risk at both regional and the individual forest level. When completing their Risk Assessment, Premium Pellet primarily relied on their existing management and monitoring systems implemented to meet the PEFC CoC Standard and designed to ensure compliance with applicable laws and regulations. As a result of Premium Pellet’s Risk Assessment approach, PwC was able to assess risk for the indicators using a desk review of the documents referenced in the Risk Assessment as well as interviewing staff and suppliers.

Each criterion was evaluated and measured against Premium Pellets’ existing chain of custody management system. Premium Pellet determined that all indicators have low risk; therefore, a Supplier Verification Programme (SVP) and mitigation measures were not completed and PwC did not identify any discrepancies with the assessment of risk as shown in Table 1.

Table 1. 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 Biomass Producer's mitigation measures

There were no specified risks in Premium Pellet's SBE, therefore no mitigation measures were required.

10 Non-conformities and observations

All nonconformities (minor and major) must be closed before completing the reporting process.

Premium Pellet was allowed sixty (60) days from the closing meeting date to address the major and minor nonconformities raised during the implementation assessment. Premium Pellet provided a root cause analysis for each nonconformity indicating the cause of the system or process failure and provided sufficient evidence to PwC indicating how the nonconformity had been corrected prior to completion of the Certification Assessment.

The details of the Non-conformities and Opportunities for Improvement raised during the evaluation are provided in the tables below:

- **Nonconformities**

PwC Reference Number	SBP Requirement	Finding Details	Status
IA-NC-01-MAJOR nonconformity	Sustainable Biomass Partnership (SBP) Standard 1 (V1.0) @ 2.5 requires that the BP develop systems and procedures to ensure that all indicators are low risk in the SBE.	Premium Pellet has evaluated and completed their risk assessment for each of the indicators in the Supply Base Evaluation (SBE). All indicators in the SBE are low risk; however, the PEFC Risk assessment used as evidence to evaluate the risk rating in the SBE was completed for the procurement of primary fibre by the associated production facilities on the same physical site as Premium Pellet, which provide the majority of their secondary feedstock, and did not include the purchase of secondary feedstock from Premium's external secondary suppliers. The "Due Diligence System Controversial Sources Risk Assessment" that is shared by the multi-site CoC members, including Premium Pellet, has been updated to include a risk assessment for secondary fiber purchased from external suppliers. The updated risk assessment determined low risk.	CLOSED
IA-NC-02-MAJOR nonconformity	Sustainable Biomass Partnership (SBP) Standard 2 (V1.0) @ 13.4 requires that relevant stakeholders shall be informed of the SBE at least one month prior to the end of the evaluation. Stakeholders shall be provided with adequate information as a basis for informed comment.	Premium Pellet completed a 30-day public stakeholder consultation prior to the completion of its SBE process. The consultation process included an announcement to stakeholders during a community forestry meeting. Stakeholders were encouraged to read the standard and provide comments to Premium Pellet. However, Premium did not share their draft SBE with the stakeholders (i.e. the means of verification in determining risk of each indicator in Standard 1). Premium Pellet subsequently completed a second public stakeholder consultation which included sharing the SBE.	CLOSED

- **Opportunities for Improvement**

PwC Reference Number	SBP Requirement	Finding Details	Status
IA-OFI-01	Sustainable Biomass Partnership (SBP) Standard 2 (V1.0) @ 15.1 the BP shall implement a management and monitoring system to maintain compliance with the requirements of this and all other relevant SBP Standards, together with a process of review and feedback into planning.	Premium Pellet’s PEFC CoC Management System requires that supplier assertions/contracts be signed. A sample of supplier documents were reviewed for signatures and it was found that one contract did not include the supplier’s signature.	OPEN
IA-OFI-02	Sustainable Biomass Partnership (SBP) Standard 2 (V1.0) @ 13.4 requires that relevant stakeholders shall be informed of the SBE at least one month prior to the end of the evaluation. Stakeholders shall be provided with adequate information as a basis for informed comment.	Premium Pellet completed a 30-day public stakeholder consultation prior to the completion of its SBE process and prior to the beginning of its certification audit. Seven stakeholders from Vanderhoof, BC attended a community forest meeting where they were informed of the SBE process. Stakeholders were encouraged to read the draft SBE and provide feedback on the LAVs to Premium Pellet. Premium Pellet may wish to relaunch their stakeholder consultation to include a wider range of stakeholder groups.	OPEN

A good management practice was noted with regard to the support and efforts to work with and encourage a local First Nations logging contractor are beneficial to meeting social objectives in the region and encouraging First Nations participation in the forest sector.

11 Certification decision

PwC has concluded that the Premium Pellet has the organizational capability to systematically meet the performance objectives and the requirements of the Standards based on the evaluation process described in Section 6 of this Public Summary. PwC's Practice Leader recommends certification of Premium Pellet as of May 11, 2016.