

SBP

Sustainable Biomass Program

SCS Global Services Evaluation of Pinnacle Renewable Energy Inc (Houston Pellet Limited Partnership Division) Compliance with the SBP Framework: Public Summary Report

Scope Change 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:	07/Dec/2018
Report authors:	Ciara McCarthy
Name of the Company:	Pinnacle Renewable Energy Inc. – Houston Division
Company contact for SBP:	Joseph Aquino
Certified Supply Base:	British Columbia
SBP Certificate Code:	SBP-04-27
Date of certificate issue:	02/Mar/2017
Date of certificate expiry:	17/Dec/2022

This report relates to the Scope Change Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation:

Expansion of scope audit to include SBP Standard 1 V1.0 in the certificate scope. The evaluation audit assessed the CH's conformance to SBP standard 1 and 2 and respective Instruction Notes and Documents. The evaluation included on-site visits to the pellet mill in Houston, BC and forest level evaluations for secondary feedstock procurement.

Scope of certificate:

This certificate covers production and distribution of wood pellets, for use in energy production, at Pinnacle Renewables Houston pellet mill and rail transportation to port facility Port of Prince Rupert and Fiberco 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.

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.

The overall system in Pinnacle procurement, production and sales process include several critical control points. First, 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. Second, the volumes are recorded on the inventory spreadsheets and for PEFC certification, PEFC credit table has been developed. The Energy data is recorded on GHG spreadsheet. Thirds, the DTS is used for any SPB related transactions and all transactions are recorded in DTS. 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, Armstrong and Lavington. Another mill in Entwistle AB just started operating this year. 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 Houston wood pellet production facility (“Houston”) is located in Houston, BC. The Houston facility has a production capacity of 225,000 metric tons of pellets per year and uses primary and secondary feedstock. 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 Houston is approximately 188,625.58 odt oven dried tonnes. Approximately 89% of the secondary feedstock is certified to a SBP-approved CoC Scheme. Approximately 84% of the fibre procured by PREI is forest management certified where approximately 75% is accompanied by chain of custody claim certificates. The 75% fibre supply accompanied with a PEFC CoC claim certificate represents the tonnage of SBP compliant material produced PREI. The remaining 25% is considered SBP controlled as determined by the PEFC DDS regional risk assessment. The total annual volume of primary feedstock is 5.8% of the total.

A quantitative description of the Supply Base can be found in Houston’s Supply Base Report.

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 (approximately 15%) 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).

Houston procures their feedstock from primary and secondary sources. 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. Houston 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 organization's SBP management system. The organization operates the percentage 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 organization's 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
Site visit Secondary feedstock forest blocks	October 9th, 10th and 11th	Houston, Prince George BC	Pinnacle: Joseph Aquino, Port Manager, Port Accountant SCS: Ciara McCarthy	16 hours
Secondary supplier audit and closing meeting	November 21, 2018	Phone interview	SCS: Ciara McCarthy Supplier representative	1h
Closing meeting	November 21, 2018	Phone	Pinnacle: Joseph Aquino, Port Manager, Port Accountant SCS: Ciara McCarthy	1h

6.2 Description of evaluation activities

Desk review:

The desk review consisted of a review of the Supply Base Report (SBR), Supply base evaluation (SBE), 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.

Expansion of scope audit:

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.

The forest evaluations to corroborate evidence for the supply base evaluation was conducted with Joseph Aquino across 10 cut-blocks of Crown land. The auditor conducted interviews with 3 secondary feedstock suppliers to the Houston division.

6.3 Process for consultation with stakeholders

SCS launched their stakeholder consultation for the expansion of scope 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 province, 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

N/A for the expansion of scope audit

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.

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
2.2.8	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

2.2.9	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 – 1st Surveillance	NC Grading: Minor
Standard & Requirement:	SBP ST2 V1.0 section 15.7
Description of Non-conformance and Related Evidence:	
The organization has a comprehensive management system in place for tracking and handling of fibre. The staff interviewed demonstrated adequate knowledge of the procedures and requirements of SBP standards. However, the organization did not conduct any formal training and hence failed to produce a training record.	
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:	Training records provided
Findings for Evaluation of Evidence:	The company provided training records for all relevant staff
NC Status:	Closed

NC number 02 – 1st Surveillance	NC Grading: Minor
Standard & Requirement:	SBP ST4; 5.3.3
Description of Non-conformance and Related Evidence:	
The organization uses one credit ledger for all sites and then allocate the amount to different sites based on credits sold. This indicates that the calculations, including data of inputs and outputs, are not site specific and are being combined between different sites. PEFC credits to be used for the production of SBP-compliant biomass cannot be exchanged between different SBP certificates	
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:	A PEFC credit ledger for this site/certificate has been submitted.
Findings for Evaluation of Evidence:	The PEFC credit ledger shows that credits are site-specific and credits are not shared between sites.

NC Status:	Closed
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NC number 03 - Scope expansion 2018	NC Grading: Minor
Standard & Requirement:	SBP St 1, 2.7 - Indicator 1.1.1
Description of Non-conformance and Related Evidence:	
<p>The Supply Base evaluation defines the supply basin into sub-scopes including certified private and crown land and non-certified private forests however during interview with the Head of Sustainability it was determined the non-certified private forests were out of scope. The supply base was defined as including certified and non-certified crown land only. Private forests are mentioned in several indicators within the SBE.</p>	
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:	.
Findings for Evaluation of Evidence:	
NC Status:	Open

NC number 04 - Scope expansion 2018	NC Grading: Minor
Standard & Requirement:	SBP St 1, 2.7, Indicator 2.1.1
Description of Non-conformance and Related Evidence:	
<p>The SBE does not list available PREI documentation and procedures in the evidence section for several indicators in addition to publicly available information. PREI procedures detail how the organization adheres to laws, policies and information available in the region.</p>	
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:	
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>

NC Status:	Open
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NC number 05 - Scope expansion 2018	NC Grading: Minor
Standard & Requirement:	SBP Standard 2 IN 2C – 4.1
Description of Non-conformance and Related Evidence:	
Organization did not use the SBP Supply Base evaluation template.	
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:	
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
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):	Sebastian Häfele
Date of decision:	18/Dec/2018
Other comments:	The expansion of scope to include SBP Standard 1 in the certificate scope is approved.