

# SCS Global Services Evaluation of Eastern Embers Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

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## 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](http://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: 18/Jan/2019

Report authors: Kyle Meister and Theodore Brauer

Name of the Company: Shaw Resources (A Division of The Shaw Group Limited) Eastern Embers Pellet Facility

Company contact for SBP: Julie Griffiths

Certified Supply Base: Nova Scotia, New Brunswick, Prince Edward Island

SBP Certificate Code: SBP-04-16

Date of certificate issue: 30/Aug/2017

Date of certificate expiry: 29/Aug/2022

This report relates to the Second Surveillance Audit

## 2 Scope of the evaluation and SBP certificate

This certificate covers production of wood pellets, for use in energy production, at Shaw Resources, Eastern Embers and transport to the Port of Belledune, New Brunswick for storage, aggregation, vessel loading and shipping. The certification scope does not include a Supply Base Evaluation.

The scope of the audit included an on-site visit to the pellet mill in Milford, Nova Scotia, Canada, a walkthrough of the Port of Belledune, review of procedures, records and interviews with staff.

### 3 Specific objective

The specific objective of this surveillance audit was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of SBP Standards 2: Verification of SBP-compliant Feedstock, 4: Chain of Custody, and 5: Collection and Communication of Data (including Instruction Documents 5A: Collection and Communication of Data, 5B: Energy of GHG Data, 5C: Static Biomass Profiling Data) are implemented across the entire scope of certification. This was achieved by collecting assessment information, generating assessment findings, preparing the assessment report SBP Public Summary, and verifying the SAR and Biomass Profiling Datasheet through empirical data.

The following critical control points were identified and audited:

- 1) Feedstock procurement. Procurement procedures, PEFC due diligence system and operations were audited. Further information on the critical control point are given in section 5.
- 2) Receiving of feedstock and storage: Material is received at the plant via truck and segregated according to physical characteristics, e.g. sawdust and shavings.
- 3) Accounting of volumes: Accomplished via a PEFC Credit Ledger. See section 5.4 for more information.
- 4) Documentation of transactions. Accomplished via the DTS and invoices
- 5) Collection and reporting of energy and greenhouse gas data. BP is certified to SBP Standard 5 and has been audited to that standard.

## 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

Shaw Resources operates two wood pellet manufacturing plants, one in Belledune, New Brunswick and one in Milford, Nova Scotia with a corporate/central office in Milford, Nova Scotia. The Belledune pellet plant was also assessed to the SBP Framework, but it has a separate SBP certificate and related documents. Shaw Resources holds a multi-site certification to the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody (COC) Standard and for the central office and two pellet plants.

The subject of this certificate, the Eastern Embers, NS plant (Eastern Embers), procures secondary feedstock in New Brunswick (NB), Nova Scotia (NS), and Prince Edward Island (PEI) and transports their finished pellets to the Port of Belledune, NB.

Eastern Embers purchases 100% secondary feedstock within the scope of their PEFC COC and Due Diligence management system; however, the majority of the secondary feedstock is sourced from suppliers without COC certification. Therefore, certified feedstock will be classified SBP-compliant secondary feedstock and un-certified feedstock will be classified as SBP-controlled secondary feedstock.

### 5.2 Description of Company's Supply Base

Shaw Resources Eastern Embers supply base area is considered the Canadian provinces of New Brunswick, Nova Scotia, and Prince Edward Island. Eastern Embers does not procure any primary feedstock. Instead, only secondary feedstock is procured from sawmill residues such as sawdust and shavings within the supply base area.

The majority (99%) of sawmill residues are supplied by sawmills within a 100-km economic haul distance from both Crown and private woodlots from Nova Scotia. Smaller amounts of sawmill residues may originate from New Brunswick (<8%) and Prince Edward Island (<1%).

Each of the 3 provinces where fibre is procured, have provincial acts and legislation which aid in the protection of the region's forests, land titles and use, and also to ensure the scaling and transportation of logs and wood fibre is documented.

Forest management plans are required on Crown lands and highly encouraged on all private lands. Silviculture program funding and guidance are available to private woodlot owners to assist with forest management.

Additional detail is provided in Shaw Resources Eastern Embers Supply Base Report (SBR), which can be found on their website at the following address: <https://shawresources.ca/about-shaw/why-shaw/>

## 5.3 Detailed description of Supply Base

*From the BP's supply base report:*

Eastern Embers manufactures and supplies wood pellets to the Atlantic Canada region. Raw material is primarily sourced from Nova Scotia with a small percentage of residual feedstock originating from New Brunswick (<8%) and a negligible amount from Prince Edward Island (<1%), in Canada. Sawmill residuals (i.e. sawdust, shavings, flakes, woodchips, bark) supplied by locally sourced sawmills is the only feedstock used in wood pellet processing at Eastern Embers. Currently, about 10-15% of Eastern Embers secondary feedstock originates from certified forests and would be classified as SBP-compliant, whereas the other ~85-90% of secondary feedstock originates from non-certified forests and would be considered SBP-controlled.

### Nova Scotia Forestry

In Nova Scotia, the Department of Natural Resources (NSDNR) has the authority over forestry on Crown lands. NSDNR staff monitors and enforces activities on Crown lands to prevent unauthorized harvest. Companies with Crown allocations must pay stumpage royalties for timber products harvested.

The majority of primary wood products supplied to industry in Nova Scotia are from privately owned woodlots, so the provincial government implements and develops forest management programs to encourage and assist private woodlot owners to manage their land more effectively.

The Nova Scotia Registry of Buyers is a registry where businesses and individuals register to acquire primary forest products for processing. The registry provides reliable data to help understand the demand and estimate sustainable harvest levels, as well as aiding in the long-term management of Nova Scotia forests. An annual report is released by the Registry of Buyers, which outlines the volumes of wood harvested throughout the province. Registered buyers are required to contribute to a silviculture program (i.e. Sustainable Forest Fund) based on a rate per volume basis. Silviculture and training programs are implemented by NSDNR to encourage the sustainable use of Nova Scotia Forests. At the current state harvest levels on Crown, industrial, and private lands are sustainable. The provincial government is currently enhancing silviculture programs to ensure the continued sustainability of forestlands in Nova Scotia.

Nova Scotia's Code of Forest Practice provides the guidelines for sustainable forest management, which are mandatory on Crown lands (administered by NSDNR), and highly encouraged on private woodlots. The Code is implemented through various provincial and federal legislation and regulations. The Nova Scotia Forests Act was implemented to develop a healthy productive forest capable of yielding high volumes of high-quality product and is directed towards both private woodlot owners and Crown lands in the province. The enforcement division of NSDNR completes regular visits to areas being harvested on both Crown and private lands to ensure that both the Forests Act and the Crown Lands Act are being followed. The provincial government is currently implementing an increased level of silviculture programs to ensure the continued sustainability of forestlands in Nova Scotia.

### New Brunswick Forestry

The New Brunswick provincial government proclaimed the Crown Lands and Forests Act in 1982, and this is the legal foundation of Crown forest management in New Brunswick. The Act divides NB's Crown land into 10 timber licences; each license is leased through a 25-year forest management agreement to a large forest-based company called a Licensee. On a 5-year cycle, the New Brunswick Department of Natural Resources assesses how the licensee has managed the Crown forest during the previous five years, and if satisfactory, will renew the agreement for another 5-year period. Each licensee must produce a forest management plan that covers a 25-year period and must be sustainable over an 80-year planning horizon. Annual operating plans are also required of licensees and are monitored by the government to ensure that each licensee is

following the regulations and standards. All forest operations on Crown land must be ISO 14001 certified and certified under an independent sustainable Forest Management System (i.e. CSA, FSC, SFI), making NB the first jurisdiction in the world to require certification of licensee operations.

The provincial government sets the annual allowable cut (AAC) for both Crown and private woodlots based on on-going research on forest inventory. New Brunswick has one of the best forest inventory programs in Canada. Data obtained from aerial photography analysis and ground sample plots chart the province's timber growth and yield and are updated on an annual cycle using a computerized geographical information system.

All feedstock originating from private sources in New Brunswick is monitored through 1 of 7 regional marketing boards. The marketing boards provide forest management assistance to private woodlot owners such as calculating timber inventory, harvesting layout, management plan development and programs that encourage the improved management of woodlots. Private woodlot owners operating under regional marketing boards can also obtain annual subsidies for silvicultural programs.

Prince Edward Island Forestry

A very small percentage (<1%) of secondary feedstock originates from Prince Edward Island (PEI). Most of PEI's forests are privately owned (87%). The provincial government provides technical advice and assistance to land owners. Most of PEI's commercial softwood is sold to mills in NB and NS. As required by the Forest Renewal Program Regulations, commercial softwood harvested from private and public lands are subject to a cord fee. The fee is reinvested into forest management programs on both private and public lands.

<b>Eastern Embers Feedstock (2016)</b>				
<b>Feedstock Product Groups</b>	<b>% of Certified Feedstock</b>	<b>% of Uncertified Feedstock</b>	<b># of Suppliers</b>	<b>Species Mix</b>
Controlled Feedstock		87%	4-5	(See 2.5c, below)
SBP-Compliant Primary Feedstock				
SBP-Compliant Secondary Feedstock	13%		1-2	(See 2.5c, below)
SBP-Compliant Tertiary Feedstock				
SBP Non-Compliant Feedstock				

**Table 1 - Feedstock Product Groups**

## 5.4 Chain of Custody system

Shaw Resources Eastern Embers has implemented the requirements of the PEFC CoC Standard. A database is used to gather and control feedstock information such as supplier name, scale tickets, fibre type, certification, and district of origin. Eastern Embers has appropriate control mechanisms to verify the input material sources, calculate output volumes, certification claims and trademark/logo approval. Additionally, Shaw Resources Eastern Embers conducts an annual management review of the commitments, programs

and procedures to evaluate the overall effectiveness of the SBP management system. Material volume accounting is accomplished through the PEFC credit ledger which has been reviewed during the audit

Shaw Resources Eastern Embers has a management system and documented procedures that are fully capable of determining feedstock compliance. Secondary feedstock is tracked through the process from the district of origin, through production to the final bill of sale. Finished pellets are transported via truck from Shaw Resources Eastern Embers to the Port of Belledune where they are stored and then loaded onto vessels.

## 6 Evaluation process

### 6.1 Timing of evaluation activities

The third surveillance evaluation occurred 14-18 January 2019. The Port of Belledune was visited first to confirm end-point chain of custody (COC) and Greenhouse Gas (GHG) measurement points. The audit team split on day two. Meister visited harvest sites, reviewed relevant harvest documentation and records, and interviewed staff. Bauer reviewed COC, and GHG emission points and data at the Belledune pellet mill through observation, documentation and record review, and interviews with staff. On day three, the audit team reviewed remaining supply base, COC and GHG documentation and records, and interviewed staff. On day four, the team evaluated supply base, COC, and GHG emission points and data at Eastern Embers pellet mill through observation, documentation and record review, and interviews with staff. The audit team presented its findings during a closing meeting with the BP's representative on day five.

### 6.2 Description of evaluation activities

The onsite audit included evaluation of the documented management system, collection and communication of energy data, chain of custody system, material procurement, monitoring activities, and Supply Base Evaluation. Audit methods consisted of observation of harvest sites, pellet mills, transport activities and port facilities, review of documentation (e.g., studies, assessments, surveys, monitoring records, websites, emails, databases, etc.), and interviews. Critical control points for material procurement and handling, and GHG emissions were evaluated at all sites visited.

### 6.3 Process for consultation with stakeholders

Stakeholders may be engaged through email communications, phone calls, and in-person interviews among other methods.

## 7 Results

### 7.1 Main strengths and weaknesses

The strength of BP's program is the integration of SBP requirements into its existing fibre sourcing management system and procedures designed to meet requirements of applicable laws and regulations in the supply base and the requirements of PEFC CoC Standard. Staff have demonstrated a strong knowledge of the forestry industry practices and have a good awareness of suppliers operating in the region and have limited the number of fibre suppliers.

The BP has the organizational capacity to systematically meet performance objectives and SBP requirements based on the elements of the SBP Standards that were tested. Weaknesses were identified as nonconformities and reported in section 10.

### 7.2 Rigour of Supply Base Evaluation

Not applicable.

### 7.3 Collection and Communication of Data

The auditors confirm that Shaw Resources has a sufficient data collection and record keeping system. During the audit it was reviewed how energy demand along the life cycle of the pellets including the sourcing of feedstock input from the forest, production at the facility, transportation to the port and storage and handling at the port. SCS concluded that Shaw Resources Eastern Embers has the competency to analyse and accurately report the required data on energy required throughout their operations. Several nonconformities and observations were issued to SBP ST5 and highlight areas that need improvement.

### 7.4 Competency of involved personnel

Shaw Resources assigned personnel with appropriate skills and competency to implement and execute the management and control systems relating to SBP compliance. Staff interviewed during the assessment were found to be knowledgeable of the SBP requirements.

### 7.5 Stakeholder feedback

None received.

### 7.6 Preconditions

No preconditions were issued.

## 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 – Eastern Embers does not have and SBE.

## 9 Review of Company's mitigation measures

Not applicable – no SBE was completed.

## 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.

<b>NC number 1</b>	<b>NC Grading: Minor</b>
<b>Standard &amp; Requirement:</b>	SBP Standard 2, 7.3
<b>Description of Non-conformance and Related Evidence:</b>	
The latest versions of the SBR and SBE templates, released the first day of the audit on 14 January 2019 (NOTE: the SBE is considered an annex of the SBR and only applies to Belledune at this time), were not used for the SBR.	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open

<b>NC number 2</b>	<b>NC Grading: Major</b>
<b>Standard &amp; Requirement:</b>	<i>Click to enter SBP standard and requirement reference</i> SBP Standard 5 – Instruction Document 5A; clause 2.2.4 SBP Standard 5 – Instruction Document 5A; clause 3.2.4
<b>Description of Non-conformance and Related Evidence:</b>	
The organization did not allocate a new SDI to for the 2017-2018 reporting period. The organization has used the incorrect SDI (SBP-XX-YY-ZZ) and production batch IDs (SBP-XX-YY-ZZ-AA) of all 2017-2018	

transactions. The SAR report indicates the SDI as “SBP-04-15-03” but all transactions were made using the outdated SDI “SBP-03-02-01”. The accountant in charge of updating the DTS was not aware of the requirements for allocating production batch IDs. The DTS procedures implemented by the accountant contained incorrect SDIs.

<b>Timeline for Conformance:</b>	3 months from the report finalisation
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open

<b>NC number 3</b>	<b>NC Grading: Minor</b>
<b>Standard &amp; Requirement:</b>	SBP Standard 5 – Instruction Document 5A; clause 2.1.2
<b>Description of Non-conformance and Related Evidence:</b>	
The organization did not include the operating license of the legal owner for the Eastern Embers facility in the SAR (page 3).	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	<i>Click or tap here to enter description provided by Company to close the NC.</i>
<b>Findings for Evaluation of Evidence:</b>	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
<b>NC Status:</b>	Open

## 11 Certification decision

<b>Based on the auditor’s recommendation and the Certification Body’s quality review, the following certification decision is taken:</b>	
<b>Certification decision:</b>	Certification approved
<b>Certification decision by (name of the person):</b>	Ciara McCarthy
<b>Date of decision:</b>	20/Mar/2019
<b>Other comments:</b>	<i>Click or tap here to enter text.</i>