

SCS Global Services Evaluation of Shaw Resources Belledune Compliance with the SBP Framework: Public Summary Report

Third 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*

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1 Overview

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Current report completion date:	18/Jan/2019
Report authors:	Kyle Meister and Theodore Brauer
Name of the Company:	Shaw Resources Belledune
Company contact for SBP:	Julie Griffiths
Certified Supply Base:	Southeastern Québec (QC), New Brunswick (NB) and, on occasion, from Nova Scotia (NS).
SBP Certificate Code:	SBP-04-15
Date of certificate issue:	20/Oct/2016
Date of certificate expiry:	19/Oct/2021

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

Surveillance audit to assess the CH's conformance to SBP standards 1, 2, 4, and 5 and, as applicable, Instruction Notes and Documents. The evaluation included onsite visits to the pellet mill, port facilities and harvest sites, interviews with respective staff and supplier representatives, and review of documentation and records.

This certificate covers the production of wood pellets for use in energy production at Shaw Resources Belledune and transportation to the Port of Belledune. It also covers a Supply Base Evaluation for the sourcing of feedstock from south-eastern Québec (QC), New Brunswick (NB) and Nova Scotia (NS).

3 Specific objective

The specific objective of this surveillance 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 following critical control points were identified and evaluated. Note that you may identify other CCPs for a particular client which you should also describe in the report:

Feedstock procurement, including sourcing from suppliers of primary and residual materials

Receiving of feedstock

Accounting of volumes

Storage and production

Documentation of transactions

Collection and reporting of energy and greenhouse gas data

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 in Belledune, NB (Shaw Resources Belledune) and Milford, NS (Eastern Embers) with a corporate/central office in Milford, NS. Both plants were assessed to the SBP Framework by SCS during the same audit period, share management systems, and are each subject to separate SBP certificates. Shaw Resources holds a multi-site certification to the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody (CoC) Standard and much of the information in the Supply Base Reports (SBRs) are consistent between the two plants, but the Supply Base Areas (SBAs) are slightly different. Furthermore, only the Belledune plant is assessed on SBP Framework Standard 1: Feedstock Compliance Standard, which includes an SBE.

The subject of this certificate, the Belledune, NB plant (Belledune), procures feedstock from both primary and secondary sources in south-eastern Quebec (QC), New Brunswick (NB), and Nova Scotia (NS), and trucks finished pellets to the Port of Belledune, NB.

Shaw Resources purchases all feedstock within the scope of their PEFC CoC and Due Diligence management system; however, some primary feedstock is sourced from forests without a Sustainable Forest Management (SFM) certification claim and some secondary feedstock is sourced from production facilities without CoC certification. Therefore, a Supply Base Evaluation (SBE) and the associated Risk Assessments have been completed because Shaw Resources Belledune intends on using the “SBP Compliant” claim.

5.2 Description of Company’s Supply Base

Shaw Resources Belledune’s supply base covers three provinces in Canada; Nova Scotia, New Brunswick, and South-eastern Quebec. Shaw Resources procures primary feedstock from roundwood and secondary feedstock sawmill residues.

Any primary fibre procured directly from the forest is only from managed forest lands (Crown and private woodlots) in New Brunswick and are purchased from Crown licensees or regional marketing boards.

Secondary fibre (sawmill residuals) such as chips, sawdust and shavings are supplied mostly through local New Brunswick sawmills, but some is sourced from south-eastern Quebec and, on occasion, from Nova Scotia, Canada.

Each of the three provinces where fibre is procured has provincial acts and legislation that aid in the protection of the region’s forests and resource tenure 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 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 Belledune Supply Base Report (SBR), which can be found on its 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, which was confirmed during the audit through field observation, and review of records and documentation:

Shaw Resources Belledune manufactures industrial wood pellets for export to European power utilities. The supply base is considered south-eastern Québec (QC), New Brunswick (NB), and Nova Scotia (NS). Primary feedstock (round wood) and secondary feedstock (sawmill residuals) are used in the production of wood pellets in Belledune.

New Brunswick Forestry

The NB provincial government proclaimed the Crown Lands and Forests Act in 1982; this is the legal foundation for Crown forest management in the province. 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 (NBDNR) will re-assess the forest management practices, and if satisfied, will renew the agreement for another 5-year period. Licensees are required to have a forest management plan that covers a 25-year period that is sustainable for an 80-year planning horizon. The licensees' annual operating plans are reviewed to ensure that all regulations and standards are followed. All forest operations on Crown land are ISO 14001 certified, as well as to a sustainable Forest Management (SFM) System (i.e. CSA, FSC, and SFI). NB is one of the first jurisdictions 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 forest inventory research. Data obtained from aerial photography analysis and ground sample plots chart the province's timber growth and yield. These are updated on an annual cycle using a computerized geographical information system (GIS).

Harvesting from private forest sources is monitored through 1 of 7 regional marketing boards. The marketing boards aids private woodlot owners with forest management planning; this is including, but is not limited to, calculating timber inventory, defining harvest layout, and developing management plans. The marketing boards will also offer programs that promote sustainable forest management. The provincial government partners with private woodlot owners and marketing boards to fund silviculture treatments. A Landowner Agreement must be signed with the NB Department of Energy and Resource Development (ERD) to be eligible for silviculture treatment on a private woodlot. Any woodlot that has received silviculture funding may be inspected to ensure best management practices (BMPs) and guidelines outlined in the New Brunswick Private Woodlots Silviculture Manual (ERD, 2018) are being followed.

Quebec Forestry

With the implementation of Quebec's Sustainable Forest Development Act in 2010, the Minister of Natural Resources (MRN) has greater control and responsibility over Crown forest management. This includes maintaining ecosystem-based management plans that maintain ecosystem biodiversity and viability. The MRN offers technical and financial support to woodlot owners that practice sustainable forest management. This support is presented through regional agencies (similar to regional marketing boards in NB) that help with the preparation of a protection and development plan and financial and technical support. Only certified private forests have access to these government programs.

92% of Quebec's forests are publicly owned; ~8% are private forests. By August 2017, 93% of the province's publicly managed forest was SFM certified (FSC or SFI). The Federation of Forest Producers of Québec (Fédération des producteurs forestiers du Québec, FPFQ) is the provincial organization that promotes the

interests of the 130,000 private woodlot owners, which includes 35,000 forest producers. There are 13 regional agencies that were formed to help with the protection and enhancement of Québec's private forests. Municipal by-laws regulate cutting of trees to limit the size of cut blocks and protect riparian zones and sensitive environments. Permits for logging on private lands are required in all municipalities. The Civil Code of Québec provides recourse for logging performed on private property without the consent of the landowner.

Nova Scotia Forestry

The enforcement of the NS Forests Act on Crown and private lands supports the development of a healthy productive forest capable of yielding high volumes of high-quality product. The enforcement division of NSDNR completes regular inspections to harvest sites to enforce the Forests and Crown Lands Acts.

Nova Scotia's Code of Forest Practice is a guide for sustainable forest management (SFM) in the province. SFM is required on Crown lands and highly encouraged on private woodlots in Nova Scotia. The majority of primary wood products supplied to industry are from privately sources. The provincial government develops forest management training programs and financial incentives to further encourage the sustainable use of private woodlots.

The Nova Scotia Registry of Buyers requires businesses to inventory all primary forest products acquired for processing. Registered buyers contribute to a silviculture fund based on a volume of wood acquired basis. The Registry of Buyers' annual report outlines the volumes of wood harvested throughout the province. The registry provides reliable data on market demands and estimates on sustainable harvest levels.

All product used at the Belledune wood pellet plant can be defined in 4 categories: 1) Certified SBP-Compliant Primary Feedstock, 2) Uncertified SBP-Compliant Primary Feedstock, 3) Certified SBP-Compliant Secondary Feedstock, and 4) Uncertified SBP-Compliant Secondary Feedstock (Table 1)

Feedstock Product Groups	% of Certified Feedstock	% of Uncertified Feedstock	# of Suppliers	Species Mix
Controlled Feedstock				
SBP-Compliant Primary Feedstock	62.2%	37.8%	3-5	(See 2.5i, below)
SBP-Compliant Secondary Feedstock	12.6%	87.4%	7-10	(See 2.5i, below)
SBP-Compliant Tertiary Feedstock				
SBP Non-Compliant Feedstock				

Table 1 - Feedstock Product Groups

5.4 Chain of Custody system

Shaw Resources Belledune, the BP, 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. The BP has appropriate control mechanisms to calculate output volumes, product claims, and trademark/logo approval. Additionally, the BP conducts an annual management review of the commitments, programs, and procedures to evaluate the effectiveness of the SBP management system.

The BP has completed a Supply Base Evaluation (SBE). The SBE's conclusion is that all wood fibre in the supply base meets the definitions, criteria, and indicators in SBP Standards 1 & 2 and is considered "low risk".

The BP has a management system and documented procedures to ensure feedstock compliance. All wood fibre (primary and secondary) is tracked from the district of origin, transport, production and storage up to the final bill of sale. Finished pellets are trucked from Shaw Resources Belledune to the Port of Belledune where they are stored and then loaded onto vessels. No co-mingling of pellets occurs at the port or on the vessel.

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

The BP has prepared a Supply Base Evaluation (SBE) for Belledune, which covers New Brunswick, Nova Scotia, and south-eastern Quebec. The SBE concludes low risk for all indicators, which the audit team confirmed through review of the means of verification (MOV) that the BP defined, and information gathered during the audit from field observation, interviews with staff and contractors, and document and record review. It was found that the SBE contains much detail, but still lacks some information that was either not completely explained or omitted from the SBE. However, none of the evidence reviewed revealed any material differences in the conclusions of the SBE.

7.3 Collection and Communication of Data

The BP collects and reports all GHG emissions data deemed necessary by its customers and regulators. The BP uses proprietary software to collect and communicate data, and records data in SBP Audit Report on Energy and GHG data (SAR), SBP Audit report on Energy and GHG Data for Supplied Biomass (SREG) and SBP Static Biomass Profiling Data sheet (SBPD). At the audit, there were nonconformities issued to SBP Standard 5 and associated Instruction Documents (see section 10).

7.4 Competency of involved personnel

The BP engaged Nate Ryant, RPF, an external forestry expert to assist with the Supply Base Evaluation. SCS found the individual assigned to perform the SBE to have relevant local forestry experience and knowledge of ecological and social values associated with the supply base, applicable laws and regulations, business practices, operations, and the local forest resource. The BP assigned management with appropriate skills and competency to implement and execute the management and control systems related to SBP compliance. Management interviewed during the assessment were found to be knowledgeable of SBP requirements.

7.5 Stakeholder feedback

An anonymous comment was received prior to the onsite evaluation and investigated as part of audit activities. No other comments were received as a part of consultation activities.

7.6 Preconditions

There were no preconditions assigned during this audit.

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.

SCS assessed risk for the Indicators by reviewing the means of verification the BP developed, its knowledge of national/regional publicly available sources of information, interviews with relevant staff, and conducting onsite field audits of forest suppliers.

Table 1. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)		Indicator	Risk rating (Low or Specified)	
	Producer	CB		Producer	CB
1.1.1	Low	Low	2.3.3	Low	Low
1.1.2	Low	Low	2.4.1	Low	Low
1.1.3	Low	Low	2.4.2	Low	Low
1.2.1	Low	Low	2.4.3	Low	Low
1.3.1	Low	Low	2.5.1	Low	Low
1.4.1	Low	Low	2.5.2	Low	Low
1.5.1	Low	Low	2.6.1	Low	Low
1.6.1	Low	Low	2.7.1	Low	Low
2.1.1	Low	Low	2.7.2	Low	Low
2.1.2	Low	Low	2.7.3	Low	Low
2.1.3	Low	Low	2.7.4	Low	Low
2.2.1	Low	Low	2.7.5	Low	Low
2.2.2	Low	Low	2.8.1	Low	Low
2.2.3	Low	Low	2.9.1	Low	Low
2.2.4	Low	Low	2.9.2	Low	Low
2.2.5	Low	Low	2.10.1	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
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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

NA – the BP has not needed to develop mitigation measures.

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 1	NC Grading: Observation
Standard & Requirement:	SBP Standard 1, IN-1A, 4.3
Description of Non-conformance and Related Evidence:	
While very important local stakeholders and rightsholders are on the stakeholder list, such as government agencies and First Nations, forestry standards working groups, and representative for forest workers, harvesters, owners and research & education institutions are currently absent from the stakeholder list. These other stakeholder groups may have an interest in the biomass and/or pellet industry and should be considered in any future updates to the SBE.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 2	NC Grading: Minor
Standard & Requirement:	SBP Standard 1, 1.1.1
Description of Non-conformance and Related Evidence:	
Maps were available for the provinces of Nova Scotia and New Brunswick, and the regions of Quebec from which secondary feedstock is sourced. However, for Quebec the BP sources from a region surrounding a single secondary supplier's sawmill. While the area is described and defined in the BP's	

PEFC Risk Assessment, the boundaries of this supplier’s logical procurement radius or FMU are not included on a map.	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 3	NC Grading: Observation
Standard & Requirement:	SBP Standard 1, 2.2.8
Description of Non-conformance and Related Evidence:	
<p>While it is true that Provincial governments ensure that there is control over the use of chemicals and that proper pest management techniques are employed within each province, there is more detail available for the forestry sector in provincial legislation and administrative requirements that ensure that chemical use is controlled and done within an IPM program (e.g., New Brunswick Private Woodlot Silviculture Program 2018-19, Nova Scotia Pesticide Applicator Certification, etc.). For example, the Appendices for common intermediate silvicultural activities for New Brunswick Private Woodlot Silviculture Program manual state that certain activities do not make use of herbicides or that herbicides should only be used under certain conditions per label instructions. The marketing board’s silviculture contract is also relevant to this indicator since it requires legal compliance consistent with legislation cited in the Program manual.</p>	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 4	NC Grading: Observation
Standard & Requirement:	SBP Standard 1, 2.4.3
Description of Non-conformance and Related Evidence:	
<p>The BP has not cited in the Finding how transportation certificates ensure that transportation of logs and wood fibre is documented. Provincial silvicultural laws indirectly ensure that ownership rights are enforced since ownership must be verified for private wood lot owners to qualify. Since certain volumes and log</p>	

<p>dimensions must be sold through regional marketing boards in New Brunswick and Quebec, the marketing boards verify ownership through Parcel Identification Number (PIDs). In Nova Scotia, industries that procure more than 5,000 m3 of wood per year must report information on volumes and harvest sites to the provincial DNR. These are additional examples of the legal framework that serve to strengthen ownership rights and, hence, prevent unauthorized activities and encroachment.</p>	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 5	NC Grading: Observation
Standard & Requirement:	SBP Standard 1, 2.6.1
Description of Non-conformance and Related Evidence:	
<p>While there are laws that address dispute and grievance resolution, in reviewing the supplier contract, it was found that it also contains a clause related to dispute resolution that is not cited in the Finding.</p>	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 6	NC Grading: Observation
Standard & Requirement:	SBP Standard 1, 2.7.1
Description of Non-conformance and Related Evidence:	
<p>While laws are respected per contracts, it was discovered during interviews with HR and local staff at that the Belledune pellet plant was recently unionized and has a collective agreement with the BP, which is not yet cited in the Finding, MOV, and evidence reviewed. This demonstrates that workers not only have the rights of Freedom of Association and Collective Bargaining, but have exercised them.</p>	
Timeline for Conformance:	Other

Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 7	NC Grading: Minor
Standard & Requirement:	SBP Standard 2, 7.3
Description of Non-conformance and Related Evidence:	
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.	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 8	NC Grading: Observation
Standard & Requirement:	SBP Standard 2, 6.1
Description of Non-conformance and Related Evidence:	
The North Shore Forest Products Marketing Board received notification from the province of New Brunswick that a member's PID number had changed and recorded it on its volume summary form, but did not inform the BP. Had the provincial DNR selected the PID and its associated transport certificates and scale tickets for an audit sample, this could have led to a fine. BP should consider implementing measures to avoid recurrence of this issue.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>

NC Status:	Open
NC number 9	NC Grading: Major
Standard & Requirement:	SBP Standard 5 – Instruction Document 5A; clause 2.2.4 SBP Standard 5 – Instruction Document 5A; clause 3.2.4
Description of Non-conformance and Related Evidence:	
<p>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.</p>	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open
NC number 10	NC Grading: Major
Standard & Requirement:	SBP Framework Standard 2: Verification of SBP-Compliant Feedstock v1.0, Section 9.1
Description of Non-conformance and Related Evidence:	
<p>The findings, Means of Verification and/or evidence cited in the Supply Based Evaluation do not include information in sufficient detail for primary and secondary suppliers. Insufficient evidence has been stated that monitoring of control systems and procedures are in place to ensure compliance.</p>	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	<p>This CAR remains open. BP has initiated sampling for 2 of 8 secondary suppliers (25%) with an initial information request on the percentages of their primary sources coming from different ownerships (e.g., Crown/Natives, private wood lots). However, the onsite audits of these two suppliers have not been completed yet. It was found that for the High Conservation Values evaluation that the BP’s PEFC Risk Assessment contains relevant information that would allow for a low-risk conclusion for certain forest types due to the presence of protected areas currently in the Supply Base. For example, the BP does not</p>

receive any material from the Cape Breton Highlands as it is not within the procurement radius of any current primary or secondary supplier. This fact would effectively remove the risk associated with the Eastern Canadian Forest ecosystem. For certain RTE species, the habitat requirements for some of them may not be available outside of sensitive sites that are sparsely forested or only have unmerchantable species (e.g., *Alnus* spp.). Some of these sites would likely be avoided during most harvests under current management practice recommendations included in BMP manuals and other guidelines. For several indicators, such as ST 1, 1.4.1, the Findings and MOV lack citations and/or weblinks for publicly available sources. ST 1, 1.1.2: Per interviews with staff, site visits to 25% of secondary suppliers are to be recorded on the BP's annual supplier evaluations later in 2019. In the findings section, this evidence is not yet cited and, in the evidence reviewed section, it states that all evidence has been reviewed. These site visits are intended to gather information to verify that the conclusions of the SBE are valid. ST 1, 2.1.1: Discrepancies between the text in the SBE and the BP's PEFC Risk Assessment were discovered. For the three forest ecosystem types identified as potential risk, the PEFC RA indicates that for at least one, the risk is low since this type does not occur within the logical supply radius of any of the BP's suppliers (example from PEFC RA: "Eastern Canadian Forests are listed as critical/endangered and within the defined supply base are located in Cape Breton Highlands, Nova Scotia. Feedstock does not originate from here."). For the two other forest types, the current protected areas are described, but not information such as the percentage of the forest type that is under conservation/protection, whether forest management activities are a likely a risk, and how any risk associated with the threats is removed or controlled (i.e., through BMPs and other standard management practices). ST 2.1.2: Threats to HCVs are not consistently identified and addressed in the SBE. More information is contained in the MOV (e.g., WWF website) and BP's PEFC Risk Assessment. The only non-SFM certified suppliers in the Supply Base are private woodlots, which must adhere to BMPs and provincial legislation related to biodiversity and resource conservation. All certified suppliers must adhere to HCV requirements through their SFM certificates for their certified FMUs. There are also resources available on threats to HCVs and how these threats can be removed or controlled through recommendations found on provincial and NGO websites. From an examination of some of them, avoidance measures and BMPs are some of the ways that the BP's suppliers already remove these threats. ST 1, 2.1.3, 2.2.1, 2.2.2, 2.2.3, 2.2.4, 2.2.5, 2.2.6, 2.4.1, 2.4.2: The BP is going to implement a new procedure for its annual primary and secondary supplier evaluation, but demonstrated records for its phone/email secondary supplier evaluations under the previous procedure. The updated procedure will be rolled out by mid-2019. However, for several indicators, the updated primary supplier verification program is cited in the Finding, MOV, and evidence reviewed (e.g., BP's Purchase Wood Inspection Form). Supplier contracts and assertions, and BMPs for Quebec are not

always consistently cited between the Findings, MOV, and evidence reviewed for several indicators. The term, “mitigation”, is used in a couple of indicators (2.2.4 and 2.2.5) when the actions described are clearly avoidance measures. ST 1, 2.2.7: There are a number of MOV that state items such as “Provincial and federal government reports” that are not cited in the Findings section (i.e., citations, examples of publications, and/or weblinks are not provided). ST 1, 2.2.9: In the evidence reviewed section, the BP only cites that legislation was reviewed. Contracts and other agreements require legal compliance and thus contain clauses relevant to ensuring that laws and regulations are respected and should be cited as evidence reviewed. ST 1, 2.3.1: BMPs, specifically the use of harvest residues to avoid impacts on secondary forest roads and their distribution over the site, were observed in field site visits (see ST 2 notes). However, BMPs are not cited in the Findings section. Also, the conclusion of each province’s inventory and growth analysis has not been presented. ST 1, 2.3.2: For contractors, the BP has not cited SFI logger training certifications reviewed for New Brunswick in the MOV and nothing for contractors in other provinces in the Supply Base. The BP also has health & safety requirements for contractors contained in its supplier contract that are not specifically referenced in the Finding. Refer to issue with implementing BP’s Purchase Wood Inspection Form. ST 1, 2.3.3: The conclusions of provincial forest industry economic impacts, BP’s economic analysis, and any relevant, non-proprietary statistics from the MOV/evidence reviewed have not been presented to show how low risk was concluded in the Finding. ST 1, 2.4.1, 2.4.2: BMP surveys and reports are cited as MOV, but the conclusions from them are not explained in the Finding. Refer also to issue with implementing BP’s Purchase Wood Inspection Form. ST 1, 2.5.2: Other actions implemented on the ground that lower the risk of negative impact to food and water supplies, such as BMPs, have not been described in the Findings and MOV. ST 1, 2.7.2, 2.7.3, 2.7.4, 2.7.5: It was found that the BP has an employment contract and other records (e.g., payroll system employee identification verification and built-in legal compliance) that are not cited in the Findings and MOV. The BP’s HR policies comply with regulations on compulsory labor (including the right to refuse work that is unsafe), child labour, discrimination, and minimum wage and remuneration. ST 1, 2.8.1: Supplier contracts and assertions are not cited in the Finding, so it is not clear how they contribute to low risk. SFI training records are absent from the Finding and MOV for contractors. One contractor forgot to put on his hardhat before exiting a forwarder on one job site and a supplier representative did not wear his hardhat or high-visibility gear on the same active site. ST 1, 2.9.1: BMP implementation was verified in the field, which contributes to a low risk designation for this indicator. However, BMPs and associated provincial/industry reports are not cited in the Finding and MOV. Furthermore, Review of provincial and federal legislation is cited as the only evidence reviewed, rather than evidence of implementation (e.g., supplier contracts).

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):	Ciara McCarthy
Date of decision:	07/Mar/2019
Other comments:	<i>Click or tap here to enter text.</i>