



Control Union Certifications B.V. Evaluation of Premium Pellet Ltd. Compliance with the SBP Framework: Public Summary Report

Fourth 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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Primary contact for SBP: Andrea Ferrazzo, +31 (0)657312287

Current report completion date: 09/Jul/2020

Report authors: Mr. Lennart Holm (Lead Auditor) and Mr. Hubert Jurczyszyn (Certifier)

Name of the Company: Premium Pellet Ltd., 2301 Campbell Road, Vanderhoof, B.C., Canada

Company contact for SBP: Tammy Scott, 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-06-11

Date of certificate issue: 16/Mar/2017

Date of certificate expiry: 15/Mar/2022

This report relates to the Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation: Surveillance evaluation to assess the CH's conformance to standards 2, 4, and 5 and respective Instruction Notes and Documents for use in wood pellet production at Premium Pellet production site in Vanderhoof, BC, Canada. Due to the COVID-19 virus, this evaluation was conducted by means of a remote desk audit.

Scope of certificate: Production of wood pellets in Vanderhoof, BC, Canada and transport to Fiberco Export Inc. and Westview Wood Pellet Terminal for storage, aggregation, vessel loading and shipping. A Supply Base Evaluation is included in the scope of the evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

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 scope of the evaluation covered:

- Review of the BP's management procedures, including requirements designated in applicable SBP Standards and Instruction Documents;
- Review of the production processes;
- Review of the updated Supply Base Report;
- Review of SBP system control points, analysis of the existing PEFC CoC system;
- Review of the records, calculations and conversion factors;
- GHG data collection analysis
- Interviews with responsible staff

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 - No SBP endorsed Regional Risk Assessment was used for this assessment

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

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 three 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. All sawmill residues used as raw materials for the pellets 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. Premium Pellet supplies the market with SBP-compliant biomass

5.2 Description of Company’s Supply Base

Premium Pellet Ltd. (Premium Pellet) Supply Base is in the geographical centre of British Columbia (BC), Canada and is made up of the Prince George, Lakes and Mackenzie Timber Supply Area’s (TSA’s). Premium Pellet utilizes 100% secondary feedstock from local primary facilities (lumber sawmills) or other secondary facilities (lumber remanufacturers). There are seven potential suppliers of secondary feedstock in the area including a related sawmill and planer mill, Nechako Lumber, located on the same site in Vanderhoof, B.C. as Premium Pellet. These two entities, along with Nechako Green Energy, are collectively known of as the Nechako Group of Companies. Additionally, secondary fibre is also obtained from an external sawmills and a remanufacturing facility in Vanderhoof from Canfor Plateau, Lakeland Mills in Prince George, BC, Apollo Forest Products and Conifex in Fort St James, BC.

The majority of the forest management and harvesting in the Supply Base Area is conducted on Government of British Columbia crown lands, which are managed by either the government through their BC Timber Sales (BCTS) program, or by forest companies with area or volume based licenses awarded by government. The BCTS program and all local forest companies have their operations certified to Sustainable Forest Management (SFM) programs such as Sustainable Forestry Initiative® (SFI) or Canadian Standards Association (CSA). For 2018 more than 95% of the fibre utilized by the sawmill and planer mill located on the same site as Premium Pellet was obtained from tenures awarded and managed by the Province of British Columbia. The majority of the fibre harvested is pine, spruce and subalpine fir with a smaller component of Douglas-fir. In addition to the SFM and Programme for the Endorsement of Forest Certification (PEFC™) Chain of Custody (CoC) systems certifications held by government and local forest companies, SFM plans and practices are also legislated in BC and there are no species harvested in BC that are on the CITES or IUCN lists.

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 and licenses, 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, Natural Resource Operations & Rural Development (MFLNRORD). 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 2018 for example, the sawmill and planer mill on the same site as Premium Pellet received less than 5% of their supply from uncertified but controlled sources that were not harvested from tenures issued and monitored by MFLNRORD.

Of the seven potential secondary feedstock suppliers to Premium Pellet, four of them have PEFC, Chain of Custody (CoC) systems. Premium Pellet and the two solid wood production facilities that share the same site have a common multi-site CoC PEFC system. Premium Pellet receives a supplier assertion confirming that feed stock that is either sourced through processes that meet the PEFC criteria and have a risk assessment carried out at the supplier level to confirm that it is obtained from non-controversial sources. Approximately 96% of the feedstock is certified compliant and 4%, which is used at the Nechako Green Energy and for bagged pellets, which does not have any SBP claims, is controlled.

Premium Pellet Supply Base Report is available at

https://www.sinclar.com/meeting_the_grade/index.php#certifications

5.3 Detailed description of Supply Base

- a. Total Supply Base area (ha): **8.87 million hectares of Timber Harvesting Landbase (THLB)**
- b. Tenure by type (ha):
 - Privately Owned: **2%, 173,000 ha**
 - Publicly Owned: **98%, 8.70 million ha (THLB)**
 - Community Concession: **0%, 0 ha**
- c. Forest by type (ha): **100% Temperate (8.87 million ha)**
- d. Forest by management type (ha): **100% Managed Natural (8.873 million ha)**
- e. Certified forest by scheme (ha): **91% CSA & SFI FM-certified forest (8.09 million ha)**

A quantitative description of the supply base can be found in Premium Pellet Supply Base Report that is available at https://www.sinclar.com/meeting_the_grade/index.php#certifications

5.4 Chain of Custody system

The Organisation is holding valid PEFC Chain of Custody certificate system which they share through a group scheme with the two related production facilities at the same physical location. Valid PEFC system description and other documents exist. 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 received with an SBP-approved Chain of Custody (CoC) System claim.

The organization also verifies PEFC Controlled Sources through a DDS including a risk assessment covering the supply base in British Columbia. All wood fibre is tracked through the process from the District of Origin through the mill to the final bill of sale. The organization 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. The organization has appropriate control mechanisms to calculate output volumes, claims and trademark/logo approval. The Organizations PEFC Chain of Custody system is based on the Volume Credit

method, and all inputs to the production site are either received as XX% PEFC certified or sourced as PEFC Controlled Sources under the BP's PEFC Due Diligence System. All incoming feedstock is secondary and consists of sawdust, shavings, wood chips and hog. 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

The audit was initially scheduled for April 13-16, 2020. However, due to the COVID-19, and following all the medical advice coupled with travel restrictions, the first part of this audit was carried out by means of a remote desk audit on April 14 and 15, 2020.

The second part of this audit, which was planned for July 6 and 8, 2020, was cancelled due to on-going travel restrictions. The audit was considered concluded and is consistent with the COVID-19 Normative Requirements of 22/04/2020.

This date was communicated with SBP via e-mail on March 20, 2020. The closing meeting was held remotely on July 8, 2020. A total of 3 days were used for this audit, please see more details in the table below.

This report is the result of the findings of a certification evaluation carried out by an independent lead auditor representing Control Union Certifications. The purpose of the assessment was to evaluate the compliance of the client with respect to the standards used within the scope of the certificate.

COVID-19 Normative Requirements of 22/04/2020 was adhered to when completing this report.

Activity	Site	Date/Time
Tuesday April 14, 2020		
Opening meeting Agreement on Scope	Premium Pellet via Microsoft Teams Auditor: LH	09:00-09:30
Business integrity, social, health and safety requirements Logo/Trademark use Complaints procedures Introduction into Supply Base Supply Base report Checking the Supply Base Evaluation	Auditor: LH	09:30-18:00
Wednesday, April 15, 2020		

Day's Opening meeting Suppliers Incoming material claims Incoming raw material registration Chain of Custody registrations GHG data registrations Dynamic Batch Sustainability Lunch break Finalization GHG data audit Verification of missing items	Premium Pellet Auditor: LH	09:00-18:00
Wednesday, July 8, 2020		
Report writing Final discussion closing meeting	Premium Pellet via Microsoft Teams Auditor: LH	09:00-11:00

6.2 Description of evaluation activities

Due to the COVID-19 pandemic, this audit was done remotely via Microsoft Teams.

On April 14, 2020 during the opening meeting, the scope was confirmed. The auditor also explained the methods to be employed during the audit.

After the opening meeting, and during the following day, April 15, 2020, all relevant requirements of the applicable SBP standard(s) were verified on compliance through the use of a report template and checklists. Interviews with the below mention individuals were made using Microsoft Teams.

The audit was completed by filling in the audit checklist and a closing meeting held on July 8, 2020 where the audit results were discussed. During this closing meeting it was also discussed how evidence can be submitted of corrective action with respect to non-conformities that were identified during the audit.

1. Names and affiliations of people interviewed	
Name:	Affiliation:
Les Dillabaugh	Sinclar Group

Gregg Koehler	Premium Pellet
Michael Fantillo	Premium Pellet
Frank Well	Premium Pellet
Tammy Scott	Premium Pellet
Time Nevison	Premium Pellet

2. Critical control points, summary	
<i>Identified CCP</i>	<i>Evaluation CCP</i>
Health and Safety Obligation (management of dust)	Risk assessment requires workers to wear a mask during tasks where lost of dust is present. Verified through interview and photographs that workers wore masks.
Biomass production	Premium provided CU with an annual overview of the quantity of biomass handled at the different storage, handling and trans-shipment locations within the scope of its certification. This overview include data on biomass inputs and outputs, and was evidenced verbally and with production spreadsheets and engineering examples.
Volume control	Physical separation but 100% certified input material
Labelling	Trademark agreement signed 22/01/2016 by Robert Tarcon, general Manager. Use of SBP trademark on invoices and claim certificates generated from logo kit sent from SBP. Application for approval sent to SBP.

6.3 Process for consultation with stakeholders

Fourth Surveillance Audit. Therefore, there was no consultation with stakeholders. No comments received from stakeholder prior, during and after this annual audit.

7 Results

7.1 Main strengths and weaknesses

The audit of Premium Pellet demonstrated a good level of compliance with the required criteria of Standard 2, 4 and 5. There was reasonable evidence provided to support compliance where a Non-Conformity was not detected. The existence of a PEFC Chain of Custody system in combination with ISO 14001:2004 are considered a main strength with respect to Premium Pellet overall conformity with the relevant SBP standards.

Weaknesses: No weaknesses identified in this audit.

7.2 Rigour of Supply Base Evaluation

N/A, no SBE in the scope of the certificate.

7.3 Collection and Communication of Data

The organization has in depth procedures for this in depth procedures for this. The auditor 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 and reviewed how the input data was measured. Findings were substantiated by on-site staff 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. Premium Pellet demonstrated full competency to analyse and report the required data on Greenhouse Gas emissions and The responsible person has benefited from previous experience with other certification schemes (like GGL) for energy data collection.

7.4 Competency of involved personnel

The company has one person who has the main responsibility related to the SBP system. All personnel that is involved with SBP have received appropriate training whereby all relevant procedures and requirements have been covered. All training and instructions are based on the procedures as identified in company manuals, and training is provided by internal resources and recorded accordingly. Key personnel showed good knowledge of SBP requirements.

7.5 Stakeholder feedback

No feedback received from stakeholders prior, during and after this annual audit.

7.6 Preconditions

None

8 Review of Company's Risk Assessments

N/A as no SBE was conducted.

9 Review of Company's mitigation measures

Not applicable. No SBE in the scope of the certificate.

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.*

No non-conformities detected.

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):	Hubert Jurczyszyn
Date of decision:	11/Sep/2020
Other comments:	<i>Click or tap here to enter text.</i>