



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

Scope Change 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: Maggie Schwartz, mschwartz@SCSglobalservices.com

Current report completion date: 09/Sep/2020

Report authors: Sebastian Häfele

Name of the Company: Shaw Resources Eastern Embers

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 Scope Change 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 and the port of Halifax, Nova Scotia for storage, aggregation, vessel loading and shipping. The certification scope does not include a Supply Base Evaluation. It includes Communication of Dynamic Batch Sustainability (DBS).

The scope of the expansion of scope audit included a desk audit of the certificate holder's procedures and credit account, including interviews with relevant staff. The scope expansion consists of the addition of the communication of dynamic batch sustainability data (DBSD).

3 Specific objective

The specific objective of this expansion of scope audit was to confirm that the Biomass Producer's management system is capable of ensuring that all relevant requirements of SBP Standard 5 and Instruction Document 5E relating to the communication of DBSD 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. Implementation of Dynamic Batch Sustainability Data communication as per relevant clauses of Instruction Document 5E.
2. Review of supplier documentation with feedstock properties (trip/ scale tickets) and incoming loads database, material accounting records, credit ledgers for tracking of volumes, feedstock types and claims, staff awareness assessed through interviews.

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) and Instruction Document 5E V1.1

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 some of their finished pellets to the Port of Belledune, NB and the Port of Halifax, NS. Some pellets are packaged and sold to local retailers.

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.

Forest resources and forest management practices:

- Land use and ownership status:
 - Nova Scotia (NS): 1,994,000 ha (47%) of the forested lands is public, and the remaining 2,281,000 ha (53%) is private. Public forest land subject to forest management agreements make up 604,000 ha and parks and protected areas make up 736,800 ha.
 - New Brunswick (NB): 51% Crown land (public), 29% private, 18% industrial freehold, 2% federal land
 - Prince Edward Island (PEI): 33,011 ha (13.2%) of the forested lands is public, and the remaining 217,073 ha (86.8%) is private. Parks and protected areas make up 18,417 ha.
- Socio-economic conditions:
 - NS: \$2.1 Billion in total economic impact (\$1.5 Billion in 2012), 11,500 Nova Scotians are employed directly and indirectly by the forest industry. \$800 million contribution to provincial GDP (\$575 million in 2012). Forest Products industry ranks 5th in NS contribution to GDP in the Goods Producing Sector
 - NB: The New Brunswick forest industry generated over \$1.7 billion in economic impact in 2016. With ca 9700 direct and 14,000 indirect jobs being created by it. One in ca. 14 NB jobs are linked to forestry sector highlighting the importance of the sector to the province
 - PEI: The forest sector in PEI is not contributing as much to the economy as in NB. It contributes ca. 0.4% to the overall economic activity. PEI is the least dependent of all Atlantic provinces on the forestry and forest products sector and only paper manufacturing contributes any noticeable impact to the province's economy. Paper containers make up nearly all (97%) of the province's forestry and forest products exports.
- Forest composition: The Acadian forest type covers all of PEI, NS and most of NB. On rich, well drained soils and upland sites, Island forests tend to be dominated by Northern Hardwood forest species such as American Beech, Yellow Birch, Sugar Maple, White Pine, Eastern Hemlock, Red Oak and White Ash. On poorly drained sites, poor soils, exposed coastal areas or areas recovering from significant disturbances such as fire, insects, or harvest activities, the forest will usually be dominated by Boreal Forest species such as White Spruce, Black Spruce, Eastern Larch, Poplar, or White Birch. Balsam Fir and Red Maple tend to occur in all Island stand types.

- Profile of adjacent lands: adjacent land to the forest is made up of agriculture, urban settlements, water bodies, infrastructure, wetlands and barren lands in all provinces.

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 (~90%) 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 (<10%) 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

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 (<10%) 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

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, NS where they are stored and then loaded onto vessels or to the Port of Halifax, NS where they are stored in silos.

6 Evaluation process

6.1 Timing of evaluation activities

The audit was conducted on September 8, 2020 as remote MS Teams meetings. Documents were shared through email and share screens during the MS teams call.

Auditee: Julie Griffiths (Shaw Resources)

Auditor: Sebastian Häfele (SCS Global Services)

Location: Remote MS teams call

Audit activity	Items to Review / Actions	Time
Opening meeting	Introductions, auditor review of audit scope, audit plan and intro/update to SBP and SCS standards and protocols, client description of organization	9:00 AM ADT
Review of ST 5 ID-5E: procedures, staff interviews, material balances and records. DTS.	Auditor-selected sample of the following: material tracking system, summary of purchases and sales, invoices, shipping documents, tracebacks from certified outputs to eligible inputs. Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position, review of DTS transactions.	9:20
Closing meeting preparation	Auditor takes time to consolidate notes and review audit findings for presentation at closing meeting	11:35
Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next steps	11:45
	End of audit	11:00 PM

6.2 Description of evaluation activities

The desk audit included evaluation of the documented management system, material procurement, monitoring activities, volume accounting and interviews. The auditor took samples across the audit period, different feedstocks, product groups, suppliers and customers. This rationale was used to reduce the sampling bias and take a representative sample of data. Screen sharing was applied to audit volume accounting spreadsheets such as the credit account.

6.3 Process for consultation with stakeholders

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 would be filtered to omit any stakeholders that are not geographically relevant to the certificate-holder/applicant's supply base. SCS did not conduct a stakeholder consultation for this audit project. No other comments were received or came to the attention of SCS or the auditor.

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 requirements regarding the communication of Dynamic Batch Sustainability data and the maintenance of credit accounts that provide a means for tracking feedstock sustainability data throughout the value chain till sales.

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 auditor confirms that Shaw Resources has a sufficient data collection and record keeping system. During the audit it was reviewed how pertinent feedstock information was tracked from incoming supplies throughout the material balance and up to sales. SCS concluded that Shaw Resources Eastern Embers has the competency to analyse and accurately report the required data required throughout their operations.

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

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.

10.1 NCs identified during this audit

None identified

10.2 Previous audit CAR Closure:

NC number 1	NC Grading: Minor
Standard & Requirement:	IN-2C 4.1
Description of Non-conformance and Related Evidence:	
<p>Some information given in the SBR is incomplete our outdated:</p> <ol style="list-style-type: none"> 1. Eastern Embers Feedstock Table on page 3 lists data from the year 2016 2. Some required items are not included in section 2.1: <ol style="list-style-type: none"> a. comparison of the scale of harvesting compared to other forest-based industries in the region b. socio-economic conditions c. presence of any IUCN or CITES species d. indication of the number of suppliers per feedstock group 3. Section 2.3 d): the area in hectare is not indicated for the forests by management type 	
Timeline for Conformance:	<p>By the next surveillance audit, but no later than 12 months from report finalisation date</p> <p>June 3rd, 2021</p>
Evidence Provided by Company to close NC:	<p>1, Eastern Embers Feedstock table on page 3 of the SBR has been updated to include data from the last 4 quarters to May, 2020.</p> <p>2. A) a comparison of the scale of harvesting to other forest based industries has been included b) a short excerpt on socio-economic conditions has been added to section 2.1, c)The SBR has been updated to indicate the presence of any CITES species d) The table in section 2.1 specifies the number of suppliers for Eastern Embers which</p>

	has one feedstock group, sawmill residuals 3. The area in hectares for each province Section 2.1 d) has been updated to include hectares
Findings for Evaluation of Evidence:	A revised SBR was submitted that fully addresses the above identified issues.
NC Status:	Closed

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:	24/Sep/2020
Other comments:	<i>Click or tap here to enter text.</i>