



Supply Base Report: Granules Combustibles Energex inc.

Third Surveillance Audit

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Completed in accordance with the Supply Base Report Template Version 1.6

For further information on the SBP Framework and to view the full set of documentation see www.sbp-cert.org

Document history

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Contents

1 Overview

2 Description of the Supply Base

2.1 General description

2.2 Description of countries included in the Supply Base

2.3 Actions taken to promote certification amongst feedstock supplier

2.4 Quantification of the Supply Base

3 Requirement for a Supply Base Evaluation

4 Supply Base Evaluation

4.1 Scope

4.2 Justification

4.3 Results of risk assessment and Supplier Verification Programme

4.4 Conclusion

5 Supply Base Evaluation process

6 Stakeholder consultation

6.1 Response to stakeholder comments

7 Mitigation measures

7.1 Mitigation measures

7.2 Monitoring and outcomes

8 Detailed findings for indicators

9 Review of report

9.1 Peer review

9.2 Public or additional reviews

10 Approval of report

Annex 1: Detailed findings for Supply Base Evaluation indicators

Annex 2: Detailed findings for REDII

1 Overview

Producer name: Granules Combustibles Energex inc.

Producer address: 3891 Président Kennedy, G6B 3B8 Lac-Mégantic (Québec), Canada

SBP Certificate Code: SBP-08-39

Geographic position: 45.576620, -70.867290

Primary contact: Alain Perreault, +1 819 583 5131 X1170, aperreault@lignetics.com

Company website: <https://energex.com>

Date report finalised: 13 May 2024

Close of last CB audit: 14 May 2024

Name of CB: Preferred by Nature OÜ

SBP Standard(s) used: SBP Standard 2: Verification of SBP-compliant Feedstock, SBP Standard 4: Chain of Custody, SBP Standard 5: Collection and Communication of Data Instruction

Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>

SBP Endorsed Regional Risk Assessment: SBP-RRA-CA-QC-FOR_v2.0 RRA for Quebec FOR_Interim

Weblink to SBR on Company website: N/A

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations					
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance	Re-assessment
☐	☐	☐	☒	☐	☐

2 Description of the Supply Base

2.1 General description

Feedstock types: Secondary

Includes Supply Base evaluation (SBE): Yes

Includes REDII: Yes

Includes REDII SBE: No

Includes RED II TOF: N/A

Feedstock origin (countries): Canada, United States

2.2 Description of countries included in the Supply Base

Country: Canada

Area/Region: Quebec

Sub-Scope: N/A

Exclusions: Yes, Forêts privées, Québec / Private woodlots, Quebec

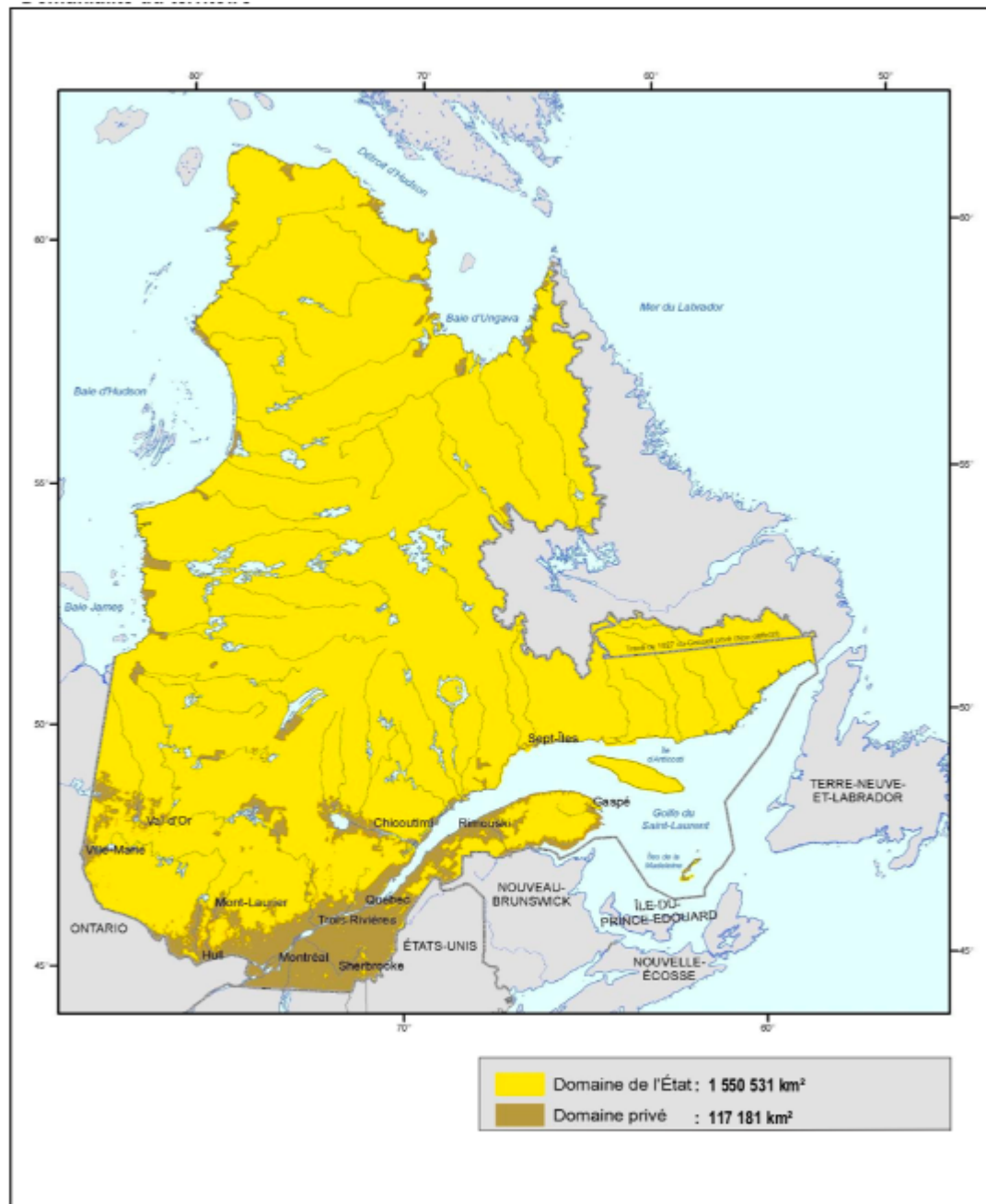
The biomass producer's feedstock consists solely of secondary-grade by-products generated by primary and secondary processing plants. The supply is made up of several hardwood and softwood tree species.

Hardwoods			
French Name	English Name	Plant Scientific Name	Contry of Harvest
Bouleau à paier	Paper birch	Betula papyrifera	USA & Canada
Bouleau jaune	Yellow birch	Betula alleghaniensis	USA & Canada
Chêne blanc	White oak	Quercus alba	USA & Canada
Chêne rouge	Red oak	Quercus rubas	USA & Canada
Érable argenté	Silver maple	Acer saccharinum	USA & Canada
Érable à sucre	Sugar maple	Acer saccharum	USA & Canada
Érable rouge	Red maple	Acer rubrum	USA & Canada
Frêne blanc	White ash	Fraxinus americana	USA & Canada
Frêne noir	Black ash	Fraxinus nigra	USA & Canada
Hêtre grande feuille	American beech	Fagus grandifolia	USA & Canada
Orme d'Amérique	White elm	Ulmus americana	USA & Canada
Ostryer de virginie	Amerian hop-hornbean	Ostrya virginiana	USA & Canada
Peuplier baumier	Balsam popular	Populus balsamifera	USA & Canada
Peuplier deltoide	Eastern cottonwood	Populus deltoides	USA & Canada
Peuplier faux-tremble	Trembling aspen	Populus tremuloides	USA & Canada
Tilleul d'Amérique	Basswood	Tilia americana	USA & Canada

Softwoods			
French Name	English Name	Plant Scientific Name	Contry of Harvest
Épinette blanche	White spruce	Picea glauca	USA & Canada
Épinette noire	Black spruce	Pieca marina	USA & Canada
Épinette rouge	Red spruce	Pieca ruben	USA & Canada
Mélèze laricin	Eastern larch	Iarix laricina	USA & Canada
Pin gris	Jack pine	Pinus banksiana Lamb.	USA & Canada
Pin blanc	Eastern white pine	Pinus strobus	USA & Canada
Pin rouge	Red pine	Pinus resinasa Ait.	USA & Canada
Pruche du Canada	Eastern hemlock	Tsuga canadensis (L.)	USA & Canada
Sapin baumier	Balsam fir	Abies balsamea (L.)	USA & Canada
Thuja occidental	Eastern white cedar	Thuja accidentalis	USA & Canada

It has two bulk pellet product groups, the first for pellets made from fiber sourced in Canada, and the second for fiber sourced in the United States. Approximately 10% of its total supply is considered SBP Compliant, which contributes to the sale of SBP Biomass Compliant pellets. Energex's sole supplier purchases raw materials from manufacturers who deliver directly to its Lac-Mégantic facility. The origins of its suppliers' supplies are determined using public information provided by the Quebec government and responses obtained from sub-suppliers to surveys concerning their supply baskets. It is recorded and mapped on originsdubois.com. This information enables us to define supply forests in terms of tenure, province/state and country.

The State domain covers an area of 1,550,531 km², while the private domain covers 117,181 km². There are more than 140,000 owners, of whom around 40,000 market roundwood. The vast majority of these owners are located in the southern part of the province, as shown in the figure below.



Source : Ministère de l'Énergie et des Ressources naturelles.

Mise à jour en 2014.

The public forest is managed by the Ministère des Ressources naturelles et des Forêts (MRNF). The government implements the LADTF by drawing up forest management plans and monitoring compliance with the Règlement d'aménagement forestier durable (RADF). Forest management in public forests involves implementing the principle of ecosystem-based management by integrating management targets inspired by the historical variability of the forest ecosystem. Tools (e.g. habitat quality index, habitat quality model, habitat quality score, habitat potential assessment keys) have been developed to assess changes in the habitat quality of focal species caused by forest management. Using these tools, the forest management approach implemented in Quebec ensures that biological diversity and ecosystems representative of natural forests as a whole are maintained at landscape level. This "gross filter" approach reduces threats to a majority of species, natural habitats, ecosystems and areas of high conservation value.

The MRNF delegates the monitoring of the LADTF in private forests to private forest development agencies. These agencies work with accredited professionals who offer their services and advice to private

woodlot owners. In private forests, regional plans for the protection and enhancement of private forests (PPMV), in line with MRC management plans, adopt an ecosystem-based approach with monitoring indicators to aim for the range of natural variation. The responsible authorities ensure public participation and consultation to establish the orientations and objectives of the PPMVs and plans. Either the forestry advisor or the landowner is responsible for identifying VSS habitat and other rare or sensitive ecosystems.

Quebec's regional SBP risk assessment concluded that all indicators related to raw materials from the province's public forest were low risk. With the exception of forest management units 06151, 05151, all FMUs are certified to FSC, SFI or both forest certification programs. The zone covers the boreal and mixed forest biomes. This includes eastern boreal transitional forests, eastern Great Lakes lowland forests, New England/Acadia forests and eastern Canadian forests.

Only 2.4% of the volume allocated in public forests is intended for energy purposes. This is made up of non-marketable wood such as branches and logging debris, and 2% is destined for biomass producers (ref. MFFP Supply Guarantee 2018-2023). The forestry sector is a major economic driver in Canada. In Quebec, it represented 8.9% of the workforce with over 11% of wages in 2019.

Several species at risk are found in public forests. To name but a few species sensitive to forestry operations, we find American ginseng (*Panax quinquefolius*), Furbish's lousewort (*Pedicularis furbishiae*), woodland caribou (*Rangifer tarandus caribou*), wood turtle (*Glyptemys insculpta*) and Blanding's turtle (*Emydoidea blandingii*). Recovery plans and sound practices are implemented to mitigate the risks of forestry operations on these species. American elm (*Ulmus americana*) and white ash (*Fraxinus americana*) are listed as endangered by the IUCN, but are not identified as such by the federal or provincial governments, nor by the Committee on the Status of Endangered Wildlife in Canada (COSEWIC). According to the IUCN, threats to white ash and American elm come from invasive non-native/foreign species/diseases unrelated to forestry practices. These species are found more to the south of the producer's supply regions in mixed stands and can be harvested, although they are generally of non-commercial dimensions.

Country: United States

Area/Region: Maine, New Hampshire, Vermont, New York, Pennsylvanie, Connecticut, Rhode Island, Massachusetts

Sub-Scope: N/A

Exclusions: No

All raw material deliveries are received either FSC Mix or FSC Controlled Wood from the biomass producer. Sourcing is managed and supplied by a single supplier, an FSC-certified panel manufacturer, located in the same community as the biomass producer in Lac-Mégantic, Quebec, Canada. The majority of sub-suppliers are located in Canada along the U.S. border, with only 7% located in the states of New Hampshire and Maine.

Supply regions were confirmed using the originsdubois.com portal and documents and information collected from suppliers, such as delivery notes and customs forms. Wood fiber is sourced from the following U.S. states: New York, Pennsylvania, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island and Maine. The state forests of New York, Pennsylvania and Massachusetts have dual forest

management certification under FSC and SFI. Certified forests on private land can be found in all eight states in the supply regions. The plant biome is made up of mixed softwood and hardwood forests. There is a greater diversity and quality of tree species in these regions (e.g. maple, oak, walnut, birch, poplar, pine, spruce) than in Quebec.

ÉTATS	Superficies forestières productives	Mètre cube de bois en forêt	Aires protégées ¹
Maine (2015)	Stable depuis 1960	+5.8% vs 2010	11%
New Hampshire (2017)	Perte de 1.5%	+1.8% depuis 2012	25%
Vermont (2017)	Perte de 1.9%	+1% depuis 2012	15%
New York (2019)	Perte de 1.6%	-	13%
Massachusetts (2017)	Stable	+5.5%	15%
Rhode Island (2017)	+ 0.8%	+6.4%	9%
Connecticut (2017)	+ 2.9%	+6.7%	8%

¹ Classes 1, 2 and 3

(<https://usforests.maps.arcgis.com/>)

National forests are managed by the US Forest Service. State forests and other wooded lands are managed under state legislation. Timber harvests in all states are marketed primarily for pulpwood and sawlogs. Biomass harvesting has been part of the landscape for over 20 years, and in some cases accounts for over 25% of total harvested products.

In Maine, the forestry sector generates \$8.5 billion and accounts for 27% of the state's total exports. In New Hampshire, forestry and recreation contribute \$3.8 billion to the economy. In Vermont, the forestry sector sustains more than 10,000 direct jobs, with an annual output of \$1.5 billion. In New York, more than 41,000 direct jobs and over \$13.1 billion in direct output to the economy. In Pennsylvania, 10% of the state's total workforce comes from the forestry industry. More than 12,000 jobs come directly from Connecticut's forestry industry, with \$3.3 billion in direct output to the economy. In Massachusetts, it's over 26,000 jobs and more than \$5.2 billion in economic output. With a small forestry base, Rhode Island still generates nearly 5,000 jobs and over \$1 billion in the economy.

There are several species at risk in the northeastern region of the United States, such as northern bats (*Myotis septentrionalis*) and Indiana bats (*Myotis sodalis*), spotted turtles (*Clemmis guttata*) and spiny softshell turtles (*Apalone spinifera*). , the five-lined skink (*Plestodon fasciatus*), the timber rattlesnake (*Crotalus horridus*), the American ginseng (*Panax quinquefolius*) and the small whorled pogonia (*Isotria medeoloides*). A low-risk designation for species at risk in the region was determined by FSC's U.S. National Risk Assessment version 1.0.

Country: Canada

Area/Region: Ontario, Québec (private forests), Nouveau-Brunswick

Sub-Scope: N/A

Exclusions: Yes, Forêts publiques du Québec/ Public forest of Quebec (see other section on Quebec)

Sourcing regions have been confirmed with the originsdubois.com portal and with documents and information collected from subcontractors such as delivery notes and customs forms. The sourcing regions include the following WWF ecoregions: Eastern Boreal Transition Forests, Eastern Great Lakes Lowland Forests, New England/Acadia Forests, Eastern Canada Forests and Gulf of St. Lawrence Lowland Forests. In terms of biomes, Quebec and New Brunswick have a small proportion of boreal forest. The remainder are considered mixed hardwood/softwood forests.

The extent of supply regions to the west includes the southeastern part of the province of Ontario. The province of Quebec's wood supply is concentrated in the southern regions, as far north as the Côte-Nord in the northeast and the Gaspésie in the east. This is where the boreal biome is located, accounting for 13% of the biomass producer's total supply base. Wood is sourced from all over the province of New Brunswick.

In Ontario, Quebec and New Brunswick, public forest supply comes mainly from certified areas. In Ontario, all forest management units within the supply regions (4) are certified, three of which are FSC and one is CSA (PEFC approved). In the 5-year period between 1995 and 2020, 2% of Ontario's total wood allocation was for biomass, with less than half coming from forest management units in supply regions (Forest Management Report, Ontario). All but two forest management units in Quebec (06151, 05151) and New Brunswick (licence no. 5) are not certified under any forest certification program. In Quebec, 2.4% of the total volume allocated in public forests is non-merchantable wood, generally for energy production, and 2% is for biomass producers (ref. MFFP Supply Guarantee 2018-2023). As for private woodlots, many forest certificate holders are located in Ontario, Quebec and New Brunswick. In New Brunswick, the total annual allowable cut on Crown land is 5.7 Mm³, of which approximately 1% is allocated to biomass producers.

The forestry sector is very important to these provinces. In Quebec, it accounted for 8.9% of the workforce and over 11% of wages in 2019. Exports of forest products accounted for over 10% of total exports. In New Brunswick, over 7% of the workforce comes from the forest industry (2016). Companies in the sector account for 8% of all businesses in the province. In Ontario, the forestry sector sustains over 150,000 jobs, representing more than 21% of the country's total forestry workforce and over \$12 billion in the Ontario economy.

In Canada, forest management is the constitutional responsibility of provincial governments. Legislation, communications and enforcement are the responsibilities of provincial governments. Forest management plans and regulatory compliance are undertaken by their respective ministries, Ontario's Ministry of Natural Resources and Forestry, Quebec's Ministry of Forests, Wildlife and Parks, and New Brunswick's Ministry of Natural Resources and Energy Development. Sustainable forest management is implemented through a comprehensive set of laws, regulations and guidelines for each province. The vast majority of forest land is naturally managed forest. Harvesting operations are a mix of partial and final cuts. A very small proportion of the total commercial forest area is plantations, also known as intensive production forests. These are mainly located on private land.

2.3 Actions taken to promote certification amongst feedstock supplier

Promotion of forest certification is ongoing in the region for more than two decades. The Quebec Wood Export Bureau (QWEB), the provincial and federal governments promote and support businesses throughout the forest value chain to become certified. The great majority of public forests in the supply base from the provinces of Ontario, Quebec and New Brunswick are certified under FSC and SFI forest certification schemes. The biomass producer is a QWEB member and its direct and only supplier is FSC certified.

2.4 Quantification of the Supply Base

Supply Base

- a. **Total Supply Base area (million ha):** 203.91
- b. **Tenure by type (million ha):** 59.04 (Privately owned), 144.87 (Public)
- c. **Forest by type (million ha):** 63.89 (Boreal), 140.02 (Temperate)
- d. **Forest by management type (million ha):** 203.91 (Managed natural)
- e. **Certified forest by scheme (million ha):** 12.12 (FSC), 16.06 (SFI), 0.44 (PEFC)

Describe the harvesting type which best describes how your material is sourced: Mix of the above

Explanation: Harvesting in boreal forests mimic natural disturbance patterns and intensity. Harvest blocks vary in size from 150-200ha to a more common 50ha. Clearcuts are more common in the boreal forest where natural disturbances can impact forests at a landscape level. Forest management is based on ecosystem based management and integrated in the Quebec Forest Act. In the mixed hardwood forests of the southern part of the supply base in Ontario, Quebec, New Brunswick and North eastern states, harvest areas are on average smaller in size and where selective cutting is more common practice. This is because natural disturbances are smaller in size in terms of patches or groups of trees. Stand composition is also more diverse in terms of species and structure.

Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority

Explanation: The great majority of forest harvests in the supply base is for sawlogs, veneer, pulp logs and biomass. As mentioned above, a very small proportion of volume allocated on public forests in Canada is for biomass purposes (below 5%). In the United States, state reports suggest forest biomass harvest can represent up to 30% of the total volume harvested in individual states included in the supply base. A small percentage of this 30% is dedicated to pellet manufacturers, the majority supplying energy generation facilities.

For the forests in the Supply Base, is there an intention to retain, restock or encourage natural regeneration within 5 years of felling? Yes - Majority

Explanation: Forest management legislation in Canada and the United States on both public and private land require sites to remain productive and regenerated within 5 years of felling.

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? Yes - Minority

Explanation: Natural disturbances occur at various scales, intensities and time frames across the supply base. It is not uncommon to find large areas in the boreal forest impacted by fires, pest outbreaks or wind-throws. Salvage logging is prescribed when possible depending on accessibility and the rate at which the timber can be harvested. Not all affected stands are salvaged and for multiple reasons such as for conservation objectives and accessibility or lack thereof. Generally, salvage logging should occur within 2 years of the disturbance. In mixed-hardwood forests, large wind-throw areas do occur but are less common

than large disturbances found in the boreal forest. This is why salvage logging in this part of the supply base is extraordinary.

What is the estimated amount of REDII-compliant sustainable feedstock that could be harvested annually in a Supply Base (estimated): 220000.00 tonnes

Explanation: Estimate is based on deliveries of SBE compliant feedstock from previous reference period.

Feedstock

Reporting period from: 01 Jan 2023

Reporting period to: 31 Dec 2023

- a. **Total volume of Feedstock:** 200,000-400,000 tonnes
- b. **Volume of primary feedstock:** 0 N/A
- c. **List percentage of primary feedstock, by the following categories.**
 - Certified to an SBP-approved Forest Management Scheme: N/A
 - Not certified to an SBP-approved Forest Management Scheme: N/A
- d. **List of all the species in primary feedstock, including scientific name:**
- e. **Is any of the feedstock used likely to have come from protected or threatened species?** N/A
 - Name of species: N/A
 - Biomass proportion, by weight, that is likely to be composed of that species (%):
- f. **Hardwood (i.e. broadleaf trees): specify proportion of biomass from (%):**
- g. **Softwood (i.e. coniferous trees): specify proportion of biomass from (%):**
- h. **Proportion of biomass composed of or derived from saw logs (%):**
- i. **Specify the local regulations or industry standards that define saw logs:** N/A
- j. **Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%):**
- k. **Volume of primary feedstock from primary forest:** N/A
- l. **List percentage of primary feedstock from primary forest, by the following categories. Subdivide by SBP-approved Forest Management Schemes:**
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme: N/A
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme: N/A
- m. **Volume of secondary feedstock:** 200,000-400,000 tonnes
 - Physical form of the feedstock: Chips, Sawdust
- n. **Volume of tertiary feedstock:** 0 N/A
 - Physical form of the feedstock:
- o. **Estimated amount of REDII-compliant sustainable feedstock that could be collected annually by the BP:** 220000.00tonnes

Proportion of feedstock sourced per type of claim during the reporting period

Feedstock type	Sourced by using Supply Base Evaluation (SBE) %	FSC %	PEFC %	SFI %
Primary	0.00	0.00	0.00	0.00
Secondary	59.03	40.97	0.00	0.00
Tertiary	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00

3 Requirement for a Supply Base Evaluation

Note: Annex 1 is generated by the system if the SBE is used without Region Risk Assessment(s). Annex 2 is generated if RED II SBE is in the scope.

Is Supply Base Evaluation (SBE) is completed? Yes

The biomass producer sources chips only as secondary feedstock and wood residues generated by primary and secondary processing facilities. An in depth analysis of the sub suppliers located in the province of Quebec sourcing wood from public forests was undertaken to determine the proportion of their total feedstock sourced from public forests. Once this proportion is appropriately supported, it is used to calculate the amount of the deliveries that can be considered sourced from public forests from the province of Quebec.

Is REDII SBE completed? No

N/A

4 Supply Base Evaluation

Note: Annex 2 is generated if RED II is in the scope.

4.1 Scope

Feedstock types included in SBE: Secondary

SBP-endorsed Regional Risk Assessments used: SBP-RRA-CA-QC-FOR_v2.0 RRA for Quebec
FOR_Interim

List of countries and regions included in the SBE:

Country: Canada

Indicator with specified risk in the risk assessment used:

1.6.1 The BP has implemented appropriate control systems and procedures to ensure that feedstock is not sourced from areas where there are violations of traditional or civil rights.

Specific risk description:

Even though some Nations have signed consultation and accommodation agreements, the assessment is not able to conclude that there is a low risk that forest activities violate the rights of First Nations in private forests.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.1.1 The BP has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation value in the Supply Base are identified and mapped.

Specific risk description:

Forest activities may be carried out without assistance programs, such as those for private woodlot development and property tax refunds. As a result, these activities are not subject to the same requirements of sound forestry practices and the same frequency of professional monitoring. Even though these activities must comply with development plans, municipal by-laws and other laws and regulations associated with logging in private woodlots, it is difficult to ascertain whether HCVs are identified and mapped on these properties.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:

According to the information analyzed on harvesting operations in uncertified private forests without an assistance program, there is a specified risk that the potential threats of forest development activities to HCVs are not adequately taken into account by current procedures and control systems (see indicator 2.1.1).

Country: Canada

Indicator with specified risk in the risk assessment used:

2.2.1 The BP has implemented appropriate control systems and procedures to verify that feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them.

Specific risk description:

A specified risk in private forests to the extent that monitoring mechanisms need to be identified and, in the case of work not carried out under a program, the identification of potential impacts and the appropriate planning are uncertain.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.2.2 The BP has implemented appropriate control systems and procedures for verifying that feedstock is sourced from forests where management maintains or improves soil quality (CPET S5b)

Specific risk description:

Specified risk in private forests to the extent that monitoring mechanisms need to be identified and, in the case of work not carried out under the program, the identification of possible impacts and the requisite planning are uncertain.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.2.4 The BP has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).

Specific risk description:

According to information analyzed on harvesting in uncertified private forests that do not benefit from an assistance program, there is a specified risk that these forest practices will not ensure protection and maintenance of biodiversity. Municipalities or RCMs may have by-laws governing such practices, but such by-laws are specific to each as are the resources deployed to check compliance by forest owners.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.2.5 The BP has implemented appropriate control systems and procedures for verifying that the process of residue removal minimises harm to ecosystems.

Specific risk description:

Forest activities may be carried out without assistance programs, such the programs for the private forest management program and the property tax refund program. As a result, these activities are not subject to the same requirements of sound forest practices and the same frequency of professional monitoring. Even

though these activities must comply with development plans, by-laws and other laws and regulations associated with logging in private forests, it is difficult to verify whether the harvesting of forest biomass in private forests without development assistance minimizes impacts on the forest environment.

Country: Canada

Indicator with specified risk in the risk assessment used:

2.2.6 The BP has implemented appropriate control systems and procedures to verify that negative impacts on ground water, surface water and water downstream from forest management are minimised (CPET S5b).

Specific risk description:

Forest activities may be carried out without assistance programs, such as the managing private forests assistance program and the property tax refund program. Such activities must comply with development plans, municipal by-laws and other laws and regulations associated with logging in private forests. As a result of uneven monitoring of forest operations in private forests without development assistance, it is not possible to verify whether negative impacts on the water system are minimized in such forests.

4.2 Justification

The SBP RRA for the province of Quebec conducted the analysis and was not modified by the biomass producer.

4.3 Results of risk assessment and Supplier Verification

Programme

At the end of the process, Energex used the SBP Quebec RRA conclusions. No risk were associated to feedstock sourced from public land in the province of Quebec. As all the feedstock is received FSC Mix and FSC Controlled Wood, the SVP is limited to confirming the list of suppliers and their certification status, to confirm the category of feedstock delivered at the plant at the time of reception and the implementation of on-site audit program required by REDII for by-product suppliers.

4.4 Conclusion

The biomass producer refers to the conclusions of the SBP Quebec RRA. As all material is FSC certified, all feedstock is compliant to STD 2. Suppliers are bound by contract to deliver only secondary feedstock. All deliveries are sampled for quality and moisture content. An internal audit program assesses suppliers which deliver secondary feedstock to confirm compliance with by-product REDII definitions and commitment.

5 Supply Base Evaluation process

With the support of the Quebec Ministry of Natural Resources and Forests, supplier origins of their feedstock was confirmed to determine the proportion sourced from public forest in the province of Quebec.

6 Stakeholder consultation

In June 2023, Energex communicated with stakeholders requesting comments on their SBR, their supply area and type of feedstock. No comments were received from stakeholders.

6.1 Response to stakeholder comments

7 Mitigation measures

7.1 Mitigation measures

Country:

Canada

Specified risk indicator:

1.6.1 The BP has implemented appropriate control systems and procedures to ensure that feedstock is not sourced from areas where there are violations of traditional or civil rights.

Specific risk description:

Even though some Nations have signed consultation and accommodation agreements, the assessment is not able to conclude that there is a low risk that forest activities violate the rights of First Nations in private forests.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.1.1 The BP has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation value in the Supply Base are identified and mapped.

Specific risk description:

Forest activities may be carried out without assistance programs, such as those for private woodlot development and property tax refunds. As a result, these activities are not subject to the same requirements of sound forestry practices and the same frequency of professional monitoring. Even though these activities must comply with development plans, municipal by-laws and other laws and regulations associated with logging in private woodlots, it is difficult to ascertain whether HCVs are identified and mapped on these properties.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:

According to the information analyzed on harvesting operations in uncertified private forests without an assistance program, there is a specified risk that the potential threats of forest development activities to

HCVs are not adequately taken into account by current procedures and control systems (see indicator 2.1.1).

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.2.1 The BP has implemented appropriate control systems and procedures to verify that feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them.

Specific risk description:

A specified risk in private forests to the extent that monitoring mechanisms need to be identified and, in the case of work not carried out under a program, the identification of potential impacts and the appropriate planning are uncertain.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.2.2 The BP has implemented appropriate control systems and procedures for verifying that feedstock is sourced from forests where management maintains or improves soil quality (CPET S5b)

Specific risk description:

Specified risk in private forests to the extent that monitoring mechanisms need to be identified and, in the case of work not carried out under the program, the identification of possible impacts and the requisite planning are uncertain.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.2.4 The BP has implemented appropriate control systems and procedures to ensure that biodiversity is protected (CPET S5b).

Specific risk description:

According to information analyzed on harvesting in uncertified private forests that do not benefit from an assistance program, there is a specified risk that these forest practices will not ensure protection and maintenance of biodiversity. Municipalities or RCMs may have by-laws governing such practices, but such by-laws are specific to each as are the resources deployed to check compliance by forest owners.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.2.5 The BP has implemented appropriate control systems and procedures for verifying that the process of residue removal minimises harm to ecosystems.

Specific risk description:

Forest activities may be carried out without assistance programs, such the programs for the private forest management program and the property tax refund program. As a result, these activities are not subject to the same requirements of sound forest practices and the same frequency of professional monitoring. Even though these activities must comply with development plans, by-laws and other laws and regulations associated with logging in private forests, it is difficult to verify whether the harvesting of forest biomass in private forests without development assistance minimizes impacts on the forest environment.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

Country:

Canada

Specified risk indicator:

2.2.6 The BP has implemented appropriate control systems and procedures to verify that negative impacts on ground water, surface water and water downstream from forest management are minimised (CPET S5b).

Specific risk description:

Forest activities may be carried out without assistance programs, such as the managing private forests assistance program and the property tax refund program. Such activities must comply with development plans, municipal by-laws and other laws and regulations associated with logging in private forests. As a result of uneven monitoring of forest operations in private forests without development assistance, it is not possible to verify whether negative impacts on the water system are minimized in such forests.

Mitigation measure:

Exclude the mass/volume of deliveries from sub-suppliers equivalent to the specified proportion of raw materials originating from private woodlots in the province of Quebec.

7.2 Monitoring and outcomes

Sub-suppliers are required to sign a wood supply declaration form confirming the forest origin of their wood supply and the proportion of their raw material coming from public and private landholdings in the province of Quebec. Declarations are updated annually. They also undertake to provide notification if their supply regions change during the year.

To renew their processing license, each mill is required by law to complete an annual survey confirming the origins of their wood supply in terms of tenure, provinces and states. In agreement with the biomass

producer, government representatives have created groups of sub-suppliers to define their average share of raw material from the public forest. These proportions are then used to determine the quantity of each delivery that can be considered as coming from public forests and SBP-compliant biomass.

8 Detailed findings for indicators

Detailed findings for each Indicator are given in Annex 1 in case the Regional Risk Assessment (RRA) is not used.

Is RRA used? Yes

9 Review of report

9.1 Peer review

NA

9.2 Public or additional reviews

NA

10 Approval of report

Approval of Supply Base Report by senior management			
Report Prepared by:	Nicolas Blanchette	Sourcing Specialist	02 May 2024
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	Stéphane Poirier	Directeur d'usine	13 May 2024
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A

Annex 2: Detailed findings for REDII

Section 1. RED II Supply Base Evaluation

N/A

Section 2. RED II detailed findings for secondary and tertiary feedstock

10.1 Verification and monitoring of suppliers

For suppliers and sub-suppliers of REDII residues (by-products), the procurement manager ensures that he obtains a signed commitment from them confirming that their material complies with the definition of residues as defined by REDII. A supplier listing includes the following information: address, category of feedstock, category and quality verification at time of reception, if REDII commitment is signed, etc.

If it is demonstrated that the supplier has generated and delivered by-products to Energex that do not respect their REDII commitment, i.e. that they have modified their production process for the deliberate purpose of producing roundwood chips, Energex will stop all deliveries from this supplier. Deliveries may only be resumed if the supplier has first demonstrated how it will comply with the REDII by-product definition.

For all suppliers, the following actions are undertaken for verification and monitoring of suppliers:

- a) Carry out/possess/know and annually update the non-controversial wood assessment to determine whether a supplier's wood comes from a region deemed to be high risk or not. To confirm a supplier's sourcing regions, it is mandatory to :
 - Know the contact details of the last log owner, e.g. the processing plant or distributor/broker.
 - Justify this owner's supply region.
- b) If the region is deemed to be high risk, the company will carry out a more in-depth assessment to determine whether wood from this region can be considered to be from controlled sources (see assessment method in Appendix II). If the wood is deemed to be from controversial sources, the company will not source it and will not contaminate pellet production.
- c) Monitor suppliers, i.e. periodically check that suppliers' traceability certificates are valid (ref. info.fsc.org, sfidatabase.org, info.fsc.org), note their expiry dates in the form provided and check that the controlled products offered by suppliers are included in their scope of supply (see Appendix II - Supplier monitoring form).
- d) Request confirmation from FSC/SFI-certified suppliers if all their deliveries will be 100% FSC 100% Certified, FSC Controlled Sources, FSC Mix Credit, 100% SFI Certified.

10.2 Feedstock inspection and classification upon receipt

The quality manager:

- a) Checks the quality of each delivery.
 - A sample of the delivery is bagged and analyzed.
 - Samples, analyzes are archived and available for verification by the Registrar.
- b) Completes the non-compliance sheet when:
 - The quality or type of raw material does not meet the expectations of the organization
 - If it is impossible to confirm at the time of receipt the category of the material delivered, the material will not be accepted otherwise an on-site audit of the supplier will be undertaken.

10.3 Supplier audit for secondary and tertiary feedstock

An audit of secondary and tertiary material suppliers.

- Intermediaries who do not take possession of the material can be assessed remotely.
- The audit may be carried out by a subcontractor.
- The organization will justify the intensity of its audits of these suppliers.

- no audits will be carried out for suppliers of sawdust and shavings, nor for suppliers of secondary processing.
- for suppliers of primary wood chips, in preparation for the internal audit, ensure that suppliers have been visited and sampled according to the following criteria:
 - they are active suppliers of primary roundwood chips;
 - sample at least x suppliers according to the formula $0.6 \times \sqrt{\text{number of suppliers selected}}$;
 - prioritize the most important suppliers.
- If suppliers refuse to visit their facilities, they will no longer be able to deliver raw material to Energex.
- Plant visits will evaluate the following criteria:
 - Raw materials in the plants
 - Presence or absence of machinery for roundwood chipping
 - Whether the supplier has chipped roundwood, and if so, why;
 - Where applicable, if the auditor notes the possibility of non-compliance with REDII by-product definitions, the following elements of the supplier will be examined:
 - Procedures/instructions implemented to control and classify secondary or tertiary material
 - Training given to personnel to carry out this control and classification
 - Records confirming the origin of the material.
 - Audits should be documented, specifying the date they were carried out, the observations, names and qualifications of the auditors, and examples of evidence confirming the classification of the material.
- If it is demonstrated that the supplier has generated and delivered by-products to Energex that do not respect their REDII commitment, i.e. that they have modified their production process with the deliberate aim of producing roundwood chips, Energex will stop all deliveries from this supplier. Deliveries may only be resumed if the supplier has first demonstrated how it will comply with the REDII by-product definition.

Section 3. RED II detailed findings for TOF feedstock

NOTE: For “Trees outside forests (TOF) – Urban and landscape feedstock¹” no REDII sustainability requirements apply, only the GHG savings criteria apply (SBP REDII Bridging ID Section 4.2). The land use category in this case is neither forest land nor agricultural land. For “Trees outside forests (TOF) – Agricultural land feedstock” the applicable criteria are Article 29 paragraphs (2)-(5).