Preferred by Nature OÜ Evaluation of Granules Combustibles Energex inc Compliance with the SBP Framework: Public Summary Report

NCR-verification audit

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report NCR-verification audit Template Version 1.06

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

Document history

Version 1.0: published December 2022

Table of Contents

1 Overview

Certification Body (CB) Name:	Preferred by Nature OÜ
Primary CB contact for SBP:	Ondrej Tarabus
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Audit team leader:	Yves Bouthillier
Audit team members:	Yves Bouthillier
Name of the Company:	Granules Combustibles Energex inc
Company legal address:	3891 Président Kennedy, G6B 3B8 Lac-Mégantic (Québec), Canada
Company contact for SBP:	Gilbert Lucie
Company contact email:	lgilbert@lignetics.com
Company website:	https://energex.com
SBP Certificate Code:	SBP-08-39
Date of certificate issue:	25 May 2021
Date of certificate expiry:	24 May 2026

Audit closing meeting date:	28 Feb 2023
Audit cycle:	NCR-verification audit

2 Specific objective

The specific objective of this evaluation was to assess Major NC-003107 and ensure that the Biomass Producer's management system is capable of ensuring requirements regarding tracking of credits that can be used for making SBP-compliant claims.

Evidence reviewed:

- Old credit table with errors

- New credit table with formula corrections

- Communications with client

3 Evaluation process

3.1 Timing of evaluation activities

Audit Level of Effort (LoE)		
Activity	***Auditors***	**Auditor hours**
1. Preparation	YB	0,5
2. On-site (excl. travel time)	YB	1,0
3. Report writing	YB	0,5
4. Other	N/A	N/A

Audit Schedule			
Activity	**Location**	**Auditor name**	**Date/time**
Communications of NCR status to client	Remote	Yves Bouthillier	28 Feb 2023/8:30

Auditor qualification		
Auditor name	**Role**	**Qualification**
Yves Bouthillier	Lead auditor	Yves is a biologist with a specialization in conservation and environment and a master's degree in Earth Sciences. He has been working in the field of

		environmental certifications since 2014, having worked for the Rainforest Alliance and now for Preferred by Nature (NEPCon) as a lead auditor for the Forest Stewardship Council (FSC) and Rainforest Alliance (agricultural products) certifications, while managing tens of clients across Canada and training auditors. Having completed more than 100 FSC audits for forest management, chain of custody and controlled wood, he assessed complex issues related to species at risk, High Conservation Values (HCVs) and community and workers' rights and interests. He also worked on conservation and restoration projects of important natural habitats for species at risk using science-based planning. Member of the Association des biologistes du Québec (ABQ) and bilingual (French and English).

3.2 Description of evaluation activities

The specific objective of this evaluation was to assess Major NC-003107 and ensure that the Biomass Producer’s management system is capable of ensuring requirements regarding tracking of credits that can be used for making SBP-compliant claims.

Evidence reviewed:

- Old credit table with errors

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- Communications with client

4 Non-conformities and observations

NC number NC-003105 (53501)	NC Grading: Minor
Standard:	SBP Standard 2: Verification of SBP-compliant Feedstock
Requirement:	6.2 The BP shall record the place of harvesting and the identity of the primary wood processor responsible for the supply of inputs classified as SBP-compliant secondary feedstock.
Description of Non-conformance and Related Evidence:	
The BP has defined relatively large supply base as they can potentially source material from quite far away. The size of the defined SB is almost 204 million hectares. The identification of the origin is based on supplier declarations from the suppliers where the origin is provided by each sub-supplier. These declarations are provided by the direct suppliers and who should have a contract with the sup-suppliers requesting to be informed whenever the origin region would change. During the audit, sample of sub-supplier declarations were checked, and it was revealed that one declaration was missing and that the contract with the direct supplier is missing the statement that supplier is obliged to inform the BP whenever the origin would change. Considering the fact that the SB defined by the BP is very large and therefore there is relatively small risk that the material would be coming from outside the defined SB, this is classified as minor NCR.	
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:	Supplier declarations including all requirements gathered for each sub-supplier.
Findings for Evaluation of Evidence:	Extensive supplier declarations were checked and it was revealed that all sampled suppliers and sub-suppliers provided the declaration. Additionally, the supplier declarations were updated and they include the requirement to provide the information to the BP in case the origin would change.
NC Status:	Closed

NC number NC-003106 (53508)	NC Grading: Minor
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.5
Requirement:	6.7.1 The BP shall record the total quantity of biomass leaving the processing plant during the Reporting Period.

Description of Non-conformance and Related Evidence:	
The organization has reported that the total production was 101 869t during the reporting period. The auditor did the calculation based on the reported input material 208,803 t with weighted moisture 48,74% and considering that 29 320 t of material reported under feedstock was used in the dryer. This calculation provided results of 97 296 t of theoretical production which is 4.7% less that was actually reported as produced (if feedstock with high humidity would be used, the difference would be 3.25% on the other hand, if the material used in the dryer would be the driest, the difference could be as big as 10.4%). The organization was not able to provide sufficient evidence why there was such a difference between the theoretical and real production. The production records as well as the records of material used in the dryer were checked and found consist and well documented. Considering the fact that the difference in the volumes is less than 5% this non-conformity is classified as minor.	
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:	The information provided in the 2022 mass balance was equal and there was no discrepancy between the figures.
Findings for Evaluation of Evidence:	Mass balance sheet demonstrated balance, and SAR document figures were therefore correct.
NC Status:	Closed

NC number NC-003109 (53502)	**NC Grading: Major**
Standard:	SBP Standard 4: Chain of Custody
Requirement:	5.1.2 The legal owner shall implement all aspects of the SBP-approved CoC system requirements for the SBP feedstock and biomass. Where there is a conflict between the requirements in the SBP-approved CoC system requirements and those specified in the SBP standards, the SBP standards shall have precedence. Note: SBP feedstock or biomass will not necessarily enter into the scope of the SBP-approved CoC system certification, but the SBP-approved CoC system CoC processes and requirements shall extend to SBP feedstock and biomass.
Description of Non-conformance and Related Evidence:	
All aspects of FSC CoC system are implemented. During this assessment, critical control points in FSC CoC system were evaluated by auditor, and no non-conformities identified. The BP has defined the conversion factor as 0.9 but during the audit it was revealed that the calculation was not done properly. In fact, the final conversion factor for the reporting period should be 0.84.	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	The BP has updated the calculation just after the audit and provided updated credit table with updated CF.

Findings for Evaluation of Evidence:	The auditor reviewed the updated credit table, it was revealed that the available credit was not in negative figures in any time. The figure used in the credit account are correct and in line with auditor calculation.
NC Status:	Closed

NC number NC-003103 (53503)	**NC Grading: Minor**
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.5
Requirement:	3.2.1 The BP shall determine the Scope End-points for biomass supplied with an SBP Claim. A Scope End-point occurs after production where biomass is transferred outside the scope of the BP"s certificate to another Legal Owner. An example is a port where the transfer of ownership takes place for delivery to an End-user or Trader. There can be more than one Scope End-point for a single biomass production facility.
Description of Non-conformance and Related Evidence:	
The organization has not defined the first SDI at factory gate as required.	
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:	The BP has updated the SAR just after the audit and included the SDI factory gate there.
Findings for Evaluation of Evidence:	The updated SAR was reviewed and it was revealed that SDI was defined are required by the standard.
NC Status:	Closed

NC number NC-003108 (53506)	**NC Grading: Major**
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.5
Requirement:	6.2.1 The SAR Reporting Period shall meet the following criteria: - the period should be 12 consecutive months; and - the start date shall not exceed 18 months before the audit onsite closing meeting date as indicated in the SAR. The BP may select a convenient Reporting Period, for example, fiscal year, civil/calendar year or any other 12-month period if it fits those requirements. Examples: 1) The audit

	onsite closing meeting is conducted on 1 April year Y. The BP may use data from the calendar year Y-1 as the start date of the reporting period is 15 months before the date of the audit onsite closing meeting. 2) The audit onsite closing meeting is conducted on 1 November year Y. The BP may not use the whole calendar year Y-1 as the reporting period as Y-1 exceeds 18 months from the date of the audit onsite closing meeting. The BP could select the period 1 May year Y-1 to the end of April year Y, as the Reporting Period start date then corresponds to 18 months before the date of the audit onsite closing meeting
Description of Non-conformance and Related Evidence:	
The BP has reported the data for electricity for 11 months from the reporting period and 1 month outside the reporting period.	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	The BP has provided updated SAR.
Findings for Evaluation of Evidence:	The auditor has reviewed the updated SAR and the figures from the received invoices for electricity. The review has revealed that the data for the electricity consumption are correct and cover the reporting period.
NC Status:	Closed

NC number NC-003101 (53509)	**NC Grading: Observation**
Standard:	SBP Standard 2: Verification of SBP-compliant Feedstock
Requirement:	IN2C; 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest version of the SBR template for Biomass Producers downloaded from the SBP website.
Description of Non-conformance and Related Evidence:	
The SBR is well covering most of the features required and the latest template is followed (SBP Portal is used). There are some minor deficiencies identified in the SBR which the BP should pay attention to: 1. Socio economic conditions are not covered in the SBR. 2. Information about species used by the BP is missing for the US regions (but covered for Canada which are similar). 3. Information about CITES or IUCN species is covered very superficially for US regions (but covered for Canada which are similar). Considering the good general quality and level of detail provided in the SBR the auditor decided to raise an observation for the missing information in the SBR	
Timeline for Conformance:	N/A

Evidence Provided by Company to close NC:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	N/A

NC number NC-003102 (53510)	**NC Grading: Observation**
Standard:	SBP Standard 4: Chain of Custody
Requirement:	6.3.2 The legal owner shall determine and implement effective arrangements against corruption, proportionate to the nature and the scale of organisation
Description of Non-conformance and Related Evidence:	
The organization has some clause in the contract with the supplier about providing of the information and that if any corruption would be identified they might terminate the contract. All the payments are done via bank transfers. The organization has not presented any code of conduct which would cover anti-corruption measures.	
Timeline for Conformance:	N/A
Evidence Provided by Company to close NC:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	N/A

NC number NC-003107 (68041)	**NC Grading: Major**
Standard:	SBP Standard 4: Chain of Custody
Requirement:	5.5.4 ‘SBP-compliant biomass’ is biomass which is produced in compliance with all relevant SBP standards using the rules of an SBP-approved Chain of Custody (CoC) System and is derived from SBP-compliant primary feedstock. It may physically contain SBP-compliant feedstock, Controlled Feedstock or EUTR-compliant biomass.

Description of Non-conformance and Related Evidence:	
There was an error in a formula of the credit table, resulting in the organization overselling FSC Mix and therefore SBP Compliant credits of about 5 044 DMT since March 2022. This is a major non-compliance with a 3 month deadline as non-compliant products were sold with a non-valid FSC claim but not SBP. It was a systematic issue that had effect on the SBP compliant credits.	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	- Flawed credit table (TableCreditsFSCEnergex2017-2022) - Corrected credit table (20230224CreditsFSC-Energex) - Communications with client
Findings for Evaluation of Evidence:	The previous credit table (TableCreditsFSCEnergex2017-2022) distinguished the credits by type of input. However, they were all accounted for in the same credit table. It was then impossible to know in the credits tab whether the available credits were FSC or SBE Compliant. The new credit table (20230224CreditsFSC-Energex) makes the distinction for inputs but also for outputs.
NC Status:	Closed

NC number NC-003100 (68046)	**NC Grading: Minor**
Standard:	SBP Standard 2: Verification of SBP-compliant Feedstock
Requirement:	IN2B; 1.2 Affected stakeholders shall be notified in advance of the SBE if feedstock harvesting is likely to negatively impact on them. They shall also be provided with opportunities for engagement in order to identify ways to avoid or reduce any negative impacts.
Description of Non-conformance and Related Evidence:	
The organisation conducted stakeholder consultation however did not include first nations in its stakeholder consultation list. The RRA for Quebec that was recently approved did have stakeholder outreach to first nations people. This non-conformity is considered minor in the context of the recent regional risk assessment approval for Quebec.	
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:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	Open

NC number NC-003104 (84103)	NC Grading: Minor
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.5
Requirement:	6.10.2 If feedstock is dried, then the following data shall be recorded in the corresponding Tables 3.5.2 of the SAR. Initial moisture of the feedstock, as received, and method for its evaluation: - weighted average of moisture measurements performed on all Feedstock Groups; - typical value based on some measurements (frequency of measurements, - supplier / process specifications); or - default value, e.g. for round wood. Type of dryer: - drum dryer; - belt dryer; or - other (specify). Energy carrier: - steam; - hot water; - hot air / flue gases; or - other (specify) Heat consumption if a meter is installed Origin of the heat: - burner; - conventional burner; or - CHP
Description of Non-conformance and Related Evidence:	
A miscalculation regarding the weighted average of moisture measures for all feedstock groups has resulted in volume data not calculating correctly in the auditor mass balance sheet. The organisation is capturing the data however it has not been correctly presented, resulting in a minor NCR	
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:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	Open

5 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):	Pilar Gorria
Date of decision:	21 Mar 2023
Other comments:	N/A