

NEPCon Evaluation of Warmeston OÜ - Sauga production 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 1.3

*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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Certified Supply Base:	Estonia
SBP Certificate Code:	SBP-01-08
Date of certificate issue:	03/Mar/2016
Date of certificate expiry:	02/Mar/2021

This report relates to the Scope Change Audit

2 Scope of the evaluation and SBP certificate

Scope of this evaluation is based on SBP standards 1; 2; 4; and 5. To meet the demand, Warmeston OÜ undertakes a supply base evaluation for primary and secondary feedstock that is originating from Estonia.

Organization holds valid FSC COC certificate NC-COC-024339 , covering both FSC transfer and FSC credit system and PEFC CoC certificate no NC-PEFC/COC-024339 covering also PEFC Controlled Sources part.

Company is using PEFC certification requirements for receiving raw material and FSC certification requirements for volume calculation and sales. Credit system is the main control system used and is implemented when FSC certified and FSC Controlled Wood inputs are used. FSC transfer system is exclusively used only to segregate uncontrolled materials and PEFC materials, in case such are received.

Wood pellets might be produced from roundwood, sawdust, chips or wood shavings. Other types of feedstock: chips from forest residues, sawmill residues and bark, are used in the drier. Inputs that are used for pellet production and inputs for the drier go through the same control system upon receipt. Company is sourcing feedstock from logging companies, traders and from primary and secondary producers.

All inputs for SBP-Compliant biomass production are FSC or PEFC certified and PEFC controlled. There is a FSC transfer system in place to segregate non-certified material for drier in case such materials need to be used. This non-certified material is not used as input for SBP product groups nor used in drier for SBP production.

All incoming wood materials are weighted by weighbridge or measured by log receiver in case of logs, and measurement data is recorded.

Wood pellets are sold based on DAP and FOB incoterms conditions. Sale can be made through EXW Warmeston OÜ Sauga , DAP Pärnu, Kunda, Muuga ports or FOB Pärnu, Muuga and Kunda ports.

Description of the scope: Production and trading of wood pellets and chips, for use in energy production, at Warmeston OÜ Sauga and transportation to Pärnu, Muuga, and Kunda harbours. The scope of the certificate includes SBE for primary and secondary feedstock from Estonia. The scope includes communication of Dynamic Batch Sustainability Data.

Scope Item	Check all that apply to the Certificate Scope	Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #1 V1.0; SBP Standard #2 V1.0; SBP Standard #4 V1.0; SBP Standard #5 V1.0 https://sbp-cert.org/documents	<input type="checkbox"/>
Primary Activity:	Pellet producer	<input type="checkbox"/>

Input Material Categories:	<input checked="" type="checkbox"/> SBP-Compliant Primary Feedstock		<input checked="" type="checkbox"/> SBP-Compliant Secondary Feedstock		<input type="checkbox"/>
	<input checked="" type="checkbox"/> Controlled Feedstock		<input type="checkbox"/> SBP non-Compliant Feedstock		
	<input checked="" type="checkbox"/> SBP-Compliant Tertiary biomass	<input checked="" type="checkbox"/> Pre-consumer Tertiary Feedstock			
	<input type="checkbox"/> SBP-approved Recycled Claim	<input type="checkbox"/> Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	<input checked="" type="checkbox"/> FSC	<input checked="" type="checkbox"/> PEFC	<input type="checkbox"/> SFI	<input type="checkbox"/> GGL	<input type="checkbox"/>
	<input checked="" type="checkbox"/> Transfer	<input type="checkbox"/> Percentage		<input checked="" type="checkbox"/> Credit	<input type="checkbox"/>
Points of sales Provide name of all points of sales	<input type="checkbox"/> Harbour (including own handling of material)	<input checked="" type="checkbox"/> Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour		<input checked="" type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	<input type="checkbox"/>
		<ul style="list-style-type: none"> - Pärnu Port FOB - Kunda port FOB - Muuga port FOB 		<ul style="list-style-type: none"> - Gate of the BP (EXW) -Kunda port DAP -Muuga port DAP -Pärnu port DAP 	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No		<input type="checkbox"/>
SBE Verification Program:	<input type="checkbox"/> Low risk sources only		<input checked="" type="checkbox"/> Sources with unspecified/ specified risk		<input type="checkbox"/>
	New districts approved for SBP-Compliant inputs: Estonia				

Sub-scopes	Only one sub-scope for SBE: Estonia – material from private forest owners	<input type="checkbox"/>
Specify SBP Product Groups added or removed: Chip trading added.		
Comments: -		

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. This is first annual evaluation of SBP system.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of FSC system control points, analysis of the existing FSC & PEFC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis
- Evaluation of mitigation measures implemented
- Evaluation of SBE monitoring results
- Evaluation of BP-s supplier audits (under SBE)
- Evaluation against Instruction Document 5D

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

SBP-endorsed Regional Risk Assessment for Estonia (Published 22 April 2016)

<https://sbp-cert.org/documents/risk-assessments/estonia>

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Warmeston OÜ is one of the largest bio-fuel producers in Estonia. Founded in 2003, its principal activities include the production and wholesale of wood pellets and flinders that provide an environmentally friendly and cost effective alternative to solid fuels. Most of the products are exported to Sweden and Denmark where it is used as fuel in large boiler houses that provide central heating to the end consumers.

The production of the wood pellets was introduced in 2010 Sauga production facility with a projected capacity of 120 000 tons per year. In 2016, the pellet plant was expanded, with new production capacity of 180 000 tons of pellets in a year.

More detailed description is provided in SBR (www.warmeston.ee).

5.2 Description of Company's Supply Base

Warmeston OÜ sources the majority (>90%) of its raw materials for pellet production through various suppliers from Estonia with a few suppliers delivering directly from Latvia. The suppliers include forest harvesting companies, sawmills, planing mills, secondary producers and traders. According to the EUTR Regulation No. 995/2010 Warmeston OÜ acts as "trader" and not as "operator" as the feedstock is purchased from other organizations within EU. However, the supply base may extend beyond the borders of Estonia as some of the suppliers may source their raw material partially from the neighbouring countries. As such Warmeston defines its supply base as the countries and regions in the following list to cover all current and potential future suppliers:

- Estonia
- Latvia
- Lithuania
- Finland
- Sweden
- Russia (North-West region)
- Belarus
- Italy
- Norway
- Ukraine
- USA

All primary feedstock sourced outside Estonia reaches Warmeston as secondary feedstock and originates from FSC or PEFC certified Forest Management or Chain of Custody schemes. BP is also buying tertiary feedstock from secondary production (sawdust and shavings) but this is all purchased with FSC claims. Warmeston started to rearrange its supply base in second half of 2015 by urging suppliers to get a chain of custody certification. This process was completed by Q2 2016. An overview of the proportions of SBP feedstock product groups over the last 12 months is presented in the table below:

Currently all feedstock used for pellet production and heating is at least with FSC Controlled Wood claim. An overview of the proportions of SBP feedstock product groups received during the last 12 months (including the period prior FSC certification) is presented in the table below:

Table 1. Overview of Warmeston's Sauga factory SBP feedstock profile 1st December 2017 to 30th November 2018

Feedstock product groups	Estimated Proportion	Indicative number of suppliers	Species mix
SBP-compliant Feedstock (Primary)	34.4%	19	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>
SBP-compliant Feedstock (Secondary)	31,3%	13	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>
SBP-compliant Feedstock (Tertiary)	0,7 %	1	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>
SBP-controlled Feedstock (Primary)	12,4%	12	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>
SBP-controlled Feedstock (Secondary)	12,1%	24	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>
SBP-controlled Feedstock (Tertiary)	9,1%	19	<i>Alnus spp: Alnus glutinosa; Alnus incana (L.) Moench; Betula spp: Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus spp: Populus tremula;</i>

More detailed description is provided in publicly available SBR (<https://www.warmeston.ee/>).

5.3 Detailed description of Supply Base

Estonia:

Estonia is a member of the European Union since 2004. The Estonian legislation is in compliance with the EU's legislative framework and directives. National legislative acts make references to the international framework. All legislation is drawn up within a democratic system, subject to free comment by all stakeholders. The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 2020 has clear objectives and strategies in place to ensure the forestland is protected up to the standards of sustainable forest management techniques. The Ministry of the Environment coordinates the fulfilment of state duties in forestry. The implementation of environmental policies and its supervision are carried out by two separate entities operating under its governance. The Estonian Environmental Board monitors all of the work carried out in Estonia's forests whereas the Environmental Inspectorate exercises supervision in all areas of environmental protection.

The forest is defined in the Forest Act. There are three main forest categories are described in this legislation: commercial forest, protection forest and protected forests. According to the ownership, forests are also divided into private forests, municipality forests and state owned forests. The state owned forest represent approximately 40% of the total forest area and is certified according to FSC and PEFC forest management and chain of custody standard in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed. The state forest is managed by State Forest Management Centre (RMK) which is a profit-making state agency founded on the basis of the Forest Act and its main duty lies in a sustainable and efficient management of state forest. Overall there is Overall there is 1 265 000 ha of FSC certified and 1 132 000 ha of PEFC certified forest.

Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual change in the forest cover was +0.4 %. Forestry Development Plan 2012-2020 and Yearbook Forest 2013, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill m³ per year. The amount is in line with sustainable development principle when the cutting rate doesn't exceed the annual increment and gives the potential to meet the long-term the economic, social and environmental needs. According to the Forestry Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.

For logging in any type of forest, it is required that a valid forest inventory or forest management plan, along with a felling permit issued by the Environmental Board, is available. All issued felling permits and forest inventory data is available in the public forest registry online database¹.

Area of protected forests accounts to 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests is located on state property. The main regulation governing

¹ <http://register.metsad.ee/avalik/>

the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act². Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1992³ and joined the International Union for Conservation of Nature (IUCN) in 2007⁴. There are no CITES or IUCN protected tree species naturally growing in Estonia.

According to the Forestry Yearbook 2014 the wood, paper and furniture industry (646,4 million euro) contributed 23.7% to the total sector providing 3.8% of the total value added. Forestry accounted for 1.5% of the value added.

In Estonia, it is permitted to access natural and cultural landscapes on foot, by bicycle, skis, boat or on horseback. Unmarked and unrestricted private property may be accessed any time and pick berries, mushrooms, medicinal plants, fallen or dried branches, unless the owner forbids it. On unmarked and unrestricted private property camping is allowed for 24 hours. RMK creates exercising and recreational opportunities in nature and in recreational and protection zones and provides education about the natural environment which are free to access.⁵

Latvia

Latvia is a parliamentary republic that joined the EU in 2004. In Latvia, forests cover area of 3 354 000 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), woodness amounts to 55.8%. The Latvian State owns 1 755 000 ha of forest, while 1 594 000 ha is privately owned. The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture. Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic metres.

Distribution of forests by the dominant species:

pine 34.3 %;
spruce 18.0 %;
birch 30.8 %;
black alder & grey alder 10.0 %; 4
aspen 5.4 %

The field of forestry In Latvia is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting

Implementation of requirements of the national law and regulations issued by the Cabinet of Ministers notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture

(Source: www.vmd.gov.lv).

² <https://www.riigiteataja.ee/en/eli/517062015004/consolide>

³ <http://www.envir.ee/et/cites>

⁴ <http://www.envir.ee/et/iucn>

⁵ https://www.eesti.ee/eng/topics/citizen/keskkond_loodus/maa/metsandus_1

Management of the state-owned forests is performed by the public limited company Latvijas Valsts Meži, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy. The share of forestry, wood-working industry and furniture production amounted to 6 % GDP in 2012.

(www.lvm.lv).

For the sake of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas have been included in the European network of protected areas Natura 2000. Most of the protected areas are state-owned. In order to protect highly endangered species and biotopes located without the designated protected areas, if a functional zone does not provide that, microreserves are established. According to data of the State Forest Service (2015), the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously. On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions are to be preserved, thus providing habitat for many organisms. Latvia has been a signatory of the CITES Convention since 1997. CITES requirements are respected in forest management, but there are no CITES tree species naturally growing in Latvia.

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

All forest area of Latvijas valsts meži as well as some part of forests in private and other ownership are FSC and PEFC certified. All together there is ca 1 300 000 ha FSC certified and 1 700 000 PEFC certified forest in Latvia.

Lithuania

Lithuania is a parliamentary republic that joined the EU in 2004. Forested land consists of about 34.5% percent, with 2.17 million ha. Approximately 837 000 ha of the forest is privately owned. The southeastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total value added in the forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012.

Forest land is divided into four protection classes: reserves (2 %); ecological (5.8 %); protected (14.9 %); and commercial (77.3 %). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well.

Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management. Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests - especially spruce and birch - often grow in mixed stands. The dominant forest composition is the following:

- Scots pine - 37.6%,
- spruce - 24.0%,
- birch - 19.5%,
- alder – 11.2%,
- Ash - 2.7%;
- Aspen - 2.6%,
- Oak - 1.8%,

There are no CITES tree species naturally growing in Lithuania.

To secure and maintain SFM both state and private forests are monitored and inspected by the Lithuanian State Forest Department, which also develops the main forestry management rules. Before commercial activities in the forests can commence, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting License for separate sites. The Harvesting Licence determines what kind of forest felling system is allowed and which species and in what amount can be harvested in the area. It also determines the forest regeneration method at each harvesting site. The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.

Total annual growth comes to 11 030 000 m³ and current harvest has reached some 9 million m³ u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m³. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result. The potential future annual cut is calculated at 5.2 million m³, of which 2.4 million m³ is made up of sawn timber and the remaining 2.8 million m³ of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

The total value added in the forest sector (including manufacture of furniture) reached EUR 1.2 billion in 2011 and was 25% higher than in 2010. Its share in the total national value added has increased from 3.7% (2010) to 4.2% (2011). The biggest share (EUR 520 million) of the value added in the sector was generated by the furniture industry.

There is ca 1 100 000 ha FSC certified forest in Lithuania, but no PEFC certified forest area.

(Source: <http://www.fao.org/docrep/w3722e/w3722e22.htm>)

Finland

Finland is a parliamentary republic that is a member of the EU since 1995.

Forests cover 75 percent of Finland's land area which accounts to ca 22 218 000 ha. Almost half of the volume of the timber stock consists of pine (*Pinus sylvestris*). The other most common species are spruce

(*Picea abies*) downy birch (*Betula pubescens*) and silver birch (*Betula pendula*). These species make for 97 percent of total timber volume in Finland.

The Forest Act regulates the felling of timber in Finland. Regional Forestry Centres control the implementation of the forestry legislation and accept forest use declarations in which forest owners inform about the stand characteristics, intended measures, regeneration and ecological concerns on the site before the felling can take place. Regional Environment Centres control the implementation of Nature Conservation Act. The Finland's National Forest Programme also states the importance of legal wood and lists measures to promote sustainable wood and to control illegal logging both nationally and internationally.

Private forest owners (mostly families) own the majority (60 %) of Finnish forests. Owner needs to get acceptance for forest use declaration from regional forest centres. The state owns 26 percent of the Finnish forests, private industries, such as forest industry companies nine and other bodies five percent. The state forests are mainly situated in the north of Finland, and 45 percent of them are under strict protection. State lands are managed by Metsähallitus.

Certification is voluntary for the forest owner however around 75% of Finnish forests have been certified under the PEFC certification system (Programme for Endorsement of Forest Certification). Certification criteria are stricter than decrees or legislation, which means that in practise, certification determines the standard of silviculture in Finland. Some Finnish forests have also been certified under the Forest Stewardship Council (FSC), however this forms only approximately 6% of the total forest area..

According to a report by UNECE the amount of illegal logging in Finland is negligible. An extensive national forest inventory, national forest programme and regional forest programmes, widely spread individual forest management plans and large share of private non-industrial ownership of forests contribute to almost non-existence of markets for illegal timber and negligible amount of illegal logging in Finland.

Finland joined CITES in 1976. Nowadays the national legislation for the implementation of CITES and relating EU regulations is the Nature Conservation Act (1096/1996), which came into force in the 1st of January 1997. IUCN National Committee of Finland was approved by IUCN Council in 1999.

The forest sector is one of key supporters of Finland's economy. In 2011 it employed directly about 70,000 people in Finland, which was 2.8 percent of all employees. One fifth of Finland's export income comes from forest industries. More than 60 percent of the value added generated by the forest industries came from pulp and paper industries and the rest from wood products industries in 2011. Regionally, the importance of the forest sector is largest in southeastern corner of Finland and in Etelä-Savo and Central Finland regions, where the sector produces some ten percent of the regional GDP.

Similar to Estonia Finland has a relatively rare concept of Everyman's rights (*Jokamiehenoikeus*) which gives everyone, Finns and other nationalities alike, the right to move freely outdoors. Picking berries and mushrooms is permitted even on privately owned land; thus free forest access provides, in addition to products for local or family consumption, income-earning opportunities for those who sell non-wood forest products. Everyman's right has traditionally been exercised with due concern for the environment and common courtesy to the landowner or those living in the vicinity.

A group considered as an indigenous people in Finland is the Sámi. Their rights have been secured in many laws e.g. the Constitution, the Sámi Parliament Act, the Act on the Finnish Forest and Park Service and the

Act on Reindeer Husbandry. The Sámi Parliament is the supreme political body of the Sámi in Finland. The Sámi Parliament represents the Sámi in national and international connections, and it attends to the issues concerning Sámi language, culture, and their position as an indigenous people. The Sámi Parliament can make initiatives, proposals and statements to the authorities. The Sámi Parliament Act also states that the authorities have an obligation to negotiate with the Sámi Parliament for all important measures that concern the Sámi people. These include for example the use of state land and conservation areas.

Sweden

Sweden is a parliamentary constitutional monarchy that joined the EU in 1995.

The Swedish Forest Agency is the national authority responsible for matters relating to the forest. It strives to ensure that the nation's forests are managed in such a way as to yield an abundant and sustainable harvest while at the same time preserving biodiversity. Its most important tasks are to give advice on forest-related matters, supervise compliance with the Forest Act, provide services to the forest industry, support nature conservation efforts and conduct inventories.

Sveaskog is Sweden's largest forest owner and is owned by the State. Sveaskog owns 14% of forest land in Sweden, spread across the entire country.

Sweden has Europe's second biggest afforested area after Russia. Sweden's productive forests cover about 28 million hectares. Spruce and pine are by large the predominant species in Swedish forests. These two species count for more than 80% of the timber stock. In northern Sweden pine is the most common species, whereas spruce, mixed with some birch, dominates in southern Sweden.

Due to effective and far-sighted forest management the timber stock in Sweden has increased by more than 60% in the last one hundred years and it is now 3000 million m³. In recent years felled quantities have been between 85 and 90 million m³, whereas annual growth amounts approximately to 120 million m³.

The amount of protected forests in Sweden amounts to circa 1.9 million hectares. A great extent, about 90% of these forests are the kind of forests in which minor interventions are allowed. The share of strictly protected forests, where no human interventions are allowed is 0.3 % from the forest area. National parks, nature reserves and nature conservation areas cover an area of 4.2 million hectares, i.e. 10% of Sweden's land area. There are at least 220.000 hectares of protected forests which still in terms of forest growth are productive. In addition, there are about 12.000 hectares of protected habitat types and 25.000 hectares of wood land set aside and protected by environment conservation agreements. Large forest areas are also protected through forest owners' voluntary activities. Sweden signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora in August 1974 and the convention entered into force in July 1975. Sweden has also established an IUCN National Committee.

Private forest owner families hold about 50% of Swedish forests, privately owned forestry companies about 25% and the State and other public owners have the remaining 25%. The ownership of forests in Sweden varies between regions. In Southern parts of the country forests are mainly owned by private persons whereas in Northern Sweden companies own more significant amounts of forests.

FSC certified forests amount to 12.2 million hectares and PEFC certified to 11.4 million hectares.

The forest products industry plays a major role in the Swedish economy, and accounts for between nine and 12 percent of Swedish industry's total employment, exports, sales and added value.

Similar to Estonia and Finland, Sweden everyone has the Right of Public Access to roam the Swedish countryside including walking, camping, climbing and picking flowers.

Russia (North-West region)

Some tertiary feedstock from spruce and pine may originate from Northwest Russia (appr. 60 million ha). Russian forests are semi-natural managed forests with native tree species. Plantation is not a form of forest management widely practiced in Russia. Forest area has favourable environment for natural regeneration of coniferous species (pine and spruce) [1].



The Russian Federation has the world's largest forests, comprising 1/5 of the Earth's total forest cover, 71 % of which are coniferous. Half of the country's territory is covered with forests; however, only 50 % of these forests are economically accessible. Russian forests are usually divided into four major geographic regions: European Russia, Western Siberia, Eastern Siberia, and the Russian Far East [1].

The total area of forested land in Russia is approximately 1.18 billion hectares. Annual allowable forest cut in Russia is 597 million cu. m, less than 30 % of which is annually utilized [1].

Most Russian forests are represented by boreal forest ecosystems dominated by pine, larch, spruce and fir. The most widespread tree species in Russia is larch, which grows primarily in Siberia and the Russian Far East. The mostly prevalent broad-leaved species are aspen and birch. Relatively small areas are covered with oak, elm, beech, walnut and hornbeam. Overall, more than 180 aboriginal tree and shrub species are found in Russia [1].

Considerable forests, especially in Siberia, remain undeveloped due to the absence of the necessary infrastructure. Development of roads is difficult due to climatic (esp. permafrost) and financial challenges. On

the one hand, this makes it possible to keep large areas of virgin boreal forests intact; on the other hand, this situation results in a shortage of good-quality timber in accessible forests [1].

Over 40 % of Russian forests have very low productivity due to climatic conditions and low economic accessibility. However, these forests have important protective functions, necessary to balance the climate, regulate water flow and prevent soil degradation. They are also of key importance to biodiversity preservation. To ensure these protective functions of forests, 204 federal protected areas have been established in Russia with a total area of about 58 million hectares and several thousands of regional protected areas. There are 12 875 382 ha of PEFC certified (September 2017) and 43 462 516 ha of FSC certified (October 2017) forests in Russia [1].

Virtually all of the forests in the Russian Federation remain state-owned and are referred to by Russians as belonging to the 'Forest Fund.' A small percentage of forests do exist outside this Fund and include city forests, forests controlled by the Ministry of Defence, forests of protected areas, and former forests of rural municipalities. The Forest Code of the Russian Federation is the foundational body of laws and regulations outlining the management and use of forests. The new version of the Forest Code was approved in December 2006 and put into force on January 1, 2007. The Ministry of Agriculture of the Russian Federation has overall responsibility to develop government policy and forest legislation. Russian Federal Forest Agency implements state forest policy and has control functions over forest agencies in Russia's region to supervise their progress with respect to forest management and control [1].

Forest management units ('lesnichestvo') and forest parks are responsible for forest management at the local level. However, they only have functions of management. Forestry activities are implemented either by leaseholders on their leased forest lands or by contracted organizations selected through a competitive basis by auction and paid for by the state budget [1].

The right to harvest timber is provided either by rent agreements, or by forest stand sale agreements in cases when the forest land is not actually rented. There are several principle differences between these two legal norms: a rent agreement is valid for 10 to 49 years, whereas a forest stand sale agreement is valid for 1 year or less. Moreover, a renter is responsible for all activities regarding forest protection and regeneration, and must provide documents regarding planning and actual fulfilment of activities. Due to unwillingness or inability of renters to fulfil these obligations, more than 50 % of timber in Russia is harvested through short terms for forest stands sale agreements [1].

Russia accounts for over 20 percent of the world forests, but its share in the world forest products trade is below 4 percent. Semi-processed roundwood and sawnwood make up over 54 percent of its exported wood products. The share of the forest sector in the gross domestic product (GDP) is only 1.3 percent; in industrial production, 3.7 percent; in employment, 1 percent; and in export, revenue 2.4 percent [2].

Illegal logging is a serious problem in the Russian Federation. There is no single reliable figure to describe its scale, but comparison of data from various sources of information and experts' estimations suggests that 10 to 35 % of all timber logged in Russian is illegal [1].

According to Russian Federation law regarding the Red Data Book, any use of or damage to listed species is considered a crime, including the damaging of environment where these species grow. In addition to the Red Data Book, the Government of the Russian Federation has approved The List of Tree and Shrub Species for

which Timber Harvesting is forbidden in the Russian Federation. There are 5 CITES listed tree species naturally growing in Russia [1].

Sources:

1. "Keep It Legal Country Guide: Practical Guide for Verifying Timber Origin Legality" Russia. 2010, WWF Russia, available at <http://www.wwf.ru/resources/publ/book/eng/409>).
2. "The Russian Federation Forest Sector Outlook Study to 2030" 2012, FAO, available at: <http://www.fao.org/docrep/016/i3020e/i3020e00.pdf>

Belarus

Some of the tertiary feedstock from spruce and pine used by Warmeston OÜ may originate from Belarus.

The Republic of Belarus has vast forest land areas and rich historical traditions in the area of forestry, as well as a high level of forest management and multiple-use of forest resources.⁶ In Belarus forests cover area an of 9,23 million hectares which is 44.5% of land area.⁷ According to the data of the Ministry of Forestry of the Republic of Belarus the area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.

Distribution of forests by the dominant species:

- pine 50,4%;
- spruce 9,2%;
- birch 23,1%;
- black alder 3,3%;
- grey alder 3,3 %;
- aspen 2,1%;
- other species 3,3%.

Forest industry input accounts for 1.5 to 2% of national GDP.⁸ For 2016 in the system of the Ministry of Forestry from all kinds of cuttings 15.1 million cubic meters of wood were harvested with a planned volume of 12.5 million cubic meters. From January-December 2016 exported forest products and rendered services amounted to 140 million USD. 2.6 million cubic meters of timber and 324 thousand cubic meters of sawn timber was exported.⁹

In Belarus the basic principles of the organization of forest exploitation are defined by the state program of development of forestry of Republic of Belarus, National strategy of sustainable development of Republic of Belarus and the Forest Code of Republic of Belarus. Forest management legislation of Belarus is based on the Constitution of the Republic of Belarus and includes: the Forestry Code, Presidential Decrees and other legal acts of the Republic of Belarus regulating the utilization, protection and reproduction of forests. The legal status of the forest regulation is defined in the Forest Code, e.g licences and harvest permits in Belarus. Forest use carries out on the base of the felling license, the order and/or the forest license.

⁶ Atlas of the forest sector in Belarus of the Finnish Forest Research Institute;
<http://www.metla.fi/julkaisut/workingpapers/2010/mwp170.pdf>

⁷ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

⁸ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

⁹ <http://www.mlh.by>

Belarus have forest management plans for all their forests.¹⁰ According to the Forestry Code, forestry management and forest utilization without carrying out of the forest regulation, are forbidden. The information about the forest fund of the Republic, monitoring of the changes in forest under every jurisdiction, planning and estimation of the rational, long-term and sound forest utilization are the responsibility of the Republic Unitary Forest Regulation enterprise “Belgosles”.

In the Republic of Belarus all the forests belong to the state, and most forests (>85%) are managed by the Ministry of Forestry, within which there are more than 95 forest-management enterprises. The ministry is responsible for the rational forest utilization and their protection and regeneration. This is done keeping in mind the preservation of biodiversity, environmental protection, recreational functions and scientific purposes.¹¹

Forest land in Belarus is distributed among two groups: 51% belongs to forests of group I, and 49% belongs to forests of group II. Forests of group II are exploitable forests and are meant for wood harvesting, while forests of group I are protected forests and conservation and recreation areas where commercial clear cutting is prohibited.¹²

In Belarus can be found large areas of forests undisturbed by man, i.e. over 100,000 ha. There are large forest areas of active conservation management for biodiversity (MCPFE Class 1.3)¹³. There are two strictly protected Nation reserves and four National parks present in Belarus at the moment. Area of National reserves accounts 2,98 million ha and area of National parks is 3,98 million ha. Belarus has been a signatory of the CITES Convention since 1995. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Belarus.

Forest certification is realized according to the schemes of the Forest Stewardship Council (FSC) and within the framework of the Forest Certification System of the National Conformity Approval System of the Republic of Belarus recognized by Pan European Forest Council (PEFC). 2011 the Forest Certification System of the National Conformity Approval System of the Republic of Belarus was accredited by PEFC regarding the certification of forestry products or their derivatives on the origin. There are 8 754 712 ha FSC certified forests and 61 forest enterprises are certified according to the requirements of the FSC, for Chain of Custody, there are 133 certificates issued.¹⁴ For PEFC, there is 8 552 000 ha certified forest area and 105 enterprises are certified according to the Chain of Custody PEFC schemes in Belarus.¹⁵

Italy

Some of the tertiary feedstock used by Warmeston OÜ may originate from Italy.

The area of the Italian Republic is 301,338 km². Italian forests cover more than 9.2 million ha (Mha), equivalent to about one-third of Italy's total national area. Only 93,000 ha are classified as primary forests, while 8.5 Mha are considered as naturally regenerated forests and almost 0.64 Mha are forest plantations (mostly Poplar).

¹⁰ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

¹¹ <http://www.mlh.by>

¹² Forest Code of Republic of Belarus, <http://naviny.org/2000/07/14/by58851.htm>

¹³ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

¹⁴ FSC Facts and Figures, November 2, 2018

¹⁵ PEFC Global Statistics SFM & CoC Certification, September 2018

Italian forests are mostly located in hilly or mountainous areas: 65% of them are situated above 500 m altitude.¹⁶

About 42% of forests are managed as coppice, whereas stand (high) forests represent 36%, and the remaining proportion consists of riparian or rupicolous forests and shrubs. In particular, coppices predominate in Central-Southern Italy, whereas most of the productive high forests (mainly coniferous ones) are in the north-eastern part of the country. Broadleaved species such as beech, oak, poplar and chestnut make up two-thirds of the total growing stock at national scale, while the main coniferous species are pine, spruce and larch.¹⁷ In Italy, over 80% of the forests were regenerated by natural means.

At national level, the Ministry of Agricultural, Food and Forestry Policies is responsible for defining the strategic objectives for forest policies, but competences and responsibilities for agriculture and forestry matters (including issuing of harvesting permits and approval of management plans) have been transferred to regional administrations. Each regional administration has defined forest legislation, therefore planning and harvesting procedures are defined and related permits are issued according to regional laws.

About 66% of Italian forests are privately owned, mostly by individuals (79%). The remaining 34% forests are public, with a prevalent role played by local municipalities (65.5%). Forest areas with a valid forest management plan in place represent only 16% of total national forest area, with significant differences among regions.

As for protected forest area, Natura 2000 sites make up 22.2% (1.9 Mha) of the Italian forest area, 15% of which (1.3 M ha) also lies within national or regional parks, and 1% (0.11 Mha) is comprised of natural reserves or other protected areas. The forest area included within national or regional parks shall be managed according to mandatory park management plans, while activities in areas falling within Natura 2000 sites must comply with management plans defined at site-scale. According to laws, forest management activities shall not compromise forest continuity and therefore not involve unauthorized land use changes. In Italy there are two forest-occurring species listed in the IUCN Red List categories as “critically endangered”: *Abies nebrodensis* and *Zelkova vasicula*.¹⁸

There are 2,295 FSC Chain of Custody certificates issued. FSC certified forest area is 63,983 ha and number of certificates issued is 17.¹⁹ For PEFC, there is 819,000 ha certified forest area and 717 enterprises are certified according to the Chain of Custody PEFC schemes in Italy.²⁰

The nominal value added in the forest sector by Italy was EUR 18.5 billion in 2010 and the forest industry input accounted for less than 1 % of national GDP.²¹

Norway

Some of the tertiary feedstock used by Warmeston OÜ may originate from Norway.

¹⁶ FAO Global Forest Resources Assessment 2015

¹⁷ NEPCon Timber Legality Risk Assessment, version 1.1; August 2017

¹⁸ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

¹⁹ FSC Facts and Figures, November, 2018

²⁰ PEFC Global Statistics SFM & CoC Certification, September 2018

²¹ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

Norway, officially the Kingdom of Norway, has a total area of 385,252 square kilometres. Norway provides a wide diversity of land-forms, nature-types and biodiversity, and forests covering approximately 40 % of the land areas. The main forest types used for commercial forestry are spruce forest, pine forest, birch forest, and (marginally) oak forest. Boreal deciduous forests, beech forests and termophilous deciduous forests are currently in minor degree relevant areas for forestry. 96.3 % of the wood products from Norwegian forests are traded as certified products (mainly PEFC, some both PEFC and FSC), which is a large proportion compared to most countries.

There are ca. 127.500 properties with productive forests in Norway. 231 properties are larger than 2 000 hectares, covering 19 % of these forests, and 90 % of the forest properties are smaller than 100 hectares. Most of the forests are owned by private forest owners (77 %), while the state owns 7 % (Statskog SF). The rest is owned by companies, the church, forest-commons and municipalities.

Norwegian forests are mainly managed as areas for the purpose of agriculture, nature and outdoor activities and reindeer herding) according to each municipality's masterplan for area classification. In most of the forest areas, no permits are needed before logging however in *Protective Forests* bordering the mountains, in selected areas along the coast and in some other regions various notification forms or applications must be sent to, and approved by local forest authorities prior to logging. The Forestry Act was renewed in 2005, and forestry has relatively few regulations in Norway. Each municipality has authorities responsible for the management of forestry and forest-owners. Harvesting is regulated by the Ministry of Agriculture and Food. Most of the logging, thinning and planting is conducted by professional entrepreneurs on contracts for timber buyers.

3,2 % of all the productive forests are strictly protected within nature reserves and national parks in Norway. Protected areas where forestry is allowed are controlled through specific regulations made for each applicable area. These regulations specify whether a management plan or harvesting plan is mandatory for the area in question. Management plans are approved by the Norwegian Environment Agency, and conducted at county-, or municipality level depending on the given authority. Norwegian Nature Inspectorate has the task to ensure that the rules are followed in accordance with regulations and management plans.

There are 2355 species classified as threatened according to the latest version (2015) of the Norwegian Red List for species (Henriksen & Hilmo 2015d). Of these, 241 species are categorized as Critically Endangered (CR), 879 are Endangered (EN), and 1237 are Vulnerable (VU). 1122 threatened species (47,6 % of all threatened species) live fully or partly in forest habitats.²²

There are 58 FSC Chain of Custody certificates issued. FSC certified forest area is 445 874 ha and number of certificates issued is 5.²³ For PEFC, there is 7 380 750 ha certified forest area and 74 enterprises are certified according to the Chain of Custody PEFC schemes in Norway.²⁴

Forest industry input accounts for less than 1% of national GDP.²⁵

²² FSC-NRA-NO V1-0

²³ FSC Facts and Figures, November, 2018

²⁴ PEFC Global Statistics SFM & CoC Certification, September 2018

²⁵ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

Ukraine

Some of the tertiary feedstock used by Warmeston OÜ may originate from Ukraine.

Ukraine is a country in Eastern Europe with total area of 603,628 km². The total land area of the forest fund of Ukraine is 10.4 million hectares. About 50% of forests have mostly ecological significance and a limited forest management regime. The total forest cover of Ukraine is 15,9%. Forests are distributed within the country very unevenly. They are concentrated mainly in Polissya and in the Ukrainian Carpathians. Forests of Ukraine are divided into 4 categories according to their primary functions as shown in the table below:²⁶

Category	Area (million hectares)
Exploitation forests	3.9
Protective forests	3.4
Recreational and health-improving forests	1.6
Forests of environment-protective, scientific and historical and cultural purpose	1.4

The composition of forests by tree genus:²⁷

- Pine 34,7%
- Oak 26,3%
- Spruce 9,9%
- Beech 9,3%
- Birch 5,4%
- Alder 4,2%
- Hornbeam 3,7%
- Fir 1,4%
- Ash 1,4%
- Aspen 1,2%
- Other 2,5%

Ownership rights and land tenure rights for forestry lands are clearly regulated by Forest code and Land code. Forests of state ownership is subordinated to the State Agency of Forest Resources of Ukraine (SAFRU) which is responsible for forest management on an area of 7.6 mln ha (73% of all the forests of Ukraine).

Forest inventory and monitoring are conducted at the national level. Planning of forest management and harvest by forestry enterprises must be conducted on the basis of forest inventory materials. The limit of wood harvest is determined by the allowable cut and a plan of sanitary and forest health improvement measures. On the basis of forest inventory materials and appropriate inspections, annual volumes of final harvest and forest tending harvests are planned. They must not exceed the volumes specified in the annual allowable cut. For state enterprises which are not subordinated to SAFRU there are no uniform legal requirements on setting land tenure and management rights.

The last edition of the Red Book of Ukraine (2009) contains information on 826 species of flora and 542 species of fauna. According to national data of Ukraine, the amount of threatened forest species, according to the categories of the IUCN Red List, is 533 species of fauna, 487 species of vascular plants and 147 species of fungi.

²⁶ FSC-NRA-UA V1-0 NATIONAL RISK ASSESSMENT FOR UKRAINE 2017

²⁷ <http://www.encyclopediaofukraine.com/display.asp?linkpath=pages%5CF%5CO%5CForest.htm>

In addition to national legislation that protects biodiversity, international laws on biodiversity conservation are relevant in Ukraine, namely the Convention on Protection of Biological Diversity, the Berne Convention, [89-93], the Ramsar Convention and others. As of January 2017, the country had 8,245 Nature Reserve Fund (NRF) objects with a total area of 4,318 million hectares of land territory and 402 500 hectares of water area within the limits of Black and Azov seas. Among the protected areas in Ukraine, forest landscapes prevail, covering a third of all protected areas. In most regions, the share of protected areas within the forest fund is higher than the share of forests throughout the country. It should be noted that over the past 30 years the area of protected forests has increased by 3.8 times. In particular, the share of protected forests managed by the State Agency of Forest Resources of Ukraine has increased from 14.7% to 17.3% since 2009. In addition, since 1961, the proportion of forests with a limited forest management regime has increased from 34% to almost 50%. Final felling in the NRF territories and objects is forbidden in 40% of Ukraine's forests. Any forest management measures (harvesting, sanitary felling etc.) that are planned to be conducted in protected forests must be agreed on with the state environmental authorities.²⁸

There are 240 FSC Chain of Custody certificates issued. FSC certified forest area is 4,005,311 ha and number of certificates issued is 102.²⁹ For PEFC, there is no certified forest area yet and 1 enterprise is certified according to the Chain of Custody PEFC schemes in Ukraine.³⁰

Forest industry input accounted for less than 1 % of national GDP in 2010.³¹

USA

Some of the tertiary feedstock used by Warmeston OÜ may originate from the United States of America.

The total area of the USA is 9,833,520 km². According to the 2012 Statistical Abstract of the United States, the country had roughly 303 million hectares of forestland. About 174 million hectares were in private ownership. Government, mainly the federal government, owned about 128 million hectares of forest.³²

Forests dominate the north-eastern, south-eastern, great lakes, western, and mountain regions of the US. The forested areas are split nearly evenly by the central non-forested plains. The North-eastern forested region includes forests that are primarily dominated by deciduous species. Conifers are found in these forests, but are not as dominant as deciduous trees. Great Lakes forests are dominated by conifers in the north, with more hardwoods mixed in as the lakes extend south. The South-eastern forests contain both pines and hardwoods. The Western forests and mountain regions are dominated by conifers.³³

70% of U.S. forest lands are classified as timberlands. Timberlands are defined as forest lands used for the production of commercial wood products. Commercial timberland can be used for repeated growing and harvesting. Federal, State, and local governments own 22 percent and non-industrial private entities own 78 percent of timberlands. Private timberlands are mostly on small tracts of forest land. Native American tribes are considered to be Sovereign Nations and accorded rights to independently manage their land and affairs. Out of a total of 556 federally recognized tribes, 48 have significant timberland resources in 21 of the hardwood-

²⁸ FSC-NRA-UA V1-0 NATIONAL RISK ASSESSMENT FOR UKRAINE 2017

²⁹ FSC Facts and Figures, November, 2018

³⁰ PEFC Global Statistics SFM & CoC Certification, September 2018

³¹ State of Europe's Forests 2015. Published by: Ministerial Conference on the Protection of Forests in Europe FOREST EUROPE Liaison Unit Madrid

³² NEPCon Timber Legality Risk Assessment, version 1.1; August 2017

³³ FSC-NRA-USA V1-0 DRAFT 3-0

producing states. While some tribes have sawmill and other production facilities, they account for only a very small share of US hardwood production (estimated at less than 1%).

The U.S. forest products industry's annual harvest was 446 million m³ in 2015, exceeding the 445 million m³ harvested in 2014 and is expected to grow.³⁴ The forestry sector's contribution to GDP in the country has gradually decreased, from around 1 percent in 2000 to 0.6 percent in 2011.³⁵

The Protected Areas Database of the United States (PADUS) is the official inventory of public parks and other protected open space with more than 12 000 000 km² in 150,000 holdings. Amongst other useful data, it includes and International Union for the Conservation of Nature (IUCN) categories.³⁶

There number of FSC Chain of Custody certificates issued is 2,482. FSC certified forest area is 14,075,783 ha and number of certificates issued is 103.³⁷ For PEFC, there is 33'341'129 ha certified forest area and 249 enterprises are certified according to the Chain of Custody PEFC schemes in USA.³⁸

5.4 Chain of Custody system

Warmeston OÜ (including Sauga production unit) holds valid FSC CoC certificate since 3rd of February 2015, certificate code is NC-COC-02433 and *PEFC CoC certificate no NC-PEFC/COC-024339 covering also PEFC Controlled Sources part from 07.06.2018.*

Warmeston is using FSC credit system and FSC transfer system for heating material and for trading chips that was added to their scope during this audit. BP does not buy any uncertified material. Company has enforced procedures and system update that they will buy only FSC certified or FSC Controlled material (including heating material).

Warmeston is using PEFC certification system for material receiving and FSC certification requirements for volume control and sales.

Their product groups for the FSC CoC certification include fuel wood (W1.2), wood chips (W3.1), sawdust (W3.2), wood shavings (W3.3), wood pellets (W3.6), sawdust briquettes (W3.7); offcuts (W19) and bark (N1).

³⁴ https://www.fpl.fs.fed.us/documnts/fplrn/fpl_rn348.pdf

³⁵ <http://www.fao.org/3/a-i4248e.pdf>

³⁶ <https://gapanalysis.usgs.gov/padus/viewer/>

³⁷ FSC Facts and Figures, November, 2018

³⁸ PEFC Global Statistics SFM & CoC Certification, September 2018

6 Evaluation process

6.1 Timing of evaluation activities

Audit was carried out on 11.12.2018-14.12.2018 and it included Warmeston OÜ Sauga factory visit, supplier audits and port visits. Scope change audit, where Dynamic Batch Sustainability Data was added to scope, was carried out on 09.10.2019.

Total of 5 days were used for this evaluation – 1 day of preparations, 3 day for on-site auditing and 1 day on reporting.

11.12.2018 Warmeston OÜ Sauga production unit

Activity	Location	Auditor(s)	Time
Opening meeting*	Office – Warmeston OÜ Sauga	ALU, EA	09:00 - 09:20
Interviews with SBP responsible person; other responsible staff <i>Overview of SBP procedures, SBP Risk Assessment, implementation of mitigation measures, review of GHG data, interviews with responsible personnel.</i>	Office – Warmeston OÜ Sauga	ALU, EA	09:20 - 12:30
Lunch break + travel to Port of Pärnu		ALU, EA	12:30 - 13:30
Visiting Port of Pärnu	Pärnu Port	ALU, EA	13:30 – 14:30
Roundtrip in production facilities, interviews with responsible staff, Interview with Purchasing department representative, reception of the material, evaluation of incoming feedstock, review of purchase & sales documentation, open	Production facilities/Office	ALU, EA	14:30 – 16:30

questions from first part of the day (if any).			
Summary – Day 1	Office – Warmeston OÜ Sauga	ALU, EA	16:30 – 17:00

12.12.2018 Supplier audit

Activity	Location	Auditor(s)	Time
Supplier audits in Bradomar OÜ, Grundar Timber OÜ, Laesti AS (primary processors)	Bradomar OÜ, Grundar Timber OÜ, Laesti AS offices.	ALU, EA	9:00 – 13:00
Summary – Day 2	Office – Warmeston OÜ Sauga	ALU, EA	13:00 – 13:15

13.12.2018 Visiting port of Muuga

Activity	Location	Auditor(s)	Time
Visiting port of Muuga	Muuga port	ALU, EA	15:30 – 16:30

14.12.2018 Closing meeting

Activity	Location	Auditor(s)	Time
Closing meeting	Office – Warmeston OÜ Järvere	ALU, EA	14:45 - 15:15

09.10.2019 Scope Change Audit

Review of procedures, SAR and interview with responsible by phone (instruction 5D)	NEPCon OÜ office	EP	09.10.2019 10:00-12:00
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6.2 Description of evaluation activities

Current evaluation was carried out as an onsite audit in Warmeson OÜ Sauga factory.

Separate supplier SBE audits were conducted by the BP – Bradomar OÜ, Grundar Timber OÜ, Laesti AS offices, supplier audits were witnessed by the CB. Audits focused on WKH mitigation measures. The auditor applied following sampling method – $0.8 \times \sqrt{z}$ (where z is number of suppliers). The BP has in total 13 SBE secondary feedstock suppliers which gives 3 suppliers to be visited. Also review of procedures and other preparations were done prior to onsite audit.

Evaluation started with an opening meeting, where auditors described the audit criteria, principles, standards and audit agenda.

Audit was conducted by 2 auditors who split during the audit.

This was followed by review of updated Supply Base Report and company's SBP and FSC procedures. During the review, company demonstrated IT solution, which is used to collect, store and report on all data. Also, data represented in the Supply Base Report was compared with data entered into the program.

Next, review of implementation of Supply Base Evaluation was evaluated, including review of supplier audit protocols, monitoring results, review of updated supplier declarations and communication with agency issuing databases with WKH cadastre units as a part of mitigation measure taken by the company.

Review of SAR documents that were prepared by the BP together with standard 5 check-list was evaluated next. This included review of data presented and evaluating the sources of information for this.

After Lunch Pärnu Port was visited.

After that purchase and sales documentation was reviewed and evaluated. Random sampling was implemented for purchase documentation and origin documents, for SBP sales documents, 100% sampling was implemented.

This was followed by roundtrip in production and storage areas and facilities. Interviews during the round-tour were conducted with responsible staff, also pictures of main processing units were taken.

Audit day ended with summary of the day.

Next day auditors witnessed supplier audits.

BP has 3 permanent storage sites in total and two of them were visited during the audit. For sampling of permanent storages following formula was used $0,8 \times \sqrt{Q}$ (quantity of storages). Port of Muuga and port of Pärnu were visited during period of 11-13.12.18 (see the agenda above).

On 9th of October 2019 auditor conducted desk scope change audit regarding implementation of the requirements of ID 5D. Auditor reviewed relevant documented procedure and interviewed responsible staff.

Composition of audit team:

Auditor(s), roles	Qualifications
Asko Lust, Lead auditor/audit team. Verification of SBP-compliant feedstock. Chain of Custody	BSc in Forest Industry, MSC in forest management. Asko is working as forest management and chain of custody auditor in NEPCon. He has passed SmartWood lead assessor training course in Forest Management and Chain of Custody certification. Asko has also passed SBP training and has SBP auditing experience. He has conducted over 200 CoC audits/assessments and over 20 FM audits/assessments, earlier work experience from Board of Environment.
Eveli Pind Audit team member. Verification of SBP-compliant feedstock, Chain of Custody, SBP-compliant feedstock.	M.Sc in Environmental Engineering and Management from Tallinn University of Technology. Previous work experience from wooden window manufacturing. Working in NEPCon as auditor since 2017.

6.3 Process for consultation with stakeholders

According to standard 2 p13 stakeholder consultation is not required for annual audits. Stakeholder consultation was conducted prior first assessment and before SBE scope change audit.

SBR is publicly available on company’s web page but no stakeholders have sent company any comments regarding to that.

7 Results

7.1 Main strengths and weaknesses

Main strengths: all processes have been very well documented; main database for material balances is very well maintained and all relevant information can be reported.

Weaknesses: See the non-conformities below.

7.2 Rigour of Supply Base Evaluation

The Supply Base Evaluation was implemented for primary and secondary feedstock sourced from Estonia only. Warmeston OÜ has implemented SBE for primary feedstock (forest products) that are originating from Estonia and is sold without SBP-approved Forest Management Scheme claim, SBP-approved Forest Management partial claim, SBP-approved Chain-of-Custody (CoC) System claim. Risk mitigation measures will also be applied for secondary feedstock (e.g. sawdust from local sawmills) that originates from Estonian forest and is delivered with a SBP-approved Controlled Feedstock System claim. This will be used in the production of SBP-compliant biomass.

The scope of the SBE was chosen based on the availability of the SBP-endorsed Regional Risk assessments whereas the possibility to mitigate the identified “specified risk” with reasonable efforts was considered.

Prior to scope change audit in 2016, the stakeholder consultation process for Warmeston’s SBE was undertaken from 4th May 2016 to 3rd June 2016 by e-mail message to local municipalities, state institutions and authorities, State Forest Management Centre, Foundation Private Forest Centre, Estonian Private Forest Association, FSC Estonia, PEFC Estonia and the Estonian Forest and Wood Industries Association and to Loodusaeg’s mailing list covering app 1000 subscribers including various nature conservation and protection organisations. No comments from the stakeholders were received. No additional stakeholder consultation process was initiated before third annual audit.

The risk assessment used by the organization is the Approved Regional SBP Risk Assessment for Estonia available at the SBP website. One indicator is identified as specified risk in this risk assessment and the organization has implemented mitigation measures (see section 9 of SBR).

7.3 Collection and Communication of Data

BP has a system to gather and record Greenhouse Gas emissions. During the initial audit, BP made detailed overview of the systems and databases to gather and record such data. Evidence was provided to auditors.

7.4 Competency of involved personnel

Overall responsible person for implementing SBP together with SBE is quality and environmental manager. Supply Base Evaluation was performed by internal personnel and the SBR with SBE was reviewed by third independent and competent party.

BP has maintained written qualification requirements for personnel involved in SBP system, these are described in SBP-24 (internal procedure).

Minimum qualification requirements for main SBP system responsible staff is as follows:

- Higher education (Forestry/Environmental)
- Fluent in Estonian and English
- Minimum of 3 years working experience in related sector
- Experience in FSC/PEFC systems
- Experience in reporting, conducting risk assessments
- Good teamwork skills
- Familiar with relevant regulations

According to the interviews, review of biomass producer quality manager's CV and set of procedures and documents that were composed for the SBP system, auditors evaluated the competency of main responsible staff to be sufficient.

7.5 Stakeholder feedback

No comments or concerns were received during the Biomass Producer's stakeholder notification period that was conducted before main assessment and before SBE scope change audit.

7.6 Preconditions

See the open NCRs.

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.

SBP-endorsed Regional Risk Assessment for Estonia was used by the Biomass Producer. Risk ratings in table 1 are taken from the approved risk assessment, where one indicator has been evaluated as specified risk (indicator 2.1.2)

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

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

2.3.2	Low	Low
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Table 2. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

9 Review of Company's mitigation measures

The mitigation measures described below will only be applied for feedstock that is in the scope of the SBE as described in section 4.1 of the SBR. The responsible person for the implementation of the SBE is the Quality and Environmental manager of Warmeston who is also the overall responsible person for the company's FSC and SBP certification systems.

Primary feedstock

All deliveries of primary feedstock that has been harvested in Estonia, but are not FSC or PEFC certified, Warmeston has implemented a system where they verify that it has not been sourced from WKHs. Additional control procedures, e.g. procedures according to PEFC DDS, are applied if applicable. All feedstock subject to SBE must meet prior the evaluation at least SBP-approved Controlled Feedstock System requirements.

Warmeston is using the delivery documents, a list of approved suppliers and publicly available databases (e.g. maps at: <http://register.metsad.ee/avalik/> or at least biannually renewed databases from competent authorities) to verify that the delivered primary feedstock has not been sourced from WKHs. All primary feedstock is sourced from Estonia. During the reception and registration of primary feedstock the assistants will carry out the following control procedure within the SBE for each single delivery:

1. *Has the supplier signed an agreement and committed not to supply wood from WKHs?*
 - 1.1 *If yes, go to 2.*
 - 1.2 *If no, the products cannot be sourced.*
2. *Can the products be traced back to the logging site in forest? (cadastre unit/felling permit marked on delivery documents)*
 - 2.1 *If yes, go to 3.*
 - 2.2 *If no, the products cannot be sourced.*
3. *Is there a felling permit issued?*
 - 3.1 *If yes go to 5*
 - 3.2 *If no go to 4.*
4. *Fellings without felling permit (according to forest act; cadastre unit marked on the delivery document)*
 - 4.1 *If there is no WKHs on the FMU according to available information (checked from register.metsad.ee by cadastre unit): the products can be sourced.*
 - 4.2 *If there is a WKHs on FMU the products cannot be sourced as SBP-compliant.*
5. *Does the logging site defined in the felling permit, provided with the supplied material, match with the WKH location using the available information resources (updated maps or databases)?*

5.1 If yes: the products cannot be sourced as SBP-compliant

5.2 If no: the products can be sourced.

All instances where primary feedstock from WKHs has been offered will be reported to the Quality and Environmental manager and recorded in a register.

Secondary feedstock

To mitigate the risks associated with secondary feedstock subject to SBE, Warmeston OÜ will:

- i) train its suppliers to apply the risk mitigation measures described above in points 2-5 and*
- ii) verify during annual audits that the mitigation measures 2-5 have been properly implemented.*

The trainings and annual audits are carried out by Warmeston's Quality and Environmental manager who is also responsible for collecting and analysing suppliers' monitoring results of the WKHs.

The supplier audits will cover the following aspects:

- the scope of the suppliers FSC/PEFC certification;*
- Depending on the scope of the supplier's certificate, company's procedures on sourcing materials and the verification of origin (according to FSC-STD-40-005)*
- demonstration of the control procedure carried out by the supplier's responsible person(s);*
- demonstration of recorded monitoring data (screenshots or printouts of the databases etc.);*
- random selection of a sample of primary feedstock deliveries and the verification of the recorded monitoring results;*
- demonstration of the supplier's WKH register and corrective actions taken;*
- feedstock storage conditions;*

All audit findings and results are documented.

Review of risk mitigation measures implemented by the BP for primary feedstock was evaluated at Sauga factory, where the assistant, who is responsible material reception, demonstrated the procedures for checking incoming primary feedstock origin and WKH presence from the databases. It was confirmed that personnel on site is following the general internal requirements for SBE implementation for primary feedstock.

Procedures for implementing SBE for secondary feedstock were also discussed with general responsible person. SBE for secondary feedstock is still included in the scope. On-site supplier audit was conducted during the SBE scope change audit in summer 2016.

Warmeston will accept the delivered secondary feedstock only as "low risk" if:

- the supplier has been trained;*
- the supplier has been audited (supplier audit) and no substantial issues in the WKH control procedures have been raised during the annual audits;*

- the delivered feedstock can be traced back to an **Estonian** forest where no WKH are present at the felling site.

- If a supplier is sourcing its feedstock from different countries a mass balance approach for determining the proportion of Estonian feedstock will only be accepted if i) the supplier holds a valid SBP-approved chain of custody certificate and ii) all primary feedstock of the supplier meets at least the requirements of an SBP-approved Controlled Feedstock System. The supplier must demonstrate during the supplier audit, that this information is monitored and recorded on a regular basis. If this information is not available, the material will not be accepted as SBP-compliant feedstock.

In case BP discovers that a supplier violates these terms repeatedly or on purpose and is not willing to take measures to avoid sourcing material from WKHs, or presents false information to BP, will be excluded from the suppliers list and all deliveries will be stopped.

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). *Please use as many copies of the table as needed. For each, give details to include at least the following:*

- applicable requirement(s)
- grading of the non-conformity (major or minor) or observation with supporting rationale
- timeframe for resolution of the non-conformity
- a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

NC number 02/19	NC Grading: Minor
Standard & Requirement:	SBP Std 4 p 6.3.1
Description of Non-conformance and Related Evidence:	
During the Pärnu port visit it was observed that BP workers did not follow fully ports H&S requirements. Port requires that everybody who enters their territory wear high visibility vests and helmets. BP worker wore only vests.	
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:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

NC number 03/19	NC Grading: Minor
Standard & Requirement:	SBP std 4 p 5.2.2
Description of Non-conformance and Related Evidence:	
During the purchase Document review it was discovered that in one case in Sauga factory company was registering 4 truck fulls of sawdust as FSC certified (there was FSC Mix credit claim on waybills) but the invoice was indicating that all of the amount received was actually FSC CW.	
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:	Pending

Findings for Evaluation of Evidence:	Pending
NC Status:	Open

OBS number: 01/18	Standard & Requirement:	SBP std 4 p 5.12
Description of findings leading to Observation:	Company is using PEFC system for material reception and FSC system for material accounting, credit system etc.	
Observation:	Company should make sure that these two system requirements are not mixed with each other.	

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):	Ondřej Tarabus
Date of decision:	10/Oct/2019
Other comments:	<i>Click or tap here to enter text.</i>