

NEPCon Evaluation of Wismar Pellets GmbH Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

www.sbp-cert.org



Completed in accordance with the CB Public Summary Report Template Version 1.4

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

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

© Copyright The Sustainable Biomass Program Limited 2018

Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Collection and Communication of Data
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification decision

1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	07/Nov/2019
Report authors:	Asko Lust, Michael Kutschke
Name of the Company:	Wismar Pellets GmbH, Am Torney 2a, 23970 Wismar, Germany
Company contact for SBP:	Philipp Hübler, Sales manager
Certified Supply Base:	Primary feedstock sourcing from Germany, Norway, Spain, Russia, Estonia, Denmark and Finland. Secondary feedstock sourcing from: Germany, Poland, Norway, Sweden, Denmark, Finland, Estonia, Lithuania, Russia, Latvia, France, United Kingdom, USA, Canada
SBP Certificate Code:	SBP-01-89
Date of certificate issue:	12/Jan/2018
Date of certificate expiry:	11/Jan/2023

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets, for use in energy production, at Wismar Pellets and transportation to Wismar port. The scope of the certificate does not include Supply Base Evaluation.

The supply base can potentially contain Germany, Poland, Norway, Sweden, Denmark, Finland, Estonia, Lithuania, Russia, Latvia, France, United Kingdom, USA, Canada and Spain.

The BP is using both primary (Roundwood), secondary (wood chips, offcuts and sawdust) and tertiary (dried sawdust and offcuts from secondary processors) feedstock for their wood pellets production.

The BP has implemented the PEFC volume credit system and at the same time PEFC Physical separation system for non-certified material, which is not included in the PEFC Due Diligence System (DDS).

The BP produces both premium and industrial pellets, but only the industrial pellets is produced as SBP certified. The pellets are transported by truck to the warehouse located in the nearby harbour where the material is stored until the vessel can be loaded. The biomass is sold at Wismar harbour under the FOB incoterms.

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of PEFC system control points, analysis of the existing PEFC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis.

4 SBP Standards utilised

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)

4.1 SBP-endorsed Regional Risk Assessment

Not applicable.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Wismar Pellets GmbH is a pellet producer located in Wismar, Germany. Total annual production capacity of pellet plant is 225.000 tones. The pellet production plant became operational in 2005 as German Pellets and bought by MEP under the name of Wismar Pellets in May 2016. When the ownership changed, the plant was modernized which allows the plant to obtain a high-quality product that ensures the most demanding requirements of international customers.

The company is located in the Wismar port which is a strategic location for purchase of feedstock and sales. Two large primary processors are located nearby.

The BP is using both primary (Roundwood), secondary (wood chips and sawdust) and tertiary (dried sawdust and cutoffs from secondary processors) feedstock for their production. Reclaimed material (A1 and A2) is used in the dryer. The roundwood used at the production comes mostly from Germany and smaller amounts from eastern Europe. In the future, FSC certified roundwood from Latvia and Russia could be included. Secondary feedstock (sawdust, wood chips, shavings, wood offcuts) is sourced from primary processors in Germany, Norway and Sweden but as these suppliers are sourcing the material elsewhere the supply base can potentially contain more countries (such as Germany, Poland, Norway, Sweden, Denmark, Finland, Estonia, Lithuania, Russia, Latvia, France, United Kingdom, USA, Canada and Spain). The BP also source tertiary feedstock (dried sawdust and cutoffs from secondary processors) from Germany.

The BP has implemented PEFC credit system and at the same time PEFC Physical separation system for non-certified material sourced from Russia, which is not included in the PEFC DDS.

The BP produce both premium and industrial pellets. The pellets are transported by truck to the warehouse located in the nearby harbor where the material is stored until the vessel can be loaded. The biomass is sold at Wismar harbor FOB incoterms.

5.2 Description of Company's Supply Base

Germany

Overview

The supply base in Germany consists of various input materials. Sawdust comes from an area of around 200 km radius and occurs as a by-product in sawmills of various sizes. The same applies to woodchips.

Off-cuts also come from a comparable supply radius, but are not only found in sawmills but also in the wood processing industry.

Roundwood comes from native forests, including both state forests as well as municipal and private forests. Timber from state forests is 100 % PEFC or FSC certified. The roundwood for pellet production is industrial wood or firewood, which cannot be used as material.

Forest Cover, Land Use, Economics and Forest Based Policy

In Germany the forest area is 11.4 million hectares, which corresponds to about 1/3 of the total land area of 35.7 million hectares. Since 2002, the forest area has increased by 0.4 % or 50,000 hectares.

Of the 11.4 million hectares of forest in Germany, 48 % is private woodland. 29 % of the woodland is owned by the Federal States, 19 % by corporations and 4 % by the Federal Government.

Private woodland in Germany is predominantly small in structure and fragmented. About half of the private woodland area is divided into businesses of less than 20 hectares.

The German forest is diverse and offers habitat for many animal and plant species. Spruce, pine, beech and oak are the most important tree species in Germany. The forest contains around 224 million m³ of deadwood. In the German forest, there is an average of 20.6 m³ deadwood per hectare, which means that the deadwood stock has reached 6 % of the living timber stock. There are specially protected biotopes over some 593,000 hectares, i.e. 5 % of the forest area. These are in most cases (77 %) forest mire, marsh woods or floodplain forests, as well as other wetland biotopes.

Spruce, pine, beech and oak cover 73 % of the forest floor. At present deciduous trees make up a proportion of 43 % of the forest floor, and coniferous trees accordingly 57 %.

The tree species have different regional focuses. The spruce is found especially from the foothills of the Alps to the highlands of the south and south-west of Germany and the central German uplands of north-east Bavaria to the Thuringian Forest and the Erzgebirge, as well as in Hunsrück, Eifel, Taunus, Westerwald, Rothaargebirge and Harz. The pine is found mainly in the north-east German lowlands from Lower Saxony to Brandenburg and Saxony.

Mixed forests dominate the German forest, with a 76 % share of the total area.

Natural regeneration is the predominant type of rejuvenation in the German forest with an 85 % share of young stock. Planting accounts for only 13 %.

About 17 % of the German forest therefore consists of protected areas according to the European Directive 92/43 / EEC Fauna Flora Habitat (FFH Directive), thus forming part of the European protected area network "Natura 2000".

Timber use in Germany's forests is sustainable. In woodland under all types of ownership, less wood was used than grown. Timber stocks amount to 3.7 billion m³ in total or 336 m³ per hectare.

The increase in timber is an average of 11.2 m³ per hectare and year or 121.6 million m³ per year.

By contrast, an average of 76 million m³ of raw timber (cubic metres of timber harvested not including bark) were used per year in Germany in the period from 2002 to 2012. In particular, private woodland owners were able to increase their logging and utilised the forest on average at the same intensity as state forestry enterprises used the state forests. Timber use and natural dying of trees total 87 % of growth. The remaining 13 % goes into the building up of stocks.

Socio-economic background, Germany employs more than 1.1 million people in the forestry and wood cluster. According to the results of the third Federal Forest Inventory 2011/2012, some 36 % of the forest area is classified as very natural (14.5 %) or as natural (21.3 %). The proportion of natural forest areas in state woodland, at 40 %, is significantly higher than the percentage of natural forest areas in private woodland (30.5 %).

Carbon storage

1,169 million tonnes of carbon are at present bound in living trees and in deadwood. This is about 105 tonnes of carbon per hectare in the above-ground and underground biomass (without litter layer and mineral soil). The forest soil condition survey in the woodland gives a further 850 million tonnes of carbon for the litter layer and mineral soil. The forest in Germany is currently acting as a sink and relieves the atmosphere of around 52 million tonnes of carbon dioxide annually. It reduces emissions by approximately 6 %.

Protected Areas

The 16 German National Parks comprise approximately 2145 km², not including the North Sea and Baltic areas. This is 0.6 % of the German land area.

In Germany there are currently 102 nature reserves, covering in total about 25 % of the land area and which are set up in accordance with paragraph 27 of the Federal Nature Conservation Act (BNatSchG) (see figure).

CITES species are present in Germany but do not include softwood or deciduous (broadleaf species) trees which are threatened.

Germany has formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature (IUCN). Land Use Change and agricultural intensification and their consequences are reported to be the biggest harm to red list species. Forest management is aiming on restoring biodiversity and habitats for endangered species.

Poland

Overview

According to data of the Polish Statistical Office, 9.3 million hectares were wooded in 2013, equivalent to 29.4 % of the land area. The State forests are not only a major employer, but also constitute an important economic sector.

The forest management system implemented by the Polish Ministry of the Environment with planning periods of 10 years has ensured that timber stocks have been growing steadily since 1990, with an average of 254 cubic metres per hectare in 2011. Poland thus takes a leading position in a European comparison. In addition to the pure timber stock, the planted areas also increased steadily during the same period.

The Polish forests are predominantly characterised by conifers, which occupy about 73 % of the area. The pine is the predominant species of tree.

The change in the political system in 1989 led to efforts to privatise the forest sector, but this resulted in only 18 – 20 % of the area being privatised. 80 % is still in state hands. Private woodlands have a surface area of just over one hectare on average.

The Polish reforestation programme provides for a growth in Poland's forested area to 30 % of the land area by 2020 and 33 % by 2050.

Protected Areas

Currently, there are 23 National Parks in Poland, which together cover about 1 % of the Poland's land area. In addition, there are 120 landscape conservation parks and over 250 protected landscapes, which together form a network of protected areas.

SWEDEN

Overview

The raw material from Sweden consists of sawmill by-products and is certified 100% PEFC.

In 2013, the total forest area in Sweden was 22.5 million hectares, of which 11 million hectares is PEFC certified and 12 million hectares FSC certified. An area of about 7 million hectares is therefore dual certified.

About 86 million cubic metres were felled in 2013, most of which was used in the pulp industry, followed by the Swedish sawmill industry. The wood fuel sector accounted for less than 10 % of the annual felling.

The Swedish pulp industry is an important economic sector with more than 50 pulp and paper factories. These works are often sited near sawmills, thus enabling cascading use of sawmill by-products.

Forest Cover, Land Use, Economics and Forest-Based Policy

The forest area accounts for about 70 % of Sweden's total land area, which is 40.8 million hectares.

Swedish forests consist predominantly of conifers. The two tree species Spruce at 40 % and Pine at 38 % represent by far the largest stocks and supplies. Birch is the third most common tree species at 12 % of the inventory volume. (* The Swedish National Forest Inventory 2010 - 2014).

In 2010, the timber stocks consisted of 3,000,000,000 cubic metres and the annual growth rate was around 120 million cubic meters. 80 million cubic metres are felled annually and the annual stock increase is 40 million cubic metres.

More than 70 % of the annual logging comes from felling as end use, whilst the rest comes from thinning.

Protected Areas

More than 5 million hectares of forestland in Sweden are protected in the form of National Parks and Nature Parks (Nature Reserves). In these areas, timber felling is allowed only for nature conservation purposes. Furthermore, approximately 4 million hectares have been protected by the Forestry Act since the 1970s. The forest management system, which is applied to the cultivated areas, attaches value equally to biomass production and environmental protection.

Currently, there are more than 4,500 Natura 2000 sites covering a total area of > 6.5 million hectares. Protected areas often overlap in different protection categories.

Sweden has adopted a Red List classification based on the IUCN criteria. Most of the Red List species are associated with deciduous forests in Sweden. Since the raw material obtained is sawdust from softwood sawmills, the risk of conflicts in the harvesting of timber with regard to Red List species is negligibly small. The Swedish Government has also noted in a publication that biodiversity impacts do not arise from timber harvesting and forest use, but mainly from land use change (LUC), and are found in the agricultural and urban sectors.

*(<http://www.artdatabanken.se/en/the-red-list/the-2015-red-list---summary/>)

Norway

Overview

The raw material from Norway consists of sawmill by-products from softwood sawmills and from roundwood. All raw materials from Norway are 100 % PEFC certified. A total of approximately 90 % of the productive forest area in Norway is PEFC and / or FSC certified.

More than 50 % of the annual logging is taken by the Norwegian sawmill industry. A further 40 % falls into the area of pulpwood, which is used to some extent in the pulp industry. More than 50 % of the volume logged is used in the sawmill industry.

Forest Cover, Land Use, Economics and Forest Based Policy

In Norway there are about 12 million hectares of forest area, which corresponds to about 37 % of the land area. The inventory is estimated at around 880 million cubic metres, and growth is given at approximately 25 million hectares per year. In 2011, about 8.5 million cubic metres of industrial wood were felled, and logging as a whole amounted to about half of the annual growth. As a result, the stock of timber as a whole is increasing steadily.

15 % of the forest area is classified as not economically useful due to difficult terrain and long transportation distances.

The most economically important tree species in Norway are spruce at 47 %, pine at 33 % and birch at 18 % proportion of the stocked area.

The average felling areas are relatively small at 1.4 hectares. There are generally very long periods between fellings during which the stock can recover. This combination benefits biodiversity in Norwegian forests.

The Norwegian forest management policy is particularly concerned with sustainability and the long-term stability of stocks. In addition, the principles of the "Convention on Biological Diversity", which came into effect in 1993, are anchored and implemented in Norwegian forestry policy.

Protected Areas

Norway has adopted a Red List classification based on the IUCN criteria. Most of the Red List species are associated with deciduous forests in Sweden. Since the raw material obtained is sawdust from softwood sawmills and coniferous roundwood, the risk of conflicts in the harvesting of timber with regard to Red List species is negligibly small.

Currently, there are 39 national parks in Norway on the mainland (3,139,700 hectares).

Denmark

Overview

Primary feedstock sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

Danish forests consist of state-owned forests, which are managed by the Nature Agency's local units, and of many privately owned forests and woodlands.

14.1% of Denmark's land area are covered by forests, corresponding to 608.708ha of land. The total area of Denmark is 4,239,400 ha. Approx. 200,000 ha are owned by the state.

Jutland, Northern Zealand and Bornholm are containing much of the forests. A lot of smaller forestland is located close to large towns and smaller cities.

The most common tree species in Denmark is spruce which grows on 19% of the forest land in Denmark. Overall conifers are comprising more than 50% in certain areas.

Conifers are hardy and thrive on heath and dune areas, which has made them very successful in Denmark, and because they grow quickly and therefore they have been more profitable for forest owners than deciduous trees. Conifers take up 50% of the total forest land, while deciduous trees account for 46.4%, beech (*Fagus sylvatica*) constituting a large proportion of deciduous in Denmark. (The remaining area is bare or a specific tree species has not been identified on the area. Most species of deciduous tree, such as oak and beech, are indigenous to Denmark, while conifers have been imported over the past 200-300 years. For example, the most common tree species in Denmark, the spruce, has been imported from other European countries like Sweden and Germany, while other species such as Sitka spruce and Douglas have been imported from North America.

Around 65% of the Danish forests are owned by private persons. Denmark uses far more wood than it produces. Each year around 4.3 million m³ are felled, but despite this the amount of timber in Danish forests is growing by an annual net 2.4 million m³. Figure 8. Final Felling in Denmark Wood for energy chips total for all of Denmark according to national statistics was 1,295,000 m³ in 2014 and 412,000 m³ for logs for energy use out of a total 1,732,000 m³ harvested in 2014. Denmark has a national plan for species management, nature protection and enhancement of biodiversity. International nature protection in Denmark includes 252 Natura 2000 areas, 261 Sites of Community Importance and 113 Special Protection Areas covering 8,3 %. Furthermore, 27 wetland areas have been designated as Ramsar sites. In total 18% of the Danish land area that is protected.

Finland

Overview

Primary feedstock sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

Finland is one of the European countries with the most forest covered area. Forest covered 2015 more than 23 million ha.

The finish wood based industry used app. 65 million m³ of Roundwood. Biggest consumer was the pulpwood industry, second biggest was the sawmill industry. Followed by mechanical pulp industry and plywood industry. The majority of finish biomass is residue from wood processing industries and low- grade energywood.

Forest Cover, Land Use, Economics and Forest Based Policy

84% of Finland's forest area is used for logging. Today the total volume is app. 2,2 million m³, which consists of 50% Pine, 30% Spruce and 20% deciduous species (i.e. Birch). 92% of the growing stock is available for usage. The annual increment is up to 100 million m³, the fellings are, as mentioned above, lower to maintain sustainability.

52% of Finland's forest is private owned and the average area is 30 ha. 35% is state owned and 8% is owned by forest industries.

Protected Areas

Natura 2000 protects 3,6 million ha on land. To increase biodiversity, snag trees and deadwood is left in the forests and are protected for their biological value.

App. 5% of the finish forest area is strictly protected. Most of the protected areas are in the northern parts of Finland, where most of the state owned forests is situated.

In 2017 Finland identifies 39 National Parks, 19 Strict Nature Reserve Areas, 170 Protected Mires and 1158 Protected Habitat Types.

IUCN and Red List

Finland has formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature (IUCN). 594 Protected Areas have an IUCN category.

Finland participates in political agreements as CITES Convention, Bern Convention and the Convention on Biological Diversity.

Estonia

Overview

Primary feedstock sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

In 2013 2,3 million ha were covered with forest, what equals 49% of the Estonian territory. In total the stock was estimated to be 480 million m³. Pine (33%) and birch (31%) are the predominant species, followed by spruce (16% and alder (9%).

Forest Cover, Land Use, Economics and Forest- Based Policy

The Estonian Forestry Development Program is the framework document for the development of forestry in the current decade. The forest is defined in the Forest Act and there are 3 categories described in the legislation: commercial forests, protection forests, municipal and state-owned forests.

40% of the forest area is state owned and PEFC and/or FSC certified.

The annual increment is 5,7 million m³. The Forestry Development Program specifies an annual felling of 13 million m³ as an optimal level for the Estonian forest structure to maintain sustainable.

In 2013 more than 10.000 ha of forest was replanted.

Sawmills and pulp mills are the largest user of Estonian roundwood.

Protected Areas

20,2% of Estonian land area are protected. That is an area of 9168 km².

In 2017 Estonia identifies 3432 IUCN categories. 5 National Parks, 153 Protected Landscape and 152 Nature reserve Areas.

Total Natura 2000 areas are 11320 km².

IUCN and Red List

Estonia has formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature. IUCN has defined a series of six protected area management categories, based on primary management objectives.

Forest activities are regarded as a threat to endangered species.

Lithuania

Overview

Primary feedstock sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

More than 50% of Lithuania is covered by forest. Most of the forest is situated in the southern and eastern part of Lithuania.

App. 50% is state owned forest, 40% is private owned, 10% is reserved for restitution.

Forest Cover, Land Use, Economics and Forest- Based Policy

According to scientist from Yale University, in 2012 Lithuania had the best managed forests, due to the protection programmes.

Lithuania is situated within the so- called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forest often grow in mixed stands.

Pine forests are the most common type, covering about 38%, spruce and birch for about 24% and 20%. Alder makes up about 12%, Oak, Ash and Aspen only some few percent.

The growing stock is about 244m³ per ha and the annual growth comes to app. 12.000.000m³.

Protected Areas

Protected areas are established not only for the protection of natural and cultural values, but also for their adaption to allow public use and access.

Today 15% of Lithuanias territory is protected area. Lithuanias system of protected areas consists of of 5 strict reserves, around 400 reserves of different types, 5 national parks, 30 regional parks and many natural objects.

Natura 2000 covers about 13% of the total territory. The largest part of the nature conservation system includes national and regional parks.

IUCN and Red List

Lithuania as an EU Member state has committed to halting biodiversity loss by 2020, but urgent action is needed to meet this target and better monitoring capacity is required to measure if the target is reached.

Despite national forests being FSC certified, habitat loss, fragmentation and degradation are the most significant threats at the European level to species in Lithuania. Major threats come from logging, wood harvesting and commercial development.

Russia

Overview

Primary feedstock sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

In Russian forests, the boreal type is predominant and mainly consists of pine, spruce, birch, aspen, larch.

The forest is separated in 3 types: production forest, protection forest and reserve forest. Overall app. 70% are classified production forest.

The biggest industry is the sawmill industry, followed by the pulp industry.

Forest Cover, Land Use, Economics and Forest- Based Policy

Russian forest area amounts to 850 million ha and covers nearly 70% of the territory of the Russian Federation. Due to the vast areas of forest, the annual growth is calculated to be over 500 million m³, but only 100 million m³ are harvested. One of the reasons is minor demand in various regions with almost no wood demanding industry.

Almost 100% of Russia's forests are state owned and controlled by the Federal Forest Agency. Regional forest authorities are responsible for allocating forest use rights. A harvesting permit and lease contracts can be obtained for a period of 10-49 years. In this period, the leaseholder is responsible for replanting and forest tending after cuttings.

Protected Areas

9,7% of Russian terrestrial territory is protected area, what equals 1.637.677km². 10820 protected areas are identified according to the IUCN management categories.

Latvia

Primary feedstock with latvian origin is sourced from a PEFC certified processor in Germany and sourced as secondary feedstock in Germany by Wismar Pellets.

Forests cover area of 3 056 578 hectares in Latvia. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), forest Land amounts to 51.8 % (ratio of the 3 347 409 hectares covered by forest to the entire territory of the country).

The Latvian State owns approx 49% of the total forest area (1 495 616 ha), while around 51% (1 560 961 ha) belong to other/private owners.

In Latvia the forest covered area is increasing. The expansion is caused by afforestation of infertile land unsuitable for agriculture, but also happens naturally. The timber production in Latvia has fluctuated between 9 and 13 million cubic metres within the last ten years.

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

The implementation of requirements of national law and regulations is carried out by the State Forest Service under the Ministry of Agriculture.

Management of the state-owned forests is performed by the Joint Stock Company "Latvia's State Forests", 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.

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, micro-reserves 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.

For preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been established. They stipulate that at felling selected old

and large trees, dead wood, underwood trees and shrubs, land cover around wet microlowlands (terrain 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, although there are no species included in the CITES lists in Latvia. Forest and community Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012y).

Observation towers, educational trails, natural objects of culture history value, picnic venues 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. From all totally forest area 3 347 409 ha are approx. 1,737 million ha of Latvian forest certified according to FSC and PEFC certification scheme.

France

Overview

The French forest area amounts up to 16,4 million hectare. This corresponds to 29.7% of the total landscape. Taking the French oversea territories into account the total forest area covers more than 36% of the country. The forest land has increased since the 19th century as there have been several re-afforestation programmes.

In 2011 the total wood stand was around 2.5 bln cubic meters. Thereof 64% hardwood and 36% softwood. The most common wood species are:

Ownership

Three quarters of the French forests are in private ownerships. 15% are owned by cities and local authority districts and roughly 10% are state forests.

Since 1965 the forests are managed by the „office national des forêts“(ONF). Since the last 25 years the total forest area has grown by 78k hectare, which is a yearly increase of 1.6%.

The ONF has developed several guidelines to ensure the preservation and restoration of endangered plant species. Under the patronage of the French ministry for agriculture and ecology three main fields of activities have been developed:

- Development of knowledge about threatened species,
- Preservation of habitats and species,
- Sensitization for and communication of the respective programmes.

United Kingdom

Overview

The total British land area is 24.249.500 ha, of which 12,9% is covered with forest. The forest area is still increasing and recovering from the situation after the Second World War, when the forest area was down to 5% of the total land area. The 1919 established Forestry Commission, began to take care for the reforestation, planning of timber use and environmental protection of the UK forests.

Nowadays 30% of the 31 million ha forest are state owned and 70% are in private ownership.

Of this total, 1.4 million hectares (45%) is in Scotland, 1.3 million hectares (41%) is in England, 0.3 million hectares (10%) is in Wales and 0.1 million hectares (4%) is in Northern Ireland.

1,37 million ha in the UK are certified under the FSC scheme. Overall, 44% of the UK woodland area is certified. The UK forests are slightly dominated by broadleaf species (55% of total forest area), mainly Birch (18% of broadleaf woodland), Oak (16%) and Ash (12%).

Coniferous species account to 45% in total, mainly Sitka Spruce (50%), followed by Scots Pine (16%) and Larches (10%).

In 2017 the UK had 28,7% of the total land area protected in different categories. Among those are 15 national parks, 365 National Nature Reserve Areas, 9 Wildlife Reserve Areas and 947 Nature Reserve Areas.

In 2013 the harvested amount was 11 million tonnes of softwood and 0,53 million tons of hardwood.

According to the 2014 published National Forest Inventory, the annual availability of softwood from 2017-2021 is 17,15 million cubic meters over bark, the availability of hardwood is 0,63 million cubic meters over bark.

The United Kingdom has formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature. The United Kingdom participates in political agreements as CITES Convention, Bern Convention and the Convention on Biological Diversity.

There are 10.046 protected areas are identified according to the IUCN management categories.

United States of America

Overview

In 2012, forest land comprised 766 million acres, or 33% of the total land area of the United States. Forest area has been relatively stable since 1910. The northern and southern regions, the forest land sums up to 443 million acres. Of the total forest land, 10 percent are classified as reserved. This classification indicates that these forest lands are not managed for timber harvest, which is prohibited by law on these lands in most cases. Most reserved land is in the West, reflecting a larger proportion of publicly owned land in that region. In general, U.S. private forest land is classified as "timber land" by FIA, even if landowners do not intend to harvest timber.

U.S. forest ownership patterns are quite diverse with public forests dominant in the West and private forests dominant in the East. Private industrial forest ownership is concentrated in the South, Pacific Northwest, upper Lake States, and northern New England.

Public Forests

The Federal Government predominantly owns public forest lands in the West and State and county governments own most of the public lands in the East. Of all public forest acres, 75 percent are located in the West. Most protected forests are in public ownership while most production forests are in private ownership.

Private Forests

Private ownership accounts for 56 percent of total forest land. More than 10 million individual and family forest landowners own 42 percent of total forest land, representing a diverse group of people who have many reasons for owning their forest land. Most of this family-owned forest is used for the aesthetics that forests provide, as habitat for wildlife, and as part of a family legacy. Corporations, partnerships, and tribes own most of the remaining 14 percent of privately owned U.S. forests.

The United States formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature. The United States participates in political agreements as CITES Convention, Bern Convention and the Convention on Biological Diversity.

Canada

Overview

The Canadian forestry industry is a major contributor to the Canadian economy. The total land area of Canada accounts to 998 million hectare. With 42 percent of the land acreage of Canada covered by forests, the country contains 10 percent of the world's forested land, made up mostly of spruce, poplar and pine. 270 million hectare are boreal forests. Of the total forest area, only 226 million hectare are managed by Natural Resources Canada (NRCan) and the Canadian Forest Service, in cooperation with several organizations which represent government officials, policy experts and numerous other stakeholders. 24 million hectare of Canadian forests are protected

With 94%, the majority of Canadian forests are state owned and only 6% are in public ownership.

The growing stock in Canada in 2015 is stated by the Canadian government with 47.320 million cubic meters and the harvested volume was 160 million cubic meters. Total production of wood and wood based products in 2015 is divided in following categories:

- Hardwood lumber (1,5 million cubic meters)
- Softwood lumber (66,9 million cubic meters)
- Pulp and Paper (22,9 million tonnes)
- Structural panels (8,7 million cubic meters)

Except for hardwood lumber, the annual production, exceeds the annual consumption in Canada by at least the double, for softwood lumber even by the triple volume.

In 2017 47% of Canadian forest were certified by the standards of sustainable forest management.

24 million hectare of Canadian forests are protected forests in 6 IUCN categories and 7642 single protected areas.

Canada formally adopted a Red List classification of species in accordance with criteria from the International Union for Conservation of Nature. Canada participates in political agreements as CITES Convention, Bern Convention and the Convention on Biological Diversity.

Spain

Overview

The Spanish forest area represents 54.8% of the national territory, 27.7M ha. With 18.4M ha, covering 36.3% of its territory, Spain has the third largest extension of tree-covered forest area in the EU, equivalent to 0.4 ha per capita. On the other hand, Spain has 9.3 M ha of treeless area, covering 18.5% of its national territory.

Spain has 4 biogeographical regions with distinctive vegetation features: Atlantic, Mediterranean, Macaronesian and Alpine.

According to the National Forest Inventories, over 80 % of forests in Spain are composed of two or more tree types. The largest formation is made of holm oaks, which represents 15.3% of the tree-covered area, about 2.8 M ha, followed by pasture with 2.4 M ha and pine with 2 M ha.:

The complete supply base report can be found at: <http://www.wismar-pellets.de/pefc-zertifiziert/>

5.3 Detailed description of Supply Base

a. Total Supply Base area (ha): Cumulative area is 2154,11 million ha (Poland 8.6 million ha, Norway 7.2 million ha Germany 11,4 million ha, Sweden 23.3 million ha, Denmark 0,61 million ha, Finland 23 million ha, Estonia 2,3 million ha, Lithuania 3,3 million ha, Russia 850 million ha, Latvia 3 million ha, France 16,4 million ha, United Kingdom 1,6 million ha, USA 766 million ha, Canada 419 million ha, Spain 18,4 million ha)

b. Tenure by type:

Private ownership

- Germany 46%
- Norway 80%
- Sweden 80% (incl. State owned company Sveaskog)
- Poland 19%
- Denmark 65%
- Finland 48%
- Estonia 40%
- Lithuania 50%
- Russia 0%
- Latvia 51%
- France 75%
- United Kingdom 70%
- United States of Amerika 56%
- Canada 6%
- Spain 99%

Public ownership

- Germany 34% +20% communal or cooperative
- Norway 20%
- Sweden 20%
- Poland 81%
- Denmark 35%
- Finland 52%
- Estonia 60%
- Lithuania 50%
- Russia 100%
- Latvia 49%
- France 25%
- United Kingdom 30%
- United States of Amerika 44%
- Canada 94%
- Spain 1%

- c. Forest by type (ha): boreal and temperate zone culminates to 2135,7 million ha
- d. Forest by management type (ha): managed natural 2135,7 million ha
- e. Certified forest by scheme (ha): (e.g. hectares of FSC or PEFC-certified forest)

FSC:

Germany: 1,159,650 ha
Poland: 6,936,469 ha
Norway: 444,823 ha
Sweden: 12,255,794 ha
Denmark: 212,654 ha
Finland: 1,478,032 ha
Estonia: 1,428,767 ha
Lithuania: 1,094,362 ha
Russia: 43,462,516 ha
Latvia: 1,022,196 ha
France: 40,083 ha
United Kingdom: 1,610,965 ha
USA: 13,496,856 ha
Canada: 54,791,164 ha
Spain 303 450

PEFC:

Germany: 7,392,42 ha
Poland: 7,252,2 ha
Norway: 7,380,75 ha
Sweden: 11,658,11 ha
Denmark: 264,411 ha
Finland: 17,660,520 ha
Estonia: 1,174,511 ha
Lithuania: -
Russia: 12,875,38 ha
Latvia: 1,700,889 ha

France: 8,211,435 ha
United Kingdom: 1,409,761 ha
USA (ATFS): 7,564,949 ha
USA (SFI): 25,937,681 ha
Canada (CSA): 40,118,451 ha
Canada (SFI): 90,818,877 ha
Spain 2 169 120

5.4 Chain of Custody system

BP holds valid PEFC CoC certificate - ALKO-CoC0585-11, <https://www.pefc.org/company-detail?id=392128>, using both PEFC percentage based method (Volume credits) and physical separation.

The organization receives feedstock partly with PEFC claim and partly without any claim. Material which is not PEFC certified or PEFC controlled sources is not included in the BP's SBP biomass, but physically separated from SBP compliant/controlled feedstock. Roundwood which is PEFC certified is received in a different length compared to the non-compliant Roundwood. This further secures the separation system. Separation is done via storing raw material on separate storage area and via different production cycle.

The physical separation is assured during the production and storage processes (both feedstock and biomass) by using compliant material for SBP pellets, and non-compliant material for premium pellets which are produced at different time.

The compliant and controlled feedstock is used in a credit system where the certified proportion is calculated using a production conversion factor and the share (%) of the certified material. Material with FSC claim may be included in the future, but is currently excluded. The amount of SBP output is calculated from available credits in the credit system.

6 Evaluation process

6.1 Timing of evaluation activities

The on-site evaluation was conducted on the 26 and 27nd of September 2019. Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Auditor(s)	Date/time
Thursday 26th of September			
Opening meeting 1. Presentation of the organization and the processes in the pellet production 2. Non-conformities from last year 3. Updates in the Supply Base Report	Office	AL, MK	07.30-08.30
1. Evaluation of the material origin 2. Documented procedures (Management system), including procedures for: <ul style="list-style-type: none"> ○ Management review ○ SBR ○ Health and safety procedures and training 	Office,	AL, MK	09:30-11.30
Interview with Purchasing department representative 1. Evaluation of incoming delivery notes and invoices 2. Critical control points of PEFC CoC	Purchasing department	AL, MK	11:30-12:15
Lunch break			12:15-13:00
Review of the system for the collection and reporting of energy and emissions data <ul style="list-style-type: none"> • Reporting period • Transport data • Records of fuel use in production and storage • SAR 	Office,	AL, MK	13:00-16:00
Internal team meeting / Auditor's own time	Office,	AL, MK	16:00-16:30

Presentation of the results of the first day of assessment	Office,	AL, MK	16:30-17:00
Friday 27th of September			
Opening meeting	Office,	AL, MK	09:00-09:15
Chain of custody review (site tour); 1. Interview with roundwood acceptance department 2. Production 3. Storage 4. Storage at the port of Wismar	Production and storage facilities Port storage facilities	AL, MK	9:15 – 10:15
Interview with Sales department representative 1. Understanding of SBP sales process 2. Critical control points of PEFC CoC	Sales department	AL, MK	10:15-10:45
Documents and procedures review; staff interview.	Office,	AL, MK	10:45 – 11:15
Internal team meeting / Auditor's own time	Office,	AL, MK	11:15 – 11:45
Closing meeting*	Office,	AL, MK	11:45 – 12:15
Estimated end of the evaluation			12:15
Monday 30th of September			
Interview with purchase responsible	Skype	MK	10:00 – 11:00
Monday 21th of October			
Closing meeting	Skype	ALU, MK	12.30-13.30

* It is expected that management will be present during opening and closing meeting.
NB! The presented agenda is evaluative and may change during the evaluation.

6.2 Description of evaluation activities

Composition of audit team:

Name	Qualification	Role/focus in evaluation
------	---------------	--------------------------

<p>Asko Lust</p>	<p>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 from different SBP assessments and audits. He has conducted over 200 CoC audits/assessments and over 20 FM audits/assessments, earlier work experience from Board of Environment.</p>	<p>Lead auditor and responsible for all audit processes.</p>
<p>Michael Kutschke, Berlin, Germany</p>	<p>M.Sc. in Forestry. Michael is a chain of custody lead auditor in FSC and PEFC and FSC Forest Management lead auditor. Michael is a FSC Trademark expert and has experience from work with Legal Sources (EUTR) and SAN.</p>	<p>Auditor in training</p>

The audit was focused on management system evaluation: division of the responsibilities, documented management system, input material classification (reception and registration), analysis of the existing PEFC system and PEFC system control points as well as GHG data availability.

Description of the audit:

All SBP related documents connected to the SBP, as well as PEFC CoC system, was provided by the company prior to the audit. This including SBP and PEFC procedures, GHG data summaries and Supply Base Report. The audit started with an opening meeting attended by the SBP and purchase responsible persons.

The lead auditor and audit team introduced themselves and provided information about audit plan, methodology, auditor qualification, confidentiality, and clarified certification scope.

After this, the auditor went through all applicable requirements of the SBP standards no. 2, 4, 5 and related instruction documents covering input clarification, existing chain of custody system, management system, CoC system, recordkeeping/mass balances, emission and energy data, etc. During the process, the overall responsible person for SBP system and other relevant staff were interviewed. The auditors also visited the pellet production facility, including goods reception and review of records, input of feedstock in production lines, separation system and other critical control points of the CoC system. Staff was also interviewed.

At the end of the audit, findings were summarised, and conclusions based on use of 3 angle evaluation method were provided to SBP responsible person during the closing meeting. Closing meeting was held on 21.10.2019 via Skype.

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out before the main assessment on June 20, 2017 by sending direct e-mail to different stakeholder categories. As the assessment was postponed the stakeholder consultation took place long time ahead the onsite audit. No comments from the stakeholders were received during this consultation.

No stakeholder consultation was undertaken before this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: The BP has a small team of dedicated workers. The team has a good understanding of the SBP requirements, even though there has been changes in the team since last audit. The BP has also strengthened its supply system and is now much more present in the forest compared to last year. It is also a very convenient location of the plant, since two big primary producers are located in the same area.

Weaknesses: See non-conformity reports below in this report.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The organization has had an energy engineer in the team who implemented the system for collection of the emission and energy data. The company supplied the auditor with actual data on Greenhouse Gas emissions where needed and has used default values where allowed. All data are well recorded and accessible. However, see NCRs nr 4 and 5.

7.4 Competency of involved personnel

All personnel that is involved with SBP have received appropriate training where all relevant procedures and requirements have been covered. The SBP responsible staff has shown good understanding of the requirements in relation to SBP certification and of the already implemented PEFC CoC system.

7.5 Stakeholder feedback

No stakeholder comments were received (see also section 6.3 above).

7.6 Preconditions

The BP has closed all open NCRs related to SAR directly after the on-site audit. There are no other preconditions open after this.

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Not applicable for this audit (supply base evaluation is not included in the certificate scope).

9 Review of Company's mitigation measures

Not applicable

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 01/20	NC Grading: Minor
Standard & Requirement:	Standard #4 V1.0 – Chain of Custody p 5.5.2
Description of Non-conformance and Related Evidence:	
During the sales documents review it turned out that company was not using SBP claim in correct way. Instead of official “SBP-Compliant Biomass” claim “SBP Complaint: SBP-01-89” was used. Since all the sales are done via DTS and the customers will receive the official claim anyway, auditor decided to raise this NCR as minor. See also exh 6.	
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 02/20	NC Grading: Minor
Standard & Requirement:	Standard #4 V1.0 – Chain of Custody p 5.1.2
Description of Non-conformance and Related Evidence:	
During the sales documents review it turned out that company was not using PEFC claim in correct way. Instead of official “X% PEFC Certified” claim “PEFC Chain-of-Custody Forest management” was used. Interviewed staff was aware of the requirements about PEFC claims and said that the wrong claim was a human mistake left in. Auditor decided to raise this NCR as minor. See also exh 6.	
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 03/20	NC Grading: Minor
Standard & Requirement:	Standard #2 V1.0 - Verification of SBP-compliant feedstock - 2C - 4.1
Description of Non-conformance and Related Evidence:	
<p>The organization has used the last SBR template. The SBR contains the most important features and all necessary details. During the review of SBR auditor some inconsistencies were discovered: i) under point 2.1 feedstock proportions were not up to date, ii) the nr of suppliers was not correct, iii) for 2 of the new countries (Spain and France) feedstock description under SBR p 2.1 did not include the forestry management practices or land management practices used and the presence of any CITES or IUCN species as required in SBR template. Regarding Spain provided information about the ownership status (99% private, 1% state owned forest) was also not correct. Before closing this report the BP updated the document and correct points i) and ii) from these findings. Since this issue was related to 2 countries only and the root cause is different compared to NCR 06/17 (about number of suppliers), auditor decided to raise a minor NCR .</p>	
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 04/20	NC Grading: Major
Standard & Requirement:	Standard #5 V1.0 - Collection of Data for Energy and Carbon Balance Calculations – 5A – 2.1.3
Description of Non-conformance and Related Evidence:	
<p>During the review of SAR document it turned out that the average tonnages mentioned for the trucks delivering feedstock was not accurate, production volume for the reporting period was not accurate (two different numbers were provided), moisture content for the raw material used in dryer was not accurate and the biofuel distance was not accurate. Responsible staff explained that the mistakes happened during the data extraction from the database. Auditor decided to raise the NCR as major.</p>	
Timeline for Conformance:	3 months from the report finalisation

Evidence Provided by Company to close NC:	The BP has updated their SAR. See also exh 7. Interviews with responsible staff, review of the data extraction from the database.
Findings for Evaluation of Evidence:	Auditor finds the corrective measure sufficient to close the NCR.
NC Status:	Closed

NC number 05/20	NC Grading: Minor
Standard & Requirement:	Standard #5 V1.0 - Collection of Data for Energy and Carbon Balance Calculations – 5C – 4.1.2
Description of Non-conformance and Related Evidence:	
During the review of BP SBP profiling data it turned out the the proportions of broadleaf and conifer material was not accurate. Auditor decided to raise NCR 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 BP has updated their profiling data. See also exh 5. Interviews with responsible staff.
Findings for Evaluation of Evidence:	Auditor finds the corrective measure sufficient to close the NCR.
NC Status:	Closed

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorriá Serrano
Date of decision:	07/Nov/2019
Other comments:	<i>Click or tap here to enter text.</i>