Sustainable Biomass Program

NEPCon Evaluation of Helme Graanul OÜ Compliance with the SBP Framework: Public Summary Report

Third 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

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1 Overview

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Current report completion date:	11/Dec/2019
Report authors: :	Eveli Pind, Toomas Tammeleht
Name of the Company:	Helme Graanul OÜ – Patküla, Helme vald68613 Valgamaa, Estonia (Head Office – Humala 2, 10617 Tallinn, Estonia)
Company contact for SBP:	Mihkel Jugaste, Head of Quality and Certification Systems
Certified Supply Base:	Estonia
SBP Certificate Code:	SBP-01-78
Date of certificate issue:	01/Jun/2017
Date of certificate expiry:	31/May/2022

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of this evaluation is based on SBP standards 1; 2; 4; and 5. Helme Graanul OÜ undertakes a supply base evaluation for primary and secondary feedstock that is originating from Estonia.

Organization holds valid FSC COC certificate NC-COC-009116, covering FSC credit system. Controlled wood verification system for round wood originating from Estonia is included into the FSC certification scope of the company. Company has also PEFC certificate nr TT-PEFC- COC44.

PEFC CoC system is used to control SBP claims.

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 and from primary and secondary producers.

All inputs for SBP-Compliant biomass production are FSC or PEFC certified and FSC or PEFC controlled.

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 through Pärnu port but due to fact that there is no active contract for selling SBP material the incoterm conditions are not yet agreed (usually CIF or FOB, see also SAR for the records of last period). SREG document will be created for each destination that is not covered by current SAR.

Description of the scope: Production of wood pellets, for use in energy production and transportation through Pärnu port to clients. The scope of the certificate includes Supply Base Evaluation for primary and secondary feedstock from Estonia. Sustainability Data are included in the scope of the certificate.

<table>
<tr><th>Scope Item</th><th colspan="3">Check all that apply to the Certificate Scope</th><th>Change in Scope
(N/A for Assessments)</th></tr>
<tr><td>Approved Standards:</td><td colspan="3">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/standards-documents/standards</td><td>☐</td></tr>
<tr><td>Primary Activity:</td><td colspan="3">Pellet producer</td><td>☐</td></tr>
<tr><td rowspan="3">Input Material Categories:</td><td colspan="2">☒ SBP-Compliant Primary Feedstock</td><td>☒ SBP-Compliant Secondary Feedstock</td><td rowspan="3">☐</td></tr>
<tr><td colspan="2">☒ Controlled Feedstock</td><td>☐ SBP non-Compliant Feedstock</td></tr>
<tr><td>☒ SBP-Compliant Tertiary biomass</td><td colspan="2">☐ Pre-consumer Tertiary Feedstock</td></tr>
</table>

	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	☒ FSC	☒ PEFC	☐ SFI	☐ GGL	☐
	☐ Transfer	☐ Percentage	☒ Credit		☐
Points of sales **Provide name of all points of sales**	☐ Harbour (including own handling of material)	☒ Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour	☒ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)		☐
		-Pärnu port (incoterm conditions will be set when SBP sales will be agreed with customers (usually CIF or FOB)	Gate of the BP		
Use of SBP claim:	☒ Yes	☐ No			☐
SBE Verification Program:	☐ Low risk sources only	☒ Sources with unspecified/ specified risk			☐
	New districts approved for SBP-Compliant inputs: Estonia				
Sub-scopes	Only one sub-scope: Estonia				☐
Specify SBP Product Groups added or removed: N/A					
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.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis
- Evaluation of mitigation measures implemented for SBE
- Evaluation of BP-s supplier audits (under SBE)
- Evaluation against Instruction Document 5E (v1.1)

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/standards-documents/risk-assessments/estonia/

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

AS Graanul Invest is a private company, established in 2003, which operates in the fields of forestry, development of bioenergy and production of renewable energy. The company owns 11 wood pellet plants, Imavere plant being one of the largest.
All of the used primary and secondary feedstock originates from Estonia and Latvia, tertiary material may come from other countries mentioned in SBR.

Helme Graanul OÜ purchases only following raw materials to be used in pellet production: FSC certified and controlled primary feedstock, PEFC certified primary feedstock, FSC Controlled secondary feedstock, PEFC controlled secondary feedstock. Starting from 01.01.2017 only FSC or PEFC certified inputs are sourced but option to supply FSC Controlled Wood is left for cases suppliers don't have enough certified material.

More detailed description is provided in SBR (https://www.graanulinvest.com/eng/environment/sbr).

5.2 Description of Company's Supply Base

Helme Graanul OÜ sources all its raw materials for pellet production through various suppliers from Estonia. The suppliers include forest harvesting companies, sawmills, planing mills, secondary producers and traders. According to the EUTR Regulation No. 995/2010 Helme Graanul 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 Helme Graanul OÜ defines its supply base as the countries and regions in the following list to cover all current and potential future suppliers:

- Estonia
- Latvia

- Finland
- Sweden
- Russia
- Belarus

All of the used primary feedstock originates from Estonia and secondary feedstock comes from Estonia and Latvia. All secondary input comes with FSC claims (certified or controlled). There is reason to believe that through the certified supply chains of secondary processors there can be a marginal amount of tertiary feedstock within Helme Graanul OÜ pellet plants supply base which originates from Germany, Finland, Russia, Belarus or Sweden. This type of material cannot be excluded but it is possible to make sure that it is 100% certified.

Helme Graanul OÜ plant also monitors and makes sure that the suppliers who source material outside of Estonia and Latvia would not sell them material which, on mass-balance basis, is not covered by wood that originates from Estonia. Physical segregation is not possible and not required. The potential impact of Helme Graanul OÜ plant's operations on the forest resources of Finland, Sweden, Russia and Belarus is negligible. Total Tertiary feedstock (all SBP compliant) accounts for 10,51% of total Helme Graanul OÜ feedstock and

out of all secondary processors only some source wood outside of Estonia. These suppliers assure to Helme Graanul OÜ that they sell less feedstock than they have Estonian wood input. The plant has around 23 suppliers, 4 of them are primary feedstock suppliers, 9 are secondary feedstock suppliers and the rest are tertiary suppliers.

Controlled Feedstock 3,11%
SBP-compliant Primary Feedstock 66,43%
SBP-compliant Secondary Feedstock 24,57%
SBP-compliant Tertiary Feedstock 5,89%
SBP non-compliant Feedstock 0%

Species: Picea abies; Pinus sylvestris; Alnus glutinosa; Alnus incana; Populus tremula; Betula pendula; Betula pubescens; Fraxinus excelsior; Tilia cordata; Salix spp.

More detailed description is provided in SBR (https://www.graanulinvest.com/eng/environment/sbr).

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 stakeholders1. The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 20202 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 described in this legislation: commercial forests, protection forests 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 area3 and are certified according to FSC and PEFC forest management
and chain of custody standards in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed4. 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. Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest as indicated in Figure 1 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 %5. Forestry Development Plan 2012-2020 and Yearbook Forest 2014, 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 year6. 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 economic, social and environmental needs. According to the Forestry

Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.1

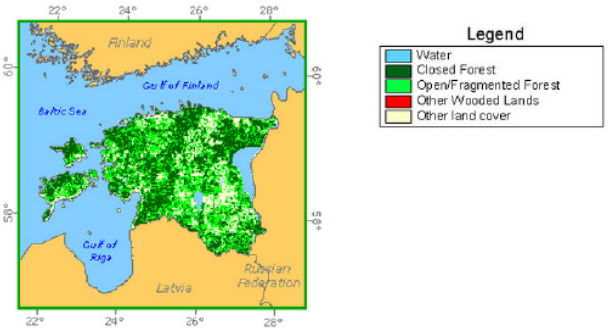
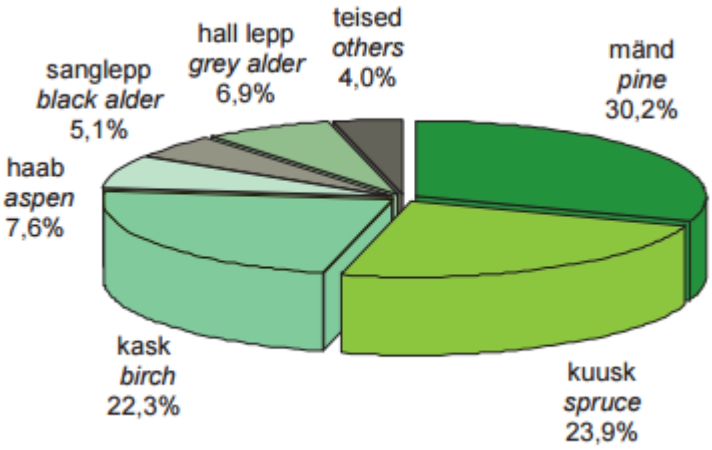


Figure 1. Forest cover of Estonia (FAO: http://www.fao.org/forestry/country/en/est/).2

Figure 2. The distribution of growing stock by tree species (Yearbook Forest 2014).



[1] http://europa.eu/about-eu/countries/member-countries/estonia/index_en.htm
[2] Original title: „Eesti metsanduse arengukava aastani 2020"; approved by Estonians parlament decision nr 909 OE 15.February 2011.a
http://www.envir.ee/sites/default/files/elfinder/article_files/mak2020vastuvoetud.pdf
[3] http://www.rmk.ee/organisation/operating-areas
[4] http://www.rmk.ee/organisation/environmental-policy-of-rmk/certificates
[5] http://www.fao.org/forestry/country/32185/en/est/
[6] Yearbook Forest 2014 (all key figures, graphs and tables are bilingual)

[7] http://register.metsad.ee/avalik/
[8] https://www.riigiteataja.ee/en/eli/517062015004/consolide
[9] http://www.envir.ee/et/cites
[10] http://www.envir.ee/et/iucn

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 database7.
Area of protected forests accounts for 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests are located on state property. The main regulation governing the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act8. Estonia has signed the Convention on International Trade in Endangered Species of Wild
Fauna and Flora (CITES) in 19929 and joined the International Union for Conservation of Nature (IUCN) in 200710. 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 to 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 also provides education about the nature.

Latvia:

In Latvia, forests cover an area of 3 056 578 hectares. 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 1 495 616 ha of forest (48.97% of the total forest area), the other 1 560 961 ha (51.68 % of the total forest area) belongs to private sector owners. Private forest owners in Latvia amount to approximately 144 thousand.
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 meters (State Forest Services: vmd.gov.lv, 2015).
Forest land consists of:
• forests 3 056 578 ha (91.3%);
• marshes 175 111.8 ha (5.3%);
• glades (forest meadows) 35 446.7 ha (1.1%);
• flooded areas 18 453.2 ha (0,5%);
• objects of infrastructure 61 813.4 ha (1.8%).
State Forest Services: vmd.gov.lv, 2015.
Distribution of forests by the dominant species:
• pine 34.3 %;
• spruce 18.0 %;
• birch 30.8 %;
• black alder 3.0 %;
• grey alder 7.4 %:
• aspen 5.4 %;
• oak 0.3 %;
• ash 0.5 %:
• other species 0.3 %.

State Forest Services: vmd.gov.lv, 2015.
Share of species used in reforestation, by planting area (2014):
• pine 20 %;
• spruce 17 %;
• birch 28 %;
• grey alder 12 %;
• aspen 20 %;
• other species 3 %.
State Forest Services: vmd.gov.lv, 2015.

Timber production by types of cuts, by volume produced (2014):
• final cuts 81.00 %;
• thinning 12.57 %;
• sanitary clear-cuts 3.63 %;
• sanitary selective cuts 1.43 %;
• deforestation cuts 0.76 %;
• other types of cuts 0.06 %.
State Forest Services: vmd.gov.lv, 2015.
In Latvia, the field of forestry 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 (www.zm.gov.lv). Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (State Forest Services: www.vmd.gov.lv). 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 (www.lvm.lv). Export yielded 1.978 billion euro (approx. 20 % of the total amount in 2014). Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia. 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. 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.
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: 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.

Finland:

Finland is Europe's most heavily forested country, with over 3/4 of the land area representing 23 million hectares, under forest cover. Altogether forestry land accounts for 86% of the land area.
There are four coniferous species native to Finland, and over twenty species of deciduous trees. The most common species, which are also economically most significant, are Scots pine (Pinus sylvestris), Norway spruce (Picea abies), and silver and downy birch (Betula pendula and Betula pubescens).
Despite the 13% reduction in forest area in 1944 due to the losses of land in the war, Finland's wood resources are currently more plentiful than in the pre-war years. According to the 1st national forest inventory (1921–1924), the total growing stock volume was 1 588 million m³. The latest estimate, based on the 11th inventory, is 2 332 million m³ (103 m³/ha) with annual growth of 105 million m³ (4,6 m³/ha).
As in the majority of Western European countries, non-industrial forest ownership dominates in Finland. Private persons, ordinary Finnish citizens, own about 60% of all the forestry land. The Government owns 25%, forest industries 10%, and municipalities and parishes 5% of the Finnish forested area.
Finnish forestry is based on the management of native tree species. The management of forests seeks to respect their natural growth and mimic the natural cycle of boreal forests. The objective is to secure the production of high-quality timber, and to preserve the biological diversity of forests as well as the preconditions for the multiple use of forest. Currently, about 120 000 hectares of forest land are planted or seeded annually favouring almost exclusively native tree species.
Today forestry and the forest industry make up about 5% of Finland's gross domestic product, and approximately 20% of Finnish exports. High-quality printing and writing paper make up over 40% of the total export value of forest industry products, while sawn goods and wood-based panels account for some 20% of export value.
http://www.metla.fi/metla/finland/finland-forest-resources.htm

Sweden:

Sweden is the third largest country by area in Europe, and 70% of it is forest. The total area of forest land is 28 million hectares.
Swedish forests are primarily boreal. The total standing võlume is about 3 000 million m3, of which 41% is spruce/whitewood (Picea abies), also called Norwegian spruce, and 40% pine/redwood (Pinus sylvestris), also called Scots pine. 18% is birch and 6% consists of other deciduous trees.
50% of Sweden’s forests are owned by private individuals, 25% by large forest companies and 25% by the state and other public organizations. A major part of the mountain forest is state-owned. The average size of a privately owned forest is roughly 50 hectares. In total, there are about 350 000 private forest owners in Sweden, of whom 70% live on their properties.
Annual growth is about 120 million m3 and annual felling is around 80 million m3. Each year the volume of standing timber increases by around 40 million m3 (net annual increment).

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. It includes companies within the pulp and paper industry, as well as the wood-mechanical industry. Close to 90 percent of paper and pulp production is exported, and the corresponding figure for sawn-wood products is almost 75 percent.

http://www.svenskttra.se/siteassets/6-om-oss/publikationer/pdfer/swedish-forestry.pdf

Russia:

Twenty two percent of all forest land mass and 25 % of the world’s wood reserves belong to Russia but its

share in the world forest products trade is below 4 percent. Forests take up 69% of all land and the area occupied with forests amounts to 1,183.3 million out of which 885 million ha is forest land. This is owned and managed by the state.
Most Russian forests are boreal. Predominant forest tree species are the larch, pine, spruce, Siberian pine, oak, beech, birch, and aspen. According to the 2010 forest account, the total growing stock of the forest estate is 83 billion m3.The country average growing stock of mature and overmature stands (without shrubs) is 132 m3 /ha. The mean annual increment in volume is rather low in Russia: it is no more than 1.23 m3 per hectare of forested land.
The annual allowable cut for 2010 was 633 million m3, including 61 million m3 for protection forests and 573 million m3 for production forests. The greatest allowable cut is set for coniferous forests (128 million m3). The actual cut is below 28% of the allowable cut.
Wood biomass for energy use will double, increasing from 32 million cubic metres (2011) to 75 million cubic metres (2033). The national market will be the prime consumer of this biofuel. Limited export only is foreseen for pellets and will originate from those regions with the necessary transportation and economic conditions.
By the end of 2011, 30 million hectares of Russian forests had been certified under the Forest Stewardship Council (FSC) scheme. A much smaller area (177 000 hectares) was certified under the Programme for the Endorsement of Forest Certification (PEFC). At present, Russia ranks second after Canada for area of certified forests. Certified forests represent 26 percent of all Russian forest leased for logging. The average growth rate of certified forests is about 2.7 million hectares per year.
http://www.fao.org/docrep/016/i3020e/i3020e00.pdf “THE RUSSIAN FEDERATION FOREST SECTOR: OUTLOOK STUDY TO 2030”

Belarus

In Belarus forests cover area of 9,5 milj hectares. According to the data of the State Forest Ministry Woodenness amounts to 39,3 % Forest industry input into IKP is 1,1%; 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 Belarus has fluctuated aprox., 11 million cubic metres (http://www.mlh.by , 2015.)
Forest land consists of: Area (1000 hectares) Forest 7,894; Other wooded land 914; Forest and other wooded land 8,808; Other land 11,94;
Total land area 20,748; Inland water bodies 12; Total area of country 20,76
Source: http://www.mlh.by , 2015.
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%.

Source: http://www.mlh.by , 2015.
Timber production by types of cuts, by volume produced (2013): • final cuts 34,5 %; • thinning 45,79 %; • other types of cuts 19,62 %. Source: http://www.mlh.by,
Biological diversity
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 regeneration is carried out annually over an area of 32,000 ha, including 81% of the forest planting planting and seeding and 19% by natural regeneration. http://belstat.gov.by/ (2015.y.) There are 2 strictly protected Nation reserves and 4 National parks present in Belarus at the moment. Area of National reserves accounts 2,98 milj ha and area of National parks is 3,98 milj ha.
Forest and community

In 2014 in all kinds of felling there were harvested 12,5 million m3 marketable timber. Foreign trade surplus made USD 104 million. 1.9 million cubic meter round timber and 191.8 thousand cubic meter sawn timber were sold abroad. Forest products and services were exported to 25 states, including 95,3% to the near abroad and 4,7% to the remote countries. Among the main forest export directions are Poland (47,9% of the total export volume in value terms), Germany (11,4%), Lithuania (10%), Latvia (8,62%), the Netherlands (3,3%), Belgium (3,46%), Sweden (3,25%).
All forest area is certified by PEFC certification scheme.

5.4 Chain of Custody system

Graanul Invest AS (Helme Graanul is part of their multisite certificate) holds valid FSC CoC (NC-COC-009116) and PEFC (TT-PEFC- COC44) CoC certificate. FSC certificate also covers controlled wood verification program for Estonia. Graanul Invest AS is using FSC credit system, volume credit system is also used in PEFC system. Company has enforced procedures and system update that they will buy only FSC certified material from 01.12.2016. All material is minimum PEFC Controlled Sources. Roundwood can come minimum with FSC or PEFC CW with exception of the daughter companies that can supply Roundwood without claims and the material with come through PEFC Controlled Sources and SBP SBE system.

BP is using FSC credit system for controlling the SBP volumes. PEFC Controlled Sources verification program is used only for primary feedstock originating from Estonia. Primary feedstock is purchased only from Estonia. All secondary and tertiary (pre-consumer reclaimed) input comes with FSC claims.

Their product groups for the FSC CoC certification include wood pellets only.

PEFC CoC system was used for this SBP evaluation.

6 Evaluation process

6.1 Timing of evaluation activities

Audit was carried out on 11.11 – 15.11.2019 and it included Graanul Invest HQ, Helme Graanul production site and Pärnu port (Pärnu port was visited separately on 31.10.2019). SBE supplier audit were carried out at the same dates.

Total of 4.5 days were used for this evaluation – 1 day of preparations, 3 days for on-site auditing and 0.5 day supplier audits (supplier audits was conducted together with Graanul Invest`s plants audits) and 1 day for reporting.

31.10.2019

Activity	Location	Auditor(s)	Date/Time
Opening meeting	Office – Humala 2, Tallinn (desk based)	**EP**	11.11.2019 14:00- 14:15
Visiting Port of Pärnu	Port of Pärnu	EP	11.11.2019 14:15 – 14:45

11.11 - 12.11.2019 Graanul Invest AS HQ

Activity	Location	Auditor(s)	Date/Time
Opening meeting*	Office – Humala 2, Tallinn	EP, TTA, GSA	11.11.2019 10:00-10:15
Interview with SBP responsible person; other responsible staff *Overview of procedures, SBP Risk Assessment, implementaiton of mitigation measures, review of documentation, review of GHG data, interviews with responsible personnell.*	Office – Humala 2, Tallinn	EP, TTA, GSA	11.11.2019 10:15-12:00
Interview with SBP responsible person; other responsible staff	Office – Humala 2, Tallinn	EP, TTA, GSA	11.11.2019 13:00-16:30

Overview of procedures, SBP Risk Assessment, implementaiton of mitigation measures, review of documentation, review of GHG data, interviews with responsible personnell.			
Closing meeting – day 1	Office	EP, TTA, GSA	11.11.2019 16:30-17:00
Overview of ID2E procedures, Risk Assessment, implementaiton of mitigation measures	Office – Humala 2, Tallinn	EP, TTA, GSA	12.11.2019 9:00 – 12:00
Lunch break		EP, TTA, GSA	12.11.2019 12:00 – 13:00
Interview with SBP responsible person; other responsible staff Overview of procedures, SBP Risk Assessment, implementaiton of mitigation measures, review of documentation, review of GHG data, interviews with responsible personnell.	Office – Humala 2, Tallinn	EP, TTA, GSA	12.11.2019 13:00 – 16:30

13.11.2019 Supplier audit

Activity	Location	Auditor(s)	Time
Supplier audit (primary processor)	Viru-Nigula Saeveski AS	EP, TTA, GSA	10:00–11:00

15.11.2019 Supplier audit + Helme Graanul OÜ factory

Activity	Location	Auditor(s)	Time

Supplier audit (primary processor)	Förmann NT AS	EP, TTA, GSA	09:00-10:00
Opening meeting	Office – Helme Graanul OÜ pellet factory	EP, TTA, GSA	14:30– 14:45
Interview with factory responsibe staff; review of management system	Office – Helme Graanul OÜ pellet factory	TTA, GSA	14:45– 16:30
Roundtrip in production facilities, interviews with responsible staff, reception of the material, evaluation of incoming feedstock	Production facilities/Office	EP	14:45– 16:15
Closing meeting- Day 4	Office – Helme Graanul OÜ pellet factory	EP, TTA, GSA	16:30-17:00

15.11.2019 Supplier audit + Closing meeting

Activity	Location	Auditor(s)	Time
Supplier audit (primary processor) + travel	Textuur AS	EP, TTA, GSA	9:00 – 10:45
Closing meeting*	Office – Imavere pellet factory	EP, TTA, GSA	15:30 – 16:15

6.2 Description of evaluation activities

Evaluation was carried out as an onsite audit in Graanul Invest AS HQ and Helme Graanul OÜ production site. Viru-Nigula Saeveski AS, Barrus AS and Textuur AS supplier audits was witnessed by the CB on 13.11.2019, 14.11.2019 and 15.11.2019 respectively. Audit focused on WKH mitigation measures. Also review of procedures, stakeholder consultation and other preparations were done prior to onsite audit.

During the onsite audit, all applicable indicators of applicable SBP standards were evaluated: review of procedures, SBP Risk Assessment, implementation of mitigation measures, interviews with responsible personnel, review of energy data, review of invoices, review of mass balance.

Audit was conducted by one lead auditor and one auditor.

Auditors reviewed Supply Base Report and company's SBP and FSC procedures. During the review, company demonstrated IT solutions, 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 and review of updated supplier declarations.

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.

On 31.10.2019 Pärnu port and warehouses were visited.

During 11.11 – 12.11.2019 Graanul Invest AS HQ audit SAR documents reviewed 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.

14.11.2019 Helme Graanul OÜ pellet mill was visited where purchase and sales documentation was reviewed and evaluated. Random sampling was implemented for purchase documentation and origin documents.

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. More detail interview was held material receiver who demonstrated what they control and demonstrated the origin control process.

Audit day continued with supplier visit and the day after second supplier was visited. The auditor applied following sampling method – 0.8 x $\sqrt{z}$ (where z is number of suppliers). The BP has in total8 secondary feedstock suppliers which gives 3 suppliers to be visited.

Requirements regarding ID 5E were also evaluated.

The audit ended with the closing meeting at the Imavere plant of the organization where results of the evaluation were presented.

Composition of audit team:

Auditor(s), roles	Qualifications
Eveli Pind Lead auditor/audit team leader. 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. She has passed NEPCons forest management and chain of custody lead auditors training and passed also SBP training. Working in NEPCon as auditor since 2017.
Toomas Tammeleht Audit team member. Verification of SBP-compliant feedstock, Chain of Custody, SBP-compliant feedstock.	BSc in forestry and MSc in industrial ecology. Toomas has been working in NEPCon as an auditor since 2016. He has passed NEPCons forest management and chain of custody leadauditors training. Has participated in over 10 FSC forest management audits and has conducted over 100 Chain of Custody audits. He has previously worked for Environmental Inspectorate. Toomas successfully completed SBP training course and he has practical experience with carbon footprint certification.
Georg Sten Andrejev, Auditor in training	BSc in Forest Industry. Works for NEPCon since august 2019. Has working experience in timber industry.

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.

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 well documented; main database for material balances is well maintained and all relevant information can be reported.

Weaknesses: See NCRs below.

7.2 Rigour of Supply Base Evaluation

The SBE scope was decided based on Helme Graanul OÜ plant's feedstock profile. After assessing the existing controlled feedstock suppliers and SBP-compliant material demand the preliminary suppliers list was put together. These suppliers were approached and informed about SBP and the WKH risk mitigation requirements. The suppliers who expressed readiness to implement the mitigation measures were further consulted and provided with guidelines on how to move forward with the WKH risk mitigation measures and documentation requirements. The suppliers who rejected the changes were removed from the GI suppliers' list and no longer supplied feedstock to Helme Graanul OÜ pellet plant.

BP is using approved risk assessment and mitigation measures described in their SBR.

Based on the SBP endorsed regional risk assessment for Estonia, there is only one specified risk area in Estonia – indicator 2.1.2 referring to potential threats from forest management activities to areas with high conservation value. In case of Estonia the potential threats to Woodland Key Habitats (WKHs).

Controlled feedstock within Helme Graanul OÜ SBE is only considered to be low risk and SBP-compliant IF the mitigation measures have been applied. Once a feedstock supplier is listed in the GI suppliers' list they have proven that their wood origin documentation is maintained throughout the supply chain from the felling site to the biomass producer. Their WKH risk mitigation procedures are in place within the supply chain with credible evidence. All suppliers who are going to supply secondary feedstock via SBE must be audited before they will be accepted as supplier of SBP compliant feedstock Primary feedstock that goes through SBE will be controlled each time material is received. This is done by material receiver at the gate who will control if the material is coming from WKH or not.

7.3 Collection and Communication of Data

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

Data is gathered from suppliers about the distances from where material is transported, all production data is recorded in BP production database, information about fossil fuels used is based on invoices and production logs. During the reporting period electricity was from CHP, evidence based on logs and meters. Transportation distances from pellet factories to harbours and pellet volumes are recorded in database. Information about energy and fuels used during the loading of the material in ports was asked from port operators and this information was available during the audit.

All the GHG information is indicated in SAR document. All evidence was provided to auditors, auditors considered it sufficient enough to fulfil the requirements.

7.4 Competency of involved personnel

Overall responsible person for implementing SBP together with SBE is Head of Quality and Certification Systems. Supply Base Evaluation was performed by internal personnel only. SBR was reviewed by central office's top management: CEO, COO, Head of Quality and Certification Systems, Biomass Purchasing Manager and the Head of Forestry.

Overall responsible person has all required competences, education and work experience from timber and industry sector and these are also described in procedures.

According to 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 and CB-s stakeholder notification period that was conducted before assessment.

7.6 Preconditions

No open preconditions.

There were identified 3 MINOR 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

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

2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

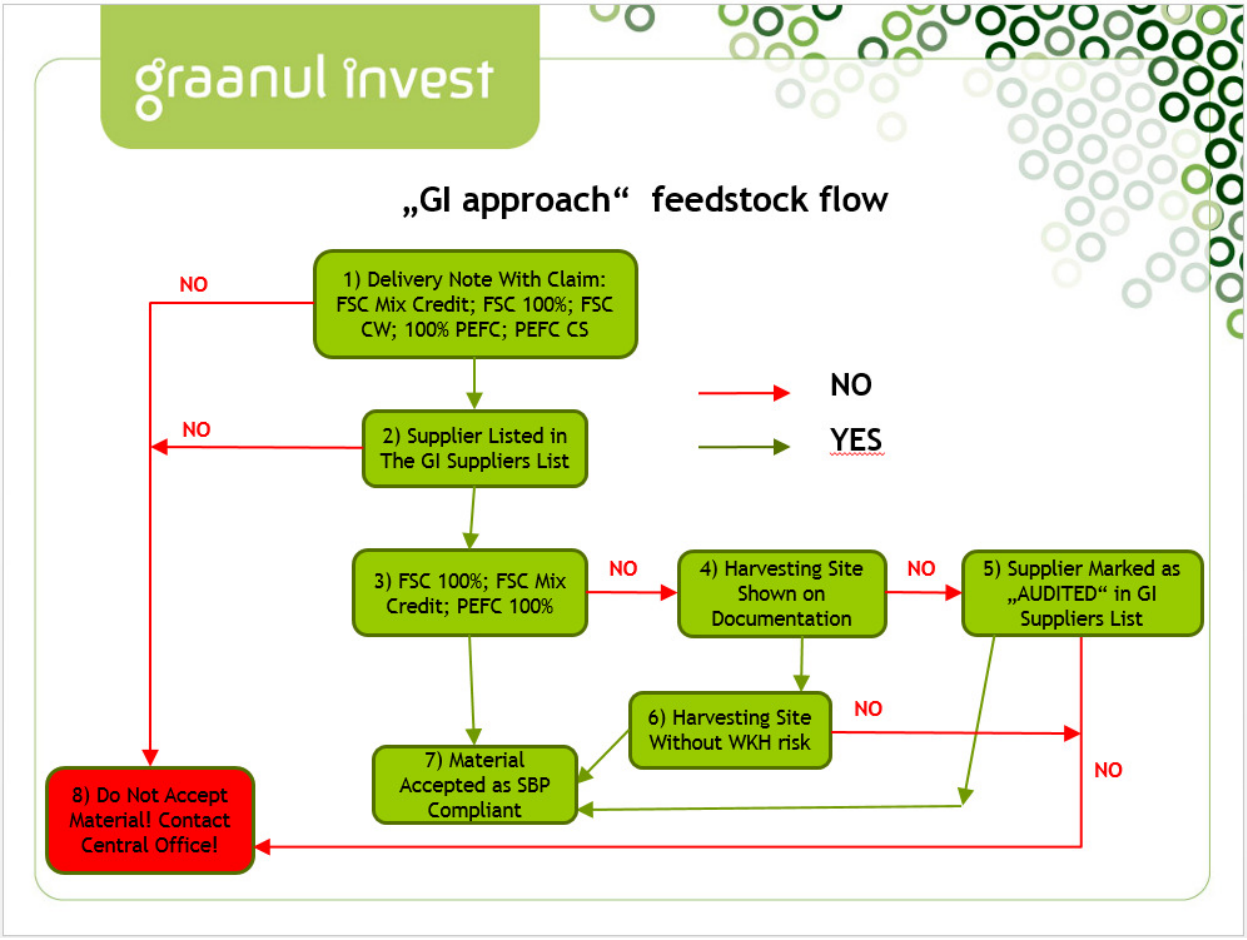
Table 2. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

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

Below is explained the whole cycle of feedstock flow through AS Graanul Invest direct and indirect mitigation measures "GI approach". Mother company Graanul Invest AS has compiled common procedures for all Estonian sites including Helme Graanul OÜ pellet plant.



1) Every feedstock delivery has to have a delivery note with feedstock type, weight/volume, certification claim and code. The format and content have to be according to FSC and PEFC standards. This is examined by pellet plant personnel before the delivery is allowed through the gate.
2) The GI Suppliers List consist of the companies who are approved by central office and are allowed to deliver feedstock to Helme Graanul OÜ-s pellet plant. The list is updated every 3 months and a supplier only
qualifies for the list if:
a.They have a valid certificate visible in the certification scheme's online database.
b.The certificate includes the feedstock types they supply.
c.They source their controlled feedstock from inside Estonia's borders, inside the SBE (information from waybills).
d.They have expressed readiness to implement the mitigation measures and provide evidence.

e.They have signed a contract with AS Graanul Invest which included the WKH risk mitigation measures appendix (WKH information comes from public forest registry).
f.In case they are not a contractual supplier they must have received the WKH risk mitigation measures' guidelines from AS Graanul Invest.
g.They must have attended the AS Graanul Invest suppliers training seminar (registration was recorded).
If one of the conditions from "d","e","f" or "g" is not met then the supplier only qualifies for the GI Suppliers List if they have been audited by AS Graanul Invest central office and approved. The conditions "a","b" and "c" have zero tolerance and not meeting them automatically disqualifies the supplier.
3) If the feedstock is forest management certified then it is SBP-compliant. The accepted certification claims are FSC 100%, FSC Mix Credit, FSC Mix 100% or 100% PEFC Certified Material.
4) If the feedstock is controlled feedstock then the harvesting site information has to be shown on the documentation. Controlled feedstock is defined as feedstock with certification claims "FSC Controlled Wood" and "FSC Controlled Sources".
5) If controlled feedstock does not have the harvesting site information in the delivery documentation then the feedstock can only be accepted if the supplier has been audited by AS Graanul Invest central office and approved. Approved suppliers are marked as "AUDITED" in the suppliers list. This possibility exists because some feedstock suppliers have a WKH risk mitigation measure in place but do not segregate material for their clients. Therefore the risk is low but the exact harvesting site is not known. This system is accepted but has to be audited before.
6) If the controlled feedstock documentation includes the harvesting site information then the site is checked, by Ebavere Graanul OÜ pellet plant personnel, from the Environmental Agency's WKH database or Forest Registry's WKH map. If the harvesting site does not have a WKH on it the material can be accepted as SBP-compliant.
7) SBP-compliant material is allowed to enter the pellet plant territory and is stored according to the storage plan. The compliant material is recorded according to its' quality and sustainability characteristics.
8) Whatever the reason for feedstock rejection the pellet plant has to register and report the case to central office. Each case will be reviewed individually and measures will be taken to avoid similar issues in the future.

Suppliers supplying secondary material via SBE will be audited first by BP to ensure the material is not originating from WKH. During the supplier audit BP is controlling following aspects:

- demonstration of the control procedure carried out by the supplier's responsible person(s);
- demonstration of recorded monitoring data;
- 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 and these were reviewed by BP.

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 01/18	**NC Grading:** Minor
Standard & Requirement:	Instruction document 5B p 3.3.1
Description of Non-conformance and Related Evidence:	
During the control of sales volumes and documents it turned out that in one case BP had not formulated required SREG document. BP explained that the client did not request for one. SREG was formulated after the audit. Since this was a single case auditors decided to raise a minor NCR.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	SREG documents, DTS, interview with overall responsible person
Findings for Evaluation of Evidence:	During audit period BP has formulated required SREG documents, see exh 7. Overall responsible person is responsible for SBP sales and was aware of the requirements. Auditor decided to close NCR.
NC Status:	Closed

NC number 01/20	**NC Grading:** Minor
Standard & Requirement:	Standard #2 V1.0 - Verification of SBP-compliant feedstock; p 7.3
Description of Non-conformance and Related Evidence:	

During the review of SBR it came out, that company is not using the latest version of SBRs, instead they are using version 1.2. While there haven't been major changes in version 1.3 auditor decided to raise Minor NCR 01/20.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Updated SBR, interview with overall responsible.
Findings for Evaluation of Evidence:	SBR was updated with a new version 1.3. Auditor decided to close the NCR before closing the report.
NC Status:	Closed

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:	
Supplier list is verified once per quarter by overall responsible or Biomass Purchasing Manager. BP has one automatic supplier list in gate database and other in Excel. In gate database, if anything differs in waybill and in database, then there is notification. Before onsite audit, BP sent supplier list to auditor. During audit it came out that one supplier has new FSC and PEFC certificate number and one supplier has new PEFC certificate number. Auditor decided to raise Minor NCR 02/20.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts 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:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data; p 6.9.6
Description of Non-conformance and Related Evidence:	

BP has drum dryer available for high-demand and backup. During review of production logs and interviews with Factory Manager it came out, that during audit period BP has not used drum dryer. Only belt dryer is used and for that heat is originating from CHP. In SAR document, it stated that during audit period drum dryer has been used and amount of heating chips used was added. While SAR document was not accordance with reality, auditor decided to raise Minor NCR 03/20.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Updated SAR documents, production logs, interview with responsible person and Factory Manager
Findings for Evaluation of Evidence:	PB sent updated SAR document, where only belt dryer usage and CHP was added. During audit, auditor checked production logs and Factory Manager confirmed that only belt dryer has been used.
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):	Asko Lust
Date of decision:	11/Dec/2019
Other comments:	*Click or tap here to enter text.*