

# NEPCon Evaluation of Pellets Power Lda. Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

Scope Change Audit

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## 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  
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### *Document history*

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# 1 Overview

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Current report completion date:	22/Oct/2019
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Name of the Company:	Produção de Pellets. Lda
Company contact for SBP:	Maria João Preto, +351 969647006, maria.preto@gesfinu.com
Certified Supply Base:	Portugal
SBP Certificate Code:	SBP-01-12
Date of certificate issue:	09/Mar/2016
Date of certificate expiry:	08/Mar/2021

This report relates to the Third Surveillance Audit & Scope Change Audit

## 2 Scope of the evaluation and SBP certificate

Description of the scope: Production of wood pellets, for use in energy production, at Pellets Power Lda. and transportation to Aveiro harbour. The scope of the certificate includes Supply Base Evaluation for primary feedstock from Portugal.

### 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 this evaluation also covered the Supply Base Evaluation, and the mitigation measures describing herein.

The scope of the evaluation covered:

- Review of the BP's management procedures, including requirements designated in applicable SBP Standards and Instruction Documents;
- Review of the updated Supply Base Report;
- Review of the risk assessment results;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Evaluation of mitigation measures implemented for primary feedstock (including inspection of primary feedstock suppliers);
- Review of the records, calculations and conversion factors;
- Interviews with responsible staff;
- Review of the records

## 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

Not applicable – Regional Risk Assessment for Portugal was not endorsed yet by SBP at the time of the annual audit and scope expansion. The BP has used their own Risk assessment for Portugal.

## 5 Description of Company, Supply Base and Forest Management

### 5.1 Description of Company

BP is a biomass producer with a production situated in Mortagua, Portugal. Pellets Power Lda. is a part of Gesfinu group. Gesfinu is a privately owned family group operating in electricity generation and bio energy as main business activities, continuing in the real estate activity.

BP is producing industrial and domestic wood pellets.

BP is sourcing mostly primary feedstock for its production. The input material consists of branches, tree tops, stem wood from thinning as well as low quality roundwood from final felling. Insignificant share of the feedstock is secondary (woodchips and slabwood delivered from local sawmill).

The input material is mostly delivered from Pine stands (*Pinus pinaster*). For purposes of drying there are also sourced some sawmill wood chips. Material is supplied locally. Input material can also be a mixture of species, in those cases the main species are eucalyptus, acacia from cleaning activities (acacia is considered an invasive specie in Portugal) and other deciduous in minor proportions. All the input material is therefore coming from Portugal.

All Feedstock types are delivered to the pellet plant by trucks.

Incoming feedstock is either FSC certified (FSC 100%, FSC Controlled Wood) or controlled according to the existing biomass producer (BP) FSC Controlled wood verification program. FSC controlled material verification program is applicable for feedstock originating from Portugal. Origin information is kept, and origin information access agreements are signed with feedstock suppliers. As a part of the Verification program BP is conducting supplier audits.

The BP is implementing FSC credit system. However, the amount of FSC 100% feedstock is insignificant (no FSC volumes in the audit period were received), and therefore the BP had to implement SBP supply base evaluation of the feedstock received.. BP maintains a credit account for SBP inputs and outputs, separately from FSC credit account.

BP is implementing Supply Base Evaluation (SBE). The BP has developed its own risk assessment with some indicators designated as specified risk and has implemented an internal supplier audit program as main part of their mitigation measures resulting in low risk for all these indicators.

After the production, pellets are stored in BP's production storage or transported into the Aveiro harbour and loaded directly to the vessel.

### 5.2 Description of Company's Supply Base

Portugal forest area covers 3 154 800 hectares. According with ICNF (Instituto da Conservação da Natureza e Florestas), forest land use is the dominant use of the mainland (35.4% in 2010). Over 60% of the territory of continental Portugal consists of forest areas, where 84.2% of the forests are located on private land, 13.8% in



community land and only 2% in public areas (source: 6.º *Inventory Forest National*. Areas of land use and forest species of Portugal continental (Preliminary results v1.1, fevereiro 2013)).  
All types of forest areas presented in Portugal mainland are plantations, semi-natural and natural forests.

Distribution of soils areas in Portugal (ICNF, 2013):

- Forests - 35%
- Pastures - 32%
- Inland water – 2%
- Urban – 5%
- Agriculture – 24%
- Infertile land -2%

In 2010 the land use Forest is the dominant use in mainland Portugal, occupying 35.4% of the mainland. The woods and pastures are the following class of land use with larger area, the bushes corresponding to 32% of this class. Agricultural areas account for 24% of the mainland.

Distribution of total areas for species / species group Portuguese forest:

- *Pinus pinaster* - 23%
- *Eucalyptus spp.* - 26%
- *Pinus pinea* - 6%
- *Quercus suber* - 23%
- *Quercus ilex* - 11%
- *Quercus spp.* - 2%
- *Castanea sativa* - 1%
- Other hardwoods - 6%
- Other softwoods - 2%

Area occupied by coniferous species corresponds to 31% of the Portuguese forest, and 69% is occupied by broadleaf species. The forest area from which the dominant species is the eucalyptus is the largest area of the country (812 000 ha, 26%), cork the second (737,000 ha; 23%), followed by maritime pine (*Pinus pinaster*) (714,000 there is; 23%) and 6% *Pinus pinea*.

According with the 6.º *Inventory Forest National* areas of land use and forest species of Portugal continental (preliminary results v1.1, fevereiro 2013)

The Portuguese forest management areas are protected from illegal harvesting, settlement and other unauthorized activities.

Natural forests are classified as habitats, and are thus safeguarded by another legal framework which is even more limiting. The results of the last National Forest Inventory (2013) show an increase of forest area.

As mentioned before, legislation does not allow conversion of natural forest. After forest fires, any changes have to be submitted to the national forestry authority. There is also legislation to protect wetlands, peat land, protected areas and highly biodiverse grasslands.

The raw material received in Pellets Power, Lda is coming from private land suppliers or National Authority forests.

Law No. 33/96 of 17 August defines the bases of the national Forest Policy and the foundations of national Forest Policy, including the fundamentals to the development and strengthening of institutions and programs for the management, conservation and sustainable development of forests and associated natural systems, aimed at meeting the needs of the community, a framework of spatial planning. (decree-laws n.º 254/2009, of 24-09, - Forest National Code, revoke by Decree-Laws n.º 12/2012).

The declaration of felling, pruning, and circulation of conifer wood, set out in article 6 of Decree-Law no. 123/2015, dated 3 July, must be obligatorily provided in advance whenever; a) it concerns the felling, and transport, or transport of wood from the felling of conifers that are hosts of the pine wood nematode in continental territory, b) it concerns the pruning of host conifers in continental territory.

Portuguese forests are influenced by the climate and geography, among other factors, being significantly different in the North and in the South. The North is mostly mountainous and influenced by the Atlantic climate. Here there are oak forests of *Quercus pyrenaica*, with settlements of *Cytisus sp.* and several pockets of invasive species, such as *Acacia sp.*. The South is characterized for plains and less relief. Portugal's endemic Mediterranean forests are characterized by oak forests (*Quercus robur* and *Quercus rotundifolia*) with several types of vegetation. Pine trees (*Pinus pinaster* and *Pinus pinea*) and Eucalyptus (*Eucalyptus globulus*) exists in all territory, as well as abundant bushes of rockrose orlabdanum (*Cistus ladanifer*) and strawberry tree (*Arbutus unedo*) (source: *Godinho-Ferreira et al., 2005*).

The first goal of forest management is to improve the production (timber and cones/pine nuts). This strategic forest planning methodology allows the integration of two different silvicultures (timber production or forest products) and the choice of the best in each stand.

The timber and the resin constitute the most financially profitable forest products, that target the various activities such as sawmills, production of paper pulp, cellulose or energy, among many others. (source – Plano Director Municipal de Penacova, *Caracterização Florestal, Abril 2015*).

Pellets Power, Lda valorize all silvicultural residues (low quality round wood, leaves, branches etc.), which final destination would be burning or incorporation in the soil. The raw material coming from forest clean operations and pine plantation maintenance and the main goal is to give an economic value of the cleaning wood residues forest.

Pellets Power, Lda, receives the majority of fibre from *Pinus pinaster* forest. The forest management practices consist in cleaning the trees and soil and promoting the wood pine growing. Pellets Power, Lda use waste forest like wood resulting from logging, waste from burned areas, waste from the cleaning of forests and woods, among others.

The *Pinus pinaster* is a fast-growing specie, intolerant to shade. *Pinus pinaster* has higher hardiness and has been used in Portugal, in afforest very small fertile land (as in the case of some dunes) in the northern and center mountains.

Due to forest fires and the phytosanitary problems, the pine, in the last National Forest Inventory, decreased by 263,000 hectares between 1995 and 2010. It occupied in 2010, about 3.458.557 hectares (IFN 5). In the maritime pine pruning the goal is to obtain the best quality timber production (sawmill, papermill, etc).

Pellets Power, Lda receives wood from an area near to the plant, with specific features, different from the remaining area of national forest. The majority of Pellets Power, Lda wood suppliers, work with the Organizations of Forest Producers (OF). Organizations of Forest Producers are a central element in the representation of interests of forest owners and managers, playing an important role in supporting forest owners and producers to achieve the good practices of forest management.

Pellets Power, Lda raw material is characterized as:

- None of the species received is CITES-listed (*Pinus pinaster*; *Eucalyptus globulus*, *Acacia dealbata*, *Acacia melanoxylon* etc...).
- Raw material close to Pellets Power, Lda is mainly *Pinus pinaster*., Pellets Power, Lda works with many suppliers which have their own forest, so they have to make sure it is clean (legal obligation).

There are no trees in Portugal belonging to CITES appendices. It also was not found any direct effect of harvesting or forest management over CITES listed species.

- <https://cites.org/eng/cms/index.php/component/cp/country/PT>

Please see detailed information about BP's supply base in Supply Base Report available at BP's homepage.

## 5.3 Detailed description of Supply Base

Total Supply Base area (ha):

- 3,2 mln ha

Tenure by type (ha):

- Privately owned – 3,1 mln ha;
- Public forest (private domain of the National Authority forests) – 0,1 ha

Forest by type (ha):

- Temperate Forests 3,2 mln ha

Forest by management type (ha):

- Managed natural : 2,3 mln ha;
- Planted forest: 0,9 mln ha

Certified forest by scheme (ha):

- FSC - certified forest - 423 580 ha
- PEFC-certified forest - 268 824 ha

Quantitative description of the Supply Base can be found in the Biomass Producer's Supply Base Report at BP's homepage as per the weblinks mentioned above.

## 5.4 Chain of Custody system

The Organisation is holding valid FSC Chain of Custody and FSC Controlled wood certificate <http://info.fsc.org/details.php?id=a024000000BNTYaAAP&type=certificate&return=certificate.php>. Valid FSC system description and other documents exist.

The Organisation is implementing FSC Credit system of claims. FSC Credit system is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the Organisation's own controlled material verification system. The controlled material verification system of the organisation is covering only Portugal (the scope of the certificate covers four different sites, one of which is the Organisation, and risk assessment for this certification as a whole covers Portugal and Spain). No other feedstock is received. Supplier list is maintained.

After the reception, incoming feedstock is unloaded into piles according to type of feedstock and load is registered into the recordkeeping system. All input material is weighted and recorded in tones. For the credit account purposed the volume of feedstock is recalculated by using the conversion factor of the production, FSC credit account is updated once in a month: data about received raw materials by FSC certification status and volume of sold pellets are recorded.

In case of the FSC and / or SBP sales, the volume of sold pellets is withdrawn from the credit account.

## 6 Evaluation process

### 6.1 Timing of evaluation activities

The SBP annual audit was carried out on September 26-27, 2019 and it included visit of the Pellets Power La. Office and production facilities in Mortagua, Portugal, and field inspection of 2 different suppliers (out of 4 included in the SBE) and four forest management units where currently the feedstock is sourced from.

List of the forest management units inspected by NEPCon audit team:

- Ángulo verde – Lote 70 Dunas y pinares de Mira
- Ángulo verde – Lote 74 Dunas y pinares de Mira
- Ángulo Verde \_ Lote 179 Dunas Castañedo
- Felipe & Eleonel – Concello Santa Combaao

Prior to the field work, auditor review a set of documents and procedures to prepare the audit. These documents were: SBR, SAR, mitigation measures and full set of internal audit checklist.

Total of 2 days were used for this audit, please see more details in the table below.

Activity	Location	Auditor(s)	Date/time
Opening meeting	BP's office	PGS	26/10/2019 10.30-11.00
SBP management system review Interview with overall responsible staff Review of the applicable SBP documentation , including SBP procedures, instructions, training records, feedstock descriptions, supplier lists and other (SBP standards nr 2 and 4) FSC control points analysis and review of the existing controlled Wood system. Review of procedures, documents and interviews with responsible staff (review of the CoC system control point, mass balance, transfer system management system, verification of SBP compliant feedstock). Implementation of mitigation measures, SBP Risk Assessment, Supplier verification program. Interviews with responsible office staff Interview with SBP responsible person, review of documentation, procedures. Evaluation of compliance to SBP Standards #1 and #2. SBP Risk Assessment, implementation of mitigation measures, Supplier verification program.	BP's office	PGS	26/10/2019 11.00-18.00
GHG calculation review collection and communication of energy and carbon data	BP's office	PGS	26/10/2019 18.00 – 19.00

Review of the applicable, GHG collection and communication related SBP documentation , including SBP procedures, instructions, records, and other (SBP standard Nr 5)			
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Activity / timing	Location	Auditor(s)	Time
Field audits, evaluation of BP's practices in sourcing of primary feedstock, wood and chips <ul style="list-style-type: none"> <li>• Evaluation of supplier of primary feedstock</li> <li>• Witness audit of BP supplier audit</li> </ul>	Forests and feedstock sourcing areas in Portugal central region:  Supplier audits. primary feedstock suppliers, evaluation of risk mitigation measures in completed logging sites: <ul style="list-style-type: none"> <li>• FMU 179 Dunas Castañedo</li> <li>• FMU Concello Santa Combado</li> </ul> Supplier audits. primary feedstock suppliers, evaluation of risk mitigation measures in on going logging sites <ul style="list-style-type: none"> <li>• FMU 70 Dunas y Pinares de Mina;</li> <li>• FMU 74 Dunas y Pinares de Mina;</li> </ul>	PGS	27.10.2019 8.30 – 16-00
Production site inspection, site tour	PP Lda. Facilities	PGS	16:00 – 17:30
Summarizing the outcomes of audit, office work	PP Lda. Facilities	PGS	17:30 – 18:00
Closing meeting	PP Lda. Facilities	PGS	18:00 – 18:30

## 6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Pilar Gorría Serrano, audit team leader Overall responsibility for the audit process.	NEPCon SBP lead auditor. He has successfully passed SBP auditor training in UK; previous experience with more than 20 SBP assessments and annual audits in Europe and quality report revisions.

Description of the evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC/ CW system of the organisation, including SBP risk assessment, SBP Procedure, Supply Base Reports, mitigation measures, supplier audits checklist and FSC system description were provided by the company prior or in the beginning of the audit.

The audit started with an opening meeting, where the auditor introduced herself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. Auditor explained the aim and objectives of the audit, informed about the evaluation process, underlined the need to collect objective evidence through a combination of document review, site visits, interviews and discussions, explained the essence and importance of sampling aspect of the auditing. Special attention has been paid to explanation of the differences in minor and major nonconformity reports (NCRs) and that NCRs are an expected part of the process designed to help the organization strengthen its procedures and processes.

After that audit team went through all applicable requirements of the SBP standards nr. 1, 2, 4 and 5 covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, SBP risk assessment results and their justification, stakeholder consultation process, energy data and inputs and outputs of feedstock in the last period. During the process overall responsible person for SBP system and responsible staff having key responsibilities within the system were interviewed.

At the end of the first day, the sampling of the suppliers and FMUs to visit took place.

During the second day of the evaluation, audits of individual suppliers at the FMU level took place. NEPCon team was evaluating how BP staff is doing audits for the suppliers and evaluating their compliance with the SBP standards and how risk from the risk assessment is implemented on the ground.

*Implementation of sampling for inspection of the feedstock suppliers (forest management units) included into Supply Base Evaluation:*

The following considerations have been taken into account to determine the sampling intensity:

- 1) Forest Ownership;
- 2) Type of the operations and activities: forests burned after the fires of 2017 that are currently being harvested (managed and monitored by the forest authority)

### Forest Ownership:

In the Central region where the organization has carried out its harvesting activities under the scope of SBE there are two types of properties: i) private properties or micro-properties in which the average size of FMU does not exceed 3 hectares and ii) public area with larger FMUs.

### Type of the operations and activities:

In this period the organization has carried out three types of operations:

- Harvesting activities in small private properties that correspond to the cutting of pines (*Pinus pinaster*) or mixed areas where pine, eucalyptus, acacias and other species are found.
- Burnt wood cuts after the forest fires of 2017.
- River or road cleaning, managed by the forest administration.

Decision of NEPCon audit team on FMU sampling:

The suppliers' audits start at the BP office where the harvesting site is evaluated using available maps with protected areas and species. Later on, the supplier is visited where the forest management plan is evaluated (if applicable) and additional information about sites are collected. Finally, the audit continues at the forest site where the workers are interviewed and the forest conditions are evaluated using the checklist. In case the evaluation of all 9 indicators resulting in specified risk the risk is mitigated to low and the material is received as SBP compliant. In case there would be identified that the indicator can't be assessed as low risk and the material can't be received as SBP compliant, the supplier is excluded from the SBE. After the supplier audits the BP has concluded that for the specified area, low risk can be considered for all indicators in case of the fourth suppliers included in the SBE.

The supplier verification is repeated annually, no sampling bases are applicable at this point and all approved suppliers are verified every year.

Currently the 4 SBE suppliers approved supply about a 17% of the total feedstock supplied. From the SBE scope, about 30% of the feedstock comes from burned state forest and the rest comes from burned private forest, harvesting activities in micro-properties and cleaning activities.

Taking into account all considerations mentioned above, it was decided to visit 4 forest management units, selected by NEPCon, but preference was given to the FMUs where timber harvesting was on-going at the moment of inspection. This gave the opportunity to interview the forest workers and evaluate H&S aspects. It was also decided that the inspections are conducted by BP staff and witnessed by NEPCon audit team in order to evaluate the BP competence to mitigate the risk. As conclusion it was visited 2 active FMUs from burned forest in managed by the state, one burned forest with river area where harvesting activities have been finished and one FMU in small property with ongoing harvesting activities.

At the end of the audit findings were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the company representatives.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

## 6.3 Process for consultation with stakeholders

The risk assessment was sent by email (on 29<sup>st</sup> May, 2019) to all notified stakeholders. In total 107 stakeholders were notified in the first stakeholder consultation round and not relevant comment was received. The second round of the consultation took place later on where the quality manager made some phone calls to a selected stakeholder. No reply was received.

NEPCon stakeholder consultation was performed on 28/06/2019 by sending direct email to more than 100 stakeholders. For the stakeholder list development, the FSC database from the National Office in Portugal was used, different stakeholders' profiles were contacted as environmental and social associations, industries, forest owners' associations, government agencies, etc. Some additional stakeholder from the biomass sector was added to the list. One stakeholder comment was received.

## 7 Results

### 7.1 Main strengths and weaknesses

Main strengths: Use of the FSC credit system. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members. Small number of suppliers included in the SBE.

Weaknesses: see NCR section identified during this audit.

### 7.2 Rigour of Supply Base Evaluation

The Supply Base Evaluation was implemented for primary feedstock sourced from Portugal, but the BP is currently only supplying feedstock from the Center Portugal region, no further than 150 km from the Pellets Power Lda plant. The BP is using the SBE Risk assessment developed by ANPEB (Portuguese Pellets Producer Association) for all Portugal but currently they are only working in the Central region. The BP implements SBE for the feedstock that is not received with FSC or PEFC claim.

The BP has identified 9 indicators with specified risk in their risk assessment for whose supplier audits are carried out to determine if the risk for the defined scope is specified or low:

*2.1.2 Potential threats to forests and other areas with high conservation values from forest management activities are identified and addressed.*

*2.2.1 Feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them*

*2.2.2 Feedstock is sourced from forests where management maintains or improves soil quality (CPET S5b).*

*2.2.3 Key ecosystems and habitats are conserved or set aside in their natural state (CPET S8b).*

*2.2.4 Biodiversity is protected (CPET S5b).*

*2.2.6 Negative impacts on ground water, surface water and water downstream from forest management are minimised (CPET S5b).*

*2.3.2 Adequate training is provided for all personnel, including employees and contractors (CPET S6d).*

*2.4.2 Natural processes, such as fires, pests and diseases are managed appropriately (CPET S7b).*

*2.8.1 Appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).*

After this risk assessment was conducted, the stakeholder consultation process started with sending email to 114 stakeholders. The BP keeps records of communication with stakeholders. The BP has shared the results of the risk assessment with the stakeholders as well as proposed mitigation measures.

As central part of the mitigation measures, the BP has conducted supplier audits and as result of this process only 4 suppliers (out of more than 40) have been approved for SBE. The BP has prepared several checklist to verify the supplier forest management implementation under each risk indicator. (see section 9 in this report for more details about the key points to evaluate mitigation measures under each specified risk) maps with protected areas as well as list of protected species which are used during the supplier audits to identify the extend of risk in each area. The supplier audit checklists contain requirements for evaluation of legal aspects,



determination of scope (species, type of harvest and area), ecological aspects (such as biodiversity, HCVs for each category, fire protection elements), soil quality, water courses and ground water, forest fires and pest, and health and safety requirements together with appropriate training. Normally audits start at the BP office where the harvesting site is evaluated using available maps with protected areas and species and other supplier documentation, agreements, etc. are evaluated. Later on, the supplier office is visited where the forest management plan is evaluated (when applicable) and additional information about sites are collected. Finally, the audit continues at the forest site where the workers are interviewed, and the forest conditions are evaluated using the checklist. In case the evaluation of all 9 indicators results in low risk the risk is confirmed as low and the material is received as SBP compliant. In case there would be identified that any of the indicator can't be assessed as low risk, the material can't be received as SBP compliant and the supplier is not approved. After the supplier audits the BP has concluded that for the 4 selected suppliers' low risk can be considered for all indicators. The supplier verification is repeated annually.

### 7.3 Collection and Communication of Data

The BP has provided good overview of the requirements for energy data collection. The responsible person has benefited from previous experience with other certification schemes (like GGL) and other experience energy data collection.

### 7.4 Competency of involved personnel

Staff members involved into the SBP system management and implementation, include the quality manager, supply raw materials responsible and industrial director as well as administrative staff. Interviewed staff demonstrated awareness of their responsibilities within SBP system.

The SBE was mainly implemented by Supply raw materials responsible (holding M.Sc. degree in forestry) and the quality manager, and between them, they have implemented the system. Supply raw materials responsible is covering the implementation of the mitigation measure and providing input to about forest specific issues while the quality manager is responsible for the process part of the work.

Supply raw materials responsible has provided good knowledge in relevant fields, including project management and recognition of HCVF aspects, and implementation of relevant mitigating measures during the site visits.

### 7.5 Stakeholder feedback

One comment was received from one stakeholder on July 2019 from the ICNF (Instituto de Conservação da Natureza (ICNA) about the importance of the use of forest residues as a measure that contributes to the minimization of rural forest fires. The contribution did not identify with disagreement with the designation of risk. The CB answered the stakeholder by email..

### 7.6 Preconditions

None.

## 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.*

The BP has developed the risk assessment with evaluation of each individual indicator. The risk assessment outlines “specified risk” for indicators 2.1.2, 2.2.1, 2.2.2., 2.2.3., 2.2.4, 2.2.6., 2.3.2, 2.4.1. and 2.8.1. To determine whether the risk can be considered as low or specified the organization has conducted supplier audits and evaluated the compliance with these indicators.

Risk assessment taking into consideration results of the supplier audits is presented in Table 2. It is concluded that after the situation for each indicator was evaluated at the supplier level (for the suppliers included in the SBE) by the BP lead to conclusion that the final risk level for all indicators can be considered as “low risk”.

**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	Specified	Specified
2.2.2	Specified	Specified
2.2.3	Specified	Specified
2.2.4	Specified	Specified
2.2.5	Low	Low
2.2.6	Specified	Specified

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Specified	Specified
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	Specified	Specified
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	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	Specified	Specified

**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

Pellets Power Lda has developed the following mitigation measures according to each indicator, basically all are structured in the same way:

1. The BP only works with a limited number of suppliers (4) to improve the control and the mitigation measures implementation. All suppliers are visited prior to be validated as SBE supplier.
2. The BP mitigate the risks at the supplier level. Each supplier is evaluated for each specified indicator under different situations to ensure all different risks and different factors as forest, ownerships, species, etc. are covered. Once the supplier has been evaluated and approved as SBE supplier, the feedstock can be considered as SBP.
3. The audit supplier process is developed as follows:
  - Desk and onsite audit in the supplier facilities is conducted to evaluate general procedures and legal issues as: safe and safety procedures, forest practices, etc. Geographic areas of work are assessed and the sampling to conduct the onsite visits at the level of FMU is defined. At this stage if specific forest management manual, H&S risk and procedures, list of potential species or HCV information is needed by the supplier, the BP shares manuals and checklist with the supplier.
  - After that FMUs on site visit are conducted where all checklist (Part 1, 2, 3, 4 and 5) are evaluated. More than one site visit used to be requested in order to evaluate the supplier performance in all applicable situations and specified risks. In these forms there are also good practices and limitations adapted to each risk. The on site audit are structured in 5 audit checklists:
    - Cover forest data (type of forest, hectares, ownership authorization, harvesting manifesto, etc). Part 1
    - Cover forest workers health and safety, harvesting residues, working contracts, etc. Part 2
    - Cover HCV and biodiversity verification. Part 3 and annex 4 for biodiversity
    - Cover assessment of impacts, soil quality, negative impacts over water resources and fires and pests. Part 5

All checklist from part 1 to 5 are kept by the BP and a summary with the main finding under each indicator and FMU visit is recorded.

Supplier audits, trainings and contact with all SBE supplier are managed by the BP purchase manager, forest engineer in PP Lda.

4. If a specific training/notification is identified by the BP staff, good practices manuals are shared with the supplier and is also trained according. The BP can consider the NCR as an observation or opportunity of improvement or as a NCR where can cause the supplier suspension as SBE approved. The BP has specific procedures for this issue.

Indicator	Risk	Main comment and mitigation measures
2.1.2	Potential threats to forests and other areas with high conservation values from forest management activities are identified and addressed.	Before site visit the information about HCVs is collected and identified; Fill the audit form in the forest (with previous information provided during the desk review) (part 3) where the main HCV site are listed for each region, limitations and

		restrictions are checked for each specific HCV identified and this is verified on site during the audit. All 6 HCV categories are considered.
2.2.1	<p>Feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them.</p> <p><u>Low risk</u> is assessed for areas with dimensions above the threshold for the obligatory implementation of Forest Management Plan (refer to relevant PROF). <u>Specified risk</u> is considered for all the remain areas.</p>	<p>Before site visit the information is collected and identified.</p> <p>Supplier audit and fill the audit form. In the form is verified if the area has a management plan and in this case the FMP is analysed, forest activities impacts over different aspects as: archaeological or other heritage site, infrastructures, rivers, soils, materials and equipment's used and its possible impacts over the territory, biodiversity. etc.</p>
2.2.2	<p>Feedstock is sourced from forests where management maintains or improves soil quality (CPET S5b).</p>	<p>Before site visit the information is collected and identified. Risk of erosion is classified according to the ICNF <a href="#">database</a>. Most of the central area where the BP is sourcing material comes from "non-vulnerable" classification.</p> <p>Fill the audit form with onsite verification of small residues left in the soil, machinery circulation, distances to water lines, use of chemicals, activities limitation depending on soil moisture, etc.</p>
2.2.3	<p>Key ecosystems and habitats are conserved or set aside in their natural state (CPET S8b).</p>	<p>Before site visit the ecosystems and habitats information is search and identified;</p> <p>Habitats Directive; before each site visit the HCV information is search and identified;</p> <p>Fill the audit form Part 3 (HCV) and Part 4 (biodiversity - and species checklist)</p>
2.2.4	<p>Biodiversity is protected (CPET S5b).</p>	<p>Before site visit the Biodiversity information is search and identified;</p> <p>Fill the audit form that have the items theoretically identified for Central region (or any other sourcing region). Auditor checks if the value has been observed during inspection by the supplier staff, if the supplier has identified it, actions and monitoring carried out by the supplier;</p>
2.2.6	<p>Negative impacts on ground water, surface water and water downstream from forest management are minimised (CPET S5b).</p>	<p>Before site visit the information is search and identified;</p> <p>Forest management Plan is identified and evaluated in when exists. Supplier audit is conducted and filled the audit form (Part 5) with onsite verification of: identification of water curses, buffer areas around the water courses, use of fuels and lubricants, etc.</p>
2.3.2.	<p>Adequate training is provided for all personnel, including employees and contractors (CPET S6d)</p>	<p>Fill the health and safety audit form and based on staff interviews and evidences from the supplier, the BP evaluate the training regarding other aspects as use of machinery, biodiversity, HCV, forest management practices, etc.</p>

2.4.2.	Natural processes, such as fires, pests and diseases are managed appropriately (CPET S7b).	Before site visit the information is search and identified; Fill the audit form with onsite verification of priority area for forest fires according to ICNF <a href="#">database</a> Fill the audit suppliers table vs risk results; some aspects are evaluated ex: regeneration is present at the FMU after the fires to protect soil and it is respected, all decrepit and burned trees are removed to avoid pest and diseases, specific forest management indications established by the ICNF are followed.
2.8.1	Appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).	Fill the audit form with verification of: PPE used by forest workers, work insurance, medical inspections, training about forest work and machinery use or first aid kit, etc. Fill the audit suppliers table vs risk results;

## 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.

Open NCRs from the previous annual audit:

<b>NC number</b> 01/18	<b>NC Grading:</b> Minor
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 6.2
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The organization receives the sawdust and slab wood with place of loading and therefore the secondary feedstock supplier is known. For the secondary feedstock the procedure to verify the origin is as follows: a) A specific deliver of secondary feedstock occurs. b) Supplier provide all the delivery documents (including “manifestos”) that have entered in their facilities during that month. The approach is that all the secondary material used in this deliver for the BP comes from one or more of all the delivery documents during that month. c) All manifestos (where information about origin is the FMU to the saw mill) are recorded by the BP by month and by supplier. During the audit, records for deliveries from April 2017 were requested but it was found that only one manifesto was delivered by the supplier. The responsible staff in the BP asked the supplier to provide the additional documentation but it was not received and the process to verify the origin was not completed. Note: Secondary feedstock is only 4% of the total feedstock used.</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	Internal supplier audits from a sample selected by the auditor were provided by the BP.
<b>Findings for Evaluation of Evidence:</b>	The BP provides all supplier audit requested by the auditor. Manifestos and audit reports were available and procedures to develop monthly supplier audits were in place. Responsible staff show good awareness of the requirements. The corrective action was implemented and the NCR closed.
<b>NC Status:</b>	Closed

<b>NC number</b> 02/18	<b>NC Grading:</b> Minor
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 2C
<b>Description of Non-conformance and Related Evidence:</b>	

The SBR covers the most important features in the Supply Base but the following small mistakes have been identified: a) No explanation why SBE is not applicable is included under section 3 and b) total % of the feedstock used sum 100.2% instead of 100%.	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date By the next surveillance audit, but no later than 12 months from report finalisation date By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	The BP update the SBR and correct the mistakes identified in the NCR
<b>Findings for Evaluation of Evidence:</b>	In this annual audit the scope of the certificate has been upgraded and the SBE is now applicable and the total % of feedstock is 100%. The SBR has suffered bigger changes due to STD 1 scope change, audit consider it sufficient and accurate.
<b>NC Status:</b>	Closed

<b>NC number</b> 01/19	<b>NC Grading:</b> Major
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 7.1
<b>Description of Non-conformance and Related Evidence:</b>	
The SBR is ready in its English version but the Portuguese one is missing and both documents are not available on BPs website, including Annex 1.	
<b>Timeline for Conformance:</b>	Other Prior to the scope change approval
<b>Evidence Provided by Company to close NC:</b>	SBR are available on BP website <a href="http://www.gesfinu.com/index.php?cat=11&amp;item=25">http://www.gesfinu.com/index.php?cat=11&amp;item=25</a>
<b>Findings for Evaluation of Evidence:</b>	Prior to close this report, the BP has uploaded the final SBR in Portuguese and English in the BP website
<b>NC Status:</b>	Closed

<b>NC number</b> 02/19	<b>NC Grading:</b> Major
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 2C
<b>Description of Non-conformance and Related Evidence:</b>	
The SBR is ready in its English version with the SBE (including Annex 1) information updated but the document is not available on BPs website.	
<b>Timeline for Conformance:</b>	Other. Prior to the scope change approval
<b>Evidence Provided by Company to close NC:</b>	The updated SBR is available in BP website with SBE information. <a href="http://www.gesfinu.com/index.php?cat=11&amp;item=25">http://www.gesfinu.com/index.php?cat=11&amp;item=25</a>
<b>Findings for Evaluation of Evidence:</b>	The updated SBR is available in BP website with SBE information
<b>NC Status:</b>	Closed

<b>NC number</b> 03/19	<b>NC Grading:</b> Minor
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 12.5
<b>Description of Non-conformance and Related Evidence:</b>	
The main process is documented in the SBR, supplier audits and other supplier records kept. Nevertheless, the supplier audit process is not properly recorded in the BP procedures, there are several	



<p>key aspects that are missing: a) Considering that the sourcing area is not homogeneous in terms of property size, forest composition, risk on HCV and biodiversity, forest activity (thinnings, final harvesting, sanitary cuttings, etc), the BP staff analyse supplier performance in all different situations applicable prior to validate the supplier. This can often result in several field work visits. b) No sampling is applicable for supplier audits, all suppliers are annually evaluated by the BP staff. The BP is currently performing their supplier audit program considering these key points: all suppliers approved are evaluated in different phases and covering different working conditions but the full system is not correctly described in their internal procedures, thus this NCR is considered minor .</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date.
<b>Evidence Provided by Company to close NC:</b>	Pending
<b>Findings for Evaluation of Evidence:</b>	Pending
<b>NC Status:</b>	Open

<b>NC number</b> 04/19	<b>NC Grading:</b> Minor
<b>Standard &amp; Requirement:</b>	STD 2 Verification of SBP-compliant feedstock, 16.3
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The BP has developed a monitoring system (PG02.ED01) very much based on the system implemented for their sister pellets plant Pellets Power 2. This procedure is not adapted to the reality in PP Lda. and the sourcing areas different from Alentejo. Ex: Risks identified in the procedure are not connected with the BP RA but with Pellets Power 2; this procedure details Pellets Power 2 forest management practices and forest resources as Pinus pinea thinning that is not applicable to Pellets Power Lda. For all this, it cannot be considered that the monitoring procedure PG02.ED01 is fully applicable for Pellets Power Lda.</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date.
<b>Evidence Provided by Company to close NC:</b>	Pending
<b>Findings for Evaluation of Evidence:</b>	Pending
<b>NC Status:</b>	Open

<b>NC number</b> 05/19	<b>NC Grading:</b> Observation
<b>Standard &amp; Requirement:</b>	STD 1. 2.1.1.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>Classified areas and endangered species are well classified and mapped in Portugal, relevant data base can be found in <a href="http://www2.icnf.pt/portal/pn/biodiversidade/cart">http://www2.icnf.pt/portal/pn/biodiversidade/cart</a>, Habitat and Birds Directives; CITES, Red book and Atlas of Bryophytes or <a href="http://www.icnf.pt/portal/naturaclas/patrinatur/especies">http://www.icnf.pt/portal/naturaclas/patrinatur/especies</a> as stated in the RA; other endemic species and critical areas of seasonal use can be found in the same data base. It is recommended that the data base for these 2 categories would be reviewed to ensure that endemic species and critical areas of seasonal use are properly mapped and available for its identification on the field.</p>	
<b>Timeline for Conformance:</b>	Other.
<b>Evidence Provided by Company to close NC:</b>	Pending
<b>Findings for Evaluation of Evidence:</b>	Pending
<b>NC Status:</b>	Open

<b>NC number</b> 06/19	<b>NC Grading:</b> Observation
<b>Standard &amp; Requirement:</b>	STD 1. 2.1.3.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The BP is sourcing material from the central region where the forest is mostly feedstock from Pinus pinaster (originally planted) and Eucalyptus plantations, therefore the risk of conversion is low and the auditor agrees with risk classification in the reality of the BP sourcing area. Due to the fact that the conversion of forest is possible in Portugal with previous authorization by ICNF the BP should review the risk of conversion.</p>	
<b>Timeline for Conformance:</b>	Other.
<b>Evidence Provided by Company to close NC:</b>	Pending
<b>Findings for Evaluation of Evidence:</b>	Pending
<b>NC Status:</b>	Open

<b>NC number</b> 07/19	<b>NC Grading:</b> Observation
<b>Standard &amp; Requirement:</b>	STD 1. 2.3.1.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>Analysing statistical information available for average annual growth (AMA) from IFN5 (2005) show for Mainland Portugal: • On Eucalyptus an average annual growth of 4,375,000 m<sup>3</sup>/year based on 2005 inventory data. Currently the value will be significantly higher. Eucalyptus wood from Portugal consumption in 2014 was 5,400,000 m<sup>3</sup> (CELPA data). Eucalyptus is fast growing specie, over 12 years, with one and only cut on the period: final clear cut. So harvesting does not compromise long-term production of the forest. • On Pinus pinaster an average annual growth of 3,650,000 m<sup>3</sup>/year based on 2005 inventory data. Currently the value will be lower. Pinus pinaster wood from Portugal harvested in 2014 was 2,247,000 m<sup>3</sup> (Centro Pinus data). So Pinus pinaster wood available from Portugal is under AMA. Low risk was designated to this indicator. Once the IFN 6 results would be available the BP should review the data for Pinus pinaster to ensure that harvesting does not exceed the long-term production capacity of the forest in current situation after the fires and pest suffered by this specie.</p>	
<b>Timeline for Conformance:</b>	Other.
<b>Evidence Provided by Company to close NC:</b>	Pending
<b>Findings for Evaluation of Evidence:</b>	Pending
<b>NC Status:</b>	Open

## 11 Certification decision

**Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:**

<b>Certification decision:</b>	Certification not approved
<b>Certification decision by (name of the person):</b>	Ondrej Tarabus
<b>Date of decision:</b>	29/Oct/2019
<b>Other comments:</b>	<i>Click or tap here to enter text.</i>