Sustainable Biomass Program

Control Union Certifications B.V. Evaluation of Pelletsfirst, Produção e Comercialização de Pellets de Madeira, SA Compliance with the SBP Framework: Public Summary Report

First 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

Table of Contents

1 Overview

CB Name and contact:	Control Union Certifications; Meeuwenlaan 4-6; P.O.Box 161, 8000AD Zwolle, Netherlands.
Primary contact for SBP:	Andrea Ferrazzo
Current report completion date:	21/Nov/2018
Report authors:	Mr. L. Holm (Lead Auditor) Mr. H. Jurczyszyn (Certifier
Name of the Company:	Pelletsfirst, Produção e Comercialização de Pellets de Madeira, SA
Company contact for SBP:	Silvia Jorge
Certified Supply Base:	Continental Portugal
SBP Certificate Code:	SBP-06-13
Date of certificate issue:	31/Jan/2018
Date of certificate expiry:	30/Jan/2023

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation: Surveillance audit to assess the CH's conformance to SBP standards 2, 4, and 5 and respective Instruction Notes and Documents. The evaluation included on-site visits to the pellet plant in Cós, Portugal and the port facilities in Figueira da Foz, Portugal. The organisation has been audited against FSC Chain of Custody certificate, the certificate was issued on 17-11-2017.

Scope of certificate: The following SBP standards are applicable and form the scope of the evaluation and thus, the SBP certificate: Standard 2, Standard 4 and Standard 5.This certificate covers production and distribution of wood pellets, for use in energy production, at Pellets First pellet plant in C´s, Portugal and transport to the port facilities in Figueira da Foz, Portugal for vessel loading and shipping of pellets. The scope of the certificate does not include a Supply Base Evaluation.

SBP certificate: SBP-06-13

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 the specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;

- Review of the production processes, production site visit;

- Review of SBP system control points and an analysis of the existing CoC system control points;

- Interviews with responsible staff;

- Review of the records, calculations and conversion coefficients; and

- SAR and profiling data collection analysis

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 - No SBP endorsed Regional Risk Assessment was used for this assessment

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

The Enerpellets Group has its origin from an initiative coming from a group of professionals highly experienced in the management of companies. This group identified an export opportunity in the value chain of thermal and electrical production.

The Enerpellets Group is active in the energy business as a competent producer of renewable biomass, wood pellets. The Group has two industrial units located in Pedrogão Grande and Alcobaça, both units situated in the District of Leiria.

The unit is situated in Alcobaça, and since March 2013 also certified for the production of premium wood pellets in bulk (Enplus A1).The annual production capacity for this plant is approximately 100 000 tons.

The final product will be supplied as bulk, in bags or in big-bags. Since part of the production is shipped by sea the port of Figueira da Foz has been selected being relatively close to the production site in Alcobaça. The transportation of pellets from the plant to the port of Figueira da Foz is guaranteed by truck on excellent highways.

The geographical position of both these plants is mainly due to a strategic option. Both plants are situated in the largest forested area in Portugal which is a guarantee for a good and sustainable supply of raw material.

In terms of equipment, both units are equipped with a selected set of equipment, widely tested in this kind of industry, Moreover the equipment was internally improved and developed in many details by the Group's own engineering department.

Close to the plant in Pedrogão Grande also operates since 2015 a production unit for the processing of forest residues from the wood pellet production, of both units. The final product is bark in different grain sizes and degrees of purity which is used to create growth substrates and decorative mulch.

The BP has a FSC credit system to manage their Chain of Custody.

5.2 Description of Company's Supply Base

The forest material is provided by approximately 57 small and medium-sized companies, every company informed and controlled in order to have the necessary information about the management of the sourced area. Furthermore each one of these companies declares in writing their commitment for this purpose.

All of the material comes from forested areas in Portugal.

The wood material from Portugal, comes mainly from the forested areas in the districts of Aveiro, Beja; Castelo Branco, Coimbra; Évora, Leiria; Lisboa; Portalegre, Santarém e Setúbal.

Suppliers, who buy standing timber and contract the operation, make the selection of round wood for value added processes like saw mills (***Pinus spp***), wood pulp industries ***(Eucalyptus globulus***). Left over's i.e. waste from forestry exploitation, namely thinning of forests and cleaning of round wood without any conditions for other uses (bent, defective round wood, a lot of resin, burned, sick trees, etc.) are destined for

other processes giving economical value to this kind of woody material, including the manufacturing of wood pellets, energy production, and MDF chipboard.

The practice to buy left over's is encouraged by the company including a supply policy to promote the good use and the sustainability of forest resources. The reception of thinned wood is limited to diameters ≤ 40 cm, except in the cases of defective pieces without any possibility for use for in demanding added value processes.

The timber processing residues from the sawmilling industry (wood chips, slabs and sawdust) are provided from about 15 sawmills, who in their turn also supply wood from forested areas in Portugal. The main part of this material is coming from neighbouring forested areas and to a very small extent from other regions in Portugal.

Consequently the supplying area includes the Portuguese continental territory.

5.3 Detailed description of Supply Base

Portuguese Forest

The Portuguese Forest occupies 3.2 million hectares representing 35.4% of the national territory, one of the highest proportions of forested areas across Europe.

Land use in Portugal – 2010

Source: ICNF – Inventário Florestal Nacional, Resultados Preliminares, 2013

- 35% Forest
- 32% Brushwood and Pastures
- 24% Agriculture
- 5% Urban
- 2% Lakes and rivers
- 2% Not productive

Forest occupation (species) for Continental Portugal – 2010

Source: ICNF – Inventário Florestal Nacional, Resultados Preliminares, 2013

- 26% ***Eucalyptus spp***.
- 23% ***Quercus suber***
- 23% ***Pinus pinaster***
- 11% ***Quercus rotundifolia***
- 6% ***Pinus pinea***
- 2% ***Quercus spp***.
- 1% ***Castanea sativa***
- 6% Other broadleaf species
- 2% Other conifer species

The forested land whose dominant species are ***Eucalyptus spp*** represents the largest area of the country (26%), 812,000 ha. The second in range is ***Quercus suber*** (737,000 ha; 23%), followed by ***Pinus pinaster*** (714,000 ha; 23%). The area occupied by conifer species corresponds to 31% of the total Portuguese forest, land and the rest (69%) is occupied by different hardwood species.

Over the period 1995-2010, forested areas show a decrease of - 4.6%, which corresponds to a net loss of -0.3%/year (10000 ha/year). The net decrease of forested areas (-150 611 ha) is due mainly to their conversion to brushwood and pastures. Apart from that a significant size of forested land has been converted to urban use between 1995 and 2010 (28000 ha).

It is important to remember that this reduction is not very dramatic despite a decrease in forest area which demonstrates the Portuguese forests resilience. There have been very significant disturbances during the reviewed period like many wild fires. During the last two decades > 2,500,000 acres of forest burnt has burnt. Furthermore the outbreak of diseases such as the Pine Wood Nematode has severely affected the pine forest. The result has been the introduction of phytosanitary regulations and a national implementation of exceptional cutting of trees in affected areas, no other European country has been subjected to this level of disturbances.

The decrease of forested area is a result of land temporarily stripped of any trees (forest fires, harvested land and forest regeneration). The increase of forested area that can be explained in part by action of nature (natural regeneration) shows the natural aptitude of the Portuguese soil for forest use. The actions of the forest owners have also been important which have continued to invest in the forest trough various actions of reforestation.

According to preliminary data in the IFN6, the principal changes for the land use of different forest species between 1995 and 2010, occurs at the level of the ***Pinus Pinaster*** demonstrating a decrease of about 263,000 ha (26.9%). The main part of this area was transformed into "brushwood and pastures" (165,000 ha) and converted to ***Eucalyptus spp*** (70, 000 ha). Other tree species have taken over 13 000 ha and finally forested land which was converted into urban space reached 13700 ha.

On the other hand, the area of the ***Eucalyptus*** has increased with about 95 1000 ha. Another fact to draw the attention to is the increase of ***Pinus Pinea***, 46% in total area and 54% in terms of forested area.

The area for the remaining species has less expressive changes during the period 2005 to 2010.

According to “Estratégia Nacional para as Florestas” (National Forestry Strategy), the forest property in Portugal is mostly private, covering 2,800,000 acres. Small landholders own 84.2% of the total forested area. These properties are often family-oriented and only 6.5% of the forest land is owned by industrial companies. The Public Forest Estates correspond to 15.8% of the total forest land and only 2% (the lowest percentage in Europe) is directly owned by the State.

The size of the forest property has a very much defined geographical distribution. The largest number of properties is situated in the north and central part of Portugal. In these parts the size of a property is less than one hectare many times. It is estimated that there are over 400 000 forest owners in the country.

According to a study in 2013 (Estudo Prospectivo e Visão) published by AIFF (Competitiveness and Technology Center for the Forest Industries), the size of the properties is a key factor in the context for the Portuguese forest, with important repercussions on the activity regarding profitability and sustainability. In the north and the centre of the country around 54% of the forest area belongs to holdings with less than 10 hectares. The small size of the property is of particular relevance for the two main species whose distribution and exploitation areas are in the Central and Northern regions:

- ***Pinus Pinaster:*** 63% is situated in woodlands with holdings less than 10 ha and 25% less than 2 ha;
- ***Eucalyptus spp:*** 50% is situated in woodlands with holdings less than 10 hectares

Nevertheless according to the same study, the business structure in Portugal for the forest industry has some of the most representative European companies in the sector. From an international perspective of the transactions of forest products, the most important are: paper and paperboard, cork, furniture, wood and resin products.

The wood based industries, in particular the subsectors for resinous wood for industrial purposes and the resinous wood for sawing, essentially rely on the production of ***Pinus Pinaster***. The pulp, paper and paperboard industry are based mainly on eucalyptus production.

According to the "Relatório de Caracterização da Fileira Florestal" published in 2014 (A characterization of the Portuguese Forest Industry by AIFF, Competitiveness and Technology Center for the Forest Industries)", the forest sector presented a positive trade balance of 2,474,000,000 Euros in 2013. This value represents 9.1% of the total national exports of goods and 3.4% of the total national imports of goods. Forest industry occupies 2.2% of the total number of employees in Portuguese companies and 1.7% of the total occupied population.

Analysing the production of goods from the forest sector allows us to observe trends. The production of pine (coniferous wood for industrial purposes) presents a decrease of 3.6% in value since 2011 and, for the year 2002, a decline of 4.5%. In 2012, the production value of sawed wood was lower than the previous year (-2.3%) as a result of reduced prices (-2.6%), though the volume increased (+0.4%), for the third consecutive year.

The production of ***Eucalyptus*** (hard wood for shredding) maintained its growing trend (only interrupted in 2009), showing an total increase of 63.4% and compared with previous year (2013), an increase of 9.2% . This high production increase for eucalyptus wood for industrial use turns ***Eucalyptus*** to the main forest asset (36,8%) almost 17 % higher than the production of resinous wood for industrial purposes.

According to AIFF in 2012, the gross value added (GVA) for forestry products showed an increase of 3.9% in volume and 2.4% in value, compared to 2011. There was also an 4,3 % increase in volume and 3,6 % in value in relation to the forestry production during the same period. In 2012 the GVA of the forest industry accounted for 1.2% of the national GVA, having maintained a significant weight among all the manufacturing industries (about 11%).

The analysis of the VAB by sector reveals a particular negative impact on the timber industries in recent years. The VAB value has been reduced by approximately 40% between 2007 and 2012 (- 429 1,000,000 Euros). This value is much higher than the values recorded for the sector of pulp and paper, paperboard and wood articles (- 4%). However considering the whole period (2004-2012), this segment reports a GVA growth.

According to Centro PINUS (Association for the development of the Pine Forest), as to recently published data from the INE (National Institute of Statistics), the turnover for pine wood industrial companies in 2014 was 3,600,000,000 Euros, representing an increase of 9% compared to 2013. The pine wood industry succeeded in reaching a turnover of 46% for the wood manufacturing sector in Portugal. This is an evidence as good as any for the powerful dynamism and economic importance of the pine wood industries in Portugal.

According to Pedro Sebastião Perestrelo de Souza e Holstein Campilho in his thesis "Assessment of National Potential for Forest Biomass Utilization for Energy Purposes" published in 2010, the trend of loss of socioeconomic sustainability for the Portuguese forestry sector in recent years, when supported with measurements to encourage the production of renewable energy, transforms this situation into a set of developments increasing the demands for biomass from logging residues for energy use. The demand for biomass tends to be met in the short term, in scenarios more or less sustainable. However, in the medium and long term projection, and without considering significant increases in the demand for this resource, the result will be difficulties to meet existing market demands and to secure sustainability as those observed in the short term.

The pine forest is distributed throughout the Portuguese territory. ***Pinus Pinaster*** occupies 23% of the continental forested area, mostly located in the small holdings. ***Pinus Pinea*** occupies 6% of the total forest area of the Portuguese mainland, with main distribution area in the South of the country.

A quantitative description of the Supply Base can be found in the Biomass Producer's Public Summary Report.

5.4 Chain of Custody system

Pelletsfirst is certified against FSC COC and its complementary CW standard. Valid COC system description and other documents exist. The Organisation is implementing a credit system which is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the Organisation's own Controlled wood verification system, covering Portugal. Feedstock whos origin cannot be verified as per the established Due Diligence system, will be considered as Non-Controlled and will not be included in the production of certified products nor supplied as FSC CW - Controlled Wood, or SBP controlled. 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 tonnes. For the credit account purposed the volume of feedstock is recalculated by using the conversion factor of the production, the credit account is updated once in a month: data about received raw materials by certification status and volume of sold pellets are recorded. In case of the FSC, PEFC 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 audit occurred between November 15-16, 2018 by the above-mentioned audit team. This report is the result of the findings of a certification evaluation carried out by an independent lead auditor and team of auditors representing Control Union Certifications. The purpose of the assessment was to evaluate the compliance of the client with respect to the standards used within the scope of the certificate

Activity	Date/time	Location	Executed by (role)
Preparation (telephone/email on scope and planning)	01/08/2018 1.5 hours	Remote	Lennart Holm
Audit			
Opening meeting	15/11/2018 09:00-09:15	Pelletsfirst	Lennart Holm (lead auditor)
Review of documents and records, Supply Base Report	09:15 – 12:00	Pelletsfirst	Lennart Holm
Review of COC system/procedures, interview responsible personnel	13:00 – 15:00	Pelletsfirst	Lennart Holm
Interviews key personnel purchase and sales	15:00 – 18:00	Pelletsfirst	Lennart Holm
Tour of the facilities	16/11/2018 09:00 – 10:00	Pelletsfirst	Lennart Holm
GHG paper audit and evidence review	10:00 – 16:00	Pelletsfirst	Lennart Holm
Business integrity, social, health and safety requirements. Logo/Trademark use	16:00 – 17:30	Pelletsfirst	Lennart Holm
Closing Meeting	17:30- 18:00	Pelletsfirst	Lennart Holm
Report writing	21/11/2018	Remote	Lennart Holm

6.2 Description of evaluation activities

The audit consisted of an opening meeting, during which the scope was confirmed. The auditor also explained the methods to be employed during the audit.

After this introduction, all relevant requirements of the applicable SBP standard(s) were verified on compliance through the use of a report template and checklists.

The audit was completed by filling in the audit report and discussing the audit results. During this closing meeting it was also discussed how evidence can be submitted of corrective action with respect to non-conformities that were identified during the audit.

1. Names and affiliations of people interviewed	
Name:	Affiliation:
Silvia Jorge	Pelletsfirst
Rui Rodrigues	Pelletsfirst
Assis Lopes Martins	Pelletsfirst
Julio Henriques	Pelletsfirst
Jose Mario Santos	Pelletsfirst

2. Critical control points, summary	
Identified CCP	*Evaluation CCP*
Sourcing and input check	Check prior to sending the material by supplier and check upon request
Reception and storage	Reception and storage of material based on credit control system.
Volume control	FSC Credit control system, but 100% certified input material
Labelling	Trademark agreement signed 03/11/2016. No trademark use.
Invoicing and shipping	No sales to date. Certified materials are either SBP Controlled or SBP Compliant

6.3 Process for consultation with stakeholders

Consultation with stakeholders' was conducted by Control Union on September 28, 2017, with a final date for submitting comments on October 30, 2017.

The process for stakeholder consultation consisted of sending direct email to different stakeholder categories: state institutions, local NGOs, authorities, government bodies, forest owners associations, academic and research institutions.

No stakeholder comment was received.

7 Results

7.1 Main strengths and weaknesses

The audit of Pelletsfirst demonstrated a good level of compliance with the required criteria of Standard 2, 4 and 5. There was reasonable evidence provided to support compliance where a Non-Conformity was not detected. The Non-Conformities presented in this report identify actions that must be taken in order to comply with the SBP system and its standards. The existence of a FSC Chain of Custody system is considered a main strength with respect to Pelletsfirst overall conformity with the relevant SBP standards. The company are also ENPlus certified.
Weaknesses: Very small amount of certified material. Non conformities identified in this audit.

7.2 Rigour of Supply Base Evaluation

N/A, no SBE in the scope of the certificate.

7.3 Collection and Communication of Data

The organization has in depth procedures for this in depth procedures for this. The company supplied the audit team actual data on Greenhouse Gas emissions, except for forest operations; including planting, harvesting, use of pesticides and fertilizers. Since they buy raw material directly from independent logging companies and not from the land owners, no actual data available.

7.4 Competency of involved personnel

The company has one person who has the main responsibility related to the SBP system. All personnel that is involved with SBP have received appropriate training whereby all relevant procedures and requirements have been covered. All training and instructions are based on the procedures as identified in company manuals, and training is provided by internal resources and recorded accordingly. Key personnel showed good knowledge of SBP requirements.

7.5 Stakeholder feedback

See 6.3 above.

7.6 Preconditions

N/A, no preconditions.

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.

Pelletsfirst has implemented FSC controlled wood verification program in compliance with FSC – STD- 40-005 and is using FSC risk assessment for Portugal, NRA-FSC-PT V1-0. The company is not having SBE in the scope of the certificate.

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	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

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

Not applicable. No SBE in the scope of the certificate.

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 1	**NC Grading:** Minor
Standard & Requirement:	Standard 2: 15.6
Description of Non-conformance and Related Evidence:	
The BP shall implement a management review system, which has the authority to make appropriate improvements to the management system. Defined in the Manual de Qualidade & Sustentabilidade, chapter 7.4.1 – Controlo de Documentos / Registos. Management review was done on. The last management review was done on 06/11/2018 while the internal audit was done 13/11/2018 and the external audit 14-16/11/2018. The management review should be done later, and after an external audit to ensure that appropriate improvements to the management system can be made.	
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:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	*Choose status.*

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):	Hubert Jurczyszyn
Date of decision:	09/Jan/2019
Other comments:	The Organization is in conformity with the certification requirements, and certificate should be maintained provided that open NC as mentioned in this report are closed within the given timeframes