

NEPCon Evaluation of José Afonso & Filhos, SA Compliance with the SBP Framework: Public Summary Report

Third Surveillance 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
www.sbp-cert.org*

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	08/Apr/2019
Report authors: :	Rui Simões. Lead Auditor
Name of the Company:	José Afonso & Filhos, S.A.,
Company contact for SBP:	Zona Industrial Açude Pinto, Apt 7, Oleiros, Portugal
Certified Supply Base:	Portugal and Spain
SBP Certificate Code:	SBP-01-18
Date of certificate issue:	11/May/2016
Date of certificate expiry:	10/May/2021

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

Production of wood pellets, for use in energy production, at José Afonso & Filhos S.A and transportation Figueira da Foz harbour in Portugal.

The scope of the certificate does not include Supply Base Evaluation.

3 Specific objective

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

The scope of the evaluation covered:

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

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

JAF is a biomass producer with a production situated in Oleiros, Portugal. At the same industrial area (<1Km distance) where pellet production plant is located the Biomass Producer has also a saw mill and a briquette plant.

The sawmill is the main feedstock supplier to the pellet plant and to briquette plant. The saw mill is sourcing chips, sawdust and barks from its primary transformation to the biomass producer. Bark is used in the dryer.

As the pellet production needs more input material than can be delivered from the saw mill there is also additionally purchased other material as sawdust and sawmill residues in form of chips. The round wood used in the sawmill (logs for primary production) is originating mostly from Portugal and also from Spain.

The volume of the feedstock (sawdust, sawmill residues in form of chips, bark) delivered to the pellet production and into dryer is recorded on regular basis. In the dryer the organisation is using eucalyptus branches and bark.

The Organisation has implemented FSC and PEFC credit system. Incoming material is either FSC/PEFC certified, FSC Controlled Wood or Controlled according to the organisation's own controlled wood verification program. The amount of the biomass produced according to FSC credit system might be sold as SBP-compliant or SBP-controlled. After production the pellets are transported to Figueira da Foz harbour where it is either directly loaded to the vessel or stored in the harbour storage until sufficient material is accumulated. Pellets cannot be mixed in this storage and organization does not operate it.

5.2 Description of Company's Supply Base

The company acquires logs, woodchips and sawdust, mainly of pine or Maritime Pine (*Pinus pinaster*), as raw material for industrial processes (sawmill, pellet plant and briquette factory).

For kiln drying processes, in addition to pine biomass (small logs, bark, waste and leftover material), roundwood, waste and leftover material from Eucalyptus (*Eucalyptus spp.*) can also be used.

Wood purchased standing or piled comes from forests in Portugal and Spain. In Portugal, the logging and transportation is conducted by the company itself. These activities are conducted within the scope of the company's Chain of Custody Management System. In Spain, logging is done by sub-contractors while trucking is provided by the company itself.

Portugal

In Portugal, the wood comes mainly from the central region, from forests located in the districts of Castelo Branco, Portalegre, Santarém, Leiria, Coimbra, Aveiro, Viseu, Guarda and Bragança. In Spain, the wood

originates from mainly forested areas located near the border with Portugal. These areas belong to the Autonomous Communities of Galicia, Castilla y Leon and Extremadura. There is a possibility of wood coming from other regions in Spain, as the company has expanded its markets and seeks to profit in the transport and the purchase of wood close to the delivery locations. The raw material used by the BP origins from Portugal. The majority of the material is primary feedstock. The predominant material used is branches and stems of *Pinus pinaster*. The stems received are of low quality and in most cases are not suitable for other use. The second most common material are the branches and stems of *Pinus pinea*. The organization also sources from *Eucalyptus sp.* (mostly in form of tops which are used as a fuel in the production), poplar, acacia or ash (however the broadleaved species accounts for a small part of the feedstock received). The raw material comes from forest clean operations and pine plantation maintenance (including round wood, pine cones, branches, needles, leaves, thinning and bark). Forest cover in Portugal accounts for about 35,4% or about 3,154,800 ha (ICNF 2010) out of this 0.7% (24,000ha) is classified as primary forest. Portugal has 849,000 ha of soil covered of forest plantations (812 000 ha for *Eucalyptus globulus*). The main tree species are: Maritime pine (*Pinus pinaster*) (23%), Eucalyptus (*Eucalyptus globulus*) (26%), Cork oak (*Quercus suber*) (23%), Holm oak (*Quercus rotundifolia*) (11%), Oaks (*Quercus spp*) (2%), Umbrella pine (*Pinus pinea*) (6%), Sweet chestnut (*Castanea sativa*) (1%), other hardwoods (6%) and other softwoods (2%). Portuguese forests are increasing continually from the two last centuries but in the last decade some decreasing started to be noticed, because of forest fires, conversion to other uses and also because of the effect of the pine disease (pine wood nematode) which affected mostly maritime pine. According IFN, 2010 from ICNF: Between 1995-2010 forests lost an average of 10 000 ha/year meaning -0,3%/year. 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 are present oak forests of *Quercus robur* and *Quercus faginea* at seaside and *Quercus pyrenaica*, with settlements of *Cytisus sp.* and several pockets of invasive species, such as *Acacia sp.* In the South, with more plains and less relief, Portugal's endemic Mediterranean forests are characterized by oak forests (*Quercus suber* and *Quercus rotundifolia*) with several types of understorey vegetation. Pine trees (*Pinus pinaster* and *Pinus pinus*) and Eucalyptus (*Eucalyptus globulus*) occur in all territory, as well as abundant bushes of rockrose orlabdanum (*Cistus ladanifer*) and strawberry tree (*Arbutus unedo*) in all territory. All types of forest areas present in Portugal mainland are plantations, semi-natural and natural forests. The first goal forest management is improved the productions (timber and NTFP-Non Timber Forest Products as cork and cones/pine nuts). This strategic forest planning methodology allows the integration of two different silvicultures (timber production or non-timber forest products) and the choice of the best in each stand. Pine cones is a production which needs a good solar exposure, which means that the umbrella pine (*Pinus pinea*) is pruned, and some thinning must be done over the years.

Mixed stands of cork oak and pines also demand thinning to become a pure cork stand from some stage, as the pines are intolerant species. The timber and the cork constitute the most financially profitable forest products, that target the various activities such as sawmills, cork industries, production of paper pulp, cellulose or energy, among many others. Portugal is the main cork producer in the world. Portuguese resin production is gaining competitiveness and the sector is starting the collection and industrial processing.

Spain

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

territory. Spain has 4 biogeographical regions with distinctive vegetation features: Atlantic, Mediterranean, Macaronesian and Alpine. According to the National Forest Inventories, over 80 % of forests in Spain are composed of two or more tree types. The largest formation is made of holm oaks, which represents 15.3% of the tree-covered area, about 2.8 M ha, followed by pasture with 2.4 M ha and pine with 2 M ha.

Detailed information about the supply base region (general description of the forest resources and forest management practices within the Supply Base) is publically available at the BP's homepage: http://www.jaf-madeiras.com/certificacion/Supply_Base_Report_PT.pdf

5.3 Detailed description of Supply Base

Total Supply Base area: 21,5 millions ha

Tenure by type: Privately owned: 15,4 millions ha; Public: 6,1 millions ha

Forest by type: Temperate: 21,5 millions ha

Forest by management type: Plantation: 16,9 millions ha; Natural/Semi natural: 4,6 millions ha

Certified forest by scheme:

702.117 ha FSC-certified forest; 2.428.227 há PEFC-certified forest

5.4 Chain of Custody system

The Organisation is holding valid FSC and PEFC Chain of Custody and FSC Controlled wood certificates at the audit time. Valid FSC (TT-COC-004480) and PEFC (BMT-PEFC-1218) system description and other documents exist.

The Organisation has implemented a FSC credit system. FSC Credit system is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the Organisation's own Controlled wood Due Diligence System. The Controlled wood system of the organisation is covering 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 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

Onsite assessment was conducted at 18th and 19th February 2019. Totally 2,5 days was spent for this audit: 2,0 day onsite + 0,5 day documented evidence review prior to the assessment.

Another 1,5 day was needed for reporting.

Activity	Location	Auditor(s)	Date/time
Opening meeting*	Office,	RS	18/02/2019 09.00-10.00
Open NCR's and OBS evaluation	Office,	RS	18/02/2019 10.00-11.00
Documents and procedures review. Inputs review	Office,	RS	18/02/2019 11:00-12.30
Break		RS	18/02/2019 12:30-13:45
Interview with Purchasing department representative	Purchasing department	RS	18/02/2019 14:00-15:00
GHG and Energy calculation review	Office,	RS	18/02/2019 15:00-17:00
Presentation of the results of the first day of assessment	Office,	RS	18/02/2019 17:00-17:30
Opening meeting	Office,	RS	19/02/2019 09:00-09:15
Chain of custody review (site tour); interview with	Production facilities	RS	19/02/2019 9:15 – 11:00

roundwood acceptance department			
Interview with Sales department representative	Sales department	RS	19/02/2019 11:00-11:45
Documents and procedures review; staff interview.	Office,	RS	19/02/2018 11:45 – 12:30
Break		RS	19/02/2019 12:30-13:45
Auditor preparation	Office,	RS	19/02/2019 14:00 – 15:00
Closing meeting*	Office,	RS	19/02/2019 15:00 – 16:00
Estimated end of the evaluation	Office,	RS	19/02/2019 16:00

6.2 Description of evaluation activities

The audit visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC CoC system and FSC CoC system control points as well as the collection of the energy and emission data.

Description of the audit evaluation:

The SBP related documentation connected to the SBP as well as FSC CoC/Controlled sources system of the organisation, including SBP Procedures, Energy related data, Supply Base Report, were evaluated during the assessment.

Auditor was welcomed in José Afonso & Filhos. Audit started with an opening meeting attended by the Quality Manager, the Chief Officer and an external consultant that supports the company in the SBP (and FSC) implementation.

Auditor provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. During the opening meeting the auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nrs. 2, 4, 5 and instruction documents (5a, 5b and 5c) covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the process overall responsible person for SBP system as well as other persons having key responsibilities within the system were interviewed.

Open NCR's were evaluated to understand the management modifications and other BP development addressed to close them.

After that, roundtrip around BP's pellet production was undertaken. During the site tour reception process were observed, applicable records were reviewed, pellet factory staff was interviewed and FSC system critical control points were analysed.

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

Composition of audit team:

Auditor(s), roles	Qualifications
Rui Simões Lead Auditor	Forestry engineer > 20 year experience in forest project, management and works. Author of several fluvial and desertic restoration projects and field works. FSC, PEFC in SBP and COC auditor for NEPCon. EU nature conservancy projects evaluator. PhD Climate Change student. International experience working on english, spanish and french language, besides mother portuguese. International experience working on English, Spanish and French language, besides mother Portuguese.

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

N/A- On this surveillance audit stakeholders were not consulted.

7 Results

7.1 Main strengths and weaknesses

Strengths:

- JAF is originally a sawmill which integrated pellet and briquette plants meaning that use of forest products on different wood products (sawn wood, briquettes and pellets) providing best use for each component in a timber value cascading cycle;
- Majority of feedstock reaching pellet mill is supplied inside the Organization supply chain including forest activities starting on standing trees, transportation and the sawmill;
- FSC credit system implemented;

Weaknesses:

- Negligible amounts of FSC and PEFC certified material available.
- BP didn't start to sale SBP compliant biomass products.
- See NCR's for particular details.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The organization has employed external consultant who helped the organization with implementation of the system for collection of energy data.

7.4 Competency of involved personnel

The main SBP responsible person in the company is Purchasing Manager Francisco Fernandes who is a Chemistry Engineer and since 2013 Post-Graduated on Industrial & Management Engineer.

Also company CEO, José Luís Afonso, is a senior lumberman and sawnwood industry experienced man, who is also involved with purchasing activities.

Records are organized and kept from reception-Liliana Lourenço – to Susana Lourenço (accountant responsible), involving software responsible (Sérgio Dias- Informatics Management Engineer).

JAF team is supported by external consultant Forestry Engineer Giovanni Alencastro who is mostly involved in training, internal procedures preparation and helping to set up the management system against certification.

7.5 Stakeholder feedback

No feedback has been received since initial audit on January 2016.

7.6 Preconditions

Not applicable.

8 Review of Company's Risk Assessments

Not applicable

9 Review of Company's mitigation measures

N/A

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 01/2019	NC Grading: Minor
Standard & Requirement:	SBP standard #4 : Chain of Custody: 5.2.5
Description of Non-conformance and Related Evidence:	
Not all the transportation documents from the PEFC certified wood have all the specified requirements to meet the implemented SBP-approved CoC system. Some of them miss their certified number. The NCR is minor because the wood was bought as a standing wood, being harvested and transported by BP, the BP verify the PEFC Certificate on the PEFC website and PEFC supplier certificate to ensure the valid certificate statuses. Invoices include PEFC claim. Also, no certified material has been transferred from the sawmill to the pellets mill	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

NC number 02/2019	NC Grading: Minor
Standard & Requirement:	SBP standard #2 : Chain of Custody: 19.2

Description of Non-conformance and Related Evidence:	
The SBP has been updated for this third annual audit but the document has not been signed off by the senior manager.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

NCR: 01/18	NC Classification: minor
Standard & Requirement:	SBP Standard # 2 requirement 6.3
Description of Non-conformance and Related Evidence:	
<p>During audit 16 reports of secondary feedstock origin audits were verified and only two of them did contain origin documentation (sanitary manifests). The BP haven't presented during audit any field visit reports or any other documents to find the place of harvesting for all the other cases (remaining 14). For example at Monteiro Lda F03: verification checklist it is stated that the origin could not be assessed.</p> <p>A minor NCR is issued because of the proportion of secondary feedstock is insignificant and the risk that the material would be coming from outside the defined SB is very low.</p>	
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>
Timeline for Conformance:	By the next annual surveillance audit, but not later than 12 months from report finalisation date
Evidence Provided by Organisation:	<p>From reception Liliana Lourenço is always doing the control and asks to sawmills for "Manifesto's" which originated the secondary feedstock (chips and sawdust).</p> <p>After that Quality Manager and External Consultant started an audit process to sawmills where they visit their wood yards and productive process, besides the documentation from the origin of</p>

	<p>wood. Visits are done in a sufficient number to visit all the secondary suppliers of the year.</p>
<p>Findings for Evaluation of Evidence:</p>	<p>During audit the verification was addressed by the following points:</p> <ul style="list-style-type: none"> • external secondary feedstocks are about 40% of pellets production; • number of visits done is two every two months (1 sawdust and 1 chips); • reception records were verified: <p>Report: 30/11/18 Feeling Manifests: 2018/1060281 Pine and Eucaliptus Madeiras, Lda from 02/11 to 30/11/2018 (200 trees) and transportation Manifest 2018/1060073 from 02 to 30/11/2018. Transportation guide José Afonso e Filhos B1 04102 c/ AT 7246308564 on 16/11/2018;</p> <p>Report: 30/11/2018 from Expobrior Transportation guide 01/18004 Transportation Manifet 2018/1060411 and 2018/1067048 and Feeling Manifest Madeiras de Cernache Lda nº 2018/1060467(150 trees /100 tonnes);</p> <p>F-10 Internal Audits: 26/09/2018: Monteiro Lda: Transportation Doc 0051998 17/09/2018 with records of data from 3 manifests; 26/09/2018: António Lopes e Filho, Lda-B1:00603 de 31/08/2018</p> <p>In conclusion, secondary feedstock is coming always from very small quantities, usually from a very short ratio around the sawmills in Portugal. If any load would come from Spain, it would also be recorded at the same way, and included at the process because Spain is also at the Supply Base.</p>
<p>NCR Status:</p>	<p>CLOSED</p>
<p>Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorriá Serrano
Date of decision:	08/Apr/2019
Other comments:	<i>Click or tap here to enter text.</i>