

Supply Base Report: Pellets Power, Lda

Second Surveillance Audit

www.sbp-cert.org



Completed in accordance with the Supply Base Report Template Version 1.2

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 22 February 2016

Version 1.2 published 23 June 2016

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1 Overview

Producer name: Pellets Power, Lda
Producer location: Freixo, 3450-116 Mortágua Portugal
Geographic position: N 40° 22 33 / W 8° 11 073
Primary contact: Maria João Preto, Gesfinu - Avenida Villagarcia de Arosa, 1919, 4460-439 Matosinhos , +351 969647006, maria.preto@gesfinu.com
Company website: www.gesfinu.com
Date report finalised: 12/Jan/2017
Close of last CB audit: 17/Nov/2016
Name of CB: NEPCon
Translations from English: Not applicable
SBP Standard(s) used: Standard 2, Standard 4, Standard 5
Weblink to Standard(s) used: <http://www.sbp-cert.org/documents>
SBP Endorsed Regional Risk Assessment: not applicable
Weblink to SBR on Company website: www.gesfinu.com

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

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).

According ICNF, 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%

The area occupied by coniferous species corresponds to 31% of the Portuguese forest, the remainder (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*.

From 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.

The main threats mentioned by WWF are continuing conversion of these forest areas to agriculture, grazing or urban use. Other threats are frequent fires, harvesting of the remaining areas of natural forests, the

excessive use of exotic species and overgrazing. According to this indicator, Portugal can be considered a low risk country. www.panda.org/about_our_earth/ecoregions/mediterranean_forests_scrub.cfm
www.icnb.pt

Portuguese legislation prohibits conversion of natural forest to plantations (1901 and 1903 “regime forestall” decrees, decree-laws n. ° 166/2008, of 22-08 on the National Ecological Reserve, 254/2009, of 24-09 (revoke by Decree-Laws n.° 12/2012) on the Forest code and 169/2001, of 25-05 on cork and holm oak).

Furthermore, land use changes after forest fires are conditioned by law (decree-laws n. °254/2009, of 24-09, on the Forest code and 169/2001, of 25-05); changes must be submitted to the National Forest Authority (AFN).

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 is 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. ° 254/2009, of 24-09, - Forest National Code, revoke by Decree-Laws n.° 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.* In the South, with more plains and less relief. Portugal's endemic Mediterranean forests are characterized by oak forests (*Quercus robur* 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 (*Cystus ladanifer*) and strawberry tree (*Arbutus unedo*) in all territory (source: *Godinho-Ferreira et al., 2005*).

All types of forest areas presented in Portugal mainland are plantations, semi-natural and natural forests.

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.

The raw material origin is all from Portugal. 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 714 445 000 hectares (IFN 6). In the maritime pine pruning the goal is to obtain the best quality timber production (sawmill, papermill, etc).

All raw material received by Pellets Power, Lda is evaluated as FSC-Controlled Wood (included in our internal suppliers' audits), and some percentage is FSC 100%.

According FSC® (Forest Stewardship Council), since 2011 Portugal was considered a low risk country for the following categories:

Illegally harvested wood

- Wood harvested in violation of traditional and civil rights
- Wood harvested in forests where high conservation values are threatened by management activities
- Wood harvested in forests being converted to plantations or non-forest use
- Wood from forests in which genetically modified trees are planted.

Pellets Power, Lda receives wood from an area near to the plant, with specific features, different from the remaining area of national forest.

Some of these forest areas are certified by FSC® and/or PEFC. All raw material received by Pellets Power, Lda is evaluated as FSC®-Controlled Wood with our Controlled Wood Code: APCER-CW-150116, and some percentage as FSC® 100%.

The majority of Pellets Power, Lda wood suppliers works with the Organizations of Forest Producers (OF). Organizations of Forest Producers are a central element in the representation of interests and forest owners and managers, playing a working and support forest owners and producers to achieve the good practices of forest management.

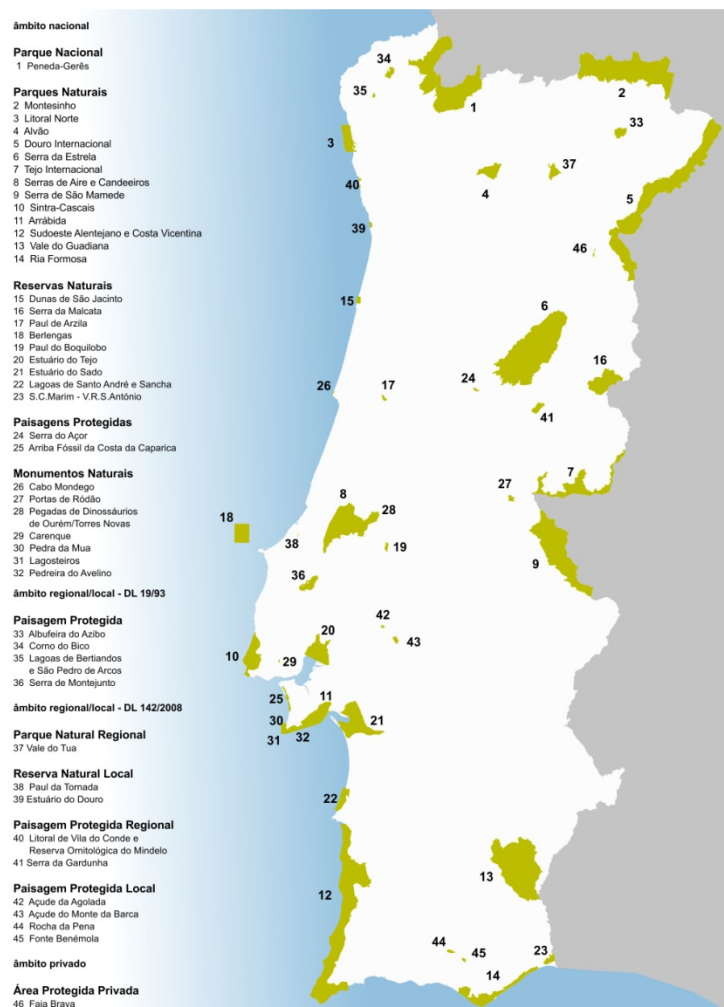
The raw material received is from private land suppliers or National Authority forests, and we can be found the following situations:

- National Authority forests – Cleanings forest /lands (to avoid fires, diseases, etc....);
- Private small land suppliers (to avoid fires, and valorize economical quantities of their raw material etc..) (local suppliers);
- Land suppliers use the land for production of pine nuts (local suppliers);
- 100% certified material, which is very residual because raw material price from certified areas is very high. The option is to guarantee FSC controlled wood in the case of small land suppliers (that is the majority of Pellets Power, Lda suppliers).
- Certificate areas of eucalyptus are mainly intended for other industries that can accommodate higher raw material prices, as papermills.

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



Protected Portuguese National areas (<http://www.icnf.pt/portal/ap>)

2.2 Actions taken to promote certification amongst feedstock supplier

Pellets Power, Lda is promoting sustainable forest management (FSC CW / FSC 100%). Pellets Power, Lda (inside of multisite certification Gesfinu SGPS Group) has the FSC Chain of Custody and FSC Controlled Wood certification since 2012 and annually performs an audit suppliers program (Audit verification of timber supply) that checks and reviews evidences of raw material origin documentation delivery to plant. Audit processes include field visits (inspections) in which a selection of suppliers is annually audited. Main goal is to verify the origin of the material supplied, evidences related to the quantity, quality, veracity of transport documents, among other items, in order to meet the requirements of FSC Controlled Wood.

The procedures are defined internally with support of instructions and procedures.

Although Portugal is classified by FSC as a low risk country, Pellets Power, Lda choose to maintain inspections in field and work with wood suppliers to check evidences to prove all FSC controlled wood as well as environmental, quality and safety health requirements. The FSC CW audits suppliers program involved the companies (forests management) to improve the best sustainability practices in the forest.

Forests in Portugal have always played an important role in economy and society. The majority of Pellets Power, Lda wood suppliers, works with the Organizations of Forest Producers (OF).

Several of the above mentioned species (*Pinus pinaster*, *Eucalyptus globulus*, etc..), have commercial interest for sawmills, cork, pulp or other items, that needs to be counterbalanced with the recreational and cultural values.

Pellets Power, Lda receives material coming from forest cleaning operations and pine plantation maintenance (including round wood, pine cones, branches, needles, leaves, thinning and bark). On the other hand, there is a governmental financial support to promote forests projects which incentive the management of forests, so suppliers needs to prove that, if they want to approve their projects. <http://www.icnf.pt/portal/florestas/gf/opf/resource/doc/dcnf-c-list>.

In case of Pellets Power, Lda, there is a direct contact between the plant responsible for raw material purchase and suppliers, which permits to alert suppliers for the advantages of good forestry practices, as well as the certification of own forest area. Furthermore, it has been transmitted to suppliers' costumers requirements regarding the traceability of the origin of raw material, its sustainability and the advantage and recognition of certified forest areas. At the same time, the COC responsible and as well as raw material purchase responsible have participated in management and forest certification trainings / workshops to improve their knowledge in this area.

2.3 Final harvest sampling programme

Not applicable.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

2.5 Quantification of the Supply Base

Supply Base - Portugal

- a. Total Supply Base area: 3,2 million ha: Cumulative area of all forest types within SB
- b. Tenure by type (ha): Privately owned– 3,1 million ha; Public forest 0,1 million ha
- c. Forest by type (ha): Temperate Forests - 3,2 million ha
- d. Forest by management type (ha): managed natural: 2,3 million ha; Planted forest: 0,9 million ha
- e. Certified forest by scheme (ha):
FSC - certified forest - **414 064 ha (1/08/2018)** and PEFC-certified forest - **254 604 ha (03/20/2018)**

Feedstock

- f. Total volume of Feedstock: 0 – 100,000 tonnes
 - Arboricultural arising: 1%
 - Branch wood: 0.4 %
 - Low grade roundwood: 94.3 %
 - Other residues of wood industry: 0.1%
 - Sawdust: 2.8%
 - Slab wood: 1.4%
 - Tree stumps: 0.1%
- g. Volume of primary feedstock: 0 – 100,000 tonnes
 - Arboricultural arising: 1%
 - Branch wood 0.4%
 - Low grade roundwood: 94.3%
- h. List percentage of primary feedstock (g), by the following categories.
Subdivide by SBP-approved Forest Management Schemes.
100% Small forest holdings not certified to an SBP-approved Forest Management Schemes
FSC Controlled Wood:
 - **100%** SBP-approved Controlled Feedstock System certification
- i. List all species in primary feedstock, including scientific name:
Pinus pinaster; Eucalyptus spp; Acacia dealbata Link; Acacia melanoxylon; Pinus Pinea; Pinus Radiata; Quercus ; Salix alba; Cupressus lusitânica; Platanus; Alnus glutinosa; Populus alba; Populus nigra; Quercus suber; Castanea sativa; Acacia longifolia
- j. Volume of primary feedstock from primary forest: 0 tonnes
- k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes:

- Certified to an SBP-approved Forest Management Scheme – 0%
- Not certified to an SBP-approved Forest Management Scheme -0%

l. Volume of secondary feedstock: Specify origin and type (Portugal / *Pinus pinaster*)

Wood industry residues: 4,3 %

m. Volume of tertiary feedstock: 0 tonnes

Origin: Portugal

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	<input checked="" type="checkbox"/>

4 Supply Base Evaluation

4.1 Scope

Not applicable

4.2 Justification

Not applicable

4.3 Results of Risk Assessment

Not applicable

4.4 Results of Supplier Verification Programme

Not applicable

4.5 Conclusion

Not applicable

5 Supply Base Evaluation Process

Not applicable

6 Stakeholder Consultation

Not applicable

6.1 Response to stakeholder comments

Not applicable

7 Overview of Initial Assessment of Risk

Not applicable

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not applicable

8.2 Site visits

Not applicable

8.3 Conclusions from the Supplier Verification Programme

Not applicable

9 Mitigation Measures

9.1 Mitigation measures

Not applicable

9.2 Monitoring and outcomes

Not applicable

10 Detailed Findings for Indicators

Not applicable

11 Review of Report

11.1 Peer review

Internal Review by a Forest Engineer and Environmental Engineer.

11.2 Public or additional reviews

Report is available on Gesfinu company website www.gesfinu.com, for public disclosure.

All request s, if any, by parties concerned shall be sent to company's e-mail address:
maria.preto@gesfinu.com

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Maria João Preto</i>	<i>Environmental Engineer</i>	<i>30.08.2018</i>
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	<i>Filipa Rebelo</i>	<i>Diretor</i>	<i>30.08.2018</i>
	Name	Title	Date

Only the paper version is signed.

13 Updates

No updates are made.

13.1 Significant changes in the Supply Base

No significant changes in to the supply base.

13.2 Effectiveness of previous mitigation measures

Not applicable

13.3 New risk ratings and mitigation measures

Not applicable

13.4 Actual figures for feedstock over the previous 12 months

0-100,000 tonnes ⁽¹⁾ ⁽²⁾

⁽¹⁾ The difference between consecutive years was that the company suffered a forest fire during 2017 and stop the production activity until the reconstruction process finished in September 2018.

⁽²⁾ Commercial sensitivity: Specific volumes omitted. Divulged feedstock volumes may be used by third parties to gain a competitive advantage in the catchment. Our projected numbers even in ranges are commercially sensitive. These volumes are subject to change.

13.5 Projected figures for feedstock over the next 12 months

0 – 200,000 tonnes ⁽²⁾

⁽²⁾ Commercial sensitivity: Specific volumes omitted. Divulged feedstock volumes may be used by third parties to gain a competitive advantage in the catchment. Our projected numbers even in ranges are commercially sensitive. These volumes are subject to change.