

Control Union Certifications Evaluation of Pinewells S.A Compliance with the SBP Framework: Public Summary Report

Fourth 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

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Certified Supply Base:	Portugal
SBP Certificate Code:	SBP-06-06
Date of certificate issue:	09/Aug/2016
Date of certificate expiry:	08/Aug/2021

This report relates to the Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation: Surveillance evaluation to assess the CH's conformance to SBP 1, 2, 4, and 5 and respective Instruction Notes and Documents for use in wood pellet production, at Pinewells production site in Sarzedo, Portugal. Due to the COVID-19 virus, the first part of this evaluation was conducted by means of an Desk audit with a visit to the port of Aveiro, while the second part included on-site visits to the production site and feedstock suliers under the SBE.

Scope of certificate: Production of wood pellets on site in Sarzedo, Portugal. Feedstock used in the biomass production originates from Portugal. A Supply Base Evaluation is included in the scope of the evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

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 production processes, production site visit;
- Review of the updated Supply Base Report;
- Review of the risk assessment results;
- Review of SBP 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;
- -GHG data collection analysis
- 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 <u>https://sbp-cert.org/documents/standards-documents/standards</u>

- 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

Pinewells is a producer of wood pellets in the center of Portugal. It is one of the ten main forest based industries in the region, however, still several times smaller than the five largest ones (pulp and paper industry).

In 2019, Pinewells sourced feedstock from the following districts:

- Aveiro;
- Viseu;
- Guarda;
- Coimbra;
- Leiria;
- Castelo Branco.

Most of the feedstock suppliers work with organizations of forest producers (OF). Organizations of forest producers are a central element in representing the interests of owners and forest managers, performing a service to support owners and in turn to the forest producers, whose objective is to achieve best forest management practices.

The raw material is received from private forests suppliers and / or the forest domain of the National Forestry Authority; the following situations can be found:

- Controlled Feedstock: 74,7% of the supply, 43 suppliers, from small forest owners (< 500 ha) and the National Forestry Authority, including wood stand cleanings to avoid fires, diseases, etc.;
- SBP-compliant Primary Feedstock: 25,3% of the supply, 14 suppliers, from small forest owners.

Pinewells works with several suppliers who are owners of forest areas which are legally required to ensure the cleaning and maintenance of their wood lands and forests.

5.2 Description of Company's Supply Base

Forest areas (forest, bush and unproductive land) occupy 3.2 million hectares (69.4%) of the mainland. The forest, which includes wooded and temporarily deforested land (cut, burned and regenerating surfaces), is the main use of national soil (36%).

The downward trend in the forest area, which has been observed since 1995, was reversed in 2015, with the last inventory registering an increase of 60 thousand ha (1.9%) compared to 2010 (last assessment date).

The national forest is mostly made up of forest species indigenous (72%), although some occupy territories larger than their geographic origin.

In structural, functional and landscape terms, the continent's forest can be organized into four large groups, or forest formations:

- pine forests (consisting of maritime pine and stone pine) area close to 1 million hectares, with forest ecosystems with the greatest reduction in the occupied area.
- perennial trees ("montados", cork oak and holm oak) area of about 1 million hectares (represent 1/3 of the forest)
- deciduous hardwoods (oaks, chestnuts and others) 46 mil ha (17%)
- silvo-industrial hardwoods (eucalyptus) 845 mil ha (26% of the continental forest)

The decrease in area is due to maritime pine forests, which are very affected by fires and pests (the nematode being the most significant), which exceeds the significant increase in the pine tree pine area (20.7 thousand ha; 12% between IFN5 and IFN6). However, in the period between 2010 and 2015, the area of pinus pinaster, registered a very significant deceleration in view of the sharp downward trend that has been observed since 1995 (IFN4), which reveals the extraordinary resilience of these pine forests to disturbances.

Bush and pasture represent the second most significant category of land use (31%). The bush has grown continuously since 1995.

In Portugal, private property from private owners (89%) and community (Baldios, 8%) correspond 97% of total forest land, including 5,7% property of industry companies. Public areas are up to 2,9% (around 94 thousand ha). The forest area under communitarian management (Baldios) is subject to old customary and traditional rights and regulated by specific laws. In Portugal, there are no indigenous peoples or specific minorities relying on the forests.

Some key aspects of forests in Portugal determine the development of its management, namely:

- A long and well-established relationship between forests and society;
- One of the biggest large-scale afforestation programs of the twentieth century (forest cover has increased from under 2,0 million to over 3,2 million ha over the last 100 years);
- Various regions with different forest species and silvicultural systems; specific forestry legislation directed towards regional development strategies;
- The small property size and its fragmentation, mainly in the northern and central regions, where estates often have dimensions of less than 1 hectare.

Forest Management Plans (PGF) are mandatory for forest areas above a minimum area defined by Regional Forestry Management Plans (PROFs) as well as in Forest Intervention Areas (ZIF, 940 432 ha). In 2016, there were 1 680 000 ha under PGF from which 450 034 ha overlap the National Classified Areas Network. A felling manifest is required for commercial felling (including all thinning) of all tree species for industrial purposes, with a 30-day deadline after the operation is concluded. The national forest and conservation authority is the Institute of Conservation of Nature and Forests (ICNF) with competencies on all forest, hunting and nature conservation affairs. ICNF also manages public forest areas, and is involved in the management of community areas. Additionally, the Environmental Service of the National Republican Guard (SEPNA / GNR) is engaged in the inspection of environmental issues and natural resources in all private and public areas.

In Portugal entering forest lands is not considered invasion even on private properties, and it is common the use of wild products by communities (mushrooms, asparagus, snails, besides fishing on public waters). The felling phytosanitary manifest includes identification of the origin of the felling area. Also, transportation documentation identifies the origin of the transport. There are still areas in Portugal without a cadastral registration.

Regarding species, the most relevant in terms of pellets production are maritime pine (*Pinus pinaster*), eucalyptus (*Eucalyptus spp.*) and stone pine (*Pinus pinea*). It is important to highlight that stone pine is mainly used to produce pine nut and mostly the thinning and pruning by-products are used for pellet production. Maritime pine and eucalyptus are spread all around the country. Stone pine can mainly be found in the South. To derive maximum economic benefit, distribution of the three main forest species – maritime pine, eucalyptus and cork oak – is vertically integrated within the forestry industry, with maritime pine and eucalyptus being concentrated in timber-producing areas and cork oak in multifunctional areas.

Regarding the distribution of the main tree species:

- Eucalyptus (*Eucalyptus globulus*) is the main tree species 812 000 ha. Originally from Tasmania eucalyptus is present all over the country. Especially used by pulp and paper industry, eucalyptus became one of the most planted trees in Portugal. In the 80's, there was great controversy about the negative effects of these trees in soil, water and biodiversity, which resulted in the implementation of legislation (Law N°. 175/88 of May 17 and Law N°. 513/89, 6 July) that restricts the increase of monoculture plantation of this species.
- Cork oak (*Quercus suber*) 737 000 ha. The cork oak is seen as the 'national tree' of Portugal. Portugal is the leading producer, processor and exporter of cork.
- 3. Maritime pine (*Pinus pinaster*) 714 000 ha. Maritime pine is scattered over the regions of northern and central coast of the country. This tree species was chosen in afforestation campaigns carried out during the nineteenth century. It regenerates easily. Its timber is widely used commercially.

Pine forests are usually managed in stands of trees, generally of seed or seedling origin, that normally develop a high closed canopy, and can be managed using natural regeneration or by sowing or planting. In cases of natural regeneration and planting, the initial phase is intended to gradually reduce the density of plants to 1 200 – 1 600 trees per ha. Initially in groups and then selectively with mechanical or manual harrowing or slashing. After 10 years the trees can be pruned and thinned, utilizing the residual material, leaving a final cut (after 30 - 40 years) of about 500 - 600 trees per ha, while proceeding to also control unwanted vegetation mechanically or manually harrowing or slashing. In the case of natural regeneration, during the final cut about 25 large trees per ha are left as seed trees.

Eucalyptus plantations are based on planting and the clear-cutting the forest, usually between 10 and 15 years, utilizing all of the wood with or without the bark (simple coppice). Priority is given to conducting coppice for 1, 2 up to 3 rotations, selecting shoots after each cut. If last cut is not deemed productive then the area is replanted.

In mixed stands with maritime pine, the management system is based on thinning the forest, in order to leave a percentage of remaining trees for future use when the stumps of the harvested eucalyptus trees produce shoots (composed coppice).

CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) does list a considerable number of protected plant species for Portugal, however, the list does not include any tree species. The 'Red List' of the IUCN (International Union for Conservation of Nature and Natural Resources) indicates hundreds of plant species for the continental territory of Portugal, but also does not include any tree species. 49 plant species are reckoned relevant regarding forest operations. The national legislation of Portugal does list protected tree species, and, for example, it is forbidden to cut any cork oaks (*Quercus suber*),

and holm oaks (*Quercus ilix / Quercus rotundifolia*; protective measures by Law N°.155/2004) and European holly (*Ilex aquifolium*; protected by Law N°. 423/89).

Portugal views forests and forestry products as an area of crucial importance to its economy. The forest sector has a significant impact on its GDP - higher than the European average. The forest sector represents almost 10% of the national export trade and 2% of the Gross Value Added. Forests are also the base of an economic sector which generates around 100 000 direct jobs (4% of the active population).

Climate change and the occurrence of extreme meteorological events has increased the phenomenon of forest fires, mainly medium and big fires (more than 100 ha), one of the largest perceived risks in the Portuguese forestry sector, incurring very high costs. Climate change may also induce pests and diseases due to stress in host plants.

In Portugal, the loss of vitality and the mortality of maritime pine is mainly related with the Wood Pine Nematode (WPN), detected in Portugal in 1999.

Pinewells Supply Base Report is available at https://pinewells.com/pt/o-produto

5.3 Detailed description of Supply Base

Supply Base Portugal

a.	Total Supply Base area (ha):	3,2 million ha
b.	Tenure by type (ha):	Private: 3,1 million ha (97%, including 8% community managed)
		Public: 0,1 million ha (3%)
c.	Forest by type (ha):	Temperate: 3,2 million ha
d.	Forest by management type (ha):	Plantation: 1,8 million ha; Natural/Semi Natural: 1,4 million ha
e.	Certified forest by scheme (ha):	473 179 ha FSC certified (https://pt.fsc.org/pt-pt)
		277 697 ha PEFC certified (https://www.pefc.pt/)

A quantitative description of the supply base can be found in Pinewells Supply Base Report that is available at https://pinewells.com/pt/o-produto

5.4 Chain of Custody system

The Organisation holds valid FSC Chain of Custody certificate. Valid FSC system description and other documents exist. Critical control points of the FSC CoC system were evaluated also during SBP audit. The Organisation has implemented 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 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 SBP controlled. Supplier list is maintained. After the reception, incoming feedstock is unloaded into piles according to type of feedstock and the load is registered into the recordkeeping system. All input material is weighted and recorded in tonnes. For the credit account purpose, the volume of feedstock is recalculated by using the conversion factor of the production, FSC credit account is updated with 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. Based on the credit account management the proportion of the SBP-compliant and SBP-controlled biomass is calculated and all records are kept.

6 Evaluation process

6.1 Timing of evaluation activities

The SBP annual audit was carried out in two parts, with the first part on March 16-18, 2020 and sthe second part on June 17-18, 2020. Due to the COVID-19 virus, the first part of this evaluation was conducted by means of an Desk audit with a visit to the port of Aveiro, while the second part included on-site visits of the pellet production and office at Pinewells in Sarzedo, Portugal, and field inspection of three forest properties where currently the feedstock is sourced from. A total of 5 days were used for this audit, please see more details in the table below.

This report is the result of the findings of a certification evaluation carried out by an independent lead auditor 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.

COVID-19 Normative Requirements of 22/04/2020 was adhered to when completing this report.

Activity	Site	Date/Time
		Monday, March 16, 2020
Opening meeting	Port of Aveiro	13:00-17:00
Visit Port of Aveiro	Auditor:	
	LH	
		Tuesday, March 17, 2020
Opening meeting	Pinewells, via	09:00-09:30
Agreement on Scope	skype	
	Auditor:	
	LH	

Business integrity, social, health and safety requirements Logo/Trademark use Complaints procedures Introduction into Supply Base Supply Base report Checking the Supply Base Evaluation	Auditor: LH	09:30-	18:00
		Wednesday, 2020	March 18,
Day's Opening meeting	Pinewells	09:00-	·18:00
Suppliers	Auditor: LH		
Incoming material claims			
Incoming raw material registration			
Chain of Custody registrations			
GHG data registrations			
Dynamic Batch Sustainability			
Lunch break			
Finalization GHG data audit			
Verification of missing items			
		Wednesday, Thursday June	June 17 and e 18, 2020
			-, _ -, -

Day's Opening meeting	Pinewells	09:00-18:00
Tour of the facility:	Auditor:	
 Receiving of materials Wood Yard 	LVF	
- Equipment used		
Field verification of SBE		
Final discussion / days closing meeting	Field visits to	
closing meeting	Tocha, suppliers:	
	Cortitrans,	
	Sailflorestal	
	Field visit to	
	Viseu, supplier:	
	Besconsigo	

6.2 Description of evaluation activities

Due to the COVID-19 pandemic, this audit was split in two parts

The first part of the audit, March 16, 2020, consisted of an opening meeting, during which the scope was confirmed. The auditor also explained the methods to be employed during the audit. After, the auditor went to the port of Aveiro where Pinewells staff were present, as well as a vessel with pellets produced by Pinewells were being loaded.

On the second and third day, March 17 and 18, 2020, all relevant requirements of the applicable SBP standard(s) were verified on compliance through the use of a report template and checklists. Interviews with the below mention individuals were made using skype.

The second part of the audit, June 17 and 18, 2020, consisted of audits of individual suppliers and a tour of the facility. First, a sampling of the suppliers took place. Control Union 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 included into Supply Base Evaluation:

The audit was completed by filling in the audit checklist 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:	
Nazaré Costa	Pinewells	
Fransisco Dias	Pinewells	
José Casimiro	Pinewells	

	Bruno Silva	Pinewells	
	José Gerardo	Pinewells	
	Alberto Nunes	Pinewells	
	Nuno Ferreira	Pinewells	
	Luis Ferreira	Cortitrans	
	Celso Sousa	Cortitrans	
	Luis Anjus Faria	Sailflorestal	
	Paulo Simões	Besconsigo	
2	. Critical control points, su	mmary	
Ident	ified CCP	Evaluation CCP	
Healt	h and Safety Obligation	d Safety Obligation Risk assessment requires workers to wear a mask during tasks	
(management of dust)		where lost of dust is present. Verified during on-site visit that	
workers wore masks.		workers wore masks.	
Biomass production		Pinewells provided CU with an annual overview of the quantity of biomass handled at the different storage, handling and trans- shipment locations within the scope of its certification. This overview include data on biomass inputs and outputs, and was evidenced verbally and with production spreadsheets and engineering examples.	
Outputs The end users SBP code is entered into DTS for each sale registered in Doc-9 Customers Validation.		sale, and	
LabellingTrademark agreement signed Feb 10, 2016. Use on SBPon a leaflet, approved by SBP on 07/09/2017.		3P trademark	

6.3 Process for consultation with stakeholders

Fourth Surveillance Audit. Therefore, there was no consultation with stakeholders. No comments received from stakeholder prior, during and after this annual audit.

7 Results

7.1 Main strengths and weaknesses

The audit of Pinewells demonstrated a good level of compliance with the required criteria of Standard 1, 2, 4 and 5. There was reasonable evidence provided to support compliance where a Non-Conformity was not detected.

The existence of a FSC Chain of Custody system in combination with ISO 9001:2008, ENplus 2013 and Green Gold Label S1 are considered a main strength with respect to Pinewells overall conformity with the relevant SBP standards.

Weaknesses: Non-conformances detected during this audit.

7.2 Rigour of Supply Base Evaluation

Pinewells embarked on the development of a detailed Supply Base Evaluation which includes a clear description of their Supply Base Area. The geographical scope of the SBE is Portugal. The SBE was developed in joint efforts between internal personnel and a qualified consultant, using credible data sources. Pinewells existing management and monitoring systems are designed to ensure compliance with applicable laws and regulations. Risk was designated low for all core Indicators, with the exception of 15 Indicators which were designated as specified risk. Pinewells has developed additional controls and mitigation measures to manage these risks. The stakeholder consultation process involved consultations to key stakeholders with regard to information on SBP certification, SBP risk assessment and supply base report, by communicating this via regular and electronic email. Pinewells implementation of risk mitigation measures for individual indicators are partially stakeholder consultation process results. The risk mitigation measures have been designed and implemented planned in cooperation with acknowledged experts and external consultants in relevant fields.

7.3 Collection and Communication of Data

Pinewells do have in depth procedures for this and have supplied actual data on Greenhouse Gas emissions, as well as provided a good overview of the requirements for energy data collection. The responsible person has benefited from previous experience with other certification schemes (like GGL) for energy data collection.

7.4 Competency of involved personnel

Internal staff members are involved in the SBP system management and implementation. All interviewed responsible staff demonstrated awareness of their responsibilities within SBP system. The key responsible person for developing the SBE system were two external consultants with experience is producing SBP systems and carries a PhD as well as a MSc in a relevant field. All involved personnel, including responsible staff at suppliers and sub-suppliers have demonstrated good knowledge in relevant fields (recognition and identification of HCVF, familiarity with health and safety requirements, timber origin verification) during the site visits. Relevant certificates and diplomas were presented during the assessment and scope change audits. Qualification requirements for personnel involved in the SBE system are provided in documented

procedures of the BP. In overall, auditors evaluate the competency of main responsible staff to be sufficient for implementing he SBP system with both primary and secondary material sourced within the SBE. This has been based on interviews, review of qualification documents, training records and set of procedures and documents that were composed for the SBP system as well as field observations during the assessment and audits.

7.5 Stakeholder feedback

No feedback received from stakeholders prior, during and after this annual audit.

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 <u>after</u> the SVP has been performed and after any mitigation measures have been implemented.

Control Union assessed the risk for each Indicator using the guidance in Section 11 of SBP Framework Standard 2: Verification of SBP-compliant Feedstock.

The risk assessment has been performed with the use of a technical expert. Determining the risk rating the likely impact of a non-compliance together with the probability of that noncompliance arising was used. and evaluated risk at both regional and the individual forest level.

Table 1. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	СВ
1.1.1	Low	Low
1.1.2	Specified	Specified
1.1.3	Low	Low
1.2.1	Specified	Specified
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Specified	Specified
2.1.2	Specified	Specified
2.1.3	Specified	Specified
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	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	СВ
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Specified	Specified
2.4.3	Low	Low
2.5.1	Specified	Specified
2.5.2	Low	Low
2.6.1	Specified	Specified
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	Specified	Specified
2.9.2	Low	Low
2.10.1	Low	Low

2.3.2	Specified	Specified
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Table 2. Final risk ratings of Indicators as determined AFTER	the SVP and any mitigation measures.
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Indicator	Risk rating (Low or Specified)	
	Producer	СВ
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	СВ
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

Pinewells has implemented mitigation measures for 15 indicators evaluated as specified risk during the assessment. The mitigation measures per indicator are given in the table below. Subsequently, information is given on the management system, implementing the mitigation measures regarding the sustainability indicators.

Indicator	Mitigation Measure
1.1.2	Pinewells does not buy any wood from wood suppliers without a valid company
	registration and delivery documentation indicating the place of harvest.
	When there is not cadastre information, the Pinewells team goes to the felling area to
	talk with the stakeholders: the owners, neighbours and people that live in the area.
	The Due Diligence System and the 'PO31_0 Monitoring and inspection system' and
	'Procedure on the legality and origin of raw material' state appropriate control systems.
1.2.1	Pinewells does not buy any wood from wood suppliers without a valid company
	registration, or from wood lands, of which the owner rights are disputed. Any dispute
	concerning the ownership of the wood needs to be solved first.
	In cases with doubt, mostly due to the absence of cadastral data, Pinewells decides to
	double-check if there are no legal issues to the harvest operations. In these cases, the
	internal procedure 'Procedure on the legality and origin of raw material' is activated'.
	Additional investigations are conducted by means of legal document research and
	extends to, for example, interviewing local stakeholders (owners of neighbouring wood
	lands) and local authorities,
2.1.1	The control system for feedstock, which also includes regular inspections of suppliers,
	is duly implemented. All used material is traceable to its origin through the harvest
	manifests and transport guides.
	All suppliers have to comply with the laws in force, which are supervised by the Tax
	Authority and the ICNF (Please see the file 'Plano Regional de Ordenamento Florestal'
	'Documentation point 4 'cartografia síntese' (ICNF) for each region). Some HCV areas
	are designated as protected and classified areas at the national or EU level (Natura
	2000). There are also smaller areas or biotopes important to biodiversity, or classified
	as priority species' habitats.
	Pinewells identifies and maps of areas with high conservation values (HCVs). HCV 1,
	3, 4 and 5 were assessed to have a specified risk. Extra effort is needed to identify and
	map these values. Internet sources, as well as the local situation needs to be studied.
	In the process, HCV 6 is also checked. Previous cartography is useful for field work
	preparations.
2.1.2	Pinewells identifies and addresses potential threats to forests and other areas with high
	conservation values (HCVs). HCV 1, 3, 4, and 5 were assessed to have a specified
	risk.
	See also the explanation above (indicator 2.1.1).
	Pinewells ensures:
	mapping HCV areas of the harvesting plot;

	harvesting according to the technical rules in forestry;
	 best forestry practices, respecting environmental sustainability and safety;
	cleaning of waste from plantations;
	tree species (no genetically modified trees).
	The feedstock suppliers evaluate every plot before the harvesting operations begin.
	Pinewells inspects the suppliers and harvesting and keeps records of field inspections
	and monitoring results.
2.1.3	Pinewells considers all pine stands as forests and eucalyptus and Poplar stands as
	plantations. Pinewells checks if forests have been changed to (eucalyptus) or Poplar
	plantations after 2008.
2.2.1	There is a specified risk on this point, mainly in case no forest plan is available (no
	PROF, PGF ZIF, PUB, SNAC, as well as no PEFC or FSC certification).
	Pinewells always demands its Evaluation of the risks and possible impacts of
	harvesting operations (EoR).
2.2.2	Pinewells does fields inspections and checks feedstock and the felling area. In addition.
	trainings are given to suppliers on best forest practice guide.
	Pinewells demands an Evaluation of the risks and possible impacts of harvesting
	operations (EoR) from all feedstock suppliers. The EoR addresses the specified risk on
	soil degradation. Best practices regarding harvesting operations have to be applied.
2.2.3	The approach to mitigating this risk:
	1) Pinewells prepares (publicly available) data on ecosystems and habitats (see above
	2.1.1 on mapping and 2.1.2 on identifying and addressing potential threats). The key
	ecosystems and habitats are identified in Protected and Classified areas. This
	information is given to all feedstock suppliers.
	2) Feedstock suppliers are trained to recognise key ecosystems and habitats.
	3) Before harvesting operations commence the plot is evaluated on this point and
	records are kept. Best forestry practises are applied. Most importantly, the feedstock
	suppliers inspect visually the harvesting plot and report on the results. Key ecosystems
	and habitats are indicated on the harvesting mans. Best practises are used to protect
	the high ecological values. The harvesting operations conserve these objects, mainly
	by not cutting the woodland or forest directly around them. In exceptional cases, low
	intensity harvesting operations are possible without damaging these objects
	a. Study key ecosystems on the harvesting plot, conserve areas of ecological value
	b. Study flora and fauna at the harvesting plot, pests, breeding areas, anthills conserve
	protected tree species and habitats
	c. Do not operate near-water areas
	4) Best practices are used. Pinewells as its own Best Practice Harvest Operations
	Guide
	5) Pinewells monitors the harvesting operations of its feedstock suppliers and checks
	the EoR of its suppliers.
2.2.4	The approach to mitigating this risk:
	1) Pinewells prepares data on biodiversity researches and programs. red lists of
	Portugal, CITES, etc. (see above 2.1.1 on mapping and 2.1.2 on identifying and
	addressing potential threats. HCV 1 – Species diversity). This information is given to all
	feedstock suppliers.

	2) Feedstock suppliers are trained to recognise the protected biodiversity and how to
	conserve them. These species are often related (it can be indicator species) to key
	ecosystems which need conserved (previous indicator).
	3) The harvesting teams inspect visually the plot, make photos and report on the
	results. Endangered flora and fauna are indicated on the harvesting maps. Pinewells
	demands its Evaluation of the risks and possible impacts of harvesting operations
	(EoR) from all feedstock suppliers.
	4) Best practises are used, including measures to conserve and increase biodiversity
	(for example, standing dead wood, prescribed burning and other disturbances
	improving the conditions for endangered species flora and fauna).
	5) Pinewells monitors the harvesting operations of its feedstock suppliers and checks
	the EoR of its suppliers.
2.3.2	Pinewells trains its personnel on all relevant aspects and demands the same from its
	feedstock suppliers.
	During the supplier's office inspections are checked: the training records. (new)
	workforce and the hiring of specialists. The level of knowledge of personnel is
	inspected during site visits. Pinewells does specialized training during the field
	inspections. It is done by a forest engineer and a Health and Work Safety Engineer
	In addition. Pinewells checks the training registry of the employees of their suppliers to
	ensure that adequate training is given, regarding the functions of the forest workers
242	The approach to mitigating this risk:
2.7.2	1) Pinewells studies data (from publicly available information, researches and
	programs) for harvesting teams on risks and regulations regarding fires, pests and
	diseases. This information is given to all feedstock suppliers
	2) Feedstock suppliers are trained to recognise poor forest management and on
	mitigation measures. Pinewells team gives suppliers a Best Practice Harvest
	Operations Guide which includes prevention measures of fire risk. In addition
	Dispersions Guide which includes prevention measures of me risk. In addition,
	suppliers. This measure onsures that the workers are aware of the provention
	2) The benuesting teems increase viewelly the plot and make records. Discussion
	3) The harvesting teams inspect visually the plot and make records. Pineweils
	Condetect cumplices increase if the plet was managed well on these point is addressed.
	feedstock suppliers inspect if the plot was managed well on these points, if not, the
	recusion is not considered compliant to the SBE program (will not become SBP-
	is made shout the first risk in that day. It will be should diff the her vertice area there is
	is made about the fire fisk in that day. It will be checked if the narvesting area there is
	A) Dest are stilled in the case of fires.
	4) Dest practises, regarding management of fires, pests and diseases, include:
	a. Traps for NMP (Pine Wood Nematode Bursaphelenchus Xylophilus, and its vector
	the insect inionochamus galioprovincialis);
	b. Use of net (cover) during transport of wood in the period insect vector NMP;
	c. Phytopharmaceutical application on the ground;
	d. Chipping and using wood with symptoms within 2, 3 days;
	e. Ensure that all suppliers have an economic operator registration;

	5) Pinewells monitors the harvesting operations of its feedstock suppliers and checks
	the submitted EoR's. Sufficient management by the forest owner and best practises by
	the harvesting teams are required to comply with the SBE program requirements.
2.5.1	The approach to mitigating this risk:
	1) Feedstock suppliers are trained to recognise possible issues with legal, customary
	and traditional tenure and use rights.
	2) The harvesting teams inspect visually the plot have and abusive use of fences and
	inadequate sings including closed gates. Pinewells demands its Evaluation of the risks
	and possible impacts of harvesting operations (EoR) from all feedstock suppliers. This
	aspect is addressed. If the land area to be harvested is fenced, moreover, if it has been
	fenced recently, the opinion of residents is assessed. Abuse of fences, blocked roads,
	and inadequate signs makes the feedstock non-compliant the SBE program.
	3) Pinewells monitors the harvesting operations of its feedstock suppliers and checks
	the EoR of its suppliers.
	There are no indigenous people in Portugal or minorities dependant on forests for their
	livelihood.
2.6.1	The approach to mitigating this risk:
	1) Pinewells actively prevents grievances and disputes to arise. The aim is to track
	down and solve grievances and disputes before the harvesting operations commence
	(or not to buy from the disputed plots).
	2) Pinewells takes seriously any complaint of any person or organisation considering
	harvesting operations. This also ensures sufficient performance on respecting local
	interests (HCV 5) and cultural values (HCV 6).
	3) Pinewells has a complaint procedure and keep records. The feedstock suppliers are
	also required to actively implement a complaint procedure and keep records. Pinewells
	demands its EoR from all feedstock suppliers, in which the interests of local population
	are assessed.
	4) Pinewells monitors the harvesting operations of its feedstock suppliers and checks
	with them if there is Complaints and Comments. It checks with relevant stakeholders,
	such as land owners, if no comments were submitted, or if the complaints were dealt
	with sufficiently.
	5) The results of the inspections of Pinewells have direct influence on the 'SBE
	program approved' status of feedstock suppliers.
2.8.1	The approach to mitigating this risk:
	1) Pinewells has a rigorous control system and adequate procedures on the health and
	safety of forest workers. Pinewells demands the same from its feedstock suppliers and
	checks the health safety of harvesting personnel during its monitoring inspections.
	2) During the office inspections of feedstock suppliers are checked: the H&S training
	records, workforce, and the hiring of specialists in forest security.
	3) To ensure compliance with this indicator Pinewells has implemented a field
	inspection system. The inspections are conducted and verified with a checklist filled in
	with supplier evidences and information by Pinewells. Protective equipment and
	knowledge of personnel is inspected during site visits.
	a. Interviews with staff;

	b. Equipment safety measures;
	c. Fire extinguisher availability (normally in the forest tractor);
	d. First aid kit availability (normally in the forest tractor).
	4) Pinewells gives training to all workers about best practices during the inspections
	that include an indicator about Health and safety. Every time Pinewells finds a lack of
	compliance, specific training will be given about the correct wear of protective
	equipment and the risks that are implied of not wearing it.
2.9.1	The approach to mitigating this risk:
	1) Pinewells studies data (from publicly available information, researches and
	programs) for its harvesting teams on aspects that can decrease the carbon stock. This
	information is given to all feedstock suppliers.
	2) Feedstock suppliers are trained with good forest practice.
	3) The harvesting teams inspect visually the plot. Pinewells demands its Evaluation of
	the risks and possible impacts of harvesting operations (EoR) from all feedstock
	suppliers. Studied are the history, the present harvesting plans, and the future of the
	land use. This risk has a regional to local (and exceptional) character and relates to
	changes to the standing stock and accumulated carbon in the ground. It is partly
	covered by the mitigation measures mentioned in the following indicators:
	a. 2.1.3 (land conversion);
	b. 2.2.2 (degradation of grounds);
	4) Pinewells checks plots and the submitted EoRs.

The found sustainability risks are clear. However, the practical implementation of the risk mitigation measures is a continuous process. It includes the assessment of risks and risk mitigation measures specifically related to new harvesting plots within the Supply Base. Pinewells had most risk mitigations measures already in place.

To address all possible risks, additions were made to several documents. Very important is to assess the plots prior to harvesting. Due to the situation in Portugal that there are more than half a million forest owners, and most own only one or two hectares of land, not all feedstock provided by the SBE approved feedstock suppliers will automatically become SBP-compliant feedstock. If the land owners have managed its lands insufficiently well the feedstock cannot be categorised as SBP-compliant feedstock.

Pinewells is continuously monitoring its feedstock suppliers on all aspects. It chose for an approach that SBE approves only those feedstock suppliers that show outstanding results on risk indication and mitigation. After conducted trainings and evaluations, Pinewells plans to SBE approve their external feedstock suppliers.

It was revealed during the supplier visits that the BP has sufficient knowledge on environmental requirements as well as good timber harvesting practices. The sampling process is considered sufficient to verify suppliers of primary feedstock.

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). <u>Please use as many copies of the table as needed</u>. 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	NC Grading: Minor	
Standard & Requirement:	Std 1, 2.8.1:	
	 The BP has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12). Examples of means of verification: Existing legislation Course curricula from safety trainings Training records PPE available to workers at job sites Records of BPs' field inspections Safety risk assessments Interviews with staff 	
Description of Non-conformance and Related Evidence:		
Pinewells Pellets has a rigorous control system and adequate procedures on the health and safety of forest workers. Pinewells Pellets (contractually) demands the same from its feedstock suppliers and checks the health safety of harvesting personnel during its monitoring inspections. Every time Pinewells finds a lack of compliance, specific training will be given about the correct wear of protective equipment and the risks that are implied of not wearing it. Evaluations recoreded on Internal Inspection of Raw materials.xls.However, at the harvesting site in Tocha, Lote 73, it was verified that the chain saw operator		
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:	Open	

NC number 02	NC Grading: Minor
Standard & Requirement:	Std 2, 15.4:
	The management system shall identify the personnel responsible for implementing systems and procedures.
Description of Non-conformanc	e and Related Evidence:
As described in chapter 4: respon document TAB_09_11_Tabela de verified the proper completion of f clear who is actually the person a identified during the office check a	sibilities of FSC Chain of Custody and SBP manual. Also ISO 9001 competências, as well as Descrição de Funções. However, it was not form 111_04 in particular who is verifying requirements of HST, and not t Pinewells responsible for on-site verification of mitigation measures at Pinewells.
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:	Open

NC number 03	NC Grading: Minor
Standard & Requirement:	Std 2, 16.3: The BP shall implement a plan to monitor the effectiveness of the mitigation measures, at least annually (i.e. every 12 months).

Description of Non-conformance and Related Evidence:

Pinewells checks every feedstock supplier every year as described in the "Procedure on Monitoring and Inspection Systems - EOR Steps". The minimal amount of field inspections per supplier depends on the amount of plots a feedstock supplier is managing. Pinewells uses the formula: amount of sampling plots = 0.8 times the square root of the number of plots, on which a feedstock supplier is active in the ongoing year. Using that calculation, for 2019, 15 monitoring and inspections should have been done but only 12 were executed.

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:	Open

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:	11/Sep/2020
Other comments:	Click or tap here to enter text.