



NEPCon OÜ Evaluation of Pellets Power 2 Compliance with the SBP Framework: Public Summary Report

Re-assessment

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1 Overview

| | |
|-------------------------------|------------------------------------------------------------|
| Certification Body (CB) Name: | NEPCon OÜ |
| Primary CB contact for SBP: | Ondrej Tarabus |
| Primary CB contact email: | otarabus@preferredbynature.org |
| Audit team leader: | Pilar Gorria Serrano |
| Audit team members: | Pilar Gorría Serrano |
| Name of the Company: | Pellets Power 2 |
| Company legal address: | Herdade Castelo de Arez, 7580-508 Alcácer do Sal, Portugal |
| Company contact for SBP: | Filipa Rebelo |
| Company contact email: | f.rebelo@gesfinu.com |
| Company website: | N/A |
| SBP Certificate Code: | SBP-01-13 |
| Date of certificate issue: | 09 Mar 2021 |
| Date of certificate expiry: | 08 Mar 2026 |
| Audit closing meeting date: | 18 Feb 2021 |
| Audit cycle: | Re-assessment |

2 Scope of the evaluation and SBP certificate

| Scope Item | Check all that apply to the Certificate Scope | Change in scope (N/A for Assessments) |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| Primary Activity: | Biomass Producer | <input type="checkbox"/> |
| Approved Standards: | SBP Standard 1: Feedstock Compliance Standard; SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3; SBP Standard 5: Collection and Communication of Data Instruction | <input type="checkbox"/> |
| Includes Supply Base Evaluation (SBE): | Yes | <input type="checkbox"/> |
| Includes communication of Dynamic Batch Sustainability Data (DBSD) | No | <input type="checkbox"/> |
| Includes Group Scheme | No | <input type="checkbox"/> |
| Products | Pellets | <input type="checkbox"/> |

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|--------------------------|
| Feedstock types: | Primary, Secondary | <input type="checkbox"/> |
| Feedstock origin (countries): | Portugal | <input type="checkbox"/> |
| SBP-endorsed Regional Risk Assessments used: | Not applicable | <input type="checkbox"/> |
| Public link: https://sbp-cert.org/documents/standards-documents/risk-assessments/ | | <input type="checkbox"/> |
| Chain of custody system implemented: | FSC: APCER-COC-150116 | <input type="checkbox"/> |
| | Credit | <input type="checkbox"/> |

2.1 Description of the company

BP is a biomass producer with a production situated in Alcácer do Sal, Portugal. Pellets Power II. is a part of Gesfinu group. Gesfinu is a privately owned family group operating in electricity generation and bio energy as main business activities, continuing in the real estate activity. BP is producing only industrial wood pellets with designated capacity of 100.000 tn. BP is sourcing mostly primary feedstock for its production. The input material consists of branches, tree tops, stem wood from thinning as well as roundwood. Insignificant share of the feedstock is secondary, which is delivered from local sawmills. The input material is mostly delivered from Pine stands (*Pinus pinaster* and *Pinus pinea*). This material consists of low quality stemwood or material from pruning of *Pinus pinea* trees planted for production of pine nuts. For purposes of drying there are also sourced some wood industry residues. Material is supplied locally (cca. 50 km around the plant). All the input material is therefore coming from Portugal. All Feedstock types are delivered to the pellet plant by trucks. Incoming feedstock is either FSC certified (FSC 100%, FSC Controlled Wood) or controlled according to the existing biomass producer (BP) FSC Controlled wood verification program. FSC controlled material verification program is applicable for feedstock originating from Portugal. Origin information is kept and origin information access agreements are signed with feedstock suppliers. As a part of the Verification program BP is conducting supplier audits. The BP is implementing FSC credit system. However, the amount of FSC 100% feedstock is so insignificant, that BP has implemented SBP supply base evaluation of the feedstock which is considered then as SBP-compliant. BP maintains a credit account for SBP inputs and outputs, separately from FSC credit account. BP is implementing Supply Base Evaluation (SBE) limited to two pine species (*Pinus pinea* and *Pinus pinaster*) coming from thinnings/prunings from Alentejo region. The BP has developed its own risk assessment with some indicators designated as unspecified risk and has implemented out Supplier Verification Program resulting in low risk for all these indicators. After the production, pellets are stored in BP's production storage or transported into the Sines harbour and loaded directly to the vessel

2.2 Detailed description of the Chain of Custody system

The Organisation holds valid FSC Chain of Custody and FSC Controlled wood certificate <http://info.fsc.org/details.php?id=a024000000BNTYaAAP&type=certificate&return=certificate.php>. Valid FSC system description and other documents exist. The Organisation implements FSC Credit system of claims. FSC Credit system is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the Organisation's own controlled material verification system (such material is included in the company SBE). The controlled material verification system of the organisation is covering only Portugal (the scope of the certificate covers three different pellet plants, one of which is the Organisation, and risk assessment for this certification as a whole covers Portugal and Spain). No other feedstock is received. Supplier list is maintained. After the reception, incoming feedstock is unloaded into piles according to type of feedstock and load is registered into the recordkeeping system. All input material is weighted and recorded in tones. For the credit account purposed the volume of feedstock is recalculated by using the conversion factor of the production, FSC credit account is updated once in a month: data about received raw materials by FSC certification status and volume of sold pellets are recorded. In case of the FSC and / or SBP sales, the volume of sold pellets is withdrawn from the credit account.

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification. The scope of this evaluation also covered the Supply Base Evaluation, and the mitigation measures describing herein.

The scope of the evaluation covered:

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

4 Evaluation process

4.1 Timing of evaluation activities

| <i>Audit Level of Effort (LoE)</i> | | |
|------------------------------------|-----------------|----------------------|
| Activity | Auditors | Auditor hours |
| 1. Preparation | Pilar Gorría | 8,0 |
| 2. On-site (excl. travel time) | Pilar Gorría | 16,0 |
| 3. Report writing | Pilar Gorría | 9,0 |
| 4. Other | N/A | N/A |

| Audit Schedule | | | |
|----------------------------------------------------------------------------------------------|------------------------------|---------------------|-------------------|
| Activity | Location | Auditor name | Date/time |
| <i>Opening meeting</i> | NEPCon office - remote audit | Pilar Gorría | 17 Feb 2021/13:00 |
| <i>Review of procedures and interviews with staff (COC, mass balance, management system)</i> | NEPCon office | Pilar Gorría | 17 Feb 2021/13:30 |
| <i>Interview with sales department</i> | NEPCon office | Pilar Gorría | 17 Feb 2021/15:00 |

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|-------------------------------------------------------------|---------------|---------------|-------------------|
| <i>Interview with purchase department</i> | NEPCon office | Pilar Gorría | 17 Feb 2021/16:30 |
| <i>CoC review</i> | Nepcon office | Pilar Gorría | 18 Feb 2021/8:00 |
| <i>GHG calculation review</i> | NEPcon office | Pillar Gorría | 18 Feb 2021/9:00 |
| <i>Supply Base Evaluation</i> | NEPCon Office | Pilar Gorría | 18 Feb 2021/11:00 |
| <i>Supply Base Verification Program and supplier audits</i> | NEPCon office | Pillar Gorría | 18 Feb 2021/13:30 |
| <i>PResentation of the results</i> | NEPCon office | Pilar Gorría | 18 Feb 2021/15:30 |
| <i>Review of documents</i> | NEPCon office | Pilar Gorría | 17 Feb 2021/17:30 |

Auditor qualification

| Auditor name | Role | Qualification |
|--------------|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pilar Gorría | Lead auditor | Forest engineer (Pplitecnic Univ. Of Madrid). Has successfully completed SBP training course and the NEPCon Lead auditor training for FSC/PEFC CoC and FM certification. Has experience from forest certification (FSC / PEFC FM), traceability (FSC / PEFC CoC) and biomass certification (SBP - Sustainable Biomass Program) for more than 10 years. |

4.2 Description of evaluation activities

Description of the evaluation:

The audit started with an opening meeting, where the lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. Auditor explained the aim and objectives of the audit, informed about the evaluation process, the 2 phases reassessment due to COVID restrictions and it was agreed the potential field work dates for the on site evaluation as soon as the COVID restrictions in Portugal improve. It was underlined the need to collect objective evidence through a combination of document review, site visits, interviews and discussions, explained the essence and importance of sampling aspect of the auditing.

After that audit team went through all applicable requirements of the SBP standards nr. 1, 2, 4 and 5 covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, SBP risk assessment results and their justification, stakeholder consultation process, energy data and inputs and outputs of feedstock in the last period. *Chain of Custody implementation was reviewed focusing in the Critical Control Points, in particular it was verified reception of the material and its classification, identification of feedstock origin, production process with the conversion factors associated, mass balance, final product storage and sales.*

SBE and mitigation measures were evaluated remotely by interviewing the responsible forest staff and review procedures and records of the company site inspections but the additional on site verification was requested to provide assurance of the compliance.

During the process overall responsible person for SBP system and responsible staff having key responsibilities within the system were interviewed. At the end of the audit findings were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the company representatives.

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

4.3 Sampling methodology

Purchase and sales records were sampled to ensure the verification is representative of the BP activity during the reporting period. The relevant staff were presented during the audit. Records about GHG and SAR data were evaluated from different months. Supplier audit reports and mitigation measures were also reviewed during the remote audit

4.4 CB stakeholder engagement

Stakeholder consultation was conducted by February 10th. Organizations from environmental, business and social sectors were conducted in particular more than 100 stakeholders were contacted. From the list it

can be mentioned: international organizations as FSC, UICN, ILO, National organizations as environmental, forest and social NGOs, local associations, regional and national forest authorities, research institutes and universities, etc.

4.5 Stakeholder feedback

No specific comments were received

5 Results

5.1 Main strengths and weaknesses

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

Weaknesses: see NCR section

5.2 Rigour of Supply Base Evaluation

The Supply Base Evaluation was implemented only for primary feedstock sourced from 1 region of Portugal Alentejo and some municipalities in the border with similar forest management and composition. The BP has carried out the SBE for primary feedstock (forest products) that are originating from SBE area and is not received with FSC or PEFC claim. Risk mitigation measures are implemented for material coming from *Pinus pinea* and *Pinus pinaster* thinning harvesting operations.

The BP has identified 6 indicators with unspecified risk in their risk assessment for whose Supplier Verification Program is carried out to determine if the risk for the defined scope is specified or low:

2.1.1 Mapping of forests and other areas with high conservation value

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

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

2.2.4 Biodiversity is protected (CPET S5b).[OT2]

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

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

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

In order to define whether the risk constitute in specified or low risk for the defined area and species (Alentejo region, thinnings/prunings of *Pinus pinea* and *Pinus pinaster*) the BP has conducted Supplier

Verification program. The BP has prepared several maps with protected areas as well as list of protected species which are used during the supplier audits to identify the extend of risk in each area. The supplier audit checklists contain requirements for evaluation of legal aspects, determination of scope (species, type of harvest and area), ecological aspects (such as biodiversity, HCVs for each category, fire protection elements) and health and safety requirements together with appropriate training. Normally audits start at the BP office where the harvesting site is evaluated using available maps with protected areas and species. Later on, the supplier office is visited where the forest management plan is evaluated and additional information about sites are collected. Finally, the audit continues at the forest site where the workers are interviewed and the forest conditions are evaluated using the checklist. In case the evaluation of all six indicators results in low risk the risk is confirmed as low and the material is received as SBP compliant. In case there would be identified that the indicator can't be assessed as low risk and the material can't be received as SBP compliant, the number of suppliers verified would be increased. After the supplier audits the BP has concluded that for the specified area, thinning operations and pine species low risk can be considered for all indicators. The supplier verification is repeated annually on sample basis.

5.3 Collection and communication of data

The following energy sources are used by BP: electricity for pellet production; diesel for feedstock delivery and handling; diesel for biomass handling, shipping and delivery to customer. Diesel consumption value by loaders at pellet production is based on actual refuelling data; electricity consumption value by pellet plant is based on consumption values specified in invoices by external electricity supplier. BP expects that diesel consumption by trucks delivering the feedstock to plant, and biomass to customer, will be evaluated by end user based on reference values from BioGrace II.

5.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: Integrated Management Systems Engineer is appointed by the management as responsible for implementation and maintaining of the SBP system. The other responsible staff members are: receptionist (feedstock input records), production operator (biomass production records), financial administrator (diesel and electricity consumption records, credit account maintenance, DTS and invoices), mill supply manager (conversion factors and moisture measurements register), feedstock supply manager (verification of feedstock suppliers). Director holds overall responsibility for SBP certification.

6 Review of company's risk assessments

6.1 Overview of company's risk assessments and mitigation measures

Pellets Power II. has not implemented any mitigation measures but has reduced the scope where SBP-compliant feedstock can come from using SBE system instead. Based on the results from the SVP it was concluded that the risk is low for all the pine material (*Pinus pinea* and *Pinus pinaster*) supplied from Alentejo region and the municipalities included in the border of Alentejo.

6.2 Specified risk indicators and mitigation measures

| Country/Area | Indicator | Specified risk description | Mitigation measure |
|--------------|-----------|----------------------------|--------------------|
| N/A | N/A | N/A | N/A |

7 Non-conformities and observations

| NC number NC-000250 | NC Grading: Minor |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Standard: | SBP Standard 2: Verification of SBP-compliant Feedstock |
| Requirement: | IN2A; 1.1.1 A written description of the monitoring and control system |
| Description of Non-conformance and Related Evidence: | |
| The BP implements internal audits under the scope of the COC system that cover the main aspects of the management system but these audits doesn't include the SBE scope and the Supplier Verification Program to ensure the effectiveness of the SVP | |
| 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: | N/A |
| Findings for Evaluation of Evidence: | N/A |
| NC Status: | Open |

| NC number NC-000253 | NC Grading: Minor |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Standard: | SBP Standard 2: Verification of SBP-compliant Feedstock |
| Requirement: | IN2A; 1.3 The BP shall define the sampling density as appropriate |
| Description of Non-conformance and Related Evidence: | |
| During the re-assessment audit it is was identified that in some cases there were active suppliers supplying SBP compliant material that were never been officially audited and validated by the BP under the Supplier Verification Program. Out of 33 suppliers of SBP compliant biomass, 4 suppliers have never been audited and during the reporting period the total amount supplied by these 4 audits were 585 tn which represent 0.6% of the SBP compliant material. Due to the fact that these suppliers work with SBE is isolated cases and that the supplier audits performed cover more than 99% of the material the NCR is considered minor | |

| | |
|--------------------------------------------------|-------------------------------------------------------------------------------------------|
| 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: | N/A |
| Findings for Evaluation of Evidence: | N/A |
| NC Status: | Open |

| NC number NC-000252 | NC Grading: Minor |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Standard: | SBP Standard 4: Chain of Custody |
| Requirement: | 5.2.2 Only the following feedstock inputs shall be considered to be SBP-compliant feedstock • Feedstock received with an SBP-approved Forest Management Scheme Claim or SBP-approved recycled claim. • Feedstock sourced from within the BP's defined Supply Base (SB) and for which a valid Supply Base Evaluation (SBE) has determined that all the indicators in the SBP Feedstock Compliant Standard are low risk. • Feedstock sourced within the scope of the BP's own SBP-approved Chain of Custody (CoC) System certification, for example, non-certified reclaimed feedstock sourced in compliance with FSC-STD-40-007: FSC Standard for Sourcing Reclaimed Material for Use in FSC. Note: Feedstock received in compliance with SFI Fiber Sourcing requirements is not considered to meet SBP-certified feedstock or Controlled Feedstock requirements. Note: Section 5.2.4 below specifies requirements relating to partial claims. • Post-consumer tertiary feedstock sourced following the requirements of Instruction Note 4A, SBP tertiary feedstock requirements. |
| Description of Non-conformance and Related Evidence: | |
| BP sources the feedstock from within defined supply base, for which a valid SBE has been determined, as SBP-compliant feedstock. Although some FMUs are FM FSC-certified, none FSC certified feedstock is sourced. During the entries records revision it was identified that: i) In some cases material from thinnings of pine forest were incorrectly classified as final harvest product group. It was verified with documentation reviewed that in all cases the forest operation was thinning and the correct classification was SBP Compliant. ii) 70 tn of eucalyptus from short rotation forestry were incorrectly classified as SBP compliant (3 trucks). Records reviewed confirmed that the material was out of the SBE scope. | |
| 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: | The BP reviewed case by case during the audit and confirmed that in the first case the feedstock can be classified as SBP compliant and the product group classification was adapted to thinnings with the relevant update in the SAR data and entries data base. In the second case it |

| | |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | was confirmed that the material shall be classified as SBP controlled, the database entries was updated as well as the Credit account. |
| Findings for Evaluation of Evidence: | The BP defined as root cause analysis a human mistake at the moment to enter the information in the database. Relevant staff was informed about the mistakes and reminder about the procedure to classified feedstock in the database. Auditor consider that the corrective action is enough to avoid repeat the NCR in the future thus the NCR is closed |
| NC Status: | Closed |

| NC number NC-000251 | NC Grading: Observation |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Standard: | SBP Standard 1: Feedstock Compliance Standard |
| Requirement: | 2.6 SBP-endorsed Regional Risk Assessments |
| Description of Non-conformance and Related Evidence: | |
| pending for approval. The BP should moved to use the SBP endorsed risk assessment for Portugal when it would be approved. | |
| Timeline for Conformance: | N/A |
| Evidence Provided by Company to close NC: | N/A |
| Findings for Evaluation of Evidence: | N/A |
| NC Status: | N/A |

8 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): | ondrej tarabus |
| Date of decision: | 13 Apr 2021 |
| Other comments: | The follow up onsite audit need to be conducted as soon as the conditions allow it |