

**Sustainable
Biomass Program**
Annual Review 2019



The promise of good biomass



02 — Welcome to SBP

As with most things in life there is good and bad, right and wrong. Only sustainably sourced biomass is good biomass and the right way to contribute to achieving climate goals.

Through its credible and robust certification system, assuring responsible practice throughout the biomass supply chain, SBP is the promise of good biomass and is an integral part of the solution for tackling climate change.

Our purpose is to facilitate the economically, environmentally and socially responsible use of biomass enabling climate goals to be met.

We are the Sustainable Biomass Program (SBP) – a not-for-profit, voluntary certification system designed for biomass used in energy production.

SBP is driven by the aim of the UNFCCC Paris Agreement to combat climate change. Respected scientific advisory bodies and policy makers worldwide recognise biomass to energy as a renewable technology with a significant role to play in reducing carbon emissions and meeting challenging climate goals.



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04 — Introduction by the Chair

A defining year for SBP

We started the year as a multi-stakeholder governed organisation, marking the next chapter in the SBP story and arguably one of the most important to date. Bringing together and balancing civil society and commercial interests gives the right foundation for integrating best practice, as demonstrated by leading sustainability standards, into our governance arrangements.

Our new Board, Standards Committee, Technical Committee and Stakeholder Advisory Group have worked tirelessly to bed-in the new arrangements. We never underestimated the enormity of the challenge and so it is particularly pleasing to report that our governing bodies have quickly got to grips with their remits and have developed effective ways of working.

I am extremely grateful to those who have become part of the new set-up and appreciate the considerable time and effort given by all during the last year. The pathway to achieving common goals in the future has been firmly established.

Our purpose

The fight against climate change is as intense as ever, with many national governments stepping up action across all sectors of the economy to drive down greenhouse gas emissions.

Delivering net zero emissions in line with advice from the Intergovernmental Panel on Climate Change (IPCC) is now the aim of several countries, with others set to follow.

The UNFCCC Paris Agreement unites countries in their desire to combat climate change. Through governments' energy policies biomass to energy is recognised as a renewable technology that has a significant role to play in a sustainable, low carbon future. SBP has a part in that future, we understand the wider implications of our certification system and see ourselves as part of the solution.

As with most things in life there is good and bad, right and wrong. Only sustainably sourced biomass will contribute to achieving long term climate goals. Good biomass is the right way to do it and SBP is the promise of good biomass.

Against that backdrop our purpose is to facilitate the economically, environmentally and socially responsible management of biomass enabling climate goals to be met.

Reviewing SBP's strategy

During 2019 our Board tackled some sizeable topics, starting with a review of our strategy to ensure that we are appropriately positioned to serve not only our existing markets, but also emerging markets, be they new geographies or new commodities or both.

Importantly, we will maintain a globally applicable independent, third-party certification system for biomass supply chains and continue to provide assurance for existing markets. We will explore new markets where there is an identified need.

The development of the SBP standards will continue to be informed by our stakeholders, but will be also market driven. Our standards encompass the definitions of legality and sustainability applicable in the markets in which we operate and offer a tried and tested, off-the-shelf solution for emerging biomass markets.

The provision of verified data along the supply chain will remain at the core of what we do, presenting a platform for both assurance and innovation.

Together with our standards, visibility of supply chains and data utilisation will contribute to the debate on biomass sustainability in existing and emerging markets.

COVID-19

It would be remiss of me not to mention the COVID-19 pandemic and our actions taken to ensure business continuity, both from an external and internal perspective. On 13 March, we published guidance on flexibility in certification audit requirements for Certification Bodies providing SBP certification. The approach includes remote auditing and the extension of time periods.

Internally, our remote working model means we are well-placed to continue our operations. There may be occasions when individuals are required to take on additional workloads, but we will keep our stakeholders informed should that arise. Above all we will keep the situation under review, ever mindful of advice issued by national governments.

Looking ahead

We are about to embark on a significant piece of work to review and revise our standards. We have the right governance arrangements in place to support our endeavour, and position SBP as the certification system of choice for biomass sustainability.

We will work with our stakeholders to build on the trust and credibility we have gained so far, at all times striving for excellence in our operations.

I look forward to the continued support of our stakeholders and their contribution to the success of SBP.



Francis Sullivan
Chair

3 April 2020

Building on trust and credibility



05 — SBP today

The promise of good biomass

Our purpose

To facilitate the economically, environmentally and socially responsible use of biomass enabling climate goals to be met.

Our strategy

Our strategy is informed by our review of risks and opportunities, enabled by the right stakeholder balance and skill set, and underpinned by our values.

Our four strategic objectives:

Assurance

Ensure our certification system meets our promise of good biomass.

Certification

Maintain our robust, credible and consistently applied certification of woody biomass, whilst challenging ourselves to reach a higher level of excellence.

Communications

Inform and educate, reinforce and reassure our stakeholders that SBP-certified biomass equals good biomass.

Organisational development and resource

Achieve the right stakeholder balance and skill set to strengthen our brand and pursue growth responsibly.

Our business model

We specialise in the biomass market where we have the expertise to succeed and realise our ambition to be the biomass certification system of choice.

Focused on delivering a certification system that meets our stakeholders' needs and has the desired and intended outcomes that improve the use of natural capital.

Our values

Our values are the guiding principles that we use to manage our operations and our relationships with stakeholders.

Our four values:

Integrity – in how we conduct our business and maintain the accuracy and consistency of the data we collect and communicate.

Credibility – reliable and dependable certification system of choice.

Transparency – open and honest in all that we do.

Inclusivity – responsive to the needs of the multiple stakeholders that we serve.

06 — Our market footprint

SBP in numbers

During 2019, our number of Certificate Holders increased as did the volume of SBP-certified biomass produced, traded and consumed. Here we provide a snapshot of our market footprint.

5,195

Number of transactions recorded in the Data Transfer System (DTS) in 2019 (2018: 3,662)

11.55Mt

Total SBP-compliant biomass produced and sold in 2019 of which 10.50Mt pellets and 1.05Mt chips (2018: 8.50Mt)

9.70Mt

Total SBP-certified biomass consumed in 2019¹ of which 8.80 Mt pellets and 0.90Mt chips (2018: 8.90Mt)

Notes:

SBP-certified biomass refers to all biomass (pellets and chips) carrying an SBP claim. There are two SBP claims: SBP-compliant and SBP-controlled – see page 11 for explanation. Figures are derived from unaudited Data Transfer System (DTS) data.

Tonnages are rounded to the nearest 0.05Mt.

¹ Purchased by Biomass End-users in the DTS.

² Hawkins Wright, 2019 industrial pellet consumption data for combined heat and power, and dedicated power.

210

Number of Certificate Holders at the end of 2019 (2018: 154)

11.95Mt

Total SBP-certified biomass produced and sold in 2019 of which 10.90Mt pellets and 1.05Mt chips (2018: 9.15Mt)

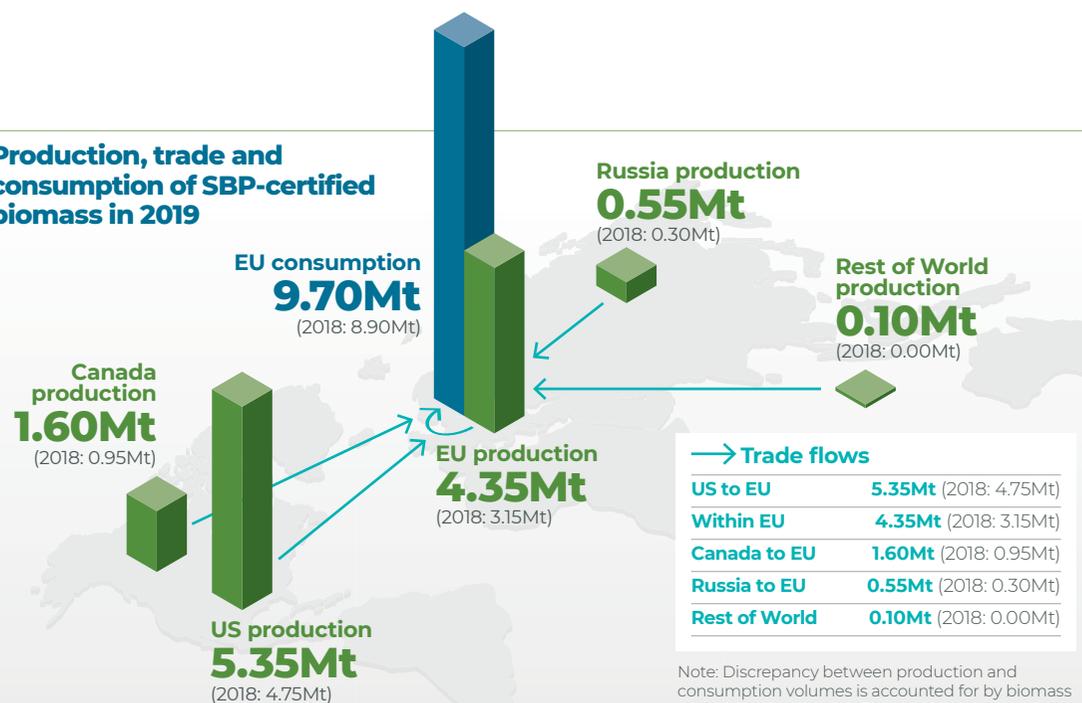
0.40Mt

Total SBP-controlled biomass produced and sold in 2019 of which 400kt pellets and 7kt chips (2018: 0.65Mt)

61%

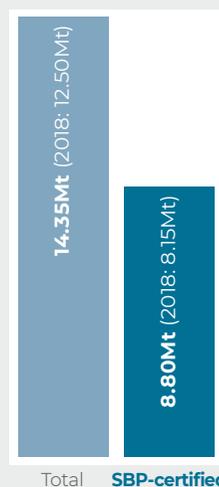
SBP-certified pellets consumed in 2019 account for 61% of the EU-28 industrial pellet consumption² (2018: 65%)

Production, trade and consumption of SBP-certified biomass in 2019

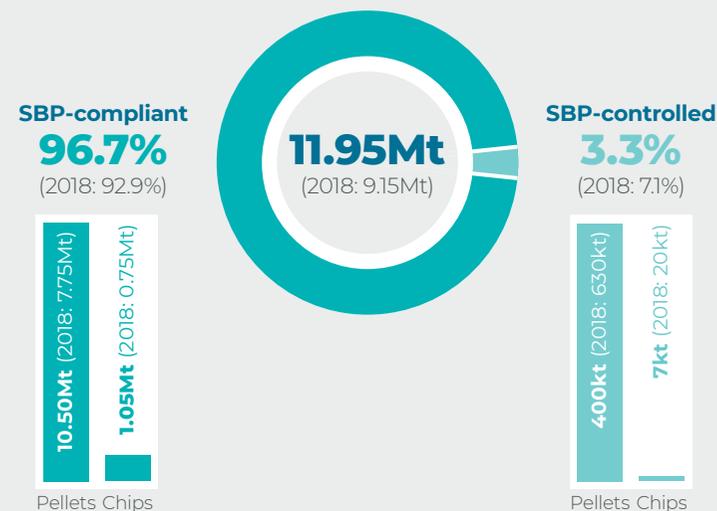


Note: Discrepancy between production and consumption volumes is accounted for by biomass not sold to end-users, still on traders' accounts and/or sold as non-certified biomass.

EU-28 industrial pellet consumption in 2019



Production of SBP-certified biomass by claim type



07 — Statement by the Chief Executive Officer

In good shape to realise our ambition

I am pleased to report that 2019 was another successful year for SBP. We have seen continued growth in the number of our Certificate Holders (CHs), furthered our geographic reach and, above all, put into practice our new governance arrangements.

We have also reviewed our strategy, developed a three-year work plan to deliver that strategy, and made solid progress on aligning our operations with best practice, as demonstrated by leading sustainability standards. All of which puts us in good shape to make SBP future-fit and realise our ambition to position SBP as the certification system of choice for biomass.



Key priorities for 2019

Strategic positioning

We have enjoyed substantial growth in our CH base since our standards were launched in 2015. Volumes of SBP-certified biomass have increased, going significantly beyond the milestone of 10 million tonnes in 2019, which has enabled us to become financially independent and importantly has allowed us to open up our governance structure to all our stakeholders.

Some years on from our inception and amidst our new multi-stakeholder setting, it was appropriate to review our strategy. That review was carried out by our Board in the first half of 2019, mindful of the risks to and opportunities for our business, our stakeholders and in-house resource, and the values that guide the way we do business.

Our strategy has been developed with a focus on four objectives encapsulated in the areas of:

- Assurance
- Certification
- Communications
- Organisation development and resource

Furthering those objectives will protect our core business and build on our existing strengths to improve what we are and what we do. Further, they will enable us to explore and exploit new markets and products to meet our purpose.

A three-year work plan in support of our strategic objectives was developed by the Secretariat and approved by the Board in the third quarter of 2019.

 See page 05 to see how our purpose, strategy, business model and values are linked.

Standards development process

During 2019, we consulted on and finalised our Document Development Procedure (DDP), which formalises the way in which all SBP documents, including our standards, will be revised or developed.

The procedure is now fully aligned with the multi-stakeholder governance arrangements, clearly identifying the roles and responsibilities of each of our governing bodies. Having been guided by recognised best practice for setting social and environmental standards, we are confident that our procedure is fit-for-purpose.

08 — Statement by the Chief Executive Officer (continued)

Importantly, the DDP sets out the requirements to be met as we embark on the review and revision of our standards, a key priority for 2020.

Further our work to deliver best practice

In aspiring to introduce best practice across our operations, we were greatly influenced by the ISEAL Credibility Principles. The ten principles provided a useful reference point against which to assess not only our processes and procedures, but also the fundamental beliefs upon which our behaviour is based.

isealalliance.org/credible-sustainability-standards/iseal-credibility-principles

As we move forward we will continue to benchmark all elements of our operations against the ISEAL Credibility Principles to deliver an effective and efficient certification system that is accessible to our users and understood by our stakeholders. Attaining full membership of ISEAL remains a goal.

 **See pages 19 and 20 to find out how we have incorporated the credibility principles into our operations.**

Our geographic spread increased by three, with the addition of Certificate Holders in China, Japan and Turkey, to total 25 countries

Additional highlights

Increased stakeholder involvement

Stakeholder engagement is fundamental to the success of our certification system. During 2019, the benefits of multi-stakeholder governance were clearly evident and no more so than through increased stakeholder involvement in the work that we do.

I have been very pleased with the interest and commitment shown by those participating at all levels of our governance structure. We have significantly broadened the knowledge and skills base of SBP, which in turn has improved the quality of debate and decision-making.

As always, I have valued the time spent meeting face-to-face with so many of our stakeholders. During the year, we participated in a number of the sector's key events across the globe, providing the platform to promote the work we do and importantly listen and learn from practitioners in the field.

Growing our Certificate Holder base

Towards the end of 2019 we reached another milestone, that of 200 CHs. At the end of the year that number had risen to 210, of which 167 were biomass producers, 35 were traders and eight were end-users.

Our geographic spread increased by three, with the addition of CHs in China, Japan and Turkey, to total 25 countries.

With a healthy pipeline of applicants, including some from South East Asia, we are set to grow those numbers during 2020.

Furthering regulatory approval

Throughout the year we have worked to further the recognition and approval of our certification system by regulatory authorities. For those jurisdictions with established biomass sustainability requirements, we have ensured that SBP remains compliant. For those jurisdictions that are currently developing their requirements, we have promoted our standards and processes as a working solution.

Specifically in 2019, we have successfully developed our standards to meet the changing requirements of the Netherlands' SDE+ subsidy regime. We have engaged with the European Commission to ensure we are well positioned to apply for recognition under the Renewable Energy Directive II (RED II). And we are engaging with the regulatory authorities in South East Asia as they implement their sustainability requirements for biomass used in energy production.



09 — Statement by the Chief Executive Officer (continued)

Key priorities for 2020

1

Standards development

During 2019, we began preparations for an important and significant piece of work – the review and revision of our standards. The work will follow the standards development process, which details how each of the current standards will be reviewed and revised, and by whom.

The Standards Committee, Technical Committee and Stakeholder Advisory Group have all been consulted on the process. Initial stakeholder consultation began early in February when views on our existing standards and recommendations for changes were sought. We are planning to consult widely with our stakeholders and will be using a variety of channels to do so.

The project will be officially launched in the second quarter of 2020 and some aspects will not be completed until towards the end of 2021.

2

Monitoring and evaluation system

Monitoring and evaluation is closely linked to achieving ISEAL membership, but in its own right demonstrating the impact we have in the marketplace is essential to our credibility and reputation.

Mindful that our requirements bring obligations to our Certificate Holders, we need to be able to justify any revisions to our standards whilst minimising negative impacts and avoiding unintended consequences.

Through the development and operation of a monitoring and evaluation system we aim to demonstrate that our standards are delivering our purpose and strategic objectives, as well as abiding by our set of values.

3

Digitalisation

Having taken stock of our processes and procedures in our quest to realise best practice across all our operations, we identified scope for enabling a more efficient audit process and smarter data collection. Through the development of an audit management platform, digitalisation will make data entry and collection much simpler and more robust.

A host of benefits are envisaged as a result of digitalisation, not least the reduced level of effort required by Certificate Holders and Certification Bodies to complete and submit the various audit reports.

Further benefits will include improved data integrity and security, and the facilitation of impact monitoring and evaluation, which will track the progress and contribution made by SBP certification system.

And finally...

We have a very full agenda for 2020. We have a small and dedicated team committed to rising to the challenges ahead, but in tackling the more considerable projects we will be calling on our many and varied stakeholders for their input and good counsel.

I urge all interested parties to engage with us and help shape SBP and ensure that our certification system is relevant and future-fit to serve the needs of the supply chain and civil society.



Carsten Huljus
Chief Executive Officer

3 April 2020

10 — Promoting sustainable sourcing solutions

The essentials of what we do

Certification systems are widely used for demonstrating the sustainable sourcing and production of a range of commodities. There is a clear role for SBP in the international biomass market. This section explains the essentials of our certification system and how it works.

The role for SBP

Respected scientific advisory bodies and policy makers worldwide recognise biomass to energy as a renewable technology with a significant role to play in reducing carbon emissions and meeting challenging, long term climate goals.

In turn, the environmental and energy policies of many countries designed to meet those climate goals include biomass in the energy mix. Without it, it is unlikely that climate goals will be met. The important caveat is that all biomass must be sustainable.

Some countries have already implemented biomass sustainability requirements, whether through industry agreements or legislation.

The SBP certification system not only enables organisations operating in those biomass markets to demonstrate compliance with the requirements, but further it provides an off-the-shelf biomass sustainability standard for emerging markets. Policy makers need look no further than our certification system.

Use of a certification system that bridges international markets brings efficiency benefits and facilitates consistency between producers, traders and end-users.

SBP essentials

The SBP certification system is founded on the two principles of legality and sustainability. Those principles are broken down into criteria and again into indicators, of which there are 38 in total covering a range of requirements, including ensuring compliance with local laws, ensuring features and species of outstanding or exceptional value are identified and protected, and ensuring regional carbon stocks are maintained or increased over the medium to long term.

All the indicators are given in SBP Standard 1: Feedstock Compliance Standard, and each has specific guidelines and reporting requirements. SBP Standard 1 sets SBP's definition of legality and sustainability.

SBP's definition maps on to similar systems, such as the Forest Stewardship Council (FSC®), the Programme for the Endorsement of Forest Certification (PEFC™), and those systems recognised by PEFC, such as the Sustainable Forestry Initiative (SFI®), and is based on the biomass sustainability criteria of European countries, in particular, Belgium, Denmark, the Netherlands and the United Kingdom.

There are five other SBP standards which cover how to evaluate the sustainability of the feedstock material, including requirements for stakeholder consultation and public reporting, how third-party verification is to be undertaken, the requirements for chain of custody, and energy and carbon data transfer.

The certification system also includes other processes, such as those for dealing with appeals from Certificate Holders and complaints from any interested party.

The certification system

Today, SBP offers a certification system for woody biomass used in energy production.

The first point of certification

The first point of certification in the SBP certification system is the biomass producer (usually a wood pellet/chip producer). The biomass producer is assessed for compliance with the SBP standards, specifically that the feedstock it uses is sourced both legally and sustainably.

Independent assessment

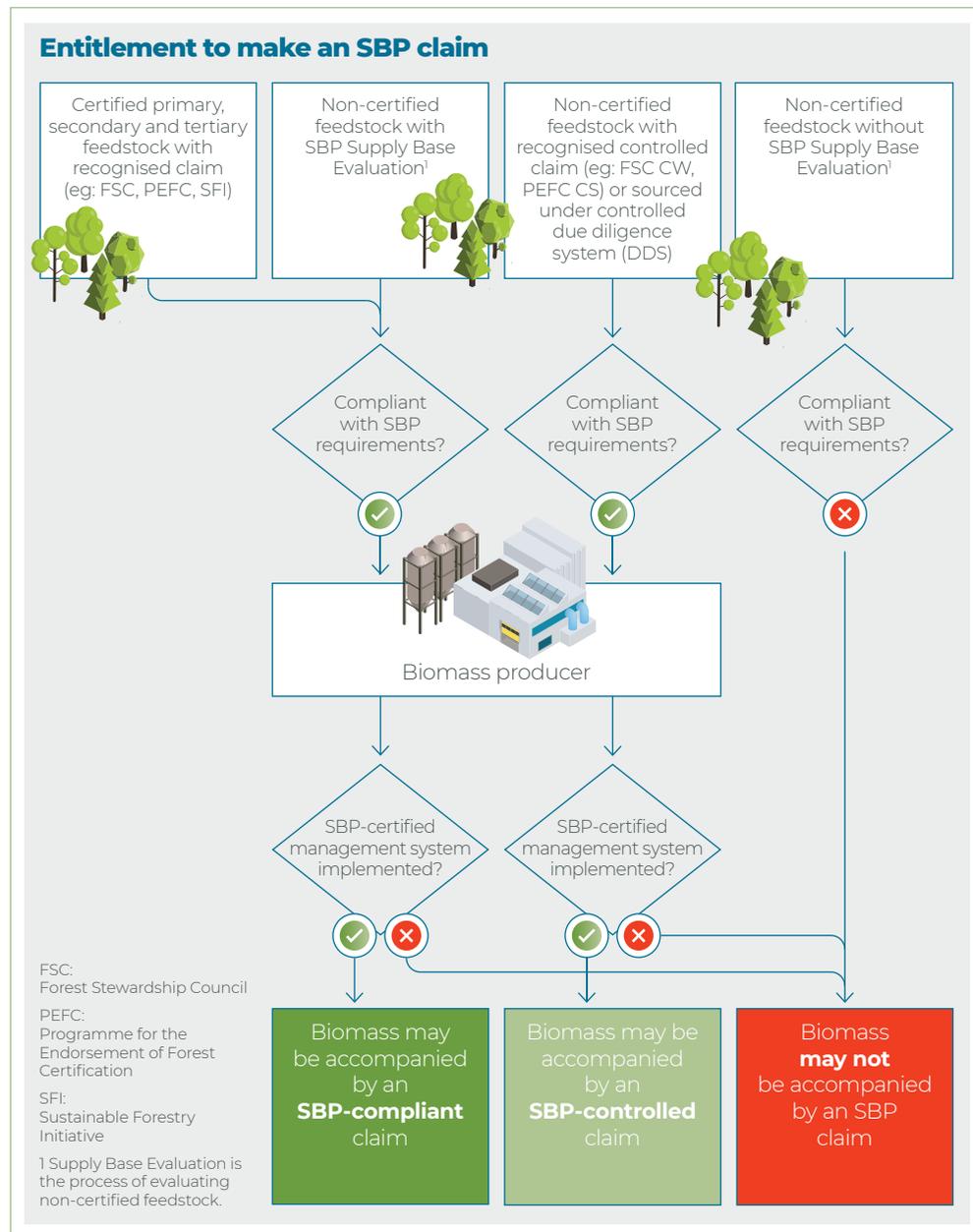
That assessment must be carried out by an independent, third-party Certification Body (CB). SBP has certain requirements in place to avoid potential conflicts of interest between the CB and its client seeking certification.



38

The SBP certification system includes 38 indicators in total covering a range of requirements

11 — Promoting sustainable sourcing solutions (continued)



Entitlement to make an SBP claim

A biomass producer (wood pellet/chip producer) that satisfactorily demonstrates compliance receives a certificate and is entitled to produce and sell biomass with an SBP claim, provided the feedstock meets SBP requirements and the SBP-certified management system is implemented during production.

There are two SBP claims: SBP-compliant and SBP-controlled – see illustration left.

Evaluating feedstock

FSC or PEFC-certified feedstock, including feedstock with a certification claim from PEFC-endorsed system, such as SFI, is considered SBP-compliant. All other feedstock must be evaluated.

The process of evaluating feedstock is termed the Supply Base Evaluation. The biomass producer must carry out a risk assessment to identify the risk of compliance with each of the 38 indicators detailed in SBP Standard 1.

Each indicator is rated as either 'low risk' or 'specified risk'. For any indicator rated as 'specified risk,' the biomass producer must put in place mitigation measures to manage the risk such that it is effectively controlled or excluded. The mitigation measures must be monitored.

In conducting the risk assessment, the biomass producer must consult with a range of stakeholders and provide a public summary of the assessment for transparency purposes.

The role of the independent, third-party CB is to verify the Supply Base Evaluation, assuring quality and consistency across biomass producers and ensuring that stakeholders' views have been taken into account.

Finally, the CB provides assurance that the biomass producer may make accurate claims for the biomass produced.

Regional Risk Assessments (RRAs) are a key part of SBP's focus on identifying and mitigating risks associated with sourcing feedstock. With an RRA covering an entire geographic region, and determining the risks associated with sourcing feedstock from that region, the need for individual biomass producers to conduct risk assessments is avoided. RRAs also ensure active engagement with a diverse range of stakeholders in the region.

Transfer of data along the supply chain

SBP requires information relating to the sustainability characteristics, including energy data, of the biomass to be passed along the supply chain. All data is verified by the CBs.

Independent scrutiny

Assurance Services International (ASI), an international assurance body, manages the SBP accreditation program, under which CBs must become accredited if they wish to offer SBP certification services.

Once accredited, CBs are subject to regular assessment, based on the ASI Surveillance and Sampling Procedure. With accreditation in place, certification decisions are the sole responsibility of the CB.

The SBP Certification Body Peer Review Process exists to ensure the quality and consistency of audit reports and certification decisions within and across CBs.

12 — Making a difference

Our key impacts

Monitoring our impacts

For the last three years, we have monitored our impacts against six key impacts – see Six key impacts below. As part of the development of a comprehensive monitoring and evaluation system, that is compliant with the ISEAL Impacts Code, we will review those impacts, consider global impact initiatives and feed in output from our standards development process.

UN Sustainable Development Goals

An important consideration in the development of that system will be the connections with the UN Sustainable Development Goals (SDGs). Credible sustainability standards can contribute to a number of the SDGs through setting management practices, providing transparency within supply chains, informing the sustainability debate, and strengthening relationships throughout the supply chain.

Our focus on economic, environmental and social outcomes in the biomass sector has a broad connection to many of the SDGs, addressing the universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere.

Mapping our outcomes

Our purpose ties the sustainable use of biomass with meeting climate change goals. It is well-recognised that combating climate change and achieving sustainable development are dependent on one another. Through mapping the outcomes of our business model on to the SDGs we have identified eight that are of most relevance and where we can help increase positive impacts and reduce negative ones.

Driven by calls for action

Ultimately, it is governments that have the primary responsibility for defining policies and systems that promote the achievement of the SDGs and climate goals. SBP is driven by the aim of the UNFCCC Paris Agreement to combat climate change and through a multi-stakeholder approach we translate high level goals into concrete sustainability criteria within our certification system.

Six key impacts

Six key impacts have been identified that define the desired and intended outcomes from implementation of the SBP certification system.

For 2019, we report against those key impacts. The following pages introduce each key impact and take a look at our activities and the activities, actions and behaviours of our Certificate Holders in achieving our intended outcomes.

Connecting with the UN Sustainable Development Goals



Enabling multi-stakeholder partnerships throughout the biomass supply chain.



Facilitating the delivery of sustainable and renewable energy.



Assessing and mitigating social and environmental impacts throughout the biomass supply chain.



Performing assessments of social and environmental impacts and track energy data throughout the biomass supply chain.



Requiring awareness and protection of cultural and natural heritage.



Application of sustainability principles throughout the biomass supply chain.



Delivering visibility of energy data throughout the biomass supply chain.



Promoting the use of certification and the consequent protection of social and environmental values.

13 — Making a difference (continued)



Our six key impacts

1
Unlocking the potential of biomass in a sustainable way

Evidenced through actions taken to deliver against the sustainability indicators of SBP Standard 1: Feedstock Compliance Standard.

2
Providing assurance of legal and sustainable practice

Evidenced through independent scrutiny of certification decisions.

3
Realising best practice

Evidenced through appropriate governance arrangements, decision-making procedures and stakeholder engagement.

4
Achieving recognition by regulatory authorities

Evidenced through formal recognition by regulatory authorities and/or national governments of the SBP certification system as compliant with national agreements and/or regulations and legislation.

5
Providing greater visibility on biomass supply chains

Evidenced through greater transparency on all activities throughout the supply chain, allowing informed choices leading to responsible behaviour and efficient resource allocation.

6
Increasing the volume of certified material in the biomass market

Evidenced through increasing production and sales of SBP-certified biomass and driving the uptake of certification, whether at forest level or elsewhere in the supply chain.

14 — Making a difference (continued)

Key impact 1:

Unlocking the potential of biomass in a sustainable way

Biomass is a valuable resource and SBP is the lever to unlock that resource in a sustainable way. All stakeholders need assurance that those involved in the sector are acting responsibly. SBP is central to providing that.

15 — Making a difference (continued)

Key impact 1: **Unlocking the potential of biomass in a sustainable way**

Case study

In 2019, Georgia Biomass produced 817,098 tonnes of industrial wood pellets at its Waycross plant, exceeding its nameplate capacity by 8.9%. With the majority of the pellets carrying an SBP claim, the plant was the largest producer and seller of SBP-certified biomass in the world.

Much of the feedstock used at the pellet plant comes from privately-owned forests in the form of thinnings and other forest residues. Residues from sawmills, such as chips, sawdust and shavings and a small amount of tertiary feedstock make up the remainder.

In total, Georgia Biomass contracts with around 80 feedstock suppliers. The private landowners are made up of a mixture of small and large private landowners.

When evaluating its supply base, Georgia Biomass partnered with Greener Options Inc., a sustainability consulting company specialising in sustainable forest certification, and Biological Integrity LLC, a consulting company specialising in conservation and biodiversity. Working with those specialists, Georgia Biomass developed and implemented management systems to meet the requirements of a number of certification systems, including SBP.

With the aim of ensuring that all feedstock is sourced sustainably, Georgia Biomass has implemented an extensive outreach and training programme for all its suppliers, their loggers and landowners.

In particular, the programme focuses on social benefits and values, threats arising from forest management activities, and opportunities for implementing conservation measures that enhance biodiversity and reduce or eliminate identified threats.

Georgia Biomass has also taken the further step of implementing binding written agreements with its suppliers to mitigate the risk of feedstock originating from forest land converted into plantation or non-forest use, or from forest land where high conservation values have been threatened as a result of conversion.

The company works with conservation organisations, including Forest Resources Association, and Georgia Forestry Association, providing monetary or in-kind resources, to facilitate active, on the ground implementation of forest management activities to conserve forest types identified within the company's supply base as being at risk.

Active involvement in the committees and programmes of the American Forest Foundation and the Sustainable Forestry Initiative further demonstrates a commitment to sustainable management of resources.

Georgia Biomass is publicly committed to credible, environmentally, socially and economically sustainable forestry procurement and harvesting practices to meet the needs of the present without compromising the ability of future generations to meet theirs.

“We are keen to work with companies that show a real commitment to sustainability. Georgia Biomass’ drive and the requirements of the SBP certification system complement each other perfectly.”

Gary P Boyd
Owner, Greener Options

“At Georgia Biomass we take our commitment to sustainability seriously. By working with experts we are able to expand our knowledge and pass it down the supply chain to ensure our feedstock meets global sustainability standards. SBP is integral to our business success.”

Barry J Parrish
Director of Procurement and Sustainability, Georgia Biomass

16 — Making a difference (continued)

Key impact 1: **Unlocking the potential of biomass in a sustainable way**

“Due to its extensive supply base, the Kährs pellet plant was one of the more complicated pellet producers to certify. The Kährs team put a lot of effort into setting up the necessary procedures and developing comprehensive risk mitigation measures covering the supply chain.”

Rebecka McCarthy Tune

Lead Auditor and Responsible Sourcing Specialist, NEPCon

“Kährs works in many areas to make its flooring production as sustainable as possible and our goal is to constantly develop and optimise our operations while minimising our environmental impact. Kährs entered a totally new business area when starting to produce pellets. In line with our high sustainability ambitions, achieving SBP certification was a goal from the start and essential to both us and our customers.”

Bruce Uhler

Sustainability Manager, Kährs Group

Case study

Kährs in Sweden is best known as a premium wooden flooring manufacturer with production sites in several locations and sales extending to more than 70 countries. In early 2019 the company started producing wood pellets in its state-of-the-art pellet plant, situated next to its wooden flooring factory in Nybro.

Driven by the desire to continually improve processes, optimise operations and resource efficiency and at the same time minimise environmental impact, the pellet plant was a perfect fit for the business. At the outset, Kährs determined that SBP certification was a must-have for its new pellet production facility.

Already armed with both FSC and PEFC certification, Kährs needed to implement risk mitigation measures to bridge the gap between the forest-based certification requirements and those of SBP.

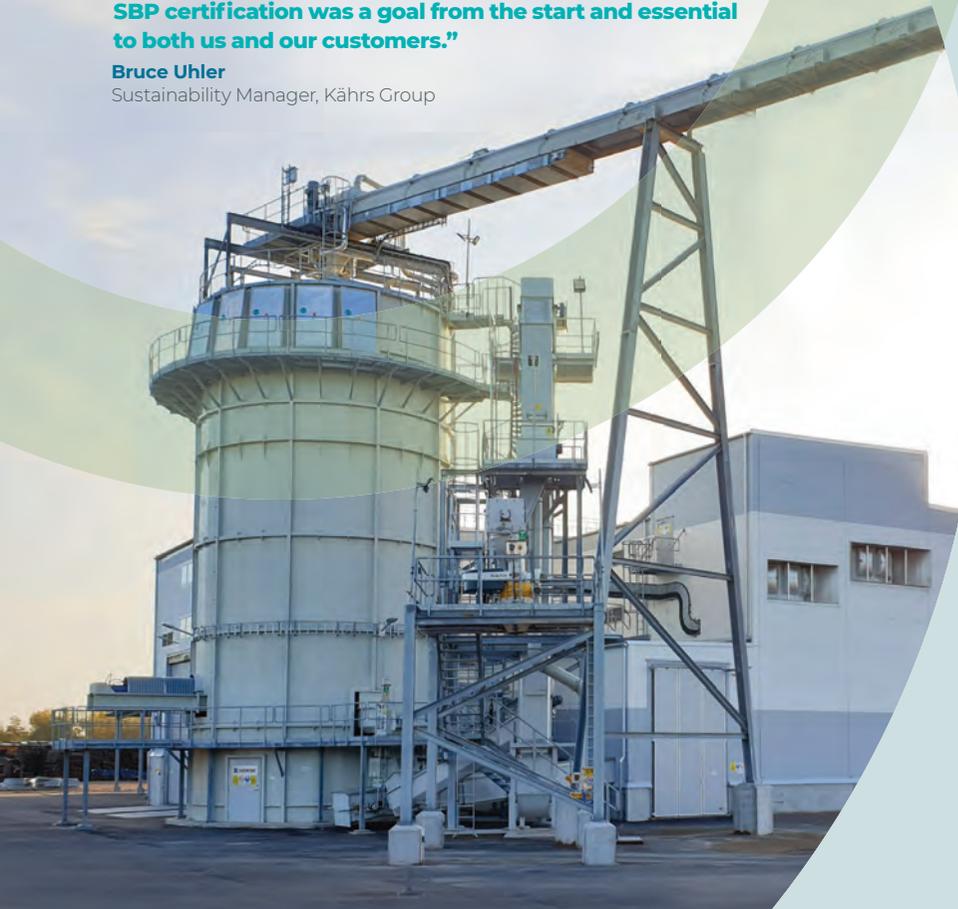
Nothing out of the ordinary so far, but delving into the detail revealed a complex supply chain requiring comprehensive evaluation before an SBP certificate could be issued.

The pellet production process utilises only tertiary feedstock in the form of the sawdust residue from the flooring manufacturing process. The manufacture of wooden flooring uses a mixture of hardwood and softwood species sourced from in excess of 450 suppliers spanning a total of 26 countries.

With around 40% of the feedstock volume certified to FSC or PEFC and the remainder either FSC Controlled Wood or PEFC Controlled Sources, a robust risk mitigation programme was implemented to manage the risks associated with feedstock entering the biomass supply chain with either certified or controlled claims.

A dedicated team was rewarded for all its hard work and effort when the pellet plant received its SBP certificate in early 2020.

Kährs Group links its environmental and sustainability efforts to relevant UN Sustainable Development Goals (SDGs). The pellet plant plays an important part in the company's initiative to help the achievement of the seventh SDG, to provide access to sustainable, reliable and renewable energy and clean fuels.



17 — Making a difference (continued)

Key impact 1: **Unlocking the potential of biomass in a sustainable way**

Case study

ULK Group is one of the largest logging and timber processing enterprises in the Arkhangelsk region of Russia. The group owns and operates four sawmills, three in the Arkhangelsk region, one in the Novgorod region, and two pellet plants in the Ustyansky and Velsky districts of the Arkhangelsk region. A new pellet plant is under development in the city of Pestovo, in the Novgorod region.

Resource efficiency is central to the company's operations. The processing residues from ULK Group's lumber manufacturing process are fully utilised by the company's pellet plants. Sawdust is used as feedstock for pellet production, and bark and woodchips are used in the pellet plants' dryers to reduce the moisture content of the feedstock, an integral part of the production process.

All the roundwood used in the manufacture of lumber is FSC-certified, meaning that the sawdust used in the pellet production process also comes with an FSC claim. The company observes strict adherence to using 100% certified feedstock, which is demonstrated through, amongst other things, a moratorium on harvesting from areas of identified high conservation value.

ULK Group takes its commitment to conservation seriously. The company is working alongside WWF-Russia to develop sustainable management of forest resources in the Arkhangelsk region.

Specifically, the development of enhanced sustainable forest management in already developed industrial forests and conservation of intact forests that have not yet been affected by industrial activity.

One such conservation initiative is the Regional Dvina-Pinega Landscape Reserve, which was established in 2019 by the region's government after 17 years of advocacy effort. The creation of the reserve will see the protection of 300,420 hectares of rapidly disappearing northern taiga, the last large array of intact forest in Europe.

The reserve has been untouched for over four thousand years and is home to more than 60 species of rare animals and plants listed in the Red Data Book of the Russian Federation and Arkhangelsk region, including flying squirrel, white-tailed eagle, osprey, ermine, northern bat, and wild forest reindeer.

Working with WWF-Russia, ULK Group will ensure economically profitable forestry, while maintaining the biological diversity of the forest. All of which positions ULK Group as a major contributor to conservation and the local economy.

ULK Group is also engaged in reforestation through the Ustyansky seed-growing complex – the largest of its kind across Russia and Europe. The complex is designed to produce an annual volume of nine million young trees, covering not only the company's needs for seedlings, but also supplying enterprises throughout Russia.

“Over a number of years, we have watched ULK Group build their business in the south of the Arkhangelsk region. The company grew and became stronger. At the same time they took into account the interests of local people and nature. Now we are glad to see ULK Group building modern enterprises and bringing the experience of achieving balance between economic, social and ecological issues to the new regions.”

Roman Verin Regional Director in Russia, CIS and Balkans, NEPCo

“WWF highly appreciates the contribution of the ULK Group to establishing the Dvinsky Nature Reserve. The company's solid position and commitment to set aside a core area of the Reserve played a critical role at the final stage of its establishment. ULK Group partners with us in the conservation of valuable forests, implementation of advanced approaches to forestry, as well as the provision of the local community's rights.”

Andrey Shegolev Forest Programme Director, WWF-Russia



18 — Making a difference (continued)

Key impact 2:

Providing assurance of legal and sustainable practice

Assurance is critical to the rigour and credibility of the SBP certification system. There are two levels to providing assurance of legal and sustainable practice – accreditation and conformity assessment, which together give confidence in the product, management systems and people.

19 — Making a difference (continued)

Key impact 2: **Providing assurance of legal and sustainable practice**

15

assessments of Certification Bodies

11

incidents investigated

2.7

average of 2.7 non-conformities per SBP assessment

We use independent providers to deliver assurance, which means that SBP has no direct involvement in the certification decision-making process. Our approach increases both the impartiality and robustness of the SBP certification system.

We require independent Certification Bodies (CBs) to become accredited before they can offer SBP certification services to prospective Certificate Holders (CHs). The SBP assurance program is outsourced to our assurance partner, Assurance Services International (ASI), a specialist assurance and accreditation body in the field of voluntary social and environmental standards.

As the manager of the assurance program, ASI is responsible for accreditation of CBs. Once accredited, CBs carry out conformity assessments of biomass producers', traders' and end-users' management systems through audit and field verification. Such assessment assures that all CHs meet the requirements of our standards. CBs also ensure that stakeholders' views are taken into account.

ASI monitors all CBs through regular assessment, based on the ASI Surveillance and Sampling Procedure, to ensure that the auditing processes and procedures meet expectations, are consistent across all accredited CBs and that quality thresholds are met.

Since managing the SBP assurance program, ASI has accredited four CBs. In 2019, an application for accreditation by one CB expired, but a new one was received. Therefore, there is still a CB in the application process.

During 2019, ASI carried out 15 (2018: 11) assessments of CBs as part of the SBP accreditation program. Six were done outside the annual plan upon SBP's request, of which two were witness assessments and four were desk reviews of publicly available CB and CH documents.

The remaining nine were conducted in line with the ASI assessment plan. After initial examination, one was waived due to low risk and undertakings associated with the CB.

Included in the nine assessments were six witness assessments. Selecting suitable targets for witness assessments is a key task. SBP provides support in target selection, which ensures relevancy and an opportunity to address direct feedback received by us. All six witness assessments were deemed representative of geographic spread, certification scope and topical issues.

After each assessment, ASI sends the CB a short feedback questionnaire, which is used to monitor ASI's performance and the CB's opinion of the quality of service delivered by ASI.

As a result of the assessments, 54 findings were raised, of which 41 were non-conformities. Those translate to an average of 2.7 (2018: 1.8) non-conformities per SBP assessment. The increase in the average for 2019 compared to 2018 can be explained by a number of factors, including the higher number of witness assessment versus desk reviews, but importantly the increase is not considered to be a cause for concern.

During 2019, ASI recorded and investigated 11 incidents raised by various stakeholders. An incident is any reported activity, observation, stakeholder comment, or concern that threatens the reputation and/or integrity of the ASI accreditation program and/or our certification system and is not already considered under the relevant ASI procedures for complaints and appeals.

Action has been taken against all incidents, which includes follow-up investigation in the round of 2020 assessments.

No complaints were received by ASI in relation to the SBP certification system during 2019. A complaint is an expression of dissatisfaction made to ASI relating to its activities, or the activities of an accredited CB or a CH.

In every witness assessment, ASI assessors evaluate the CB auditor against 16 indicators of competence. The average overall score of auditor competence in 2019 was 2.7 (2018: 2.8) on a scale from 0 to 3.

In every Head Office assessment, ASI assessors evaluate the CB against 11 indicators of performance. Three CBs were rated as B and one as C on a scale of E to A (A being the highest). Of those, one had improved its rating on 2018 and three had remained the same.

ASI also assesses and reports on its own performance against agreed key performance indicators (KPIs) proposed by itself.

● **KPI 1 measures the proportion of tasks that were finalised within the specified timeline: 73% (2018: 91%) versus a target of 80%; and**

● **KPI 2 measures the selection of suitable targets for witness assessments: Very good representation (2018: very good representation) and target met;**

In addition, ASI's performance is also assessed against 50 KPIs proposed by SBP. ASI reported that it had attained 46 of the 50 indicators that it was possible to attain in 2019. The remaining four were pending SBP decisions.

0

Zero complaints received

20 — Making a difference (continued)

Key impact 3:

Realising best practice

SBP aspires to introduce best practice across all our operations. In 2019, in reviewing our operations we were guided by the ISEAL Credibility Principles and have made a commitment to those principles and the ISEAL Codes of Good Practice in setting standards, assuring compliance and monitoring impact.

21 — Making a difference (continued)

Key impact 3: Realising best practice

Through focusing on the four areas of sustainability standards, impacts, assurance and governance we have assessed our practical implementation of the ISEAL Credibility Principles in what we do today and what we plan to do in the immediate future.

Sustainability standards

Linking to ISEAL Credibility Principles:



Since the launch of the SBP standards in March 2015, we have been responsive to regulatory developments and stakeholders' needs and have worked to evolve the standards and strengthen the performance of our certification system.

As we move into the review and revision of the standards, the standards development process will consider best scientific understanding and relevant international norms, as well as local conditions.

The process will be informed by both informal and formal stakeholder consultation. Working groups, with multi-stakeholder representation, will be convened and tasked with the development work.

Impacts

Linking to ISEAL Credibility Principles:



For the last three years, six key impacts defining our desired and intended outcomes for the short to medium term have been monitored and reported against. That reporting was always recognised as a starting point for a much wider exercise of monitoring and evaluation.

We will refine those intended and desired outcomes and map them on to sustainability standards criteria in conjunction with the standards development process. Such an approach will ensure relevance of the standards and help to set appropriate and measurable performance targets, which will provide us with the foundation for a comprehensive monitoring and evaluation system.

The system will be integrated into the core business and we will be transparent in reporting on our progress. We will seek opportunities to work with our stakeholders and deliver meaningful contributions across the range of economic, environmental and social interests.

Assurance

Linking to ISEAL Credibility Principles:



Since 2016, SBP has outsourced its assurance program to Assurance Services International (ASI). As a specialist assurance body in the field of voluntary environmental and social standards, ASI brings a critical level of independent scrutiny to the certification decision-making process.

ASI ensures that Certification Bodies (CBs) operate in a consistent, reliable and credible manner to build an accurate and transparent picture of compliance. CBs in turn verify conformance, assure quality and consistency across biomass producers and ensure stakeholders are consulted and their views taken into account.

A risk-based approach, fundamental to the SBP system, allows a focus on areas posing the greatest risk, bringing lower cost and efficiency benefits, and overall improved accessibility to certification.

The provision of guidance and training to Certificate Holders (CHs) and CBs also helps to ensure that the standards are accessible.

The SBP Data Transfer System (DTS) provides an auditable trail of transactions and verified data, underpinning the integrity of the certification system.

Governance

Linking to ISEAL Credibility Principles:



The introduction of multi-stakeholder governance was a truly transformational step in the development of SBP. Through the involvement of stakeholders spanning commercial and civil society interests at all levels of the governance system, impartiality ensures decisions and recommendations have more legitimacy and better reflect a set of perspectives rather than an narrow view.

As we develop our work around impacts, strategies will be further aligned with intended outcomes. And as the monitoring and evaluation system evolves the results will inform decisions that best advance our purpose.

“The ultimate aim of sustainability standards systems is to bring about positive social, environmental and economic impacts while decreasing negative impacts. Impacts can be difficult to demonstrate, particularly in the short-term. Integrating these principles increases the likelihood that a standards system will achieve its intended positive impacts.”

Principles for Credible and Effective Sustainability Standards Systems: ISEAL Credibility Principles, June 2013

ISEAL Credibility Principles



22 — Making a difference (continued)

The biomass to energy sector is highly regulated, with those regulations shaped by global energy and environmental policies. We aim to reassure stakeholders that SBP is the promise of good biomass. The recognition we receive from regulatory authorities underpins that reassurance.

Key impact 4:

Achieving recognition by regulatory authorities

23 — Making a difference (continued)

Key impact 4: **Achieving recognition by regulatory authorities**

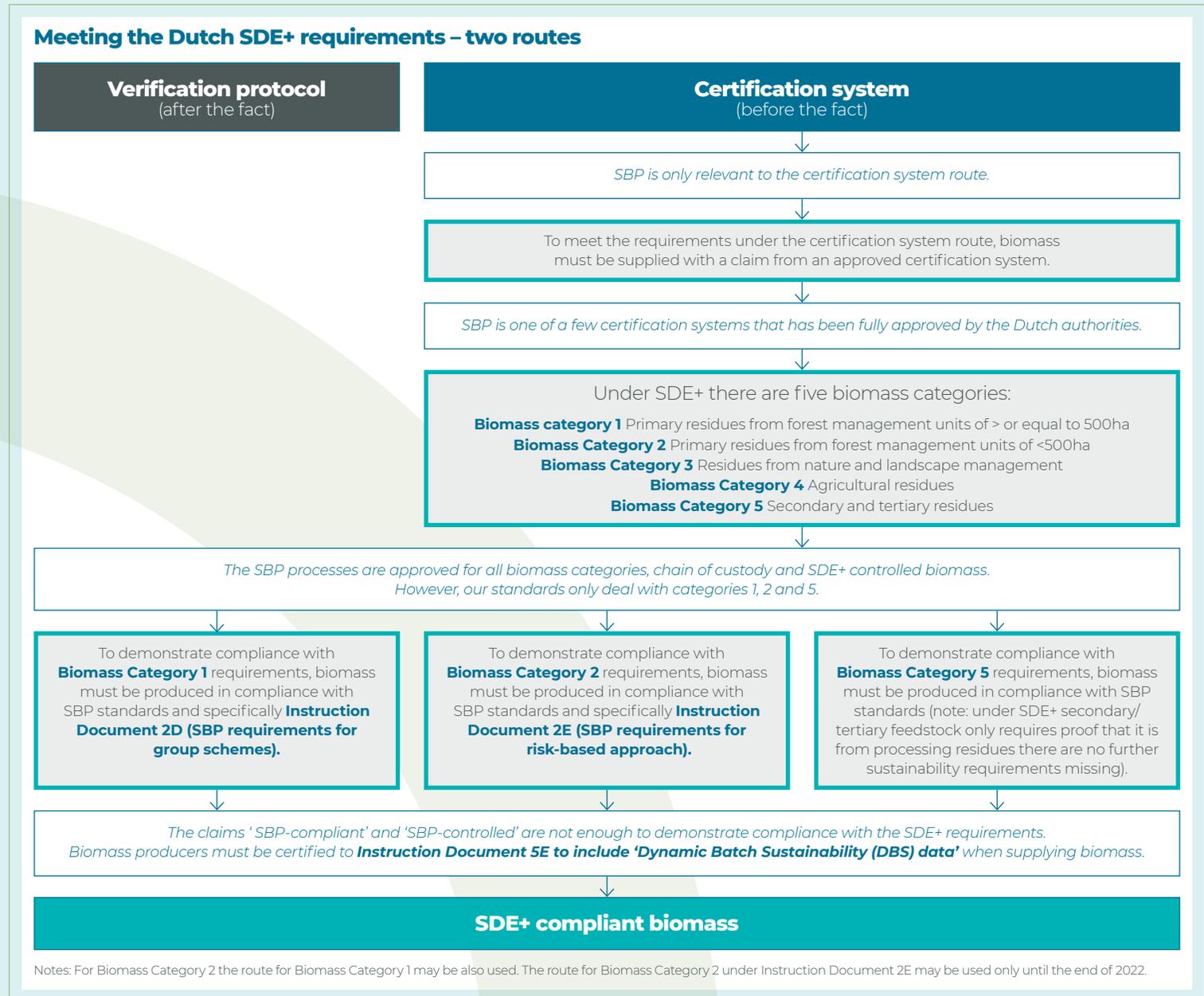
The SBP certification system is recognised in Denmark as a means of documenting compliance with the Danish Industry Agreement for Sustainable Biomass. In the Netherlands, we have full approval under the SDE+ (in Dutch: Stimulerend Duurzame Energieproductie) subsidy regime, and in the UK our system is fully compliant with all relevant legislation.

We continue to have constructive dialogue with the regulatory authorities in Belgium, where we are promoting the suitability of the SBP certification system as a means of verifying legal and sustainable sourcing of woody biomass.

With the revised EU Renewable Energy Directive (RED II) now in force, the European Commission plans to start the process of recognition of voluntary certification systems for covering the revised sustainability criteria during the first half of 2020. We will engage with the Commission and work towards gaining recognition of SBP under RED II.

Traditionally, we have focused on the European biomass end-use market, specifically in the aforementioned countries where the demand for biomass for energy is greatest. With emerging markets in South East Asia, Germany and Ireland we have stepped up our efforts to promote the benefits of SBP.

SBP offers a tried and tested, off-the-shelf solution for emerging biomass markets. Our certification system has been successfully benchmarked against the robust sustainability criteria of the leading biomass markets. Policy makers need look no further than our certification system.



24 — Making a difference (continued)

Key impact 5:

Providing greater visibility on biomass supply chains

Our Data Transfer System holds a wealth of information, from origin to end use, on biomass supplied with an SBP claim. With complete visibility of the biomass supply chain, we are continually looking at ways to use that information to inform the biomass to energy debate.

25 — Making a difference (continued)

Key impact 5: **Providing greater visibility on biomass supply chains**



Our Data Transfer System

The SBP Data Transfer System (DTS) is unique in its capability to track woody biomass transactions along the supply chain. Combined with our customer relationship management platform, we and our assurance partners have complete visibility on all biomass produced and sold with an SBP claim, as well as audit reports detailing Certificate Holders' conformance with our standards and the schedule of upcoming audits.

The DTS facilitates the collection, collation and transmission of verified data, including sustainability characteristics, throughout the biomass supply chain from feedstock origin to end-user. Alongside biomass seller and buyer information, tonnages of wood pellets and chips are recorded and linked to energy data allowing greenhouse gas calculations to be made.

Bioenergy life cycle

If biomass is managed on a sustainable basis, then over its entire life cycle bioenergy can deliver reductions in atmospheric greenhouse gas emissions relative to the use of fossil fuels. SBP is the promise of good biomass that contributes to those reduced emissions which in turn enable climate goals to be met.

The full life cycle includes greenhouse gas emissions arising throughout the supply chain from the forest to energy production, for example, cultivation, harvesting, processing, transport, and combustion.

Using verified energy data transmitted through the DTS, greenhouse gas emissions calculations are carried out by Biomass End-users in accordance with their respective regulatory requirements and methodologies, which differ slightly from country to country.

Some of our certified Biomass End-users have reported on the impact of using biomass in energy production instead of fossil fuel:

“With four of our six generating units converted to biomass from coal, we have seen a significant reduction in carbon emissions at Drax Power Station. In 2019, our biomass provided greenhouse gas emission savings of over 85% when compared to the use of coal.”

Michael Goldsworthy
Sustainability Manager, Drax

“Converting our combined heat and power plants to sustainable biomass has allowed us to almost fully retire coal over the past decade. In 2019, our use of biomass delivered an 89% saving in carbon emissions compared to burning fossil fuel.”

Thomas Lyse
Senior Director, Ørsted

26 — Making a difference (continued)

Key impact 6:

Increasing the volume of certified material in the biomass market

Credible sustainability standards have an important role to play in meeting many of the UN Sustainable Development Goals and intrinsic in that is helping to combat climate change. Promoting certification at forest or other levels in the biomass supply chain will help SBP deliver on our purpose.

27 — Making a difference (continued)

Key impact 6: **Increasing the volume of certified material in the biomass market**



Case study

Biomasa Forestal is a Biomass Producer located in Spain, and is part of the Grupo Gestan group of companies. The company is dedicated to the production and distribution of solid biomass, mostly wood pellets and woodchips.

The pellet plant has a production capacity of 75,000 tonnes of pellets per year, and is one of the largest in the country.

All feedstock is sourced from sustainably managed forests, with priority given to FSC and PEFC-certified feedstock. The company aims for at least 70% of its annual feedstock to come from certified sources.

Initially using a mix of primary and secondary feedstock in its production process, Biomasa Forestal put a halt on the use of secondary feedstock in 2016, due to the difficulties of proving origin and sustainability characteristics. The company then spent time on improving its supplier verification programme.

Improvements to the traceability control method were introduced. First the supplier of primary feedstock is required to provide comprehensive information to identify the origin of the feedstock down to the individual forest management unit, and second the information provided about secondary feedstock is verified by on-site auditing of both direct and indirect suppliers, if appropriate.

Through the controls introduced, Biomasa Forestal is able to establish details such as rotation periods and roundwood diameters. With strict adherence to limits the company operates a rejection policy for rotation periods beyond a defined number of years and roundwood above defined diameters.

The revised control procedure is clearly documented and applies to all personnel involved in purchasing, identification and information control of the secondary feedstock.

With a much stronger supplier verification programme in place, Biomasa Forestal is confident about the sustainability credentials of its supplies of secondary feedstock and the material is once again being used in the production process.

“Re-introducing secondary feedstock into our production process supports the business strategy of Biomasa Forestal, which is built on a desire to use natural resources in an efficient and sustainable way. SBP plays a key part in helping us to achieve our goals.”

Maria Vazquez

Quality Manager, Biomasa Forestal

28 — Making a difference (continued)

Key impact 6: **Increasing the volume of certified material in the biomass market**

“Certification plays an important role in the biomass sector. At Graanul Invest, certification helps us to improve key environmental and social aspects of our value chain ensuring that we stay ahead of market requirements.”

Mihkel Jugaste

Quality and Certification Systems Manager, Graanul Invest



Case study

With 11 pellet mills across the Baltic states, Graanul Invest is one of the largest pellet producers in Europe and it also has a foothold in the USA. Across the group, pellet production in 2019 reached 2.4 million tonnes.

Graanul Invest's interests in the biomass supply chain do not stop there, the company is one of the largest independent producers of renewable energy in the Baltics through its ownership of six combined heat and power plants across Estonia and Latvia. And at the other end of the supply chain it is one of the largest private forest owners in Estonia.

Over recent years, Graanul Invest has been growing its forested land base. Through implementing an impressive tree planting programme, that saw 1,487,741 trees planted in 2019, the company now has 55,000 hectares of sustainable forest. All of its forested land is certified to PEFC standards, with some also FSC-certified.

SBP certification is also a priority for the company, with all of its pellet plants certified to SBP standards.

Graanul Invest has worked hard with its suppliers to ensure its feedstock is sourced only from sustainably managed forest and that efficiency measures are introduced throughout the company's logistics and production operations.

The company has introduced contractual obligations to strengthen its approach to feedstock control. Clear guidelines are provided to all feedstock suppliers detailing how the risks of sourcing from Woodland Key Habitats (WKH) can be minimised. Contracts are only signed with those suppliers that implement WKH mitigation measures. The company has a zero tolerance policy, with non-compliant feedstock rejected.

In support of the contractual measures introduced, Graanul Invest has taken a hands-on approach to getting the message across. A seminar to explain the SBP certification system and its requirements, specifically in relation to evidence of feedstock origin, WKH risk mitigation and data collection, has been rolled out to 27 of its suppliers. Annual training and supplier audits are then implemented to maintain competence and continuously improve WKH risk mitigation.

All suppliers undergo a thorough assessment and those that meet the requirements are added to the company's suppliers lists, with preferred status given to suppliers of certified feedstock.

Not only have the actions taken by Graanul Invest increased the amount of certified feedstock used in their own pellet mills, but they have had the added benefit of increasing the amount of certified feedstock used by other biomass producers sourcing from the same suppliers.

29 — Making a difference (continued)

Key impact 6: **Increasing the volume of certified material in the biomass market**

Case study

HedeDanmark is a Danish forest services company and, with responsibility for over 120,000 hectares of forest and open land in Denmark, is the largest of its kind in the country. As a producer and trader of woodchips, the company considered SBP certification to be a pre-requisite for selling to the Danish energy market, due to SBP's recognition under the Danish Industry Agreement for Sustainable Biomass.

Around one-third of the total forest area in Denmark is made up of small, individual forest units of between 2 to 20 hectares, the majority of which are privately owned. For such small forest owners, the cost of certification can often be burdensome and many look to companies such as HedeDanmark as a route to market for their biomass product.

HedeDanmark's forest services are based on 150 years' experience and on a thorough understanding of the forest as well as the needs of the forest owner. For forest owners looking to participate in the biomass market, the company handles everything from forest management to trade in woodchips, as well as forest investments.

Since 2008, HedeDanmark has offered FSC and PEFC group certification to forest owners. Complete with a sophisticated IT system to manage the certifications, the company is now a leading provider of group certification in Denmark having assisted in the certification of over 35,000 hectares of forest.

Feedstock sourced from Danish forests and surrounding landscapes is either chipped by HedeDanmark in the forest or transported to storage facilities where the chipping takes place. HedeDanmark also purchases woodchips from suppliers in Denmark, Estonia, Germany, Latvia, Lithuania and Norway.

The company has conducted Supply Base Evaluations for Denmark, Estonia and Latvia making use of the SBP-endorsed Regional Risk Assessments for those countries and putting the right management systems in place to assure compliance with SBP requirements of any woodchips from non-certified forest. All woodchips purchased from Germany, Lithuania and Norway originate from certified forest.

HedeDanmark's forest services coupled with SBP certification is now the platform on which the company can continue serving a large number of small forests – many of which have been planted by the company itself during the significant afforestation in Denmark during the last 150 years. A model that aligns with the vision of the company to become a leading, innovative company with service-minded employees in the green area.

“SBP is a credible system for guiding and assuring the sustainability of biomass from the forest. The forestry and biomass sectors make a meaningful contribution to combating climate change, the major challenge is getting that message across to civil society.”

Ernst Secher Eriksen
Produktchef, HedeDanmark

“HedeDanmark has been FSC and PEFC-certified for many years. So it was a natural progression for HedeDanmark to seek SBP certification to facilitate its move into a new market. The company's business model complements well the aims of SBP.”

Karina Kitnaes
SBP Auditor, DNV GL Business Assurance Finland Oy Ab



30 — Performance review

Another year of positive progress

Our key priorities for 2019 have been reported on in full on pages 07 and 08. In this section, we report on other key achievements of the year.

Accreditations and certifications

At the end of 2019, there were four accredited Certification Bodies (CBs) – Control Union Certifications, DNV GL Business Assurance Finland, NEPCon and SCS Global Services.

Note that following its suspension for SBP certification in 2018, DNV GL Business Assurance Finland Oy Ab (DNV GL Finland) was fully reinstated by Assurance Services International (ASI) on 8 March 2019.

The number of Certificate Holders (CHs) totalled 210 at the end of 2019. Making up that number were 167 biomass producers, 35 traders and eight end-users.

SBP's geographic spread increased by three countries during the year taking it to 25 with the addition of China, Japan and Turkey.

Also, by the end of the year, a further 40 organisations had made applications for SBP certification through CBs.

Note:
Tonnages are rounded to the nearest 0.05Mt.

As at end of 2019...

4

accredited Certification Bodies

40

additional organisations have made applications for SBP certification
(2018: 20)

25

countries making up the geographic spread of Certificate Holders (2018: 22)

-  Australia
-  Belarus
-  Belgium
-  Brazil
-  Canada
-  China
-  Denmark
-  Estonia
-  France
-  Germany
-  Italy
-  Japan
-  Latvia
-  Lithuania
-  Netherlands
-  Norway
-  Poland
-  Portugal
-  Russian Federation
-  Spain
-  Sweden
-  Switzerland
-  Turkey
-  UK
-  USA

210

Certificate Holders – 167 biomass producers;
35 biomass traders; and eight end-users
(2018: 154)

11.95Mt

11.95Mt of SBP-certified biomass
(wood pellets and chips) produced
and sold by biomass producers in 2019
(2018: 9.15Mt)

Overview

Making a
difference

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31 — Performance review (continued)

Maintaining up-to-date standards

The suite of SBP documentation was updated throughout the year to provide additional guidance and, where necessary, clarification and interpretation of certain standards, processes and procedures.

In October, following public consultation, SBP published its Document Development Procedure. The procedure replaced the SBP Standards-setting Procedure and reflects the changes in the governance arrangements of SBP and brings SBP in line with best practice requirements.

Specifying the steps to be followed when revising or developing documents, the procedure is to be used for all documents that inform the implementation and operation of the SBP certification system.

Considerable work was undertaken by SBP working groups to review, revise and where necessary produce new documents, guidance and templates.

 [See SBP working groups, page 32.](#)

The introduction and implementation of new documents to support our application for recognition and approval under the Netherlands' SDE+ biomass sustainability requirements was necessary during the course of the year.

 [See Achieving recognition by regulatory bodies, pages 22 and 23.](#)

All matters for interpretation and clarification raised by users of the SBP certification system are recorded on the website to assist with implementation of the standards. The interpretations and clarifications were maintained during 2019.

 [The full set of interpretations and clarifications are available as a download at: \[sbp-cert.org/documents/interpretative-documents/normative-interpretations/\]\(https://sbp-cert.org/documents/interpretative-documents/normative-interpretations/\)](https://sbp-cert.org/documents/interpretative-documents/normative-interpretations/)

Training and events

Throughout 2019, we continued to actively engage with all our stakeholders. From training auditors, through hosting information days, to participating in the biomass sector's key conferences we have strived to increase awareness and understanding of the SBP certification system.

Such stakeholder engagement is critical to the success of SBP. It is important that a two-way communication channel is established with all our stakeholders and we welcome the opportunity to engage with all interested parties.



Auditor training

In keeping with SBP's aim to uphold a robust certification system, we have exacting requirements when it comes to the quality of the audits undertaken by independent CBs of applicant, or existing, CHs. Demonstrating auditor competence is a critical part of the certification process.

We require that the auditors not only demonstrate existing competence, but attend training sessions and be examined on the SBP standards, specifically on the three subject areas of Supply Base Evaluation, chain of custody, and energy data.

Four training sessions were delivered in 2019, two in Europe, one in Asia and one in the USA. As a result of those and previous years' training sessions, 112 auditors worldwide have successfully completed the SBP auditor training programme.

Data Transfer System training

Throughout the year bespoke training on use of the Data Transfer System (DTS) was delivered to CBs and CHs. The DTS user guide, which is available on our website, has been kept up-to-date and offers a comprehensive guide to all aspects of the DTS.

112

As a result of our training sessions, 112 auditors worldwide have successfully completed the SBP auditor training programme

Events

We took the opportunity to participate in the sector's key annual conferences and events, including the Argus Biomass conferences in the UK and Denmark, the Biomass Trade and Power conferences in Denmark and Japan, as well as the annual conferences organised by the trade associations, Bioenergy Europe, USIPA and WPAC, and the forest certification system, SFI.

Alongside several of the conferences we held our own side events to update stakeholders on the work of SBP and facilitate debate on key topics of interest.

We hosted our third Certification Body Forum in the Netherlands in the last quarter of 2019. A day and a half was devoted to updating CBs and ASI on the latest SBP news and topics of interest, as well as hearing directly about the experiences of the CBs and ASI. We also took the opportunity to discuss perceived issues for the future.

The Certification Body Forum was followed by the Certification Forum, the second we have convened, which brought together CHs, CBs and ASI. The half-day event allowed for an exchange of views on technical issues and updates on various SBP workstreams.

32 — Performance review (continued)

Certificate Holder feedback

In March, we issued a survey to all our CHs seeking feedback to help us improve and better meet their needs. In the survey, we asked CHs about their experience of SBP and about their future requirements and expectations of SBP.

Some 20% of our CHs responded to our survey and the headline results are given below.

- **97% of respondents are satisfied with SBP's overall performance, with more than one-third being very or extremely satisfied. Responsiveness, professionalism, resource management and communications all scored very highly;**
- **Making biomass more tradeable and allowing demonstration of compliance with regulatory requirements are considered the two greatest business benefits of SBP;**
- **Helping to counter third-party criticisms, reducing the time and cost burden of multiple audits by customers and facilitating internal reporting were recognised as business benefits by less than one-half of the respondents;**
- **63% of respondents believe that the standards are complex and therefore a challenge to CHs;**
- **Less than one-half of the respondents find the standards make it difficult to manage suppliers and feedstock inputs;**

- **The Data Transfer System (DTS) scored very highly (80% and above) on satisfaction with reliability, functionality and support desk performance;**
- **Nearly three-quarters of respondents were satisfied with the ease of use of the DTS; and**
- **Over 90% of respondents were satisfied with the website in terms of ease of use, content, CH database and timeliness of content.**

We also sought CHs' views on extending SBP's scope in terms of: (i) feedstock, that is, beyond woody biomass; (ii) products, that is, beyond pellets and chips; and (iii) regulatory jurisdictions, that is, beyond Belgium, Denmark, the Netherlands and the UK. All comments received were fed into the Board's strategy review and have helped to shape the future direction and strategic positioning of SBP.

SBP working groups

The working groups play an important role in addressing specific, technical challenges. Membership of the working groups is drawn from a pool of technical experts, which may include individual expert advisers or representatives of organisations with a specific interest in the biomass sector.

The working groups operate on a 'task and finish' basis. During 2019, three working groups were active.

Carbon

Objective

To identify and resolve risks to SBP in relation to maintaining forest carbon stocks.

Outcome

Recognising that the forest carbon issue has become the greatest risk to long term support for biomass in many jurisdictions, the working group determined that the normative interpretations and guidance related to SBP criterion 2.9, which addresses regional carbon stocks, should be strengthened to provide a common understanding.

Feedstocks

Objective

To evaluate the demand for biomass produced from non-woody and non-forest feedstocks and, therefore, the need for an extension to the SBP scope and to provide solutions to meet any identified demand.

Outcome

The working group developed a process concept for evaluating non-woody and non-forest feedstocks. Inherent in the process was the aim to ensure that SBP delivered against its purpose and to manage the potential reputational risk to SBP of diversifying into other feedstock types.

Following approval of the process concept by the Standards Committee at its January 2020 meeting, the evaluation process has now moved into its test phase, during which it is planned to evaluate those feedstocks for which a demand has been identified.

Instruction Document 5

Objective

Review and revision of documents related to Standard 5, collection and communication of data.

Outcome

Following on from its considerable efforts in 2018, the working group finalised the content of Instruction Document 5E, which updated and replaced Instruction Documents 5A through to 5D, and completed the revision of the supporting templates. The Instruction Document and templates were published in November 2019.

33 — Financial information

Funding model

SBP is a not-for-profit organisation, with the intention to break even over the financial year. We are funded by our Certificate Holders (CHs), with a variable fee structure based on the tonnes of biomass produced and/or sold and CH type.

 **The fee schedule is available at:** sbp-cert.org/documents/fee-schedule/

Should any profit be generated, those monies will be re-invested into the organisation.

Income and expenditure

Total income in 2019 amounted to €1,716,655.

Total expenditure in 2019 amounted to €1,569,439 (2018: €1,448,781). The increase in overall expenditure principally reflects the costs associated with the day-to-day management of a growing organisation, including accountancy, payroll and secretarial services.

The pie chart (below) shows each key category of spend as a proportion of total spend in the year.

The figures have been extracted from the Company's statutory financial statements, which are subject to an annual audit. The audited financial statements of the Company for the year ended 31 December 2019 will be approved and published separately in due course.

Secretariat

Just under half of the expenditure is invested in the people who carry out the day-to-day running of SBP (see page 36). The increase in 2019 is accounted for by the increase in staff numbers on the payroll.

Consultants and services

SBP engages consultants to carry out specific project work and multiple service providers for functions including accountancy, payroll, secretarial services, accreditation and assurance, and legal advice.

Travel, subsistence and meetings

Includes those costs that arise from the day-to-day running of SBP, running working groups, attending industry events and engaging with stakeholders.

Governance

For 2019, costs include those arising from running the multi-stakeholder governance system, which includes all costs associated with the Board of Directors, Standards Committee, Technical Committee and Stakeholder Advisory Group, for example, meeting costs. Note that travel costs associated with the governance system have been mostly allocated to Travel, subsistence and meetings. For 2018, governance costs were those arising from running the Advisory Board.

IT software

The necessary costs associated with licences for the use of multiple software products, including running and developing the DTS.

Expenditure breakdown 2019



	2019	% of total expenditure	2018
1 Secretariat	€707,917	45.1%	€600,506
2 Consultants and services	€424,389	27.0%	€481,610
3 Travel, subsistence and meetings	€141,180	9.0%	€111,026
4 Governance	€131,437	8.4%	€133,447
5 IT software	€122,010	7.8%	€84,796
6 Depreciation	€42,506	2.7%	€37,398
Total expenditure	€1,569,439	100%	€1,448,783

34 — Governance

Our balanced approach

SBP recognises the value and benefit of good governance. Our governance arrangements bring together stakeholder groups representing civil society interests, biomass producer interests and those of biomass end-users.

Board of Directors

The Board of Directors is the key governing body of SBP, determining our strategy and objectives, and approving the annual business plan and budget.

The Board comprises an independent Chair and nine seats filled with an equal split between the interests of civil society, biomass producers and those of biomass end-users.

Each Board member serves in a personal capacity representing their particular stakeholder interest group, and not their affiliated organisation. Each member has been chosen for his or her knowledge, integrity, expertise and support for SBP's purpose.

During 2019, the Board of Directors met four times.

Membership

As at the end of December 2019, membership of the Board of Directors was as follows:

Francis Sullivan, Independent Chair

Representing civil society interests:

Arnold (Arnie) Bercov

Martin Porter

Katherine (Kathy) Willis

Representing biomass producer interests:

Vaughan Bassett

Arnold Dale

John Keppler

Representing biomass end-user interests:

Will Gardiner

Thomas Lyse

Peter-Paul Schouwenberg

 **Biographies of the Board of Directors are available at: sbp-cert.org/about-us/how-we-operate/governance-and-people/sbp-board/**



35 — Governance (continued)

Standards Committee

The Standards Committee is responsible for all decision-making concerning certification system standard-setting and the provision of views, advice and recommendations on the operation of SBP to the Board, other SBP Committees and the SBP Secretariat.

The Standards Committee is a representation of SBP stakeholders, with the membership split equally between those representing civil society and those representing commercial interests.

The members of the Standards Committee have been chosen to reflect diverse experiences, geographies and interests in relation to the work of SBP.

During 2019, the Standards Committee met three times.

“With an equal voice for civil society at the decision-making level, SBP is well placed for the demanding task of revising its standards. The Standards Committee looks forward to its role in that process.”

Martin Junginger

Co-Chair, Standards Committee

“The introduction of multi-stakeholder governance is a significant step forward for SBP. For the Standards Committee, 2019 was an important year in which we established the Committee’s role in preparation for our first major standards update.”

Mike Williams

Co-Chair, Standards Committee

Membership

As at the end of December 2019, membership of the Standards Committee was as follows:

Representing civil society interests:

Martin Junginger, Co-Chair

Gary Q Bull

Richard Z Donovan

Pedro Faria

Nina Haase

Dave Tenny

Representing commercial interests:

Mike Williams, Co-Chair

Sune Balle Hansen

Mihkel Jugaste

Gordon Murray

Gabriele Rahn

Yves Ryckmans

Biographies of the Standards Committee are available at: sbp-cert.org/about-us/how-we-operate/governance-and-people/sbp-standards-committee/

**Technical Committee**

The role of the Technical Committee is, amongst other things, to provide advice to the Board on SBP’s technical and scientific functions, including but not limited to SBP’s certification and accreditation criteria and methodologies.

The Technical Committee is a representation of specialist expertise across the disciplines encompassed by the SBP standards, including forest management, feedstock processing, biomass distribution, as well as knowledge of auditing, certification and/or accreditation processes and procedures.

The members of the Technical Committee have been chosen to reflect the necessary specialist knowledge and to ensure balance across regional geographies.

During 2019, the Technical Committee met twice as well as conducting much of its work remotely.

Membership

As at the end of December 2019, membership of the Technical Committee was as follows:

Rob Shaw, Chair

Kim Cesafsky

Anders Hildeman

Brenda Hopkin

Peter Kofod Kristensen

Martin Walter

Biographies of the Technical Committee are available at: sbp-cert.org/about-us/how-we-operate/governance-and-people/technical-committee/

“Early on in 2019, we established our own modus operandi and developed a good understanding of the role we need to play in supporting the work of SBP. Looking ahead, revising the standards will be a challenging project, but one that we are fully committed to.”

Rob Shaw

Chair, Technical Committee

36 — Governance (continued)

Stakeholder Advisory Group

The role of the Stakeholder Advisory Group (SADG) is to provide a platform for stakeholder input and advice to support the work of the SBP Standards Committee in the development, implementation and maintenance of SBP standards and related documents. As well as other relevant activities towards furthering SBP's development as a biomass certification system and making SBP an efficient and effective organisation.

The number of members of the SADG is unlimited, although only one representative from each organisation/institution is permitted to join the Group.

During 2019, the SADG met three times.

Membership

As at the end of December 2019, there were 39 Stakeholder Advisory Group members registered, with around one-third representing civil society. The Chair and Vice-Chair were as follows:

Sarah Crow, Chair

Ellen Kincaid, Vice-Chair

 **Biographies of the Chair and Vice-Chair of the Stakeholder Advisory Group are available at: sbp-cert.org/about-us/how-we-operate/governance-and-people/stakeholder-advisory-group/**

“During 2019, we found our feet as an advisory body and have established good working arrangements with the Standards Committee. As we move forward, we are keen to expand and deepen stakeholder engagement to help support SBP's values and purpose.”

Sarah Crow Chair
Stakeholder Advisory Group

“The SADG provides a useful forum in which to air issues and concerns with a range of interested parties and seek solutions through a truly multi-stakeholder approach.”

Ellen Kincaid
Vice-Chair, Stakeholder Advisory Group



Secretariat

The day-to-day running of SBP is carried out by the Secretariat. In fulfilling the Secretariat function, as at the end of December 2019, SBP employed 5.4 full-time equivalent employees and procured the services of GE Public Relations Ltd and independent consultants.

SBP is a virtual organisation registered in England and Wales.

People

As at the end of December 2019, the employees and service providers were as follows:

Carsten Huljus,
Chief Executive Officer

Rafal Andruszkiewicz,
Technical Manager

Simon Armstrong,
Chief Technical Officer

Lauri Kärmas, Data Manager and Analyst

David McCallum, Company Secretary

Agita Nagle, Office Manager

Melanie Wedgbury (GE Public Relations),
Communications and Information

 **Biographies of the Secretariat are available at: sbp-cert.org/about-us/how-we-operate/governance-and-people/secretariat/**



Working groups

Membership of the working groups is drawn from a pool of technical experts, which may include individual expert advisers or representatives of organisations with a specific interest in the biomass sector.

During 2019, working groups met on an as-needed basis consistent with the demands of their objectives. Reports were made directly to the Standards Committee and the Stakeholder Advisory Group with key decisions being presented to the Board of Directors. See page 32 for more on the Working Groups' objectives and outputs during 2019.

37 — Glossary

American Forest Foundation

The American Forest Foundation works on the ground with families, partners and elected officials to promote forest stewardship and protect the nation's forest heritage.

Assurance Services International (ASI)

An independent third-party accreditation body. ASI manages the SBP assurance program.

Bioenergy Europe

The European Biomass Association.

Biomass

Typically, wood pellets and woodchips.

Biomass producer

A producer of wood pellets and/or woodchips.

Certificate Holder (CH)

An SBP-certified organisation in the biomass supply chain, such as a biomass producer, trader or end-user.

Certification Body (CB)

An independent body recognised for its competence to audit and issue certificates confirming that an organisation conforms to the requirements of a standard or standards.

Chain of custody

A mechanism for tracking certified material throughout the supply chain.

Data Transfer System (DTS)

A tool facilitating the collection, collation and transmission of data throughout the supply chain.

Document Development Procedure (DDP)

The DDP specifies the steps to be followed for the development and revision of SBP documentation related to the application of the SBP requirements.

EU Renewable Energy Directive II (RED II)

A directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast).

Feedstock

Woody material used to produce biomass.

Forest Stewardship Council (FSC)

A global forest certification system.

Greenhouse gas (GHG) data

Data related to the calculation of energy and carbon savings.

IEA

International Energy Agency.

Intergovernmental Panel on Climate Change (IPCC)

The IPCC is the United Nations body for assessing the science related to climate change.

International Organisation for Standardisation (ISO)

A non-governmental international organisation responsible for developing standards covering almost every industry.

ISEAL Alliance

The global membership association for credible sustainability standards.

ISEAL Codes of Good Practice

ISEAL Codes of Good Practice provide a globally recognised framework used by leading sustainability standards. The three Codes of Good Practice focus on the core elements of a sustainability standard: standard-setting, assurance and impacts.

ISEAL Credibility Principles

The ISEAL Credibility Principles represent the core values on which effective sustainability standards are built.

Legality

The term legality is defined by SBP Standard 1, Feedstock Compliance Standard, version 1.0.

Non-governmental organisation (NGO)

An organisation that is independent from states and international government organisations.

Primary feedstock

Roundwood and forest residues direct from the forest.

Programme for the Endorsement of Forest Certification (PEFC)

A global forest certification system.

Regional Risk Assessment (RRA)

An evaluation of an entire geographical region to determine the risks associated with sourcing feedstock for biomass production.

SDE+ subsidy regime

SDE+ (in Dutch: Stimulerend Duurzame Energieproductie) is an operating grant, which aims to encourage the production of renewable energy in the Netherlands.

Secondary feedstock

Residues from sawmills and other primary processing.

Standards development process

The standards development process sets out the approach proposed in the development of SBP Standards 1 to 6.

Supply Base Evaluation (SBE)

The process of evaluating non-certified feedstock.

Supply chain actors

All organisations operating within the biomass supply chain, including feedstock suppliers, biomass producers, biomass traders and biomass end-users.

Sustainable Biomass Program (SBP)

A certification system designed for woody biomass used in industrial, large-scale energy production.

SBP certification system

The standards, processes and procedures that together define the certification system.

SBP claim

There are two SBP claims – SBP-compliant biomass and SBP-controlled biomass.

SBP-compliant biomass

Any biomass that comes with a claim that the feedstock used to produce it originates from certified forest (that is, FSC or PEFC-certified feedstock, including feedstock with a certification claim from PEFC-endorsed systems, such as SFI), or feedstock sourced from areas that are deemed to be 'low risk' following a Supply Base Evaluation.

SBP-controlled biomass

Any biomass that is produced from feedstock with an FSC or PEFC-controlled claim, or feedstock sourced within the scope of the SBP-approved controlled feedstock system.

Sustainability

The term sustainability is defined by SBP Standard 1, Feedstock Compliance Standard, version 1.0.

Sustainable Forestry Initiative (SFI)

A forest certification system used widely across North America.

Tertiary feedstock

Residues from secondary processing (pre-consumer) and recycled (post-consumer) feedstock.

UNFCCC Paris Agreement

The 2016 Paris Agreement is an agreement within the United Nations Framework Convention on Climate Change (UNFCCC) dealing with greenhouse gas emissions mitigation, adaptation and finance.

UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, has at its heart 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing – in a global partnership.

USIPA

US Industrial Pellet Association.

WPAC

Wood Pellet Association of Canada.

38 — Contact SBP

If you have any information needs do not hesitate to get in touch...

For all technical enquiries,
please contact:

technical@sbp-cert.org

For all media and general
information enquiries, please contact:

info@sbp-cert.org

Keep up-to-date and find
more information online:

www.sbp-cert.org

