

Warmeston's Supply Base Evaluation for Estonia 2021

**SBE Public Consultation for Warmeston's
Järvere, Purila and Sauga pellet factory
from 30th Nov to 31st Dec 2021**

1 Introduction

SBP's Standards Development Process currently underway is reviewing each of the Standards. As part of the Process, it is anticipated that the revised Standards will be published by the end of 2021. Standard 1 is the foundation of the SBP Regional Risk Assessments (RRAs) and any revisions to that Standard will trigger the need to update all existing SBP-endorsed RRAs.

For that reason, SBP decided to conduct a minor update (partial regular revision), focusing only on the key criteria where it was possible that risk designations may have changed or new information has become available, and then to extend the RRA's validity to coincide with the end of the transition period for the revised SBP Standards (v2.0).

SBP requested Preferred by Nature (formerly NEPCon), the Working Body responsible for developing the initial and current RRA for Estonia, to conduct a desk-based review and minor update of the RRA. The update to the RRA for Estonia focuses on several indicators where new data has become available.

The updated RRA "SBP-endorsed Regional Risk Assessment for Estonia – Minor update and extension of validity" was published on 22nd October 2021 and has a transition period of 12 months. Since Warmeston has its SBP audits in January and is already sourcing feedstock in compliance with the FSC CNRA requirements, the company decided to update its SBE procedure and to undertake the SBE publication process from 30th November 2021 to 31st December 2021.

The current Supply Base Reports of Järvere, Purila and Sauga plant are available at: <http://warmeston.ee> will be updated after the SBE publication period.

2 Requirement for a Supply Base Evaluation

To reduce the risk of sourcing from high conservative value forests and meet the demand for SBP-compliant biomass Warmeston OÜ will undertake a supply base evaluation for primary and secondary feedstock that is originating from Estonia according to the SBP Framework Standard 1: Feedstock Compliance Standard and Standard 2: Verification of SBP-compliant Feedstock.

The risk assessment of the SBE is based on the “SBP-endorsed Regional Risk Assessment for Estonia – Minor update and extension of validity” as published in October 2021. The risk assessment for Estonia has been approved by SBP’s secretariat on 22nd October 2021 and is publicly available on at: <https://sbp-cert.org/documents/standards-documents/risk-assessments/estonia/> (30.11.2021).

The scope of the SBE was chosen based on the availability of the SBP-endorsed Regional Risk assessments whereas the possibility to mitigate the identified “specified risk” with reasonable efforts was considered.

3 Supply Base Evaluation

3.1 Scope

Feedstock types included in SBE: Primary, Secondary

SBP-endorsed Regional Risk Assessments used: Estonia

List of countries and regions included in the SBE: Estonia

Indicator with specified risk in the risk assessment used:

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

The following specified risk factors under Indicator 2.1.2 have been identified:

- Potential Woodland Key Habitats (WKHs);
- Natura forest habitat types that are in Natura 2000 protection areas limited management zones;
- Natural Sacred grounds; and
- Cross trees.

Since the current SBP Standard 2 accepts FSC and PEFC forest management claims as SBP compliant and since all State Forest is FSC or PEFC-certified then the specified risks above are valid only for non-certified private forests (i.e., a Supply Base Evaluation is not required for the feedstock sourced with the SBP-approved Forest Management Scheme claim).

3.2 Justification

Warmeston OÜ will rely on SBP-endorsed Regional Risk Assessment for Estonia - Minor update and extension of validity (2021) that meets the requirements of SBP Framework Standard 1: Feedstock Compliance Standard and Standard 2: Verification of SBP-compliant Feedstock and has been approved by the SBP secretariat on 22nd October 2021.

Warmeston OÜ agrees with all the findings, conclusions and mitigation measures set out in the report and will not undertake an independent risk assessment.

3.3 Results of risk assessment and Supplier

Verification Programme

The risk evaluation and mitigation will be based on SBP-endorsed Regional Risk Assessment for Estonia - Minor update and extension of validity (2021), where the only indicator evaluated as specified risk was:

2.1.2: The BP has control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities".

Management activities in the high conservation value forests is regulated by the Nature Conservation Act, Forest Act and related acts and regulations.

The Environmental Inspectorate and the Environmental Board are responsible for controlling the fulfilment of these laws. The Environmental Inspectorate determines sanctions where violations are identified.

The Woodland Key Habitats (WKHs) are forest habitats with a high probability of the current occurrence of endangered, vulnerable or rare species. The WKH mapping tool is used to address high conservation value forest habitats in managed forests.

According to Estonian legislation, the protection of WKHs is optional for private forest owners. They can choose to sign a contract with the State to protect WKHs. In such cases, the State pays compensation to the owner for the protection of the WKH. If the private forest owner does not want to protect the WKH they are allowed to cut it. In State forests and private forests, FSC and PEFC require the protection of registered WKHs.

In accordance with the above the level of risk for this indicator is specified for uncertified private forest and low for both State forests and for FSC or PEFC certified private forest.

In cases where the sourced feedstock derives from private forests, it is important to know exactly where the feedstock was harvested (forest management unit (FMU), sub-compartment). Public databases can be used to determine if the material comes from a WKH. Please see Annex 1 for a description of the detailed mitigation actions.

In 2017, the legal act “Vääriselupaiga klassifikaator, valiku juhend, kaitse korraldamine ning vääriselupaiga kaitseks lepingu sõlmimine ja kasutusõiguse tasu arvutamise täpsustatud alused” (“Woodland Key Habitat classification methodology, selection, protection and protection contract signing and compensation calculation detailed instruction”) was changed such that before new WKHs are added to the State registry there must be approval from the landowner who has a conflict of interest. As such potential WKHs in private forests are not always recorded on the public State registry.

In order to protect **Natura 2000 habitat types in Natura protection areas**, the State has created Special Management Zones and Strict Reserve Zones so that it is possible to protect the majority and most valuable HCVs including Natura 2000 forest habitat types. In these zones commercial forest management is not allowed. As the state has decided that it is not feasible to protect all Natura 2000 forest habitat types with such strict zones some of these habitats are covered with the limited management zones where commercial felling with restrictions is allowed. Today the Board of Environment is not conducting Natura habitat impact assessments each time before issuing felling permits and the felling permits may be issued even if the habitat type will be destroyed or damaged.

Based on the information from FSC Estonia and relevant stakeholders there are approximately 700 mapped **Natural Sacred Grounds and Cross Tree Sites** (sites with one or more culturally significant Cross Trees in Estonian “ristipuud”) that are fully or partly on forest land. Additionally, they estimate that there is a number of unmapped natural sacred grounds.

According to Estonian legislation, harvesting is allowed in unprotected natural sacred grounds and Cross Trees are not legally protected from logging. When these areas and objects are protected by the Heritage Conservation Act, restrictions set by Heritage Board need to be followed. In the opinion of interested stakeholders, the Heritage Board restrictions do not protect these sites in the way they would like to see it.

Based on latest information from the Heritage Board Natural sacred Grounds inventories have been done approximately on half of Estonia and the results of this inventories are not publicly available. Digitalising

inventory results is still in progress. So, today, the Environmental Board does not have a full overview of inventoried sites and felling that is taking place on Natural Sacred Grounds will not be subject to any additional restrictions by the Heritage Board.

As a risk mitigation measure in the FSC Controlled Wood system a map was created by stakeholders of the relevant areas and objects. It is important to note that a mapping and classification methodology has not been formally agreed between State agencies and stakeholders and, therefore, differences in interpretation remain.

Based on the information above there are five specified risk objects under this Indicator:

- Officially registered WKHs
- Potential WKHs
- Natura forest habitat types that are in Natura protection areas limited management zones
- Natural Sacred grounds
- Cross trees

NOTE: Since the current SBP Standard 2 accepts FSC and PEFC forest management claims as SBP-compliant and since all State Forest is FSC or PEFC-certified then the specified risks above are valid only for non-certified private forests (that is, a Supply Base Evaluation is not required for the feedstock sourced with the SBP-approved Forest Management scheme claim).

All other indicators were assigned as “low risk”. For more detail please refer to the SBP-endorsed Regional Risk Assessment for Estonia - Minor update and extension of validity (2021).

According to article 14.1 of the SBP Framework Standard 2: Verification of SBP-compliant Feedstock a Supplier Verification Programme will not be undertaken, as none of the indicators in the final risk assessment were assessed as “unspecified risk”. The need for a Supplier verification programme will be re-evaluated during the review of the risk assessment.

3.4 Conclusion

Based on the information available during the regional risk assessment process, the level of risk for each of the criteria was chosen. For Estonia all except one criteria were assigned low risk. The only “specified risk” was associated with the indicator 2.1.2: The BP has control systems and procedures to verify that potential threats of forest management activities to the HCVs are identified and safeguards are implemented to protect them. The indicator was assigned as “specified risk” due to the protection status of officially registered WKHs, potential WKHs, Natura forest habitat types that are in Natura protection areas limited management zones, Natural Sacred grounds and Cross trees.

Based on the findings of the SBE it can be concluded: as long as the risks associated with the indicator 2.1.2 are mitigated, feedstock from Estonia is low risk and is meeting the requirements for SBP-compliant feedstock. For detailed mitigation measures please refer to Section 66.

4 Supply Base Evaluation process

The SBP-endorsed Regional Risk Assessment is based on a number of different sources of information, including applicable legislation, reports from state authorities and other stakeholders, various databases and statistical data sources. This information was requested from state authorities such as the Environmental Inspectorate, the Estonian Tax and Customs Board, the Work Inspectorate, the Police etc. During the preparation of the RA, developers made a detailed baseline study for each of the SBP principles and criteria.

During the first consultation period (26.03.2015 – 26.04.2015) SBP received comments and additional information from several stakeholders and from state institutions. Based on this information some of the specified risk designations were changed to low risk. The second stakeholder consultation period was from 05.05.2015 to 20.05.2015. During this consultation, some additional comments were raised. A detailed description of the situation for each criteria is presented in Annex 1 along with the chosen level of risk, which was based on the information provided. The initial regional risk assessment was approved by SBP on 22nd April 2016.

Since the publication of the initial RRA for Estonia the FSC CNRA has been published and several additional risk factors were identified within Indicator 2.1.2 compared to the SBP RRA. The main objective was to study the FSC CNRA and evaluate if there was a need to adjust SBP RRA accordingly. This was done through the desk-based comparison of the two documents, evaluating new information about these topics and adjusting the SBP RRA for Estonia.

Also, stakeholders have shared some comments in the media about the sustainability of forest management in Estonia, in particular in relation to regional carbon stocks. Since this topic is covered in SBP Standard 1 under Criterion 2.9, it was important to review the RRA for Indicators 2.9.1 and 2.9.2 and verify if the risk designations were still accurate.

5 Stakeholder consultation

The first stakeholder consultation round of the RRA was completed from 26.03.2015-26.04.2015 and the second round from 05.05.2015-20.05.2015. The information about the risk assessment process development, along with the draft risk assessment, was sent out to all key stakeholders. The list of stakeholders can be seen in Annex 4 of the RRA. Three stakeholders, the Estonian Fund for Nature (ELF), Graanul Invest AS and the Estonian Forest and Wood Industries Association (EMPL) provided their feedback.

During the first consultation period (26.03.2015 – 26.04.2015) SBP received comments and additional information from several stakeholders and from state institutions. Based on this information some of the specified risk designations were changed to low risk. The second stakeholder consultation period was from 05.05.2015 to 20.05.2015. During this consultation, some additional comments were raised. A detailed description of the situation for each criteria is presented in Annex 1 of the RRA along with the chosen level of risk, which was based on the information provided. SBP secretariat conducted an additional round of stakeholder consultations from 17.09.2015 to 16.10.2015.

In accordance with the RRA Procedure, during a minor revision the Working Body does not need to conduct a stakeholder consultation. The WB did not conduct a public stakeholder consultation, but has contacted several stakeholders directly to obtain the latest available data and statistics. A public stakeholder SBP Regional Risk Assessment for Estonia ± minor update 2021 consultation was organised by SBP. Stakeholder comments and SBP's response may be found on the SBP website in a separate document 'Estonia RRA Minor Update: Response to Consultation'

The stakeholder consultation process for Warmeston OÜ's SBE procedure were undertaken:

- from 4th May 2016 to 3rd June 2016,
- from 1st September 2020 to 2nd October 2020 and
- from 30th November 2021 to 31st December 2021.

Wareston OÜ contacted stakeholders by e-mails which were sent to all local municipalities, state institutions and authorities responsible forest management activities, State Forest Management Centre, Foundation Private Forest Centre, Estonian Private Forest Association, FSC Estonia, PEFC Estonia and the Estonian Forest and Wood Industries Association and to Loodusaeg's mailing list covering app 1000 followers including various nature conservation and protection organisations. During the first and second round of consultation, no comments from the stake holders were received. During the third round of consultation ...

In addition Nepcon, acting as the SBP approved certification body of Warmeston, undertook an additional consultation process prior to the SBE audit, re-evaluation audit and prior the implementation of the Regional Risk Assessment for Estonia - Minor update and extension of validity (2021) by Warmeston OÜ.

Based on the findings of the regional risk assessment Warmeston OÜ established procedures to mitigate the risks for primary and secondary feedstock that has been harvested in Estonia. For more detail please refer to Section 66.

6 Mitigation measures

6.1 Mitigation measures

Country:	Estonia
Specified risk indicator:	2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.
Specific risk description:	<p>The following specified risk factors under Indicator 2.1.2 have been identified:</p> <ul style="list-style-type: none">• Officially registered Woodland Key Habitats• Potential Woodland Key Habitats;• Natura forest habitat types that are in Natura 2000 protection areas limited management zones;• Natural Sacred grounds and• Cross trees. <p>Further referred to as <i>Indicator 2.1.2 Risk Factors</i>.</p>
Feedstock types:	Primary and secondary
Mitigation measure:	The responsible person for the implementation of the SBE is the Quality and Environmental manager of Warmeston OÜ who is also the overall responsible person for the company's FSC, PEFC and SBP certification systems.
<u>Primary feedstock</u>	<p>Warmeston OÜ will verify all deliveries of primary feedstock which have been harvested in Estonia and are purchased without an FSC claim, whether they have been sourced from areas that are known to include any <i>Indicator 2.1.2 Risk Factors</i>.</p> <p>Warmeston OÜ will use a list of approved suppliers, delivery documents and publicly available databases (e.g. https://register.metsad.ee, https://kratt.envir.ee and other databases from competent authorities or NGO's) to verify that the delivered primary feedstock has not been sourced from areas known to include any <i>Indicator 2.1.2 Risk Factors</i>.</p> <p>Warmeston OÜ will carry out the following control procedure within the SBE prior to or during the reception and registration of primary feedstock:</p> <ol style="list-style-type: none">1. Has the supplier signed a code of conduct?<ol style="list-style-type: none">1.1 If yes, go to 2.1.2 If no, the products cannot be sourced.2. Can the products be traced back to the logging site in forest?<ol style="list-style-type: none">2.1 If yes, go to 3.2.2 If no, the products cannot be sourced.3. Is there a felling permit issued?

	<p>3.1 If yes go to 5 3.2 If no go to 4.</p> <p>4. Fellings without felling permit. <i>4.1 If there are no Indicator 2.1.2 Risk Factors on the FMU according to available information: the products can be sourced.</i> <i>4.2 If there is a WKHs on FMU the products cannot be sourced within the SBE procedure.</i></p> <p>5. Does the logging site defined in the felling permit, provided with the supplied material, match with the WKH location in the national data bases? <i>5.1 If yes: the products cannot be sourced within the SBE procedure.</i> <i>5.2 If no: the products can be sourced within the SBE procedure.</i></p> <p>Feedstock that originates from Estonia and is sold with an FSC Controlled Wood Claim is accounted by Warmeston OÜ as meeting the requirements of SBE according to the results of Warmeston OÜ's risk assessment "SBE for Estonian feedstock with an FSC Controlled Wood claim". All these suppliers are subject to Supplier audits.</p>
<i>Secondary feedstock</i>	<p>Warmeston OÜ will verify all deliveries of secondary feedstock which have been harvested in Estonia and are purchased without an FSC claim whether they have been sourced from areas that are known to include any <i>Indicator 2.1.2 Risk Factors</i>. To mitigate the risks Warmeston OÜ will:</p> <ul style="list-style-type: none"> • train its suppliers and develop procedures necessary to apply the risk mitigation measures described under <i>Primary feedstock</i> in points 2-5 and • verify during supplier audits the developed procedures have been implemented and the mitigation measures described under Primary feedstock in points 2-5 are effective. <p>The trainings and supplier audits are the responsibility of Warmeston OÜ's Quality and Environmental manager who is also responsible for collecting and analyzing suppliers' monitoring results of the <i>Indicator 2.1.2 Risk Factors</i> mitigation measures.</p> <p>Warmeston OÜ will accept the delivered secondary feedstock without an FSC claim only as "low risk" if:</p> <ul style="list-style-type: none"> • the supplier has been trained; • the supplier has been audited (supplier audit) and no substantial issues in the <i>Indicator 2.1.2 Risk Factors</i> control procedures have been raised; • the delivered feedstock can be traced back to an Estonian forest where no <i>Indicator 2.1.2 Risk Factors</i> are present at the felling site. <p>Feedstock that originates from Estonia and is sold with an FSC Controlled Wood Claim is accounted by Warmeston OÜ as meeting the requirements of SBE according to the results of Warmeston OÜ's risk assessment "SBE</p>

	for Estonian feedstock with an FSC Controlled Wood claim". All these suppliers are subject to Supplier audits.
<u>Supplier audits</u>	<p>The supplier audits will cover the following aspects:</p> <ul style="list-style-type: none"> • the scope of the suppliers FSC and/or PEFC certification • demonstration of the control procedure carried out by the supplier's responsible person(s); • documentation of deliveries and suppliers; • random selection of a sample of primary feedstock deliveries and the verification of the risk mitigation procedures (if needed); • demonstration of the supplier's <i>Indicator 2.1.2 Risk Factors</i> register and corrective actions taken (if needed); • feedstock storage conditions; <p>All audit findings and results will be documented.</p> <p>Warmeston OÜ has 2 supplier groups in the SBE system to determine the frequency of the SBE supplier audits:</p> <ol style="list-style-type: none"> 1. Suppliers without an FSC CoC certificate and/or suppliers who sell their feedstock without an FSC claim are audited annually. 2. Suppliers with a FSC CoC certificate and selling the material at least with a FSC Controlled Wood claim are audited once during the certification period or when the results of Warmeston's risk assessment „SBE of Estonian feedstock with an FSC Controlled Wood claim“ change. <p>Warmeston OÜ has considered sample based audits for SBE group 2 sufficient for the following reasons:</p> <ul style="list-style-type: none"> • The FSC's Centralised National Risk Assessment for Estonia has determined sourcing material from areas where <i>Indicator 2.1.2 Risk Factors</i> are found as a specified risk (indicators 3.3 and 3.6 under HCV 3 in FSC's CNRA (https://fsc.org/en/document-centre/documents/resource/309)). • Companies that sell material which has been harvested in Estonia with a valid FSC claim must mitigate the risk associated with <i>Indicator 2.1.2 Risk Factors</i>. • FSC certified companies are in addition to the supplier audits audited annually by an independent FSC Certification Body.
<u>Other Countries of Origin</u>	<p>If a supplier is sourcing its feedstock from different countries a mass balance approach for determining the proportion of Estonian feedstock will only be accepted if</p> <ul style="list-style-type: none"> • the supplier holds a valid SBP-approved chain of custody certificate and • all feedstock sold to Warmeston OÜ carries a claim from an SBP-approved Controlled Feedstock System.

	<ul style="list-style-type: none"> The supplier must demonstrate during the supplier audit, that on a country level the origin of feedstock is monitored and registered on a regular bases. <p>If this information is not available the material will not be accepted as SBP-compliant feedstock.</p>
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6.2 Monitoring and outcomes

Warmeston OÜ will keep a register of all cases were material originating from *Indicator 2.1.2 Risk Factors* has been offered and will report the statics in the annual Supply Base Reports of the factories. The effectiveness of risk mitigation measures will be assessed. If the risk mitigation measures are found not effective, they will be revised.