SBP
Sustainable Biomass Program

A COMMITMENT TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Sustainable Biomass Program Annual Report 2016

WELCOME TO SBP

ABOUT SBP

The Sustainable Biomass Program (SBP) is a unique certification system designed for woody biomass, in the form of wood pellets and woodchips, used in industrial, large-scale energy production. SBP provides assurance that woody biomass is both legally and sustainably sourced.

OUR VISION

SBP's vision is an economically, environmentally and socially sustainable woody biomass supply chain that contributes to a low carbon economy.

OUR HISTORY

Within the last decade, sustainability criteria for woody biomass used in energy (heat and power) production have been considered and, in some European countries, introduced. Notably, Belgium, Denmark, the Netherlands and the UK have been at the forefront of developing regulatory requirements for large-scale energy producers. Consequently, there was a need for the regulated energy producers (the end-users of biomass) to demonstrate compliance with the regulatory requirements.

Many end-users were already working together as the Initiative of Wood Pellet Buyers (IWPB) to develop a standard biomass trading agreement with a focus on wood pellet specifications, trading terms and sustainability criteria. It was decided to continue that work and develop a certification system designed for woody biomass used in large-scale energy production.

As a result, SBP was created in 2013 as a not-for-profit organisation, owned and fully funded by its members. All members (see below) have an interest in the use of woody biomass for large-scale energy production.

Initially named the Sustainable Biomass Partnership, SBP's full name was changed to Sustainable Biomass Program in December 2016 to better reflect the nature of its business.

The SBP certification system provides a practical approach to support the work of European policy makers and regulators. Importantly, SBP certification relies on independent, third-party audits for certification decisions.

The system facilitates and promotes the trade of legal and sustainable woody biomass across international markets, and enables the calculation of the full energy and carbon footprint of biomass from its origin to its end use.

Members:

DONG energy, drax, e·on, ENGIE, HOFOR, RWE, VATTENFALL

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Keep up-to-date and find more information on the SBP website at: *www.sbp-cert.org*

INTRODUCTION BY THE CHAIRMAN

> “I look forward to continuing the roll-out of SBP in the market and seeking continuous improvement and development of the system.”

Thomas Dalsgaard
Chairman

Welcome to SBP’s first annual report covering the financial year 1 January 2016 to 31 December 2016. After serving as a Board member since the inception of SBP in 2013, I was delighted to take on the role of Chairman of the Board of Directors in October 2016.

I am firmly of the belief that woody biomass has an important role to play in the future energy mix of the European Union and beyond. Back in 2013, it became clear that the new and growing bioenergy sector required robust and credible sustainability standards to ensure the legal and sustainable sourcing of woody biomass used in energy production.

At the end of November 2016, the European Commission published proposals for introducing pan-European sustainability criteria for biomass. That is a welcome step and we are keen to ensure that SBP is recognised as a suitable certification system for the purpose of demonstrating compliance with the proposed criteria.

All stakeholders need assurance that those involved in the wider biomass supply chain are acting responsibly, and SBP has a pivotal role to play in that regard when it comes to woody biomass.

Sustainable sourcing solutions

Existing and well-proven forest certification systems, such as, the Forest Stewardship Council (FSC™), the Programme for Endorsement of Forest Certification (PEFC) schemes, and those schemes endorsed by PEFC, such as the Sustainable Forestry Initiative (SFI), are recognised by SBP, and it is certainly not the intention to replicate them.

There is, however, limited uptake of certification in some key biomass feedstock source areas, and the systems themselves do not yet cover all the key regulatory requirements placed on users of woody biomass for energy production.

SBP was created to provide a solution. It is an effective mechanism that enables producers and users of biomass to demonstrate compliance with regulatory, including sustainability, requirements. Importantly, the system also enables the calculation of energy and carbon savings achieved by burning biomass in place of fossil fuel sources through the collection and carriage of data throughout the supply chain.

In providing a complete solution, SBP supports a sector that is becoming increasingly commercialised. Through attracting all supply chain actors, from producers through traders to end-users, SBP facilitates trade across international markets, thereby improving market efficiency and liquidity.

Much has been achieved in a relatively short period. SBP is now a recognised certification system for woody biomass, with a growing number of Certificate Holders.

INTRODUCTION BY THE CHAIRMAN

Corporate governance

We are mindful that our stakeholders extend beyond the supply chain, and our intention is to involve all stakeholders as fully as possible.

Today, SBP is governed by a Board made up of representatives from each of its seven member companies and SBP's Chief Executive Officer. However, it is the intention that once SBP is fully established attention will be directed towards transforming the governance structure.

Following the recommendation of the independent Advisory Board, it is the Board's vision that, in time, the ownership and governance of SBP will change to become a balanced, multi-stakeholder owned organisation with its Board comprising corresponding and appropriate stakeholder representation.

I should like to thank all Board members, past and present, for their time and commitment to SBP. In particular, my thanks go to Dorothy Thompson, who was Chairman of SBP from 2013 until October 2016, for all the hard work she put into SBP from its origination to where it is today.

> "It is the Board's vision that, in time, the ownership and governance of SBP will change to become a balanced, multi-stakeholder owned organisation."

A new, full-time Chief Executive Officer

In May 2016, Carsten Huljus joined SBP as its new, full time Chief Executive Officer, marking the transition of SBP into a fully operational entity.

My thanks go to Peter Wilson, who as Executive Director paved the way for that transition by steering SBP through its early days of standard-setting and initial implementation.

Independent oversight

We are fortunate to benefit from independent oversight of our actions. The independent Advisory Board, chaired by Julia Marton-Lefèvre, provides the SBP Board with advice on strategic direction and the credibility of the certification system, as well as technical and public policy issues.

The SBP assurance program is also subject to independent scrutiny. The independent Technical Committee makes recommendations on technical decisions, including initial certification decisions, and Certification Body suspensions and terminations. Prior to the appointment of Accreditation Services International (ASI) as an accreditation body for the SBP certification system, the Technical Committee also scrutinised the evidence for approving Certification Bodies.

With the appointment of ASI in 2016 came yet another level of independent oversight, first in the provision of accreditation services for Certification Bodies wishing to offer SBP certification services – replacing the SBP approval procedure – and, second, through conducting technical reviews of the certification decisions made by the Certification Bodies, which are themselves independent of the SBP system.

> "The independent Advisory Board provides the SBP Board with advice on strategic direction and the credibility of the certification system, as well as technical and public policy issues."

Independent oversight is critical to upholding rigour and quality, and I value the objective scrutiny of SBP, and its system and processes.

Looking ahead

I look forward to continuing the roll-out of SBP in the market and, in close dialogue with our stakeholders, including the Advisory Board, biomass producers, regulators and NGOs, seeking continuous improvement and development of the system.

When it comes to meeting regulatory requirements for legal and sustainable sourcing of biomass feedstock I am committed to ensuring that SBP is well equipped to do the job.

Thomas Dalsgaard
Chairman

30 March 2017

COMMENT BY THE CHAIRMAN OF THE ADVISORY BOARD

> I am a strong believer in the benefits of a collaborative approach involving key stakeholder groups."

Julia Marton-Lefèvre
Chairman of the Advisory Board

On taking up the appointment of Chairman of the independent Advisory Board to SBP in March 2015 my first task was to identify Advisory Board members possessing relevant expert knowledge and extensive networks. Within a few months that task was completed and we held our first meeting in September of that year. Our work as a group had begun, with the aim of providing the best advice possible to SBP to guide its strategic direction, the credibility of the certification system, as well as provide guidance on technical and public policy issues.

Advisory Board meetings in 2016

During 2016 we met twice. At both our meetings several members of the SBP Board and the Secretariat were present during parts of the meetings.

In April, we met in Savannah, Georgia, USA, hosted by Georgia Biomass. The first meeting of the year delivered a lively, engaging and critical discussion on the importance of a clear strategy for the continued development of SBP.

> We noted the need for clear communications and reporting from SBP to demonstrate its impact and to ensure a high level of transparency."

Keen to give our views, the Advisory Board commented on how the certification system should develop over time in terms of its scope, the need for a clear identity and organisational structure to ensure the integrity of the system in the longer term, and the importance of improved transparency through clear messaging and stakeholder engagement.

At our second meeting of the year, held in Copenhagen, Denmark, in September, hosted by DONG Energy and Hofor, discussions were both positive and rigorous, demonstrating a serious commitment to critically engage in the continued development of woody biomass as one of the solutions in the transition to societies fuelled by renewable energy sources. We presented a number of recommendations relating to the governance and strategic direction of SBP.

By then it was becoming clear that the certification system was gaining significant interest in the market place and we noted the need for clear communications and reporting from SBP to demonstrate its impact and to ensure a high level of transparency in the governance arrangements and future prospects.

During the meeting a number of Danish environmental NGOs were invited to give their views on use of woody biomass for energy. We also explored opportunities for further collaboration with representatives of the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC).

In-depth discussions about the carbon and biodiversity impacts of woody biomass used for energy provided useful insights for our discussions on the future developments of SBP and management of forests and landscapes in a European and American context.

A collaborative approach

During the early part of 2017, we plan to continue our discussion on the strategic direction and governance arrangements for SBP, including consideration of a way forward for broader engagement with stakeholders in the development of SBP and conversations with European Union officials.

I am a strong believer in the benefits of a collaborative approach involving key stakeholder groups. In applying such an approach to SBP I have no doubt that together we will achieve the vision of an economically, environmentally and socially responsible solid biomass supply chain that contributes to low carbon economies and sustainable societies.

It is right that we strive towards that goal, quite simply we must as there is no 'Plan B', or as I like to think of it, there is no 'Planet B'. We must learn to do the right thing with the resources that we have and sustainability must underpin every decision we take.

Julia Marton-Lefèvre
Chairman of the Advisory Board

30 March 2017

Find out more about our organisational structure and governance on pages 17–20.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

> SBP is transitioning from a body created to develop a suite of standards to a fully operational certification system."

Carsten Huljus
Chief Executive Officer

A REVIEW OF THE YEAR

A fully operational certification system

At the beginning of May 2016, I was very pleased to join SBP as its first, full-time Chief Executive Officer (CEO) and lead the development of SBP. We are transitioning from a body that was created in 2013 to develop a suite of standards and processes to demonstrate legal and sustainable sourcing of feedstock for woody biomass used in energy production to a fully operational certification system in the bioenergy sector.

During the first few months of taking up the position of CEO my priorities were divided between getting to know those in the market, from Certification Bodies, through supply chain actors to interested parties and, consistent with the transition from standards-setting body to operational certification system, reviewing the organisational structure of SBP and shaping its future.

With regards to getting to know our stakeholders, I want to understand all our stakeholders' views and how they relate to SBP. Stakeholder consultation is critical to ensuring the success of any certification system, and SBP is no exception. I am making every effort to improve the visibility of SBP at key conferences and through other methods of engagement.

The key output from reviewing the organisational structure of SBP was a complete revision of the working group arrangements.

74 At the end of 2016 and we had six approved Certification Bodies and 74 Certificate Holders.

As a result, the SBP Stakeholder Committee was formed, which amongst other things oversees the work of the newly created working groups, which are focused on specific, technical challenges in implementing the SBP standards.

More on the working group structure can be found in the Governance section on page 19.

As for shaping the future of SBP, below I map out the near-term strategy for SBP, which ensures that we are on track to achieve our vision and objectives.

Key focus for 2016

Our focus for 2016 was on the implementation of the certification system, in particular, processing the many applications for certification from biomass producers and traders. As you would expect, implementing a new certification system presented some challenges. We are extremely grateful to our many stakeholders for their understanding, and the support they have given.

At the end of 2015 we had approved two Certification Bodies and there were three SBP Certificate Holders. Fast forward to the end of 2016 and we had six approved Certification Bodies and 74 Certificate Holders.

We are pleased with that achievement and more importantly with the level of interest shown in the certification system by biomass supply chain actors. The pipeline of applications for SBP certification remains very healthy and we are working hard, alongside our approved Certification Bodies, to improve the time taken from initial audit to certification.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

An extra level of independent scrutiny

A key development for SBP during the year was the agreement reached with Accreditation Services International (ASI) for the management of the SBP accreditation program. ASI is a specialist accreditation body in the field of voluntary social and environmental standards. The use of an accreditation body brings us into line with other, well-recognised certification systems and adds an extra level of independent scrutiny to the certification decision-making process.

Under the agreement, our approved Certification Bodies have until the end of 2017 to transition over to the ASI accreditation program for SBP certification, which means ultimately they will have to become accredited by ASI if they wish to continue to provide SBP certification services to their clients and prospective clients.

Data transfer throughout the supply chain

The SBP Data Transfer System (DTS) version 0.5, which facilitates the collection, collation and transmission of data throughout the biomass supply chain, went live on 1 October 2016. I am pleased to report that the implementation of version 0.5 was very smooth. We have received useful and constructive feedback from users, which is helpful for informing the development of DTS version 1.0 ahead of its implementation later in 2017.

Also in October 2016, version 1.1 of Instruction Document 5 was published. The suite of documents supports the DTS and covers the collection and communication of data, the definition of the data required for the calculation of energy and carbon savings, and biomass profiling data, for example, data on feedstock inputs.

Pan-European sustainability criteria for biomass

At the end of November 2016, the European Commission published its Clean Energy package. Of interest to SBP is the proposal to introduce new, pan-European sustainability criteria for biomass. Specifically, a regional, risk-based approach to assessing compliance with sustainability criteria is proposed, which is compatible with voluntary certification systems such as SBP.

SBP will continue to advocate its suitability as a credible tool for demonstrating compliance with sustainability criteria for biomass, whilst reviewing the scope of its existing standards and determining their fitness for purpose.

LOOKING AHEAD

Defining a strategy for SBP

In shaping the future for SBP, a strategy has been defined for advancing the current scope of the certification system.

The scope of the certification system is best described through a number of sub-scopes, namely, feedstock, certified products, countries in which SBP certification may be applied, countries in which regulatory compliance may be demonstrated, categories of Certificate Holder, end-users, use of trade marks, and the relationship between SBP and other certification systems.

Advancing the current scope of the certification system

Feedstock	Certified products	Application of SBP certification	Countries for regulatory compliance[2]
Today: Wood	*Today:* Wood pellets and woodchips	*Today*[1]*:* Europe, Russia and North America	*Today:* European Union, notably Belgium, Denmark, the Netherlands and the UK
Near-term: Wood	*Near-term:* Woody biomass, with focus on wood pellets and woodchips	*Near-term:* Worldwide	*Near-term:* Europe

Categories of Certificate Holder	End-users	Trade marks[3]	Relationship with other schemes
Today: Biomass producers, traders and end-users	*Today:* Large-scale heat and power producers	*Today:* Off-product	*Today:* Maintaining contact
Near-term: Biomass producers, traders and end-users	*Near-term:* Not limited	*Near-term:* Off- and on-product	*Near-term:* Engagement with FSC, PEFC & SFI and co-operation with EN*plus*

Notes:
1 Countries in which SBP certificates have been issued.
2 Countries in which regulatory compliance may be demonstrated through the SBP certification system. (Note: SBP certification may provide a solution elsewhere.)
3 Trade marks and claims.

FSC: Forest Stewardship Council; PEFC: Programme for the Endorsement of Forest Certification; SFI: Sustainable Forestry Initiative; EN*plus*: A certification system for wood pellet quality.

STATEMENT BY THE CHIEF EXECUTIVE OFFICER

Today, wood is the feedstock, and pellets and woodchips the certified products. SBP-certified companies are mainly based in Europe, Russia and North America, and the geographic focus for regulatory compliance is within the European Union, in particular those countries with existing requirements or those that are in the advanced stages of agreeing and implementing requirements, notably, Belgium, Denmark, the Netherlands and the UK.

SBP Certificate Holders are either biomass producers, traders, or the end-users of SBP-certified biomass, such as large-scale utilities producing heat and power. The system currently only allows off-product claims, for example, on documents and websites, it does not allow the physical application of the SBP logo or claims on certified biomass.

In relation to other certification systems, SBP maintains contact with the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC), the Sustainable Forestry Initiative (SFI) and EN*plus*.

In the near-term, the current scope will be advanced such that feedstock is defined as wood (as it is today) and the certified products as woody biomass, with a focus on pellets and woodchips. SBP is already designed to be applicable to organisations worldwide and we expect to see an increasing spread of certificates geographically. The geographic focus for regulatory compliance will be European countries, but SBP certification may provide a solution elsewhere.

SBP Certificate Holders will remain limited to biomass producers, traders and end-users, but the end-users of SBP-certified biomass may extend beyond large-scale utilities producing heat and power to include residential and chemical uses.

Trade marks and the SBP brand may be more widely used, for example, through application both off-product (on documents, website) and on-product (physically on the products or on its packaging).

The SBP certification system recognises and is dependent on existing certification systems, such as FSC, PEFC and SFI. Therefore, SBP plans to engage with these systems. Co-operation with EN*plus* will be pursued with the objective of strengthening the offering for the residential market in terms of sustainability criteria.

> “All stakeholders need the assurance that the bioenergy sector is acting responsibly and to that end my aim is to ensure that the SBP certification system is both robust and credible.”

Key priorities for 2017

Multi-stakeholder organisation

In October, the Board communicated its intent to transform SBP into a multi-stakeholder owned and governed organisation. When the founding members set up SBP in 2013 it was established as a not-for-profit company, owned and fully funded by its members, all of which have an interest in the use of woody biomass for large-scale energy production.

Adopting that model removed any initial concerns about funding and assisted greatly with getting SBP to market in a timely manner and establishing a fully operational certification system, which in time would become predominantly self-funding.

Once sufficient certainty and visibility has been gained on the two priorities of establishing the system and getting it to a position from where it could become self-funding, the transformation of the governance structure of SBP will begin.

In the meantime, a key priority for 2017 is to develop a shared understanding of exactly what multi-stakeholder governance will mean in practice. During the course of that piece of work it is intended to consult widely, through engaging with stakeholders and collaborating closely with the Advisory Board.

The introduction of a fee schedule

In keeping with the desire to move SBP from a member-funded body to a predominantly self-funded body, fees for wood pellet producers, woodchip producers, and biomass traders will be introduced on 1 October 2017.

Data Transfer System

A more sophisticated Data Transfer System (DTS) version 1.0 will be implemented during 2017.

The DTS is a unique and important tool, which is necessary to support the integrity of the SBP certification system. It does that through facilitating the collection, collation and transmission of the data required by those end-users producing energy from woody biomass. Importantly, the DTS allows SBP claims (for example, SBP-compliant and SBP-controlled) to be transmitted along the supply chain.

The DTS will also support the introduction of the fee schedule, which will be based on actual certified sales volumes.

A robust and credible system

All stakeholders need the assurance that the bioenergy sector is acting responsibly and to that end my aim is to ensure that the SBP certification system is both robust and credible.

We will work hard with all our stakeholders during 2017 to ensure that our certification system is relevant and fit-for-purpose for meeting the emerging sustainability criteria for those countries within our geographic focus.

Carsten Huljus
Chief Executive Officer

30 March 2017

FOCUSING ON SUSTAINABLE SOURCING SOLUTIONS

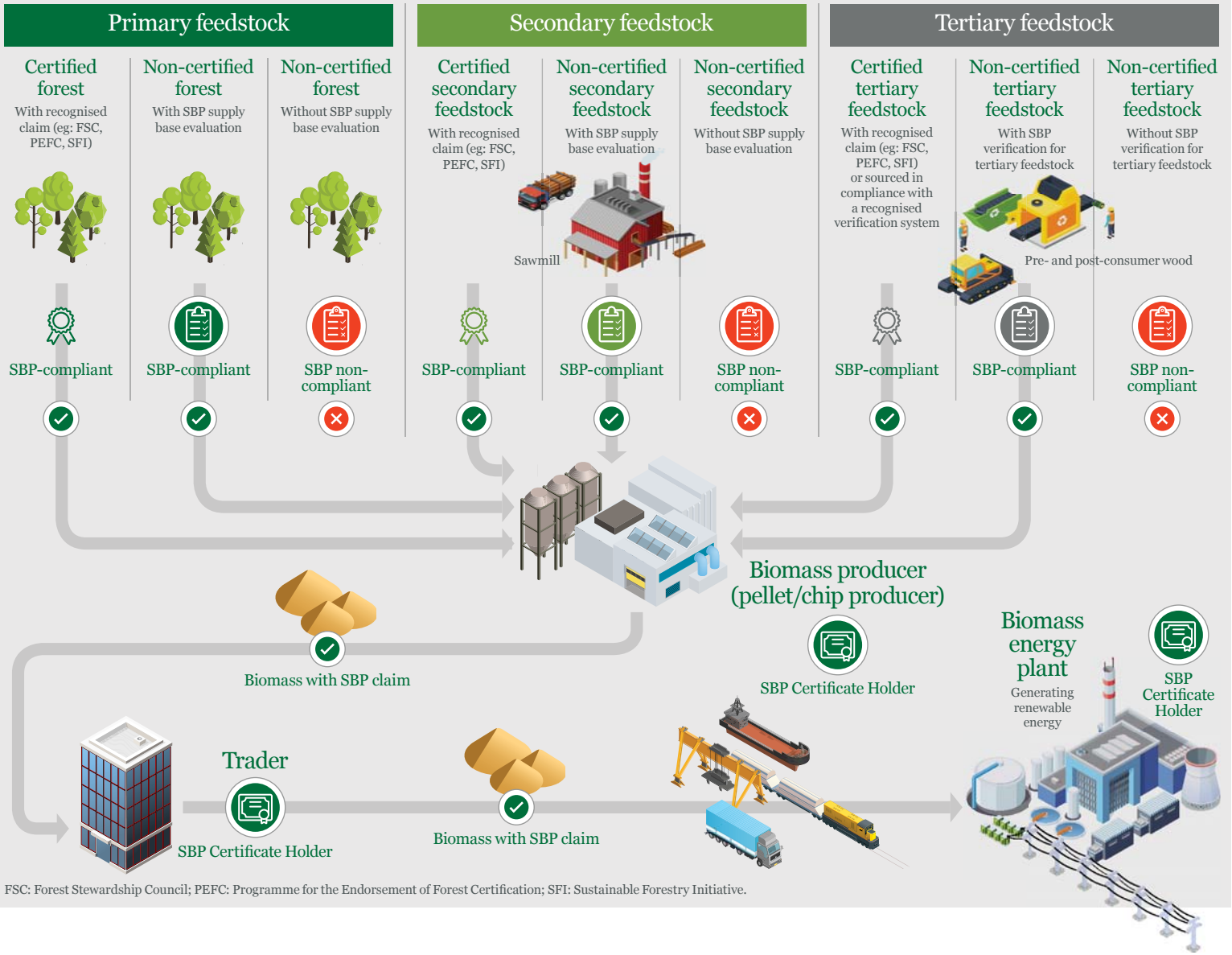
THE NEED FOR SBP

The acceptance of sustainable woody biomass by many European countries as an emerging fuel source for large-scale energy production as part of a package of measures to reduce carbon emissions has been welcomed by some and criticised by others. Energy producers, environmental advocates, policy makers and other stakeholders are engaged in an ongoing dialogue about the pros and cons of biomass as a fuel source to replace fossil fuels.

In the meantime, the reality is that biomass is being used to substitute fossil fuels to meet today's energy demands, and therefore a mechanism for demonstrating compliance with the regulatory, including sustainability, requirements already implemented by some European countries is needed.

Certification systems offer such a market-based mechanism and are not uncommon; in fact, they have gained in popularity over recent years, particularly in relation to demonstrating the sustainable sourcing and production of a range of commodities. The SBP certification system exists as a tool for demonstrating compliance with regulatory, including legality and sustainability, requirements for woody biomass used in industrial, large-scale energy production.

THE WORLD IN WHICH WE OPERATE



FSC: Forest Stewardship Council; PEFC: Programme for the Endorsement of Forest Certification; SFI: Sustainable Forestry Initiative.

FOCUSING ON SUSTAINABLE SOURCING SOLUTIONS

THE FUNDAMENTALS

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.

38 There are a total of 38 indicators, of which eight relate to legal sourcing and 30 to sustainable sourcing.

All the indicators are given in SBP Standard 1: Feedstock Compliance Standard, and each has specific guidelines and reporting requirements. Therefore, SBP Standard 1 sets SBP's definition of legality and sustainability. The definition maps on to similar systems, such as the Forest Stewardship Council (FSC), the Programme for Endorsement of Forest Certification (PEFC), and those schemes 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 UK.

There are five other SBP standards covering 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, and 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.

Built on existing forest certification systems

SBP is built on existing and well-proven forest certification systems, such as FSC, PEFC and SFI, but it does not intend to compete with or replicate them. There is, however, limited uptake of forest certification in some key feedstock source areas, for example, in the southeast USA. Moreover, the aforementioned systems, which were designed for retail wood products, do not cover all the regulatory requirements imposed on the use of woody biomass for energy production, in particular, the collection, carriage and calculation of energy and carbon data throughout the biomass supply chain.

A unique certification system

SBP is unique in that it offers a certification system for woody biomass, in the form of wood pellets and woodchips, used in industrial, large-scale energy production.

The first point of certification

Unlike FSC, PEFC and SFI, the first point of certification in the SBP certification system is the biomass producer (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.

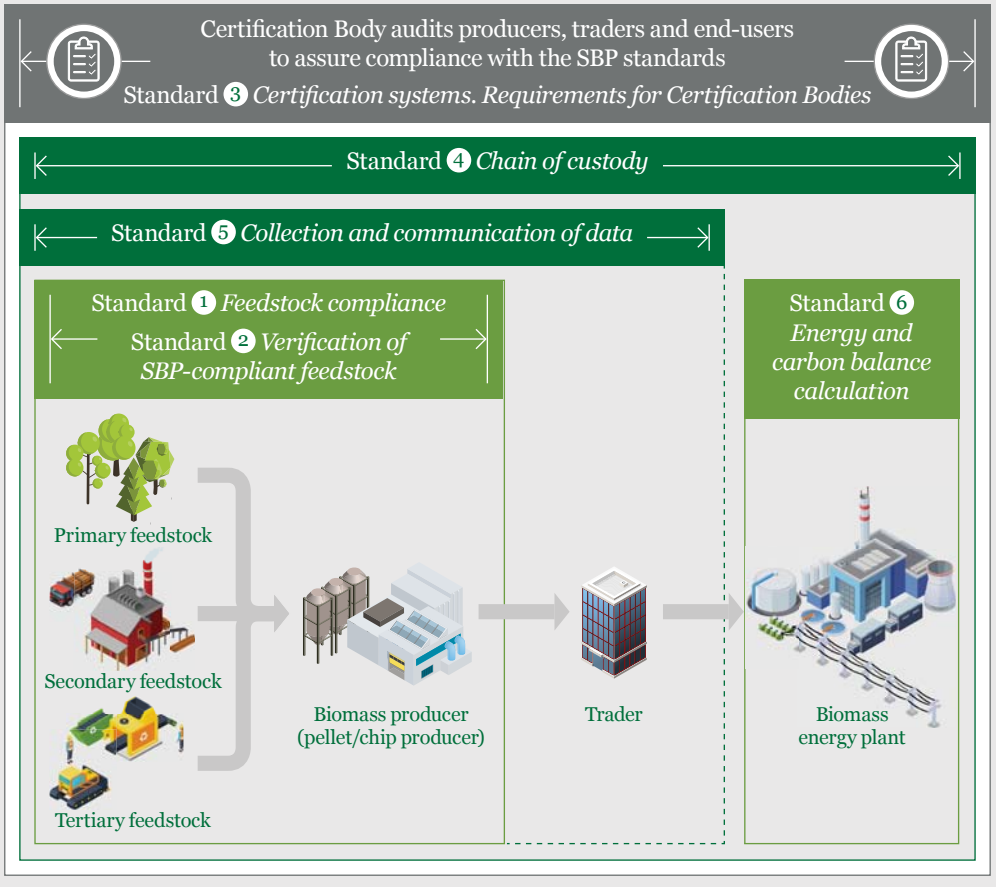
Independent assessment

In line with FSC, PEFC and SFI, that assessment must be carried out by an independent, third-party Certification Body. To avoid any potential conflicts of interest between the Certification Body and its client seeking certification, all SBP Certification Bodies must be conformant with the ISO conformity assessment requirements for bodies certifying products, processes and services (ISO 17065).

In addition, SBP goes further and requires all Certification Bodies to implement the requirements stipulated by either FSC, PEFC or SFI for undertaking audits.

The SBP certification system

The SBP certification system delivers assurance of feedstock sustainability, supply chain traceability, and accurate greenhouse gas data and calculation of energy and carbon savings. This illustration maps the standards on to the biomass supply chain, with Certification Bodies providing assurance of conformance with the standards.



FOCUSING ON SUSTAINABLE SOURCING SOLUTIONS

Entitlement to make an SBP claim

A biomass producer (wood pellet/chip producer) that satisfactorily demonstrates compliance receives a certificate and is entitled to make an SBP claim, provided the SBP-certified management system is implemented and the SBP sustainability definition is met.

Evaluating feedstock

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

The process of evaluating the 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 (which contains the SBP sustainability definition).

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

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 can be considered to be 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 Certification Body is to check that the evaluation of the feedstock has been undertaken and that the biomass producer may make claims for the biomass produced in compliance with the SBP standard.

Transfer of data along the supply chain

Certain information is necessary if the end-users, that is, those organisations using biomass to produce energy, wish to make claims relating to the legality and sustainability credentials of the biomass they use. SBP requires each legal owner of the biomass throughout the supply chain, from origin of the feedstock through trade, transport and processing, to supply that information. In order to meet the growing need for various greenhouse gas and profiling data demanded by the regulatory requirements of certain European countries, SBP defines the requirements and options for collecting data which must accompany SBP-certified biomass.

An extra level of independent scrutiny

To get the SBP certification system to market in a timely fashion, SBP initially undertook the role of approving Certification Bodies.

The approval process, which was based on the accreditation process of the independent accreditation body, Accreditation Services International (ASI), was necessarily rigorous, and SBP called on accreditation experts to implement it.

Amongst other things, the process included SBP assessors (the accreditation experts) witnessing a Certification Body auditing a biomass producer, mandatory approval of the Certification Body's audit team through training and examination, and a review of the whole assessment process by an independent Technical Committee.

In 2016, a positive step in the development of the SBP certification system was made when SBP entered into an agreement with ASI. From August 2016, ASI has been managing the SBP accreditation program, under which Certification Bodies will need to become accredited to offer SBP certification services.

Accreditation sends a clear message that the Certification Body can be counted on to act with integrity when certifying a biomass producer, trader or end-user. Third-party accreditation is recognised around the world as the highest and most credible acknowledgement a Certification Body can attain.

In addition, from December 2016, ASI took on the role of reviewing the certification decisions of the independent Certification Bodies. The independent Technical Committee still has a part to play in the review process through reviewing the reports in support of certification after ASI's review. The Technical Committee thereby provides further assurance of the competence of the Certification Bodies.

> SBP exists because of the recognition by national governments and the European Union that biomass will make a significant contribution to meeting the energy needs of Europe in years to come."

SBP welcomes stakeholder engagement

SBP is not a trade association representing its members' interests, its certification decision-making processes are independent of the SBP governance structure, and it has no role to play in arguing on matters of public policy. SBP exists because of the recognition by national governments and the European Union that biomass will make a significant contribution to meeting the energy needs of Europe in years to come.

Such recognition demands that the biomass feedstock is sourced responsibly, that is, legally and sustainably. In the absence of any other suitable system to do the job, SBP has filled the void.

SBP willingly engages with all stakeholders, and encourages interested parties to make contact and get involved in the work of SBP, in the interests of improving the understanding and acceptability of its certification system and improving its standards and processes.

FOCUSING ON SUSTAINABLE SOURCING SOLUTIONS

IMPROVING TRANSPARENCY, DEMONSTRATING INTEGRITY

The SBP certification system was set up to meet a clear need in an emerging market. However, the purpose of SBP is not only to serve the needs of supply chain actors, from biomass producers (wood pellet/chip producers), through traders to end-users, but equally important is to serve wider society, which means gaining the acceptance of a wider range of stakeholders, including NGOs and policy makers.

At the time of SBP's inception some European countries were already well advanced in their thinking and implementation of sustainability criteria for biomass used in energy production. As a result, SBP had to act fast to develop and implement a system that could be used by the regulated entities to demonstrate compliance with regulatory requirements for woody biomass.

Stakeholder consultation is already a key requirement of the certification process, but SBP recognises that more can and should be done. SBP is working hard to improve and increase the degree of interaction with all our stakeholders, from involvement at the working level right up to the level of governance.

There are many differing views and perspectives held by our stakeholders, and SBP needs to communicate clearly when it comes to our intentions and actions. Transparency is critical to the success of SBP and here we attempt to explain the reasoning behind our system by addressing some of the challenges that we have faced.

Only by improving transparency can we demonstrate integrity.

1

The challenge:

Perception that the SBP Board sets the standards

SBP's perspective:

The standards are drawn from the most stringent legality and sustainability regulatory requirements of European countries, in particular, Belgium, Denmark, the Netherlands and the UK.

The Board approves the standards as meeting their needs for demonstrating regulatory compliance.

2

The challenge:

Perception that SBP is an initiative by energy companies and is designed to protect their interests

SBP's perspective:

SBP was founded by energy companies to provide a solution or tool to allow companies to demonstrate the legality and sustainability of the biomass that they use.

Importantly, the system's certification decision-making procedures are entirely independent of the energy companies.

3

The challenge:

Perception that certification systems already exist that could do the job of SBP

SBP's perspective:

Existing forest certification systems do not cover all of the requirements faced by users of woody biomass for energy production, in particular, the combination of forest sustainability requirements, verification processes and the collection and carriage of energy and carbon data throughout the biomass supply chain.

4

The challenge:

Perception that SBP is not a credible system for verifying claims made by companies

SBP's perspective:

SBP has adopted the same certification processes as other well-known certification systems, such as FSC, PEFC and SFI, based on the stringent requirements of ISO 17065. An extra level of independent scrutiny has now been introduced through SBP's appointment of Accreditation Services International (ASI) to manage the SBP program for accrediting independent Certification Bodies and to review the certification decisions of the independent Certification Bodies.

5

The challenge:

Perception that the SBP Board approves certification decisions

SBP's perspective:

The SBP Board has no role in, or influence over, the certification approvals. Certificates are issued by independent Certification Bodies. ASI reviews the certification decisions of the independent Certification Bodies.

Further, all certification decisions must be reviewed by an independent Technical Committee to ensure rigour and quality of the certification process.

FOCUSING ON SUSTAINABLE SOURCING SOLUTIONS

6

The challenge:

Perception that once issued with a certificate, a biomass producer (wood pellet/chip producer) can claim that all the biomass it produces is sustainable

SBP's perspective:

A biomass producer (wood pellet/chip producer) that satisfactorily demonstrates compliance receives a certificate and is entitled to make an SBP claim, provided the SBP-certified management system is implemented and the SBP sustainability definition is met.

7

The challenge:

Perception that Certification Bodies are paid to issue certificates

SBP's perspective:

Certification Bodies are not paid to issue certificates, but rather to conduct certification assessments, whether the applicant passes or fails. Payments in respect of such verification services are common practice in voluntary certification systems.

Any potential conflict of interest is dealt with through application of ISO 17065, which sets requirements for Certification Bodies and essentially governs their behaviour to address that risk to impartiality. SBP requires all Certification Bodies to be conformant with ISO 17065 and, in addition, to implement the requirements stipulated by FSC, PEFC or SFI for undertaking audits.

8

The challenge:

Perception that SBP certificates provide no credible guarantee that the biomass is sustainable

SBP's perspective:

SBP Standard 1 sets the definition of sustainability and that definition is publicly available and transparent. The definition maps on to similar systems, such as FSC, PEFC and SFI, and is based on the biomass sustainability criteria of European countries, in particular, Belgium, Denmark, the Netherlands and the UK.

9

The challenge:

Perception that voluntary certification systems are not credible

SBP's perspective:

The concept of certification processes and voluntary sustainability certification is well established and forms the basis for many of the purchases we make, from fire doors to seat belts, and from food and flowers to furniture and green building products.

Further, such systems are widely accepted by governments as acceptable solutions.

10

The challenge:

Perception that the SBP certification system allows companies to greenwash their activities

SBP's perspective:

The SBP certification system is robust and credible. All of the SBP standards are publicly available and transparent. SBP Standard 1 sets SBP's definition of sustainability. The other standards set how sustainability is to be determined by the biomass producer, how chain of custody is to be maintained, how greenhouse gas data are to be calculated and how an independent Certification Body will verify the operation of the production facility.

In addition, all biomass producers and Certification Bodies are required by the SBP standards to conduct a stakeholder consultation process and reports are publicly available on the SBP website for scrutiny and comment.

PERFORMANCE REVIEW

SBP's beginnings

SBP was created in 2013. During 2014 and the early part of 2015, SBP, its member companies and stakeholders worked together and through consultation to develop version 1.0 of the suite of SBP standards that are in operation today.

At the end of March 2015, version 1.0 of the SBP standards was launched. The focus then turned to gaining recognition and implementation.

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 other words, SBP-certified material meets the sustainability criteria of the Agreement.

In December 2015, the UK energy regulator, Ofgem, published a summary of the results of its benchmarking exercise of voluntary certification systems against the UK's Renewables Obligation land criteria for woody biomass. Following evaluation, the SBP certification system was found to be fully compliant with the legislation.

Throughout 2016, SBP was in close and constructive dialogue with the relevant regulatory authorities in Belgium and the Netherlands, promoting the suitability of the SBP certification system as a means of verifying legal and sustainable sourcing of woody biomass. In Belgium, SBP is already being used to meet some of the requirements.

Training the auditors

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 Certification Bodies of applicant, or existing, Certificate Holders. Demonstrating auditor competence is a critical part of the SBP certification process.

SBP requires that the Certification Bodies' 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 and carbon data.

In addition to demonstrating existing competence, auditors must pass all three examinations in order to conduct SBP audits on behalf of a Certification Body.

Following on from the training sessions delivered in 2015, a further five were delivered in 2016 making some 14 in total. By the end of 2016, around 100 auditors had received training and some 50 have met all the requirements and may conduct SBP audits.

> "SBP is already recognised as a tool for documenting compliance with sustainability criteria in Denmark and the UK. Constructive dialogue is ongoing within Belgium and the Netherlands as their requirements evolve."

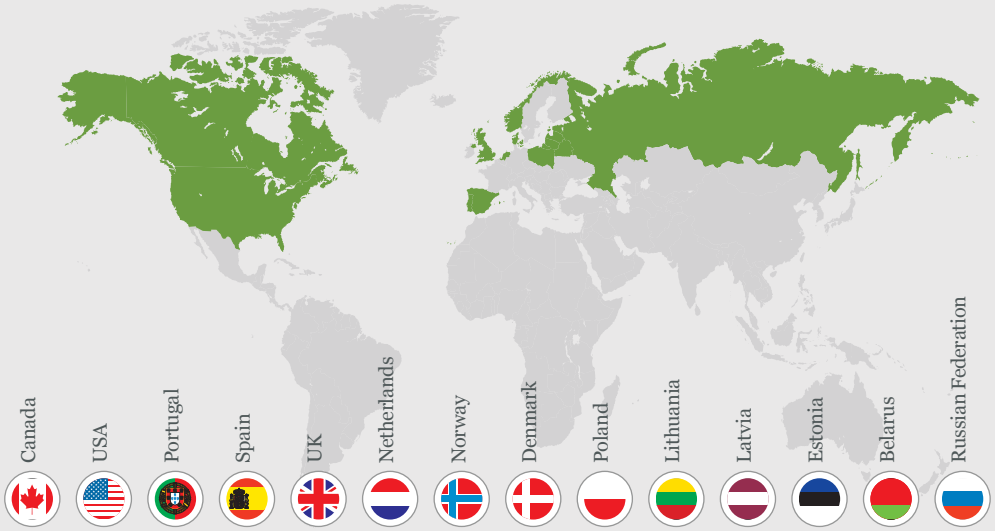
Approvals and certifications

September 2015 saw the approval of the first two Certification Bodies, as well as the first certification of a biomass producer in the USA. In October 2015, the first European biomass producer was certified.

One year on from the launch of the standards, 15 SBP certificates had been issued and a further 70 applications for certification had been received.

At the end of 2016, there were six approved Certification Bodies and 74 Certificate Holders. Between them the Certificate Holders, both biomass producers and traders, covered 14 countries.

Encouragingly, at the end of 2016 the pipeline of applications for SBP certification remained very healthy, with around a further 60 organisations having made applications through SBP-approved Certification Bodies.



6 approved Certification Bodies

74 Certificate Holders

14 countries where SBP has Certificate Holders

60 additional organisations have made applications through SBP-approved Certification Bodies

PERFORMANCE REVIEW

Informing interested parties

In addition to the auditor training sessions, SBP has also been actively increasing awareness and understanding of the SBP certification system. Typically, SBP has participated in the biomass sector's key conferences and delivered side events aimed at all interested parties in an attempt to engage with those stakeholders and establish a dialogue.

In June 2016, SBP co-sponsored a two-day scoping dialogue on sustainable woody biomass for energy. The event was delivered by The Forests Dialogue, with the aim of bringing together a diverse set of stakeholders to explore issues relating to the use of woody biomass for energy.

Such interaction 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 any interested party.

Data Transfer System

The SBP Data Transfer System (DTS) is an important tool, which is necessary to support the integrity of the SBP certification system. Through facilitating the collection, collation and transmission of the data required by end-users, the DTS provides a unique tool allowing the calculation of the full carbon footprint of biomass as an energy source.

Through use of the DTS, SBP claims (SBP-compliant and SBP-controlled) attached to biomass material may be transmitted along the supply chain allowing the verification of transactions and providing an auditable trail from biomass feedstock origin to end use. Consequently providing evidence of legal and sustainable sourcing of biomass used in energy production.

The DTS became mandatory on 1 October 2016, with the roll-out of version 0.5. A more sophisticated system, version 1.0, is planned for implementation in 2017.

The DTS will also support the introduction of the fee schedule for Certificate Holders, planned for 1 October 2017, based on actual certified sales volumes.

Maintaining up-to-date standards

The SBP standards and processes were designed in the full knowledge that they would need to be flexible enough to cope with the introduction of new, or changes to existing, regulatory requirements.

Standard 5

During 2016, a considerable amount of work was undertaken on, what ultimately became, a suite of documents to accompany Standard 5: Collection and Communication of Data, bringing the documentation into line with developing regulatory requirements and the SBP DTS.

Drawing on technical expertise amongst SBP's member companies and the wider group of interested parties a series of documents was developed and opened up to two rounds of public consultation.

In October 2016, SBP published version 1.1 of Instruction Documents 5A, 5B and 5C. The suite of documents covers the collection and communication of data, the definition of the data required for the calculation of energy and carbon savings, and biomass profiling data, for example, data on feedstock inputs.

In essence, the documents define the requirements and options for collecting data that may accompany SBP-certified materials throughout the supply chain.

Standard 5 and the DTS enable the carriage and calculation of energy and carbon data along the supply chain adding to the uniqueness of the SBP certification system.

Supply Base Report

Also during 2016, the Supply Base Report template was updated to version 1.2. The template is used by biomass producers when completing their Supply Base Report, which is ultimately published on biomass producers' and SBP's websites.

SBP responded to biomass producers' concerns over the requirement to report what was considered to be commercially sensitive information, specifically feedstock volume data. A suitable alternative was agreed whereby biomass producers now declare biomass volume data according to defined ranges rather than absolute amounts.

Interpretations

Users of the SBP certification system are invited to raise matters requiring interpretation or clarification to assist with implementing the standards.

The matters raised are presented as questions along with their answers, and published on the SBP website at: *www.sbp-cert.org/sbp-framework/interpretation-qa*

There is also a download of all the interpretation Q&As available on the same webpage.

Increasing transparency

In the interests of transparency, SBP published two Work Instruction Documents in early June 2016 to assist in clarifying the processes and the people that are involved in approval and certification decision-making.

The documents provide a step-by-step description of the Certification Body Approval Procedure and the Certificate Holder Approval Procedure.

PERFORMANCE REVIEW

Following the agreement with Accreditation Services International (ASI) for the management of the SBP accreditation program, the SBP Certification Body Approval Procedure has been superseded. Instead, Certification Bodies wishing to offer SBP certification services must become accredited by ASI.

Further, the Certificate Holder Approval Procedure was updated to version 1.2 (and subsequently version 1.3), effective from 1 December 2016, reflecting the new arrangement requiring Certification Bodies to submit all reports in support of applications for SBP certification to ASI.

As well as increasing transparency of SBP procedures, the arrangement with ASI brings an extra level of independent scrutiny, enhancing the credibility of the certification system.

All SBP documentation is available on the SBP website at:
www.sbp-cert.org/documents

> The agreement with Accreditation Services International brings an extra level of independent scrutiny."

Regional Risk Assessments

Regional Risk Assessments (RRAs) are a key part of SBP's focus on identifying and mitigating risks associated with sourcing feedstock for biomass (wood pellet/chip) production.

The SBP certification system is designed to provide assurance that all feedstock is sourced legally and sustainably. Feedstock certified at the forest level through the Forest Stewardship Council (FSC), the Programme for Endorsement of Forest Certification (PEFC) schemes or PEFC-endorsed schemes, such as the Sustainable Forestry Initiative (SFI), is automatically SBP-compliant. All other feedstock must be evaluated using a risk-based approach (see Evaluating feedstock on page 11).

The purpose of an RRA is to evaluate an entire geographic region and determine the risks associated with sourcing feedstock for biomass production from that region. Thus, the need for individual biomass producers to conduct risk assessments is avoided. Further, RRAs are particularly valuable where statutory protection for forested land is limited.

Draft RRAs for the three Baltic States of Estonia, Latvia and Lithuania were published for consultation in September 2015.

Following consideration of the comments received from interested parties and a thorough internal review, our response to consultation and the final SBP-endorsed RRA for Estonia was published in April 2016 and for Lithuania in June 2016.

Both documents can be found at:
www.sbp-cert.org/documents/risk-assessments/regional-risk-assessments-for-the-baltic-states

> Regional Risk Assessments are a key part of SBP's focus on identifying and mitigating risks associated with sourcing feedstock."

Working groups

During 2016, four subject-related working groups were established with the following objectives:

Data Transfer System (DTS)
To support and enhance the integrity of SBP claims, and improve efficiency of data transfer through facilitating simple and secure transmission of relevant, required data between actors in the biomass supply chain.

High conservation values
To develop guidance to support biomass producers in fulfilling SBP requirements relating to high conservation values in relation to biomass feedstock in the southern USA.

Secondary feedstock
To develop guidance and provide interpretations in relation to the use of secondary feedstock in the biomass supply chain and compliance with SBP standards.

Woodchip
To develop guidance and provide interpretations in relation to the woodchip supply chain and compliance with SBP standards.

By the end of the year all working groups, apart from the high conservation values working group, had met on several occasions and made solid progress with their respective objectives.

The working groups are focused on specific, technical challenges and are transient in nature.

ORGANISATIONAL STRUCTURE

OUR BALANCED APPROACH

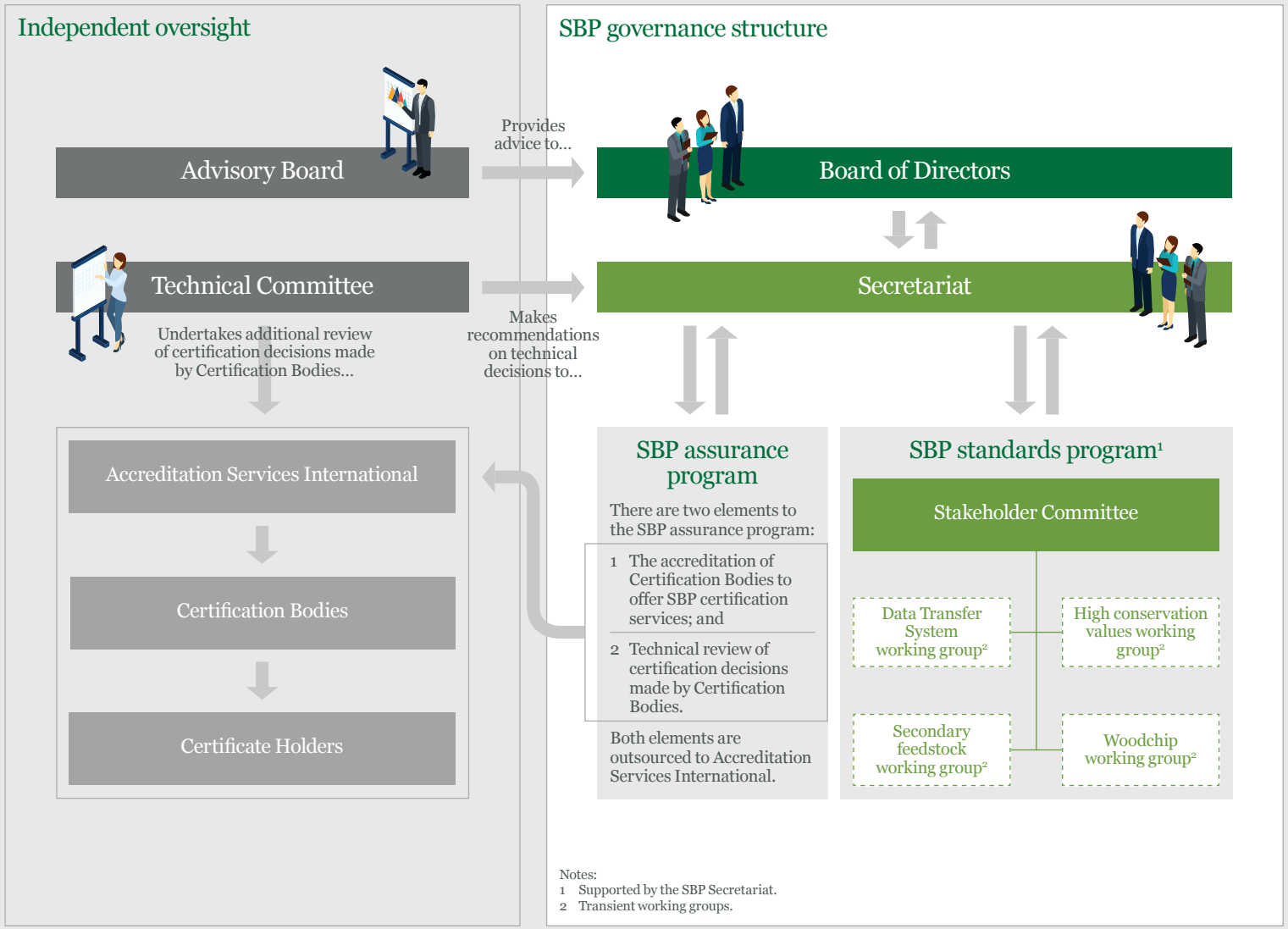
SBP recognises the value and benefit of good governance and independent oversight. The current organisational structure links the two in its aim to deliver a credible and robust certification system.

The independent Advisory Board provides advice directly to the Board of Directors on strategic matters, credibility of the certification system, and technical and public policy issues.

The independent Technical Committee scrutinises all technical decisions and provides recommendations to the Secretariat.

In 2016, an extra level of independent scrutiny was added to SBP's processes through the agreement with Accreditation Services International (ASI) for the management of the SBP assurance program and review of the certification decisions of the independent Certification Bodies.

LINKING INDEPENDENT OVERSIGHT WITH OUR OWN GOVERNANCE STRUCTURE



ORGANISATIONAL STRUCTURE

GOVERNANCE

Board of Directors

The Board of Directors is the key governing body of SBP, with representation from each member company and SBP's Chief Executive Officer. The Board determines SBP's strategy and objectives, and approves the annual business plan and budget.

During 2016, the Board of Directors met six times.

Membership

As at the end of December 2016, the composition of the Board of Directors was as follows:

Thomas Dalsgaard
Chairman

Maarten Gnoth
Vice-Chairman

Søren Alsing

Jane Egebjerg Andersen

Carsten Huljus
Chief Executive Officer

Matthew Rivers

Peter-Paul Schouwenberg

Michael Vann

Biographies of the Board of Directors are available at:
www.sbp-cert.org/about-us/governance/sbp-board

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 2016, SBP employed one full-time employee, the Chief Executive Officer, and procured the services of GE Public Relations Ltd, Simon Armstrong & Associates Limited, and independent consultants.

SBP is a virtual organisation registered in England and Wales.

People

As at the end of December 2016, the Chief Executive Officer and service providers were as follows:

Carsten Huljus
Chief Executive Officer

Simon Armstrong
(Simon Armstrong & Associates)
Technical

Garry MacInnes
(Independent consultant)
Approvals Programme

Melanie Wedgbury
(GE Public Relations)
Communications and Information

Peter Wilson*
(Independent consultant)
Projects

Maris Zudrags
(Independent consultant)
Approvals Assessor

* Peter Wilson ceased to provide services to the Secretariat function at the end of January 2017.

Biographies are available at:
www.sbp-cert.org/about-us/governance/secretariat

ORGANISATIONAL STRUCTURE

Committee and working group structure

During 2016, the working group structure was revised consistent with the transition from a standards-setting body to a fully operational certification system. As a result, the Stakeholder Committee was created, which amongst other things oversees the work of the newly created working groups.

The working groups are focused on specific, technical challenges and are transient in nature. They may be established at the request of the Board of Directors, the Advisory Board, the Secretariat or the Stakeholder Committee. Once the objectives of a working group have been met it is disbanded.

Stakeholder Committee

Initially, the Stakeholder Committee membership was drawn from pellet and woodchip producers, biomass traders, Certification Bodies, relevant trade associations and SBP member companies. Members were invited to join the Committee as individual expert advisers or as representatives of their organisations. Further, there are two seats available for relevant international NGOs, should any wish to join in the future.

The Stakeholder Committee's role it to provide stakeholder advice to support the Secretariat in the development, implementation and maintenance of the certification system for woody biomass and all the activities necessary to make SBP an efficient and effective organisation.

The Chief Executive Officer, Carsten Huljus, chairs the Stakeholder Committee. The first meeting of the Committee was held in October 2016. The Committee plans to meet four times each calendar year.

Working groups

During 2016, four subject-related working groups were established, as follows:

– Data Transfer System

– High conservation values

– Secondary feedstock

– Woodchip

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

Working groups meet on an as-needed basis consistent with the demands of the objectives they have been set. Reports are made directly to the Stakeholder Committee for review before being presented to the Board of Directors.

INDEPENDENT OVERSIGHT

Advisory Board

The Advisory Board is an independent forum providing advice to the Board of Directors on the strategic direction of SBP, the credibility of the SBP certification system, and technical and public policy issues.

Julia Marton-Lefèvre, Chairman of the Advisory Board, is invited to attend the meetings of the Board of Directors as an ex-officio participant, to report on the advice of the Advisory Board.

Members were invited to join the Advisory Board as individual expert advisers. Specifically, members were chosen on the basis of holding senior level positions and possessing relevant expert knowledge and extensive networks.

During 2016, the Advisory Board met twice.

Membership

As at the end of December 2016, the composition of the Advisory Board was as follows:

Julia Marton-Lefèvre
Chairman

Jørgen Bo Larsen

Gary Q Bull

Jeroen Douglas

Leif Gustavsson

Martin Junginger

Diana Mangalagiu

Mohammad Rafiq

David Tenny

Katherine Willis

Pernille Risgaard
Provides support to the Advisory Board

Biographies of the Advisory Board members are available at:
www.sbp-cert.org/about-us/governance/advisory-board

ORGANISATIONAL STRUCTURE

Technical Committee

The independent Technical Committee is the body that makes recommendations on technical decisions, including initial certification decisions, Certification Body suspensions and terminations, and Regional Risk Assessments.

Prior to the appointment of Accreditation Services International (ASI) in August 2016, the Technical Committee also scrutinised the evidence for approving Certification Bodies, and was therefore involved in the approval of the six SBP-approved Certification Bodies.

The Technical Committee plays an important role in the Certificate Holder approval procedure through reviewing the documentation in support of an application for certification after the technical review has been conducted by ASI.

As with ASI, the Technical Committee's value is in assuring system users of the competence of the Certification Body in making certification decisions and ensuring consistency of that decision-making across all Certification Bodies. So, upholding the rigour and quality of the SBP certification system through independent oversight.

The Technical Committee conducts all its work remotely. The Committee itself nominates a Chairman for each individual review that it undertakes.

Membership

As at the end of December 2016, the composition of the Technical Committee was as follows:

Kathyrn Fernholz 

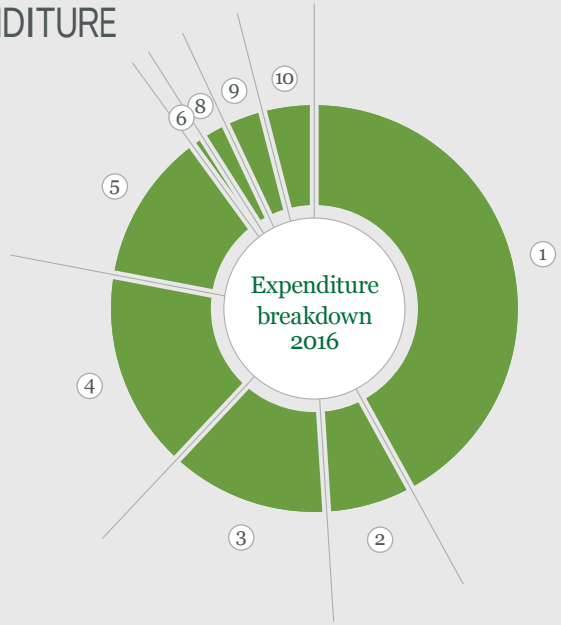
Erik Lammerts van Bueren 

Martin Walter 

Biographies of the Technical Committee members are available at:
www.sbp-cert.org/about-us/governance/technical-committee

FINANCIAL INFORMATION

2016 EXPENDITURE



		% of operating costs	% of total expenditure
1 Secretariat	€553,709	44%	42%
2 Advisory Board	€86,632	7%	7%
3 Other consultants	€181,699	14%	13%
4 Travel and subsistence	€209,592	17%	16%
5 Certification costs	€155,414	12%	12%
6 Legal and professional fees	€18,536	1%	1%
7 Depreciation	€842	0%	0%
8 Foreign currency losses	€20,736	2%	2%
9 Other	€35,926	3%	3%
Total operating costs	€1,263,086		
10 Capital projects	€48,074		4%
Total expenditure	€1,311,159		

Expenditure in 2016

SBP is a not-for-profit organisation. In 2016, SBP was funded entirely by membership fees.

Total expenditure in 2016 amounted to €1,311,159, including €48,074 invested in capital projects (namely, the development of the Data Transfer System).

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

The figures have been extracted from the SBP's audited financial statements for the year-ended 31 December 2016, which were approved by the Board on 30 March 2017.

Secretariat

Almost half of SBP expenditure is invested in the people and service providers who carry out the day-to-day running of SBP (see page 18).

Advisory Board

The role and composition of the Advisory Board is described on page 19. The costs are predominantly associated with the two meetings held by the Advisory Board in the year.

Other consultants

SBP engages other consultants to carry out specific project work. In 2016, such work included advice and consultancy around the Data Transfer System.

Travel and subsistence

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

Certification costs

During 2016, SBP engaged a number of experts to carry out reviews of the certification decisions of the independent Certification Bodies. This category also includes the costs of the independent Technical Committee.

Legal, professional and other fees

The necessary professional fees associated with running the SBP's affairs make up a small proportion of total overheads.

Foreign currency losses

Foreign currency losses reflect the devaluation of Sterling in the second half of 2016 and the impact on SBP's Sterling cash deposits, partially offset by the associated reduction in the cost of Sterling-denominated expenditure.

Capital projects

During 2016, SBP invested in the development of the Data Transfer System.

GLOSSARY

Accreditation Services International (ASI)
An independent third-party accreditation body. ASI manages the SBP assurance program.

Biomass
Typically, wood pellets and woodchips.

Biomass producer
A producer of wood pellets and/or woodchips.

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

Certification Body
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.

ENplus
A certification scheme for wood pellet quality.

Feedstock
Woody material used to produce biomass (wood pellets and woodchips).

Forest Stewardship Council (FSC™)
A global forest certification system.

Greenhouse gas (GHG) data
Data related to the calculation of energy and carbon savings.

International Organisation for Standardisation (ISO)
A non-governmental international organisation responsible for developing standards covering almost every industry.

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 (wood pellet/chip) production.

Secondary feedstock
Residues from sawmills and other primary processing.

Supply Base Evaluation (SBE)
The process of evaluating feedstock.

Sustainable Biomass Program (SBP)
A unique 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-compliant
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-approved schemes, such as SFI), or feedstock sourced from areas that are deemed to be 'low risk' following a Supply Base Evaluation.

SBP-controlled
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.

CONTACT INFORMATION

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Keep up-to-date and find more information on the SBP website at:
www.sbp-cert.org