

Supply Base Report: Krex Sp. z o.o.

First Surveillance Audit

www.sbp-cert.org



Completed in Accordance with the Supply Base Report Template Version 1.2

For further information on the SBP Framework and to view the full set of documentation see www.sbp-cert.org

Document history

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1 Overview

Producer name: KREX Sp. z o.o. Production site in Szepietowo

Producer location: Head Office: 17-100 Bielsk Podlaski; Kleszczelowska 84 Str
Factory site: 18-210 Szepietowo Kolejowa 2A Str

Geographic position: Lat E 22 degrees 33 minutes, Long 52 degrees 52 minutes

Primary contact: Marek Świstak, 17-100 Bielsk Podlaski; Kleszczelowska 84 Str,
tel. + 48 85 730 65 15; email marek.swistak@krex.com.pl

Company website: www.krex.com.pl

Date report finalised: 03/07/2018

Close of last CB audit: 25/07/2017

Name of CB: Control Union Poland

Translations from English: Yes to Polish

SBP Standard(s) used: Standard 2,4,5 ver. 1.0 published 5 May 2015

Weblink to Standard(s) used: <https://sbp-cert.org/documents>

SBP Endorsed Regional Risk Assessment: <https://sbp-cert.org>

Weblink to SBE on Company website: www.krex.com.pl

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
☐	☒	☐	☐	☐

2 Description of the Supply Base

2.1 General description

In general, the characteristics of the tree obtained for pellet production are as follows:

Logs (FSC 100%) originating from the Polish State Forests are taken for sawmill production by sawmills certified FSC CoC. In the sawmills, the residue is produced in the form of sawdust, which is transported by KREX's own transport directly to the Pellet Plant in Szepletowo.

Company KREX Sp. z o.o. is also the direct supplier to the energetic industry of energetic chips derived from residues from the woodworking industry. Krex provides timber to the power industry from one supplier from the Republic of Belarus BTKVostok Ltd ([COOO «БТКВосток»](#)), which in the supply chain is a certified biomass producer – number of FSC CoC NC-COC-027663 certificate. The biomass-derived biomass is shipped by rail and car directly to the Power Plants.

Only Pine (*Pinus sylvestris*, L.) is used.

Polish Forests - General Information

There is a steady growth of forest area in Poland. According to the FSC organization data from [01/06/2018](#), FSC certified forest areas cover about [6 932 864](#) hectares, which accounts for [22%](#) of Poland's territory – [the vast majority utilized by State Forestry Enterprise - State Forests \(PGL LP/ Polish State Forests\), only 88.97 ha forests private](#). Forestry and related industries are important elements of the national economy. PGL LP gives employment to many people. He is the main supplier to wood processing plants. He works closely with local communities and non-governmental organizations. In recent years the State Forests have achieved excellent financial results because the price of wood on the open international market is relatively high.

By purchasing wood from the Polish State Forests, our company is confident that the raw material has been harvested in a way that does not harm the environment.

Forest planning and practice in Poland

For foresters and other interested parties in Poland the functions of non-production forests become the most important.

State Forests implement sustainable forest management. Polish foresters harvest timber in accordance with the limits established by ecological economy standards, research and ten-year forest management plans approved by the Minister of the Environment. That is why our timber resources are growing

Year by year and have doubled in the past 50 years.

The stock of trees in forests managed by PGL LP continues to grow steadily. In 1991 it was [190 m3 / ha](#); [24 years later, in 2015 already 277 m3 / ha](#). According to international statistics, Polish forests belong in this respect to European leaders. Not only the availability of the stand, but also the area of the woods is

constantly increasing. In the middle of the twentieth century, the forests occupied more than one fifth of Poland, and today are little less than one third.

General characteristics of the timber harvested in the Republic of Belarus for the production of pellets and for wood chips trade is as follows.

Forests in the Republic of Belarus occupy approximately [9 229 thousands of hectares](#). The Forestry Ministry manages 86% of this area. There are no private forests in Belarus. The dominant species of trees is pine, which occupies 57% of the forest area. State forests are subdivided into six regions, managed by the State Forest Enterprises, which cover more than 95 forest enterprises, divided into 830 forest divisions and other smaller units. Belarusian state forests employ about 17 500 people. The Ministry of Forestry plans to conduct FSC audits in all forest companies next year.

[According to the FSC organisation with 01/06/2018 year, certified for compliance with the principles of FSC forest management and control of the origin of the product areas of forest in Belarus cover 8 754 712 hectares.](#)

2.2 Provide a description of actions taken to promote certification amongst feedstock supplier.

KREX is actively promoting the use of renewable energy sources, responsible management of forests, water and crop fields, and the pursuit of a more equitable society. Consequently, KREX promotes FSC certification, informs stakeholders about FSC and SBP certification.

Our business partners must apply good business practices. We actively inform our suppliers of the content and significance of FSC criteria and indicators.

2.3 Final harvest sampling programme

KREX does not use cuttings for use in pellet production. It only uses residues from the woodworking industry that are produced during wood processing in FSC CoC certified sawmills.

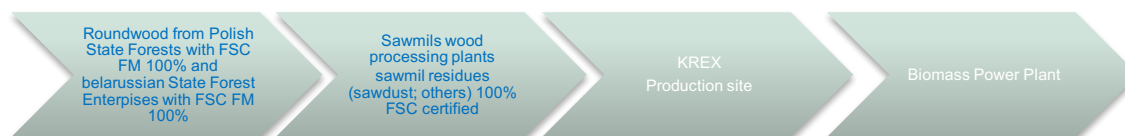
Raw materials come from well-managed multifunctional forests with long rotation periods. Raw materials consist of 100% FSC certified wood and are ecologically, economically and socially important for forest management.

The following resources are not included in the resource:

- Wood from primary forests
- Root-wood
- Genetically modified species of trees
- Wood of unclear origin

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

2.4.1 Flow diagram for pellet production



2.4.2 Flow diagram for wood chips trading for renewable energy purposes



2.5 Quantification of the Supply Base

Supply Base for wood pellet production

a) Total Supply Base Area (ha)

15 687 487 ha.

including:

6 932 775 ha Polish State Forests (PGL LP)
FSC 100%

and

8 754 712 ha Belarussian State Forest
Enterprises FSC 100%

from which wood can be harvested (*data from:
Forest Stewardship Council®*, *ic.fsc.org*)

b) Tenure by type (ha):

100% state owned (Polish State Forests,
Belarussian State Forest Enterprises). Total
supply base: 15 687 487 ha.

c) Forest by type (ha):

Temperate forest.

Total supply base: 15 687 487 ha.

- d) Forest by management type (ha):** Managed, Natural.
Total supply base of 15 687 487 ha.
- e) Certified forests by scheme** 100% FSC certified. Total supply base: 15 687 487 ha. .

Feedstock for wood pellet production

- f) Total volume of feedstock:** 20,000 tons of raw material. Category of raw materials: Industrial wood waste.
Category of raw materials: sawdust (66,6%), offcuts (11,7%), wood chips (21,7%)
- g) Volume of primary feedstock:** Our company produces pellets from secondary wood waste. Wood waste is a 100% FSC certified material. For these wastes a 100% FSC logs are obtained. Long-term economic forest (coniferous)
- h) List percentage of primary feedstock from primary forest:** 100% of commercial forest with long resting period (coniferous) Large forest holdings (Forest Districts) certified by the Forest Management Program approved by the SBP.
- i) All species consisting of primary raw material:** Pine (Pinus sylvestris, L.)
- j) Volume of primary raw material from primary forests:** 0 m³. Primary raw material from primary forests is not used
- k) Percentage primary raw materials from primary forests by category:** Irrelevant
- l) Volume of secondary raw material:** Approx. 20,000 tons of raw material
- m) Volume of tertiary feedstock:** 0 m³. Not applicable

Supply Base for wood chips trade

- a) Total Supply Base Area (ha)** 8 754 712 ha. Belarusian State Forests (FSC 100%) from which wood can be harvested (data from: Forest Stewardship Council®, ic.fsc.org)

b) Tenure by type (ha):	100% state owned (Belarusian State Forests). Total supply base: 8 754 712 ha
c) Forest by type (ha):	Temperate forest. Total supply base of 8 754 712 hectares.
d) Forest by management type (ha):	Managed, Natural. Total supply base of 8 754 712 ha.
e) Certified forests by scheme	100% FSC certified. Total supply base: 8 754 712 ha.

Feedstock for wood chips trade

f) Total volume of feedstock:	56,576 tonnes of raw material. Category of raw materials: Industrial wood waste.
g) Volume of primary feedstock:	Our company buys residues from the wood industry from a certified supplier BTKVostok Ltd then sells to the final collection – the Biomass Power Plant. The cargo is delivered by rail to Baltic ports and then shipped to Scandinavia. Wood waste is a 100% FSC certified material. For these wastes, 100% FSC logs are harvested from long-term growth (coniferous forest)
h) List percentage of primary feedstock from primary forest:	Large forest holdings (Forest Enterprises) certified by the Forest Management Program approved by the SBP.
i) All species consisting of primary raw material:	Pine (Pinus sylvestris, L.) 26 % Spruce (Picea abies L.) 40% Aspen popular (Populus tremula L.) 19% Birch (Betula pendula) 10% Alder (Alnus) 5%
j) Volume of primary raw material from primary forests:	0 m3. Primary raw material from primary forests is not used
k) Percentage primary raw materials from primary forests by category:	Irrelevant

- l) Volume of secondary raw material:** Approx. 56 567 tons of raw material
- m) Volume of tertiary feedstock:** 0 m³. Not applicable

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☒

4 Supply Base Evaluation

4.1 Scope

Not applicable

4.2 Justification

Not applicable

4.3 Results of Risk Assessment

Not applicable

4.4 Results of Supplier Verification Programme

Not applicable

4.5 Conclusion

Not applicable

5 Supply Base Evaluation Process

Not applicable

6 Stakeholder Consultation

Not applicable

6.1 Response to stakeholder comments

Not applicable

7 Overview of Initial Assessment of Risk

Not applicable

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not applicable

8.2 Site visits

Not applicable

8.3 Conclusions from the Supplier Verification Programme

Not applicable

9 Mitigation Measures

9.1 Mitigation measures

Not applicable

9.2 Monitoring and outcomes

Not applicable

10 Detailed Findings for Indicators

Not applicable

11 Review of Report

11.1 Peer review

Internal peer review of this report was done by BIOCONTROL Sp. z o.o. All remarks were considered.

11.2 Public or additional reviews

In case of any questions or remarks please contact us by email: marek.swistak@krex.com.pl

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Marek Świstak</i>	<i>Quality Control Representative</i>	<i>04.07.2018</i>
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	<i>Sergiusz Zinowczyk</i>	<i>V-ce President</i>	<i>04.07.2018</i>
	Name	Title	Date
Report approved by:			<i>04.07.2018</i>
	Name	Title	Date

13 Updates

Not applicable

13.1 Significant changes in the Supply Base

Not applicable

13.2 Effectiveness of previous mitigation measures

Not applicable

13.3 New risk ratings and mitigation measures

Not applicable

13.4 Actual figures for feedstock over the previous 12 months

3 730 tons of raw material (sawdust, wood chips) is the last 9 months (from September 2017 to 2018 may)

13.5 Projected figures for feedstock over the next 12 months

13 thousand tons of raw material. No significant changes are anticipated.