

NEPCon Evaluation of UAB “Bio Wood” Compliance with the SBP Framework: Public Summary Report

Reinstatement Audit

Fourth Surveillance Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.4

*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

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	11/Sep/2019
Report authors: :	Gerimantas Gaigalas
Name of the Company:	UAB "Bio wood"
Company contact for SBP:	Neda Monstaviciute, Head of Business Development
Certified Supply Base:	sourcing from Lithuania, Latvia
SBP Certificate Code:	SBP-01-06
Date of certificate issue:	24/Feb/2016
Date of certificate expiry:	23/Feb/2021

This report relates to the Reinstatement audit & Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of this evaluation is based on SBP standards 2; 4; and 5.

The certificate scope covers the production site and office in Vigantiskiai, Telsiai r., Lithuania. The Organisation holds valid FSC Chain of Custody NC-COC-022170 certificate covering pellet production. The Organisation is certified since March 20, 2015. The input material used by the organisation for biomass production (both as raw material for pellet production and feedstock used into dryer) contains secondary feedstock supplied from Lithuania and Latvia. Based on FSC system (transfer system) FSC certified feedstock is used for FSC pellet production. Wood pellets are sold through Klaipeda port in Lithuania and Liepaja port in Latvia. The scope includes Instruction Document 5D Dynamic Batch Sustainability Data

Scope description:

The scope of the certificate does not include Supply Base Evaluation.

3 Specific objective

“The specific objective of this evaluation was to confirm that the Biomass Producer’s management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP’s management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- SAR and profiling data collection analysis;
- Instruction Document 5D Dynamic Batch Sustainability Data

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

4.2 SBP-endorsed Regional Risk Assessment

Not applicable. Supply Base Evaluation is not covered by the Scope of the Evaluation

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

UAB “Bio wood” is a biomass producer with a production situated in Vigantiskiai, Telsiai r., Lithuania. BP is sourcing secondary feedstock for its production. Heating pellets are produced from secondary feedstock: wood industry residues and sawdust originating from FSC certified local suppliers in Lithuania and other suppliers from Latvia. All Feedstock types are delivered to the pellet plant by road transport. The sales points are through Klaipeda port (under DAP) and Liepaja port (under DAP and FOB). Production capacity 50 000 metric tons.

The BP is having FSC transfer system designated in its FSC system. For pellets production only FSC certified material is used (with claim FSC Mix Credit) from 2 suppliers (one from Lithuania and one from Latvia). The amount of biomass produced according to FSC transfer system might be sold as SBP-compliant.

After the production pellets are stored in BP’s production.

5.2 Description of Company’s Supply Base

Lithuania

According to 2017 forest statistics, the total forest land area was 2,189,600 ha, covering 33.5% of the country’s territory. Since the 1st January 2003, the forest land area has increased by 144,300 ha corresponding to 2.2% of the total forest cover. During the same period, forest stands expanded by 107,400 ha to 2,058,400 ha. Occupying 1,145,100 ha, coniferous stands prevail in Lithuania, covering 55.6% of the forest area. They are followed by softwood deciduous forests (841,100 ha, 40.9%). Hardwood deciduous forests occupy 72,200 ha (3.5%). The total area of softwood deciduous forest land increased by 142,700 ha over the last fourteen years. The area of hardwood deciduous has decreased by 20,400 ha (mainly due to dieback of ash stands) and coniferous forest by 14,900 ha. *Scots pine occupies the biggest share in Lithuanian forests - 713,200 ha.* Compared to 2003, the area of pine expanded by 1,700 ha. Norway spruce stands covers 429,500 ha, with a reduction of 15,800 ha. Birch stands covers the largest area among deciduous trees. Since 2003, it increased by 64,400 ha and reached 456,600 ha by the 1st January 2017. Area of black alder increased by 36,600 ha, to 156,100 ha. The area of grey alder decreased by 400 ha reaching 121,600 ha. The area of aspen stands expanded by 36,500 to 93,800 ha. The area of oak stands increased from 35,700 ha to 46,300 ha. The area of ash stands diminished by half to 18,200 ha. The average forest area per capita increased to 0.77 ha. Since 2003 total growing stock volume increased from 453.4 million m³ up to 542.7 million m³. The average growing stock volume in all forests since 2003 increased by 30 m³/ha up to 256 m³/ha.

In the beginning of 2017, the distribution of forests by functional groups was as follows. Group I (strict nature reserves): 24,900 ha (1.1%); group II (ecosystem protection and recreational): 260,800 ha (11.9%); group III (protective): 320,300 ha (14.6%); and group IV (commercial): 1,583,500 ha (72.3%). Changes of forest land area distribution by forest groups area based on the decisions of forest management schemes.

By 1st January 2017, around a half of all forest land in Lithuania was of State importance - 1088,600 ha. 848,800 ha of private forests were registered in the State Enterprise Centre of Registers. After intersection of layers of all forests and private holdings the estimated area of private forests was 882,900 ha. The number of private forest owners amounted to almost 250,100, a forest estate averaging 3.4 ha.

Various forest protection measures were applied by the state forest enterprises on 27,200 ha of forest land in 2016. Biological treatment was applied on 300 ha. Foresters from 2,600 ha removed 106,000 m³ of trees damaged by wind and snow. Chemical protection measures were used on area 2,700 ha. For sanitary protection, state forest enterprises set up 11,700 new nesting-boxes.

The potential future annual cut is calculated at 5.2 million m³, of which 2.4 million m³ is made up of sawn timber and the remaining 2.8 million m³ of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.

“Lithuanian Statistical Yearbook of Forestry 2017” found here <https://osp.stat.gov.lt/services-portlet/pub-edition-file?id=32300>

<http://www.fao.org/docrep/w3722E/w3722e22.htm>

Latvia

Forests in Latvia cover 3 036475 ha. According to the data of the State forest service (regarding the areas under consideration, which are subject to economic activity regulated by the Forest Law), the forest territory occupies 51.8 % (the percentage of the forest land area (3 350684 ha) to the total area of the State territory). In Latvia, the State owns the forest, area of which is 1,495,616 ha (48.97% of the total forest area), while the total area of forests of other owners is 1,560,961 ha (51.68 % of the total forest area). The number of private forest land owners in Latvia is about ~135 thousand. The area occupied by forests is increasing. The increase in forest areas occurs both naturally and artificially by afforestation of barren and non-agricultural land. Wood production in the last decade in Latvia varies from 9 to 13 million cubic meters (the State forest service: vmd.gov.lv, 2019). Forest lands consist of: forests: 3 036475 ha (91.3 %); marshes: 168 424,67 ha (5.3 %); clearings: 35,446,7 ha (1.1 %); flooded territories: 18,453.2 ha (0.5 %); infrastructure facilities: 61,813.4 ha (1.8 %) - the State forest service: vmd.gov.lv, 2018. Breakdown of forests by dominant species: Pine: 33 %, Spruce: 19 %, Birch: 30 %, Black alder: 3 %, White alder: 7 %, Aspen: 7 %, Other species: 1 % ((the State forest service: vmd.gov.lv, 2019).

The forestry sector in Latvia is managed by the Ministry of agriculture, which, in cooperation with the sector interest groups, develops forest policy, sector development strategy as well as forest management, forest resource use, nature conservation and hunting draft regulatory enactments (the Ministry of agriculture: www.zm.gov.lv). The implementation of the regulatory requirements included in the Latvian laws and the Cabinet of ministers regulations in the management of forests, regardless of the type of property, is controlled by the State forest service under the supervision of the Ministry of agriculture (the State forest service: www.vmd.gov.lv). Management of the state-owned forests is performed by the Joint Stock Company “Latvia’s State Forests”, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy (www.lvm.lv). The forest sector is one of the cornerstones of the country's economy. In 2017, the share of forestry, wood processing and furniture production in the gross domestic product made up 4.8%, while the export volume reached 2.2 billion euros - 20% of the country's total exports.

Historically, the extensive use of Latvian forests for economic purposes began relatively later than in many other European countries, therefore, greater biodiversity has been preserved in Latvia. For the preservation of nature values, 683 specially protected nature territories have been created. Part of these territories is included

in the Natura 2000, unified network of protected territories of European importance. The most part of the protected territories are in State ownership. In order to ensure the protection of a specially protected species or a biotope outside specially protected nature territories, micro-reserves are created, if any of the functional zones does not provide it. According to the State forest service, the total area of the micro-reserves in October 2016 was 43,217.30 ha. The identification of biologically valuable forest stands, and the implementation of protective measures are performed continuously. In total, the protected areas occupy 28.2% of the total forest area. In just over half of these areas, there are no restrictions on forestry activities. 6.9% of the total forest area is forbidden clearing, 1.2% forbidden main felling, and 2.3% forbidden care and main felling. Only 100.3 thousand hectares, corresponding to 3.3% of the total forest area, is subject to a complete limitation of forestry activities. Most of the protected areas with restrictions on economic activity are owned by the state. In turn, for the conservation of biodiversity in the forest management process, general nature conservation requirements have been developed that apply to all forest managers. They stipulate that during logging work the older and larger trees, dead wood, underwood and brushwood must be kept separately in wet micro-lowlands and other structures to promote the preservation of many habitats. Latvia has ratified the CITES Convention (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) in 1997. In Latvian, as well as in Lithuanian forests, the species of trees mentioned in the CITES lists do not grow.

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012y). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is coordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Forests of JSC Latvijas valsts meži and private owners are certified according to FSC and PEFC certification systems. Approximately 1.737 million ha of Latvian forests from the total forest area of 3,056,578 ha are certified according to FSC and/or PEFC certification systems. In Latvia, more than 300 FSC supply chain certificates have been issued to more than 550 companies. Most of the largest forest industry companies have FSC certification. Both these systems are operating in Latvia.

5.3 Detailed description of Supply Base

The plant uses secondary feedstock (sawdust, chips) which originates from Lithuania and Latvia. This report will account for total feedstock volumes but will not include SBE (controlled material).

The plant has around 2 stable suppliers. Total Supply Base area (ha): Lithuania 2,18 mill., Latvia 3,06 mill., Total: 5,24 million ha.

Tenure by type (ha): 903,87 ha mill. state forests; 3,94 mill. private forests.

Tenure by type (ha): 2,576,616 ha state ownership, 2,418,961 ha private forests.

Forest by type (ha): 5.24 million ha boreal forests

Forest by management type (ha): 5.24 mill. managed semi-natural

Certified forest by scheme (ha): FSC, total certified area 3.9 million ha (FSC) and 1.69 million ha PEFC

Number of suppliers: 2

Controlled Feedstock 0%

SBP-compliant Primary Feedstock 0%

SBP-compliant Secondary Feedstock 100%

SBP-compliant Tertiary Feedstock 0%

SBP non-compliant Feedstock 0%

Species *Picea abies* (L.) H. Karst.; *Pinus sylvestris* (L.); *Alnus glutinosa* (L.) Gaertn.; *Alnus incana* (L.) Moench, *Populus tremula* (L.); *Betula pendula* (Roth); *Betula pubescens* (Ehrh.)

5.4 Chain of Custody system

The Organisation holds valid FSC Chain of Custody NC-COC-022170 certificate covering pellet production. FSC transfer system is used for materials received as FSC certified. Feedstock from Latvia and Lithuania is delivered by FSC certified suppliers. Supplier list is maintained. Number of suppliers is small (2). After the reception, incoming feedstock is unloaded into piles according to type of feedstock and load is registered into the recordkeeping system. All data is maintained in the recordkeeping system of the Organisation. Their product groups for the FSC CoC certification include wood pellets and briquets, however for SBP certified products only industrial pallets are considered.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Location	Date/time
Opening meeting	Office	27/08/2019 13.00-13.15
Documents and procedures review Inputs and outputs review	Office	13.15-14.00
Energy use calculations review	Production facilities	14:00 – 15:30
Chain of custody review (site tour), interview with responsible persons	Office	15:30-16:15
Staff interviews	Production site and office	16:15-16:45
Closing meeting	Office	16:45 – 17:00

6.2 Description of evaluation activities

Auditor(s), roles	Qualifications
Gerimantas Gaigalas Lead auditor Evaluation against all applicable requirements	He has Master 's degree on Forestry (graduated in Lithuanian Academy of Agriculture), BSc degree in Law and Master 's degree in International Law (graduated in University of Mykolas Romeris) and diploma in programming (Electronic College in Vilnius). He has experience leading the International Relations and Agreements Division in the Ministry of Environment as well as experience working in United Nations Development Programme (UNDP) Papua New Guinea regional office and Institute of Environment Sustainability of EU Commission in Italy. Gerimantas has successfully passed Forest Management and Chain of Custody lead auditor training. Gerimantas is working in UAB "NEPCon LT" as certification manager since 2013. Since 2014 he is implementing PEFC CoC audits, in 2013 completed PEFC CoC auditor training according to the new Chain of Custody standard. In 2016, he got the SBP lead auditor qualification and started to audit according to SBP scheme.
Povilas Misierauskas, Auditor in training	P. Misierauskas is NEPCon certification manager (auditor – apprentice). P. Misierauskas hold Bachelor degree in Ecology and Environment and Master in Forest Ecology. He graduated from the Lithuanian University of Agriculture. Mr Misierauskas taught laboratory work to Forest Ecology faculty dendrology discipline's students Forest Ecology faculty, implemented planting and green space inventory. He assessed green areas in 22 town and region municipalities. P. Misierauskas has a lot of experience in assessing preserved trees, identifying their state and value and

	implementing dendrological (decorative trees and bushes) expertise. He has been working as certification manager at NEPCon since 2013. Since 2018 he is implementing PEFC CoC audits, in 2018 completed PEFC CoC auditor training according to the Chain of Custody standard.
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Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

The audit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as GHG data availability.

Description of the audit:

August 27, 2019.

Auditor was welcomed in UAB Bio wood office in Vygantiskiai, Telsiai r. Auditor started with an opening meeting attended by Director, Commercial Director and chief accountant. Auditor provided information about audit plan, methodology, auditor qualification, confidentiality issues, auditing methodology and clarified the audit scope.

During the audit, the auditor evaluated existing production. After that auditor went through all applicable requirements of the SBP standards No. 2, 4, 5, existing chain of custody and management system, CoC, record keeping / mass balance requirements, emission, energy data, and categorisation of input and verification of SBP compliant feedstock/ biomass. During the process, overall responsible person for SBP system and over responsible staff having key responsibilities within the system were interviewed.

After a roundtrip around BP's pellet production was undertaken. During the site tour applicable records were reviewed, production staff was interviewed. At the end of the day the preliminary results were presented.

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on 12th of August 2019 by sending direct email to different stakeholder categories: state institutions, local NGOs, authorities, government bodies, forest owners associations, academic and research institutions. No comments from the stakeholders were received. The stakeholder notification letter is added as an Exhibit to this report.

7 Results

7.1 Main strengths and weaknesses

Main strengths: all processes have been well documented; main database for material balances is well maintained and all relevant information can be reported. Small number of suppliers. Efficient recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: No practice in selling SBP certified material for the whole cycle as after the main assessment 2 audit waivers were done (no SBP purchase and sales were registered). Afterwards the certificate was suspended. This is reinstatement audit because the company foresees the need for SBP certified products, however no real experience so far.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

BP has a system to gather and record Greenhouse Gas emissions. During the audit, BP made detailed overview of the systems and databases to gather and record such data. Evidence was provided to auditors.

7.4 Competency of involved personnel

Overall responsible person for implementing SBP is Commercial Director. SBR was reviewed by Director and Commercial Director. The first peer review of SBR was done by Janis Rozitis, Pasaules Dabas Fonds (WWF associated partner)- experience in sustainable forestry practice and Sigitas Girdziušas- Lithuanian Agricultural University, Master of Forestry, forestry specialists.

Overall responsible person has all required competences, education and work experience from timber and industry sector, but these requirements are not described in procedures.

According to interviews, review of biomass producer sales manager's CV and set of procedures and documents that were composed for the SBP system, auditors evaluated the competency of main responsible staff to be sufficient.

7.5 Stakeholder feedback

No comments or concerns were received during the Biomass Producer's and CB-s stakeholder notification period that was conducted before reinstatement.

7.6 Preconditions

No open preconditions.

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Not applicable

9 Review of Company's mitigation measures

Not applicable

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- applicable requirement(s)
- grading of the non-conformity (major or minor) or observation with supporting rationale
- timeframe for resolution of the non-conformity
- a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

NC number 01/20	NC Grading: Observation
Standard & Requirement:	SBP standard#2: Verification of SBP-compliant feedstock 15.3
Description of Non-conformance and Related Evidence:	
BP provided written procedures for all SBP requirements. The training of responsible staff was conducted and evidences of the training documents with signatures of participants were provided. Some parts of the procedures are written in Russian language which is not well known by several responsible persons. Even the responsible staff knows the procedures, understands it and implements their requirements according to described competences, some of them do not understand the Russian language, which is used in some parts of the procedures. This could lead in the future that some requirements of the procedures are overlooked or forgotten. In addition, if the new responsible person comes without knowledge of this language it could create the gap in their understanding and implementation.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:

Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorría Serrano
Date of decision:	11/Sep/2019
Other comments:	N/A