

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

Main (Initial) Audit

www.sbp-cert.org



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

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

© Copyright The Sustainable Biomass Program Limited 2018

Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Collection and Communication of Data
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification decision

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:	23/Sep/2019
Report authors: :	Gerimantas Gaigalas
Name of the Company:	UAB "Granulta"
Company contact for SBP:	Armandas Kazlauskas, commercial director
Certified Supply Base:	sourcing from Lithuania
SBP Certificate Code:	SBP-07-30
Date of certificate issue:	07/Oct/2019
Date of certificate expiry:	06/Oct/2024

This report relates to the Main (Initial) 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 Kursenai, Siauliai r., Lithuania. The Organisation holds valid FSC Chain of Custody TT-COC-005389 certificate covering pellet production. The Organisation is certified since May 08, 2015. The input material used by the organisation for biomass production (both as raw material for pellet production and feedstock used into dryer) contains primary and secondary feedstock supplied from Lithuania. Based on FSC system (transfer system) FSC certified feedstock is used for FSC pellet production. Wood pellets are planned to be sold through Klaipeda port in Lithuania (under DAP), Liepaja and Riga ports in Latvia (under DAP) and directly from plant in Kursenai (under EXW). The scope includes Instruction Document 5D Dynamic Batch Sustainability Data.

Scope description:

Production of wood pellets, for use in energy production, at Kursenai, Lithuania and transportation to port of Riga, Klaipeda or Liepaja. Dynamic Batch Sustainability Data are included in the scope of the certificate. 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 “Granulta” is a biomass producer with a production situated in Kursenai, Siauliai r., Lithuania. BP is sourcing primary and secondary feedstock for its production. Heating pellets are produced from secondary feedstock: wood industry residues chips and sawdust originating from FSC certified local suppliers in Lithuania as well as from primary feedstock (wood logs) originated from Lithuanian FSC certified suppliers. All Feedstock types are delivered to the pellet plant by road transport. The sales points are trough Klaipeda port (under DAP), Liepaja and Riga ports in Latvia (under DAP) and from plant in Kursenai (under EXW). Production capacity 26 000 metric tons.

The BP is having FSC transfer system designated in its FSC system. For pallets production only FSC certified material is used (with claim FSC 100% and FSC Mix Credit) from 10 suppliers (all from Lithuania). 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>

5.3 Detailed description of Supply Base

The plant uses secondary feedstock (sawdust, chips) which originates from Lithuania and primary feedstock (wood logs) originated from Lithuania.

The plant has 10 stable suppliers. Total Supply Base area (ha): Lithuania 2,18 mill. ha.

Tenure by type (ha): 1.089 mill. state forests; 0.883 mill. private forests, 0.2 mill reserved forests.

Forest by type (ha): 2,18 million ha boreal forests

Forest by management type (ha): 2,18 million managed semi-natural

Certified forest by scheme (ha): FSC, total certified area 1,140 million ha (FSC)

Number of suppliers: 10

Controlled Feedstock 0%

SBP-compliant Primary Feedstock 59%

SBP-compliant Secondary Feedstock 41%

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 TT-COC-005389 certificate covering pellet production. FSC transfer system is used for materials received as FSC certified. Feedstock from Lithuania is delivered by FSC certified suppliers. Supplier list is maintained. Number of suppliers is 10. 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. The client uses transfer system and physical separation method for sawdust and woodchips. There are 2 separate physical storage places for certified and non-certified sawdust and chips. For certified sawdust and woodchips, the BP uses material with FSC100% and FSC Mix Credit claims and output as FSC100% and FSC Mix Credit (BP has separate piles for these different claims). Concerning primary feedstock, BP purchase only FSC certified material from state forests with FSC100% claim.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Location	Date/time
Energy use calculations review	NEPCon office	10/09/2019 9.00 – 12.15
Documents and procedures review (SBR, Biomass Profiling Data, SBP procedures)	NEPCon office	11/09/2019 13.00 – 16.45
Opening meeting	Office	12/09/2019 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.

	<p>In 2016, he got the SBP lead auditor qualification and started to audit according to SBP scheme.</p>
<p>Povilas Misierauskas, Auditor in training</p>	<p>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.</p>

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:

September 12, 2019.

Auditor was welcomed in UAB Granulta office in Kursenai, Siauliai 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 7th of July 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. 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.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

BP has a system to gather and record energy data. 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 the Director and the top management person of another company (Director of UAB "Kamjorda"). The peer review of SBR was done by Simonas Vaitiekūnas (production management chief specialist of Kursenai Regional Division of State Forest Enterprise) - experience in sustainable forestry practice.

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 01/19	NC Grading: Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock The BP shall record the place of harvesting of inputs classified as SBP-compliant Primary Feedstock. (6.1)
Description of Non-conformance and Related Evidence:	
<p>The BP has 6 suppliers which supply fuel wood with FSC100% claim. Out of 6 suppliers - 3 suppliers provide fuel wood directly from their FSC certified forests and they have FSC FM/CoC certificate. In this case the origin is proved through delivery and sales documents (transportation documents, invoices). The remaining 3 suppliers supply fuel wood with FSC 100% claim not directly from forests, but under their FSC CoC certificates. All these suppliers have signed the origin declarations. In the SBP procedures it is foreseen that once per year the BP conducts suppliers' audits in order to check the origin. During the audit one supplier verification audit was done of the main supplier "UAB Kamjorda" (situated at the same courtyard). The supplier is FSC certified and supplies fuel wood, sawdust and chips only with FSC100% claim. The supply base and origin were confirmed checking its suppliers list and purchase documentation (delivery notes, transportation documents and cutting licenses) and proved the supply area is only Lithuania. The cutting licenses (for private certified forests) are verified on internet using the database of cutting licenses, while for state forests – delivery documentations and transportation documents indicates the place of harvest. However, the supplier audits for remaining 2 primary feedstock suppliers, were not done yet, but only planned during this year. Considering that the origin was not yet confirmed and demonstrated for all primary feedstock suppliers, the auditor decided to rise minor non-conformance.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

NC number 02/19	NC Grading: Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock The BP shall record the place of harvesting and the identity of the primary wood processor responsible for the supply of inputs classified as SBP-compliant Secondary Feedstock. (6.2)
Description of Non-conformance and Related Evidence:	
All secondary feedstock suppliers are FSC certified and have supplier agreements. Tree species are verified using FSC database, the distance and means of transportation are verified by BP and corresponds to declared origin and the material of secondary suppliers comes only from Lithuania. Supplier list is available. Additionally, to this BP is requesting suppliers to sign supplier origin confirmation agreement. Agreements with the active suppliers are signed. In the SBP procedures it is foreseen that once per year the BP conducts suppliers audits in order to check the origin. During the audit one supplier verification audit was done of the main supplier “UAB Kamjorda” (situated at the same courtyard). The supplier is FSC certified and suppliers fuel wood, sawdust and chips only with FSC100% claim. The supply base and origin were confirmed checking its suppliers list and purchase documentation (delivery notes, transportation documents and cutting licenses) and proved the supply area is only Lithuania. However, out of 5 secondary suppliers, only 1 supplier verification audit was conducted before assessment. The supplier audits for remaining 4 secondary feedstock suppliers, were not done yet, but only planned during this year. Considering that the origin was not yet confirmed and demonstrated for all secondary feedstock suppliers, the auditor decided to rise minor non-conformance.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	PENDING
Findings for Evaluation of Evidence:	PENDING
NC Status:	Open

NC number 03/19	NC Grading: Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock The report shall be concise, covering the most important features , and shall be completed using the latest versions of the SBR Template for Biomass Producers downloaded from the SBP website. (2C, 4.1)
Description of Non-conformance and Related Evidence:	
BP has compiled Supply Base Report (SBR) using the latest available template at the time of the main assessment. However, some small discrepancies and insufficient information were found in the report. In section 2.1 the total sum of feedstock was 110%; the section “Final harvesting sampling program was empty; in section 2.5 under point k, the volume percentage of primary feedstock was incorrect and not	

corresponding to data presented below; there was no information in the section 3 “Requirement for Supply Base Evaluation” and under section 11.1 Peer review.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
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):	Ondrej Tarabus
Date of decision:	03/Sep/2019
Other comments:	N/A