



Supply Base Report: TANAC S.A.

Second Surveillance Audit

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Completed in accordance with the Supply Base Report Template Version 1.3

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: Tanac S.A.

Producer location: B Street, Industrial District. Zip Code: 96200-970. Rio Grande – RS – Brazil.

Geographic position: Lat 32°06'20.55"S, Long 52°07'06.56"O

Primary contact: Djones Roesler. E-mail: drolesler@tanac.com.br

Address: Torbjorn Weibull Street, 199. Zip Code: 95780-000 Montenegro – RS - Brazil.

Phone: +55 51 3632-4055.

Company website: <http://www.tanac.com.br>

Date report finalised: 14/09/2020

Close of last CB audit: Rio Grande, 28 october 2019.

Name of CB: NEPCon

Translations from English: Yes

SBP Standard(s) used: Standard 2 Version 1.0, Standard 4 Version 1.0, Standard 5 Version 1.0

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

SBP Endorsed Regional Risk Assessment: N/A

Weblink to SBE on Company website: N/A

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

The acácia (*Acacia mearnsii*) was introduced in Rio Grande do Sul State, at 1918, by Alexandre Bleckmann, Industry Company Director in the São Leopoldo municipality. Mr. Alexandre planted (as a test) about 700 trees for energy use and the first commercial plantation was introduced by Mr. Julio C. Lohamnn with 1000 trees of acácia in Estrela Municipality. Since then, the acácia's tree has been planted commercially in Rio Grande do Sul to tannin and energy production. Over the years, there was the expansion and the productive chain was installed.

The acacia plantation's in Rio Grande do Sul has important social issues due the most part of acacia plantation belongs to the independent small forest holders. The wood and bark from acacia are the main source of income. Nowadays there are more than 35.000 families that have as main source of income, the results of production and sale of acacia plantation or related activities, as seed production, planting, harvesting and transport, among others. The acácia rotation is about 6, 7 years, a forest activity that preserves and enriches the soil.

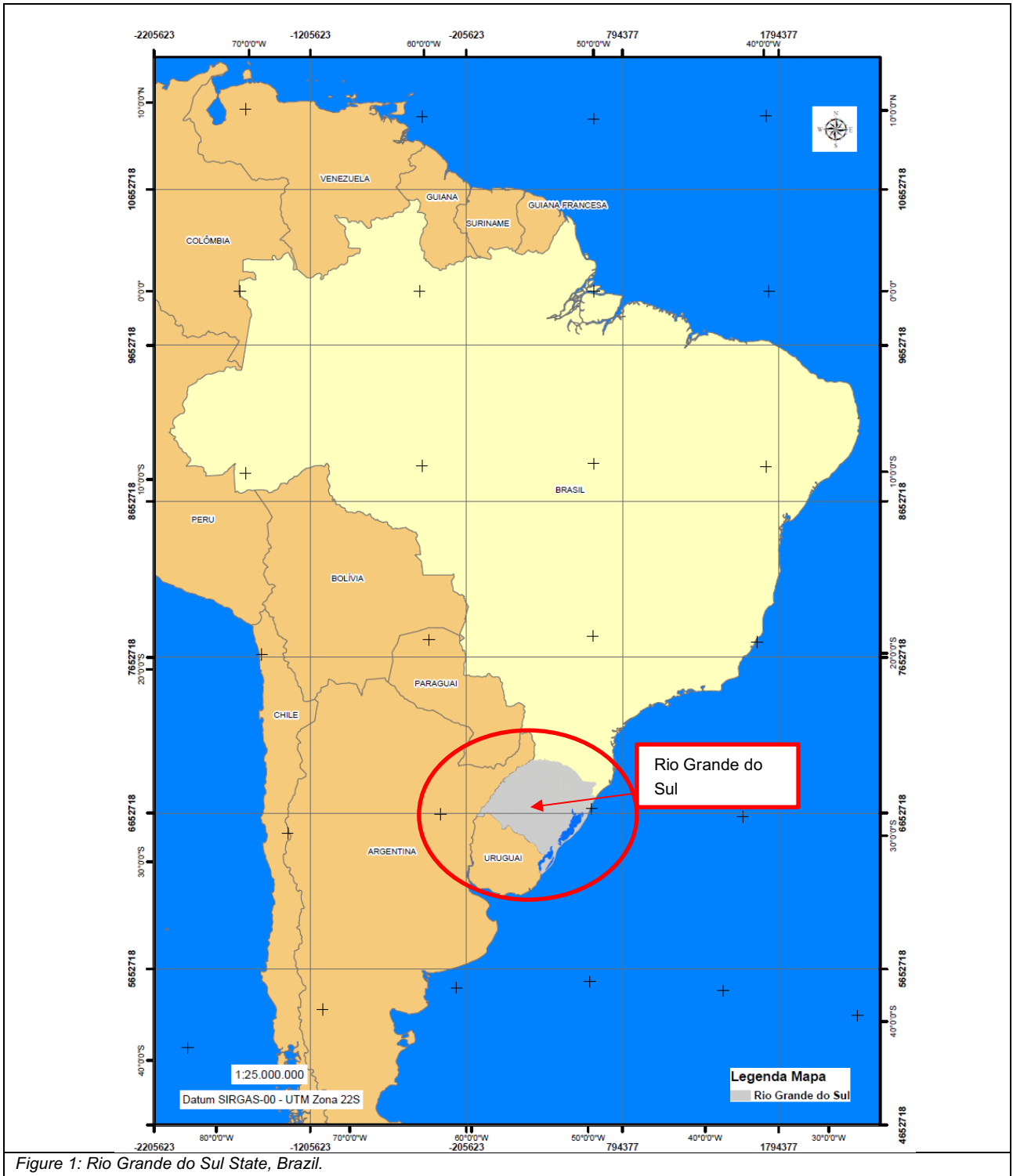
The acacia wood is used for cellulose production, for charcoal production, in building constructions, for wood panels production and energy. In recent years, the wood chips segment expands your operating increasing the supply to the japanese market and others markets as, Europe, Coréia do Sul, India and China. The acacia plantations are located in the middle south of Rio Grande do Sul.

TANAC S.A. was set up in 1948 and the Pellet Plant started their activity in 2016 and the capacity is 350.000 t annually. The plant is located near the port of Rio Grande and receive feedstock from different suppliers (small forest owners, holding and own forest) and the transport is made by trucks.

The 100% of feedstock comes from of Rio Grande do Sul State and the supply base come from:

- **Own Forest and term lease (Tanagro)**: Amaral Ferrador, Arroio Grande, Cachoeira do Sul, Canguçu, Cerrito, Cristal, Encruzilhada do Sul, Herval, Jaguarão, Pedro Osório, Pinheiro Machado, Piratini, Triunfo.
- **Suppliers**: Arroio dos Ratos, Barão do Triunfo, Capela de Santana, Eldorado do Sul, General Câmara, Guaíba, Montenegro, Pantano Grande, Portão, São Jerônimo, Tabai, Triunfo, Arroio Grande, Bagé, Camaquã, Candiota, Canguçu, Cerro Grande do Sul, Encruzilhada do Sul, Mariana Pimentel, Morro Redondo, Pedras Altas, Pinheiro Machado, Piratini, São Lourenço do Sul, Sentinela do Sul, Tapes.

All data presented in this report takes 2019 as reference. In figures 1 and 2 below, it is possible observe the localization of Rio Grande do Sul State, in Brazil, and the distribution of plantation with acácia:



Encruzilhada do Sul is the municipality more important in terms of planted area of acácia - 22,5 % of total área. The acácia plantations is present in 84 municipalities of the 497 municipalities (17 % of total).

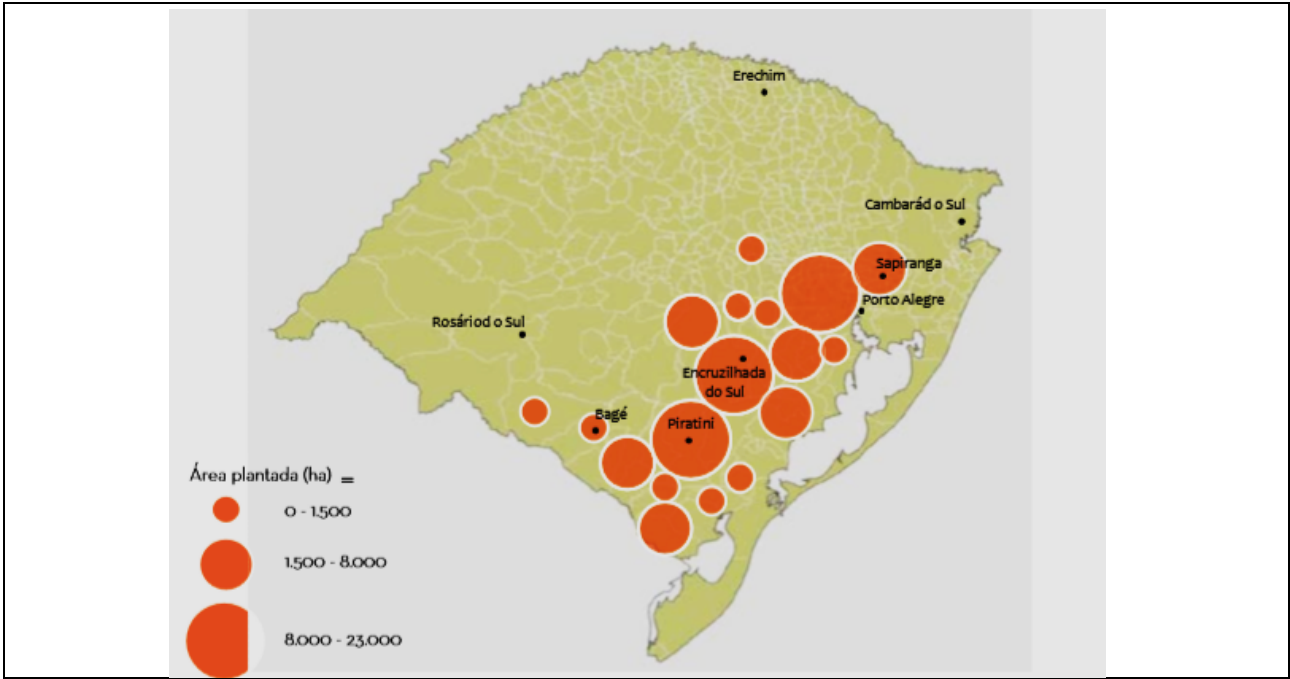


Figura 2: Distribution of areas planted with acácia in Rio Grande do Sul. Source: AGEFLOR e CONSUFOR.

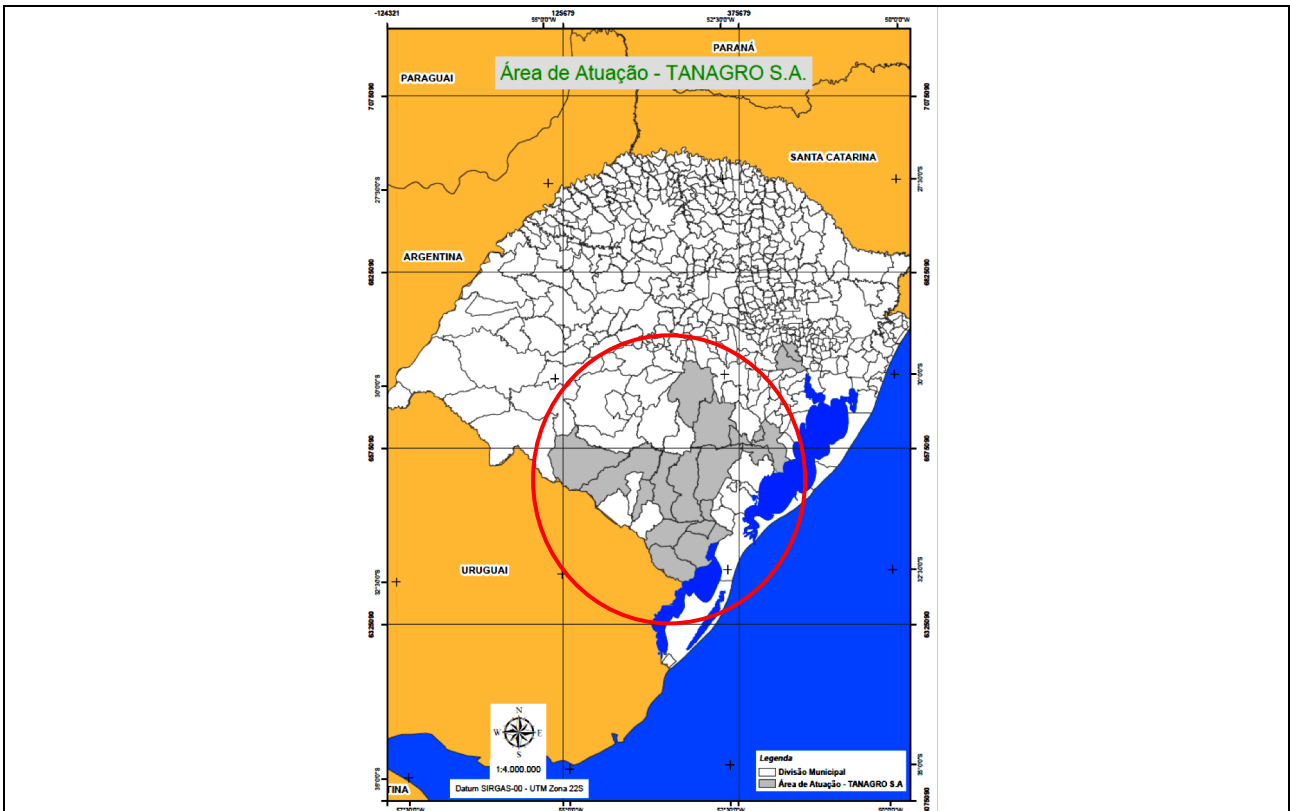


Figure 3: The TANAC's production

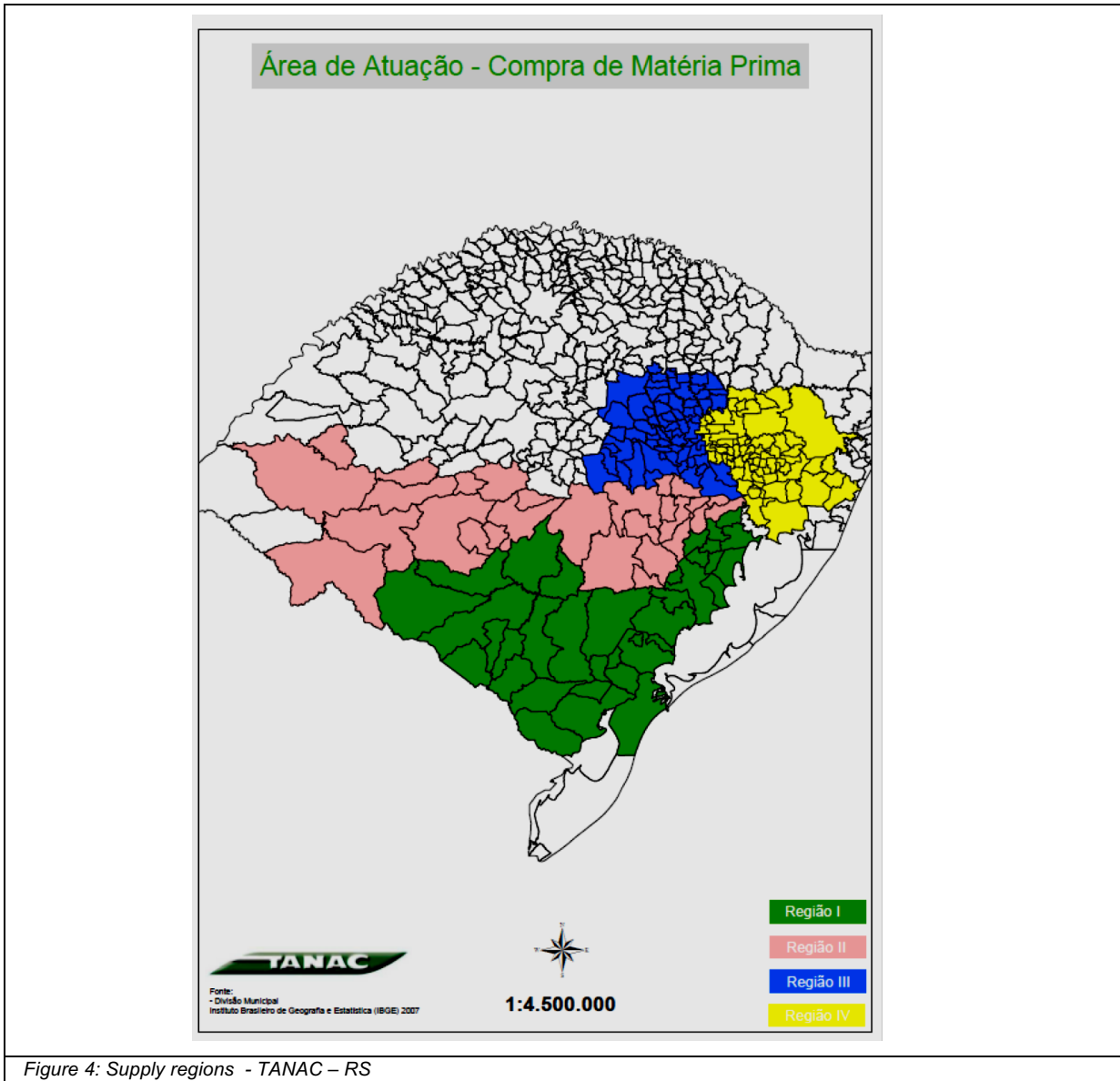


Figure 4: Supply regions - TANAC – RS

In figures 3 and 4, the company's production áreas (own planted areas) and the supply regions of TANAC (suppliers' areas) are presented.

The forest management carried out by TANAGRO involves several forest operations and consists of farms / properties of the company distributed in 13 municipalities in the State of Rio Grande do Sul. The company also develops partnerships (promotion) with producers of black wattle (*Acacia mearnsii*).



Picture 1: *Acacia mearnsii* plantation

The 100% of feedstock (wood) of TANAGRO comes from acacia plantation (Picture 1). The natural áreas within the geographic boundary of the management unit are protected and TANAGRO has politics and norms to preserve these areas. TANAGRO, through your time and experts, carried out environmental e social studies as “Identification of High Conservation Values” and Environmental Study” to identify species, including rare and threatened species of fauna e flora.

In the first study was identified the high conservation value, category 1:

HCV 1: Species diversity – Concentrations of biolofial diversity including endemic species and rare, threatened or endangered species, thath are significant at global, reginal or national levels (Common Guidance for the Identification o High Conservation Values, HCV network, 2013).

TANAGRO has carried out monitoring to ensure that management practices effectively maintain and/or enhance the HCV. From the Environmental Study TANAGRO has set:

- a) Actions to preserve native áreas;
- b) Actions to preserve rare, threatened or endangered animals;
- c) Actions to control access to the UMF (avoiding hunting);
- d) Environmental education to workers and local communities.

The details and results are presented in the Management Plan of TANAGRO. The Convention on International Trade and Endangered Species of Wild Fauna and Flora (CITES) List do not include *Acacia mearnsii* (checklist.cites.org) as threatened or endangered.

Quadro 1: Threatened or endangered fauna in monitored areas.

Família	Nome Científico	Nome Popular	Local do Registro	Categoria
Cotingidae	<i>Pyroderus scutatus</i>	pavó	Ouro Verde	Vulnerável
Felidae	<i>Leopardus geoffroyi</i>	gato-do-mato-grande	Ouro Verde	Vulnerável
Felidae	<i>Leopardus wieddi</i>	gato-maracajá	Ouro Verde	Vulnerável
Procyonidae	<i>Nasua nasua</i>	quati	Ouro Verde	Vulnerável
Dasypodidae	<i>Cabassous tatouay</i>	tatu-de-rabo-mole	Ouro Verde	Dados insuficientes
Dasypodidae	<i>Dasypus hibridus</i>	tatu-mulita	Ouro Verde	Dados insuficientes
Cuniculidae	<i>Cuniculus paca</i>	paca	Ouro Verde	Vulnerável
Dasyproctidae	<i>Dasyprocta azarae</i>	cutia	Ouro Verde	Vulnerável

Fonte: TecnicyAmb (Monitoramento da Fauna) e Decreto Estadual nº 51.797/2014.

Quadro 2: Endangered species of flora reported in TANAGRO areas.

Família	Nome Científico	Nome Popular	Categoria *	Ocorrência (Região / Área)
Anacardiaceae	<i>Astronium balansae</i> (<i>Myracrodruon balansae</i>) ⁽¹⁾	aroeirão	Em Perigo	Encruzilhada do Sul / Planície Costeira
Araucariaceae	<i>Araucaria angustifolia</i> ⁽¹⁾	pinheiro-brasileiro	Vulnerável	Camaquã / Planície Costeira
Bromeliaceae	<i>Dyckia remotiflora</i> ⁽⁴⁾	gravatá	Vulnerável	Faz. Do Seival
Cactaceae	<i>Frailea gracillima</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival
Cactaceae	<i>Frailea pygmaea</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival / Do Cerrito
Cactaceae	<i>Gymnocalycium denudatum</i> ⁽⁴⁾	tuna	Em Perigo	Faz. Luis Rodrigues
Cactaceae	<i>Parodia erinacea</i> ⁽⁴⁾	tuna	Em Perigo	Faz. Do Seival
Cactaceae	<i>Parodia linkii</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival
Cactaceae	<i>Parodia mammulosa</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival
Cactaceae	<i>Parodia ottonis</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival / Do Cerrito / Luis Rodrigues
Cactaceae	<i>Parodia oxycostata</i> ⁽⁴⁾	tuna	Vulnerável	Faz. Do Seival
Cactaceae	<i>Parodia permutata</i> ⁽⁴⁾	tuna	Em Perigo	Faz. Do Seival
Lauraceae	<i>Licaria armeniaca</i>	canela	Criticament e em Perigo	Faz. Camboatá
Lauraceae	<i>Ocotea lanceolata</i> ⁽¹⁾	canela-amarela	Em Perigo	Camaquã / Piratini / Planície Costeira
Melastomaceae	<i>Tibouchina asperior</i> ⁽²⁾	douradinha	Em Perigo	Faz. Ouro Verde
Myrtaceae	<i>Eugenia dimorpha</i> ⁽⁴⁾	-	Vulnerável	Faz. Luis Rodrigues
Orchidaceae	<i>Baptistonia riograndense</i>	orquídea	Vulnerável	Faz. Ouro Verde
Orchidaceae	<i>Cattleya intermédia</i> ⁽¹⁾	orquídea	Vulnerável	Faz. Ouro Verde
Oxalidaceae	<i>Oxalis refracta</i>	azedinha	Criticament e em Perigo	Faz. Santa Fé
Poaceae	<i>Chascolytrum bulbosum</i> (<i>Erianthecium bulbosum</i>)	-	Em Perigo	Faz. Cerro Branco / Santa Fé
Solanaceae	<i>Solanum viscosissimum</i> ⁽²⁾	joá-cipó-melado	Em Perigo	Faz. Santa Fé

Fontes: (1) Tecnicymb; (2) A. Guglieri & F.J.M. Caporal; (3) Silas Mochiutti; (4) Biota.

a) * De acordo com o Decreto Estadual nº 51.109/2014

Monitoring is carried out to ensure compliance with actions and, if necessary, to mitigate threats and / or negative impacts. Results of the studies and the monitoring carried out are described in TANAGRO's Forest Management Plan. The International Trade Convention's list of endangered species of wild flora and fauna does not include *Acacia mearnsii* (checklist.cites.org).



Picture 2: Harvesting activities



Picture 3: Harvesting activities

The silvicultural practices (own activities and forest partnership) aim the establishment of acacia forest, which is one fast-growing specie and sensitive to weed competition. The company has a seedling nursery installed Triunfo, RS to produce the forest seedlings.

The plantation establishment involves: soil preparation (mechanical control by hand-pulling, subsoiling, harrowing), control leafcutter ants, planting and fertilising. The control ants is very important due the widespread of leafcutter ant (*Acromyrmex* sp.). The maintenance activities of second through seventh year are restricted to the monitoring and pest control.

The rotation adopted for the company is 7 (seven) years, take into account the quality of products – wood and bark , the increasing of tannin content and wood density over the years. The harvesting (machine based and manual) begins with the harvesting plan (pictures 2 and 3) and is finished on timber yard (stacked wood on the roadside) to transport to industry.

2.2 Actions taken to promote certification amongst feedstock supplier

TANAC as a maintainer has the project to support Certification, by the biomass producer, for small acacia producers, which is under development. In 2019, five (5) suppliers and (six) 6 UMFs were certified by FSC®. This support should extend through the year 2021, adding more suppliers and more FMUs to the group.

2.3 Final harvest sampling programme

Not Applicable. The rotation is 7 (seven) years – short rotation.

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

Not Applicable.

2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): **41.004,70 ha (100% Rio Grande do Sul - Brasil): TANAGRO – 39.136,5 ha and suppliers – 1.868,20 ha**

Tanagro: Amaral Ferrador = 984,8ha, Arroio Grande = 2.552,5ha, Cachoeira do Sul = 346,0ha, Canguçu = 5.232,7ha, Cerrito = 404,5ha, Cristal = 2.329,4ha, Encruzilhada do Sul = 5.482,2ha, Herval = 374,9ha, Jaguarão = 2.858,1ha, Pedro Osório = 595,0ha, Pinheiro Machado = 2.463,7ha, Piratini = 15.500,8ha, Triunfo = 12ha.

Suppliers: Arroio dos Ratos = 16,82ha; Barão do Triunfo = 32,66ha; Capela de Santana = 3,17ha; Eldorado do Sul = 18,42ha; General Câmara = 171,14; Guaíba = 8,03ha Montenegro = 37,97ha; Pantano Grande = 2,07ha; Portão = 2,88ha; São Jerônimo = 114,96ha; Tabai = 0,77ha; Triunfo = 81,92ha; Arroio Grande = 180,64ha; Bagé = 127,94ha; Camaquã = 47,41ha; Candiota = 219,46ha; Canguçu = 102,54ha; Cerro Grande do Sul = 89,65ha; Encruzilhada do Sul = 372,95ha; Mariana Pimentel = 4,54ha; Morro Redondo = 36,42ha; Pedras Altas = 18,49ha; Pinheiro Machado = 0,98ha; Piratini = 55,45ha; São Lourenço do Sul = 77,93ha; Sentinela do Sul = 35,96ha; Tapes = 7,05ha.

- b. Tenure by type (ha): Private - **41.004,70 ha (TANAGRO – 39.136,50 ha and Suppliers 1.868,20 ha).**
- c. Forest by type (ha): **41.004,70 ha temperate**
- d. Forest by management type (ha): **41.004,70 ha plantation**
- e. Certified forest by scheme (ha): **TANAGRO – 39.136,50 ha (Certificate FSC®) and Suppliers - 1.868,20 ha (Controlled Wood FSC®).**

Feedstock

- f. Total volume of Feedstock: tonnes or m³ - **926.283,83 ton em 2019 (703.291,85 tons – TANAGRO and 222.991,98 ton - Suppliers).**
- g. Volume of primary feedstock: tonnes or m³ - **926.283,83 ton em 2019 (703.291,85 tons – TANAGRO e 222.991,98 tons – Suppliers).**
- h. List percentage of primary feedstock (g), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. Subdivide by SBP-approved Forest Management Schemes:
Certified to an SBP-: **65,57% FSC® e 34,43% de Controlled Wood FSC®**
- Not certified to an SBP-approved Forest Management Scheme
- i. List all species in primary feedstock: **acacia negra (Acacia mearnsii)**
- j. Volume of primary feedstock from primary forest: **0 tons.**
- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: **N/A**
- l. Volume of secondary feedstock: specify origin and type - the volume may be shown as a % of the figure in (f) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. **N/A**
- m. Volume of tertiary feedstock: specify origin and composition - the volume may be shown as a % of the figure in (f) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. **N/A**

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	<input checked="" type="checkbox"/>

The amount of sold SBP compliant material is purchased in a congruent amount of feedstock that is certified with a SBP approved forest management system (FSC®).

4 Supply Base Evaluation

4.1 Scope

N/A

4.2 Justification

N/A

4.3 Results of Risk Assessment

N/A

4.4 Results of Supplier Verification Programme

N/A

4.5 Conclusion

N/A

5 Supply Base Evaluation Process

N/A

6 Stakeholder Consultation

N/A

6.1 Response to stakeholder comments

N/A

7 Overview of Initial Assessment of Risk

N/A

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

N/A

8.2 Site visits

N/A

8.3 Conclusions from the Supplier Verification Programme

N/A

9 Mitigation Measures

9.1 Mitigation measures

N/A

9.2 Monitoring and outcomes

N/A

10 Detailed Findings for Indicators

N/A

11 Review of Report

11.1 Peer review

The report's review was carried by an independent party.

Peer reviewer: Mariangela Gerum – Forest Engineer (RBG Conhecimento)

Ms Mariangela Gerum, Forest Engineer from Universidade Federal do Paraná UFPR - Brazil, holds a postgraduate diploma in Environmental Management Systems from Pontifícia Universidade Católica do Paraná – PUCPR -Brazil. Lead auditor for RSPO and ISO 45001:2018 IRCA. She is specialized in socio-environmental certification (FSC®, CERFLOR, Palm Oil Certification – RSPO) and her expertise includes audits on management systems, high conservation values studies, social and environmental management, environmental legal processes, forestry planning, courses and training.

11.2 Public or additional reviews

N/A

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Djones Roesler</i>	<i>Quality System Analyst</i>	<i>14/09/2020</i>
	Name	Title	Date
<p>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.</p>			
Report approved by:	<i>José Osmar Graff Junior</i>	<i>Commercial Director</i>	<i>14/09/2020</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

N/A

13.2 Effectiveness of previous mitigation measures

N/A

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual figures for feedstock over the previous 12 months

- Total volume of Feedstock: **926.283,83 ton em 2019 (703.291,85 tons - TANAGRO 222.991,98 tons - suppliers)**
- Volume of primary feedstock: **926.283,83 ton em 2019 (703.291,85 tons – TANAGRO e 222.991,98 tons - suppliers)**
- List percentage of primary feedstock (g), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-: **65,57% FSC® and 34,43% (Controlled Wood FSC®)**.
 - Not certified to an SBP-approved Forest Management Scheme
- List all species in primary feedstock: **acacia negra (Acacia mearnsii)**
- Volume of primary feedstock from primary forest: **0 tons.**
- List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: **N/A**
- Volume of secondary feedstock: specify origin and type - the volume may be shown as a % of the figure in (f) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. **N/A**
- Volume of tertiary feedstock: specify origin and composition - the volume may be shown as a % of the figure in (f) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. **N/A**

13.5 Projected figures for feedstock over the next 12 months

- Total volume of Feedstock: **748.799 ton para 2020 (540.220 tons TANAGRO and 208.579 tons suppliers).**
- Volume of primary feedstock: **748.799 ton para 2020 (540.220 tons – TANAGRO and 208.579 tons - suppliers).**

- Percentage of primary feedstock
 - Certified to an SBP: **72% FSC® and 28% (Controlled Wood FSC®)**.
- Lista de todas as espécies da matéria prima: ***acacia negra (Acacia mearnsii)***
- Volume da matéria prima proveniente de Floresta primária: **0 tons.**
- Porcentagem da matéria prima proveniente de Floresta primária: Não aplicável (j), pelas seguintes categorias. Não aplicável
Volume de matéria-prima secundária: Não aplicável
- Volume de matéria prima terciária: Não aplicável