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

First Surveillance 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

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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, +34 605 638 383
Current report completion date:	07/Dec/2020
Report authors:	Gerimantas Gaigalas
Name of the Company:	UAB “Šilalės mediena”
Company contact for SBP:	Vaidotas Beneta, manager
Certified Supply Base:	sourcing from Lithuania
SBP Certificate Code:	SBP-07-41
Date of certificate issue:	16/Dec/2019
Date of certificate expiry:	15/Dec/2024

This report relates to the First 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 Tubučiai, Šilalės r., Lithuania. The Organisation holds valid FSC Chain of Custody TT-COC-003985 certificate covering local sawmill and pellet production. The Organisation is certified since January 4, 2017. The input material used by the organisation for biomass production (both as raw material for pellet production and feedstock used into dryer) contains only 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 FOB). The scope includes Instruction Document 5E Dynamic Batch Sustainability Data.

Scope description:

Production of wood pellets, for use in energy production, at Tubučiai, Šilalės r., Lithuania and transportation to port of Klaipeda. 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 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 data collection analysis;
- Sales, DTS;

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 “Šilalės mediena” is a biomass producer with a production situated in Tubučiai, Šilalės r., Lithuania. BP is sourcing only secondary feedstock for its production from its local sawmill. Heating pellets are produced from secondary feedstock: wood industry residues chips and sawdust originating from local sawmill which uses primary FSC certified local suppliers only from Lithuania. The secondary feedstock from local sawmill is delivered to the pellet plant by convey. The primary feedstock for sawmill is delivered by road transport. The sales points are trough Klaipeda port (under FOB) in Lithuania. Production capacity 50 000 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%) from local sawmill. The sawmill uses primary feedstock from 61 local (Lithuanian) suppliers which supply primary feedstock directly from their forests with FSC100% claim under FSC FM/COC certificate, 1 trader which supply primary feedstock with FSC100% claim under their FSC- COC certificate scope. All suppliers are 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. Production capacity 50 000 metric tons.

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, witha 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.

No CITES species ate used.

“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

Detailed description of Supply Base

The plant uses secondary feedstock (sawdust, chips) which originates local sawmill. The local sawmill uses primary feedstock (wood logs) and secondary feedstock originated from Lithuania. The sawmill uses primary feedstock from 61 local (Lithuanian) suppliers which supply primary feedstock directly from their forests with FSC100% claim under FSC FM/COC certificate and 1 trader which supply primary feedstock under FSC-COC certificate with FSC100% claim, but has origin documents attached with every delivery. .

Total Supply Base area (ha): Lithuania 2,18 mill. ha.

Tenure by type (ha): 1.089 ha 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: local sawmill

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.).

5.3 Chain of Custody system

The Organisation holds valid FSC Chain of Custody TT-COC-003985 certificate covering local sawmill and pellet production. FSC transfer system is used for materials received as FSC certified. Feedstock for pallets production is delivered from local sawmill by convey as FSC certified with FSC100% claim. The sawmill uses primary feedstock from 61 local (Lithuanian) suppliers which supply primary feedstock directly from their forests with FSC100% claim under FSC FM/COC certificate, 1 trader which supply primary feedstock with FSC100% claim under their FSC- COC certificate scope. The sawmill uses physical separation method and has separate storage sides for FSC certified material (fuel wood) and non-certified. Sawmill in its production process uses physical separation method by time (at one time only FSC certified material is being produced). The sawdust and wood chips received during the production process by convey belt is transferred to pallet production side and stored separately. The pallet unite has 2 storage sides for FSC certified sawdust and wood chips and non-certified. All data is maintained in the recordkeeping system of the Organisation. Their product groups for the FSC CoC certification include wood pellets, however for SBP certified products only industrial pallets are considered. The client uses transfer system and physical separation method for sawdust and woodchips.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Location	Date/time
Energy use calculations review	NEPCon office	**21/09/2020** 9.00 – 12.15
Documents and procedures review (SBR, SBP procedures)	NEPCon office	**23/09/2020** 13.00 – 16.45
Opening meeting	Office	**30/10/2020** 9.00-9.30
Documents and procedures review Inputs and outputs review	Office	9.30-11.30
Energy use calculations review	Production facilities	11:30 – 14:30
Chain of custody review (site tour), interview with responsible persons, supplier verification audit	Office	14:30-16:00
Staff interviews	Production site and office	16:00-16:45
Pre -closing meeting	Office	16:45 – 17:00
Energy use calculations review	NEPCon office	**02/11/2020** 9.00 – 12.15
Closing meeting	Office	13:00 – 14:00

6.2 Description of evaluation activities

Auditor was welcomed in UAB Šilalės mediena office in Tubuciai, Šilalės r. Auditor started with an opening meeting attended by manager, who is the main responsible person for SBP. 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.

Auditor(s), roles	Qualifications
Gerimantas Gaigalas, Lead auditor for SBP, FSC, 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.

In addition, the energy use and calculation data were reviewed on 02.11.2020 and afterwards the preliminary results were presented once again.

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

6.3 Process for consultation with stakeholders

N/A

7 Results

7.1 Main strengths and weaknesses

Main strengths: all processes are well documented; main database for material balances is well maintained and all relevant information is reported. Very simple supply chain. All material comes as FSC certified with FSC100% claim from local sawmill.

Weaknesses: most of responsibilities are taken by Sales manager. In case of the illness or other reasons of his absence, the responsibilities could be implemented with difficulty.

7.2 Rigour of Supply Base Evaluation

N/A

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 Sales manager. SBR was reviewed by the Director and Supply manager. The peer review of SBR was done by Valdas Girskis (chief of the forest district of Taurage regional division of State forests), who has 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, auditor evaluated the competency of main responsible staff to be sufficient.

7.5 Stakeholder feedback

N/A

7.6 Preconditions

N/A

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.

N/A

9 Review of Company's mitigation measures

N/A

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:** Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock Relevant personnel shall be informed promptly of any changes to management systems. (15.7)
Description of Non-conformance and Related Evidence:	
According to the written SBP procedures, the relevant personnel has to be always informed about any relevant management system changes via meetings or e-mails and the annual training shall be conducted at least once per year. The last training was carried out on 16th of October 2019 and the new one is still not conducted. The responsible person informed that the new training is planned to be conducted as usual, but because of COVID 19 issues is still pending. The interview with responsible persons confirmed that they know, understand and implement the requirements of this standard according to their responsibilities. Considering, the auditor decided to raise minor nonconformity.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts 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 #4: Chain of Custody A single legal owner may supply SBP-compliant Biomass, SBP-controlled biomass, and Other Biomass. Other Biomass shall be physically separated and shall not be mixed in any Chain of Custody system. (5.5.6)

Description of Non-conformance and Related Evidence:	
The existing system of the company foresee that other biomass is not mixed with SBP-compliant biomass. The written procedures clearly describe the process of physical separation method of sawdust and chips into separate piles - FSC certified used for SBP production and non-certified used for another biomass. According to the procedures the special signs must be put in order to show the physical separation. During the audit the responsible staff was interviewed, and it was confirmed that they know and understand this requirement, however during the side visit it was noticed that even the piles were physically separated, the special signs (as foreseen in the procedures) were absent.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Written procedures, specials signs
Findings for Evaluation of Evidence:	The root causes analyses were done by the BP and the corresponding measures have been implemented. The written procedures clearly describe the process of physical separation method of sawdust and chips into separate piles - FSC certified used for SBP production and non-certified used for another biomass. According to the procedures the special signs must be put in order to show the physical separation. During the audit the responsible staff was interviewed, and it was confirmed that they know and understand this requirement. The responsible staff showed the specials signs, which were used when in the BP premises were separate piles and when BP produced the SBP certified material. However, at the time of the audit the BP didn't have separate piles as since March 2020 no SBP certified production have been produced. Considering that the responsible person knows this requirement and the separation method was clearly explained and showed, the auditor decided to close this nonconformity.
NC Status:	Closed

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):	Olesja Puiso
Date of decision:	07/Dec/2020
Other comments:	*Click or tap here to enter text.*