Supply Base Report:

BIO WOOD UAB

Second Surveillance Audit

www.sbp-cert.org

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

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Version 1.3 published 14 January 2019; re-published 3 April 2020

Contents

1 Overview

On the first page include the following information:

Producer name:	UAB BIO WOOD
Producer location:	Plant 1: Palangos str. 23, Vigantiškiu parish., Telsiu distr., Lithuania Plant 2: Piliakalnio g. 9, Krucių km., Mažeikių raj
Geographic position:	Plant 1: 56.009828, 22.163335 Plant 2: 56.286321, 22.322774
Primary contact:	Neda Monstaviciute +37061156469; indre.biowood@gmail.com
Company website:	http://biowood.eu/en/about-us/
Date report finalised:	18/09/2020
Close of last CB audit:	22/09/2020
Name of CB:	Nepon UAB
Translations from English:	Yes
SBP Standard(s) used:	SBP Standard 1 version 1.0, SBP Standard 2-V1.0 ; SBP Standard 4-V1.0. ; SBP Standard 5-V1.0 (instructions documents 5E)
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**
☐	☐	☑	☐	☐

2 Description of the Supply Base

2.1 General description

UAB BIO WOOD, for both production plants receives the most part of feedstock from Latvia and Lithuania as wood residues after wood processing.

01/01/2019-31/12/2019

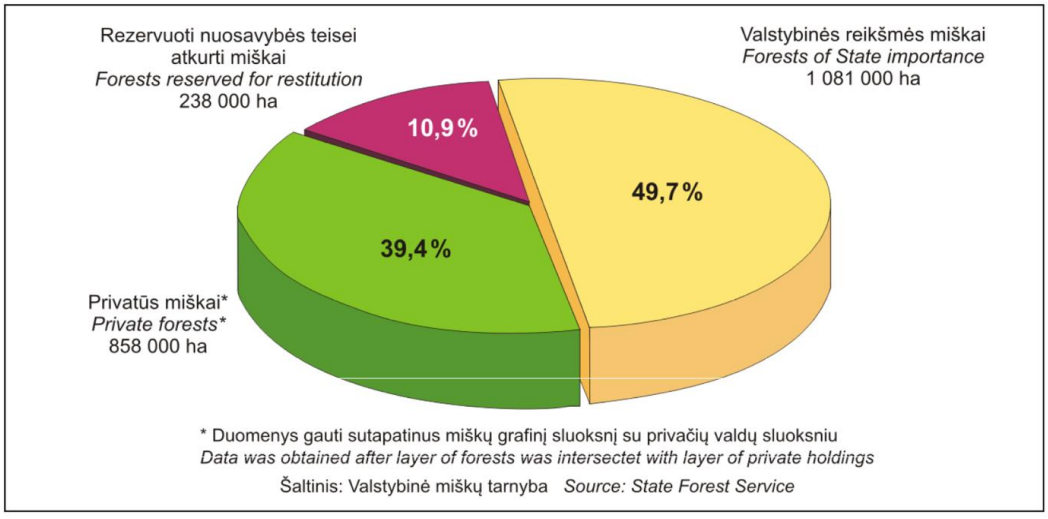
Plant 1	Plant 2
SBP-compliant primary feedstock: 0 % SBP-compliant secondary feedstock, 87 % (Wood industry residues/ sawdust wet, chips from 2 suppliers) SBP-compliant tertiary feedstock: 0% SBP-noncompliant feedstock: 13 %	SBP-compliant primary feedstock: 0 % SBP-compliant secondary feedstock, 0 % SBP-compliant tertiary feedstock: 0% SBP-noncompliant feedstock: 100 % (Wood industry residues/ sawdust wet, chips from 2 suppliers)

Species: Picea abies (L.) H. Karst.; Pinus sylvestris (L.);

Information about LITHUANIAN forest resources

Agricultural land covers more than 50 % of Lithuania. The forested land occupies about 28 % or 2.18 million ha, while the land classified as forest occupies about 30 % of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 % of the land. The total land area belonged to the State forest enterprises is divided into forest and non-forest land. Forest land is divided into forested and non-forested land. The total value added in the forestry sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10 % higher than in 2012.

FOREST LAND BY OWNERSHIP 01.01.2014



Forest land is divided into four protection categories: reserves (2 %), ecological category (5.8 %), protected category (14.9 %) and commercial category (77.3 %). All types of cuttings are prohibited in reserves. Clear cuttings are prohibited in national parks, while thinning and sanitary cuttings are allowed there. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinning as well. Almost no restrictions as to logging methods exist in the forests of commercial category.
Lithuania has signed the CITES Convention in 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests – especially spruce and birch – often grow in mixed stands. Pine forests are the most common type of forests, covering about 38 % of the woodland. Spruce and birch forests account for 24 % and 20 % respectively. Alder forests occupy about 12 % of the forest area, which is a relatively high figure that indicates the moisture level on specific sites. Oak and ash account for about 2 % of the forest area each. The area occupied by aspen stands is almost 3 %.

The growing stock in Lithuanian forests is about 180 m^3 per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m^3 per hectare. Total annual growth is almost 11,900,000 m^3 and the average annual wood increase has reached 6.3 m^3 per hectare.

The expected annual logging volume is 5.2 million m^3, 2.4 million m^3 of which are sawn wood and the remaining 2.8 million m^3 are small dimension wood for production of paper pulp or boards or for using as firewood. The calculations refer to the nearest 10-year period. If more intensive and efficient forest management systems are implemented, successful growth should be achieved.

Certification of all State forests in Lithuania is performed according to the strictest certification system in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certification confirms the fact that Lithuanian State forests are managed responsibly, in compliance with the requirements of protection and conservation of biodiversity.
(Source: http://www.fao.org/docrep/w3722e/w3722e22.htm)

Information about LATVIAN forest resources

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)

Share of tree species in forest renewal, breakdown by area (2017):

- Pine: 15 %
- Spruce: 19 %
- Birch: 30%
- White alder: 14 %
- Aspen: 18 %
- Other species: 4 %

(the State forest service: vmd.gov.lv, 2019)

Wood extraction according to types of cutting, breakdown by volume of production (2017):

- Final harvest: 45,3 %
- Thinning: 33,8 %
- Sanitary clear cutting: 14,5 %
- Deforestation cutting: 0.04 %
- Other types of cutting 6,3 %

(the State forest service: vmd.gov.lv, 2019)

Forestry sector

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.

Biodiversity

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.

FOREST AND SOCIETY

- 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 co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Certification

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.

2.2 Actions taken to promote certification amongst feedstock supplier

For the production of SBP pellets, the company used FSC certified supplier material (100%). The company policy is to give a preference to certified suppliers. Raw material consists of wood waste from main production of suppliers. Therefore, uncertified and new suppliers are invited to certify their base production and get benefit from residues

2.3 Final harvest sampling programme

N/A

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

Coniferous species ~30% Pine, 70% Spruce (sawdust, chips),

Wood industry residues/ sawdust wet 100 %

Species: Picea abies (L.) H. Karst.; Pinus sylvestris (L.);

2.5 Quantification of the Supply Base

Provide metrics for the Supply Base including the following. Where estimates are provided these shall be justified.

Supply Base

a. Total Supply Base area (ha): 5,236,578 ha cumulative area of all forest types within SB

Tenure by type (ha):

State property: 2,576,616 ha;

Private property: 2,418,961 ha

b. Forest by type (ha): temperate 41 %/hemi-boreal 59 %
c. Forest by management type (ha): managed, partly natural forest
d. Certified forest by scheme (ha): 3,907,000 ha are certified according FSC, 1,690,000 ha – according PEFC

Feedstock

e. Total volume of Feedstock: 50 000- 55000 tonnes
f. Volume of primary feedstock: 0 tonnes
g. List percentage of primary feedstock (g), by the following categories. -0%. Subdivide by SBP-approved Forest Management Schemes:
    - Certified to an SBP-approved Forest Management Scheme 0%
    - Not certified to an SBP-approved Forest Management Scheme 0%
h. List all species in primary feedstock, including scientific name
i. Volume of primary feedstock from primary forest 0%
j. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
    - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme
    - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
k. Volume of secondary feedstock: specify origin and type - 90 000- 100 000 tonnes (Sawmill residue sawdust, chips).
l. Volume of tertiary feedstock: specify origin and composition – 0%.
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*.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☑

SBE was not conducted because all feedstock used in production is FSC certified.

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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.

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1			
1.1.2			
1.1.3			
1.2.1			
1.3.1			
1.4.1			
1.5.1			
1.6.1			
2.1.1			
2.1.2			
2.1.3			
2.2.1			
2.2.2			
2.2.3			
2.2.4			
2.2.5			
2.2.6			
2.2.7			
2.2.8			
2.2.9			

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1			
2.3.2			
2.3.3			
2.4.1			
2.4.2			
2.4.3			
2.5.1			
2.5.2			
2.6.1			
2.7.1			
2.7.2			
2.7.3			
2.7.4			
2.7.5			
2.8.1			
2.9.1			
2.9.2			
2.10.1			

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

Peer review was not used.

11.2 Public or additional reviews

Public or additional reviews were not used.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	***Neda Monstavičiūtė*** 	***Commerce manager***	***18/09/2020***
	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:	***Martynas Judeikis*** 	***CEO***	***18/09/2020***
	Name	**Title**	**Date**

13 Updates

Note: Updates should be provided in the form of additional pages, either published separately or added to the original public summary report.

13.1 Significant changes in the Supply Base

No significant changes in the SB.

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

Taking into consideration that SBR is publicly available document, which is available not only for the purchasers of the product, but also for others interested, he management of the company has decided to display the data as limit indicators in order not to display the exact data of raw materials and the product.

01/01/2019-31/12/2019 90 000- 100 000 tonnes

13.5 Projected figures for feedstock over the next 12 months

01/01/2019-31/12/2019 100 000- 120 000 tonnes