SBP

Sustainable Biomass Program

NEPCon Evaluation of SIA Kurzemes granulas Compliance with the SBP Framework: Public Summary Report

Fourth 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

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1 Overview

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Current report completion date:	22/Nov/2019
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Name of the Company:	SIA Kurzemes granulas
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Certified Supply Base:	sourcing from Latvia, Lithuania, Norway, and Finland.
	SBE: not in the scope
SBP Certificate Code:	SBP-01-04
Date of certificate issue:	21/Jan/2016
Date of certificate expiry:	21/Jan/2021

This report relates to the*:* Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Ventspils. The Organisation holds FSC Chain of Custody and FSC Controlled Wood certificate, covering production of pellets. The certification covers both FSC certification as well as FSC Controlled Wood certification and controlled wood verification system for secondary feedstock. All feedstock originating from regions outside Latvia is received with FSC claim.

BP uses primary, secondary and tertiary feedstock for pellet production. Primary and secondary feedstock is delivered from the external suppliers, and tertiary feedstock is provided by one major supplier SIA Kurekss sawmill from the secondary timber processing.

All inputs materials delivered to the pellet production plant are FSC certified, FSC controlled wood or included in the Organisation's FSC Controlled wood verification system. Feedstock used in the biomass production originates from Latvia, Lithuania, Finlandand Norway. Feedstock originating from Latvia, Lithuania, Finland and Norway is supplied by the local sawmills.

SBP certificate scope: Production of wood pellets, for use in energy production, at Kurzemes Granulas and transportation to Ventspils harbour. The scope of the certificate does not include Supply Base Evaluation.

Scope of the evaluation is indicated in the table below:

<table>
<tr><th>Scope Item</th><th colspan="3">Check all that apply to the Certificate Scope</th><th>Change in Scope
(N/A for Assessments)</th></tr>
<tr><td>Approved Standards:</td><td colspan="3">SBP Standard #1 V1.0; SBP Standard #2 V1.0; SBP Standard #4 V1.0; SBP Standard #5 V1.0; http://www.sbp-cert.org/documents</td><td>☐</td></tr>
<tr><td>Primary Activity:</td><td colspan="3">Pellet producer</td><td>☐</td></tr>
<tr><td rowspan="3">Input Material Categories:</td><td colspan="2">☒ SBP-Compliant Primary Feedstock</td><td>☒ SBP-Compliant Secondary Feedstock</td><td rowspan="3">☐</td></tr>
<tr><td colspan="2">☒ Controlled Feedstock</td><td>☐ SBP non-Compliant Feedstock</td></tr>
<tr><td>☒ SBP-Compliant Tertiary biomass</td><td colspan="2">☐ Pre-consumer Tertiary Feedstock</td></tr>
</table>

	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	☒ FSC	☒ PEFC	☐ SFI	☐ GGL	☐
	☐ Transfer	☐ Percentage	☒ Credit		☐
Points of sales	☐ Harbour (including own handling of material)	☒ Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour	☐ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)		☐
Provide name of all points of sales	- - -	- FOB Ventspils	- - -		
Use of SBP claim:	☒ Yes	☐ No			☐
SBE Verification Program:	☐ Low risk sources only	☐ Sources with unspecified/ specified risk			☐
	New districts approved for SBP-Compliant inputs:				
Sub-scopes					☐
Specify SBP Product Groups added or removed: N/A					
Comments:					

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. Evaluation of the practical implementation of the requirements of the applicable standards.

The scope of evaluation covered:

- Review of the BP's management procedures, including requirements designated in SBP standards SBP Standard #1 V1.0; SBP Standard #2 V1.0; SBP Standard #4 V1.0; SBP Standard #5 V1.0; SBP Standard #6 V1.0:
- Review of the BP's management procedures;
- Review of the production processes,
- Production and storage site visits;
- 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;
- GHG data collection analysis;
- Evaluation of the SBP sales documents;
- Field visits of the primary and secondary feedstock suppliers, witness origin confirmation audits conducted into the supplier premises;
- Review of the updated Supply Base Report and Audit Report on Energy and GHG Data (SAR).

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),* including SBP instruction documents 5A, 5B and 5C version 1.1.

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

The BP is a biomass producer with a production situated in Ventspils Free Port area.

Kurzemes Granulas is producing both industrial and premium quality wood pellets.

BP is sourcing both primary, secondary and tertiary feedstock for its production. Premium pellets are produced from secondary feedstock (Wood industry residues), including Sawdust and shavings. Premium pellets might be sold in bulk. Industrial pellets are produced from secondary feedstock: wood industry residues: sawdust, wood chips as well as primary feedstock (long rotation forestry): processes firewood logs.

Feedstock is delivered by the local suppliers, however the place of harvesting of the secondary feedstock is originating not only from Latvia but also from Lithuania, Estonia and Norway.

All feedstock types are delivered to the pellet plant by road transport.

Incoming feedstock is either FSC certified, FSC Controlled or controlled according to the existing BP FSC Controlled wood verification program. FSC Controlled wood verification program is applicable for feedstock originating from Latvia and Lithuania. The feedstock originating from Lithuania, Finland and Norway is always coming with FSC claim. Origin information is kept and origin information access agreements are signed with feedstock suppliers. As a part of the Verification program BP is conducting supplier audits.

The BP is implementing FSC credit system. The amount of the biomass produced according to FSC credit system might be sold as SBP-compliant or SBP- controlled.

After the production pellets are stored in BP's production storage or transported into the Ventspils harbour storage place. After this pellets are loaded into the ship and sent to the customer on FOB Ventspils incoterm conditions.

5.2 Description of Company's Supply Base

BP is sourcing primary and secondary feedstock only for its production. All feedstock is delivered by companies registered in Latvia , however the feedstock may originate also from Lithiania, Finland, and Norway.

Latvia:

3.2 million ha of forest, agricultural lands 1,87 million ha. Forests cover 51% of the total area covered by forests is increasing. The expansion happens due to both natural afforestation of unused agricultural lands and by afforestation of low fertility agriculture land.

Forests lands consist of forests 91,3%, marshes 5.3%, open areas 1,1%), flooded areas 0,5% and objects of infrastructure 1,8%

The main wood species are pine 34.3%, birch 30.8% and spruce 18.0%. Other wood species are aspen, aspen, black alder, ash and oak..

51.8% of whole forest area is owned by state, 1.4% are in municipal ownership, but other 46.8% are private forests and other forest ownership types (data: State Forest Service statistics, 2014) . Management of the state-owned forests is performed by the public joint stock company AS Latvijas Valsts Meži, 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.

Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia. For the sake of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas have been included in the European network of protected areas Natura 2000. Most of the protected areas are state-owned.

In order to protect high nature conservation values such as rare and endangered species and habitats that are located outside designated protected nature areas, micro reserves are established. According to data of the State Forest Service (2015), the total area of micro reserves constitute 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously primarily in state forests.

On the other hand, there are general nature protection requirements binding to all forest managers established in forestry and nature protection legislation aimed at preservation of biological diversity during forest management activities. They stipulate a number of requirements, for instance, preserving old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions thus providing habitat for many organisms, including rare and/or endangered species.

Latvia has been a signatory of the CITES Convention since 1997. CITES requirements are respected in forest management, although none of local Latvian tree and shrub species are included in the CITES annexes. .

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012). 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 Protection Board under the Ministry for Environmental Protection and Regional Development.

5% of Latvian inhabitants are employed in forestry, wood-working industry, furniture production Industry.

The share of forestry, wood-working industry and furniture production amounted to 6 % GDP in 2012, while export yielded 1.7 billion euro (17 % of the total volume of export).

State forests are FSC/ PEFC certified. In addition to state forest enterprise, 6 private forest managers are managing forests in accordance with FSC standard requirements. The FSC certified are in the country amounts to a total of 1,743,157 ha , including 248,021 ha of private forest land. A total of 1,683, 641 ha forests are also PEFC certified. The figures are correct as of April, 2015.

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2.17 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The southeastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under 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 forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012. According to the ownership forests are divided into state (1.08 million ha), private forests (0,85 million ha) and other ownership types (0.2 million ha) .

Forest land is divided into four protection classes: reserves (2 %); ecological (5.8 %): protected (14.9 %); and commercial (77.3 %). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well. In commercial forests, there are almost no restrictions as to harvesting methods.

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 forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about 12 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent

Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management, although there are no local tree and shrub species included in the CITES annexes.

All state owned forests are is FSC certified.

Norway

About 38% of the surface area in Norway is covered by forest. The total forested area amounts to 12 million hectares, including more than 7 million hectares of productive forest. 15% of the productive forest has been estimated as non-economic operational areas due to difficult terrain and long distance transport, which means that economical forestry may only be operated in about 50% of the forested area. The most important species are Norway spruce (47%), Scots pine (33%) and birch (18%).

From the forest area: Privately owned forests 80 % ; State and municipalities 12 %

Industrial private 4 %; Local common land 4 %

All productive forests in Norway are certified, i.e. 7.397.000 hectares (both FSC and PEFC). The number of certified forest owners is approximately 43.000 (private, municipalities, state).

Approximately 6.4% of mainland Norway has protected area status. In addition, 15,000 square km of Spitsbergen is designated as conservation area - national parks, nature reserves or other kinds of protected area cover 10-12% of the area of the remote islands.

The total number of species in Norway is estimated to be 45,000, of which approximately 33,000 are known and described. It exists information enough to estimate whether a species is threatened or not for only 10,000 species. Of these, 150 are threatened by extinction, 279 are deemed vulnerable, 800 are categorized as rare (the last number also includes species which are rare of natural causes, and not only because of human intervention). 359 are deemed species of special concern, 36 species are indeterminate, while 169 species are classified as insufficiently known.

Species "Red lists" can be used to point out the habitats containing an especially rich variety of endangered species. Red list species have often proved to be the red warning lights of nature to tell us that a biotope is threatened or something else is wrong in nature. The red lists also give us a picture of the condition of our flora and fauna, and may contribute to the efforts of securing and improve the ecosystem for these species. http://www.borealforest.org/world/world_norway.htm

In the country there are areas of endangered high conservation value forests. More specifically there are Global200 and IFL areas in the northern mountain regions.

Norway has been a signatory of the CITES Convention since 1976. CITES requirements are respected in forest management, although there are no local tree and brush species included in the CITES lists annexes.

Those regions identified by Conservation International as a Biodiversity Hotspot . Those forest, woodland, or mangrove ecoregions identified by World Wildlife Fund as a Global 200 Ecoregion and assessed by WWF as having a conservation status of endangered or critical. Those regions identified by the World Resources Institute as a Frontier Forest Intact Forests Landscapes, as identified by Greenpeace (www.intactforests.org)

In 2006 forestry and the forest industries accounted for about 0.8% of the Gross National Product in Norway. Of the total employment of 2.443.000 persons in Norway approximately 40.000 people receive their income from forestry and from the forest industry. 6.700 persons (0.3%) are directly employed in forestry. About 50 percent of the Norwegian round wood harvested is used by sawmills. There are 225 sawmills in Norway operating on an industrial scale.

Finland

The amount of timber in Finnish forests increases every year. Annual fellings have for a long time been smaller than growth.

The total volume of timber in Finnish forests was 2,360 million cubic metres in 2014. The annual growth of Finnish forests has for a few years already exceeded one hundred million cubic metres. Trees grow only during the growing season, which in Finland is about 80 days long. In 2014, the annual growth was 104 million cubic metres so the daily growth was over one million cubic metres.

When annual removals are subtracted from annual growth the result is annual increment: the amount the timber volume increases in forests per year. Removals include fellings, the parts of trees left in forests from felled trees and trees which die naturally. For all tree species and all forestry areas of Finland, the annual growth is greater than annual removals.

Compared to the start of the 21st century, the timber resources in Finland have increased by 60 percent, even though over ten percent of land area and best forest resources of Finland were ceded to the Soviet Union after the Winter War in 1940. On the average, there is 111 cubic metres of timber on a hectare of forest land; in 1970's the figure was 75 cubic metres.

Forests cover 75 percent of Finland's land area. For every Finn, there is around 4,2 hectares of forest.In Finland, land area is classified according to its use. 86 percent of land area is forestry land. The rest is agricultural land, built-up areas etc.

Forestry land is further divided into different types according to the productivity of the land: productive forest land, where the annual wood growth is over one cubic meter per hectare, poorly productive forest land, where growth is between 0.1 and 1 cubic metres, and unproductive forest land, where the annual growth is below 0.1 cubic metres.

When Finns talk about forests, they mean the area of forest land and poorly productive forest land combined. Most of Finnish forests grow on productive forest land, which covers an area of 20.3 million hectares.

34 percent of forestry land consists of peatlands. The area of forest land increased from the 1950's up to the 1980's, because peatlands were drained for forestry use. This resulted in higher productivity per hectare.

In terms of phytogeography, the vast majority of Finland is situated in the boreal coniferous zone. In the boreal coniferous zone the soil is poor and acid and there are only few forest trees species.

Almost half of the volume of the timber stock consists of pine (*Pinus sylvestris*). The other most common species are spruce (*Picea abies*) downy birch (*Betula pubescens*) and silver birch (*Betula pendula*). These species make for 97 percent of total timber volume in Finland.

The majority of Finnish forests are mixed, which means that they are made of more than one species. In all, Finland has about thirty indigenous tree species.

As in other countries in western Europe, forests in Finland are mainly owned by private people and families. In the principal growth area, southern and central Finland, about 3/4 of all for ests are in private ownership, and in some areas in southern Finland the percentage can exceed 90%. State forests are for the most part situated in northern and eastern Finland.

Forest certification is a voluntary instrument for market actors. It serves as an adjunct to the implementation of sustainable forest management, ensuring the commitment by the actors to silvicultural instructions and standards. In forest certification, an independent third party grants a certificate (sustainable forestry certificate) vouching for the sustainable management and use of the forest holding in accordance with an agreed standard. The major international certification systems are the PEFC (Programme for the Endorsement of Forest Certification Schemes) and the FSC (Forest Stewardship Council).Finland has its own national certification system, the FFCS (Finnish Forest Certification System), designed in the 1990s for family forestry. The system was accepted as part of the PEFC in 2000. Finland's PEFC forest certification

standards have been updated twice since acceptance in 2000. Today, 95% (22 million hectares) of Finland's forests are certified under the PEFC system. Finland's FSC certification standards were completed and approved by the international FSC in 2010. The number of forest holdings certified under the FSC system is expected to increase in Finland in the near future.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 28.5 million ha

Tenure by type (ha): 19.1 million ha state ownership, 9.4 million ha private forests and other ownership types.

Forest by type (ha): 8.55 million boreal, 19.95 million ha temperate;

Forest by management type (ha): 26.5 million ha managed natural

Certified forest by scheme (ha): FSC, total certified area 5.8 million ha (FSC) and 22.8 million ha PEFC

Quantitative description of the Supply Base can be found in the Biomass Producer's Public Summary Report published in BP homepage: www.granulas.lv.

5.4 Chain of Custody system

The Organisation is holding valid FSC Chain of Custody and FSC Controlled wood certificate. Valid FSC system description and other documents exist.

The Organisation is implementing FSC credit system. FSC Credit system is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the Organisation's own Controlled wood verification system. The Controlled wood system or the organisation is covering Latvia and Lithuania. Feedstock from Lithuania, Finlandand Norway are delivered by FSC certified suppliers and are coming with FSC certification claim. Supplier list is maintained.

After the reception, incoming feedstock and unloaded into piles according to type of feedstock and load is registered into the recordkeeping system. For the credit account purposed the volume of feedstock is recalculated into the sawdust and then into the tons based on the conversion factors and volume into tons recalculation coefficient, FSC credit account is updated once in a month: data about received raw materials by FSC certification status and volume of sold pellets are recorded.

In case of the FSC and/ or SBP- compliant biomass sales the volume of sold pellets is withdrawn from the credit account.

6 Evaluation process

6.1 Timing of evaluation activities

The annual surveillance audit took place on August 29-30, 2019 and included production site and office visit, staff interviews as well as supplier audits. Auditors participated in BP's audits to suppliers, including sub-suppliers and contractors.

In total 1.5 days were spent for the annual surveillance audit, including 1.25 days onsite work (onsite work at BP plus supplier and sub-supplier audits) and 0.25 day for review of documented evidence prior to the surveillance audit.

Activities/ timing	Place	Auditors	Date
10.00- 10.15 Opening meeting	Office	Ģ. Karss	29.08.2019
10.15- 13.00 SBP Management system review, discussion of the changes taking part in a system Review of the documents and evidences related to implementation of the SBP standards 2,4. Office staff interview Review and evaluation of the FSC and PEFC chain of custody system critical control points	Office		
13.00- 14.00 Production facility visit Verified processes and involved departments 1) Procurements and reception (office manager/ logistic specialist, tractor drivers) 2) Moisture measurements (operators/ laboratory); 3) Production and production records/ (accountancy/ production staff 4) Energy related recordkeeper (Energetics/ mechanics/ Mechatronics); 5) Sales and client communication (sales department)	Production site	Ģ. Karss	29.08.2019
14.00- 18.00 Review of the documents and evidences related to implementation of the SBP standards 2,4. Review of the documents and evidences related to implementation of the SBP standard 5 and instruction document 5A. Office staff interview	Office	Ģ. Karss	29.08.2019

Visit of harbour	Harbour		29.08.2019
9.00 - 13.00 Supplier onsite audits: SIA “Vertex & Co”, SIA “Odumi”, SIA “Bērziņi”, SIA “Braina”	Suppliers	Ģ. Karss	30.08.2019
13.00 - 14.00 Additional interviews, additional supplier related data verification	Office	Ģ. Karss	30.08.2019
14.00 – 15.00 Presentation of the results from day 1 and 2 Closing meeting	Office	Ģ. Karss	30.08.2019

6.2 Description of evaluation activities

The annual surveillance audit was carried out as an onsite audit in SIA Kurzemes granulas production site in Ventspils. The annual surveillance audit took place on August 29-30, 2019.

The audit began with an opening meeting, attended by the CEO and quality manager. The lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. The lead auditor explained the aim and objectives of the annual surveillance audit, informed about the evaluation process, underlined the need to collect objective evidence through a combination of document review, site visits, interviews and discussions, explained the essence and importance of sampling aspect of the auditing. Special attention has been paid to explanation of the differences in minor and major nonconformity reports (NCRs) and that NCRs are an expected part of the process designed to help the organization strengthen its procedures and processes. Discussed and confirmed the audit itinerary.

After that auditors went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a,5b and 5c covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the process overall responsible person for SBP system and over responsible staff (CEO, quality manager, production manager, accountant, assistant of the accountant) having key responsibilities within the system were interviewed.

All SBP related documentation connected to the SBP as well as FSC CoC/ CW system of the organisation, including SBP Procedures, GHG data calculations/ SAR report, Supply Base Reports, Biomass profiling data report, and FSC system description was provided and reviewed by the auditor.

After that, a roundtrip around BP’s pellet production was undertaken. During the site tour reception process were observed, applicable records were reviewed, pellet factory staff was interviewed and FSC system critical control points were analysed.

As a part of the audit several suppliers of secondary feedstock selected by the auditors were visited in order to validate the effectiveness of the supplier verification program, to verify the feedstock origin is within the supply base: auditors interviewed representatives of suppliers, sampled and verified timber sourcing documents. In total 4 suppliers were sampled and selected for visit. The number of suppliers has been

determined using the following relationship: $y=\sqrt{x}\times0.8$, where x – total number of suppliers of secondary and tertiary feedstock.

At the end of the audit, finding were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the CEO. Additional written results were provided to the BP as well.

Auditor team composition:

Auditor(s), roles	Qualifications
Ģirts Karss Lead Auditor	Works for NEPCon since 2011. Girts Karss holds MSc in Environmental Science from the Lund University and the University of Latvia. He has FSC Forest Management and Chain of Custody lead auditor qualification. Girts has obtained SBP auditor qualification in 2016. He has participated in capacity of auditor and lead auditor in a number of SBP assessments, scope change and annual audits, including Supply Base Evaluation.
Edgars Baranovs auditor in training	Edgars Baranovs holds a Master's degree in Environmental Sciences from University of Latvia and a Bachelor degree in Forestry Sciences from Latvia University of Life Sciences and Technology. Edgars has 3 years of forester experience in the State Forest Service. Edgars has passed the NEPCon Chain of Custody lead auditor training course and acquired FSC Chain of Custody auditor qualification in 2018. Since 2018 he has been working for NEPCon as FSC Chain of Custody Auditor. In 2019 he passed the SBP auditor training program.

6.3 Process for consultation with stakeholders

Stakeholder consultation was not conducted for this surveillance audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: SBP system elements were implemented at the time of the assessment audit. Efficient recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members. Processes are well documented; main database for material balances is well maintained and all relevant information can be easily retrieved and reported.

Weaknesses: see in NCR section of the report.

See detailed information in audit findings section (Annex A) of the report.

7.2 Rigour of Supply Base Evaluation

Not applicable. Supply Base Evaluation is not in the scope of the SBP certificate

7.3 Collection and Communication of Data

The BP is implementing a system to collect and record data on Greenhouse Gas emissions. During the initial audit (main assessment in 2016, without SBE), the BP has elaborated detailed overview of the systems and databases to collect and record all GHG data related to production of pellets. No changes in the existing GHG emission data collection framework was introduced since the assessment audit.

The data is complete, accurate and is based on the records from the internal recordkeeping system and other data sources. The Audit Report on Energy and GHG Data (SAR) template had been provided by the Organisation prior to the onsite audit.

7.4 Competency of involved personnel

The SBP certification is managed by existing company staff. The responsible staff had undergone training

It was identified at the time of audit that number of staff members are involved into the SBP system management and implementation, including CEO, quality manager, recordkeeper, accountant and production manager.

Interviewed staff demonstrated awareness of their responsibilities within SBP system. Overall responsible staff was familiar with the SBP requirements.

Accountancy staff is responsible for recordkeeping, accounting, mass-balance accounting. Material receptionists are responsible for incoming material reception, identification of material status and subsequent classification of material in the accountancy system. Pellet production operators are responsible for moisture measurements and production recordkeeping. Qualification requirements for personnel involved in SBP system are provided in documented procedures of the BP.

In overall, auditors evaluate the competency of responsible staff to be sufficient for maintaining the SBP system.

7.5 Stakeholder feedback

Stakeholder consultation was not conducted as part of the annual audit

7.6 Preconditions

Few non-conformances were identified in audit, graded as minor non-conformances and thus are not considered preconditions for certification. See section 10 for details.

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. The Supply Base Evaluation is not included in the scope of BP's SBP certificate.

9 Review of Company's mitigation measures

Not applicable. The Supply Base Evaluation is not included in the scope of BP's SBP certificate.

10 Non-conformities and observations

Identify all non-conformities and observations raised during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. Click on the + symbol on the right bottom corner of the table to repeat the table. *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.*

10.1 Open non-conformities

NC number *01/20 (41715)*	**NC Grading: Minor**
Standard & Requirement:	Standard #5: Instruction Document 5A: Energy and GHG Data v1.1 12.5 In all cases, the BP shall have to justify the methodology used to the auditor. In particular, where data are not available (such as for commissioning plant) estimates from design parameters will be used and justified. (5a, 4.5.5) This should be calculated by dividing the volume of roundwood supplied to the BP in the Reporting Period by the total volume of roundwood that was harvested in the same Reporting Period (in the calculation both volumes exclude wood harvested during thinning) from the Supply Base. Note: BPs are exempt from reporting on this requirement for roundwood sourced from production forests with harvest rotations of less than 40 years. Note: BPs producing only woodchips and not further processing them are exempt from this requirement
Description of Non-conformance and Related Evidence:	
During the annual audit the responsible person at BP provided the information on proportion of the annual roundwood harvest from forests taken as primary feedstock, however, there was no methodology available on how the volume/proportion of primary feedstock harvested in thinning works was calculated and the information on volume of roundwood harvested in thinning works justified.	
Timeline for Conformance:	*12 months from report finalization date*
Evidence Provided by Company to close NC:	*PENDING*
Findings for Evaluation of Evidence:	*PENDING*
NC Status:	*OPEN.*

10.2 Closed non-conformities

NC number *01/19 (22625)*	**NC Grading: Minor**
Standard & Requirement:	Standard #5: Instruction Document 5B: Energy and GHG Data v1.1 9.2 A single Input Group shall not include feedstock: From more than one of the following classifications: • primary feedstock from forests (products or residues); • woody energy crops (primary feedstock); • wood industry residues (secondary feedstock); or • post-consumer wood (tertiary feedstock). • With significantly different transport distances. Note: The ratio between maximal and average transport distance should not be over 1.5 (for 90% of the feedstock in that group). Any exceptions should be verified by the CB and explained in the SAR. • Which is prepared or pre-processed on-site and subsequently mixed with feedstock that is not prepared or pre-¬processed onsite. Note: 'Prepared or pre-processed' includes activities such as drying and grinding. (5b, 4.1.2)
Description of Non-conformance and Related Evidence:	
Product groups as well as feedstock groups are designated in the SBP product group schedule. Feedstock types from classification groups 1,3 and 4 are used. The BP had designated the following feedstock groups: primary feedstock from forests (roundwood, product ID 1.2 Stem wood); secondary feedstock: sawdust (3.1 Sawdust); wood chips (3.4 Other types of sawmill residues); and tertiary feedstock – shavings (4.4 Pre-consumer untreated tertiary feedstock). It was identified at the time of audit that supplies from significantly different transport distances are combined in one Feedstock Input Group. For the feedstock input group 1.2 Stem Wood most of the primary feedstock is sourced within a range of 30km from the production plant. It was explained by the responsible person at the BP the feedstock was delivered from farther areas in last autumn and beginning of winter due to exceptionally humid weather conditions (Force Majeur conditions announced by the Ministry of Agriculture in December 2017), which has contributed to increasing the max/average distance ratio and exceeding the 1.5 ratio. The maximum distance of primary feedstock sourcing had increased 2 times compared to the situation in previous audit reference period. For the feedstock input group 3.1 Sawdust, the ratio of maximal and average transport distance exceeds 1.5 in more than 10% cases. Also, for the feedstock input group 3.4 Other types of feedstock residues, it was identified that ratio of maximal and average distance exceeds 1.5 in more than 10% cases.. Considering the above mentioned auditors conclude that the BP has elaborated Feedstock Input groups with significantly different transport distances. In particular Feedstock Input groups 3.1 and 3.4 include feedstock supplied from significantly different transport distances. In the opinion of auditors increasing maximal/average distance ratio for Feedstock Input group 1.2 Stem Wood can be justified with the reasoning provided by the BP, but not in case of Feedstock Input groups 3.1 (sawdust) and 3.4 (wood chips), where the feedstock is sourced from sawmills. A minor non-conformance NCR 01/19 raised.	
Timeline for Conformance:	*12 months from report finalization date*
Evidence Provided by Company to close NC:	SBP Report on Energy and GHG data (see Exhibit

Findings for Evaluation of Evidence:	Product groups as well as feedstock groups are designated in the SBP product group schedule. Feedstock types from classification groups 1,3 and 4 are used. The BP had designated the following feedstock groups: primary feedstock from forests (roundwood, product ID 1.2 Stem wood); secondary feedstock: sawdust (3.1 Sawdust); wood chips (3.4 Other types of sawmill residues); and tertiary feedstock – shavings (4.4 Pre-consumer untreated tertiary feedstock). Review of Report on Energy and GHG data shows that the BP is following the standard requirement to evaluate the ratio between maximal and average transport distance which should not be over 1.5 (for 90% of the feedstock in that group). The mentioned ratio is exceeding the 1.5 in less than 10% cases. Details of feedstock delivery distances and distribution according to maximal and average distance ratio is provided the SAR document. No non-conformances to requirement of SBP standard (Standard #5: Instruction Document 5B: Energy and GHG Data v1.1, p. 9.2) indicator were identified and thus the auditor considerers that the minor non-conformance can be closed.
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):	Oļesja Puišo
Date of decision:	26.11.2019
Other comments:	*Click or tap here to enter text.*