Sustainable Biomass Program

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

Third Surveillance Audit

Scope Change 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

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1 Overview

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Current report completion date:	04/Jul/2019
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Name of the Company:	SIA Varpa. Legal (primary office) address: 15 Indras str., Krāslava, LV-5601. Production site address: “Priedkalnes”, Kaplava parish, Kraslava county, LV-5668, Latvia
Company contact for SBP:	Bernards Baranovskis, b.baranovskis@varpa.eu, +371-65626653
Certified Supply Base: Evaluation	Latvia and Lithuania, both countries also included into Supply Base
SBP Certificate Code:	SBP-01-14
Date of certificate issue:	24/Mar/2016
Date of certificate expiry:	23/Mar/2021

This report relates to the Third Surveillance Audit & Scope Change Audit

2 Scope of the evaluation and SBP certificate

Scope of the certificate: Production of wood pellets, for use in energy production, at Varpa SIA Kraslava District, Kaplava Parish and transportation to harbours in Riga (Incoterms FOB Riga). The scope of the certificate includes Supply Base Evaluation, covering primary and secondary feedstock originating from Latvia and Lithuania. The scope includes communication of Dynamic Batch Sustainability Data.

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.

- Review of the BP's management procedures;
- Review of the production processes,
- Production and storage site visits in Kraslava parish;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion factors;
- GHG data collection analysis and review of the applicable reports;
- Review of the BP's management procedures, including requirements designated in SBP standard SBP Standard #1 V1.0; SBP Standard #2 V1.0:
- Review of the updated Supply Base Report;
- Evaluation of mitigation measures implemented for both primary and secondary feedstocks;
- Field visits of the primary and secondary feedstock suppliers;
- Interviews with responsible staff;
- Review of the reports and records.
- Assess compliance against Instruction Document 5D: Dynamic Batch Sustainability Data v1.1

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

SBP-endorsed Regional Risk Assessment for Latvia, September 2017

SBP-endorsed Regional Risk Assessment for Lithuania, June 2016

Risk assessments are available at SBP homepage https://sbp-cert.org/documents/risk-assessments

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

SIA Varpa is a biomass producer with a production and storage site located in Kaplava, Kraslava region, office situated in Kraslava and storage site situated in Riga (Mangalsala) harbour.

SIA Varpa also owns sawmill and joinery situated next to the pellet production plant. SIA Varpa is producing industrial quality wood pellets.

BP is sourcing primary, secondary and tertiary feedstock for its pellet production. Pellets are produced from primary feedstock (firelogs – both conifer and broadleaf, forest chips coming from log in-forest chipping) secondary feedstock: (wood industry residues: sawdust, wood chips) and tertiary (shavings). Bark, forest residuals are used into the biomass drier.

Feedstock is delivered from Varpa SIA own primary and secondary production site as well as from Latvian and Lithuanian suppliers. All feedstock originates from Latvia and Lithuania. BP avoids suppliers, sourcing raw materials outside the designated supply base.

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

After the production, pellets are stored in BP's production storage or transported into the harbour storage place. After this, pellets are loaded into the ship and sold to customers on FOB Riga.

5.2 Description of Company's Supply Base

The bigger part of Feedstock for biomass obtaining SIA VARPA buy as round firewood and wood processing residues after processing. The major part of Biomass is obtained from forestry's. The Biomass country of Origin is Latvia, a small part of Biomass is obtained from Lithuania.

Overview of the proportions of SBP feedstock product groups

Production Group	Proportion of the PG, %	Amount of Suppliers
Controlled Feedstock	26.03	25
SBP – compliant primary Feedstock	33.36	12
SBP – compliant secondary Feedstock	40.07	8
SBP – compliant tertiary Feedstock	0.54	1

Feedstock`s mixture of species: Spruce (Picea abies (L.) Karst), Pine (Pinus sylvestris L.), Birch (Betula pendula), Pubescent birch (Betula pubescens (Ehrh.)) Aspen (Populus lpp.), Grey Alder (Alnus glutinosa (L.) Gaertner), Black Alder (Alnus incana (L.) Moench).

Latvian forest resources.

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest law), woodenness amounts to 51.8% (ration of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), whilst the other 1 560 961 ha (51.68% of the total forest area) belong to other private forest owners. Private forest owners in Latvia amount to approximately 144 thousand.
The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.
Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic meters (source: vmd.gov.lv).

Forest land consists of:

- Forests 3 056 578 ha (91.3%)
- Marshes 175 111.8 ha (5.3%)
- Open areas 35 446.7 ha (1.1%)
- Flooded areas 18 453.2 ha (0.5%)
- Objects of infrastructure 61 813.4 ha (1.8%)

(source: vmd.gov.lv)

Distribution of forests by the dominant species:

- Pine 34.3%
- Spruce 18%
- Birch 30.8%
- Black Alder 3%
- Grey Alder 7.4%
- Aspen 5.4%
- Other species (each less than 1%) 1.1%

(source: vmd.gov.lv)

Share of species used in reforestation, by planting area:

- Pine 20%
- Spruce 17%
- Birch 28%
- Grey Alder 12%
- Aspen 20%
- Other Species 3%

(source: vmd.gov.lv)

Timber production by types of cuts, by volume produced:

- Final cuts 81%
- Thinning 12.57%
- Sanitary clear-cuts 3.63%
- Sanitary selective cuts 1.43%
- Deforestation cuts 0.76%
- Other types of cuts 0.06%

(source: vmd.gov.lv)

The field of forestry
In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting

(www.zn.gov.lv). Implementation of requirements of the national laws and regulations is issued by the Cabinet of Ministers notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (www.vmd.gov.lv).
Management of the state-owned forests is performed by the public limited company Latvian State Forests, established in 1999. The enterprises 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 share of forestry, wood-working industry and furniture production amounted in 2018 to 2.609 billion EUR.

Harvesting
In order to commence commercial activities in the forest, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting Licence for separate sites. The Harvesting License determines what kind of forest felling system is allowed, and which species and in what amount can be harvested in that area. It also determines the forest regeneration method for the each harvesting site. After the harvesting operation, the site owner signs a report on the harvested volumes and planned forest regeneration method. The site is inspected by a representative of the State Forest department. The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.

Biological diversity
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 purpose of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas has been included in the European network of protected areas NATURA 2000. Most of the protected areas are state-owned.
Micro reserves were established in order to protect highly endangered species and woodland key habitants located without the designated protected areas. According to the data provided by the State Forest Service in 2015, the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.
On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions are to be preserved, thus providing habitats for many organisms.
Latvia has been signatory of CITES Convention since 1997. CITES requirements are respected in forest management, although there are no species from CITES lists fauna in Latvia.
775 IUCN species are strictly protected by Latvian legislation, the protection measures has been taken into account permitting economical activities in the forests, including issuing of cutting licences.
State organized WKH inventory takes place at the moment.

Forest and community
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 specifically protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry of Environmental Protection and Regional Development.

Certification

The forests of both public limited company Latvian State Forests and private owners may be certified against sustainable forest management standards, whereas woodworking enterprises can contribute to sustainable forest management by certification against the chain of custody system requirements.

Both FSC ® and PEFC ® systems have found their way into Latvia. SIA Varpa only uses FSC certified and controlled wood, as well as PEFC certified or controlled by PEFC DDS feedstock, in the form of wood waste from its own woodworking plant and purchased from other suppliers.

Varpa SIA is obtaining raw material, which is claimed as FSC or PEFC certified, mainly originating from Latvian State Forests.

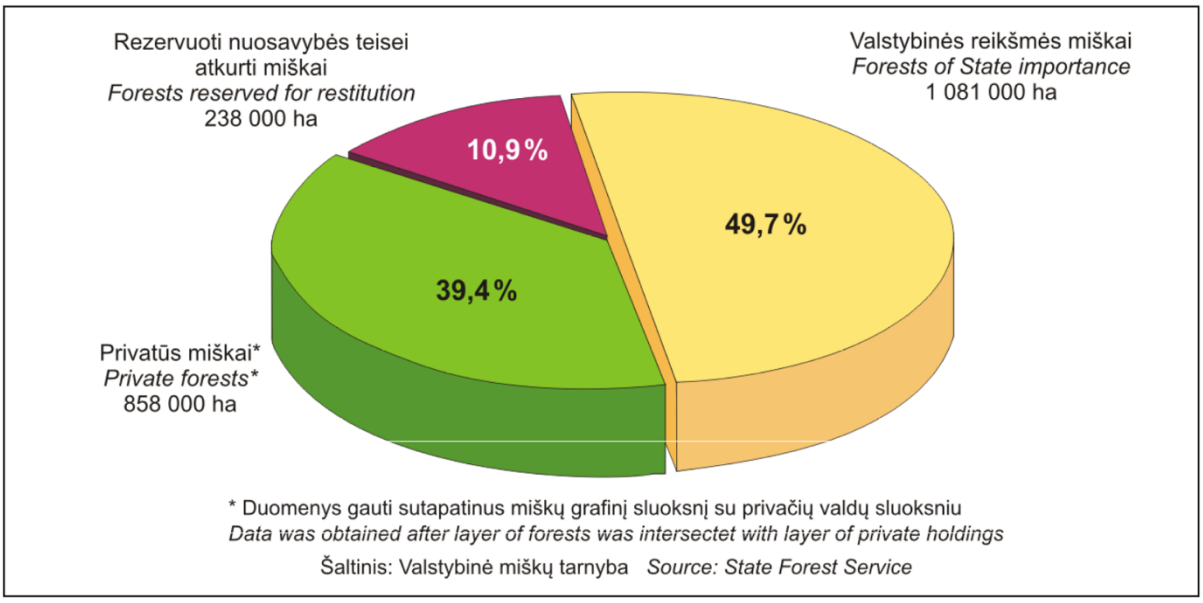
Varpa SIA is also implementing by PEFC DDS to other materials from variety of suppliers in Latvia.

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2,177 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The south-eastern 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.

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.

FOREST LAND BY OWNERSHIP 01.01.2014



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

IUCN Red Book species are strictly procected by Lithuanian legislation, and protection measures are taken into account during any economical activity in forests.

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.
The growing stock given as standing volume per hectare is on the average of l80 m3 in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m3 per hectare. Total annual growth comes to 11 900 000 m3 and the mean timber increment has reached 6.3 m3 per year and per hectare. Current harvest has reached some 3.0 million m3 u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m3. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result.

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.
(Resources: http://www.fao.org/docrep/w3722e/w3722e22.htm)

Varpa SIA is obtaining raw material, which is claimed as FSC or PEFC certified, mainly originating from Lithuanian State Forest Enterprises.
Varpa SIA is also implementing by PEFC DDS to other materials from variety of suppliers in Lithuania.

5.3 Detailed description of Supply Base

a. Total Supply Base area (ha): 5.2 Mio ha.
b. Tenure by type (ha):
   privately owned LV – 1.56 Mio ha, LT – 0.86 Mio ha.
   public/community concession LV – 1.50 Mio ha, LT – 1.32 Mio ha,.
c. Forest by type (ha): temperate -5.2 Mio ha.
d. Forest by management type (ha): managed semi-natural - 5.2 Mio ha.
e. Certified forest by scheme (ha):
   FSC -certified forest LV-0.9 Mio ha, LT- 1.09 Mio ha. Total: 1.99 Mio ha.
   PEFC-certified forest LV-1.68 Mio ha, LT- no, Total: 1.68 Mio ha.

More details about BP's Supply Base may be found in Supply Base Report available at BP's homepage http://www.varpa.eu/about.html?row=1

5.4 Chain of Custody system

SBP certification is based on PEFC CoC system (certificate code TT-PEFC-COC145). Valid PEFC system description and other documents exist.

The BP is implementing PEFC credit system, and the feedstock is delivered with 100% PEFC Certified claim as well as PEFC Controlled Sources claim (the latter feedstock verified according to the BP's own controlled sources verification program covering Latvia and Lithuania. Supplier list is maintained.

After the reception, incoming feedstock is unloaded into piles according to type of feedstock and registered into the recordkeeping system.

Moisture and weight is measured for each delivery. For the credit account purposes the weight of the feedstock is recalculated into the absolute dry mass. PEFC credit account is updated on a daily basis: data about received raw materials by PEFC certification status and volume of sold pellets are recorded.

In case of the PEFC and / or SBP sales, the volume of sold pellets recalculated in absolute dry mass is withdrawn from the credit account.

PEFC and SBP credit account are maintained separately: PEFC credit account is related to PEFC-certified feedstock inputs only; SBP credit account, besides PEFC-certified inputs, also counts non-certified feedstock included into Supply Base Evaluation, as well as the feedstock received with FSC 100% and FSC Mix Credit claims.

6 Evaluation process

6.1 Timing of evaluation activities

The annual (surveillance) audit has been conducted on March 26-29, 2019 and April 5, 2019 and included office and production site visits, documents review and staff interviews; primary and secondary feedstock supplier audits within the SBE system; onsite visit at Riga harbour.

Audit plan:

Activity/ timing	Place	Auditor	Date
09.00 Opening meeting	Office in Kraslava, Latvia	NT, GK, EL	26.03.2019 09.00 – 09.20
09.20- 13.00 and 13.00- 17.00	Office in Kraslava, Latvia		
SBP management system review Interview with overall responsible staff Review of the applicable SBP documentation, including Supply Base Report, SBP procedures, instructions, training records, feedstock description and input records, supplier lists and other (SBP Standards nr 2 and 4) PEFC control points analysis and review of the existing system of PEFC controlled sources Interviews with responsible office staff SBP Risk Assessments: implementation of mitigation measures, suppliers verification program. Interview with SBP responsible person, review of documentation and procedures (SBP Standards #1 and #2).	Office in Kraslava, Latvia	NT, GK, EL	26.03.2019 09.20 – 13.00
Energy use data review. SAR report analysis.	Office in Kraslava	NT, GK, EL	26.03.2019 13.00 – 17.00
Field visits of the feedstock suppliers included into SBE: 2 FMUs with completed harvest; 2 FMUs with planned harvest; 1 FMU with ongoing harvest. Onsite visit of the secondary feedstock supplier (sawmill).	Latvia	NT, EL	27.03.2019 09.00 – 17.00
Field visits of the feedstock suppliers included into SBE: 1 FMU with ongoing harvest. Onsite visit of the secondary feedstock supplier (sawmill).	Lithuania	NT, EL	28.03.2019 09.00 – 14.00
Pellet production site visit: feedstock reception point and feedstock storage; pellet production and storage, observation of the vehicles used at pellet production. Interviews with responsible staff, review of the records.	Pellet production in “Priedkalnes”, Kaplava parish, Latvia	NT, EL	28.03.2019 14.00 – 16.00

Energy use data review. SAR report analysis.	Office in Kraslava, Latvia	NT, EL	29.03.2019 09.00 – 12.00
Closing meeting	Office in Kraslava, Latvia	NT, EL	29.03.2019 12.00 -12.30
Visit of the harbour: documents review, interview of port representative; onsite inspection.	Riga, Latvia	EL	05.04.2019 10.00 – 11.30

6.2 Description of evaluation activities

Description of the annual audit process:

Annual audit was carried out as an onsite audit in SIA Varpa office and production site where the compliance to SBP standard requirements, including SBP SBE with primary and secondary supplier verification program and mitigation measures were evaluated.

At the first day, audit began with an opening meeting attended by the Board Member Bernards Baranovskis. Lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. Discussed and confirmed the audit itinerary.

After that auditors went through all applicable requirements of the SBP Standards nr.1, 2, 4, 5 and instruction documents 5a, 5b, 5c and 5D covering input clarification, existing chain of custody and controlled wood system, management system, 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 other responsible staff having key responsibilities within the system were interviewed.

The second and the third days audit team visited the forest management units as well as sawmills (secondary feedstock suppliers) included into Supply Base Evaluation in Latvia and Lithuania. NEPCon team witnessed how the BP representative implements their system of risk mitigation measures at the level of primary and secondary feedstock suppliers. At the end of the third day, audit team also conducted a roundtrip at BP's pellet production and storage. During the site tour, reception, recordkeeping, production processes were observed, applicable records were reviewed, pellet plant staff was interviewed and PEFC system critical control points were analysed.

Description of the evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC/ CW system of the organisation, including SBP risk assessment, SBP Procedure, Supply Base Reports and FSC system description were provided by the company in the beginning of the audit.

The audit started with an opening meeting, where the lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. Auditor explained the aim and objectives of the 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.

After that audit team went through all applicable requirements of the SBP standards nr. 1, 2, 4 and 5 covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, SBP risk assessment results and their justification, stakeholder consultation process, energy data and inputs and outputs of feedstock in the last period. During the process overall responsible person for SBP system and responsible staff having key responsibilities within the system were interviewed.

At the end of the first day, the sampling of the suppliers took place.
During the second day of the evaluation, audits of individual suppliers at the FMU level took place. NEPCon team was evaluating how BP staff is doing audits for the suppliers and evaluating their compliance with the SBP standards and how risk from the risk assessment is implemented on the ground.

Implementation of sampling for inspection of the feedstock suppliers included into Supply Base Evaluation:

The following considerations have been taken into account to determine the sampling intensity:

1) Geographical area;
2) Type of the operations and activities;
3) Risk mitigation measures related to origin and mixing.

Geographical area:

BP sources the primary and secondary feedstock included into SBE from Latvia; during this audit, scope of the SBE is expanded to Lithuania – so two geographical areas are within SBE.

Type of the operations and activities:

The SBE covers sourcing of primary feedstock (low quality roundwood etc.), as well as secondary feedstock (wood industry residues from sawmills). Therefore, at least one primary and one secondary feedstock supplier should be visited both in Latvia and Lithuania.

Risk related to origin and risk of mixing:

Regarding the origin for Latvia, the following risks considered as specified in Regional Risk Assessment endorsed by SBP:

2.1.1 Forests and other areas with high conservation values in the Supply Base are identified and mapped;
2.1.2 Potential threats to forests and other areas with high conservation values from forest management activities are identified and addressed;
2.8.1 Appropriate safeguards are put in place to protect the health and safety of forest workers.

To evaluate the risk mitigation measures implemented by BP for indicators 2.1.1 and 2.1.2, at least one planned harvest site should be visited;
To evaluate the risk mitigation measures implemented by BP for indicator 2.8.1, at least one ongoing harvest site should be visited.

Regarding the origin for Lithuania, the following risks considered as specified in Regional Risk Assessment endorsed by SBP:

2.1.2 Potential threats to forests and other areas with high conservation values from forest management activities are identified and addressed;
2.8.1 Appropriate safeguards are put in place to protect the health and safety of forest workers.

To evaluate the risk mitigation measures implemented by BP for indicator 2.1.2, at least one planned harvest site should be visited;
To evaluate the risk mitigation measures implemented by BP for indicator 2.8.1, at least one ongoing harvest site should be visited.

Risks of mixing are the highest for secondary feedstock suppliers, where the primary feedstock (roundwood) from FMUs included into BP's SBE may be mixed with the primary feedstock from other (unknown) sources. Risks of mixing for primary feedstock delivery are also possible, but BP mitigates them desk-based, requiring that supplier specifies the place of harvesting in delivery documentation.

Decision of NEPCon audit team on FMU sampling:

Taking into account all considerations mentioned above, it was decided to visit:

In Latvia: at least 1 completed harvest site to evaluate conformance with high conservation values identification and preservation (if applicable); at least 1 planned harvest site to evaluate conformance with high conservation values identification; at least 1 ongoing harvest site to evaluate conformance with health and safety requirements.

In Lithuania: at least 1 ongoing harvest site to evaluate conformance with health and safety requirements, and conformance with high conservation values preservation (if applicable). Planned harvest sites have not been selected for field inspection, because 1) Organisation just starts implementing the SBE system for Lithuania; and 2) Potential threats to forest and other areas with high conservation values are mitigated by using online database of woodland key habitats available in Lithuania (no field visits required).

To evaluate mitigation measures regarding risk of mixing, it was decided to visit at least one secondary feedstock supplier (sawmill) in each country.

It was also decided that in all cases the inspections are conducted by BP staff and witnessed by NEPCon audit team.

Finally, during the audit, BP representative and NEPCon team visited 2 completed, 2 planned and 1 ongoing harvest sites in Latvia; 1 ongoing harvest site in Lithuania; 1 sawmill in Latvia and 1 sawmill in Lithuania.

At the fourth day of audit, audit team continued reviewing the energy use data and SAR. Prior to lunch, closing meeting was conducted, where audit findings were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the company representatives.

One week later, NEPCon auditor also visited the harbour in Riga where onsite inspection, documents review and sea port representatives interview have been undertaken – this date shall be considered as a formal completion of onsite audit.

Composition of audit team annual audit:

Auditor(s), roles	Qualifications
Nikolai Tochilov, audit team leader Overall responsibility for the audit process. Evaluation against the SBP Standards 1 and 5. Field inspection of feedstock suppliers.	NEPCon SBP auditor. He has successfully passed SBP auditor training in Tallinn in January 2015; previous experience with more than 30 SBP assessments and annual audits, including SBE, in Russia and Europe.
Girts Karss, audit team member Evaluation against SBP Standard 1	NEPCon SBP auditor. Completed SBP auditor training course and acquired SBP auditor qualification in 2016. He has participated in capacity of auditor and lead auditor in several SBP assessments and scope change audits with Supply Base Evaluation (SBE) in scope in Latvia
Ēriks Lidemanis, audit team member Evaluation against the SBP Standards 2 and 4. Field inspection fo feedstock suppliers	NEPCon SBP auditor. Ēriks has participated as auditor in training in several SBP audits in Latvia in 2018. Obtained SBP auditor qualification in 2019.

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

Latvia: no stakeholder consultations conducted by BP and NEPCon prior, during and after this audit.

Lithuania:

On January 02, 2019 BP has sent public notification with information about RRA and proposed risk mitigation measures to more than 140 stakeholders in Lithuania, representing different groups, like economic, social, ecological stakeholders, state forest agencies, researchers and experts. No feedback had been received.

NEPCon has also published stakeholder notification at their homepage on March 27, 2019, with reference to RRA and risk mitigation measures developed by BP. No feedback had been received.

7 Results

7.1 Main strengths and weaknesses

Strengths: all elements of SBP system have been implemented at the time of the surveillance audit. Effective recordkeeping system. Small number of the management staff and clearly delegated responsibilities for staff members. SBE processes are well documented; main database for material balances is well maintained and all relevant information can be easily retrieved and reported. Strong commitment in implementation of SBP system and positive approach has been observed during the audit.

Weaknesses: no weaknesses identified during this audit.

7.2 Rigour of Supply Base Evaluation

SIA Varpa is implementing the SBE for primary and secondary feedstock (forest products) originating from Latvia and Lithuania, and sourced without SBP-approved Forest Management Scheme claim, SBP-approved Forest Management partial claim, SBP-approved Chain-of-Custody (CoC) System claim. Risk mitigation measures are implemented for feedstock coming from forest land. No feedstock from non-forest lands, such as arboricultural arisings (from overgrown agricultural land, wood growing along the drainage systems, roads, railway lines etc.) is used as input material for production of SBP compliant products.

7.3 Collection and Communication of Data

BP uses diesel for feedstock transportation and handling onsite, electricity for biomass production, diesel for biomass transportation to harbour, and diesel and electricity in harbour for biomass handling and loading to the vessel. Diesel consumption for feedstock transportation to production site, and biomass transportation to harbour is based on reference values from ID 5B. Electricity and diesel consumption at production site is based on actual values, whereas electricity and diesel consumption in harbour is based on data obtained from harbour.

7.4 Competency of involved personnel

During the audit it was identified that staff members involved in the SBP system management and implementation remain the same and include Board Member/ Export Manager, Production Manager, Technologist, Transport Manager, Pellet Production Factory Work Allocation Manager, Forest Logging Manager, Stock Controller, Loading truck drivers and Pellet mill operators. Interviewed staff demonstrated awareness of their responsibilities within SBP system. It was concluded that responsible personnel are familiar with requirements of SBP standards outlined in documented procedures of the organization.

Member of the board/export manager holds the overall responsibility for SBP and SBE system, as well as procurement and supplier related issues. Responsibility is fixed in documented procedures as well as internal documents of the organization (order).

Forest work planning manager is responsible for SBE system implementation and supplier audits. He has undergone external training and is supervised by responsible person at the company – member of the

board/export manager.

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 (to be) involved in SBE system are provided in documented procedures of the BP.

In overall, auditors evaluate the competency of main responsible staff to be sufficient for implementing the SBP system with both primary and secondary material sourced within the SBE. This has been based on interviews, review of qualification documents, training records and set of procedures and documents that were composed for the SBP system as well as field observations during the scope change audit

7.5 Stakeholder feedback

Latvia: no stakeholders consultations conducted prior, during or after this audit.

Lithuania: no feedback from stakeholders received before, during or after this audit.

7.6 Preconditions

None.

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.

LATVIA

The BP is using the SBP endorsed national risk assessment for Latvia where risks for each individual indicator have been evaluated. "Specified risk" in the National Risk Assessment have been assigned to indicator 2.1.1 (only HCVF category 3), indicator 2.1.2 (HCVF categories 1, 3 and 6) and indicator 2.8.1. Mitigation measures planned and implemented by the BP can be considered sufficient in order to reduce the risk to "low risk" for indicators mentioned. See risk ratings in Table 1.

An overview of the risk assessment taking into consideration risk mitigation measures is presented in Table 2. It is concluded that the actions taken (for the suppliers included in the SBE) by the BP lead to substantial decrease of the risk and the final risk level for all indicators can be considered as "low risk".

Table 1. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Specified	Specified
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Specified	Specified
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

Table 2. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

LITHUANIA

The BP is using the SBP endorsed national risk assessment for Lithuania where risks for each individual indicator have been evaluated. “Specified risk” in the National Risk Assessment have been assigned to indicator 2.1.2 (significant damage in WKH located in private forest, absence of regulated protection regime of WKH in private forest and outside protected areas) and indicator 2.8.1. Mitigation measures planned and implemented by the BP can be considered sufficient in order to reduce the risk to “low risk” for indicators mentioned. See risk ratings in Table 3.

An overview of the risk assessment taking into consideration risk mitigation measures is presented in Table 4. It is concluded that the actions taken (for the suppliers included in the SBE) by the BP lead to substantial decrease of the risk and the final risk level for all indicators can be considered as “low risk”.

Table 3. Final risk ratings of Indicators as determined BEFORE the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low

1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Specified	Specified
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

Table 4. Final risk ratings of Indicators as determined AFTER the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	Low	Low
2.4.1	Low	Low
2.4.2	Low	Low
2.4.3	Low	Low
2.5.1	Low	Low
2.5.2	Low	Low
2.6.1	Low	Low
2.7.1	Low	Low
2.7.2	Low	Low
2.7.3	Low	Low
2.7.4	Low	Low
2.7.5	Low	Low
2.8.1	Low	Low
2.9.1	Low	Low
2.9.2	Low	Low
2.10.1	Low	Low

9 Review of Company's mitigation measures

According to the Risk Assessment for Latvia used by the BP, there are three specified risks identified: indicators 2.1.1, 2.1.2 and 2.8.1 that are related to mapping of High Conservation Values (HCV), protection of HCV; and occupational health and safety issues. All other indicators are specified as "low risk".

According to the Risk Assessment for Lithuania endorsed by the BP, there are two specified risks identified for indicators 2.1.2 and 2.8.1 that are related to protection of High Conservation Values (HCV), and occupational health and safety issues. All other indicators are specified as "low risk".

The BP has developed systems and procedures to ensure that all indicators are low risk, which includes mitigation measures for all specified risk indicators; detailed description is available in sections 8 and 9 in the Supply Base Report of the company. This includes supplier agreements and declarations, usage of online and offline databases of WKH-s, trainings of suppliers and annual supplier audits with sampling rate of 100% as well as sub-supplier audits through sampling. See SBR for more detailed description.

Audits to suppliers of secondary feedstock and primary feedstock are conducted by the BP as one of the measures to mitigate the risks. Outcomes of supplier audits are verified by the CB during the surveillance audits and inspection to suppliers of secondary feedstock (sawmills).

During the annual surveillance audit, primary and secondary feedstock supplier audits were conducted by the BP together by the CB for suppliers in Latvia. Supplier audits were witnessed and evaluated independently by the CB.

In addition, to include the Lithuania in the scope of the SBE, during annual surveillance audit the BP carried out audits to 1 supplier of secondary feedstock from Lithuania and 1 supplier of primary feedstock to verify how risk mitigation measures are implemented for feedstock sourced from Lithuania within the SBE system.

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- *applicable requirement(s)*
- *grading of the non-conformity (major or minor) or observation with supporting rationale*
- *timeframe for resolution of the non-conformity*
- *a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

NC number 01/19	**NC Grading:** Minor
Standard & Requirement:	SBP Standard 2, Instruction Note 2C, p. 5.1 The SBR shall be formally updated every year. Each annual update shall provide actual values for the previous 12 months and forecast values for the following 12 months.
Description of Non-conformance and Related Evidence:	
Sections 13.4 and 13.5 of the Supply Base Report contain the general information about actual and projected figures for feedstock in the following way: “The band 0 – 200,000 tonnes”. However guidelines in Supply Base Report template require to specify these figures using the categories in Section 2.5 ‘Quantification of the Supply Base’ – and such categories include primary, secondary and tertiary types of the feedstock.	
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

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):	Pilar Gorría Serrano
Date of decision:	04/Jul/2019
Other comments:	*Click or tap here to enter text.*