

SCS Global Services Evaluation of Latesto OÜ Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

www.sbp-cert.org



Completed in accordance with the CB Public Summary Report Template Version 1.4

*For further information on the SBP Framework and to view the full set of documentation see
www.sbp-cert.org*

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

© Copyright The Sustainable Biomass Program Limited 2018

Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Compilation of data on Greenhouse Gas emissions
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification recommendation

1 Overview

CB Name and contact:	SCS Global Services - 2000 Powell Street, Suite 600 Emeryville, CA 94608 USA
Primary contact for SBP:	Sarah Harris SHarris@SCSGlobalServices.com
Current report completion date:	24/May/2019
Report authors:	Renal Lastik with Jānis Švirksts as technical expert
Name of the Company:	Latesto OÜ
Company contact for SBP:	Olga Kulikova olga.kulikova@latesto.ee +3725231139
Certified Supply Base:	Estonia
SBP Certificate Code:	SBP-04-32
Date of certificate issue:	20/Aug/2018
Date of certificate expiry:	19/Aug/2023

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers production and trade of woodchips and transportation to Sillamäe and Paldiski harbours. It also covers a Supply Base Evaluation for the sourcing of feedstock from Estonia.

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 SBP Standards 1, 2, 4, & 5 are implemented across the entire scope of certification; the objective includes collecting assessment information and generating assessment findings.

The following SBP critical control points were audited and are described here and in the report:

*Feedstock procurement and storage and processing: The company purchases Roundwood and chips them at two storage facilities. See section 5.2 for more details.

*Volume Accounting: The organization uses the FSC credit system and FSC volume accounting system to keep track of SBP volumes. The auditor reviewed the FSC credit account of the organization. All calculations are site specific and are not combined between different sites.

*Outgoing transactions: Invoices will be issued and outgoing transactions of SBP-certified biomass will be recorded in the DTS. This has been verified by review of procedures and interviews.

*Energy data collection and reporting: The organization developed and maintains databases to record data values and calculate energy data as required by Standard 5 and keeps records that substantiate the data.

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 Estonia used (Published 22 April 2016) and is available at:

<https://sbp-cert.org/docs/SBP-endorsed-Regional-Risk-Assessment-for-Estonia.pdf>

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

This is an Estonian capital-based organization established at 2006. The Organization's objective is to create a modern biofuel production company which that covers entire Estonia. The purpose of SBP purpose certification is to sell material with SBP claims to energy producers. The Organization has a main office and storage sites in 2 ports where material is gathered, and the legal ownership ends. The SBP scope covers products of woodchips. SBP feedstock is currently FSC certified and FSC controlled chips and roundwood (which will be chipped). Idea is to apply for PEFC certification at the end of 2017 to increase the certified feedstock share. All feedstock is sourced only from Estonia

5.2 Description of Company's Supply Base

Latesto OÜ holds valid FSC COC certificate, covering FSC credit system. All feedstock used for biomass production and trade with SBP claims is sourced under existing FSC COC system and is FSC certified, FSC Controlled Wood or material through own verification program.

Latesto OÜ acts as a BP producing woodchips from roundwood, fuel wood, tops and branches. Material is chipped using their own chippers or bought as chipped. Material originates from variety of forests, where clear cutting or thinning have been undertaken according to the management plans. Species present in the supply base are spruce, pine, birch, ash, alder, aspen, willow, oak. There are no CITIES or IUCN species. Latesto OÜ purchases feedstock from private forests and state-owned forests. The input material used by organization for the scope of SBP contains primary feedstock supplied by suppliers from Estonia. Material is sourced in compliance with states' legal requirements and EUTR. Description of supply region of Estonia:

Estonia

50% of Estonia is covered with forests, which contributes approximately 2.2 million hectares. Estonia has the 5th most forest cover in Europe. Estonia lies within the Northern Hemisphere. The moderate maritime climate creates good conditions for forest growth. Estonia belongs primarily to the northern area of the nemoral-coniferous or „mixed forest” belt. Of all the woodlands, 51% of stands are dominated by deciduous species and 49% by coniferous species making landscapes very diverse. The diversity of forests in Estonia provides habitats for a large number of species.

“Estonian Forestry Development Program until 2020” is the framework document for the development of forestry in the current decade. The principal goals are to safeguard the productivity and viability of forests and ensure the varied and effective use of forests. In order to achieve these goals, it is important to procure wood in increment the amounts of the increment, to increase the volume of reforestation, and to keep at least 10% of forestland area under strict protection and to enhance the variety of protected forests. The share of strictly protected forests in the total area of forests was 10% already in 2010, but further efforts are required to ensure that a variety of forests are represented in the strictly protected areas.

5.3 Detailed description of Supply Base

Estonia:

- a. Total Supply Base area (ha): 2,2 million;
- b. State forests forms 1,09 million; municipal forests 0,042 million; privately owned 0,98 million;
- c. Forest by type (ha): 2,2 million temperate climate zone forest;
- d. Forest by management type: natural managed forests;
- e. Certified forest by scheme (ha): FSC certified 1,1 million; PEFC certified 1,13 million.

Raw material

- f. Input volume: 341, 426 loose cbm (total volume of wood in cbm);
- g. Primary input material: 11, 672 loose cbm (firewood calculated as chop cbm FSC 100%);
- h. of which -
 - Forest holdings that hold SBP recognized forest management certificate - 28%
 - Forest holdings that do not have a SBP recognized forest management certificate - 72%
- Picea abies, Pinus sylvestris, Betula spp., Populus spp., Alnus spp., Carpinus spp., Fagus spp., Fraxinus spp., Larix spp., Quercus spp., Acer platanoides, Salix spp., Tilia cordata Mill. = Winterlinde (Syn.: T.parvifolia), Eucalyptus spp.;
- j. Primary input material from primeval forests: N / A.;
- k. Distribution of primary input from Ugric forests according to forest management certificates: N / A.;
- l. Volume of secondary input: 0
- m. Third-tier input material: N / A

5.4 Chain of Custody system

Latesto OÜ holds a valid FSC COC certificate from 22.05.2015 (certificate code TT-COC-005415/TT-CW-005415) which covers sales of wood chips, wood shavings, slabs and edgings and sawdust under credit system. FSC certificate covers also controlled wood verification program for Estonia. Its management system and documented procedures are fully capable of determining feedstock compliance and track material back until to district of origin. From December 2017 holds Latesto OÜ also PEFC COC certificate (certificate code TT-PEFC-COC139)

6 Evaluation process

6.1 Timing of evaluation activities

1st Surveillance audit was carried out 12-13.02.2019 organizations office at Lille 4-201C Pärnu 80041 Estonia. Additionally port areas were visited: Port of Paldiski; Rae põik 10, 76806 Paldiski, Estonia (13.02.2019) and Port of Sillamäe; Kesk 2, Sillamäe 40231, Estonia (13.02.2019). Certification audit was carried out by Renal Lastik, Field visits to 5 cadastral units were carried out on May 25, 2019 by technical expert Jānis Švirksts. Altogether the duration on site was 3 days.

6.2 Description of evaluation activities

Surveillance audit was carried out in 3 days:

12.02.2019: office

13.02.2019: Visits to ports of Sillamäe and Paldiski

24.05.2019 field visits to 5 forest tracts / cadastral units).

Evaluation audit included: opening meeting; review of COC and SBP procedures and systems; review of records and evidences; SBE; visits to port areas and visits to forest management units

During the audit following areas were assessed:

- a) Quality management
- b) Material sourcing
- c) Material receipt and storage
- d) Volume control
- e) Chain of Custody scheme used as SBP framework
- f) System(s) for controlling claims
- g) Sales and delivery
- h) Processing steps for manufacturing

6.3 Process for consultation with stakeholders

For this audit project no stakeholder consultation was conducted by SCS and no stakeholder comments came to SCS' attention.

7 Results

7.1 Main strengths and weaknesses

Main strengths: BP has a good and transparent feedstock control system which enables them to track and assess material origin throughout the process.

Weaknesses: See section 10 below.

7.2 Rigour of Supply Base Evaluation

The Supply Base Evaluation was implemented only for primary feedstock sourced from Estonia. Latesto OÜ carries out the verification of the origin of the supply base through the primary raw material that is stored in Estonia and sold without:

- SBP approved forest management certificate;
- partial sales claim made on the basis of an SBP approved forest management certificate;
- sales claim of the SBP approved supply chain certificate.

In order to mitigate risks associated with the primary raw material, the company checks the origin of the material for all supplies. The risk assessment used by the organization is the Approved Regional SBP Risk Assessment for Estonia available at the SBP website. One indicator is identified as specified risk in this risk assessment and the organization has implemented mitigation measures (see section 9 of BP's SBR).

7.3 Collection and Communication of Data

As a BP only producing woodchips, the requirements for Greenhouse Gas emission data collection is considerably lessened. The BP has created procedures to trace the material back to the district of origin in a logical and thorough way, which was evidenced during the audit. The data presented was evaluated by auditor as adequate and accurate.

7.4 Competency of involved personnel

In general 4 main persons are involved in the everyday implementation and follow up of the SBP system (general manager, accountant and 2 logistics). As SBP-approved regional risk assessment exists for Estonia and only one indicator was defined as specified risk, which is able to mitigate without a need from external experts BP created and implemented the SBE internally. Competency requirements are described in the procedure and competence matrix. During the audit responsible persons were interviewed and deemed competent enough (previous experience in timber sector and relevant education). Overall responsibility to fulfil SBE requirements lies on managing director.

7.5 Stakeholder feedback

No stakeholder comments were received by SCS or came to SCS' attention since the main evaluation assessment.

7.6 Preconditions

No preconditions to continued certification were identified.

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.

SBP-endorsed Regional Risk Assessment for Estonia was used by the Biomass Producer. Risk ratings in table 1 are taken from the approved risk assessment, where one indicator has been evaluated as specified risk (indicator 2.1.2).

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

Indicator	Risk rating (Low or Specified)		Indicator	Risk rating (Low or Specified)	
	Producer	CB		Producer	CB
1.1.1	Low	Low	2.3.3	Low	Low
1.1.2	Low	Low	2.4.1	Low	Low
1.1.3	Low	Low	2.4.2	Low	Low
1.2.1	Low	Low	2.4.3	Low	Low
1.3.1	Low	Low	2.5.1	Low	Low
1.4.1	Low	Low	2.5.2	Low	Low
1.5.1	Low	Low	2.6.1	Low	Low
1.6.1	Low	Low	2.7.1	Low	Low
2.1.1	Low	Low	2.7.2	Low	Low
2.1.2	Specified	Specified	2.7.3	Low	Low
2.1.3	Low	Low	2.7.4	Low	Low
2.2.1	Low	Low	2.7.5	Low	Low
2.2.2	Low	Low	2.8.1	Low	Low
2.2.3	Low	Low	2.9.1	Low	Low
2.2.4	Low	Low	2.9.2	Low	Low
2.2.5	Low	Low	2.10.1	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

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

9 Review of Company's mitigation measures

The mitigation measures described in this chapter apply only to input material that is subject to the Origin Control Procedure (SBE) as described in Chapter 4.1. The CEO of Latesto OÜ is also responsible for the implementation of SBE, which is also the general manager of FSC and SBP certificates.

Primary input

For all supplies of primary input materials stored in Estonia that are not certified by FSC or PEFC, Latesto controls that it has not been stored in key biotopes. Additional control measures (eg FSC-STD-40-005: Standard for testing timber delivered) are implemented as needed. Input material subject to the origin-control procedure must meet at least SBP-approved Controlled Feedstock System (SBP-approved Controlled Feedstock System).

Latesto OÜ uses the accompanying documents, an approved supplier list and public databases (card layers: <http://register.metsad.ee/avalik/> or at least twice a year, updated by the competent authority, the Estonian Environmental Agency, which manages the Woodland Key Habitats (WKH) databases) to ensure that the raw materials delivered are not stored in the WKH areas. In the framework of the origin control procedure, the following checks are carried out at the reception of the raw material and upon entering the database:

1. Has the seller signed a confirmation that you are not supplying the raw materials that were collected from WKH's?
 - 1.1 If yes, go to point 2.
 - 1.2 If not, then the goods can not be accepted.
2. Is it possible to determine the cutting area for the material supplied?
 - 2.1 If yes, move to point 3.
 - 2.2 If not, then the goods can not be accepted.
3. Has the forest notification been issued?
 - 3.1 If yes, move to point 5.
 - 3.2 If not, move to point 4.
4. Felling from non-forestland and forest without a forest notification (but in accordance with the Forest Act).
 - 4.1 If there is no WKH within the provision, the goods may be accepted.
 - 4.2 If there is a WKH within the provision, the SBP-compliant product can not be accepted as worthwhile.
5. Are the allocations specified in the forest notification overlapping the WKH area in the forest register?
 - 5.1 If yes, the SBP-compliant product can not be accepted as worthwhile.
 - 5.2 If not, the goods may be accepted.

All cases where materials from or derived from WKH areas are offered are entered in the relevant register.

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 2018.1	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 5 Collection and Communication of Data v1.0 ID 5A 2.2.4
Description of Non-conformance and Related Evidence:	
SDI's in the SAR and Static Biomass Profiling Data file are not updated.	
Timeline for Conformance:	Other Before SAR and SBPD can be sent to SBP for approval or 12 months, whatever comes first.
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 2018.2	NC Grading: Observation
Standard & Requirement:	SBP Framework Standard 1: 2.7, Indicator 1.3.1
Description of Non-conformance and Related Evidence:	
During the audit 5 FMUs were visited. In one case it was identified that there is deep soil damage in forwarding road. Latesto have bought wood residuals next to the forest road and have not been responsible for the logging process, according to National legislation forwarding	

road have to been restored in previous condition within one year after harvest. As for the above-mentioned information OBS is raised.	
Timeline for Conformance:	Other Response is optional
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 2018.3	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 1: 2.7, Indicator 2.1.1 & 2.2.3
Description of Non-conformance and Related Evidence:	
<p>During the audit 5 FMUs were visited. According to information provided by Environmental NGO register "metsaerldised_VEP_päring_21022018" in one of the visited cadastral units and also in one of the cadastral units which was noted in companies primary feedstock register, but not visited during this audit, is potential presence of HCV No.3 (Habitats of EU importance) – information is based on forest inventory data (species composition, age, forest type). None of the above-mentioned compartments are mentioned in cutting licenses issued by SFS and it was also checked on site, that particular compartment is not logged. Still, company was not aware of presence of such area in cadastral unit and there are no evaluation method developed to assess potential HCV No. 3 in the field (would be relevant for territories identified within register of "metsaerldised_VEP_päring_21022018" and in cases where felling are carried out without a felling permit (small scale sanitary cutting is allowed without a felling permit – stated in RRA for Estonia. This situation might lead to harvest or purchase of wood from unidentified habitats of EU importance (HCV No.3).</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 2018.4	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 2, 7.5

Description of Non-conformance and Related Evidence:	
<p>The SBR in both Estonian and English versions has not been updated with current information. •Section 1 The current evaluation has been indicated as main evaluation, but it was the first surveillance assessment. •Section 2.1, the reported data refer to the year 2016. •Section 2.5 states that secondary material was purchased which is inconsistent with the reporting of no secondary feedstock inputs verified through SBE as per Table 1 in section 2.1. •Section 12: the approval of the report shows dates of late 2017. •Section 13 has not been completed.</p>	
Timeline for Conformance:	<p>Other</p> <p>Before report can be submitted to SBP or 12 months, whatever comes first</p>
Evidence Provided by Company to close NC:	<p><i>Click or tap here to enter description provided by Company to close the NC.</i></p>
Findings for Evaluation of Evidence:	<p><i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i></p>
NC Status:	<p>Open</p>

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):	Sebastian Häfele
Date of decision:	28/May/2019
Other comments:	<i>Click or tap here to enter text.</i>