

# NEPCon Evaluation of Latgran SIA – Jaunjelgava Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

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## Completed in accordance with the CB Public Summary Report Template Version 1.0

*For further information on the SBP Framework and to view the full set of documentation see  
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### *Document history*

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# 1 Overview

|                             |                                                                                                      |
|-----------------------------|------------------------------------------------------------------------------------------------------|
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| Primary contact for SBP:    | Ondrej Tarabus, ot@nepcon.net, +420 606 730 382                                                      |
| Report completion date:     | 19/Feb/2018                                                                                          |
| Report authors:             | Oļesja Puišo, Ģirts Karss, Liene Suveizda                                                            |
| Certificate Holder:         | Jaunjelgava factory, address: Meža iela 4B, Jaunjelgava, Jaunjelgavas novads, LV-5134, Latvia        |
| Producer contact for SBP:   | Līga Hermāne (Quality manager), +37126317722, <a href="mailto:Liga@latgran.com">Liga@latgran.com</a> |
| Certified Supply Base:      | Latvia, Lithuania, Belarus, Estonia                                                                  |
| SBP Certificate Code:       | SBP-01-65                                                                                            |
| Date of certificate issue:  | 30/Mar/2017                                                                                          |
| Date of certificate expiry: | 29/Mar/2022                                                                                          |

| Indicate where the current audit fits within the certification cycle |                                     |                           |                          |                           |
|----------------------------------------------------------------------|-------------------------------------|---------------------------|--------------------------|---------------------------|
| Main (Initial) Audit                                                 | First Surveillance Audit            | Second Surveillance Audit | Third Surveillance Audit | Fourth Surveillance Audit |
| <input type="checkbox"/>                                             | <input checked="" type="checkbox"/> | <input type="checkbox"/>  | <input type="checkbox"/> | <input type="checkbox"/>  |

## 2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site in SIA „Latgran“ Jaunjelgava factory, and harbour storage areas in Riga (Freja, Flotes 11/14), Riga (Traleru 2b) and Riga (Atlantijas)

Scope of this evaluation is based on SBP standards 1; 2; 4; and 5. The reason for having SBE in the scope of the evaluation is that the demand for SBP-compliant biomass is exceeding the volumes of FSC/PEFC certified feedstock that is available for pellet production in the Baltic region. To meet the demand, SIA Latgran Jaunjelgava factory undertakes a supply base evaluation for primary and secondary feedstock that is originating from Latvia and secondary feedstock from Estonia.

Organization holds valid FSC COC multisite NC-COC-009116 certificate with wood pellets production in the scope: NC-COC-009116, NC-CW-009116 as well as PEFC certificate Nr, 03-12/15.

Wood pellets are produced of low-quality roundwood (pine, spruce, birch, aspen, black alder and grey alder) and partly from secondary feedstock such as saw dust and chips. The material is purchased from Latvia and some minor part of material comes from Lithuania and potentially from Belarus and Estonia.

Supply base for all Latgran factories are the same: raw materials material is sourced from Latvia, some part of feedstock comes from Lithuania and Belarus and potentially from Estonia. The feedstock is delivered by trucks. Some shares of the delivered roundwood is FSC 100% or FSC Controlled Wood, own verification of the Controlled Wood for Latvia, Lithuania and Belarus is included in the scope of the certification, but since March 2016 all feedstock is delivered with FSC, PEFC certified or Controlled claims. Own FSC CW verification system is applied to prove that raw materials delivered with PEFC claim are in compliance with FSC certification requirements.

Supply base evaluation is implemented for primary feedstock originating from Latvia and secondary feedstock originating from Latvia and Estonia. The scope of the audit includes evaluation of organization's risk assessment, supplier verification program, implementation of mitigation measures for indicators with high risk and monitoring of the system.

The organization has implemented FSC credit system.

Delivered roundwood and secondary feedstock is measured at check-point, and measurement data is entered into company's database.

Wood pellets are loaded into truck and delivered to different seaports by trucks. The sales can take place at the different seaports as mentioned above and sold on different incoterms conditions, including FOB, CIF, CFR, DES.

| Scope Item                 | Check all that apply to the Certificate Scope                                                                                                                                                        | Change in Scope<br>(N/A for Assessments) |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| <b>Approved Standards:</b> | SBP Standard #1 V1.0; SBP Standard #2 V1.0; SBP Standard #4 V1.0;<br>SBP Standard #5 V1.0; SBP Standard #6 V1.0<br><a href="http://www.sbp-cert.org/documents">http://www.sbp-cert.org/documents</a> | <input type="checkbox"/>                 |

|                                                  |                                                                       |                                                                                                                                         |                                                                                                              |                              |                                     |
|--------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------------|
| <b>Primary Activity:</b>                         | Pellet producer                                                       |                                                                                                                                         |                                                                                                              |                              | <input type="checkbox"/>            |
| <b>Input Material Categories:</b>                | <input checked="" type="checkbox"/> SBP-Compliant Primary Feedstock   |                                                                                                                                         | <input checked="" type="checkbox"/> SBP-Compliant Secondary Feedstock                                        |                              | <input type="checkbox"/>            |
|                                                  | <input checked="" type="checkbox"/> Controlled Feedstock              |                                                                                                                                         | <input type="checkbox"/> SBP non-Compliant Feedstock                                                         |                              |                                     |
|                                                  | <input type="checkbox"/> SBP-Compliant Tertiary biomass               | <input type="checkbox"/> Pre-consumer Tertiary Feedstock                                                                                |                                                                                                              |                              |                                     |
|                                                  | <input type="checkbox"/> SBP-approved Recycled Claim                  | <input type="checkbox"/> Post-consumer Tertiary Feedstock                                                                               |                                                                                                              |                              |                                     |
|                                                  |                                                                       |                                                                                                                                         |                                                                                                              |                              |                                     |
| <b>Chain of custody system implemented:</b>      | <input checked="" type="checkbox"/> FSC                               | <input checked="" type="checkbox"/> PEFC                                                                                                | <input type="checkbox"/> SFI                                                                                 | <input type="checkbox"/> GGL | <input checked="" type="checkbox"/> |
|                                                  | <input type="checkbox"/> Transfer                                     | <input type="checkbox"/> Percentage                                                                                                     | <input checked="" type="checkbox"/> Credit                                                                   |                              | <input type="checkbox"/>            |
| <b>Points of sales</b>                           | <input type="checkbox"/> Harbour (including own handling of material) | <input checked="" type="checkbox"/> Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour | <input checked="" type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.) |                              | <input type="checkbox"/>            |
| <b>Provide name of all points of sales</b>       | -<br>-<br>-                                                           | - FOB Rīga<br>-<br>-                                                                                                                    | -- Hull UK;<br>- Tyne, UK;<br>- Immingham, UK;<br>- Avedore, DK;<br>- Studstrup, DK                          |                              |                                     |
| <b>Use of SBP claim:</b>                         | <input checked="" type="checkbox"/> Yes                               |                                                                                                                                         | <input type="checkbox"/> No                                                                                  |                              | <input type="checkbox"/>            |
| <b>SBE Verification Program:</b>                 | <input type="checkbox"/> Low risk sources only                        |                                                                                                                                         | <input checked="" type="checkbox"/> Sources with unspecified / specified risk                                |                              | <input checked="" type="checkbox"/> |
|                                                  | New districts approved for SBP-Compliant inputs: Latvia; Estonia      |                                                                                                                                         |                                                                                                              |                              |                                     |
| <b>Sub-scopes</b>                                |                                                                       |                                                                                                                                         |                                                                                                              |                              | <input type="checkbox"/>            |
| 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.

The scope of the scope change evaluation covered:

- Review of the BP's management procedures, including requirements designated in SBP standard SBP Standard #1 V1.0;
- Review of the updated Supply Base Report;
- Review of Public Consultation of the risk assessment process;
- Review of the risk assessment results;
- Review of FSC/PEFC system control points, analysis of the existing FSC/PEFC CoC system;
- Evaluation of mitigation measures implemented for both primary and secondary feedstocks
- Review of the records, calculations and conversion coefficients;
- Interviews with responsible staff;
- Review of the records

## 4 SBP Standards utilised

### 4.1 SBP Standards utilised

Feedstock Compliance Standard, SBP Standard 1, Version 1.0, March 2015

Verification of SBP-compliant Feedstock, SBP Standard 2, Version 1.0, March 2015

Chain of Custody, SBP Standard 4, Version 1.0, March 2015

Collection and Communication of Data, SBP Standard 5, Version 1.0, March 2015

Instruction document 5A, 5B and 5C version 1.1 was utilised for the evaluation as well.

<http://www.sbp-cert.org/documents>

### 4.2 SBP-endorsed Regional Risk Assessment

The SBP has endorsed the Regional Risk Assessment for Latvia in September, 2017. The BP has been using the SBP endorsed version of RRA since then. The SBP endorsed version of RRA does not differ in relation to risk level for individual indicators from the BP's version of the Regional Risk Assessment. Both the BP's draft version of the risk assessment and the SBP endorsed RRA defines "specified risk" for indicators 2.1.1 (only HCVF category 3), indicator 2.1.2 (HCVF categories 1, 3 and 6) and indicator 2.8.1.

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

## 5 Description of Biomass producer, Supply Base and Forest Management

### 5.1 Description of Biomass Producer

BP is a biomass producer with a production situated in Jaunjelgava, Jaunjelgava region (Jaunjelgavas novads) of the Republic of Latvia. BP is sourcing both primary and secondary feedstock. Primary feedstock is coming from Latvia and secondary feedstock is coming from Latvia and Lithuania (indirectly also Belarus and Estonia).

Logs for the biomass production are bought directly from the forest, with harvesting permit where place of harvesting can be found. Secondary feedstock is delivered from different sawmills and the origin is verified based on supplier declarations where the origin is specified and confirmed by supplier audits.

All incoming feedstock is either FSC certified, FSC Controlled or controlled according to the existing FSC Controlled wood verification program. FSC Controlled wood verification program is applicable for feedstock originating from Latvia, Lithuania and Belarus. Since March 2016 all feedstock delivered with FSC, PEFC certified or Controlled claims. Own FSC CW verification system is applied to prove that raw materials delivered with PEFC claim are in compliance with FSC certification requirements.

The BP is implementing FSC credit system. Biomass is transported by trucks (Gulbene and Kraslava are the only sites using railway) and are sold at FOB, CIF, CFR, DES conditions from different harbours in Riga to different harbours in UK and Denmark..

### 5.2 Description of Biomass Producer's Supply Base

BP is sourcing primary and secondary feedstock only. Feedstock originates from Latvia, Lithuania and indirectly could come from Belarus and Estonia.

#### Latvia

3.056 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, woodworking 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 forestland. 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 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. 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 FSC certified.

## Belarus

In Belarus, forest land covers 9.5 million ha. Forests are quite evenly spread over the country's six regions with the average value of the forest cover (ratio between the stocked forest land and the total land) being 39.3% . Area of Agricultural area 8.7 million ha.

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 Belarus has fluctuated approx., 11 million cubic metres (<http://www.mlh.by> , 2015.)

Forest area of Belarus consists of Belarus consist of: forests- 7,89 million ha, Other wooded land 0.91 million ha.

The main wood species in Belarus are: pine 50,4%, spruce 9,2%; birch 23,1%; black alder 3,3%; grey alder 3,3 %: aspen 2,1%; other species 3,3%.

The forests in the Republic of Belarus are state property. Forests under the jurisdiction of the Ministry of Forestry (Minleshoz) cover 86% of the forest fund. Besides, a significant share of the forest fund is managed by the Administration of the President of the Republic of Belarus (8%) and by the Ministry of Emergency Situations of the Republic of Belarus (2%).

In Belarus an environmental protection system has been in place since 1960, from the time a Nature Protection Committee was established. Specially protected area accounts 7,7 % of the whole area of the country. However, together with the natural sites subject to special protection such as water conservation zones and areas of habit and growth of endangered wild animals and plant species, this figure increases to 22,1 % of the country's total area.

It is considered that about 75 % of the original Central European mixed forest cover is estimated to be lost. Pristine and relic stands of this forest type are believed to have been eliminated complete except in Belovezha Forest, which is located close to Belarus and Poland border. It is one of the largest and best presented forest tract in the lowlands Europe. It still contains a wide array of old-growth forest stands representing all the major habitat types, a rich variety of wildlife and a still not sufficiently studied numerous lower plants, fungi and slime moulds.

Belorussia has been a signatory of the CITES Convention since 1995. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Belorussia.

Forest regeneration is carried out annually over an area of 32,000 ha, including 81% of the forest planting and seeding and 19% by natural regeneration. There are 2 strictly protected Nation reserves and 4 National parks present in Belarus at the moment. Area of National reserves accounts 2,98 million ha and area of National parks is 3,98 million ha.

Forestry and the forest industry are essential parts of the republic's economy. In Belarus wood-based industry consists of forestry (13.5% of all production), Roundwood processing (69,5 % of all production), pulp and paper (16,4 % of all production) sectors.

All forest area is certified by PEFC certification scheme: 7,7 million. Ha (83 forestries) and FSC certification scheme 5,0 million. Ha (61 forestries)

## Estonia

Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual change in the forest cover was +0.4 %. Forestry Development Plan 2012-2020 and Yearbook Forest 2013, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill m<sup>3</sup> per year. The amount is in line with sustainable development principle when the cutting rate doesn't exceeds the annual increment and gives the potential to meet the long-term the economic, social and environmental needs. According to the Forestry Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.

For logging in any type of forest, it is required that a valid forest inventory or forest management plan, along with a felling permit issued by the Environmental Board, is available. All issued felling permits and forest inventory data is available in the public forest registry online database

Area of protected forests accounts to 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests is located on state property. The main regulation governing the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act. Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1992 and joined the International Union for Conservation of Nature (IUCN) in 2007 There are no CITES or IUCN protected tree species naturally growing in Estonia.

According to the Forestry Yearbook 2013 the wood, paper and furniture industry (503.5 million euro) contributed 21.6% to the total sector providing 3.3% of the total value added. Forestry accounted for 1.6% of the value added.

In Estonia, it is permitted to access natural and cultural landscapes on foot, by bicycle, skis, boat or on horseback. Unmarked and unrestricted private property may be accessed any time and pick berries, mushrooms, medicinal

plants, fallen or dried branches, unless the owner forbids it. On unmarked and unrestricted private property camping is allowed for 24 hours. RMK creates exercising and recreational opportunities in nature and in recreational and protection zones and provides education about the natural environment which are free to access.

Estonia is a member of the European Union since 2004. The Estonian legislation is in compliance with the EU's legislative framework and directives. National legislative acts make references to the international framework. All legislation is drawn up within a democratic system, subject to free comment by all stakeholders. The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 2020 has clear objectives and strategies in place to ensure the forestland is protected up to the standards of sustainable forest management techniques. The Ministry of the Environment coordinates the fulfilment of state duties in forestry. The implementation of environmental policies and its supervision are carried out by two separate entities operating under its governance. The Estonian Environmental Board monitors all of the work carried out in Estonia's forests whereas the Environmental Inspectorate exercises supervision in all areas of environmental protection.

The forest is defined in the Forest Act. There are three main forest categories are described in this legislation: commercial forest, protection forest and protected forests. According to the ownership, forests are also divided into private forests, municipality forests and state owned forests. The state owned forest represent approximately 40% of the total forest area and is certified according to FSC and PEFC forest management and chain of custody standard in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed. The state forest is managed by State Forest Management Centre (RMK) which is a profit-making state agency founded on the basis of the Forest Act and its main duty lies in a sustainable and efficient management of state forest. Additional information is available in SBR of the company, available at: [http://www.latgran.com/uploads/faili/sbr\\_2016-08\\_final\\_latgran\\_jp\\_lv.pdf](http://www.latgran.com/uploads/faili/sbr_2016-08_final_latgran_jp_lv.pdf)

## 5.3 Detailed description of Supply Base

- Total Supply Base area (ha): ~14,3 million ha forest land (all regions included in Supply Base report))
- Tenure by type (ha): ~ 13.2 million ha state; ~1,1 million ha private
- Forest by type (ha): Boreal/Hemiboreal ~14,3 million ha.
- Forest by management type (ha): Managed semi-natural ~14,3 million ha.
- Certified forest by scheme (ha): FSC ~11,7 mill ha ; PEFC ~10,9 mill ha (includes overlap)

Quantitative and qualitative description of the Supply Base can be found in the Public Summary Report: <http://www.latgran.com/en/policy/sustainable-biomass>

## 5.4 Chain of Custody system

The feedstock sourced is either roundwood of low-quality (pine, spruce, birch, aspen, black alder, and willow) or secondary feedstock such as saw dust and wood chips. The feedstock is sourced from Latvia and some minor part of feedstock is sourced from Lithuania and indirectly - Belarus and Estonia. The feedstock is delivered by trucks. Krāslava production site/factory is using feedstock originating from Belarus as well.. The feedstock is delivered by trucks. Some shares of the delivered roundwood is FSC 100%, 100% PEFC certified or FSC Controlled Wood,

whereas the rest primary supplies are non-certified and included into company's own program of verification of controlled material suppliers. The BP has used FSC CoC system for SBP certification.

Each delivery is checked at the entrance (delivered roundwood and secondary feedstock is measured at check-point, and measurement data is entered into company's database) and later on the purchasing documents are checked by the accountant to verify the correctness of the FSC/PEFC claim recorded in the internal accounting system. Once the material is received as certified it can be added to the credit account.

The organization has implemented FSC/PEFC credit system. Material which would be received as SBP compliant through supply base evaluation would be added to this credit account as well but would be kept in a separate column which would provide assurance that this material (which is not FSC certified) does not enter to FSC credits.

Wood pellets are loaded to containers and delivered to different seaport by trucks. The sales are taking place at the seaport and the sales documents are issued just before the vessel is loaded.

## 6 Evaluation process

### 6.1 Timing of evaluation activities

*CVA (CAR verification audit) audit in 3rd October 2017*

Prior to annual surveillance audit, a CVA audit was held in NEPCOn office on October 3, 2017. The purpose of CAR verification audit was to close all minor non-conformances raised during the assessment and previous scope change audits with 12 month closing deadline. During the CVA audit the overall responsible person had provided evidences (updated procedures, records, database summaries) for closing main NCRs identified during the main part of the assessment 2017.

*Annual surveillance audit, November 6-10, 2017*

The annual audit was conducted in 2 stages: first evaluation of SBP compliance not entailing SBE evaluation took place; followed by SBP SBE system evaluation.

SBP annual surveillance audit in Latgran all factories took place from November 6 - November 9, 2017. During the first phase of the annual surveillance audit the compliance with SBP standards #2, #4, #5 and instruction documents 5A, 5B and 5C took place. In the second phase of the audit, the biomass producer was evaluated against SBP standards #1 and #2, focusing primarily on implementation of SBP Supplier Verification Program and implementing risk mitigation measures within the Supplier Base Evaluation process.

The annual (surveillance) audit took place during 6th-9th of November, 2017 and included production site visit, staff interviews as well as supplier origin confirmation audits, including SBE with both primary and secondary feedstock. As part of annual audit, visits to all 4 SIA Latgran production sites (Jēkabpils, Jaunjelgava, Gulbene and Krāslava), audits to suppliers, including sub-suppliers and contractors took place.

In the second phase the actual implementation of the Supply Base Evaluation system had been verified. During the annual surveillance audit 5 suppliers of primary feedstock and 4 suppliers of secondary feedstock had been visited, in addition to 4 sub-supplier visits.

In total 14 auditor days were used for the annual audit, including 0.5 day of preparations, 5,5 days at the BP sites (Jēkabpils, Jaunjelgava, Gulbene and Krāslava production sites) and 8,5 audit days for supplier audits at the FMU level and secondary feedstock supplier – sawmill and broker/trader level. For this particular audit 3,5 audit days were spend on the evaluation.

| Activity         | Location                                                                    | Auditor(s) | Time                              |
|------------------|-----------------------------------------------------------------------------|------------|-----------------------------------|
| CVA audit        | NEPCOn Office                                                               | OP         | <b>3.10.2017</b><br>11.00- 14.00  |
| Opening meeting* | Latgran SIA office, "Ābeles" Zilāni, Kūku pagasts, Krustpils novads LV-5222 | GK, OP     | <b>06.11.2017</b><br>09.45- 10.15 |

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|----------------------|
| <p>Interviews with production staff</p> <p>Chain of custody system review, Review of the documented procedure</p> <p>Review of procedures, documents and interviews with responsible staff (review of the CoC system control point, mass balance, management system, verification of SBP compliant feedstock). Supplier verification program, Supplier Origin confirmation auditing</p> <p>interview with overall responsible staff and accountancy, evaluation of compliance against standards #2, #4 and #5. Review of the records and reports;</p> | <p>Latgran SIA office, "Ābeles" Zīlāni, Kūku pagasts, Krustpils novads LV-5222</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>OP</p> | <p>10:30-13.00</p>   |
| <p>GHG calculation review</p> <p>collection and communication of energy and carbon data</p> <p>Evaluation of the open non-conformances</p> <p>Interview with Head of Quality and Certification Systems</p> <p>Graanul Invest AS</p>                                                                                                                                                                                                                                                                                                                   | <p>Latgran SIA office, "Ābeles" Zīlāni, Kūku pagasts, Krustpils novads LV-5222</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>OP</p> | <p>13:30-17:00</p>   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |           |                      |
| <p>Evaluation of supplier of secondary feedstock</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of secondary feedstock;</li> <li>• Witness audit of BP supplier audit (risk mitigation measures)</li> </ul>                                                                                                                                                                                                                                                                                                                      | <p>Supplier SIA Klassmann-Deilmann Bioenergy, Kocēnu novads, Zilākalna pag., Zilāskalns, Kultūras iela 23, LV-4222. (broker/trader), visits to sub-suppliers:</p> <ul style="list-style-type: none"> <li>• Supplier SIA "Krauss", "Saulītes", Cesvaines novads, Cesvaines pagasts. Evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of "low risk" feedstock credit account;</li> <li>• Supplier z/s "Podi", "Mastarīga", Lazdukalna pagasts, Rugāju novads. Evaluation of secondary feedstock origin, roundwood origin documentation review, interviews to responsible staff, verification of "low risk" feedstock credit account;;</li> </ul> | <p>GK</p> | <p>10.00 – 16.00</p> |

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|                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Supplier SIA "Almo Hardwood", Apes 4, Alūksne, Alūksnes n., LV-4301. Evaluation of secondary feedstock origin, roundwood origin documentation review, interviews to responsible staff, verification of "low risk" feedstock credit account;</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |        |                                   |
|                                                                                                                                                                                                                                                          | Interview to responsible person at Klasmann–Deilmann Bioenergy SIA, review of secondary feedstock supplier audit documentation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | GK     | 16.00                             |
| <p>Evaluation of suppliers of primary feedstock: Gulbene factory</p> <ul style="list-style-type: none"> <li>Evaluation of supplier of primary feedstock (harvesting company)</li> <li>Witness audit of BP supplier audit: Gulbene factory</li> </ul>     | <ul style="list-style-type: none"> <li>Supplier audit: SIA "Meža bites". Office visit, SBP SBE documentation review, interview to responsible person Gunārs Stūriška</li> <li>Field evaluation of HCV risk mitigation measures in completed harvesting sites:                             <ul style="list-style-type: none"> <li>FMU "Jēpi" (cadaster Nr. 42560070037)                                     <ul style="list-style-type: none"> <li>block 1, compartments 8,9,5,2,1;</li> <li>block 2, compartment 7),</li> </ul> </li> </ul> </li> <li>Office visit, Interview to responsible person, receptionist Mr. Mārtiņš Tinkuss, review of SBP SBE documentation, field checklist</li> </ul>                                                                                                                                                          | GK     | <b>07.11.2017</b><br>10.00- 17.00 |
| <p>Evaluation of suppliers of primary feedstock: Jēkabpils factory</p> <ul style="list-style-type: none"> <li>Evaluation of supplier of primary feedstock (harvesting company)</li> <li>Witness audit of BP supplier audit: Jēkabpils factory</li> </ul> | <p>Supplier audit: SIA "Billerudcorsnas", primary feedstock supplier, evaluation of HCV risk mitigation measures in completed harvesting sites:</p> <p>FMU "Salas" (cad. No: 3278011006 FMU "Viesīši", Seces parish, Jaunjelgava municipality<br/>Block No 1, compartments: 6; 9; 10; 13, 14. Logging performed in 2017. Total area of clear-cut 1.9 ha; The WKH evaluation performed by supplier "Billerudcorsnas" before logging activities. The evaluation results correspond to actual situation on the site. Interview to forest foreman Večeslavs Klešņiks.</p> <p>FMU "Jaunaveni" (cad. No: 569000365, Seces parish, Jaunjelgava municipality<br/>Logging subcontractor: SIA "Kļavas A" Block No 1, compartments: 3. nog.; Clearcut performed in 2017. Total area of clearcut 0.5 ha. The WKH evaluation performed by supplier "Billerudcorsnas"</p> | OT, LS | <b>07.11.2017</b><br>10.00-18.00  |

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|                                                                                                                                                                                                                                                                            | <p>before logging activities. Interview to forest foreman Ritvars Ķerns.</p> <p>FMU "Dziļupeļi" (cad. No: 5640120020)<br/>Logging subcontractor: SIA "Kļavas A"<br/>Block 1, compartment: 18, total area of clear-cut 0.58 ha</p> <p>Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to supplier responsible person:</p> <p>The WKH evaluation performed by supplier "Billerudcorsnas" before logging activities. Interview to forest foreman Ritvars Ķerns.</p> |     |                                  |
| Office audit to Krāslava, Gulbene and Jaunjelgava production sites                                                                                                                                                                                                         | <p>Chain of custody system review, Review of the documented procedure</p> <p>Review of procedures, documents and interviews with responsible staff (review of the CoC system control point, mass balance, management system, verification of SBP compliant feedstock). Supplier verification program, Supplier Origin confirmation auditing</p>                                                                                                                                                                          | OP  | <b>07.11.2017</b><br>09.00-20.00 |
| <p>Evaluation of supplier of secondary feedstock</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of secondary feedstock;</li> <li>• Witness audit of BP supplier audit (risk mitigation measures)</li> </ul>                                           | <p>Supplier SIA "GL Plus", Krāslava, Krāslavas pilsēta, LV-5601</p> <p>Evaluation of secondary feedstock origin, roundwood origin documentation review, interviews to responsible staff, verification of "low risk" feedstock credit account;</p>                                                                                                                                                                                                                                                                        | GK  | <b>07.11.2017</b><br>09.00-11.00 |
| <p>Evaluation of suppliers of primary feedstock: Krāslava production site</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of primary feedstock (harvesting company)</li> <li>• Witness audit of BP supplier audit: Krāslava production site</li> </ul> | <p>Supplier audit: SIA "Laskana mežs", primary feedstock supplier, evaluation of BP's HCV risk mitigation measures in completed harvesting sites:</p> <p>FMU "Ābelītes" (cad. No: 3278011006<br/>Krāslava parish, Krāslava municipality<br/>Block No 1, compartments: 1,3, total area 2.55ha. Logging performed in 2017. Total area of clear-cut 1.9 ha; Possible HCV are according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier "Laskana mežs"</p>           | GK, | <b>08.11.2017</b><br>09.00-18.00 |

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|                                                                                                                                                                                                             | <p>before logging activities. Interview to forest foreman Jānis Uldukis.</p> <p>FMU “Dzeguzes” (Kalniešu parish, Krāslava municipality)<br/>Block No 1, compartments 1 (1.65ha) ,3 (0.39ha), final felling (clear-cut) performed in 2017. Total area of clearcut 0.5 ha. Possible HCV are according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier “Laskana mežs” before logging activities. Interview to SIA “Laskana Mežs” representative forest foreman Jānis Uldukis.</p> <p>FMU “Meža mājas” (Indra parish, Krāslava municipality)<br/>Block 1, compartment: 1, possible HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier “Laskana Mežs” before logging activities. Interview to forest foreman Jānis Uldukis.</p> <p>FMU “Upes kudiņi” (Robežnieki parish, Krāslava municipality)<br/>Block 1, compartments: 3,4: possible HCV area according to Latbio database. Potential HCV identified according to field evaluation. The WKH evaluation performed by supplier “Laskana Mežs” before logging activities. Interview to forest foreman Jānis Uldukis.</p> <p>Krāslava factory office visit, Interview to responsible person, receptionist Mr. Vilnis Vagalis, review of SBP SBE documentation, field checklists, feedstock sourcing documentation, filled in field verification checklists</p> |        |                                          |
| <p>Evaluation of suppliers of primary feedstock:<br/>Jaunjelgava/Jēkabpils factory</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of primary feedstock (harvesting company)</li> </ul> | <p>Supplier audit: SIA “Billerudkorsnas”, primary feedstock supplier, evaluation of HCV risk mitigation measures in completed logging sites:</p> <p>FMU “Mežotne” (cad. No: 60560040057, Ezernieki parish, Dagada municipality<br/>Logging subcontractor: SIA “Veres”</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | OT, LS | <p><b>08.11.2017</b><br/>09.00-18.00</p> |

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| <ul style="list-style-type: none"> <li>• Witness audit of BP supplier audit: Jaunjelgava/Jēkabpils factory</li> </ul> | <p>Block 1. Compartments 2 (0.48 ha) and 3 (0.38 ha). Total area 0.86 ha. Logging performed in 2017. Total area of clear-cut 1.9 ha; Ongoing tree felling activities (final felling, clear-cut). Logging performed by a team of 3 sawn chain operators and forest foreman. Interview to forest foreman Viesturs Arbidāns Mitčenkovs.</p> <p>Supplier audit: SIA “Jubergs”, primary feedstock supplier, evaluation of HCV and H&amp;S risk mitigation measures in completed and on-going logging sites:</p> <p>FMU “Upmalas” (cad. No: 60640040004, Izvalta parish, Krāslava municipality<br/>Logging subcontractor: Igors Givoina<br/>Block 1, Compartments: 2, 3, 7, 10.<br/>Total area: 5.03 ha. Ongoing logging works: team of 20 workers: 12 chain saw operators, 8 assistants.</p> <p>Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to supplier responsible person:</p> <p>FMU “Lukapicku bajāri” (cad. No: 56700050030)<br/>Logging subcontractor: SIA “Kļavas A”<br/>Block: No 1, compartment No 6, Total area: 0.29 ha. Final felling (clear-cut) in 2017. HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier SIA “Jubergs” before logging activities.</p> <p>FMU “Meždangas” (cad. No: 32840040042, Staburags parish, Jaunjelgava municipality)<br/>Logging subcontractor: SIA “Arklik”<br/>Block 2, compartment 5. Area 0.57 ha. Final felling (clear-cut) in 2017. HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier SIA “Jubergs” before logging activities.</p> |  |
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|                                                                                                                                                                                                                                                          | <p>FMU "Rautiņi" (cad. No: 32860020111, Staburags parish, Jaunjelgava municipality)</p> <p>Logging subcontractor: SIA "AM Pīlādži"</p> <p>Block 1, compartment No 15, area 0.32 ha. Block 1, compartment No 3; area 2.12 ha</p> <p>Finished clear-cut area. Block 2, compartment 5. Area 0.57 ha. Final felling (clear-cut) in 2017. HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier SIA "Jubergs" before logging activities.</p>                                                                                                                         |          |                                             |
| <p>Evaluation of supplier of secondary feedstock</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of secondary feedstock;</li> <li>• Witness audit of BP supplier audit (risk mitigation measures)</li> </ul>                         | <p>Visiting suppliers of secondary feedstock. Evaluation of secondary feedstock origin, roundwood origin documentation review, interviews to responsible staff, verification of "low risk" feedstock credit account:</p> <ul style="list-style-type: none"> <li>• SIA "VMS Timber", Biksēre, Sarkaņu pagasts, Madonas novads;</li> <li>• SIA "Moon Wood", Mehanizatoru 12, Ērgļi, LV-4840;</li> <li>• SIA "Liepas AK", Mehāniskās darbnīcas, Zīlāni, Kūku pagasts, LV-5222;</li> <li>• SIA "Sinda VR","Rogas", Kokneses pagasts, Kokneses novads LV-5113;</li> <li>• SIA "Pallogs", "Ceri" Vērenes iela, Koknese, LV-5113</li> </ul> | OP       | <p>08.11.2017</p> <p>08.00 – 17.00</p>      |
| <p>Evaluation of suppliers of primary feedstock: Gulbene factory</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of primary feedstock (harvesting company)</li> <li>• Witness audit of BP supplier audit: Gulbene factory</li> </ul> | <p>Supplier audit: SIA "Dizozols", primary feedstock supplier, evaluation of BP's HCV and Health &amp; Safety risk mitigation measures in completed and on-going harvesting sites:</p> <p>FMU "Dumbrāji" (cad. No: 3278011006 Zvārtava parish, Valka municipality Block No 1, compartments: 17,18, total area 3.07ha.; Possible HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by supplier "Dizozols" before logging activities. Interview to forest foreman Arnis Bitmanis.</p>                                                                                     | GK,OT,LS | <p><b>09.11.2017</b></p> <p>10.00-18.00</p> |

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|                                                                                                                                                                                                                                                          | <p>FMU "Ziediņi-5" (cad. No. 36420070062, Alsviķi parish, Alūksne municipality)<br/>Block No 1, compartment 8 (0.27ha), final felling (clear-cut) performed in 2017. Possible HCV area according to Latbio database. No HCV identified in the field evaluation. The WKH evaluation performed by previous owner "LV Mežs" before selling the wood via stumpage sale to "Dizozols". Interview to SIA "Dizozols" representative, forest foreman Arnis Bitmanis.</p> <p>FMU "Kūdupi" (cad. No. 36420130035, Alsviķi parish, Alūksne municipality)<br/>Block 1, compartment: 2, area 2.25ha. Plot logged in 2017. Possible HCV area according to Latbio database. No HCV identified in the field evaluation by the supplier. HCV identified by the BP and certification body. The WKH evaluation performed by supplier "Dizozols" before logging activities. Interview to forest foreman Arnis Bitmanis.</p> |    |            |
| <p>Evaluation of supplier of primary feedstock:<br/>Jaunjelgava/Jēkabpils factory</p> <ul style="list-style-type: none"> <li>• Evaluation of supplier of primary feedstock (harvesting company)</li> <li>• Witness audit of BP supplier audit</li> </ul> | <p>Supplier audit: SIA "Laskana Mežs", primary feedstock supplier, evaluation of HCV and H&amp;S risk mitigation measures in completed and on-going logging sites:</p> <p>FMU "Piķi" (cad. No: 80250020007, Baldone parish, Baldone municipality)<br/>Logging subcontractor: SIA "Arbits"<br/>Block 1, compartment No 15, area 0,84 ha. Ongoing logging activities. Final felling (clear-cut). Team of manual logging workers: chain saw operators and assistants.</p> <p>Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to workers and responsible person of logging subcontractor.</p>                                                                                                                                                                                                                                                       | LS | 09.11.2017 |
|                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |            |

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| Interview with SBP responsible person, review of documentation, procedures. Compliance to SBP Standards #1 and #2.<br><br>SBP Risk Assessment, implementation of mitigation measures, evaluation of Supplier verification program results. | Latgran SIA office, "Ābeles" Zīlāni, Kūku pagasts, Krustpils novads LV-5222 | GK, LS, OT, OP | <b>10.11.2017</b><br>09.00- 12.00 |
| Resolving of remaining issues, questions, interview to responsible person                                                                                                                                                                  | Latgran SIA office, "Ābeles" Zīlāni, Kūku pagasts, Krustpils novads LV-5222 | GK, OP, LS, OT | 12:00-13:00                       |
| Closing meeting                                                                                                                                                                                                                            | Latgran SIA office, "Ābeles" Zīlāni, Kūku pagasts, Krustpils novads LV-5222 | GK, OP LS, OT  | 13:00-14:30                       |
|                                                                                                                                                                                                                                            |                                                                             |                |                                   |
| Additional desk review<br>Interview with AS Graanul Invest responsible person, review of the credit accounts, sales function responsibilities                                                                                              | Office                                                                      | OP             | <b>21.11.2017</b><br>15.00-16.30  |

Auditor team: GK – Ģirts Karss, OP – Oļesja Puišo, LS - Liene Suveizda, OT – Ondrej Tarabus

## 6.2 Description of evaluation activities

### *Pre-audit activities*

Planning of annual surveillance audit has been initiated prior to the annual surveillance audit and focused on the most important part – supplier and field inspection planning and selecting suppliers via sampling. Since the Latgran supplier structure is complicated and many suppliers overlap, i.e. the same suppliers of primary and secondary feedstock deliver feedstock to several Latgran factories, sampling process was carried out with following approach: the suppliers supplying feedstock to several Latgran factories is given preference; largest suppliers are given preference in selection process; suppliers that have been evaluated in the previous audit are not considered. The sampling of the suppliers for field evaluations took place prior to the audit, through communicating to responsible person for feedstock procurement. The minimum number of suppliers for sampling is calculated as following: 0.8 times the square root of all active suppliers rounded to the upper whole number. Suppliers to be included in the field inspections were chosen randomly, excluding those, audited previously (in previous audit).

Sampling process of primary and secondary feedstock supplier is described below.

There are 16 active suppliers of "low risk" primary feedstock – fuelwood to Latgran Jēkabpils production site, 6 suppliers to Latgran Jaunjelgava production site, 20 suppliers to Gulbene site and 13 suppliers to Krāslava site. In

total there are 28 unique suppliers to all Latgran factories and this number was used for calculation of suppliers to be inspected. Thus, 5 suppliers of primary feedstock were chosen for field evaluations. 5 selected suppliers provide 60% of total “low risk” feedstock supplies to all Latgran factories. 4 suppliers deliver “low-risk” primary feedstock to all 4 Latgran production sites and one supplier, the largest supplier to Gulbene production site delivers “low risk” primary feedstock to Gulbene production site only.

5 primary feedstock suppliers were selected for field audits. The only one active supplier of “low risk” secondary feedstock (sawdust) was included in the list of audit. In addition, the only one broker/trader supplying secondary feedstock within the SBE system - supplier was included in the list of audited suppliers, including visits to two sub-suppliers (new sawmills) – suppliers of non-SBP compliant secondary feedstock..

With regard to “low risk” secondary feedstock - sawdust, there are 4 active suppliers of “low risk” primary feedstock – fuelwood to Latgran Jēkabpils production site, 3 suppliers to Latgran Jaunjelgava production site, 7 suppliers to Gulbene site and 2 suppliers to Krāslava site. In total there are 12 unique suppliers to all Latgran factories and this number was used for calculation of suppliers to be inspected. Thus, 3 suppliers of secondary feedstock (sawdust) were chosen for field evaluations. 3 selected suppliers ensure 40% of total “low risk” feedstock supplies to all Latgran factories. 1 supplier delivers “low risk” feedstock to 3 production sites (Jēkabpils, Jaunjelgava and Gulbene), 1 supplier – 2 production sites (Jaunjelgava and Krāslava) and 1 supplier – to one production site (Krāslava), 1 supplier to Gulbene production site. Sub-suppliers to 2 suppliers of secondary feedstock were selected for field evaluation, using the above mentioned approach.

There are 11 unique suppliers of secondary feedstock - chips to all Latgran production sites out of which 3 were selected for onsite inspections. The supplier structure to Latgran production facilities can be described as following: there are 5 suppliers of chips to Jēkabpils production site, 3 suppliers to Jaunjelgava production site, 6 suppliers to Gulbene production site and 2 suppliers to Krāslava production site. 3 selected suppliers account for 34% of total “low risk” feedstock – chips supplies to all Latgran factories. 1 supplier delivers low risk feedstock to 3 production sites (Jēkabpils, Jaunjelgava and Gulbene), 1 supplier – 2 production sites (Jaunjelgava and Krāslava) and 1 supplier – to one production site (Krāslava). One selected supplier delivers low risk feedstock to Gulbene production site only.

So, in total 5 suppliers of primary feedstock and 4 suppliers of secondary feedstock have been selected for supplier audits, covering all 4 Latgran production sites.

### *Audit, on-site work*

Annual surveillance audit began with an opening meeting attended by the management team of the biomass producer as well as other responsible staff (procurement manager and quality manager). Auditor team was welcomed in SIA Latgran office in Jēkabpils. Auditors introduced themselves, mentioned auditor qualification and roles in the audit, provided details about the audit plan, work schedule and methodology, confidentiality issues, and assessment methodology and clarified the scope of verification.

After the opening meeting the auditor team split up in order to increase the use the resources more efficiently. One auditor spent a day in the Latgran office. Auditor reviewed 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 as well as other staff having responsibilities within the system were interviewed.

Roundtrip around BP's pellet production was undertaken. During the site tour reception, recordkeeping, production process were observed, applicable records were reviewed, pellet factory staff was interviewed and FSC system critical control points were analysed. System for identification of "high risk" material coming from Woodland Key Habitat areas was evaluated at the reception.

All documentation related to 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 were reviewed during the first day of the audit. In addition to this phone interview with Head of Quality and Certification Systems responsible for the sales and involved in the logistic activities and credit account management had been conducted.

Other SBP auditor audited supplier of secondary feedstock: the supplier of secondary feedstock SIA "Klasmann-Deilmann Bioenergy", formerly known as SIA "PA Energy", which is the biggest supplier of certified secondary feedstock to all 4 Latgran production sites and carried out feedstock origin audit to three sawmills. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers). "Low risk" or "GI Atbilstošs" feedstock has been supplied by SIA "Klasmann-Deilmann Bioenergy" to Latgran production sites during the audit period.

At the end of day 1 auditor held a meeting with responsible person of secondary feedstock to BP – broker/trader – SIA "Klasmann-Deilmann Bioenergy". Auditor reviewed SIA "Klasmann-Deilmann Bioenergy" supplier list and feedstock verification audit schedule and sampled documents for verification. Documented procedures for secondary feedstock supplies with the SBE system were also reviewed and discussed with responsible staff at the company (secondary feedstock supplier).

### Day 2

The main focus of the surveillance audit is to verify if risk mitigation measures are implemented properly according to requirements of SBP standards #1 and #2 and BP's supplier verification program for suppliers supplying primary and secondary feedstock to Gulbene and Jēkabpils production sites.

2 auditors conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Logging sites of 2 suppliers (SIA Meža bites and SIA Billerudkorsnas) were visited. Auditors were witnessing the audit (Health and Safety risk mitigation measures and High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Second SBP auditor audited supplier of secondary feedstock: 5 suppliers of secondary feedstock (sawmills) were inspected during the audit. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers). "Low risk" or "GI Atbilstošs" feedstock has been supplied by suppliers to Latgran production sites during the audit period.

### Day 3

The main focus on verifying risk mitigation measures are implemented properly according to requirements of SBP standards #1 and #2 and BP's supplier verification program for suppliers supplying primary and secondary feedstock to Krāslava and Jēkabpils/Jaunjelgava production sites.

2 auditors conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Logging sites of 2 suppliers (SIA Laskana Mežs and SIA Billerudkorsnas) were visited. Auditors were witnessing the audit (Health and Safety risk mitigation measures and High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

### Day 4

The main focus on verifying risk mitigation measures are implemented properly according to requirements of SBP standards #1 and #2 and BP's supplier verification program for suppliers supplying primary and secondary feedstock to Gulbene, Jēkabpils and Jaunjelgava production sites.

2 auditors conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Logging sites of 2 suppliers (SIA Laskana Mežs, SIA Dizozols) were visited. Auditors were witnessing the audit (Health and Safety risk mitigation measures and High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

### Day 5

In the last day of the audit auditor team reviewed and discussed all applicable requirements of the SBP standards #1 and #2, and instruction documents covering SBE system regarding sourcing both primary and secondary feedstock within the SBE system and the overall management system with responsible staff at the BP – quality manager, feedstock procurement manager and responsible person for receiving and accepting the primary and secondary feedstock. During the process responsible persons for SBP system and over responsible staff having key responsibilities within the system, including wood receptionists were interviewed. Auditor team reviewed documented procedures for primary and secondary feedstock supplies within the SBE system. Records of Supplier Verification Program particularly those related to health and safety risk mitigation measures and high conservation value risk mitigation measures have been reviewed, evaluated and discussed with responsible staff.

The audit ended with the closing meeting. Audit findings were summarised and audit conclusions based on use of 3 angle evaluation method were provided to the responsible persons at the company – procurement manager and executive director as well as other responsible persons – quality manager at Latgran and Graanul Invest group in Latvia and responsible person for SBP certification systems in Graanul Invest group companies in Latvia.

### Auditor team information:

| Auditor(s), roles                                                                                                                                | Qualifications                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Olesja Puišo,<br>NEPCon Latvia<br>SBP auditor,<br>evaluation against all<br>applicable<br>requirements, except<br>requirements of<br>standard #1 | M.Sc. Logistics. Olesja is working as NEPCon Country Manager in Latvia. She is responsible for daily management of certification activities in the country. Olesja has passed CoC/ FM lead auditor training, PEFC CoC, ISO 140001, SAN and Legal Source training courses. Previous experience in woodworking industry as well as many years of experience within CoC auditing. She has passed the SBP lead auditor training and has participated on several SBP assessments. |

|                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Girts Karss, NEPCon Latvia<br/>SBP Auditor, evaluation against standard #1 and #2.</p> | <p>Works for NEPCon since 2011 Girts Karss holds M.Sc in Environmental Science from the Lund University and the University of Latvia. He has passed the Rainforest Alliance lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Girts Karss has more than 5 year experience in FSC Chain of Custody auditing in wood industry companies in Latvia and more than 5 year experience in FSC forest management (FM) evaluation in Estonia, Latvia, Lithuania and Russia. Girts Karss had acquired SBP auditor qualification and has participated in capacity of auditor and lead auditor in a number of SBP assessments, scope change audits and annual surveillance audits, including SBE in Latvia.</p> |
| <p>Liene Suveizda, NEPCon Latvia,<br/>Local expert and auditor in training</p>            | <p>Auditor in training. Joined NEPCon Latvia in 2016. M.Sc in biology, forest ecology. Graduated from University of Latvia. Liene has also studied law and hold the 2nd level higher education in law, Business School "Turība". Liene has long term experience in forestry sector in Latvia. Liene has passed the NEPCon lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Liene has participated as an auditor in training in several SBP assessment and scope change (SBE) audits in Latvia.</p>                                                                                                                                                                                                 |
| <p>Ondrej Tarabus</p>                                                                     | <p>Czech citizen, graduated in University of Life Sciences Prague, The Faculty of Forestry. He has participated in several FSC assessments in Czech Republic, Slovakia, Italy, Germany, Vietnam, Egypt, Spain, Romania, Bosnia and Herzegovina, Austria, etc. and FSC FM audits in Czech Republic and Lithuania. Ondřej Tarabus successfully completed SBP training course and he has practical experience with carbon footprint certification as well as biofuels certification.</p>                                                                                                                                                                                                                                                                                                         |

## 6.3 Process for consultation with stakeholders

No Consultation was conducted for this surveillance audit and no comments were received during the audit period.

## 7 Results

### 7.1 Main strengths and weaknesses

Strength: SBP system elements were implemented at the time of the assessment. Use of the FSC credit system. Efficient recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members. SBE processes are well documented; main database for material balances is well maintained and all relevant information can be reported. The BP has provided training to primary and secondary feedstock suppliers and sub-suppliers through a number biotope identification and health and safety training courses with respected Latvian experts and trained their suppliers. Strong commitment in implementation of SBP system and positive approach has been observed during the audit.

Weaknesses: See additional information in NCR section of the report.

### 7.2 Rigour of Supply Base Evaluation

SIA Latgran Jaunjelgava factory is implementing SBE for primary and secondary feedstock (forest products) that are originating from Latvia and Estonia and is sold 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 material coming from forest land (material sourced under FSC Controlled Wood system) as well as non-forest land (such as overgrown agriculture land – arboricultural arisings, along the road, rails or parks).

The BP has used the SBP endorsed Regional Risk Assessment with approved “Locally Adaptable Verifiers”. The risk assessment mitigation measures were consulted with relevant stakeholders during the SBP assessment process and the scope change in 2016.

The stakeholder consultation process has been conducted through notification of stakeholders and distributing the SBR report to stakeholders. Several stakeholders were contacted directly via phone and where the stakeholders were interested in expressing their opinion a face to face meeting took place. The BP keeps records of communication with stakeholders.

After consensus with stakeholders was reached, SIA Latgran began with implementation of the mitigation measures for individual indicators. This mitigation measures were implemented in cooperation with relevant specialists – forest habitat experts, external consultant and Health and Safety experts.

The supply base evaluation was a rigour process with some gaps identified (see non-conformities and observation part to this report). The scope defined by the organization was reduced compared to supply base due to the reasons mentioned above. However, the reduced scope included in the SBE was adequate for the specific characteristics of the area and management system in place.

## 7.3 Compilation of data on Greenhouse Gas emissions

The organization has been previously certified according the Green Gold Label standard and therefore many of the emission data were already in place when starting the preparation process for the SBP assessment. BP has implemented a system to collect and record data on Greenhouse Gas emissions. During the initial audit (main assessment), the BP has made detailed overview of the systems and databases to collect and record such data. Evidence was provided to auditors. Prior to the surveillance audit organisation prepared SAR document according to the requirements of the new instruction documents 5A, 5B and 5C.

## 7.4 Competency of involved personnel

The Supply Base Evaluation system is implemented by internal personnel of the company, trained and supervised by responsible person at the Graanul Invest group companies in Latvia. Internally different staff members hold responsibility for different aspects of the SBP certification.

Quality manager is responsible for implementation of SBP system in Latgran group. She holds the overall responsibility for SBP and SBE system. She holds good knowledge of the SBP requirements especially in area of energy and emission data, chain of custody or definition of material origin. Quality manager is also responsible for FSC and other certification systems.

Procurement manager is responsible for all procurement and supplier related issues, SBE system implementation and supplier audits.

Accountancy staff is responsible for recordkeeping, accounting, mass-balance account.

Receptionists are responsible for reception of incoming feedstock and moisture measurements.

Operators are responsible for moisture measurements.

All involved personnel, including responsible staff at supplier and sub-supplier level have demonstrated good knowledge in relevant fields. Primary suppliers demonstrated knowledge in recognition and identification of HC VF, health and safety requirements in case of primary suppliers. Relevant certificates and diplomas were presented during the surveillance audit. Qualification requirements for personnel 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 assessment and scope change audits..

## 7.5 Stakeholder feedback

No comments regarding the SBP SBE system for primary and secondary feedstock sourcing within the SBE system were received during the audit period. No stakeholder consultation was done before the annual surveillance audit.

The stakeholder consultation was carried out by the CB in first assessment and subsequent first and second scope change audits showed that BP's stakeholder consultation process was comprehensive and all key stakeholders

were involved in the process. Consultation confirmed that the stakeholders already expressed their opinion to biomass producer.

## 7.6 Preconditions

For details see the major non-conformities issues in section “10 – Non-conformities and observations”. No open preconditions related to this evaluation exist.

## 8 Review of Biomass Producer's Risk Assessments

### 8.1 Risk Assessment for 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 indicators 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 Risk ratings for SBP SBE Indicators*

| Indicator | Risk rating<br>(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<br>(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 Supplier Verification Program and mitigation measures.

| Indicator | Risk rating<br>(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<br>(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 |

## 8.2 Risk assessment for Estonia

SBP-endorsed Regional Risk Assessment for Estonia was used by the Biomass Producer. Risk ratings in table 3 are taken from the approved risk assessment, where one indicator has been evaluated as specified risk (indicator 2.1.2).

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 SBP SBE Indicators

| Indicator | Risk rating<br>(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<br>(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  | Low | Low |
| 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 mitigation measures.

| Indicator | Risk rating<br>(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<br>(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 Biomass Producer's mitigation measures

### 9.1 Mitigation measures of risks for feedstock originating from Latvia

The organization has implemented mitigation measures for 3 indicators evaluated as specified risk (2.1.1, 2.1.2 and 2.8.1) during the assessment.

The first step taken by the BP was to update the supplier contacts with clause requiring the supplier to agree to take necessary actions to avoid supplying material which would not be mitigated to low risks.

#### Indicator 2.1.1 (HCVF category 3):

Woodland Key Habitat tool ("WKH tool") was developed by SIA Latgran (together with other biomass producers from Latvia united under the Latvian biomass association "LATbio"). The tool is used in private forest land and shows "Risky areas" which may comprise WKH and "Green areas" which most likely do not comprise WKHs. The tool is based on existing forest inventory databases and implements filtering forest inventory databases using the algorithm from "Inventory of woodland key habitats; methodology" (Ek at al 2002). The tool has been verified in field verification process that took place (carried out by licenced forest ecology, biodiversity experts) to verify the correctness of the methodology and the algorithm implemented. Five different areas in Latvia were visited (each area ca. 200 ha) which have proved that the tool shows correct data and the WKH is not present in the "green areas". The database is used by both the pellet industry and primary and secondary feedstock suppliers to evaluate risks related to HCVF category 3 - identification and threatening the biodiversity values in sourcing of feedstock.

#### Indicator 2.1.2 (HCVF category 1):

The BP has provided training (with field visits) held by acknowledged forest ecology experts for all primary and secondary feedstock suppliers included in the SBE. Different suppliers, including suppliers and sub-suppliers of primary and secondary material were trained during the training course on how to recognize woodland key habitats using special checklist, important bird habitats and nesting sites and how these shall be protected.

Each supplier is required to evaluate all sites prior to harvesting and evaluate the presence of Woodland Key Habitats, large diameter nest or protected bird species. Interviews with suppliers as well as review of records showed that the procedure is followed by approved suppliers. In case of longer supply chains, e.g. primary processors supplying secondary feedstock or traders/brokers, supplier of material to BP shall make necessary risk mitigation measures to assure that the feedstock can be considered low risk. In case of sub-suppliers, supplier shall verify that the material supplied by sub-supplier is not being sourced from areas with WKHs and with appropriate H&S risk mitigation. In many cases the suppliers are actually evaluating the site prior to purchasing it and in case there is occurrence of large bird nests of indicative presence of potential WKH, they do not purchase the stand.

The BP is monitoring the evaluation of the sites during regular supplier audits (frequency of the audits depends on the amount of material sourced).

Indicator 2.1.2 (HCVF category 3):

Each supplier is checking the area designated for harvesting in the database mentioned above. In case the area is identified “red” (having potential woodland key habitat), the supplier cannot harvest the site without evaluating the site by trained personnel and filling in the WKH inventory checklist (developed by forest ecology expert from Latvia and agreed with prominent Latvian environmental NGOs and biotope experts). In case the Latbio tool would show that there is no presence of WKH (i.e. “green” area), the site does not need to be checked “in vivo”. The interview with the supplier representatives as well as verification audits to “red areas” during the scope change audit showed that the process is followed, records are kept and the evaluation is of sufficient quality.

The BP carries out monitoring through inspecting the plots where evaluations have been done by the suppliers. The BP carries out own evaluation of the site and this evaluation is then compared with the supplier evaluation. In case the BP identifies that the WKH were not evaluated correctly at least in one case, the supplier gets warning and has 1 month for corrective action. After that, the audits are repeated and in case they identify incorrect evaluation repeatedly, the supplier is excluded from the list of accepted suppliers.

Secondary feedstock suppliers are sourcing raw materials from Latgran SBE approved and not SBE approved suppliers. Mass- balance system is implemented. Only SBE approved suppliers could give its input to the SBE mass balance and only after suppliers are approved by Latgran. List of approved primary suppliers is available at Latgran homepage.

Indicator 2.1.2 (HCVF category 6):

The specified risk is for this sub-indicator is connected with noble tree species with large diameter which might be coming from old manors, parks or tree alleys having cultural heritage value. The BP has implemented procurement policy that noble species will not be sourced and in case it will be the diameter can't exceed 70cm. The interview with the receptionist as well as site tour through the storage area proved that no noble tree species are received. This procedure is also followed by suppliers of secondary material (sawmills and brokers/traders) by applying BP's procedure. Field inspections at suppliers of secondary feedstock showed that this requirement is followed in general. Interviewed responsible staff showed awareness of the requirement. Site tour through the storage areas showed that large diameter and noble tree species are actually in very minor amounts, i.e. few trunks. It has been explained also by interviewed persons at sawmills, that large diameter trunks (only aspen) are also received with FSC certified material from state forest enterprise and are delivered with certification claim. Certified amounts are out of the SBE scope.

Indicator 2.8.1:

The BP has updated all supplier contracts with a clause requiring following all Health & Safety (H&S) requirements specified in the national legislation. Each supplier is checked for H&S issues by the BP prior to accepting him as a supplier under the SBE system. The BP uses checklist which is filled in during interviews with the workers in the forest. Each supplier is checked in several forest plots before becoming accepted supplier.

Surveillance/monitoring of suppliers is carried out through sampling depending on the amount of material sourced, but at least one surveillance audit in calendar year. In case the BP identifies one aspect of the H/S as not fulfilled during the monitoring visits, the supplier gets warning and has 1 month to implement corrective action. After that, the audit is repeated and in case they identify again some violation of the H/S rule the supplier is excluded from the list of accepted suppliers.

The supplier audits are conducted by the BP itself. In addition to this sub-suppliers and sawmill are conducting internal audits for their suppliers. BP does verify supplier audits methodology and conducts audits together with sawmills/ sub-suppliers with an aim to make sure supplier audits are done in the sufficient quality.

It was revealed during the supplier visits that the BP has sufficient knowledge on H&S requirements as well as good timber harvesting practices. The sampling process is considered sufficient to verify suppliers of primary and secondary feedstock.

## 9.2 Mitigation measures of risks for feedstock originating from Estonia

The mitigation measures described will only be applied by primary processors (sawmills) that use timber of Estonian origin that is in the scope of the SBE Estonia sub-scope, i.e. all deliveries of primary feedstock that has been harvested in Estonia, but are not FSC or PEFC certified. The BP has established a system on how to verify if feedstock has not been sourced from WKHs. Additional control procedures, e.g. procedures according to FSC-STD-40-005: FSC Standard for Company Evaluation of FSC Controlled Wood, are applied if applicable. All feedstock subject to SBE must meet prior the evaluation at least SBP-approved Controlled Feedstock System requirements.

The BP use the delivery documents and publicly available databases (e.g. maps at: <http://register.metsad.ee/avalik/> or at least biannually renewed databases from competent authorities) to verify that the delivered primary feedstock has not been sourced from WKHs. In the case of primary processors – suppliers of secondary feedstock to BP, receptionists at primary timber processing companies will check for presence of felling permit and checks whether the timber is sourced from areas containing WKH in register mentioned above for each single delivery. In case the load is sourced from areas with known WKHs, the timber will not be accepted.

## 10 Non-conformities and observations

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NCR: 04/18 (19883)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                           |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SBP Standard 2, requirement 15.3<br>15.3 The BP management system shall document all necessary procedures.                                                                                                                                                                                                                |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Appendix B, p. 3.3.                                                                                                                                                                                                                                                                                                       |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                           |
| Review of documented procedures revealed non-conformance of actual process to BP documented procedures. According to SBE procedure "SBE Risku mazināšanas programma, SBP atbilstoša materiāla apstiprināšana, verifikācija", p.4.3.5 internal auditor fills in the audit checklist No. 1, and evaluates several criteria related to bird nesting and bird feeding area and evaluates bird feed reserves. According to information from responsible persons and as from field observations, suppliers are checking for presence of large diameter bird nests in the logging plot during pre-harvesting inspection, but not evaluating the bird feeding area and feed reserves. The latter is not being registered in HCV checklists or any other field records. It is thus concluded suppliers and BP internal auditors are not following the internal procedure of BP. |                                                                                                                                                                                                                                                                                                                           |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 12 months                                                                                                                                                                                                                                                                                                                 |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Pending                                                                                                                                                                                                                                                                                                                   |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Pending                                                                                                                                                                                                                                                                                                                   |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>OPEN</b>                                                                                                                                                                                                                                                                                                               |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                           |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                           |

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| <b>OBS: 01/18 (19884)</b> | <b>Standard &amp; Requirement:</b> | SBP Standard 2 V1.0, p.15.1<br>15.1 The BP shall implement a management and monitoring system to maintain compliance with the requirements of this and all other relevant SBP Standards, together with a process of review and feedback into planning (CPET S6b1). |
|                           | <b>Report Section</b>              | Appendix A p 2.8                                                                                                                                                                                                                                                   |

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| <b>Description of findings leading to observation:</b> | It was observed during the audit that BP internal auditor, responsible for conducting field audits at suppliers in some situations at supplier relied on the verbal information from the supplier, without verification of facts with documents and/or field observations. |
| <b>Observation:</b>                                    | Internal auditors should utilise 3 angle evaluation method in supplier audits, i.e. by using information contained in documents, interviews to supplier staff and observations in the field.                                                                               |

## 10.1 Closed Non-Conformity Reports (NCRs)

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                      |
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| <b>NCR: 01/18 (19880)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>NC Classification: MAJOR</b>                                                                                                                                                                                                                                                                                                      |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | SBP Standard 2, requirement 16.1<br>16.1 Where an Indicator is rated as Unspecified Risk, mitigation measures shall be taken to reduce the risk level to Low Risk                                                                                                                                                                    |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Appendix B, p. 9.1.                                                                                                                                                                                                                                                                                                                  |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                      |
| <p>Few weaknesses related to the risk mitigation procedure and actual performance in the field have been identified while evaluating the risk mitigation system during field inspections. In particular, the BP is not evaluating conformance to safe tree felling technique in the checklist of the organisation, despite the fact that non-compliance to safe tree felling rules is one of primary causes for tree harvesting related accidents in Latvia and thus is a priority issue. It can be concluded from field inspections that responsible person at BP is aware of safe felling techniques and knows how to verify evidence in the harvesting site, however, the compliance/non-compliance is not reflected in the field checklists. Evidence of failing to follow safe tree felling techniques has been noticed in completed logging sites (FMU "Ziediņi-5", supplier SIA Dizozols, FMU "Piķi", supplier SIA Laskana Mežs ) was noticed during field inspections through observation of contractor team performance and evidence in the field (tree stumps).</p> <p>Given the aforementioned deficiencies in the system, related to documenting the issues safe tree felling issue (in the checklist) and the scale of the issue, auditors decided to raise a major non-conformity.</p> |                                                                                                                                                                                                                                                                                                                                      |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 3 months from the report finalization date (by 19.02.2018)                                                                                                                                                                                                                                                                           |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Updated Health and Safety checklist "Veidlapa Nr2_DARBA DROSIBA_2017-11-21", see Exhibit 11                                                                                                                                                                                                                                          |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | After the audit the BP updated the Health and Safety checklist "Veidlapa Nr2 DARBA DROSIBA" and submitted the updated checklist. The updated checklist contains requirement to evaluate safe tree felling technique in the field in evaluation of health and safety performance of the contractor. The BP has also elaborated        |

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|                                                                                                                                             | instruction to aid the internal auditor to evaluate the safe tree felling requirements in the field. |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                        |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No                                  |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                      |
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| <b>NCR: 02/18 (19881)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                      |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SBP Standard 2, requirement 16.3<br>16.3 The BP shall implement a plan to monitor the effectiveness of the mitigation measures, at least annually.                                                                                                                                                                                   |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Appendix B, p. 9.3                                                                                                                                                                                                                                                                                                                   |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                      |
| <p>According to the documented procedures of the BP and as from interviews to responsible staff, the BP is summarizing the results of supplier monitoring/surveillance audits and presenting to management once a year for management review and evaluation of the effectiveness of the risk mitigation measures. Based on information on evaluation of risk mitigation measures, the management of the organization then takes a decision whether any actions need to be taken to improve the SBP SBE system and implement changes in risk mitigation system.</p> <p>Requirements are outlined in the documented procedure "Piegādes bāzes novērtējums (SBE)". Responsible person at the BP holds the responsibility to compile a summary report on monitoring results. The responsible person has prepared a table where principal monitoring criteria are outlined and explained the monitoring system in details.</p> <p>It is concluded from the document and record review as well as from interviews to responsible person that the BP has developed and been implementing a monitoring system of the effectiveness of the mitigation measures. The monitoring is based on the results of their supplier audits carried out during the year. The monitoring is based on the existing information since it reflects cases when the supplier audit identified occurrence of some HC VF.</p> <p>However, in case of health and safety the monitoring does not include the evaluation of the supplier audits performed and simply claims that risk is maintained at adequate level. It does not reflect the minor issues identified which then is not provide the full picture if the mitigation measures implemented are effective. Also, in case of Woodland Key Habitats (WKH) the analyses are quite superficial focusing on few cases where the WKH was identified but it does not include deeper evaluation of the effectiveness of the mitigation measures implemented such as if the supplier evaluation of the stands are in line with the BP evaluations, the sufficiency of the supplier audits, main problematic points identified at the supplier audits, if the supplier audits should be before or after harvesting or both etc.</p> |                                                                                                                                                                                                                                                                                                                                      |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 3 months from the report finalization date (by 19.02.2018)                                                                                                                                                                                                                                                                           |

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| <b>Evidence Provided by Organisation:</b>                                                                                                   | A summary table of outcomes of the supplier audits. See Exhibit 11                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                     |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                 | The BP has provided a compilation of summary of supplier audits. Information from Health and Safety audit reports and HCV audit reports have been summarised. The BP has also provided a summary evaluation of the performance of individual suppliers and the risk mitigation results as a whole. HCV (WKH) risk mitigation measures have been evaluated in similar way. The BP has also analysed risks of correct identification of biodiversity values in the field. A comparison of supplier score and the score obtained by BP during field inspections has been summarised from HCV (WKH) checklists with purpose to evaluate whether the approach in evaluation of HCV risks is the same for all suppliers and if any additional training for particular supplier is required. A summary of findings is presented. |                                                                     |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                     |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                   |
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| <b>NCR: 03/18 (19882)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>NC Classification: MAJOR</b>                                                                                                                                   |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | SBP Standard 2, requirement 16.1<br>16.1 Where an Indicator is rated as Unspecified Risk, mitigation measures shall be taken to reduce the risk level to Low Risk |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Appendix B, p. 9.1.                                                                                                                                               |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                   |
| <p>The following non-compliances with sourcing of “low risk”/“GI atbilstošs” feedstock had been identified during the annual surveillance audit:</p> <p>Procedure for secondary feedstock, foresee that volume is accounted as “low risk” feedstock or “GI atbilstošs” (GI- compliant) material, if feedstock is delivered by the active approved GI supplier and the supplier had placed “GI atbilstošs” claim on the delivery documents. Alternatively, the BP can accept feedstock as “low risk” from individual suppliers if suppliers and sub-suppliers can demonstrate ability to carry out all necessary risk mitigation measures at the forest level.</p> <p>It has been revealed during the surveillance audit that several suppliers of secondary feedstock in a number of cases had registered and accounted received primary material as “low risk” or “GI atbilstošs” without the corresponding claim, (“GI atbilstošs”/“GI compliant”) in delivery notes.</p> <p>For instance, audit to supplier SIA Sinda VR (supplying feedstock from 18 Graanul Invest approved sub-suppliers) revealed the following issues with claims in delivery notes:.</p> <ul style="list-style-type: none"> <li>- Sub-supplier SIA “Moon Wood” is placing “GI atbilstošs” mark on the delivery invoices themselves after the confirmation call and mutual confirmation of the approved primary suppliers SIA Daugavlici and SIA Grantini, even though the claim is not placed by the primary supplier, as it is required SIA Sinda VR and Latgran auditor took samples of the delivery note and invoice with the aim to ask primary suppliers for the WKH checklists;</li> </ul> |                                                                                                                                                                   |

- Sub-supplier SIA "VMS Timber" is registering feedstock volume from approved primary suppliers SIA Stora Enso and SIA Daugavliči placing no "GI atbilstoss" claim as GI compliant volume;

- Sub-supplier SIA "Liepas AK" is registering feedstock volume from approved primary suppliers placing no "GI atbilstoss" claim on delivery documents as GI compliant volume;

- Sub-supplier SIA Sinda VR own production is registering volume from approved primary suppliers placing no "GI atbilstoss" claim from supplier SIA Stora Enso. In addition to this volume delivered from the supplier Zallauki, supplier had also verified that risk for WKH 3 is mitigated by using Latbio database, however it is not clear of how risk for WKH 1 and 6 are mitigated.

During the audit supplier KD Bioenergy SIA (supplying feedstock from 29 Graanul Invest approved sub-suppliers), the following issues had been identified:

- Sub-supplier z/s Podi is registering received feedstock volume from approved primary suppliers placing no "GI atbilstošs" claim on delivery documents as GI compliant volume.

Due to identified non-conformances in registering non-identifiable feedstock as low risk feedstock in mass-balance system of primary processors and the cascading impact on the integrity of SBP Compliant Biomass production, auditors raised a major non-conformity.

**Corrective action request:**

Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.

**Timeline for Conformance:**

3 months from the report finalization date (by 19.02x.2018)

**Evidence Provided by Organisation:**

Table "Piegataju saraksts 2017\_adrese+GI precizets", see Exhibit 11-3.

Delivery notes

**Findings for Evaluation of Evidence:**

The BP had carried out additional audits to identified suppliers with purpose to verify the mass-balance system and correct the volumes of secondary feedstock supplied to the BP as "low risk" feedstock.

Only those suppliers whose records revealed inconsistencies during the external audit were audited. All the rest of suppliers will be additionally verified in 2018 during regular audits in accordance with internal procedures, paying particular attention to the issue of correct registering of primary feedstock.

The results of corrections made to the GI atbilstošs feedstock accounting made upon the additional suppliers audits is summarised in the table in Exhibit 11-3.

The table contains information on total purchased volume, with certification and GI-compliant biomass claims. The corrections made after the audit are provided in the column "Atbilstoša biomasa" with the word "labots" and the accompanying notes explaining what kind of corrections were made (deleted and deducted or adjusted balances of "GI atbilstošs" feedstock). The note is also attached to GL plus deliveries, where no revisions were made on the basis of a recurrent audit, as the supplier had

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|                                                                                                                                             | provided the missing delivery documents with “GI atbilstošs” claim. See the table in Exhibit 11-3 for details. See also samples of delivery note in Exhibit 11-3. |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                                                     |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                                                                                               |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                      |
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| <b>NCR: 01/16 (13104)</b> (Initial assessment)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>NC Classification: Major</b>                                                                                                                                                                                                                                                                                                      |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | SBP Standard 2 (ver. 1.0), requirement 6.3.<br>6.3 The BP shall ensure that the place of harvesting is within the defined Supply Base. Note: 'Place of harvesting' in the standard means the place of growth of the feedstock, i.e. the location of the tree stump                                                                   |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Appendix A p.1.4.                                                                                                                                                                                                                                                                                                                    |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                      |
| <p>Place of harvesting for primary feedstock is confirmed based on the information from the delivery notes.</p> <p>3 methods are used by the BP with an aim to collect origin information for secondary feedstock: supplier agreements, origin information in the delivery notes and supplier audits.</p> <p>As for the secondary feedstock the Supply Base restrictions to Latvia, Lithuania, Estonia and for few suppliers also Belarus is specified in the agreements with suppliers.</p> <p>In addition to this majority of the suppliers are stating origin in the delivery notes (however, it was identified that this requirement is not followed by few of the suppliers, for instance, supplier SIA “Gaujas koks”).</p> <p>In addition to this BP is conducting supplier audits with the aim to make sure wood is originating within the designated Supply base.</p> <p>According SBP procedures and interviews of the responsible staff each active primary producer (including supplier and sub-suppliers) will be visited at least once in a year. At the date of the assessment there was 7 direct and 3 indirect suppliers of secondary feedstock in Jekabpils site. During the audit it was identified that audit program was not fully implemented: 2 direct suppliers out of 7 had been audited, all brokers had been audited, but indirect suppliers had been audited based on sampling..</p> <p>Since not all the sub-supplier audits have been conducted at the time of the assessment, a minor NCR 01/16 is issued.</p> |                                                                                                                                                                                                                                                                                                                                      |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |

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| <b>Timeline for Conformance:</b>                                                                                                            | By next audit, but not later than 12 months from the report finalization+ 3 months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Evidence Provided by Organisation:</b>                                                                                                   | CVA audit 2017:<br>Supplier audit<br>Supplier audit register<br>Supplier audit protocols                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                 | <p>It was identified during the CVA audit, that according to the procedures of the organisation:</p> <ul style="list-style-type: none"> <li>- All supplier audits are conducted within the 12 month certification cycle;</li> <li>- In case primary production by-products are delivered by the sub-supplier, sub-supplier is auditing all suppliers and BP is making sampling based on the equation <math>0.8 \times \sqrt{\text{primary producers selling by-products to sub-supplier}}</math>.</li> </ul> <p>During the CVA audit, responsible person demonstrated supplier audit records and records summary, however it was identified that records are not available to all suppliers situated outside Latvia. Minor NCR is upgraded to Major and additional 3 month deadline was given.</p> <p>During the surveillance audit 2017 responsible person of the Organisation had provided supplier list and supplier audit summary. According to the summary all supplier audits are conducted. Clarification about the low origin risk for supply from Belarus (based on log import statistics) had been discussed during the audit as well. NCR 01/16 is closed.</p> |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Comments (optional):</b>                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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| <b>NCR: 02/16 (13105) (initial assessment)</b>              | <b>NC Classification: Minor</b>                                                                                                                                                             |
| <b>Standard &amp; Requirement:</b>                          | SBP Standard 2 (ver. 1.0) Annex 2c requirement 2.1<br>2.1 The SBR shall be made available in English, and at least one official language of the country in which the BP is located. (2C, 2) |
| <b>Report Section:</b>                                      | Appendix A p.2.6.                                                                                                                                                                           |
| <b>Description of Non-conformance and Related Evidence:</b> |                                                                                                                                                                                             |

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| The copy of Supply Base Report that was provided to auditors at the time of audit the SBR was available in Latvian only. Version of the Supply Base Report in English was not available. |                                                                                                                                                                                                                                                                                                                                      |
| <b>Corrective action request:</b>                                                                                                                                                        | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                         | By next audit, but not later than 12 months from the report finalization                                                                                                                                                                                                                                                             |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                | Supply Base Report                                                                                                                                                                                                                                                                                                                   |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                              | The Supply Base Report is available both in English and Latvian.                                                                                                                                                                                                                                                                     |
| <b>NCR Status:</b>                                                                                                                                                                       | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                        |
| <b>Comments (optional):</b>                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                      |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                              | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                  |

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| <b>NCR: 03/16</b> (13106) (Initial assessment)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>NC Classification: Minor</b>                                                                                                                                                                                                                               |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>SBP Standard 2, requirement 15.3.</p> <p>15.3 The BP management system shall document all necessary procedures.</p>                                                                                                                                        |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Appendix B p.3.3.                                                                                                                                                                                                                                             |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                               |
| <p>The BP has established a written procedure for all SBP requirements named “Koksnes piegādes ķēdes vispārīgie principi” (General Principles in Wood Supply Chain). The procedure contains description of aims and objectives of the procedure, scope, reference to standards, division of responsibilities, general process description of supply of feedstock, process of stakeholder consultation, production accounting as well as specific requirements of relevant SBP standards (Supply Base Report, Biomass Profiling Information, List of secondary feedstock suppliers, mechanism of Green House Gas calculation, use of SBP logo etc.).</p> <p>Auditors carefully reviewed the procedure during the audit and discussed the procedure content with responsible person at the organization. It can be concluded from the procedure review that all principal components of SBP standard requirements are covered and no major inconsistencies to SBP standards were identified.</p> |                                                                                                                                                                                                                                                               |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the</p> |

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|                                                                                                                                             | root cause to eliminate and prevent recurrence of the non-conformance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Timeline for Conformance:</b>                                                                                                            | By next audit, but not later than 12 months from the report finalization                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Evidence Provided by Organisation:</b>                                                                                                   | Updated procedure of the Organisation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                 | <p>CVA Audit, October 2017:</p> <p>During the CVA audit organisation provided updated procedures of the Organisation. Content of the updated procedure had been reviewed and discussed with the overall responsible person.</p> <p>New procedure “competence un SBE prasību izpilde” covering responsibility for all staff members within the Graanul Invest group companies in Latvia had been developed. It was confirmed through review of the procedure that division of responsibilities has been described in the documented procedure accurately.</p> <p>In addition to this, a procedure: “SBE Risku mazināšanas programma SBP atbilstoša materiāla apstiprināšana, verifikācija” had been updated and now covers both origin confirmation and SBE system auditing. Review of the procedure shows that it covers main requirements of the standard. IT can be concluded also from the audit that those are implemented by the organisation in practice and the procedure contains description of internal audit methodology.</p> <p>DTS system requirements are covered in procedure “Atbildību sadalījums piegādes ķēdes sistēmu uzturēšana - atbildība visiem p.1.4”; and Sales procedure “Koksnes resursu uzskaitē un realizācija”, section 6. It was confirmed during the audit that responsible staff is familiar with requirements outlined in the documented procedure.</p> |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

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| <b>NCR: 04/16 (13107) (initial assessment)</b> | <b>NC Classification: Major</b>                                                                                                                                                                                                                                                                                                                                    |
| <b>Standard &amp; Requirement:</b>             | <p>SBP Standard 2, requirement 19.1:</p> <p>19.3 The following list suggests additional options to support a robust and credible SBE process. It is neither exhaustive nor normative: (19.3)</p> <ul style="list-style-type: none"> <li>• Prior to finalisation, draft results of the SBE should be peer reviewed by an independent and competent party</li> </ul> |

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>• Prior to finalisation, draft results of the SBE should be made available for public consultation.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Appendix A p.12.1.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p>The content of Supply Base Report is appropriate to the context of the supply base and therefore may be considered as credible. Credibility of the report shall be supported by the independent peer review process. The version of Supply Base Report that has been provided to auditors during the audit has not undergone review of independent and competent peer reviewer, having significant international experience. Peer reviewer comments either in written or verbal were not provided to auditors during the assessment audit. Public consultation over the report was started at September 8, 2016 and is not completed.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>                                                                                                                                                                                                                                                                                                                                                         |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Prior to certification                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Supply Base Report, peer review documents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Scope change audit, November 2016: The content of Supply Base Report is considered appropriate to the context of the supply base and therefore can be evaluated as credible. Credibility of the report is supported by the independent peer review process. Supply Base Report has been reviewed by for independent and competent peer reviewer having significant international experience: Jānis Rozītis Director of WWF Latvia; Henrik Vālja Managing Director of Estonian Forest and Wood Industries Association and Sigitas Girdziušas- Lithuanian Agricultural University, Master of Forestry, forestry specialist. Peer reviewer comments were reviewed during the assessment.</p> |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Closed</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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| <b>NCR: 05/16 (13108) (initial assessment)</b> | <b>NC Classification: Minor</b>                                                                                   |
| <b>Standard &amp; Requirement:</b>             | <p>SBP Standard 2, requirement 19.2</p> <p>19.2 The SBR shall be signed off by senior management in all cases</p> |

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| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                      | Appendix A p.12.2                                                                                                                                                                                                                                                                                                                    |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                      |
| BP provided English version of the Supply Base Report, which is also accessible online at the BP homepage. The Supply Base Report has not been signed by senior management of the Organization. It has been explained by the responsible person that senior management representative is in vacation and was not able to sign the document. |                                                                                                                                                                                                                                                                                                                                      |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                           | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                            | By next audit, but not later than 12 months from the report finalization                                                                                                                                                                                                                                                             |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                   | Signed version of the SBR                                                                                                                                                                                                                                                                                                            |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                 | Signed version of the SBR was provided shortly after the assessment. The report was signed by production manager Martins Zvejnieks.                                                                                                                                                                                                  |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                          | <b>Closed.</b>                                                                                                                                                                                                                                                                                                                       |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                  |

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| <b>NCR: 06/16 (13909) (Initial assessment)</b>                                                                                                                                                                                                                                                                                    | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                | <p>SBP Standard 4, requirement 5.4.1</p> <p>5.4.1 Biomass supplied with an SBP claim shall, in addition to meeting the requirements specified in the SBP-approved CoC system being implemented, be supplied with the following information:</p> <ul style="list-style-type: none"> <li>a) The name and address of the buyer;</li> <li>b) The date on which the invoice was issued;</li> <li>c) A description of the product – this must correspond to the description of the product given in the input and output records;</li> <li>d) The quantity of the products sold with specific batch data</li> </ul> |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                            | Appendix C p.4.1.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>Review of documented procedures show that requirement to provide quantity of the products sold with specific batch data is not included in organization's documented procedures. Interview to responsible person at the organization reveal that she is familiar with particular standard requirement. A minor NCR raised.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

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| <b>Corrective action request:</b>                                                                                                           | Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| <b>Timeline for Conformance:</b>                                                                                                            | By next audit, but not later than 12 months from the report finalization                                                                                                                                                                                                                                                      |
| <b>Evidence Provided by Organisation:</b>                                                                                                   | Updated Sales procedure                                                                                                                                                                                                                                                                                                       |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                 | During the CVA audit it was identified that the requirement is covered by the new sales procedure; "Koksnes resursu uzskaitē un realizācija- section 6".                                                                                                                                                                      |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                 |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                           |

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| <b>NCR: 07/16 (13110) (initial assessment)</b>                                                                                              | <b>NC Classification: Major</b>                                                                                                                                                                                                                                                                                               |
| <b>Standard &amp; Requirement:</b>                                                                                                          | SBP Standard 4 V1.0, Instruction note 4B, 1.2<br>1.2 In order to use the SBP trademarks, the organisation shall have signed the SBP trademark licence agreement.                                                                                                                                                              |
| <b>Report Section:</b>                                                                                                                      | Appendix B p 9.1                                                                                                                                                                                                                                                                                                              |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                 |                                                                                                                                                                                                                                                                                                                               |
| The organization has not signed the SBP TMLA at the moment of the assessment.                                                               |                                                                                                                                                                                                                                                                                                                               |
| <b>Corrective action request:</b>                                                                                                           | Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance. |
| <b>Timeline for Conformance:</b>                                                                                                            | Prior to certification                                                                                                                                                                                                                                                                                                        |
| <b>Evidence Provided by Organisation:</b>                                                                                                   | Trademark Licence Agreement                                                                                                                                                                                                                                                                                                   |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                 | The organisation provided signed trademark licence agreement.                                                                                                                                                                                                                                                                 |
| <b>NCR Status:</b>                                                                                                                          | <b>Closed</b>                                                                                                                                                                                                                                                                                                                 |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                                                                                                                                                                                                                           |

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| <b>CR: 08/16 (13111) (Initial assessment)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                     |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>SBP Standard 4, requirement 5.3.3</p> <p>5.3.3 All calculations, including data of inputs and outputs, must be site specific and shall not be combined between different sites. A 'site' is defined as 'one geographical location with precise boundaries within which products can be mixed'. A site is not a collection of facilities that are located in different geographical locations, even if that is in the same region. A site can include multiple silos or tanks in the same physical location.</p>                                                                           |                                                                     |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Appendix C p.3.3.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                     |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                     |
| <p>According to information from responsible person at the BP, production (pellets) is transported to port terminals operated by the BP. Physical mixing of pellets from several factories, sites of BP takes place in the terminal while being stored in warehouse. The BP maintains FSC/PEFC credit volume control system in each site. According to responsible person at the BP, volume of pellets transported to port terminal is registered and the corresponding credit volume is deducted from credit account of site upon loading the pellets in ships. It is not clear, however, from documented procedures of the BP and interview to responsible person how the organization can maintain site specific output volume calculation in conditions of mixing of certified pellets from several sites in port terminal.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                     |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>                                                                                                                                                                                                                                                         |                                                                     |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | By next audit, but not later than 12 months after report finalisation date"                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                     |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Clarification letter from Mihkel Jugaste.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                     |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>During the CVA audit recordkeeping issued had been discussed with Quality manager of Latgran, in additional to this written clarification letter had been provided by the GI concern responsible Mihkel Jugaste. According to the clarification and records observed during the CVA system: site specified credit accounts are maintained by the Organisation by the registration of the incoming and outgoing logs. The loads of max 2 factories could be loaded into one warehouse, detailed recordkeeping of the volume delivered and sold by each specific factory is maintained.</p> |                                                                     |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                     |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |

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| <b>NCR: 09/16 (14843)</b> (change of scope audit)                                                                                                                                                    | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                   | <p>SBP Standard 2, requirement 10.1</p> <p>10.1 Sub-scopes within the SB may be defined by BPs to enable the SBE to be implemented more effectively. Sub-scopes may be defined by a variety of parameters such as geographical or ecological attributes of the SB, or operational factors. Where a Supply Base covers more than one country (or regions where different legislative jurisdictions apply) then each must be considered a separate sub-scope. The use of sub-scopes will enable different mitigation measures to be put in place for feedstock with differing characteristics and risk profiles. Examples of a sub-scope include; feedstock supplied by a single supplier; feedstock harvested from a particular habitat type; a geographical area covered by a SBP-approved Forest Management Scheme from which the BP receives feedstock that does not carry a SBP-approved Forest Management Scheme claim.</p> |
| <b>Report Section:</b>                                                                                                                                                                               | Appendix B p.4.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p>The BP has included primary feedstock and secondary feedstock from Estonia in the same sub-scope as Latvia, which is not in line with SBP recommendations and guidelines. A minor NCR raised.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Corrective action request:</b>                                                                                                                                                                    | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Timeline for Conformance:</b>                                                                                                                                                                     | By next audit, but not later than 12 months after report finalisation date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                            | Supply Base Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                          | <p>The BP defines sub-scopes by a geographical attribute of the Supply Base according to requirements of the standard, requiring to consider a separate sub-scope where a Supply Base covers more than one country, which is the case of the BP. In particular case of the BP there are two sub-scopes defined, each entailing geographical area from which the BP receives feedstock that does not carry a SBP-approved Forest Management Scheme claim. Different mitigation measures have been put in place for feedstock with differing characteristics and risk profiles in two biomass sourcing regions – Republic of Latvia and Republic of Estonia.</p>                                                                                                                                                                                                                                                                  |
| <b>NCR Status:</b>                                                                                                                                                                                   | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                          | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

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| <b>NCR: 10/16 (14844)</b> (change of scope audit)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | SBP Standard 2, requirement 16.1<br>16.1 Where an indicator is rated as specified risk, mitigation measures shall be taken to reduce the risk level to low risk.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Appendix B p.4.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Field inspections during the scope change audit and interviews to supplier responsible persons show that all suppliers are evaluating for presence of large diameter bird nests in so called “red areas” or areas that show potential presence of WKH in Latbio database. As can be concluded from interviews to suppliers of primary feedstock, suppliers do carry out evaluation of WKH checklist, including bird nest presence for all forest plots before commencing harvesting works, but there are suppliers which carry out verification of presence for large bird nests in “red areas” only because SBP SBE requirements are not integrated in their forestry procedures. If all plots are not checked for presence of bird nests prior to harvesting and documented, the system would not provide full assurance on effectiveness of risk mitigation measures regarding bird nesting sites (identification and preserving). A minor NCR 10/16 raised. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.<br><br>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | By next audit, but not later than 12 months after report finalisation date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Interviews to responsible persons at BP, interviews to contractors during field inspections, interviews to contractor responsible persons, review of field inspection documents, WKH checklists                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Interviews to responsible persons at BP as well as approved suppliers of primary feedstock show suppliers are integrating evaluation of HCV issues, including evaluation for presence of large bird nests in their forestry procedures - pre-harvesting activities. Evaluation of HCV checklists in office of inspected companies – primary suppliers show that the pre-harvesting inspection is taking place in all forest plots. During the audit few cases were identified where the company – primary processor had identified the large nest during the pre-harvesting inspection (case: supplier Meža Bites, FMU “Jēpi” (cadaster Nr. 42560070037, block 2, compartment 7), which have been inspected during the audit. In particular case the compartment is not showing up as a potential WKH/biotope (“red area”) in the Latbio “Meža biotopu instruments” database.<br><br>Based on observations in field inspections and interviews to suppliers it is concluded that suppliers of primary feedstock, do carry out evaluation of WKH, including bird nest presence for forest plots before commencing harvesting works. Thus it is concluded that risk mitigation measures regarding bird nesting |

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|                                                                                                                                             | sites (identification and preserving) are being conducted and the suppliers are aware of requirements. A NCR is thus closed. |
| <b>NCR Status:</b>                                                                                                                          | <b>CLOSED</b>                                                                                                                |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks? | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                          |

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| <b>NCR: 11/16</b> (14845) (change of scope audit)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>NC Classification: Minor</b>                                                                                                                                                                                                                                                                                                                             |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | SBP Standard 2, requirement 16.1:<br>9.1 Where an Indicator is rated as Unspecified Risk, mitigation measures shall be taken to reduce the risk level to Low Risk (16.1)                                                                                                                                                                                    |
| <b>Report Section:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Appendix B p.9.1.                                                                                                                                                                                                                                                                                                                                           |
| <b>Description of Non-conformance and Related Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                             |
| <p>Primary processors carry out risk mitigating measures either by sourcing primary material from BP's approved suppliers (companies already verified and approved by any of the Graanul Invest/Latgran sites as supplier of primary feedstock), which carry out risk mitigation measures and supply the material as corresponding to requirements of Graanul Invest ("GI atbilstošs"); or by verifying the suppliers themselves. Primary processors account Graanul Invest compliant material ("GI atbilstošs") (material that has been sourced by mitigating risks), using mass balance principles – credit system. This mean that only the share of secondary material that has been produced from Graanul Invest compliant primary material can be supplied to BP as "GI atbilstošs" or low risk material.</p> <p>It has been noticed by auditors in supplier audits that secondary feedstock suppliers (sawmills) for "Graanul Invest compliant" secondary feedstock credit accounting use general (average) conversion factors that are based on experience, instead of actual, documented and calculation based conversion factors.</p> |                                                                                                                                                                                                                                                                                                                                                             |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p>                        |
| <b>Timeline for Conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | By next audit, but not later than 12 months after report finalisation date                                                                                                                                                                                                                                                                                  |
| <b>Evidence Provided by Organisation:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Field inspections, interviews to staff responsible for feedstock reception                                                                                                                                                                                                                                                                                  |
| <b>Findings for Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | It was confirmed in field audits to primary processors – sawmills that primary processors use actual, measurement based conversion factors in accounting of low risk feedstock according to mass-balance principles. No discrepancies were identified during the annual surveillance audit, therefore auditors consider this non-conformance can be closed. |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                                               |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>                                                                                                                                                                                                                                                                                         |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                      |                                                                     |                                                  |
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| <b>NCR 12/16 (14846)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>NC grading:</b>                                                                                                                                                                                                                                                                                                                   | <b>Major</b> <input type="checkbox"/>                               | <b>Minor</b> <input checked="" type="checkbox"/> |
| <b>Standard &amp; Requirement:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | SBP Standard 2: Verification of SBP-compliant Feedstock<br>13.1 Stakeholder consultation shall be carried out at the initial Supply Base Evaluation and at the five-yearly re-evaluation.<br>(13.1)                                                                                                                                  |                                                                     |                                                  |
| <b>Description of Non-conformance:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                      |                                                                     |                                                  |
| <p>Scope change audit: The BP has informed the stakeholders via email on September 2016 (email sent to 230 representatives of different stakeholders) with first proposal of risk mitigation measures. Only one comment in written was received. The BP has made phone calls to several key stakeholders for comments. The BP has reached out 20 stakeholders by phone and these were proactively asked for comments.</p> <p>As the final stage (early September) of the stakeholder consultation process face to face meeting took place with FSC national representative, Federation of timber industry, WWF Latvia, Society of Ornithologist of Latvia, Boar of Nature Protection. List of contacted stakeholders can be found in the exhibit 3 and the comments as well as responses to the comments in exhibit 4.</p> <p>Estonian stakeholders have not been involved since SBE approved risk assessment for Estonia has been used. A discussion of proposed mitigation measures with stakeholders in Estonia has not been carried out, however, and therefore a minor NCR is raised. The grading of NCR is minor due to the fact that risk mitigation measure is straight forward and can be done by verifying the timber supply documents and relevant databases and the same approach is used by biomass processors in Estonia. See risk mitigation measures for material sourced from Estonia in Section 9.</p> |                                                                                                                                                                                                                                                                                                                                      |                                                                     |                                                  |
| <b>Corrective action request:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.</p> |                                                                     |                                                  |
| <b>NCR conformance deadline:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | By next audit, but not later than 12 months after report finalisation date                                                                                                                                                                                                                                                           |                                                                     |                                                  |
| <b>Client evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Supply Base Report                                                                                                                                                                                                                                                                                                                   |                                                                     |                                                  |
| <b>Evaluation of Evidence:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Stakeholders in Estonia have been circulated the SBR of the BP asking for comments regarding risk mitigation measures.</p> <p>Regional Risk assessment has not been circulated because the BP use SBP endorsed regional risk assessment for Estonia.</p>                                                                          |                                                                     |                                                  |
| <b>NCR Status:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>CLOSED</b>                                                                                                                                                                                                                                                                                                                        |                                                                     |                                                  |
| Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                      | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |                                                  |

## 11 Certification decision

|                                                                                                                    |                                                                   |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Based on Organisation's conformance with <b>SBP requirements</b> , the auditor makes the following recommendation: |                                                                   |
| <input checked="" type="checkbox"/>                                                                                | Certification approved:<br>Upon acceptance of NCR(s) issued above |
| <input type="checkbox"/>                                                                                           | Certification not approved:                                       |
| Based on auditor's recommendation and NEPCon quality review following certification decision is taken:             |                                                                   |
| NEPCon certification decision:<br>Certification is maintained upon acceptance of minor NCRs raised in this report. |                                                                   |
| Certification decision by: Asko Lust                                                                               |                                                                   |
| Date of decision: 19 February 2018                                                                                 |                                                                   |

## 12 Surveillance updates

### 12.1 Evaluation details

Please see in a section: p.6.2. Description of evaluation activities.

### 12.2 Significant changes

No changes, except the transfer to new version document 5A, 5B and 5C v1.1.

### 12.3 Follow-up on outstanding non-conformities

See information about the NCR reviewed during the surveillance audit is section 10 of the report. 10. Non-conformities and observations.

### 12.4 New non-conformities

See information about the new NCR identified during the surveillance audit is section 10 of the report. 10. Non-conformities and observations.

### 12.5 Stakeholder feedback

No complains or comments from the stakeholders had been received.

### 12.6 Conditions for continuing certification

No preconditions are identified. List of open NCR is available is section 10. Non-conformances and observations of the report.

### 12.7 Certification recommendation

It is recommended to maintain certification of the organisation.

## 13 Evaluation details

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| Primary Responsible Person:<br>(Responsible for control system at site(s)) | Līga Hermane, Quality manager                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Auditor(s):                                                                | Ģirts Karss, Lead auditor;<br>Oļesja Puišo, auditor;<br>Liene Suveizda, auditor in training, local expert                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| People Interviewed, Titles:                                                | <p>HQ staff:</p> <p>Līga Hermane, Quality manager;<br/>Mārtiņš Zvejnieks, Chief Operating officer;<br/>Mareks Latkovskis, wood product procurement manager;<br/>Mihkel Jugaste, Quality Manager in GI concern<br/>Laura Ozolina, accountant;<br/>Sanita Krupnika, head accountant;</p> <p>Production site staff:</p> <p>Agata Santa Erta- wood receptionist Jekabpils production site<br/>Didzis Dabaks, pellet production operator, Jēkabpils site<br/>Vilnis Vagalis, wood receptionist Krāslava production site;<br/>Juris Gedušs, mechnician Krāslava production site<br/>Inta Keiša, wood receptionist Gulbene production site<br/>Pēteris Kravelis, operator Gulbene production site<br/>Mairis Gobrans, operator Jaunjelgava production site;<br/>Agris Lazdiņš, tractor driver Jaunjelgava production site<br/>Mārtiņš Tinkuss, wood receptionist, Gulbene production site;<br/>Vilnis Vagalis, wood receptionist, Krāslava production site;</p> <p>Interviewed suppliers of primary and secondary feedstock within the SBE process:</p> <p>Jeļena Horoševa, certification manager, SIA Klasmann-Deilmann Latvia<br/>Gints Būdnieks, owners, z/s Podnieki, sub-supplier<br/>Dina Mazule, accountant, SIA Almo Hardwood, sub-supplier;<br/>Tatjana Zalaiņa, accountant, SIA Krauss, sub-supplier<br/>Representatives of SIA Moon Wood;<br/>VMS Timber SIA<br/>Liepas AK,</p> |

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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|                                                    | <p>Sinda VR,<br/>Pallogs SIA</p> <p>Primary suppliers:</p> <p>Gunārs Stūriška, director, SIA Meža bites;<br/>Jānis Uldukis, foreman, SIA Laskana Mežs;<br/>Arnis Bitmanis, foreman, SIA Dižozols<br/>Večeslavs Kļesņiks, foreman, SIA Billerudcorsnas;<br/>Rītvārs Kļerns, foreman, SIA Billerudcorsnas;<br/>Arbidāns Mitčēnkovs, foreman, SIA Billerudcorsnas;<br/>Igors Givoina, sub-contractor to SIA Jubergs;<br/>Inguss Aleksejevs, SIA Arbits, sub-contractor to SIA “Laskana Mežs”</p> |
| Brief Overview of Audit Process for this Location: | See section 2.1                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Comments:                                          | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |