SBP

Sustainable Biomass Partnership

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

Second Surveillance Audit

www.sustainablebiomasspartnership.org

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 www.sustainablebiomasspartnership.org

Document history

Version 1.0: published 26 March 2015

Contents

1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.net, +420 606 730 382
Report completion date:	05/Nov/2017
Report authors:	Oļesja Puišo
Certificate Holder:	SIA Kurzemes granulas, Kustes dambis 22, Ventspils, LV-3601, Latvia
Producer contact for SBP:	Viesturs Grīnbergs, info@granulas.lv, +371-63662086
Certified Supply Base:	sourcing from Latvia, Lithuania, Estonia and Norway.
SBP Certificate Code:	SBP-01-04
Date of certificate issue:	21/Jan/2016
Date of certificate expiry:	20/Jan/2021

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**
☐	☐	X	☐	☐

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Ventspils, and sales from Ventspils harbour.

The Organisation holds valid FSC Chain of Custody and FSC Controlled wood certificate, covering pellet production.

The input material used by the organisation for biomass production (both as raw material for pellet production and feedstock used into dryer) contains both primary, secondary and tertiary feedstock supplied by local suppliers (suppliers registered and operating in Republic of Latvia).

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

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

Scope of the evaluation is indicated in the table below:

Scope Item	**Check all that apply to the Certificate Scope**				**Change in Scope** (N/A for Assessments)
Approved Standards:	*SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0* http://www.sustainablebiomasspartnership.org/documents				☐
Primary Activity:	Pellet producer				☐
Input Material Categories:	☒ SBP-Compliant Primary Feedstock		☒ SBP-Compliant Secondary Feedstock		☐
	☒ Controlled Feedstock		☐ SBP non-Compliant Feedstock		
	☒ SBP-Compliant Tertiary biomass	☒ Pre-consumer Tertiary Feedstock			
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock			
	☒ FSC	☒ PEFC	☐ SFI	☐ GGL	☐

Chain of custody system implemented:	☐ Transfer	☐ Percentage	☒ Credit	☒
Points of sales	☐ Harbour – Permanent storage (Storage site)	☒ Harbour – Temporally storage (Logistic site)	☐ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	☐
Provide name of all points of sales	- - -	-FOB Ventspils - -	- - -	
Use of SBP claim:	☒ Yes	☐ No		☐
SBE Verification Program:	☐ Low risk sources only	☐ Sources with unspecified/ specified risk		☐
	New districts approved for SBP-Compliant inputs:			
Sub-scopes				☐
Specify SBP Product Groups added or removed:				
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 evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes,
- Production and storage site visits;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis;
- Evaluation of the SBP sales documents;
- Witness origin confirmation audits conducted into the supplier premises.

4 SBP Standards utilised

4.1 SBP Standards utilised

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

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

http://www.sustainablebiomasspartnership.org/documents

4.2 SBP-endorsed Regional Risk Assessment

Not applicable. Supply Base Evaluation is not covered by the Scope of the Evaluation.

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 Ventspils Free Port area.

Kurzemes Granulas producing both Industrial and premium quality wood pellets.

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

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

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

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

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

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

5.2 Description of Biomass Producer's Supply Base

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

Latvia

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

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

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

51.8% of whole forest area is owned by state, 1.4% are in municipal ownership, but other 46.8% are private forests and other forest ownership types (data: State Forest Service statistics, 2014) . Management of the state-owned forests is performed by the public joint stock company AS Latvijas Valsts Meži, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy.

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

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

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

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

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is co-ordinated by the Nature Protection Board under the Ministry for Environmental Protection and Regional Development.

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

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

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

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2.17 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The 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 is FSC certified.

Norway

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

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

Industrial private 4 %; Local common land 4 %

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

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

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

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

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

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

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

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

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^3 per year. The amount is in line with sustainable development principle when the cutting rate doesn't exceed 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 1992and 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. Overall there is Overall there is 1 265 000 ha of FSC certified and 1 132 000 ha of PEFC certified forest.

Detailed information about the supply base region (general description of the forest resources and forest management practices within the Supply Base) is publicly available at the BP's homepage:

In Latvian: http://granulas.lv/wp-content/uploads/2017/08/KG_SBR_LV_16Aug2017.pdf
in English: http://granulas.lv/eng/files/2017/08/KG_SBR_EN_16Aug2017.pdf

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 14.4 million ha

Tenure by type (ha): 11.4 million ha state ownership, 3.0 million ha private forests

Forest by type (ha): boreal 6,0 million,. ha ; Temperate 8,4 million ha

Forest by management type (ha): 14.4 million ha managed semi- natural

Certified forest by scheme (ha): FSC, total certified area): FSC, total certified area 6.2 million ha (FSC) and 6.5 million ha PEFC

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

In Latvian: http://granulas.lv/wp-content/uploads/2017/08/KG_SBR_LV_16Aug2017.pdf
in English: http://granulas.lv/eng/files/2017/08/KG_SBR_EN_16Aug2017.pdf

5.4 Chain of Custody system

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

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

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

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

6 Evaluation process

6.1 Timing of evaluation activities

Onsite surveillance audit was conducted at August 17-18, 2017

Supplier audits were taking place at August18, 2017.

Totally 2,0 days was spent for this evaluation: 1,75 days onsite and 0.25 day documented evidence review prior to the surveillance audit.

Activities/ timing	Place	Auditors	Date
10.00- 10.15 Openning meeting	Office	O.Puišo	17.08.2017
10.15- 12.30 SBP Management system review, discussion of the changes taking part in a system Review of the documents and evidences related to implementation of the SBP standards 2,4. Office staff interview Review of the FSC and PEFC system control points	Office		
12.30-13.30- lunch brake	-	O.Puišo	17.08.2017
13.00- 14.00 Factory visit Verified processes and involved departments 1) Procurements and reception (office manager/ logistic specialist, tractor drivers) 2) Moisture measurements (operators/ laboratory); 3) Production and production records/ (accountancy/ production staff	Factory	O.Puišo	17.08.2017

4) Energy related recordkeeper (Energetics/ mechanics/ Mechatronics); 5) Sales and client communication (sales department)			
14.00- 17.00 Review of the documents and evidences related to implementation of the SBP standards 2,4. Review of the documents and evidences related to implementation of the SBP standard 5 and instruction document 5A. Office staff interview	Office	O.Puišo	17.08.2017
9.00- 14.30 Supplier onsite audits	Supplier visits	O.Puišo	18.08.2017
14.30- 15.30 Additional interviews, additional supplier related data verification Presentation of the results from day 1 and 2	Office	O.Puišo	18.08.2017

6.2 Description of evaluation activities

The audit visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as GHG data availability.

Description of the audit evaluation:

Auditor was welcomed in SIA Kurzemes granulas office in Ventspils. Audit started with an opening meeting attended by the CEO Viesturs Grīnbergs and quality manager Mārtiņš Kalmans.

Auditor introduced herself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and audit methodology and clarified verification scope. During the opening meeting the auditor explained CB's accreditation related issues.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a,5b and 5c covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the

process overall responsible person for SBP system and over responsible staff (CEO, quality manager, production manager, accountant, assistant of the accountant) having key responsibilities within the system were interviewed.

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

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

As a part of the audit two secondary suppliers selected by the auditor were visited; the supplier audit methodology: interviews, document verification, production site visit, report preparation was observed and evaluated.

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

Composition of audit team:

Auditor(s), roles	Qualifications
Oļesja Puišo, Riga, Latvia Lead Auditor evaluation against all applicable requirements	MSc 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.

6.3 Process for consultation with stakeholders

Consultation was not conducted for this surveillance audit.

7 Results

7.1 Main strengths and weaknesses

Strength: SBP system elements are 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.

Weaknesses: See in NCR section of the report.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Compilation of data on Greenhouse Gas emissions

Prior the assessment held in year 2015, the organization has not recorded data on greenhouse gas emissions and has only started for purposes of the SBP certification. The data prepared during the assessment had been updated and provided during the surveillance audit. The data is complete, accurate and is based on the records from the internal recordkeeping system and other data sources. SAR template had been by the Organisation.

7.4 Competency of involved personnel

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

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

7.5 Stakeholder feedback

No stakeholder comments are received.

7.6 Preconditions

No preconditions to this certification were identified at the time of the main assessment.

8 Review of Biomass Producer's Risk Assessments

Not applicable

9 Review of Biomass Producer's mitigation measures

Not applicable

10 Non-conformities and observations

(Only NCRs issued or reviewed during the second surveillance audit)

NCR: 01/17 (17853))	**NC Classification: major**
Standard & Requirement:	SBP Standard # 2, requirement 6.3 The BP shall ensure that the place of harvesting is within the defined SB.
Description of Non-conformance and Related Evidence:	
Supplier audit methodology covers interviews with person responsible for raw material procurement, review of the delivery notes and harvesting permits and harvest permit numbers. Volume of the production and volume of the supplied raw materials are analysed with the aim to make sure feedstock is delivered by the audited production site. During the audit log yard and production sites are visited. The aim of the supplier audit is get prove of the origin, to make sure all inputs are recorded and information about origin (cutting licence number) is available for all incoming logs, as well as to prove feedstock is delivered from the audited production and is not bought for sale. During the audit it was identified that sub-supplier of the trader JV Mežs have not been audited. As soon as NCR 01/15 had been identified before major NCR 01/17 is issued.	
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 report finalisation date (by 05.11.2017)
Evidence Provided by Organisation:	Audit reports of the JV Mezs suppliers, interview with the staff responsible for the supplier auditing.
Findings for Evaluation of Evidence:	After the closing meeting, but prior to the report finalization Organisation conducted audits for all sub-supplier of the trader JV Mežs. During the interview responsible person confirmed the commitment to conduct audits for new suppliers prior to the delivery or shortly after the first delivery. Origin confirmation declarations are signed prior to the delivery. NCR 01/17 is closed.
NCR Status:	**CLOSED**

NCR: 02/17 (17854)	**NC Classification: minor**
Standard & Requirement:	SBP Standard # 2, annex 4, reguirement 1.1.

	a) For each supplier, the BP shall define the necessary evidence, actions and record keeping procedures to show that feedstock received complies with the SBP definitions of post-consumer reclaimed feedstock. These records shall specify: (4A, 1.1 a)) • Name and address of the supplier • Type of Supplier (e.g. purchaser/ collector from point of reclamation, trader) • Categories of reclaimed material supplied Level of control required (e.g. visual inspection upon receipt, supplier audits). b) The BP shall monitor the compliance of suppliers with SBP definitions and purchase specifications, and will have a contingency plan to cater for noncompliant material or documentation. For example, organisations might classify material as non-eligible input for SBP products, request correction of purchase documents, or invalidate suppliers, temporarily or permanently.
Description of Non-conformance and Related Evidence:	
During the audit one new tertiary material supplier, besides Kurekss had been identified. The material is accounted as a secondary feedstock. During the audit it was identified that materials is considered as pre-consumer reclaimed. Besides this it was identified that supplier audits are conduced and organisation is implementing requirements of standard 2 p.15.3., however procedures of the Organisation does not specify requirements for sourcing of the tertiary feedstock.	
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:	By the next annual surveillance audit, but not later than 12 months from report finalisation date
Evidence Provided by Organisation:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	**OPEN**

NCR: 01/16-13115	**NC Classification: Minor**
Standard & Requirement:	SBP Standard 4 (ver. 1.0), requirement 5.1.2.
Report Section:	Appendix B p.1.1
Description of Non-conformance and Related Evidence:	
During the audit period BP obtained PEFC certificate : NC-PEFC/COC-023501. During the surveillance audit the following FSC system related gaps had been identified:	

1) Sawdust and woodchips had been purchased from supplier Latigma, which does not have sawdust and wood chips included into their FSC product group; 2) Conversion coefficient in the credit account of the company is equal to 6.5 and remains fixed for several years, based on the rough calculation provided during the surveillance audit, the value is very close to the designated coefficient.	
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:	12 months from the report finalization.
Evidence Provided by Organisation:	Conversion factor calculation records; Information about the supplier Latigma obtained from the info.fsc.org database. Information about the certification status of suppliers obtained from the records of the BP.
Findings for Evaluation of Evidence:	During the audit it was identified that FSC as well as PEFC certified products are delivered by the suppliers having valid FSC/ PEFC certificate and products delivered are covered by the certification scope of the Organisation. It was also confirmed by the Quality Manager that he is making supplier certificate and scope validity on regular basis. Conversion factor calculation had been provided during the SBP second evaluation audit. It was also confirmed that correct conversion factors are applied in the credit/ mass- balance system of the Organisation.
NCR Status:	**CLOSED**
Comments **(optional):**	
Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?	Yes ☐ No ☒

NCR: 02/16-13116	**NC Classification: Minor**
Standard & Requirement:	SBP Standard 2 (ver. 1.0), requirement 4c, 2
Report Section:	Appendix A p.2.6.
Description of Non-conformance and Related Evidence:	
At the moment of the assessment BP has presented SBR in both Latvian and English languages. Besides this updated SBR covering changes was taking place since assessment taking place in year 2015 are provided in English only. Minor NCR 02/16 is issued.	
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:	12 months from the report finalization.

Evidence Provided by Organisation:	SBRs in Latvian and English
Findings for Evaluation of Evidence:	During the second surveillance audit BP provided auditor with the SBRs prepared in both Latvian and English. Interview with the staff confirmed staff is familiar with the requirement.
NCR Status:	**CLOSED**
Comments **(optional):**	
Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?	Yes ☐ No ☒

NCR: 03/16	**NC Classification: Minor**
Standard & Requirement:	SBP Standard 4 (ver. 1.0), requirement 4B, 1.7
Report Section:	Appendix B p.9.6.
Description of Non-conformance and Related Evidence:	
Organisation is aware that it must follow all applicable requirements of SBP Standard 4, Instruction note 4B in relation to SBP trademark off-product use. SBP trademark requirements are described in section 17 of the BP's SBP procedure. It was identified that BP had published information about its certification status (text: Kurzemes Granulas Ltd. is certified also according to the SBP (Sustainable Biomass Partnership) standards (see Supply Base Report 2015, Supply Base Report 2016). in its homepage : http://granulas.lv/eng/ and publish copy of its SBP certificate. SBP secretariat is not informed about this publication.	
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:	12 months from the report finalization.
Evidence Provided by Organisation:	Correspondence in between SBP organisation and Biomass producer. Homepage of the Organisation.
Findings for Evaluation of Evidence:	During the audit homepage if the Organisation had been reviewed. It also had been confirmed that all changes mentioned in the email of the SBP Organisation are done.
NCR Status:	**CLOSED**
Comments **(optional):**	
Is the non-conformity likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?	Yes ☐ No ☒

11 Certification decision

Based on Organisation's conformance with **SBP requirements, the auditor makes the following recommendation:**	
☒	Certification approved: Upon acceptance of NCR(s) issued above
☐	Certification not approved:
Based on auditor's recommendation and NEPCon quality review following certification decision is taken:	
NEPCon certification decision: **The Biomass Producer certificate can be maintained.**	
Certification decision by: Ondrej Tarabus	
Date of decision: 05 November 2017	

12 Surveillance updates

12.1 Evaluation details

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

12.2 Significant changes

Use of the new instruction documents 5A, 5B and 5C.

New supply region: Estonia.

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 comments 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-conformities and observations of the report.

12.7 Certification recommendation

It is recommended to maintain certification of the organisation.