

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

Scope Change Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.2

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

Document history

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus, ot@nepcon.net, +420 606 730 382
Current report completion date:	06/Jul/2018
Report authors:	Ģirts Karss, Liene Suveizda
Name of the Company:	Avoti SWF SIA,
Office and production address:	Avoti, Lizums, Gulbene's region, Latvia, LV4425
Company contact for SBP:	Jānis Misiņš, phone: +371 26540255; e mail: janis.misins@avoti.lv
Certified Supply Base:	Sourcing from Latvia, Lithuania; Estonia, Sweden and Finland, SBE: Latvia (using SBP endorsed regional risk assessment for Latvia, available at https://sbp-cert.org/documents/risk-assessments/latvia , endorsed in September, 2017)
SBP Certificate Code:	SBP-01-92
Date of certificate issue:	31/Jan/2018
Date of certificate expiry:	30/Jan/2023

This report relates to the: Scope Change Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Lizums, Gulbene region. The Organisation holds FSC Chain of Custody and FSC Controlled Wood certificate, covering production of pellets: TT-COC-002924. The certification covers both FSC certification as well as FSC Controlled Wood certification and controlled wood verification system for primary feedstock originating from Latvia. All feedstock originating from regions outside Latvia is received with FSC claim.

BP uses primary, secondary and tertiary feedstock for pellet production. Primary and secondary feedstock is delivered from the external suppliers, and tertiary feedstock is supposed to be delivered from Avoti SWF own secondary production.

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.

For the future company intends to buy all feedstock as FSC certified or FSC Controlled wood and implement controlled wood verification system as less as possible.

It is planned that BP will sell SBP pellets on FOB Riga, DAP Riga Incoterm conditions and these pellets will be sold from Riga harbour. The BP is using temporary storage facilities in Riga harbour at the moment.

Scope description: Production of wood pellets at Avoti SWF Lizums, Gulbene site and transportation to port of Riga. The scope of the SBP certificate includes Supply Base Evaluation (SBE).

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 SBP Standard #1 V1.0 http://www.sbp-cert.org/documents		<input type="checkbox"/>
Primary Activity:	Pellet producer		<input type="checkbox"/>
Input Material Categories:	<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 checked="" type="checkbox"/> SBP-Compliant Tertiary biomass	<input type="checkbox"/> Post-consumer Tertiary Feedstock	
	<input type="checkbox"/> SBP-approved Recycled Claim	<input type="checkbox"/> Post-consumer Tertiary Feedstock	

Chain of custody system implemented:	<input checked="" type="checkbox"/> FSC	<input checked="" type="checkbox"/> PEFC	<input type="checkbox"/> SFI	<input type="checkbox"/> GGL
	<input checked="" type="checkbox"/> Transfer	<input type="checkbox"/> Percentage	<input checked="" type="checkbox"/> Credit	
Points of sales	<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 type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	
Provide name of all points of sales	- - -	- FOB Riga - DAP Riga	- - -	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	
SBE Verification Program:	<input type="checkbox"/> Low risk sources only		<input checked="" type="checkbox"/> Sources with unspecified/ specified risk	
	New districts approved for SBP-Compliant inputs: Primary and secondary feedstock originating from Latvia.			
Sub-scopes				<input type="checkbox"/>
Specify SBP Product Groups added or removed: N/A				
Comments: the scope change implies adding SBE (Supply Base Evaluation) for the feedstock sourced (harvested) within the Republic of Latvia				

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification. Evaluation of the practical implementation of the requirements of the applicable standards.

Scope change evaluation covered:

- Review of the BP's management procedures, including requirements designated in SBP standards SBP Standard #1 V1.0; SBP Standard #2 V1.0; ;
- Review of the updated Supply Base Report;
- Review of Public Consultation of the risk assessment process;
- Review of the risk assessment results;
- Evaluation of mitigation measures implemented for both primary and secondary feedstocks;
- Field visits of the primary and secondary feedstock suppliers;
- Interviews with responsible staff;
- Review of the reports and records.

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

4.2 SBP-endorsed Regional Risk Assessment

SBP has approved and endorsed the Regional Risk Assessment for Latvia in September, 2017. The BP has been using the SBP endorsed RRA. The designated risks in SBP endorsed RRA are “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. For more details see Section 8 Review of Biomass Producer’s Risk Assessments. See also SBP Regional Risk Assessment for Latvia in <https://sbp-cert.org/documents/risk-assessments/latvia>

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

SIA “Avoti SWF” is a biomass producer with a production site and office located in Lizums, Gulbene region.

The factory is brand new and commenced production in October 2017.

BP is sourcing primary, secondary and tertiary feedstock for its pellet production.

Pellets are produced from primary feedstock (firelogs – both conifer and broadleaf); secondary feedstock: (wood industry residues: wet sawdust, wood chips) and tertiary feedstock (dry sawdust).

Tertiary feedstock will be delivered by the BP own secondary production facilities.

All feedstock types are delivered to the pellet plant using road transport, biomass is transported to harbour by road transport as well.

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. Company aims to buying FSC certified and FSC Controlled Wood feedstock from certified suppliers and implement controlled wood verification system as little as possible.

The BP is conducting origin verification program by visiting its secondary suppliers and verification of the origin confirmation documentation at the supplier premises. Tertiary suppliers (suppliers selling lumber to Avoti SWF secondary production site) are also verified on a regular basis.

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

After the production, pellets are transported into the harbour temporary storage place in Riga by trucks. From warehouses, pellets are loaded into the ship and sent to the customers on FOB Riga/ DAP Riga incoterm conditions.

The BP has added Supply Base Evaluation to the scope. The scope of SBE includes feedstock sourced from private and other (municipality, church etc) owned forests, excluding state owned forests under management of A/S Latvijas valsts meži in Latvia.

5.2 Description of Company’s Supply Base

BP is sourcing primary, secondary and tertiary feedstock for production of SBP-Compliant and SBP Controlled production.

Primary feedstock, including feedstock sourced within the SBE is originating from Latvia only, secondary feedstock is originating from Latvia and Lithuania, tertiary feedstock is originating from Latvia, Lithuania; Estonia, Sweden and Finland.

Latvia:

3.01 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 90,7%, marshes 5.1%, clearings 0.96%), flooded areas 0,5% and objects of infrastructure 1,9% and other 0,5%

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.

49 % of whole forest area is owned by state, 51% are in municipal and private forests and other forest ownership types (data: State Forest Service statistics, 2016). 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).

Forests of JSC Latvijas valsts meži and part of private forests are certified according to FSC and PEFC certification systems. Approximately 1.737 million ha of Latvian forests from the total forest area of 3,056,578 ha are certified according to FSC and/or PEFC certification systems. Both these systems are operating in Latvia.

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2.18 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The southeastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under the state Forest Enterprises is divided into forest and non-forest land. Forest land is divided into forested and non-forested land. The total value added in the forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012. According to the ownership forests are divided into state (1.08 million ha), private forests (0,85 million ha) and other ownership types (0.2 million ha) .

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

Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests - especially spruce and birch - often grow in mixed stands. Pine forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about 12 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent

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

All state owned forests are is FSC certified.

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 m³ 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.

Finland

Finland is a Parliamentary Republic that is a member of the EU since 1995.

The Forest Act regulates the felling of timber in Finland. Regional Forestry Centres control the implementation of the forestry legislation and accept forest use declarations in which forest owners inform about the stand characteristics, intended measures, regeneration and ecological concerns on the site before the felling can take place. Regional Environment Centres control the implementation of Nature Conservation Act. The Finland's National Forest Programme also states the importance of legal wood and lists measures to promote sustainable wood and to control illegal logging both nationally and internationally

The forest area of Finland is 22 million hectares. Different types of conservation areas cover over 3 million hectares (14.5% of the forest area). Strictly protected areas, which are beyond any economic activity, cover 10 % of the forests.

Private forest owners (mostly families) own the majority (60 %) of Finnish forests.. The state owns 26 percent of the Finnish forests, private industries, such as forest companies nine and other bodies five percent.

The state forests are mainly situated in the north of Finland, and 45 percent of them are under strict protection. State lands are managed by Metsähallitus. Certification is voluntary for the forest owner however around 95% of Finnish commercial forests have been certified under the PEFC certification system (Programme for Endorsement of Forest Certification). Certification criteria are stricter than decrees or legislation, which means that in practice, certification determines the standard of silviculture in Finland. Some Finnish forests have also been certified under the Forest Stewardship Council (FSC). The area of these forests is slightly below 2 percent of Finnish forests.

Approximately 90 % of the forest base is PEFC Forest Management certified and approximately 10 % of the forest base is FSC Forest Management certified.

According to a report by UNECE the amount of illegal logging in Finland is negligible. An extensive national forest inventory, national forest programme and regional forest programmes, widely spread individual forest management plans and large share of private non-industrial ownership of forests contribute to almost non-existence of markets for illegal timber and negligible amount of illegal logging in Finland.

Finland joined CITES in 1976. Nowadays the national legislation for the implementation of CITES and relating EU regulations is the Nature Conservation Act (1096/1996), which came into force in the 1st of January 1997. IUCN National Committee of Finland was approved by IUCN Council in 1999.

The forest sector is one of key supporters of Finland's economy. In 2011 it employed directly about 70,000 people in Finland, which was 2.8 percent of all employees. One fifth of Finland's export income comes from forest industries. More than 60 percent of the value added generated by the forest industries came from pulp and paper industries and the rest wood products industries in 2011. Regionally, the importance of the forest sector is largest in southeastern corner of Finland and in Etelä-Savo and Central Finland regions, where the sector produces some ten percent of the regional GDP.

Similar to Estonia Finland has a relatively rare concept of Everyman's rights (Jokamiehenoikeus) which gives everyone, Finns and other nationalities alike, the right to move freely outdoors. Picking berries and mushrooms is permitted even on privately owned land thus free forest access provides, in addition to products for local or family consumption, income-earning opportunities for those who sell non-wood forest products. Everyman's right has traditionally been exercised with due concern for the environment and common courtesy to the landowner or those living in the vicinity.

A group considered as an indigenous people in Finland is the Sámi. Their rights have been secured in many laws e.g. the Constitution, the Sámi Parliament Act, the Act on the Finnish Forest and Park Service and the Act on Reindeer Husbandry. The Sámi Parliament is the supreme political body of the Sámi in Finland. The Sámi Parliament represents the Sámi in national and international connections, and it attends to the issues concerning Sámi language, culture, and their position as an indigenous people. The Sámi Parliament can make initiatives, proposals and statements to the authorities. The Sámi Parliament Act also states that the authorities have an obligation to negotiate with the Sámi Parliament for all important measures that concern the Sámi people. These include for example the use of state land and conservation areas.

Sweden

Sweden is a parliamentary constitutional monarchy that joined the EU in 1995.

The Swedish Forest Agency is the national authority responsible for matters relating to the forest. It strives to ensure that the nation's forests are managed in such a way as to yield an abundant and sustainable harvest while at the same time preserving biodiversity. The Agency also strives to increase awareness of the forest's significance, including its value for outdoor recreation. The Agency has offices throughout the country. Its most important tasks are to give advice on forest-related matters, supervise compliance with the Forest Act, provide services to the forest industry, support nature conservation efforts and conduct inventories.

Sweden has Europe's second biggest afforested area after Russia. Sweden's productive forests cover about 23 million hectares. However, if this area is calculated according to international forest land definitions, it is 27 million hectares. Spruce and pine are by large the predominant species in Swedish forests. These two species count for more than 80% of the timber stock. In northern Sweden pine is the most common species, whereas spruce, mixed with some birch, dominates in southern Sweden.

Due to effective and far-sighted forest management the timber stock in Sweden has increased by more than 60% in the last one hundred years and it is now 3000 million m³. In recent years felled quantities have been between 85 and 90 million m³, whereas annual growth amounts approximately to 120 million m³.

The amount of protected forests in Sweden amounts to circa 1.9 million hectares. A great extent, about 90% of these forests are the kind of forests in which minor interventions are allowed. The share of strictly protected forests, where no human interventions are allowed is 0.3 % from the forest area. National parks, nature reserves and nature conservation areas cover an area of 4.2 million hectares, i.e. 10% of Sweden's land area. There are at least 220.000 hectares of protected forests which still in terms of forest growth are productive. In addition, there are about 12.000 hectares of protected habitat types and 25.000 hectares of wood land set aside and protected by environment conservation agreements. Large forest areas are also protected through forest owners' voluntary activities. Sweden signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora in August 1974 and the convention entered into force in July 1975. Sweden has also established a IUCN National Committee.

Private forest owner families hold about 50% of Swedish forests, privately owned forestry companies about 25% and the State and other public owners have the remaining 25%. The ownership of forests in Sweden varies between regions. In Southern parts of the country forests are mainly owned by private persons whereas in Northern Sweden companies own more significant amounts of forests.

80% of the Swedish forest land is certified under either the FSC or under the PEFC certification scheme. FSC certified forests amount to 10.2 million hectares and PEFC certified to 7.5 million hectares. Of the total 7.5 million hectares certified under the PEFC scheme, 3 million hectares are family owned.

The forest products industry plays a major role in the Swedish economy, and accounts for between nine and 12 percent of Swedish industry's total employment, exports, sales and added value.

Similar to Estonia and Finland, Sweden everyone has the Right of Public Access to roam the Swedish countryside including walking, camping, climbing and picking flowers.

Detailed link are published in SBR report of the organization available at:

<https://www.avoti.lv/en/wood-pellets/>

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 52,4 million ha

Tenure by type (ha): 33.9 million ha state ownership, 18.5 million ha private forests and other ownership types.

Forest by type (ha): 41% temperate; 59% Hemi-boreal

Forest by management type (ha): 52,4 million ha managed natural

Certified forest by scheme (ha): FSC, total certified area 34.9 million ha (FSC) and 12,6 million ha PEFC

Quantitative description of the Supply Base can be found in the Biomass Producer's Public Summary Report

5.4 Chain of Custody system

The Organisation is holding a valid FSC Chain of Custody and FSC Controlled Wood certificate TT-COC/CW-002924. Valid FSC system description and other FSC Chain of Custody related documentation exist.

The Organisation is implementing the 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 covers primary feedstock originating from Latvia only. Feedstock originating from other regions is delivered with FSC claims.

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

FSC credit account is updated once in a month: data about received raw materials by FSC certified material certification status and volume of sold pellets as FSC are recorded into recordkeeping system.

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

6 Evaluation process

6.1 Timing of evaluation activities

The scope change audit to include SBE with both primary and secondary feedstock took place on May 15-16th, 2018 and included production site and office visit, staff interviews as well as evaluation of risk mitigation measures carried out by the organization in observing supplier audits. Auditors participated in BP’s audits to suppliers, including sub-suppliers and contractors and evaluated the risk mitigation system and the process of risk mitigation measures.

2.5 days in total were used for the evaluation, including 2 days of onsite audit work (onsite work at BP, plus supplier and sub-supplier audits at the FMU level) + 0.5 day documented evidence review prior and after the main part of the evaluation.

Activity	Location	Auditor(s)	Time
Opening meeting*	Office	GK, LS, EL, EA	15.05.2018 10.00- 10.30
Planning of field evaluations, selection of suppliers and FMUs for inspections	Office	GK, LS, EL, EA	10.30 – 12.30
SBE system review, evaluation of compliance to SBP Standards #1 and #2. Interview with responsible person for SBP SBE system: quality manager. Review of SBP and SBP SBE documentation, documented procedures and the Supply Base Report; Review of SBP Risk Assessment, mitigation measures, implementation of Supplier Verification Program.	Office	GK	13.00- 17.30
Evaluation of BP’s practices in sourcing of primary feedstock within the SBE system	<ul style="list-style-type: none"> Supplier audit: SIA “AP Mežs”, primary feedstock supplier: evaluation of HCV risk mitigation measures completed logging sites: 	LS,EL,EA	15.05.2018 13.00- 18.00

<p>Witness audit of organization supplier audits</p> <p>Evaluation of suppliers of primary feedstock:</p> <ul style="list-style-type: none"> • Evaluation of supplier of primary feedstock (harvesting company) • Witness audit of BP supplier audit 	<ul style="list-style-type: none"> - FMU 50560050053 (Galgauska parish, Gulbenes municipality), block 2, compartment 12), - FMU 50480040131 (Dauksti parish, Gulbenes municipality) block 3, compartment 4; - FMU “Salasakas” (Cadaster Nr. 50760020003, Līgo parish, Gulbene municipality), block 1, compartment 1 <ul style="list-style-type: none"> • Supplier audit: SIA “RAIRU”, primary feedstock supplier. Evaluation of HCV risk mitigation measures, a potential HCV area: <ul style="list-style-type: none"> - FMU “Mētras” (Jaunanna parish, Alūksne municipality, block 3, compartments 1); 		
<p>Audit Day 2</p>			<p>16.05.2018</p>
<p>Evaluation of supplier of primary feedstock:</p> <ul style="list-style-type: none"> • Evaluation of supplier of primary feedstock (harvesting company) • Witness audit of BP supplier audit 	<p>Supplier audit: SIA “Revosa”, primary feedstock supplier: evaluation of HCV risk mitigation measures and H&S risk mitigation measures:</p> <ul style="list-style-type: none"> • FMU “Mārītes” (Cadaster Nr. 38740120342, Rugāji parish, Baltinava municipality, block 1, compartment 3), HCV risk mitigation measures – compartment 24; <p>Supplier audit: SIA “Asigne”, primary feedstock supplier: evaluation of HCV risk mitigation measures:</p> <ul style="list-style-type: none"> • FMU “Kļavēni” (Cadaster Nr. 38780130043, Susāji parish, Viļaka municipality, block 2, compartment 6.1) <p>Supplier audit: SIA “AP Mežs”, primary feedstock supplier: evaluation of HCV risk mitigation measures</p> <ul style="list-style-type: none"> • FMU “Slapši” (Cadaster Nr. 50480030050, Dauksti parish, Gulbene municipality, block 1, compartment 1,4,5,6) 	<p>GK, EA</p>	<p>07.00 – 13.00</p>

<p>Evaluation of supplier of secondary feedstock for the purpose of origin confirmation</p> <ul style="list-style-type: none"> • Evaluation of supplier of secondary feedstock; • Witness audit of BP supplier audit 	<ul style="list-style-type: none"> • audit to secondary feedstock supplier SIA “Kraujas Z”; 	<p>GK, EA</p>	<p>13.00-14.00</p>
<p>Evaluation of supplier of primary feedstock:</p> <ul style="list-style-type: none"> • Evaluation of supplier of primary feedstock (harvesting company) • Witness audit of BP supplier audit 	<ul style="list-style-type: none"> • Supplier audit: SIA “Revosa”, primary feedstock supplier: evaluation of HCV risk mitigation measures in completed logging sites: -FMU “Valgumi” (Cadaster Nr. 50440060026, Beļava parish, Gulbene municipality), block 1, compartment 18 • Supplier audit: SIA “Meža bites”, primary feedstock supplier: evaluation of HCV risk mitigation measures in completed logging sites: -FMU 42560030030 (Jaunpiebalga parish,Jaunpiebalgas municipality) block 2, compartments 2,4; - FMU 42560030031 (Jaunpiebalgas parish,Jaunpiebalgas municipality) block 3, compartment 12 	<p>LS, EL</p>	<p>09.00 – 14.00</p>
<p>Resolving of remaining issues, questions, interview to responsible person</p>	<p>Office</p>	<p>GK,LS,EL,EA</p>	<p>14:30-15:30</p>
<p>Closing meeting</p>	<p>Office</p>	<p>GK,LS,EL,EA</p>	<p>15:30-16.30</p>

6.2 Description of evaluation activities

Change of scope audit (SBE for primary and secondary feedstock)

Change of scope audit was carried out as an onsite audit in SIA Avoti SWF production site in Lizums where the primary and secondary supplier verification program and mitigation measures were evaluated to be included in the scope of the existing SBP certificate. The scope change audit took place on May 15-16, 2018.

The audit began with an opening meeting, where the lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment

methodology and clarified verification scope. Lead auditor explained the aim and objectives of the scope change audit, informed about the evaluation process, underlined the need to collect objective evidence through a combination of document review, site visits, interviews and discussions, explained the essence and importance of sampling aspect of the auditing. Special attention has been paid to explanation of the differences in minor and major nonconformity reports (NCRs) and that NCRs are an expected part of the process designed to help the organization strengthen its procedures and processes. Discussed and confirmed the audit itinerary.

Upon completing evaluation of documented procedures and records, the sampling of the suppliers for field inspections took place. Both suppliers of primary and secondary feedstock have been selected for verification audit. It has been decided to include in the field inspection list both the primary and the secondary feedstock suppliers that have been approved by the BP to supply “low risk” (“SBR NR”) feedstock. 1 out of 1 planned supplier of secondary feedstock (sawmill) has been selected for field inspection and 3 primary feedstock suppliers (logging companies) were selected for evaluation. The number of primary feedstock suppliers (x) to be included in list of field inspections was identified based on the relationship $x = \sqrt{n} \times 0.8$, where n = number of active suppliers of primary feedstock. There are 12 suppliers of primary feedstock to the BP and the minimum number of suppliers for field evaluations was determined 3 suppliers calculated as from the relationship above. Inspection of suppliers assume visiting at least 2 logging sites for each supplier. Auditors prior to the audit evaluated the list of FMUs/logging sites for presence of “specified risk” in relation to HCVs, i.e. only those FMUs/logging sites where risks in relation to HCVs and Woodland Key Habitats in particular exist, were evaluated and sampled for field inspections. Both sites after the logging works and prior to the logging works were evaluated. 1 logging company/supplier of primary feedstock was evaluated for Health and Safety issues. Over the course of audit, logging sites of 4 primary suppliers were inspected and 1 secondary processor was visited.

Field inspections were planned to witness BP in evaluating risk mitigation measures related to preserving High Conservation Values and checking for Health and Safety issues. Thus at least one field inspection to on-going logging works for each supplier of primary feedstock was planned and at least one inspection for each supplier were envisaged to completed or planned logging site/plot in order to evaluate BP’s competency and approach in evaluating HCV risk mitigation measures. It was revealed at the time of audit that only one of suppliers did have on-going logging operations in the region. Thus, all 4 suppliers of primary feedstock were evaluated for HCV risk mitigation, but 1 for H&S risk mitigation. CB witnessed the audit of the BP primary supplier and at the same time doing their own independent evaluation of the suppliers. In the same way CB witnessed how BP is evaluating suppliers of secondary feedstock. 1 existing/planned supplier of secondary feedstock was inspected and evaluated during the scope change audit.

After the opening meeting and supplier audit sampling completed auditor team split into 2 groups:

One auditor and auditors in training visited primary suppliers and observed the process of supplier audits and evaluated risk mitigation actions undertaken by the organization in relation to specified risks related to Health & Safety and High Conservation Values. CB witnessed the audit of the BP primary supplier and at the same time doing their own independent evaluation of the suppliers.

Other auditor stayed in the office to evaluate the SBP SBE system, review all applicable requirements of the SBP standards #1 and #2, covering SBE system regarding both primary and secondary feedstock and the overall management system. Auditor reviewed the documentation with regard to all applicable requirements of the SBP standards #1 and #2, covering the SBE system. Auditor focused on issues related to risk assessment, public consultation, supplier verification programme, supplier un risk mitigation monitoring and control measures.

During the process overall responsible person for SBP system and over responsible staff (responsible person – CEO and accountant, having key responsibilities within the SBP SBE system were interviewed.

Documented procedures for secondary feedstock supplies with the SBE system, contracts with suppliers

containing requirements on health and safety as well as requirements on evaluation and protection of high conservation values have been evaluated and discussed with responsible staff at the company.

In the second day audit team split up into 2 parts:

One auditor team inspected the completed logging sites of BP’s primary suppliers and doing their own independent evaluation of the suppliers. The CB carried out the audit to verify the correctness of the mitigation measures implemented.

Findings of the first 2 days of the evaluation have been summarised and presented to the BP staff during the closing meeting in the end of day two.

At the end of the audit finding were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the responsible persons at the company – procurement manager and executive director.

Auditor team composition:

Auditor(s), roles	Qualifications
<p>Ģirts Karss Lead Auditor, NEPCon Latvia</p>	<p>Works for NEPCon since 2011 Ģirts Karss holds MSc 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. Ģirts Karss has conducted of FSC Chain of Custody audits in wood industry companies in Latvia and FSC forest management assessments and annual audits in Baltic countries and Russia. Ģirts had completed SBP training course and obtained a SBP auditor qualification. He has participated in capacity of auditor and lead auditor in a number of SBP assessments, scope change and annual audits including SBE in Latvia.</p>
<p>Liene Suveizda, Auditor, NEPCon Latvia</p>	<p>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 SBP auditor in several SBP assessment and scope change (SBE) audits in Latvia.</p>
<p>Eveli Aasa, Auditor, NEPCon Estonia</p>	<p>Joined NEPCon in 2017. Eveli holds MSc in Environmental Technology from the Tallinn Technological University. Previous work experience in wood processing industry. She has passed the NEPCon course in FSC Chain of Custody operations and obtained the FSC and PEFC Chain of Custody auditor qualification. Eveli is working as FSC/PEFC Chain of Custody auditor. Eveli had completed the SBP auditor training course, acquired the SBP auditor qualification and has participated in several SBP annual audits to biomass processing companies in Estonia.</p>
<p>Ēriks Lidemanis Auditor in training, NEPCon Latvia</p>	<p>Joined NEPCon in 2017. Holds bachelor degree from Latvia University of Agriculture Forest Faculty (forest management). Previous work experience in wood processing industry and roundwood measurement. Ēriks has passed the NEPCon lead assessor training course in FSC Chain of</p>

	Custody operations and obtained the FSC CoC auditor qualification. Ēriks is working as FSC Chain of Custody auditor.
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Auditors: GK – Girts Karss, LS – Liene Suveizda, EA – Eveli Aasa, EL – Eriks Lidemanis

6.3 Process for consultation with stakeholders

Scope change audit (SBE for primary and secondary feedstock)

Stakeholder consultation was carried out by both the Biomass Producer and the Certification Body

The CB’s stakeholder consultation was carried out by the Certification Body in April, 2018 by contacting (via email) different stakeholder categories: state institutions, local NGOs, authorities, government bodies, forest owner’s associations, academic and research institutions. See stakeholder notification letter in Exhibit 10.

The BP had conducted stakeholder consultation process that began on March 1, 2018. About 90 individual representatives of various stakeholders in total were notified by e-mail, this included associations, local NGOs, local forestry authorities, Environmental inspectorate representatives of nature protection. Full list of stakeholders is available at BP and in the exhibit of this report. Later, additional stakeholder consultation with different NGOs took place with aim to discuss in details of the mitigation measures implemented. See stakeholder notification letters and responses in Exhibit 10.

A number of stakeholders, including anonymous have provided a feedback on the organization’s planned system of Supply Base Evaluation. See detailed description of comments and feedback as well as response to the comments in section 7.5.

7 Results

7.1 Main strengths and weaknesses

Strengths: SBP system elements were implemented at the time of the assessment audit. Efficient recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members. SBE processes are well documented; main database for material balances is well maintained and all relevant information can be easily retrieved and reported. Well-designed organizational framework of risk mitigation measures. Good level of awareness of risk mitigation measures as most if not all suppliers of primary feedstock suppliers and sub-suppliers had participated in biotope (HCV) identification training courses organised by respected Latvian experts and trained their suppliers. Strong commitment in implementation of SBP system and positive approach has been observed during the audit. Precautionary approach observed in the field with regard to HCV identification.

Weaknesses: minor issues related to completeness and content of SBP documentation – documented procedures and Supply Base Report identified during the audit. In a long-term perspective a potential threat can be considered reliance on consultant input and expertise.

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

7.2 Rigour of Supply Base Evaluation

SIA Avoti SWF is implementing the SBE for primary and secondary feedstock (forest products) originating from Latvia and sourced without SBP-approved Forest Management Scheme claims, SBP-approved Forest Management partial claim, SBP-approved Chain-of-Custody (CoC) System claim. Risk mitigation measures are implemented for feedstock sourced from forest land (material sourced under FSC Controlled Wood system).

The BP is using the SBP approved and endorsed the Regional Risk Assessment for Latvia. The designated risks in both organization's risk assessment and the SBP endorsed RRA do not differ. Both organization's RRA and SBP endorsed RRA specifies the same "specified risk" for indicators 2.1.1, indicator 2.1.2 and indicator 2.8.1.

The BP is applying risk mitigation measures that were consulted with relevant stakeholders. The BP is implementing mitigation measures for individual SBP standard indicators that have "specified risk" status. Mitigation measures were designed in cooperation with external experts - acknowledged nature/forest habitat experts, and experts on health and safety issues.

7.3 Collection and Communication of Data

The BP is implementing a system to collect and record data on Greenhouse Gas emissions. During the initial audit (main assessment in 2017, without SBE), the BP has elaborated detailed overview of the systems and databases to collect and record all GHG data related to production of pellets. No changes in the existing GHG emission data collection framework was introduced since the assessment audit.

Including SBE in the scope of SBP certificate does not envisage additional requirements for data collection and communication.

7.4 Competency of involved personnel

The Supply Base Evaluation (SBE) system is implemented by existing company staff with help of external consultant. The responsible staff had partly undergone training and at the time of audit is implementing the SBE system, very much supported and supervised by external consultant. Risk mitigation measures and supplier verification program is conducted together by BP's staff and external consultant via the on the job training.

Quality manager who is also responsible for FSC chain of custody certification system holds the overall responsibility for SBP and SBE system, as well as procurement and supplier related issues, SBE system implementation and supplier audits. Accountancy staff is responsible for recordkeeping, accounting, mass-balance accounting. Material receptionists are responsible for incoming material reception, identification of material status and subsequent classification of material in the accountancy system. Pellet production operators are responsible for moisture measurements and production recordkeeping. Qualification requirements for personnel involved in SBE system are provided in documented procedures of the BP.

Involved personnel, including responsible staff at suppliers and sub-suppliers have demonstrated sufficient knowledge in relevant fields, including knowledge of critical aspects - recognition and identification of HC VF, health and safety requirements. Relevant certificates and diplomas were available upon request.

In overall, auditors evaluate the competency of responsible staff to be sufficient for maintaining the SBP system. With regard to SBP SBE system for both primary and secondary material the BP is currently using the assistance of external consultant and is growing own capacity.

7.5 Stakeholder feedback

The BP has received comments from stakeholders regarding the SBP SBE system and risk mitigation measures for primary and secondary feedstock sourced within the SBE system. Comments were received from several stakeholders during both CB and BP's own stakeholder consultation. Several stakeholders had submitted comments anonymously. Response to comments and BP reaction is provided this section. Received comments are available in in the Exhibit 10. "Stakeholder consultation process" and a brief conclusion is provided in the SBR section 6.

The stakeholder consultation carried out by the CB showed that BP's stakeholder consultation was comprehensive and well documented (See documented responses from stakeholders during stakeholder notification process in Exhibit 10). It is concluded that principal stakeholders were involved in the consultation process. A number of comments that were received during the consultation period were discussed with responsible staff at the organization at the time of audit. A brief overview of stakeholder comments and response by the organization is provided below.

Received comments from stakeholders and response to stakeholder comments:

<https://www.avoti.lv/en/wood-pellets/>

Supply Base Evaluation covers the feedstock sourcing region – the Republic of Latvia only, therefore the consultation with regard to risk mitigation measures was done with stakeholders in Latvia only. A brief overview of stakeholder consultation process is provided in the Supply Base Report, which is available also in English. See the link above.

- A comment from one anonymous stakeholder has been received regarding the use of LATBio Woodland Key Habitat tool. Stakeholder informed that the organization is using the LATBio Woodland Key Habitat tool without permission, i.e. the organization is using the tool as a key

instrument for risk mitigation but have not paid the service fee nor has been granted approval for use. The stakeholder underlined that the tool was created and financed by Latvian pellet producers who are owners of the database.

Certification body had raised a major non-conformance for this already in SBP assessment audit. Prior to the scope change audit in May 2018 a responsible person Mr. Didzis Palejs from the Latvian Biomass Association LATBio was contacted and inquired about the status of the organization with regard to membership. It was confirmed by Mr. Palejs that SIA Avoti SWF had settled out all necessary formalities and became a member of the Latvian Biomass Association LATBio in April 2018. It was also confirmed that the organization has paid the fee for LATBio Woodland Key Habitat tool and eligible to use it.

- One anonymous stakeholder commented that the Supply Base Evaluation report states that the organization is about to mitigate risks listed in the FSC Centralized National Risk Assessment for Latvia. The mitigation measures however ignore the recently added tax risk indicator (1.6) for private forests.

Information has been verified during the audit. Mitigation of risks designated as “specified risk” for indicators 1.6 (Value added taxes and other sales taxes) and 1.7 (Income and profit taxes) in FSC Centralized National Risk Assessment (CNRA) for Latvia are not applicable for SBP since tax related issues are considered low risk in SBP risk assessment. (see indicator 1.4.1 “Payments for harvest rights and timber, including duties, relevant royalties and taxes related to timber harvesting, are complete and up to date”). See SBP risk assessment for Latvia details. Nevertheless, the organization implements precautionary approach and verify tax debtor databases before entering in contractual relationships with new timber supplier.

- An anonymous stakeholder commented that the organization is not considered a secondary processor only since high quality roundwood is purchased in great volumes to produce sawn timber which organization use for furniture production. Wood pellets and briquettes are manufactured not only from own residues but majority of secondary feedstock is purchased from external suppliers

The main business of the organization is considered a secondary and tertiary processing of timber. For production of main products – furniture parts and furniture, the organization sources sawn wood/timber. All volume of co-products of secondary processing have been used for production of briquettes and pellets. Due to extending the pellet production capacity, the organization has extended the operation in the direction of primary wood processing, since it does not have own secondary processing residues/co-products in sufficient level to cover the pellet production capacity. It has been confirmed during the audit that organization sources secondary material – sawn wood for production of furniture. Also, it has been confirmed that the organization sources low quality (fuelwood and pulpwood assortments) roundwood as well as residues of primary timber processing for the purpose of pellet production. Pellets and sawdust briquettes are included in the FSC Chain of Custody product groups and the pellets are included in the SBP product group.

- One stakeholder who wished to remain anonymous has provided a comment that origin of feedstock is not monitored/controlled on a county and not even on country level.

Information has been verified during the audit. It has been confirmed during the audit that relevant information on origin of primary feedstock, such as location of FMU, forest compartment and sub-compartment or either information is provided in the copy of the Feeding Permit is used to identify origin of the primary feedstock. According to the documented procedures, supplier audits are conducted for each secondary feedstock supplier with the purpose to verify origin information. According to information from the responsible person, audits are supposed to be conducted once in a year for each primary feedstock suppliers. In case the delivery is conducted by trader/ transport company audit is conducted

for both transport company and all of its suppliers. As can be concluded from interviews and document review, the organization is conducting supplier audits to confirm the origin of the feedstock.

Therefore it is concluded that the organization has necessary procedures in place to monitoring suppliers with regard to feedstock origin as per SBP requirements and it is actually implementing the monitoring. No non-conformances have been identified during the audit.

- A comment has been received from anonymous stakeholder regarding the limits of Supply Base Area. The stakeholder informed that suppliers of organization are not informed of supply base limits and are not contractually required to be able to trace wood on a forest level. Feedstock origin recorded based on supplier location not actual forest origin.

Information has been verified during the audit. It has been confirmed that the organization has necessary procedures in place to verify the origin the feedstock is within the Supply Base Area. It has been confirmed during the audit that primary feedstock is sourced from Latvia only. Also, the only current provider of secondary feedstock sources feedstock from Latvia only. Information from the origin of feedstock at FMU level is known, origin confirming documents are being collected and recorded as per documented procedures of the organization. It also has been confirmed that the only provider of secondary feedstock within the SBE process is sourcing primary material from Latvia and is monitoring suppliers with regard to feedstock origin as per SBP requirements. No non-conformances have been identified.

- One anonymous stakeholder had informed that pine and spruce are used for main commercial activity but roundwood bought from all other species as well.

Information provided by the stakeholder was reviewed during the audit. It has been identified as from interviews to responsible personnel and review of SBP/FSC documents and records that all volume of organization's co-products of secondary and tertiary production is used for production of sawdust briquettes. Up to 10-15% of volume of own co-products from secondary production can be used for production of pellets, therefore the organization needs to source additional feedstock for pellet production. For this purpose organization sources low quality roundwood (fuelwood and pulpwood assortments) of all species for production of pellets.

- There is a complaint from one anonymous stakeholder, that Avoti SWF suppliers are not informed of any species limitations and are not required to report or control the species of wood they bring to Avoti.

Information provided by the stakeholder was reviewed during the audit. Documented procedures of the organization as well Supply Base Report contains information on species and size limitations. Requirements for information to be provided to the BP are included in the supplier contracts.

- There is a complaint from the same stakeholder that material widely purchased as controlled/non-certified making the above concerns even more serious. Suppliers are not aware of Avoti's right to verify suppliers or this right has not been put into contracts. Even without SBE the basic origin and species controls needed for EUTR and FSC compliance are not implemented. The stakeholder complained that the organization is attracting suppliers with their low traceability requirements (promising not to ask many questions).

Information provided by the stakeholder was reviewed during the audit. Documented procedures of the organization as well Supply Base Report contains information on requirements of risk mitigation measures the suppliers of primary and secondary feedstock need to adhere.

It has been confirmed that the organization has necessary procedures in place to verify the origin the feedstock is within the Supply Base Area. It has been confirmed during the audit that the organization has necessary tools and knowledge on how to verify and make sure the primary feedstock is sourced by implementing risk mitigation measures and to comply with SBP requirements. It was verified during the audit whether the organization is capable of implementing risk mitigation measures to ensure that "low risk" feedstock is used for production of pellets. It was confirmed as result of audit findings that information regarding the origin of feedstock at FMU level is known, origin confirming documents are being collected and recorded, and risk mitigation measures implemented as per documented procedures of the organization and relevant risks related to sourcing primary and secondary feedstock are mitigated. No non-conformances related to implementing risk mitigation measures have been identified during the audit as auditors have concluded that the SBP SBE system at the organization is sufficiently robust.

A stakeholder representing the environmental section, the Nature Conservation Agency (Dabas aizsardzības pārvalde) an institution responsible for implementing the nature conservation policy in Latvia has given a number of comments related to information included in the Supply Base Report. See comments below

1. it is necessary to clarify the text "Management of state-owned forests is ensured by the A/S "Latvijas valsts meži" established in 1999" in the section "Forestry sector". The Board underlines that the A/S "Latvian State Forests" does not manage all the forests owned by the state, but only the forests transferred to the management of A/S "Latvijas valsts meži".
2. No description and analysis of information related to situation with biological diversity in forests in Latvia is given section. Only general information about its protection in Latvia is given. Regarding micro-reserves, the Nature Conservation Agency indicates that, according to estimates made by the Government, on 5 April 2018, the total amount of micro-reserves in the country amounted to 43 527,40 ha.
3. text "Recreation functions are also performed by specially protected nature territories (except areas where there is a strict nature conservation regime) - national parks, nature parks, protected landscape areas, protected dendrological plantations and protected geological and geomorphological objects , local parks, bordering bands of the Baltic Sea, protective bands around towns, forests in administrative territories of cities, etc. " in section "Forest and Society" shall be revised in accordance with the provisions of Section 2 of the Law "On Specially Protected Nature Territories" (belt protection zones of the Baltic Sea Coast, cities around forests, forests in the administrative territories of cities there are no specially protected nature territories).
4. Imprecise and erroneous terms are used on page 13: "Forest type: Temperate 41% / 59% Heni boreal"
5. It is indicated in the paragraph 20 of the report that "SBP Risk Assessment is available on company's website: http://www.avoti.lv/lv/sbp_en.pdf". Only the document "Biomass producer SIA AVOTI SWF Version 1.2 June 2016." is available upon following the mentioned URL.
6. Table 1 of the report provides an overview of the risk assessment results for all indicators, indicating the SBP indicator codes/numbers, without clarifying the meaning of SBP Risk assessment indicator numbers. It would be desirable to provide the explanatory indicator codes in the report itself without forcing the reader to lookup for them in other documents (SBP risk assessment).
7. Reports on page 28. Reference is made to its evaluation by Janis Rozitis - the World Wildlife Fund. The included quotation is identical to that already included in the document "Biomass producer SIA" AVOTI SWF "Basic delivery report. Version 1.2 June 2016". It is desirable to add references to the updated document, not to the outdated version of the document.

8. The Nature Conservation Agency welcomes the launch of risk mitigation measures that contain evaluation of High Conservation Values in supply base area - Vidzeme and Latgale regions that allows organization to exclude timber sourced from biologically valuable forests (Supply Base Report, Section 8.3).

All mentioned comments from Nature Conservation Agency were reviewed at the time of audit and it was found out that the Supply Base Report has been updated to reflect the comments. See the SBR in <https://www.avoti.lv/en/wood-pellets/>

7.6 Preconditions

Several non-conformances were identified during the scope change audit, graded as minor non-conformances and thus are not considered preconditions for certification. See section 10 for details.

8 Review of Company’s Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB’s final risk ratings in Table 1, together with the Company’s final risk ratings. Default for each indicator is ‘Low’, click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

The BP is using the SBP endorsed (September 28, 2017) SBP Regional Risk Assessment for Latvia where risks for each individual indicator have been evaluated. “Specified risk” in the Regional Risk Assessment for Latvia 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.

Risk assessment is available in www.sbp-cert.org. It is concluded that the actions taken (for the suppliers included in the SBE) by the BP lead to substantial decrease of the risk and the final risk level for all indicators can be considered as “low risk”.

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

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

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

2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

* See list of indicators below in Table 3

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

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

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

*see list of indicators below in Table 3

Table 3. SBP risk indicators

Indicator No.	The title, name of the SBP indicator
1.1.1	The BP Supply Base is defined and mapped
1.1.2	Feedstock can be traced back to the defined Supply Base
1.1.3	The feedstock input profile is described and categorized by the mix of inputs
1.2.1	Legality of ownership and land use can be demonstrated for the Supply Base
1.3.1	Feedstock is legally harvested and supplied and is in compliance with EUTR legality requirements.
1.4.1	Payments for harvest rights and timber, including duties, relevant royalties and taxes related to timber harvesting, are complete and up to date.
1.5.1	Feedstock is supplied in compliance with the requirements of CITES
1.6.1	Feedstock is not sourced from areas where there are violations of traditional or civil rights.
2.1.1	Forests and other areas with high conservation values in the Supply Base are identified and mapped
2.1.2	Potential threats to forests and other areas with high conservation values from forest management activities are identified and addressed.
2.1.3	Feedstock is not sourced from forests converted to production plantation forest or non-forest lands after January 2008.
2.2.1	Feedstock is sourced from forests where there is appropriate assessment of impacts, and planning, implementation and monitoring to minimise them
2.2.2	Feedstock is sourced from forests where management maintains or improves soil quality
2.2.3	Key ecosystems and habitats are conserved or set aside in their natural state
2.2.4	Biodiversity is protected
2.2.5	The process of residue removal minimizes harm to ecosystems
2.2.6	Negative impacts on ground water, surface water, and water downstream from forest management are minimized
2.2.7	Air quality is not adversely affected by forest management activities.
2.2.8	There is controlled and appropriate use of chemicals, and that Integrated pest management (IPM) is implemented wherever possible in forest management activities
2.2.9	Methods of waste disposal minimize negative impacts on forest ecosystems
2.3.1	Analysis shows that feedstock harvesting does not exceed the long-term production capacity of the forest, avoids significant negative impacts on forest productivity and
2.3.2	Adequate training is provided for all personnel, including employees and contractors
2.3.3	Analysis shows that feedstock harvesting and biomass production positively contribute to the local economy including employment
2.4.1	The health, vitality and other services provided by forest ecosystems are maintained or improved
2.4.2	Natural processes, such as fires, pests and diseases are managed appropriately
2.4.3	There is adequate protection of the forest from unauthorised activities, such as illegal logging, mining and encroachment

2.5.1	The legal, customary and traditional tenure and use rights of indigenous peoples and local communities related to the forest, are identified, documented and respected
2.5.2	Production of feedstock does not endanger food, water supply or subsistence means of communities, where the use of this specific feedstock or water is essential for the fulfilment of basic needs
2.6.1	Appropriate mechanisms are in place for resolving grievances and disputes, including those relating to tenure and use rights, to forest management practices and to work conditions
2.7.1	Freedom of Association and the effective recognition of the right to collective bargaining are respected
2.7.2	Feedstock is not supplied using any form of compulsory labour
2.7.3	Feedstock is not supplied using child labour
2.7.4	Feedstock is not supplied using labour which is discriminated against in respect of employment and occupation.
2.7.5	Feedstock is supplied using labour where the pay and employment conditions are fair and meet, or exceed, minimum requirements.
2.8.1	Appropriate safeguards are put in place to protect the health and safety of forest workers
2.9.1	Feedstock is not sourced from areas that had high carbon stocks in January 2008 and no longer have those high carbon stocks.
2.9.2	Analysis demonstrates that feedstock harvesting does not diminish the capability of the forest to act as an effective sink or store of carbon over the long term
2.10.1	Genetically modified trees are not used

9 Review of Company's mitigation measures

The organization has designed and is implementing mitigation measures of risks for non-certified feedstock originating from Latvia. The organization has designed and is implementing mitigation measures for 3 indicators evaluated as specified risk (2.1.1, 2.1.2 and 2.8.1) during the assessment. The BP is also requiring suppliers to take necessary actions – risk mitigation measures to avoid supplying material of “specified risk”.

To mitigate risks of mentioned 3 indicators at secondary feedstock level, the BP accept secondary feedstock from approved suppliers, which utilise “low risk” or “SBE NR” primary feedstock only. Primary feedstock suppliers are checked and verified by the BP

Indicator 2.1.1 (HCVF category 3):

Woodland Key Habitat tool (“WKH tool”) was developed by biomass producers in 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 WKH tool is not used by the BP, however, the BP is considering using it as a source of additional information. The BP has defined the following approach for risk mitigation with regard to identification of high conservation values – all harvesting sites in the SBE system shall be inspected by the supplier of primary feedstock prior to harvesting and screened for presence of high conservation values according to WKH checklist. The checklist has been elaborated by forest habitat experts in Latvia and are used by many SBP certified biomass producers and forest management companies.

Indicator 2.1.2 (HCVF category 1):

According to the SBP endorsed risk assessment for Latvia, HCVF category 1 risks are related to Bird Directive's Annex 1 species (forest birds) whose populations are decreasing in the country. Risk mitigation measures envisages protection of existing bird habitats and protecting the nesting sites. The feedstock shall not be sourced from areas where the bird nesting sites had been destroyed as a result of forestry activities or feedstock sourced without proper forest management activities to preserve nesting sites. The BP has required all suppliers of primary and secondary feedstock included in the SBE to undergo a training course for identification high conservation values in forest ecosystems. The training course is held by recognized forest biotope experts. All current suppliers supplying feedstock within the SBE, sub-suppliers of primary material have participated in the training course and obtained knowledge on how to recognize HCVs (woodland key habitats, forest habitats of EU importance) and recognize 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 with help of WKH checklist. Suppliers are obliged to evaluate the presence of large diameter (>50cm) nest or protected bird species in the checklist. 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 HCV Cat 1. 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.

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):

Every supplier of primary feedstock that is going to supply feedstock as low risk material or with “SBR NR” claim shall check the area designated for harvesting and filling in the WKH inventory checklist. In case the area is identified as potential woodland key habitat or forest habitat of EU importance, the supplier cannot supply the material with “SBR NR” claim. The supplier, however, can invite a certified biotope expert to evaluate the harvesting site for presence of WKHs and determine the status. In case the decision is negative, the site can be harvested and supplied to BP as “low risk” or “SBR NR” feedstock. Feedstock from area of identified HCVs – WKHs/EU habitats is not accepted by the BP.

The BP carries out monitoring of supplied feedstock loads with help of LATBio WKH tool. Areas that show up in the Latbio database as containing potential HCVs are inspected by the BP on a sampling basis, with prior evaluation of WKH potential based on forest inventory data (stand composition and age) 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 material from BP approved suppliers. Only BP approved primary feedstock suppliers can supply feedstock and only „Low risk“ or „SBE NR“ input can be used as input. List of approved primary suppliers is available.

Indicator 2.1.2 (HCVF category 6):

The specified risk for this sub-indicator relates to 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 shall also be followed by suppliers of secondary material (sawmills and brokers/traders) by applying BP's procedure. Field inspections at suppliers of secondary feedstock showed that responsible staff showed awareness of the requirement. Site tour through the storage areas showed that large diameter and noble tree species are present. It has been explained also by interviewed persons, that large diameter trunks may be received with FSC certified material from certified forest managers are delivered with certification claim. Large trunks received with certified feedstock is not in the scope of SBE and are accepted by the BP as low risk feedstock.

Indicator 2.8.1:

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 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.

No mass-balance system is implemented at the sawmill (primary feedstock) level. Only FSC certified and SBE primary feedstock verified feedstock with SBNR mark in the sales invoices are accepted by sawmills. Other feedstock is not accepted. Feedstock coming from these sawmills is marked as „SB NR“ in its sales invoices. Number of the suppliers to sawmills is limited to approved SBE suppliers. All volumes of the primary feedstock delivered to sawmills is reported to NewFuels SIA.

10 Non-conformities and observations

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

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

NC number 01/18 (21859)	NC Grading: Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock, p. 15.3 15.3 The BP management system shall document all necessary procedures.
Description of Non-conformance and Related Evidence:	
<p><u>Scope change audit:</u> The BP has established written procedures for SBP and SBP SBE requirements. In particular, the documented procedure “SBP sertifikācijas sistēmas apraksts.” (Description of SBP certification system). 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, SAR report, SBP Profiling Data records, mechanism of Green House Gas calculation, use of SBP logo etc.). See documented procedure in Exh 1.</p> <p>There is also documented procedure elaborated for Supply Base Evaluation – “SBP atbilstoša materiāla apstiprināšana, verifikācija, riska mazināšanas process” (“Approval, verification and risk mitigation measures for SBP compliant feedstock”) process. The SBE procedure contains framework for sourcing provisions and risk mitigation measures for primary feedstock. Documented procedures describe in detail the processes of supplier verification and risk mitigation measures in supplying feedstock within the SBE system.</p> <p>Auditors 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, however, process of sourcing of secondary feedstock within the SBE, including the procedure for accepting the “low risk” material for secondary feedstock suppliers - primary processors is not described in detail in documented procedures of the BP. The process of sourcing primary material and requirements of SBE system had been discussed with responsible person at the organization and the responsible person was able to describe the principal steps and functions in the process. Since the organization does not source secondary feedstock within the SBE, and do not plan it in the nearest future, a minor NCR 01/18 raised.</p>	
Timeline for Conformance:	12 months from report finalization date

Evidence Provided by Company to close NC:	<i>PENDING</i>
Findings for Evaluation of Evidence:	<i>PENDING</i>
NC Status:	<i>OPEN.</i>

NC number 02/18 (21860)	NC Grading: Minor
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock, p. 12.4 12.4. The justification for selection of personnel shall be recorded and made available to the Certification Body, and a summary presented in the public summary report.
Description of Non-conformance and Related Evidence:	
Justification of selection of personnel involved in the management and maintaining the SBP/SBE system was discussed with responsible personnel during the audit. The qualification requirements for personnel involved in SBP SBE processes has been also provided in SBE procedure “SBP atbilstoša materiāla apstiprināšana, verifikācija, riska mazināšanas process”, section 7 only. The information in the format of the public summary about the personnel selection process has not been made available in the SBR report of the organisation or any other publicly available document. A minor NCR is issued.	
Timeline for Conformance:	<i>12 months from report finalization date</i>
Evidence Provided by Company to close NC:	<i>PENDING</i>
Findings for Evaluation of Evidence:	<i>PENDING</i>
NC Status:	<i>OPEN.</i>

OBS: 01/18 (21923)	Standard & Requirement:	SBP Standard #2, requirement 12.1 5.1 The BP shall ensure that the Body undertaking the SBE has the necessary knowledge and experience to evaluate the SBP Feedstock Compliance Standard in the local context of the Supply Base, including: (12.1) <ul style="list-style-type: none"> • Knowledge of ecological and social values associated with the Supply Base • Knowledge of applicable laws and regulations • Knowledge of business management practices • Knowledge of SBP requirements • Knowledge of operation of suppliers, including management systems and products • Knowledge of local forest resource • Competence in evaluating SBP requirements • Competence in implementing the SBE
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		<ul style="list-style-type: none"> • Language skills appropriate to all stakeholders • Note-taking and report-writing skills • Interviewing skills • Appropriate management skills.
	Report Section	Appendix B p 5.1
Description of findings leading to observation:	<p>Regarding competency in SBE system and risk mitigation measures, the quality manager has participated in internal training for SBP issues and is in the process of acquiring knowledge of identification and protecting High Nature Conservation Values and conducting risk mitigation measures. Currently the BP is using expertise and resources of external consultant to complete its capacity regarding HCV, but the organization does not have sufficient in-house know-how and capacity to manage the risk mitigation measures on its own. In view of auditors, this represents risks to integrity of SBP system in the organization in long-term.</p>	
Observation:	<p>It is recommended to develop in-house capacity to manage SBP SBE system risk mitigation, including supplier verification in the field.</p>	

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorriá Serrano
Date of decision:	11.07.2018
Other comments:	

12 General information

Dispute resolution: If NEPCon clients encounter organisations or individuals having concerns or comments about NEPCon services, these parties are strongly encouraged to contact the relevant NEPCon regional office or any member of the NEPCon Chain of Custody Programme. Formal complaints and concerns should be sent in writing.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here:

<http://www.nepcon.org/impartiality-policy>