SBP

Sustainable Biomass Program

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

Second Surveillance Audit

www.sbp-cert.org

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

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

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1 Overview

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Name of the Company:	Jaunjelgava factory, address: Meža iela 4B, Jaunjelgava, Jaunjelgavas novads, LV-5134, Latvia
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Certified Supply Base:	Latvia, Lithuania, Belarus, Estonia
SBP Certificate Code:	SBP-01-65
Date of certificate issue:	30/Mar/2017
Date of certificate expiry:	29/Mar/2022

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

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

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

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

Wood pellets are produced of low-quality roundwood (pine, spruce, birch, aspen, black alder and grey alder) and partly from secondary feedstock such as saw dust and chips. The material is purchased from Latvia and some minor part of material comes from Lithuania, Belarus and Estonia. The material is delivered by trucks. Some shares of the delivered roundwood is FSC 100% or FSC Controlled Wood, own verification of the Controlled Wood for Latvia, Lithuania and Belarus is included in the scope of the certification, but since March 2016 all feedstock is delivered with FSC, PEFC certified or Controlled claims. The FSC certified and FSC Controlled Wood feedstock is classified as PEFC Controlled Sources since 01.01.2018.

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

The organization has implemented PEFC volume credit method.

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

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

3 Specific objective

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

The scope of the scope change evaluation covered:

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

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

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

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

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

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

All incoming feedstock is either FSC certified, FSC Controlled or controlled according to the existing FSC Controlled wood verification program. FSC Controlled wood verification program is applicable for feedstock originating from Latvia, Estonia, Lithuania and Belarus. As of March 2016, all feedstock (both primary and secondary) is sourced as FSC Controlled Wood/PEFC Controlled Sources or FSC/PEFC certified. Since 01.01.2018 all incoming feedstock is classified as PEFC certified or PEFC Controlled Sources.

The BP is implementing PEFC volume credit method. Biomass is transported by trucks and are sold at FOB, CIF, CFR, DES conditions from different harbours in Riga to different harbours in UK and Denmark

5.2 Description of Company's Supply Base

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

Latvia:

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

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

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

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

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

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

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

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

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

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

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

State forests are FSC/ PEFC certified. In addition to state forest enterprise, 6 private forest managers are managing forests in accordance with FSC standard requirements. The FSC certified are in the country amounts to a total of 1,044,690 ha. A total of 1 698 405 ha forests are also PEFC certified. The figures are correct as of September, 2018

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.

Belarus

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

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture. Within the last decade, the timber production in Belarus has fluctuated aprox., 11 million cubic metres (http://www.mlh.by , 2015.)

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

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

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

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

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

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

Forest regeneration is carried out annually over an area of 32,000 ha, including 81% of the forest planting and seeding and 19% by natural regeneration. There are 2 strictly protected Nation reserves and 4 National

parks present in Belarus at the moment. Area of National reserves accounts 2,98 milllion ha and area of National parks is 3,98 million ha.

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

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

Estonia

Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual change in the forest cover was +0.4 %. Forestry Development Plan 2012-2020 and Yearbook Forest 2013, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill 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 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. Additional information is available in SBR of the company, available at: http://www.latgran.com/uploads/faili/sbr_2016-08_final_latgran_jp_lv.pdf

5.3 Detailed description of Supply Base

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

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

5.4 Chain of Custody system

The feedstock sourced is either roundwood of low-quality (pine, spruce, birch, aspen, black alder, and willow) or secondary feedstock such as saw dust and wood chips. The material is purchased from Latvia and some minor part of material comes from Lithuania, Belarus and Estonia. The material is delivered by trucks. Some shares of the delivered roundwood is FSC 100%, 100% PEFC certified or FSC Controlled Wood, whereas the rest primary supplies are non-certified and included into company's own program of verification of controlled material suppliers. The BP has used PEFC CoC system for SBP certification since 01.01.2018.

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

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

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

6 Evaluation process

6.1 Timing of evaluation activities

Annual surveillance audit, November 5-9, 2018

SBP annual surveillance audit in Latgran all factories took place from November 5 - November 9, 2018. During the first phase of the annual surveillance audit the compliance with SBP standards #2, #4, #5 and instruction documents 5A, 5B, 5C and 5D took place. In the second phase of the audit, the biomass producer was evaluated against SBP standards #1 and #2, focusing primarily on implementation of SBP Supplier Verification Program and implementing risk mitigation measures within the Supplier Base Evaluation process.

The annual (surveillance) audit took place during 5th-9th of November, 2018 and included production site visit, staff interviews as well as supplier origin confirmation audits, including SBE with both primary and secondary feedstock. As part of annual audit, visits to all 4 SIA Latgran production sites (Jēkabpils, Jaunjelgava, Gulbene and Krāslava), audits to suppliers, including sub-suppliers and contractors took place.

In the second phase the actual implementation of the Supply Base Evaluation system had been verified. During the annual surveillance audit 6 suppliers of primary feedstock and 6 suppliers of secondary feedstock had been visited, in addition 2 sub-supplier visits. During the surveillance audit 2 storage sites in harbour terminals in Riga were visited. In total 14 auditor days were used for the annual audit, including 0.5 day of preparations, 5,5 days at the BP sites (Jēkabpils, Jaunjelgava, Gulbene and Krāslava production sites) and 8,5 audit days for supplier audits at the FMU level and secondary feedstock supplier – sawmill and broker/trader level. For this particular audit 3,5 audit days were spent on the evaluation.

Activity	Location	Auditor(s)	Date
Opening meeting*	Latgran SIA office and production site, “Ābeles” Zīlāni, Kūku pagasts, Krustpils novads LV-5222	Asko Lust (AL), Eveli Aasa (EA), Liene Suveizda (LS), Eriks Lidemanis (EL), Edgars Baranovs (EB)	November 5 9.30-10.00
Review of SBP procedures, instructions, training protocols, list of product groups, suppliers, inventory and other documentation (SBP standards 1,2,4,5)	Latgran SIA, Jaunjelgava	AL, EA, LS, EB	10.00-12.00
Production inspection, interviews to personnell	Latgran SIA, Jaunjelgava	AL, EA, LS, EB	13.00-15.00

Visit of secondary feedstock supplier: origin verification, SIA „Silpec“ credit system analysis	SIA Silpec, Jaunjelgava	LS, EA	15.00-16.00
Review of SBP procedures, instructions, training protocols, list of product groups, suppliers, inventory and other documentation (SBP standards 1,2,4,5)	Latgran SIA	AL, EB LS, EB	15.00-17.00 16.00-17.00
Group 1 1. SIA „Zaļais zelts“ – supplier visit (trader). 2. Subsupplier of SIA „Zaļais zelts“ - SIA Almo Hardwood 3. SIA „Latgran“ Production site in Gulbene 4. Visit of secondary feedstock supplier - SIA Diana.	supplier visits 1.Trader SIA „Zaļais zelts“: Gulbenes nov., Gulbene, Brivibas iela 66 Evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account. 2. SIA „Almo Hardwood“, Aluksnes nov., Aluksne, Apes iela 4. Subsupplier 3. SIA „Latgran“ production site "Alkšņi" Daukstu pagasts. Gulbenes novads 4. secondary feedstock supplier - SIA Diana, Gulbenes nov., Stradu pag., Stāķi, Stāķi 25. Evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account.	EA, EL	November 6 8.00 – 17.00
Group 2 and 3: evalutation of primary feedstock suppliers 1. SIA ADLV – 3 Biotopes + 1 example and H&S. Daugavpils, Krāslava, Dagda, Aglona 8:00 2. SIA Selko – 2 biotopes + 1 example	1. Primary feedstock supplier SIA ADLV: 1.1.FMU „JAUNZEMI“, cad. No.44720050071 Block 1 comp.1. Pre-harvesting site. HCV site. Potencial HCV according to IS „LATBIO“. Preharvesting HCV evaluation checklist provided by logigng company. Interview with board memebr Dainis Zviedrāns. 1.2. FMU „Vec-geronimova1“, cad.No. 44840080028, Block 2, comp.3. Pre-harvesting site. HCV site. Potencial HCV according to IS „LATBIO“. Preharvesting HCV evaluation checklist provided by logigng company. Interview with board memebr Dainis Zviedrāns. 1.3. FMU „DUMBRĀJI“, cad.no. 44840080002 Block No. 1 comp. no.2. Logging subcontractor:micro enterprise	AL, LS, EB	November 7 8.00-17.00

	Ongoing logging activities. Final felling (clear-cut). Team of manual logging workers: chain saw operators and assistants. Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to workers and responsible person of logging subcontractor. 1.4. FMU „KALNI“, cad.No. 4496004011 Block No.1 comp. No.1 (0,22ha). Pre-harvesting site. HCV site. Potencial HCV according to IS „LATBIO“. Preharvesting HCV evaluation checklist provided by loggigng company. No HCV values identified. Interview with board memebr Dainis Zviedrāns. 1.5. FMU „Pēterīši“ Cad. no. 6040010102, Block 1 comp. No. 3 and 4. Pre-harvesting site. HCV site. Potencial HCV according to IS „LATBIO“. Preharvesting HCV evaluation checklist provided by logigng company. HCV values identified (broadleave tree species, moss specie Neckera pennata, ravine etc. structures). Interview with board member Dainis Zviedrāns. 1.6. FMU „LIPIŅI“, cad. No. 60880020049; Block No. 1 comp. No. 1. Pre-harvesting site. HCV site. Potencial HCV according to IS „LATBIO“. Preharvesting HCV evaluation checklist provided by logging company. No HCV values identified. Interview with board memebr Dainis Zviedrāns. 2. primary feedstock suplier „Selco īpašumi“ 2.1. FMU „PURVI“, cad. no. 76700090074, Block No. 1 comp. No. 5. Harvested site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview with Ingus Baulāns. 2.2. FMU „CILPAS“, cad. No. 7670030040, block. No. 1 comp. no. 5, 6. Harvested site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by		

	logging company. Structures with high conservation value identified. The HCV pre-harvesting HCV evaluation of unsufficiant quality. Interview with Ingus Baulāns.		
Group 1: 1.Secondary feedstock supplier visit SIA MV Tara 2. Production site in Kraslava 3. SIA Billerudkorsnas (trader) 4. Production site in Jaunjelgava+timber reception.	1. SIA MV TARA: Jaunjelgavas nov., Jaunjelgava, Meza iela 4 2. Latgran SIA production site in Krāslava, Kraslava, Ūdrīšu pagasts, Krāslavas novads 3. SIA Billerudcorsnas, Jaunjelgavas nov., Jaunjelgava, Meza iela 4 4. LATGRAN SIA Jaunjelgava production site, Meža iela 4B Jaunjelgava, Jaunjelgavas novads	EA, ĒL	November 7 8.00-17.00
Group 2: from Kraslava 1. SIA GL Pluss, Kraslava 2. SIA Selko īpašumi– 1 biotope+1 H&S site 3. Ošukalns – 3 biotopes Jēkabpils	1.Secodary feedstock supplier visit. Evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account 2. Primary feedstock supplier visits: 2.1 FMU „Kalnāres-1“, cad.no. 44440020142 Block No. 1 comp. no.1. Logging subcontractor:micro enterprise Ongoing logging activities. Final felling (clear-cut). Team of manual logging workers: chain saw operators and assistants. Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to workers and responsible person of logging subcontractor. 2.2 primary feedstock suplier „Selco īpašumi“ FMU „Bumbieri“, cad. no. 44660050010, Block No. 1 comp. No. 9. Harvested site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview with Ingus Baulāns. 3. Primary feedstock supplier „Ošukalns“ 3.1 FMU „Priedaine“, Block No. 1 comp. No. 1 ad 2. Harvested site	AL, EB	8.00-17.00

	before clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview with Aivars Umbraško.		
Group 3: 1. Primary feedstock supplier SIA „R grupa“ visit 2. Primary feedstock supplier „MPKS Mežsaimnieks“ visit	Primary feedstock supplier visits: 1. SIA „R Grupa“: 1.1. FMU „Jaunie Rugātnieki“, cad. no. 56940070069, Block no. 3 comp. 1. Pre-harvesting site. No potential HCV according to IS „Latbio“. Clearcut planned. No HCV values identified. Interview with Kalvis Kunigs. 1.2. FMU „SAULES“, cad. no. 32420070123, Block no. 1 comp. no. 7. Harvested site after clearcut. No potential HCV according to IS „Latbio“. Clearcut planned. No HCV values identified. Interview with Kalvis Kunigs. 2. Visit of primary feedstock supplier MKPS „Mežsaimnieks“ 2.1. FMU „GRĪVAS“, cad. No. 42740110136 Block No. 1 compartment 35 and 37. Harvested site after clearcut. Potential HCV according to IS „Latbio“. No HCV values identified. Biologically valuable elements left. 2.2.FMU „GRĪVAS“, cad. No. 42740110136, Block No. 1 compartment 28. Harvested site after clearcut. Potential HCV according to IS „Latbio“. No HCV statuss identified. Biologically valuable elements left. 2.3. FMU „GRĪVAS“, cad. No. 42740110136, Block No. 1 compartment 13. Harvested site after clearcut. Potential HCV according to IS „Latbio“. No HCV statuss identified. Biologically valuable elements left.	LS	8.00-17.00

Group 1 1. Visit to secondary feedstock supplier SIA Pallog 2. Review of SBP standar 5 documents	1. SIA Pallog: "Ceri", Kokneses p., Kokneses n., LV-5113 2. Latgran SIA, Jekabpils	EA, EL	November 8 9.00-12.00 13.00-17.00
Group 2 Supplier visits: 1. Primary feedstock supplier „Ošukalns“ 1 biotope and 1 H&S site visit 2. Primary feedstock supplier „Virši AG“ 3 potential biotope site visits, Rēzekne.	1. Primary feedstock supplier visits: 1.1 FMU „Tīrumnieki“, Block No. 1 comp. no.12. Logging subcontractor:micro enterprise Ongoing logging activities. Final felling (clear-cut). Team of manual logging workers: chain saw operators and assistants. Evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to workers and responsible person of logging subcontractor. 1.2 primary feedstock suplier „Ošukalns“ FMU „Upes kalnsētas“, Block No. 1 comp. No. 1. Harvesting site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. 2. Primary feedstock suplier „Virši AG“ 2.1 FMU „Jānīši“, Harvesting site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview fith forest manager Janis Blumbergs. 2.2 FMU „Ezermala“, cad.no. 785606020016. Block no. 1, Comp. no. 8. Harvesting site after	AL, EB	8.00-17.00

	clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview fith forest manager Janis Blumbergs. 2.3 FMU „Upmalas“, cad.no. 785606020108. Block no. 1, Comp. no. 3. Harvesting site after clearcut. Potencial HCV according to IS „LATBIO“. Pre-harvesting HCV evaluation checklist provided by logging company. Structures with high conservation value identified. Interview fith forest manager Janis Blumbergs.		
Group 3: Interview with SBP responsible person, review of documentation, procedures. Compliance to SBP Standards #1 and #2. SBP Risk Assessment, implementation of mitigation measures, evaluation of Supplier verification program results.		LS	11.00-12.30 13.30-17.00
Resolving of remaining issues, questions, interview to responsible person. Summary review.	Latgran SIA, Jaunjelgava	AL, EA, LS, EB	November 9 9.00-12.00
Storage site visits in Riga	Rīnūžu terminmāls, Flotes 17, Riga. Riga Universal Terminal, Birztalu 14, Riga	Ģirts Karss GK	November 9 10.00-14.00
Closing meeting	Desk	AL, EA	November 16

6.2 Description of evaluation activities

Pre-audit activities

Planning of annual surveillance audit has been initiated prior to the annual surveillance audit and focused on the most important part – supplier and field inspection planning and selecting suppliers via sampling. Since the Latgran supplier structure is complicated and many suppliers overlap, i.e. the same suppliers of primary and secondary feedstock deliver feedstock to several Latgran factories, sampling process was carried out with

following approach: the suppliers supplying feedstock to several Latgran factories is given preference; large suppliers are given preference in selection process; suppliers that have been evaluated in the previous audit were not selected. The sampling of the suppliers for field evaluations took place prior to the audit, through communicating to responsible person for feedstock procurement. The minimum number of suppliers for sampling is calculated as following: 0.8 times the square root of all active suppliers rounded to the upper whole number. Suppliers to be included in the field inspections were chosen randomly, excluding those, audited previously (in previous audit).

Since no primary material that needs to go through the SBE has been bought from Estonia no Estonian suppliers were visited. All the visits described below cover Latvian suppliers only.

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

There are 17 active suppliers of "low risk" primary feedstock – fuelwood to Latgran Jēkabpils production site, 8 suppliers to Latgran Jaunjelgava production site, 20 suppliers to Gulbene site and 18 suppliers to Krāslava site. In total there are 31 unique suppliers to all Latgran factories and this number was used for calculation of suppliers to be inspected. Thus, 6 suppliers of primary feedstock were chosen for field evaluations. 6 selected suppliers provide 27% of total "low risk" feedstock supplies to all Latgran factories. 1 suppliers deliver "low-risk" primary feedstock to all 4 Latgran production

6 secondary controlled feedstock suppliers were selected for field audits. Two broker/trader supplying secondary feedstock within the SBE system – these suppliers were included in the list of audited suppliers, including visits to two sub-suppliers – suppliers of non-SBP compliant secondary feedstock.

With regard to "low risk" secondary feedstock - sawdust, there are 5 active suppliers of "low risk" secondary feedstock – fuelwood to Latgran Jēkabpils production site, 3 suppliers to Latgran Jaunjelgava production site, 4 suppliers to Gulbene site and 2 suppliers to Krāslava site. In total there are 11 unique suppliers to all Latgran factories and this number was used for calculation of suppliers to be inspected. Thus, 3 suppliers of secondary feedstock (sawdust) were chosen for field evaluations. 3 selected suppliers ensure 32% of total "low risk" feedstock supplies to all Latgran factories. Sub-suppliers to 2 suppliers of secondary feedstock were selected for field evaluation, using the above mentioned approach.

There are 6 unique suppliers of secondary feedstock - chips to all Latgran production sites out of which 3 were selected for onsite inspections. The supplier structure to Latgran production facilities can be described as following: there are 2 suppliers of chips to Jēkabpils production site, 3 suppliers to Jaunjelgava production site, 2 suppliers to Gulbene production site and 1 suppliers to Krāslava production site. 3 selected suppliers account for 75% of total "low risk" feedstock – chips supplies to all Latgran factories. 1 supplier delivers low risk feedstock to 2 production sits (Jēkabpils, Jaunjelgava), 1 supplier – 2 production sites (Jaunjelgava and Krāslava) and 1 supplier – to one production site (Gulbene). One selected supplier delivers low risk feedstock to Gulbene production site only.

So, in total 6 suppliers of primary feedstock and 6 suppliers of secondary feedstock have been selected for supplier audits, covering all 4 Latgran production sites.

Audit, on-site work

First day

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

After the opening meeting the auditor team split up in order to increase the use the resources more efficiently. One auditor spent a day in the Latgran office. Auditor reviewed all applicable requirements of the SBP

standards nr.2, 4, 5 and instruction documents 5a, 5b and 5c covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the process, overall responsible person for SBP system as well as other staff having responsibilities within the system were interviewed.

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

The documentation related to SBP as well as FSC CoC/ CW system of the organisation, including SBP Procedures, GHG data calculations/ SAR reports, Supply Base Reports, Biomass profiling data were reviewed partly during the first day of the audit.

Two SBP auditors audited supplier of secondary feedstock: the supplier of secondary feedstock SIA "Silpec". The CB was witnessing the audit of the BP responsible person to secondary supplier. The BP responsible person conducted the audit of feedstock origin and credit system of "low" risk material / "GI atbilstoša biomasa"(*GI compliant biomass*).

Day 2

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

One SBP auditor (group 1) audited supplier of secondary feedstock: 2 suppliers of secondary feedstock SIA "Zaļais zelts" (trader/broker) as well it's subsupplier SIA Almo Wood" and supplier SIA "Diana" (sawmill) were inspected during the audit. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers): evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account.

"Low risk" or "GI Atbilstošs" feedstock has been supplied by suppliers to Latgran production sites during the audit period. The auditor visited also 1 production sites in Gulbene.

3 auditors (group 2 and 3) conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Pre-harvesting and logging sites of 2 suppliers (SIA AD LV and SIA Selco īpašumi) were visited. Auditors were witnessing the audit (Health and Safety risk mitigation measures and High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Day 3

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

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

One SBP auditor (group 1) visited the secondary feedstock supplier Billerudcorsnas SIA, it's subsupplier SIA

MV TARA. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers): evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account. At the same day auditor visited the SIA Latgran production sites in Krāslava un Jaunjelagava.

Another auditor (group 2) visited the secondary feedstock supplier “GL Pluss”. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers): evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account. Group 2 also conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Logging sites of 2 suppliers (SIA Selko īpašumi, SIA “Ošukalns”) were visited. Auditors were witnessing the audit (Health and Safety risk mitigation measures and High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

One auditor (group 3) conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Pre-harvesting and logging sites of 2 suppliers (SIA “R Grupa” and MKPS “Mežsaimnieks”) were visited. Auditors were witnessing the audit (High Conservation Value risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Day 4

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

One SBP auditor (group 1) visited the secondary feedstock supplier SIA “Pallogs”. The CB was witnessing the audit of the BP responsible person to secondary supplier and at the same time doing own independent evaluation of the suppliers (sub-suppliers): evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account. Part of day was spent by rewieving the SARs, Biomass profiling data and SBRs.

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

The third SBP auditor (group 3) reviewed and discussed all applicable requirements of the SBP standards #1 and #2, and instruction documents covering SBE system regarding sourcing both primary and secondary feedstock within the SBE system and the overall management system with responsible staff at the BP – quality manager, feedstock procurement manager and responsible person for receiving and accepting the primary and secondary feedstock. Records of Supplier Verification Program particularly those related to health and safety risk mitigation measures and high conservation value risk mitigation measures have been reviewed, evaluated and discussed with responsible staff.

Day 5

Two pellet storage sites in Riga were visited and the storage conditions audited.

The audit team discussed the final issues regarding surveillance audit. The audit ended with the unofficial closing meeting. Audit findings were summarised and audit conclusions based on use of 3 angle evaluation

method were provided to the responsible persons at the company – quality manager at Latgran and Graanul Invest group in Latvia and responsible person for SBP certification systems in Graanul Invest group companies in Latvia as well procurement specialists.

The final closing meeting was held by audit team leader on desk on 16th of November.

Auditor team information:

Auditor(s), roles	Qualifications
Asko Lust, Lead auditor, evaluation against standard #4	BSc in Forest Industry. He joined NEPCon at the beginning of 2011. He has passed the SmartWood lead assessor training course in Forest Management and Chain of Custody certification. Has participated in over 20 forest management audits and has conducted over 200 Chain of Custody audits. He has previous work experiece in Environmental Board.
Eveli Aasa, evaluation against standard # 5	M.Sc in Environmental Engineering and Management from Tallinn University of Technology. Previous work experience from wooden window manufacturing. She has passed NEPCons forest management and chain of custody lead auditors training. Working in NEPCon as auditor since 2017..
Liene Suveizda, NEPCon Latvia, evaluation against standard #1 and #2.	Joined NEPCon Latvia in 2016. M.Sc in biology, forest ecology. Graduated from University of Latvia. Liene has also studied law and hold the 2nd level higher education in law, Business School "Turība". Liene has long term experience in forestry sector in Latvia. Liene has passed the NEPCon lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Liene has participated as an auditor in training is several SBP assessment and scope change (SBE) audits in Latvia. She has obtained the SBP auditor qualification.
Ģirts Karss, NEPCon Latvia, auditor, visit of termianls	Works for NEPCon since 2011 Girts Karss holds M.Sc in Environmental Science from the Lund University and the University of Latvia. He has passed the Rainforest Alliance lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Girts Karss has more than 5 year experience in FSC Chain of Custody auditing in wood industry companies in Latvia and more than 5 year experience in FSC forest management (FM) evaluation in Estonia, Latvia, Lithuania and Russia. Girts Karss had acquired SBP auditor qualification and has participated in capacity of auditor and lead auditor in a number of SBP assessments, scope change audits and annual surveillance audits, including SBE in Latvia.
Edgars Baranovs, NEPCon Latvia, auditor in training	Edgars has been working for NEPCon SIA. since 2018. Graduated from the Forest faculty of Latvia University of Agriculture and has a masters degree in Environmental Sciences. Edgars has experience in the State Forest Service of Latvia. In the fall of 2018, he obtained the qualification of an FSC Supply Chain Auditor.
Ēriks Lidemanis, NEPCon Latvia, auditor in training	In Nepcon SIA since 2017. Eric has graduated the Forest Faculty of Latvian Agricultural University and has obtained a bachelor's degree in forest science. Previous experience in the woodworking sector. Obtained the qualification of the FSC and PEFC supply chain auditor and performed FSC supply chain audits in woodworking companies in Latvia.

6.3 Process for consultation with stakeholders

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

7 Results

7.1 Main strengths and weaknesses

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

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

7.2 Rigour of Supply Base Evaluation

SIA Latgran Jaunjelgava factory is implementing SBE for primary and secondary feedstock (forest products) that are originating from Latvia and Estonia and is sold without SBP-approved Forest Management Scheme claim, SBP-approved Forest Management partial claim, SBP-approved Chain-of-Custody (CoC) System claim. Risk mitigation measures are implemented for material coming from forest land (material sourced under FSC Controlled Wood system) as well as non-forest land (such as overgrown agriculture land – arboricultural arisings, along the road, rails or parks).
The BP has used the SBP endorsed Regional Risk Assessment with approved “Locally Adaptable Verifiers”. The risk assessment mitigation measures were consulted with relevant stakeholders during the SBP assessment process and the scope change in 2016.
The stakeholder consultation process has been conducted through notification of stakeholders and distributing the SBR report to stakeholders. Several stakeholders were contacted directly via phone and where the stakeholders were interested in expressing their opinion a face to face meeting took place. The BP keeps records of communication with stakeholders.
After consensus with stakeholders was reached, SIA Latgran began with implementation of the mitigation measures for individual indicators. This mitigation measures were implemented in cooperation with relevant specialists – forest habitat experts, external consultant and Health and Safety experts.
The supply base evaluation was a rigour process.

7.3 Collection and Communication of Data

BP has a system to gather and record Greenhouse Gas emissions. During the audit, BP made detailed overview of the systems and databases to gather and record such data. Evidence was provided to auditors.

Data is gathered from suppliers about the distances from where material is transported, all production data is recorded in BP production database, information about fossil fuels used is based on invoices and production logs.

Transportation distances from pellet factories to harbours and pellet volumes are recorded in database. Information about energy and fuels used during the loading of the material in ports was asked from port operators and this information was available during the audit.

All the GHG information is indicated in SAR document. All evidence was provided to auditors, auditors considered it sufficient enough to fulfil the requirements.

7.4 Competency of involved personnel

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

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

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

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

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

Operators are responsible for moisture measurements.

All involved personnel, including responsible staff at supplier and sub-supplier level have demonstrated good knowledge in relevant fields. Primary suppliers demonstrated knowledge in recognition and identification of HCVF, health and safety requirements in case of primary suppliers. Relevant certificates and diplomas were presented during the surveillance audit. Qualification requirements for personnel involved in SBE system are provided in documented procedures of the BP.

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

7.5 Stakeholder feedback

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

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

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

7.6 Preconditions

No open preconditions related to this evaluation exist.

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.

8.1 Risk Assessment for Latvia

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

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

Table 1 Risk ratings for SBP SBE Indicators

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

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

2.3.1	Low	Low
2.3.2	Low	Low

Table 2. Final risk ratings of Indicators as determined after the Supplier Verification Program and 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

8.2 Risk assessment for Estonia

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

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

Table 3 Final risk ratings of SBP SBE Indicators

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

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	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

2.4.3	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

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

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

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

9 Review of Company's mitigation measures

9.1 Mitigation measures of risks for feedstock originating from Latvia

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

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

Indicator 2.1.1 (HCVF category 3):

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

Indicator 2.1.2 (HCVF category 1):

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

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

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

Indicator 2.1.2 (HCVF category 3):

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

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

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

Indicator 2.1.2 (HCVF category 6):

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

Indicator 2.8.1:

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

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

The supplier audits are conducted by the BP itself. In additional 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 suffecient quality.

It was revealed during the supplier visits that the BP has sufficient knowledge on H&S requirements as well

as good timber harvesting practices. The sampling process is considered sufficient to verify suppliers of primary and secondary feedstock.

9.2 Mitigation measures of risks for feedstock originating from Estonia

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

The BP use the delivery documents and publicly available databases (e.g. maps at: https://register.metsad.ee/#/ or at least biannually renewed databases from competent authorities) to verify that the delivered primary feedstock has not been sourced from WKHs. In case the load is sourced from areas with known WKHs, the timber will not be accepted.

So far no roundwood from Estonia without FSC or PEFC claims have been sourced.

10 Non-conformities and observations

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

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

NCR: 04/18 (19883)	**NC Classification: Minor**
Standard & Requirement:	SBP Standard 2, requirement 15.3 15.3 The BP management system shall document all necessary procedures.
Report Section:	Appendix B, p. 3.3.
Description of Non-conformance and Related Evidence:	
Review of documented procedures revealed non-conformance of actual process to BP documented procedures. According to SBE procedure “SBE Risku mazināšanas programma, SBP atbilstoša materiāla apstiprināšana, verifikācija”, p.4.3.5 internal auditor fills in the audit checklist No. 1, and evaluates several criteria related to bird nesting and bird feeding area and evaluates bird feed reserves. According to information from responsible persons and as from field observations, suppliers are checking for presence of large diameter bird nests in the logging plot during pre-harvesting inspection, but not evaluating the bird feeding area and feed reserves. The latter is not being registered in HCV checklists or any other field records. It is thus concluded suppliers and BP internal auditors are not following the internal procedure of BP.	
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
Evidence Provided by Organisation:	Updated SBE procedure “SBE Risku mazināšanas programma, SBP atbilstoša materiāla apstiprināšana, verifikācija”. Interviews. Field observations.
Findings for Evaluation of Evidence:	The company has updated the SBE risk mitigation procedure “SBE Risku mazināšanas programma, SBP atbilstoša materiāla apstiprināšana, verifikācija”. The requirements of procedure foreseen that auditor fills the audit checklist No. 1. The checklist

	is filled in all cases when the site is identified as potential HCV site regarding IS “Latbio” as well a large bird nest in forest is identified. The interviews and field observations revealed that the staff follow up the methodology of risk mitigation procedures.	
NCR Status:	**CLOSED**	
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 the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorría Serrano
Date of decision:	05/Feb/2019
Other comments:	*Click or tap here to enter text.*