Sustainable Biomass Program

NEPCon Evaluation of SIA ML Dvīņi Compliance with the SBP Framework: Public Summary Report

Main (Initial) 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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Certified Supply Base:	Latvia
SBP Certificate Code:	SBP-07-31
Date of certificate issue:	15/Oct/2019
Date of certificate expiry:	14/Oct/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers office in Ventspils, harbour storage places in Ventspils port.

Scope of this evaluation is based on SBP standards 1; 2; 4; and 5.

Organization holds valid FSC Chain of Custody and FSC Controlled Wood certificate NC-COC-013350 and NC-CW-013350 certificates covering procurement and sales of pulpwood, production and procurement of wood chips (both primary and secondary feedstock)

The BP is wood chip producer and trader. The BP produces biomass– by producing chips from logging residues and chipping biomass from non-forest land – arboricultural arisings. The BP buys logging residues and bush/brush from owners of forest land, harvesting companies and owners of non-forest land for chipping. The share of biomass sourced from non-forest lands used for production of chips constitutes about a half of the total biomass volume. The other half of primary feedstock is sourced as a logging residues and chipped from low quality wood (pulpwood and firewood) either in forest or in harbour terminals. Sourcing of primary feedstock from forest and non-forest lands is included in the Supply Base Evaluation process. The BP also sources certified secondary feedstock from primary processors (sawmills). Supplies of secondary feedstock (chips from primary processors) is not included in the Supply Base Evaluation.

All feedstock is sourced from the territory of Latvia. The BP is sourcing production residuals supplied by Latvian primary suppliers, It is possible that the volume could potentially contain feedstock originating from both Latvia and Lithuania in the future.

The BP is implementing both the FSC transfer and the FSC credit systems. The FSC credit system is applied in harbours, whereas transfer system is used in direct trade activities, direct supplies of feedstock to clients. FSC Controlled Wood system of the Organization does cover procurement of the feedstock originating from Latvia only.

Biomass (chips) is delivered to Ventspils port by trucks. The BP is also producing biomass in the port facility – chipping low grade (fuelwood) roundwood. Chips are stored and logs are chipped in port terminals. In case of the export wood chips are loaded into the ship.

Biomass (wood chips for energy production) are sold on FOB incoterm conditions in Ventspils port.

The scope of the certification does not include activities outside Kurzeme region and activities that are related to other harbour terminals, except the above mentioned terminal in Ventpils port.

Scope description:

Production of wood chips from logging residues, arboricultural arisings and low quality roundwood as well as timber primary processing co-products, for use in energy production, wood chip storage at Ventspils port and sales at Ventspils port. The scope of the certificate includes Supply Base Evaluation for primary feedstock from 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.

- Review of the BP's management procedures;
- Review of the production processes,
- storage site visits in Ventspils port;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis and review of the applicable reports;
- Review of the BP's management procedures, including requirements designated in SBP standard SBP Standard #1 V1.0; SBP Standard #2 V1.0:
- Review of the updated Supply Base Report;
- 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

The SBP has endorsed the Regional Risk Assessment for Latvia in September, 2017. The BP is using the SBP endorsed version of RRA. 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.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

The BP is a wood chips producer and trader with office in Ventspils and the biomass storage facilities situated in the territory of Ventspils freeport.

The BP is implementing both FSC transfer and FSC credit system. The biomass and primary feedstock is delivered to storage site in Ventspils port with FSC claims, FSC Controlled Wood claims, or verified according to company's FSC Controlled Wood verification system and is stored together, other feedstock is segregated. In addition, the BP is keeping separately feedstock originating outside designated Supply Base (Latvia for primary and secondary feedstock,).

All feedstock is delivered to Ventspils port terminal by truck, where chips are stored. Roundwood chipping can take place in port terminal as well, where low grade roundwood logs are chipped in minor amounts. The trans-shipment and loading of chips onto vessels takes place next to the chip storage site.

Wood chips are sold on FOB incoterm conditions in Ventspils port. In fact, during the data collection period, no feedstock with FSC claims had been delivered to storage site in Ventspils port

For more information please see also section 2 of this report.

5.2 Description of Company's Supply Base

The BP is sourcing primary feedstock only. Primary feedstock originates from Latvia and the supply base of primary feedstock includes only Latvia, North-West part of the country – Kurzeme. Sourcing of secondary feedstock is included in the scope and envisaged, but not practically implemented at the time of assessment audit

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 Conservation Agency under the Ministry for Environmental Protection and Regional Development.

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

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

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

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 3 056 475 ha forest land (all regions included in Supply Base report)

- Tenure by type (ha): 1.495 million ha state; 1.561 million ha private land;
- Forest by type (ha): Boreal/Hemi-boreal: 3 056 475 ha;
- Forest by management type (ha): managed semi-natural ~ 3.056 million ha.
- Certified forest by scheme (ha): FSC ~1.05 million ha are certified according to FSC and/or ~1.8 million ha according to PEFC certification systems (overlapping)

Quantitative and qualitative description of the Supply Base can be found in the Supply Base Report: http://ml-dvini.lv

5.4 Chain of Custody system

BP is buying wood chips from FSC certified or FSC Controlled wood certified suppliers. Wood chips are also produced from different types of wood chips from low qualify wood and firewood delivered as FSC certified or verified according to the BP's own Controlled Wood verification system for Latvia. Other countries are not included in Controlled Wood verification system implemented by the BP.

BP is implementing both FSC transfer and credit systems for certified material flow control. Storage in harbor is managed according to the FSC credit system, trade without storage is implemented through the transfer system.

All feedstock is delivered to Ventspils port by trucks. Chips are stored in the port in a designated place, roundwood logs are also chipped there.

Chips are sold on FOB incoterm conditions in Ventspils port.

6 Evaluation process

6.1 Timing of evaluation activities

The assessment audit has been conducted in two days (august 7-8): the opening meeting, most of office work and field visits were conducted on august 7, field work continued on August 8 and the audit finalized with inspection of Ventspils harbour, finalizing office work and conducting closing meeting on August 8. Audit included office visit, review of SBP and chain of custody system related documents, interviews to responsible personnel, production site – port terminal visit and interviews to responsible personnel, primary supplier audits within the SBE system, including sub-suppliers and contractors, interviews to contractors.

2 days in total were used for the assessment audit, including 1.5 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 onsite audit.

Audit plan:

Activity/ timing	Place	Auditor	Date
10.00 Opening meeting	Office	GK, EL	07.08.2019
10.15- 14.00 and 15.30- 17.30 SBP management system review Interview with overall responsible staff Review of the applicable SBP documentation , including SBP procedures, instructions, training records, feedstock descriptions, supplier lists and other (SBP standards nr 2 and 4) FSC control points analysis and review of the existing controlled Wood system. Review of procedures, documents and interviews with responsible staff (review of the CoC system control point, mass balance, transfer system management system, verification of SBP compliant feedstock). Implementation of mitigation measures, SBP Risk Assessment, Supplier verification program. Interviews with responsible office staff Interview with SBP responsible person, review of documentation, procedures. Evaluation of compliance to SBP Standards #1 and #2. SBP Risk Assessment, implementation of mitigation measures, Supplier verification program.	Office	GK, EL	
15.00 - 18.00 GHG calculation review collection and communication of energy and carbon data	Office	GK	

Review of the applicable, GHG collection and communication related SBP documentation , including SBP procedures, instructions, records, and other (SBP standard Nr 5)			

Activity / timing	Location	Auditor(s)	Time
Field audits, evaluation of BP's practices in sourcing of primary feedstock, wood and chips • Evaluation of supplier of primary feedstock • Witness audit of BP supplier audit	Forests and feedstock sourcing areas in Kurzeme region: Supplier audits. primary feedstock suppliers, evaluation of HCV risk mitigation measures in completed logging sites: • FMU "Kuikatas", Ēdole parish, Kuldīga municipality; • FMU "Upesloki", Tārgale parish, Ventspils municipality; • FMU "Mauri", Jūrkalne parish, Ventspils municipality; Evaluation of Health and Safety risk mitigation measures in on-going manual logging works (clearing of undergrowth): • Contractor SIA "Niedrāji MR"	EL	07.08.2019 15.00- 18.00

Activity/ timing	Place	Auditor	Date
09.00-10.30 Site visit to port terminal in Ventspils port, adrese Visit to biomass storage and trans-shipment place in Ventspils port, site tour, inspection of biomass storage places, machinery used for biomass handling and trans-shipment, interview to feedstock receptionist, review of documents.	Ventpils port	GK, EL	08.08.2019
10.30 - 12.00 Review of the applicable, GHG collection and communication related SBP documentation , including SBP procedures, instructions, records, and other (SBP standard Nr 5)	Office	GK	
12.00-13.00	Office	GK, EL	

Summarizing the outcomes of audit, office work		GK, EL	
13.00 Closing meeting	Office		

Auditor team members: GK – Ģirts Karss, EL – Ēriks Lidemanis

6.2 Description of evaluation activities

The assessment audit was carried out as an onsite audit in SIA ML Dvīņi office followed with field evaluations and visiting of port facilities. The aim of the audit is to evaluate the SBP system in place for compliance with SBP standard requirements, including the SBP SBE system applied by the organization in sourcing of primary feedstock and implementing supplier verification program and conducting mitigation measures.

Auditor team was welcomed in SIA ML Dvīņi office in Ventspils. Audit began with an opening meeting attended by the responsible person – Export manager and the Procurement manager of the organisation. In opening meeting auditors introduced themselves, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. During the opening meeting the auditor explained CB's accreditation related issues and discussed the audit timetable and planned activities.

After the opening meeting auditors reviewed all applicable requirements of the SBP standards nr. 1 and 2, and instruction documents with regard to sourcing primary and secondary feedstock and the overall management system. During the process the overall responsible person for the SBP system and other responsible staff having key responsibilities within the system were interviewed.

Auditors also reviewed all applicable requirements of the SBP standards #2, #4, #5 and instruction documents 5a covering input clarification, reviewed 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. Documentation related to the SBP as well as FSC CoC/ CW system of the organisation, including SBP Procedures, GHG data calculations/ data sheet, Supply Base Reports and FSC system description was reviewed also.

Auditors reviewed processes described in the documented procedures for primary feedstock supplies within the SBE system, including the provisions for SBP endorsed risk assessment risks, health and safety as well as requirements on evaluation and protection of high conservation values in particular. Those have been evaluated and discussed with responsible person at the organization.

Upon completing evaluation of documented procedures and records, the sampling of the sites and contractors/suppliers took place. Auditors sampled several sites for field inspections in BP feedstock sourcing region Kurzeme using the approach described below. See the section "The supplier sampling approach and process" below for details.

For field evaluations auditors visited primary suppliers (logging sites) and observed the process and evaluated risk mitigation actions undertaken by the organization (BP) in relation to specified risks related to Health & Safety and High Conservation Values. The CB witnessed the BP in evaluating HCV and H&S risks and at the same time doing own independent evaluation. Logging works in forest land areas and forest properties were inspected in Kurzeme region as part of the SBP assessment audit. Auditors observed primary feedstock sourcing process within the SBE for feedstock to be sourced as "low risk" feedstock.

In the next day auditors visited Ventspils port terminal. During the site tour the biomass reception process

was observed, applicable records (biomass origin documents, Felling permits, SBP risk mitigation records etc.) reviewed, staff responsible for biomass reception was interviewed and FSC system critical control points analysed.

Additional office work has been conducted after the port visit, where missing information has been collected in relation to GHG reports (SAR, IDBC5). The audit was finalized after the additional office work. Findings of all days of the annual audit have been summarised and presented to the BP staff in the closing meeting. Audit finding were summarised based on 3 angle evaluation method and were provided to the responsible persons at the company – Export manager and the procurement manager.

The supplier sampling approach and process

The following considerations have been taken into account to determine the sampling intensity:

1) Geographical area;

2) Type of the operations and activities;

3) Risk mitigation measures related to feedstock origin

Geographical area:

The BP sources the primary feedstock within the Supply Base Evaluation process from Latvia, so there is one geographical area within the SBE;

Type of the operations and activities:

The SBE covers sourcing of primary feedstock (logging residues, branch wood, low quality roundwood etc.) from forest land and non-forest land. In the case of BP, no sub-sets of sampling pools are used, all FMUs are considered in one pool – forest/non forest lands.

Risks related to feedstock origin according to the SBP Regional Risk Assessment:

Regarding the origin for Latvia, the following risks considered as specified in Regional Risk Assessment endorsed by the SBP:

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;

2.8.1 Appropriate safeguards are put in place to protect the health and safety of forest workers.

Field inspections are planned to verify the BP's risk mitigation measures related to preserving High Conservation Values and checking for Health and Safety issues in on-going manual logging works.

The number of FMUs to visit in field evaluations were calculated from the total number of "risk" FMUs where the BP had sourced feedstock during the audit period. The risk FMUs are considered those which are showing up as "possible HCV area" in the Latbio database. The number of FMUs for field inspections was determined using following relationship:$(0.8 \times \sqrt{x}, where\ x - number\ of\ risk\ FMUs)$. The total number of FMUs were considered, no subsets (forest lands/non-forest lands) were used. The organization had sourced feedstock from 20 FMUs which had been identified as "specified risk" with regard to preserving the High conservation values (SBP indicators 2.1.1 and 2.1.2). So the number of FMUs for field visits was determined as √20×0.8~4 FMUs. All FMUs fall in forest land. The number of contractors/FMUs for Health and safety risk mitigation measure evaluation was limited by the forestry activities in the region. At the time of audit limited number of contractors were working in the forest doing manual logging works. 1 contractor doing manual logging works was selected for field inspections for evaluation of BP's practices with regard to evaluation of health and safety risk mitigation measures.

Auditor team information:

Auditor(s), roles	Qualifications
Ģirts Karss Lead Auditor SBP standards #1,#2, #5	Works for NEPCon since 2011 Girts 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 Forest Management and Chain of Custody lead auditor qualification. Girts has completed SBP auditor training course in 2016 and acquired SBP auditor qualification. He has participated in capacity of auditor and lead auditor in SBP assessments (with Supply Base Evaluation) and scope change audits (with Supply Base Evaluation) in Latvia and Canada.
Ēriks Lidemanis, Auditor SBP standards #4, field evaluations, evaluation of risk mitigation measures	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 surveying. Ēriks is working as FSC Forest Management, Chain of Custody auditor. Ēriks has obtained a SBP auditor qualification and had participated in several SBP audits in biomass processing companies in Latvia since 2018.
Edgars Baranovs, Auditor in training	Edgars Baranovs holds a Master's degree in Environmental Sciences and a Bachelor degree in Forestry Sciences with 3 years of forestry work experience in the State Forest Service. Since 2018, he has been working for NEPCon as FSC Chain of Custody Auditor. Edgars has completed SBP auditor training course and is in process of acquiring SBP auditor qualification.

6.3 Process for consultation with stakeholders

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

The BP initiated the stakeholder consultation process that began on May 20, 2019. 86 individual representatives of various stakeholders in total were notified by e-mail. Those included associations, local NGOs, local forestry authorities, Environmental inspectorate representatives of nature protection. Later on, additional stakeholder consultation with different NGOs took place with aim to discuss in details of the mitigation measures implemented. The BP has notified also non-governmental organizations, such as Latvian Society of Ornithologists, WWF Latvia (Pasaules dabas fonds). For details see Supply Base Report, section 6.

The stakeholder consultation was carried out by the Certification Body on July 2, 2019 by notifying different stakeholder categories via email. The CB conducted stakeholder notification regarding the forthcoming audit and called on parties to comment on the stakeholder consultation process carried out by the BP. The CB sent out information by e-mail to a number of stakeholder groups: state authorities and enforcement institutions, forestry related institutions, biomass processing, forest management companies, forest owners and a number of NGOs. Later on, selected stakeholders were contacted directly with a purpose to receive comments for the SBP scope change audit, where SBE is added to the scope. No comments were received during the stakeholder consultation process, but few stakeholders confirmed that they have been involved in

the stakeholder consultation of the BP and do not disagree with the outcomes.

7 Results

7.1 Main strengths and weaknesses

Strengths: SBP system elements were implemented at the time of the assessment. Small number of staff involved in management of the SBP system and clearly designated responsibilities. SBE processes are well documented; main database for material accounting is properly maintained and all relevant information can be easily retrieved and reported in various cross-sections. Experienced responsible staff. The BP staff had participated in the training for High Conservation Value identification and health and safety training courses with respected Latvian experts. Strong commitment in implementation of SBP system and positive approach has been observed during the audit.

Weaknesses: weaknesses related to SBP documentation (Supply Base Report content, report credibility), stakeholder consultation process were identified. See detailed information in Non-conformance report and audit findings sections (Annex A) of the report.

7.2 Rigour of Supply Base Evaluation

SIA Dvīņi ML is implementing the Supply Base Evaluation process for primary feedstock (forest products) originating from Latvia 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 have been elaborated and are being implemented for feedstock originating from forest land (material sourced under FSC Controlled Wood system) as well as non-forest land (arboriculture arisings on overgrown agriculture land, wood growing along the road, rails and other).

The BP is applying the SBP endorsed regional risk assessment for feedstock supply base covering SBE – the Republic of Latvia. Based on the “specified risks” in the risk assessment the organization has suggested several mitigation measures which were consulted with relevant stakeholders prior to implementing. Risk mitigation measures are relevant in addressing risks. It was evaluated during the assessment audit that BP has evaluated options for risk mitigation measures and selected the most appropriate and effective risk mitigation measures out of those referenced in the risk assessment. In fact, the most risk mitigation measures outlined in the RRA are used by the BP.

The BP had undertaken implementation of the mitigation measures for individual SBP standard indicators. This mitigation measures were designed in cooperation with external experts - nature/forest habitat experts, and experts on health and safety issues.

The stakeholder consultation process has been conducted through notification of stakeholders and distributing the SBR report to stakeholders. Stakeholders were contacted directly via email and phone. The BP is keeping records of communication with stakeholders.

7.3 Collection and Communication of Data

The organization has compiled emission data as a part of preparation process for the SBP assessment. The BP has implemented a system to collect and record data on Greenhouse Gas emissions. The BP has provided detailed overview of the systems and databases to collect and record Greenhouse Gas data during the assessment audit. All related evidence with regard to GHG calculation and assumptions were provided to auditors.

7.4 Competency of involved personnel

The SBP and Supply Base Evaluation system is implemented by the organization staff, that have undergone external training and are supervised by the overall responsible person at the organization. Different staff members are responsible for various aspects of the SBP certification system. Export manager is also responsible for FSC chain of custody certification system and holds the overall responsibility for SBP and SBE system. Export manager is also responsible for actual implementing of the SBE processes and conducting risk mitigation measures. He has sufficient knowledge of the SBP requirements especially in chain of custody or and sourcing of raw material and has extensive experience in forestry/wood processing industry.

Procurement manager is responsible for entering agreements with supplier and buyers as well as claim review. Responsible for sales and maintenance of FSC/SBP credit account, communication to clients, accounting of raw data for GHG calculations.

Involved personnel, including responsible staff at suppliers and sub-suppliers have demonstrated sufficient knowledge in relevant fields (recognition and identification of HCVF, health and safety requirements) during the sites visits. Relevant certificates and diplomas were presented during the assessment audit. Qualification requirements for personnel involved in SBE system are provided in documented procedures of the BP.

In overall, auditors evaluate the competency of main responsible staff to be sufficient for implementing the SBP system with primary material sourced within the SBE. It is 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 audit.

7.5 Stakeholder feedback

According to information from responsible person at the BP and reviewing of documents, comments regarding the SBP SBE system for primary feedstock to be sourced within the SBE system were not received during the stakeholder consultation process.

After the on-site audit the BP had conducted a proactive consultation to key stakeholders. No comments were received from stakeholders. State Labor inspectorate informed that the inspectorate had conducted on-site verification in the company and no non-conformances with regard to Health and Safety and Labor protection system had been identified. See the overview of stakeholder responses in Exhibit 6.

Information regarding stakeholder consultation process is described in SBR section 6.1.

The stakeholder consultation carried out by the CB has shows that BP stakeholder consultation was sufficiently comprehensive and main stakeholders were involved. Consultation confirmed that the stakeholders have been notified and stakeholders do not have objections in relation to risk mitigation measures, proposed by the BP.

7.6 Preconditions

Few major non-conformities were identified during the on-site audit qualifying as a precondition for certification. For details see the major non-conformities issues in section “10 – Non-conformities and observations”.

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 SBP has endorsed the SBP Risk assessment for Latvia in September 2017. 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. 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

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

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

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

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

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

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 elaborated 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".

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 also public forests – municipality owned forests, except state forests managed by the state enterprise AS Latvijas valsts meži) and and shows "Risky areas" which may comprise WKH (woodland key habitats) and EU habitats 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 T., Suško U., Auziņš R., Mežaudžu atslēgas biotopu inventarizācija, Rīga 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 used by the BP, and the BP is considering using it as primary screening tool. 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 FSC and 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 staff involved in sourcing of primary feedstock within the SBE had undergone a training course for identification high conservation values in forest ecosystems, recognize HCVs (woodland key habitats, forest habitats of EU importance) and recognize important bird habitats and nesting sites and how these shall be protected.

All sites prior to harvesting are evaluated for the presence of Woodland Key Habitats with help of WKH checklist. Presence of large diameter (>50cm) nest or protected bird species is evaluated and noted in the checklist. Interviews with BP staff as well as review of records show that the responsible staff is aware of the procedure.

Indicator 2.1.2 (HCVF category 3):

Every source of primary feedstock shall be checked for presence of HCVF by filling out the WKH checklist. In case the area is identified with the help of the checklist as potential woodland key habitat or forest habitat of EU importance, it can not be sourced as SBP Compliant feedstock. According to the procedure, the BP in

such situation shall inquiry for a certified forest habitat expert advice to evaluate the harvesting site for presence of WKH or forest habitat of EU importance and determine the status the logging site. In case the decision is negative, the site can be harvested and supplied to BP as SBP Compliant feedstock. Feedstock from area of identified HCVs – WKHs/EU habitats is not accepted by the BP.

Field inspections showed that responsible staff demonstrated knowledge on how to identify HCV areas by using HCV checklists. No non-conformances were identified.

Indicator 2.1.2 (HCVF category 6):

The specified risk for this sub-indicator relates to large diameter noble tree species potentially originating from objects of cultural heritage value, for example, old manors, parks, tree alleys etc. The BP has implemented procurement policy specifying that noble tree species from non-forest land will not be sourced and in case it will be the diameter can´t exceed 70cm. The chipping machinery has also maximum dimeter restriction of this size. Field inspections showed that responsible staff demonstrated awareness of the requirement. Interviews with the responsible personnel as well as site tour through the storage area show that large sized noble tree species are not being put in the production processes and processed.

Indicator 2.8.1:

Each supplier/contractor is checked for H&S issues by the BP prior to accepting him as a supplier/contractor under the SBE system. The BP uses checklist which is filled in during interviews with the workers in the forest. Each supplier/contractor is checked before accepting it as a „low risk“ feedstock supplier.

Surveillance/monitoring of suppliers is carried out through sampling, but at least one surveillance audit per calendar year. The supplier audits are conducted by the BP itself.

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.*

10.1 Open non-conformity reports (NCRs)

NC number 04/19 (39921)	**NC Grading:** Minor
Standard & Requirement:	SBP Standard 2 (ver. 1.0), 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. (12.4) Report: Annex B, p. 5.4
Description of Non-conformance and Related Evidence:	
Justification of selection of personnel was made available for CB, Interviewed responsible person could provide a justification for selection of personnel during the onsite audit, but as can be concluded from interview to responsible person, the process of selection has not been summarised in the publicly available report – the Supply Base Report or the organization's website or any other publicly available document. A minor NCR raised.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Pending
Findings for Evaluation of Evidence:	Pending
NC Status:	Open

NC number 05/19 (39922)	**NC Grading:** Minor
Standard & Requirement:	SBP Standard 2 (ver. 1.0), p. 16.3

	16.3 The BP shall implement a plan to monitor the effectiveness of the mitigation measures, at least annually. Report: Annex B, p. 9.3
Description of Non-conformance and Related Evidence:	
According to the documented procedures and as from interviews to responsible staff, the BP is summarizing the results of supplier monitoring/surveillance audits and presenting to management once in year for management review and evaluation of the effectiveness of the risk mitigation measures. Based on information on evaluation of risk mitigation measures, the management of the organization then takes a decision whether any actions need to be taken to improve the SBP SBE system and implement changes in risk mitigation measures. The BP does not have a specific plan where the criteria and actions with regard to monitoring of effectiveness have been defined, apart from field evaluation checklist table that has been presented to auditors during the assessment audit. A minor NCR is raised.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Pending
Findings for Evaluation of Evidence:	Pending
NC Status:	Open

NC number 06/19 (40110)	**NC Grading:** Minor
Standard & Requirement:	SBP Standard 5 (ver. 1.0), Instruction document 5B, p. 3.2.2 7.2 Where a Reporting Period other than 12 months is used the BP shall justify the Reporting Period used to the CB, and the justification shall be recorded in the SAR Report: Annex C, p. 7.2
Description of Non-conformance and Related Evidence:	
As a preparation for SBP certification, the BP had initiated accounting of relevant information as of January 1st, 2019. The BP had used the accumulated and accounted data in the Supply Base Report and SAR report before the stakeholder consultation process, initiated at the end of May. The reporting period thus is 5 months. The BP had not provided the justification for the reporting period in the SAR report and thus a minor NCR is raised.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Pending
Findings for Evaluation of Evidence:	Pending
NC Status:	Open

10.2 Closed non-conformity reports (NCRs)

NC number 01/19 (39918)	**NC Grading: Major**
Standard & Requirement:	SBP Standard 2 (ver. 1.0), Instruction Note 2C, p. 4.1 *4.1 The report shall be concise, covering the most important features, and shall be completed using the latest versions of the SBR Template for Biomass Producers downloaded from the SBP website. (2C, 4.1)* *Report section: Annex B, p. 2.8*
Description of Non-conformance and Related Evidence:	
The Supply Base Report (SBR) was prepared using the latest available template of the document. Most of the features are covered. During the review the following inaccuracies related to the content of the SBR had been identified: a) The data on composition of feedstock according to origin (forest/non-forest lands) in section 2.1 is not accurate as it was revealed during the on-site audit upon validating the given information; b) section 2.4 (Information about used feedstock): the organization states that it had sourced 21000 bulk m3 of raw material, and provides the following in points: j) that 10849 m3 had been sourced from forest land and k) that 7696,95m3 had been sourced from non from non forest land. The total sum of volumes provided in j) and k) is not corresponding to the total volume of 21 000 m3. c) section 8.2: company had not provided any information on site visits that have been conducted as part of risk mitigation measures within the supplier verification programme. d) section 1.11: the organization had not provided any information about the peer review process (see also NCR 03/19); e) section 6.1: the organization had not provided any information about stakeholder comments received and also no information about response to these comments, despite the fact that comments were received. During the on-site audit the responsible person had informed the auditors about the stakeholder consultation process and comments received from the stakeholders during the process. f) Section 9.1.3 “General description of the risk mitigation system”: non-forest land risk mitigation measures have not been described in the section, although the organization sources significant share of biomass from non-forest lands. Taking into consideration the above-mentioned inaccuracies and lack of information in the SBR auditors had decided to raise a major NCR 01/19 as pre-condition for issuing a certificate	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	The Supply Base Report
Findings for Evaluation of Evidence:	After the assessment audit the BP had updated the Supply Base Report and submitted to the CB. Review of updated SBR shows that identified deficiencies had been corrected and the non-conformance closed.
NC Status:	Closed

NC number 02/19 (39919)	**NC Grading:** Major
Standard & Requirement:	SBP Standard 2 (ver. 1.0), Instruction Note 2B, p. 1.1 1.1 The BP shall proactively and transparently engage affected stakeholders in its SBE planning and monitoring processes, proportionate to the scale, intensity and risk of management activities. It shall engage interested stakeholders on request. Report: Annex B, p. 7.4
Description of Non-conformance and Related Evidence:	
The Biomass Producer had conducted the stakeholder consultation as per requirements of SBP standard 2 and instruction note 2B. According to interview to responsible person and as can be concluded from stakeholder consultation records, the BP had published the Supply Base Report in the website of the organization and had sent out a call for comments to various stakeholders. See the full recipient/stakeholder list in the Exhibit 6. Interview to responsible person at the time of on-site audit show that the organization had not followed up the process upon notifying stakeholders. No records on engagement with stakeholders were available at the time of audit. From this the auditors are drawing a conclusion that the stakeholder consultation process cannot be considered proactive and transparent with regard to engagement with affected stakeholders. Responses from few stakeholders were received with no follow-up requirements and were reviewed at the time of audit. Given the importance of engagement with stakeholders in transparent and proactive way in elaborating the SBE system, auditors decided to raise a major non-conformance request (NCR).	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Stakeholder consultation process
Findings for Evaluation of Evidence:	After the audit, before finalizing the report the BP had submitted the list of principal stakeholders that had been contacted directly (via telephone) and inquired for comments in relation to SBP and risk mitigation measures and the response to BP's inquiries. No comments were received according to information from the BP records. See records of direct stakeholder consultation in Exhibit 6.
NC Status:	Closed

NC number 03/19 (39920)	**NC Grading:** Major
Standard & Requirement:	SBP Standard 2 (ver. 1.0), p. 19.1 19.1 The BPs shall implement measures to support the credibility of the SBR, appropriate to the context of the supply base, SBE and the BP. Report: Annex B, p. 12.1
Description of Non-conformance and Related Evidence:	
Supply Base report was available for review prior to the on-site audit. Auditors reviewed the SBR and the review of the Supply Base Report shows that the organization had not implemented measures to support the credibility of the report. In particular, no evaluation of the content of the Supply Base Report and planned SBE system by third parties has been conducted, nor any peer-review process had been conducted. Auditors are thus concluding that the organization had not made sufficient efforts to support the credibility of the SBR. Given the importance of designing the credible SBE system and reliable, stakeholder supported risk mitigation measures which are reflected in the Supply Base Report and approved by a credible peer-review process, auditors decided to raise a major NCR.	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Peer review of Supply Base Report
Findings for Evaluation of Evidence:	After the audit, before finalizing the report the BP had provided the peer review of the organization's Supply Base Report. See Exhibit 7.
NC Status:	Closed

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:	01/Oct/2019
Other comments:	*Click or tap here to enter text.*