

NEPCon Evaluation of Latgran SIA Jēkabpils pellet mill Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

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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
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1 Overview

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Name of the Company:	SIA "Latgran" Jēkabpils factory, Peternieki, Kūku pagasts, Krustpils novads, LV-5222 Latvia
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Certified Supply Base:	The Republic of Latvia, the Republic of Lithuania, the Republic of Belarus
SBP Certificate Code:	SBP-01-67
Date of certificate issue:	30/Mar/2017
Date of certificate expiry:	29/Mar/2022

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site in SIA „Latgran“ Jekabpils, Latvia and harbour storage areas in Riga - WT Terminal, Flotes 12A and Riga Universal Terminal, Birztaļu 15.

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 Jēkabpils site undertakes a supply base evaluation for primary and secondary feedstock that is originating from Latvia.

Organization holds valid FSC COC multisite 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 the Lithuania and from the Belarus. 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, Lithuania and Belarus. The scope of the audit includes evaluation of 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 evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- 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.

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

BP sources the feedstock included to SBE, only from Latvia. SBP endorsed risk assessment used by BP: <https://sbp-cert.org/documents/standards-documents/risk-assessments/latvia/>

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

SIA Latgran, is a biomass – wood pellet producer (BP) operating 4 production sites – pellet mills. SIA Latgran has been established in 2004 and in 2014 has been acquired by AS Graanul Invest group. The office of SIA Latgran and SIA Latgran Jēkabpils pellet mill is situated in Jēkabpils town, the Republic of Latvia.

BP is sourcing both primary and secondary feedstock. Primary feedstock is coming from Latvia and secondary feedstock is sourced from Latvia and Lithuania (indirectly also Belarus).

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

All incoming feedstock is either FSC certified, FSC Controlled or controlled according to the existing FSC Controlled wood verification program. FSC Controlled wood verification program is applicable for feedstock originating from Latvia, Lithuania and Belarus. 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 the Republic of Latvia, the Republic of Lithuania and the Republic of Belarus

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 FSC certified.

Belarus

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

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

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

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

The forests in the Republic of Belarus are state property. Forests under the jurisdiction of the Ministry of Forestry (Minleshoz) cover 86% of the forest fund. Besides, a significant share of the forest fund is managed

by the Administration of the President of the Republic of Belarus (8%) and by the Ministry of Emergency Situations of the Republic of Belarus (2%).

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

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

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

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

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

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

5.3 Detailed description of Supply Base

Total Supply Base area (ha): ~14,82 million ha forest land (all regions included in Supply Base report)

Tenure by type (ha): ~ 12.6 million ha state; ~2,21 million ha private tenure;

Forest by type (ha): Boreal/Hemiboreal ~14,82 million ha.

Forest by management type (ha): Managed semi-natural ~14,82 million ha.

Certified forest by scheme (ha): FSC ~11,2 mill ha ; PEFC ~10,3 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 share of feedstock originates from Lithuania and Belarus. 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). In 2019 the organization had introduced an automatic volume measurement system at the reception gate in factories. Later on the purchasing documents are checked by the accountant or Quality manager 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 sea ports (Riga Freeport) 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 11-14, 2019, December 4, 2019

SBP annual surveillance audit in Latgran all factories took place from November 11 - November 14, 2019. During the third annual surveillance audit the evaluation of compliance with SBP standards #1, #2, #4, #5 and instruction document 5E took place. The Biomass producer was evaluated against SBP standards #1 and #2, focusing primarily on implementing risk mitigation measures within the Supplier Base Evaluation process.

The annual audit 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.

On 3rd of December a Skype call with responsible person at Graanul Invest group took place regarding conversion factors, credit account, sales of SBP production and the content of SAR reports with follow up activities in December 4, when the field work had been finished.

The actual functioning 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, including 2 sub-supplier visits. In total 14 auditor days were used for the annual audit, including 0.5 day for 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 "Ābeles" Zilāni, Kūku pagasts, Krustpils novads LV-5222	GK, LS, EL	November 11 9.30-10.00
Analyses of suppliers, planning of primary and secondary feedstock supplier visits. Review of SBP procedures, instructions, training protocols, list of product groups, suppliers, inventory and other documentation (SBP standards 1,2,4,5)	Latgran SIA office "Ābeles" Zilāni, Kūku pagasts, Krustpils novads LV-5222	GK, LS, EL	10.00-12.00

<p>Visit of primary feedstock supplier SIA „Latgran“ logging department. Review of risk mitigation system, volume control, H&S issues.</p>	<p>Latgran SIA office “Ābeles” Zīlāni, Kūku pagasts, Krustpils novads LV-5222</p>	<p>LS</p>	<p>13.00 - 14.00</p>
<p>Review of SBP procedures, instructions, training protocols, list of product groups, suppliers, inventory and other documentation (SBP standards 1,2,4,5)</p>	<p>Latgran SIA office “Ābeles” Zīlāni, Kūku pagasts, Krustpils novads LV-5222</p>	<p>GK, EL, LS</p>	<p>13.00 - 17.30 15.00 - 17.30</p>
<p>Visit of secondary feedstock supplier</p>	<p>Evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account.</p>	<p>GK, LS</p>	<p>November 12 9.00 - 10.00</p>
<p>Group 1 1) Audit, field inspection to Jaunjelgava factory; 2) Field inspections to suppliers of secondary feedstock 1. Secondary feedstock supplier No. 1 2. Secondary feedstock supplier No. 2 3. Secondary feedstock supplier No. 3</p>	<p>Audit, field inspection to Jaunjelgava factory (Meža iela 4, Jaunjelgava, Jaunjelgavas pilsēta, LV-5134) Interview to receptionist, plant operators, responsible person for feedstock procurement at Gulbene site, site tour to production facilities; Audits to suppliers of secondary feedstock (supplier 1, supplier 2): evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account. Audit to supplier 3 (sub-supplier) - evaluation of secondary feedstock origin, document review, interviews to responsible staff, verification of feedstock credit account.</p>	<p>LS</p>	<p>November 12 10.30 - 17.30</p>
<p>Group 1 Supplier audits. primary feedstock suppliers, evaluation of HCV risk mitigation measures in completed logging sites. Evaluation of organization’s performance in HCV identification (SBP risks 2.2.1): 1) Primary feedstock supplier No. 1</p>	<p>Field inspections to suppliers of primary feedstock: <ul style="list-style-type: none"> FMU „Asteres-2“, cad.no. 80940050282 Block No. 1 comp. no.1 and 4 . Logging subcontractor. 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 </p>	<p>LS</p>	<p>November 13, 2019 9.00 - 16.30</p>

<p>2) Primary feedstock supplier No. 2 3) Primary feedstock supplier No. 3 4) Primary feedstock supplier No. 4</p>	<p>harvesting works, interview to workers and responsible person of logging subcontractor. HCV evaluation. Interview with forest foremen and representatives logging subcontractor.</p> <p>Inspecting the logging site, HCV evaluations, review of supplier and the BP HCV checklist:</p> <ul style="list-style-type: none"> • FMU „Egles“, cad. No. 80940040077, Block 2, comp. 2. , HCV evaluation. • FMU „Irbēni“, Cad. No. 80740050141, Block 1, comp. 6. HCV evaluation. Interview with forest foremen • FMU „Vaičakas,, Cad. No. 42800010014, Block 3, comp. 17, 12., 12 • FMU „Lejas Igaunī,, Cad. No. 80680060023, HCV evaluations. 		
<p>Group 2: Visiting Gulbene site: Field inspections to suppliers of primary and secondary feedstock Supplier audits. primary feedstock suppliers, evaluation of HCV risk mitigation measures in completed logging sites. Evaluation of organization's performance in HCV identification (SBP risks 2.2.1):</p>	<p>Audit, field inspection to Gulbene factory: Interview to receptionist, plant operators, responsible person for feedstock procurement at Gulbene site, site tour to production facilities; Inspection of secondary feedstock supplier - sawmill in Gulbene parish; Field inspections: inspecting the logging site, HCV evaluations, review of supplier and the BP HCV checklist:</p> <ul style="list-style-type: none"> • FMU Cadastral No 5080010038 Block 2, comp. 17; • FMU Cadastral No. 50880070028 Block 1, comp. 17; • FMU Cadastral No. 50680010038 Block 2, comp. 7; • FMU cadastral No 50880030047 Block 1, comp. 15; • FMU Cadastral No. 70860140033, Block 1, comp. 7;8 and 10; • FMU Cadastral No 70760050089, Block 3, comp 3 	<p>EL</p>	<p>November 12 8.30 – 18.00 November 13 9.00 – 16.00</p>
<p>Group 3: Visting Krāslava site</p>	<p>Audit visit to Krāslava factory: Interview to receptionist, plant operators, responsible person for</p>	<p>GK</p>	<p>November 12 8.30-18.00</p>

<p>Field inspections to suppliers of primary feedstock</p> <p>Supplier audits. primary feedstock suppliers, evaluation of HCV risk mitigation measures in completed logging sites. Evaluation of organization's performance in HCV identification (SBP risks 2.2.1):</p>	<p>feedstock procurement at Krāslava site, site tour</p> <p>Field inspections:</p> <p>Inspecting the logging site, HCV evaluations, review of supplier and the BP HCV checklist:</p> <ul style="list-style-type: none"> • FMU „Sābri“, Cad. No. , Block 1, comp. 10, 18; • FMU „Kalna višķi“, Cad. No., block 1, comp. 1; • FMU „Lejas Brīdišķi“, Cad. No. 78620110002, block 1, comp.7 		
	<p>Field inspections:</p> <p>Inspecting the logging sites, HCV evaluations, review of supplier and the BP HCV checklist;</p> <ul style="list-style-type: none"> • FMU „Saules“, Cad. No. 60960100031, block 1, comp.1; • FMU „Okūti“, Cad. No. 60880020017, block 1, comp. 1; • FMU „Atvari“, Cad. No. 60760040224, block 1, comp. 9, • FMU „Egles“, Cad. No. 56350090017, block 1, comp. 5,6; • FMU „Veckalni“, Cad. No. 56350160010, block 1, comp. 1,3,2 	GK	November 13 9.00-18.00
<p>Production inspection in Jēkabpils, interviews to personell</p> <p>Interview with SBP responsible person, review of documentation, procedures. Compliance to SBP Standards #1 and #2.</p> <p>SBP Risk Assessment, implementation of mitigation measures, evaluation of Supplier verification program results.</p> <p>Resolving of remaining issues, questions, interview to responsible person. Summary review</p>	<p>Latgran SIA office and production site, “Ābeles” Zilāni, Kūku pagasts, Krustpils novads LV-5222</p>	LS, ĒL, GK	November 14 8.30-17.15
<p>Preliminary closing meeting</p>	<p>Latgran SIA office</p> <p>“Ābeles” Zilāni, Kūku pagasts, Krustpils novads LV-5222</p>	LS, ĢK, ĒL	17.15-18.30

Interview to responsible person at the Graanul Invest group (headquarters)	Desk	LS, GK, ĒL	03.12.2019 14.00-15.00
Follow up field work activities, review of documents provided by the BP	Desk	GK	04.12.2019

a. 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 are not considered. The sampling of the suppliers for field evaluations took place prior to the audit, through communicating to responsible person for feedstock procurement. The minimum number of suppliers for sampling is calculated as following: 0.8 times the square root of all active suppliers rounded to the upper whole number. Suppliers to be included in the field inspections were chosen randomly, excluding those, audited previously (in previous audit).

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

There are 21 active suppliers of “low risk” (“GI atbilstoša biomasa”) primary feedstock – fuelwood to Latgran Jēkabpils production site, 16 suppliers to Latgran Jaunjelgava production site, 25 suppliers to Gulbene site and 22 suppliers to Krāslava site. In total there are 39 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.. 2 suppliers deliver “low-risk” primary feedstock to all 4 Latgran production

6 secondary feedstock suppliers were selected for field audits., including visits to one sub-suppliers of SBP-compliant secondary feedstock and one supplier of non-SBP compliant secondary feedstock. One of the secondary feedstock suppliers due confidentiality reasons was audited by other independent certification body “Vides kvalitāte” (Audit protocol available).

With regard to “low risk” secondary feedstock - sawdust, there are 14 active suppliers of “low risk” (“GI atbilstoša biomasa”) secondary to all Latgran production sites. 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 21,6% of total “low risk” feedstock supplies to all Latgran factories.

There are 13 unique suppliers of secondary feedstock - chips to all Latgran production sites out of which 5 (including 1 sub-supplier) were selected for onsite inspections. 5 selected suppliers account for 38% of total “low risk” (“GI atbilstoša biomasa”) feedstock – chips supplies to all Latgran factories. 1 supplier delivers low risk feedstock to 2 production sites (Krāslava, Jaunjelgava). Others suppliers deliver feedstock one of each production site.

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.

The following considerations had been taken into account when establishing sample and the sampling

intensity:

- 1) Geographical area;
- 2) Type of the operations and activities;
- 3) Risk mitigation measures related to origin and mixing.

Geographical area:

BP sources the primary feedstock included in the Supply Base Evaluation (SBE) from Latvia. So, FMUs from private owned forest land from Latvia shall be included in the sample.

Type of the operations and activities:

The SBE covers sourcing of primary feedstock (low quality roundwood) from forest. Thus, FMUs in forest lands shall be included in the sample.

Risks identified in the SBP risk assessment for Latvia:

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

To evaluate the risk mitigation measures implemented by BP for indicators 2.1.1 and 2.1.2, planned harvesting sites and sites after harvesting should be included in the sample.

To evaluate the risk mitigation measures implemented by the BP for indicator 2.8.1, ongoing harvesting site should be included in the scope of sampling plan.

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 auditors planned and discussed the supplier visits for audit days.

Auditors reviewed all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5E 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.

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

One SBP auditor audited supplier of primary feedstock: the supplier of primary feedstock SIA "Latgran" forest management department. During audit the feedstock origin, risk mitigation measures were

checked.

The auditor team split up in order to increase the use the resources more efficiently.

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. Production sites in Jaunjelgava, Gulbene and Krāslava were visited.

One SBP auditor (group 1) audited supplier of secondary feedstock: 4 suppliers of secondary feedstock as well it's feedstock sub-supplier 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 Atbilstoša biomasas" feedstock has been supplied by suppliers to Latgran production sites during the audit period. The auditor visited also production site in Jaunjelgava.

Auditor group 2 conducted field inspections to individual suppliers and verified the correctness of implementation of risk mitigation measures at FMU level. Completed logging sites and logging sites in planning phase of 3 suppliers were visited. Auditors were evaluating the results of High Conservation Value risk mitigation measure results – checklists and verified the results of BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Second SBP auditor (Group 2) audited one secondary (also primary) feedstock supplier and the sub-supplier. 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. And for primary feedstock evaluation four FMU (FMU Cadastral No 5080010038 Block 2 Comp 17, FMU Cadastral No 50880070028 Block 1 Comp 17, FMU Cadastral No 50680010038 Block 2 Comp 7, FMU cadastral No 50880030047 Block 1Comp 15) were chosen to verify the High Conservation Value risk mitigation measures. The auditor visited also production site in Gulbene.

Third SBP Auditor (Group 3) conducted field inspections to suppliers of primary feedstock – field inspections to completed logging sites and verified the correctness of implementation of risk mitigation measures at FMU level. Pre-harvesting and logging sites of 2 suppliers (3 FMUs) were visited. Auditor evaluated the High Conservation Value risk mitigation measures carried out by the supplier of primary feedstock and the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure. The auditor visited also production site in Krāslava.

Day 3

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

One SBP auditor (group 1) visited suppliers of primary feedstock. The following suppliers were inspected at the FMU level: primary feedstock supplier No. 1 for H&S and HCV audit in FMU „Asteres-2“, cad.no. 80940050282 Block No. 1 comp. no.1 and 4. Logging subcontractor No. 1 - evaluation of Health and Safety risk mitigation measures in on-going manual harvesting works, interview to workers and responsible person of logging subcontractor. Primary feedstock supplier No. 2 was visited to verify the HCV evaluation in FMU „Egles“, cad. No. 80940040077, Block 2, comp. 2. HCV evaluation in FMU „Irbēni“, Cad. No. 80740050141, Block 1, comp. 6. Primary feedstock supplier No. 3 HCV evaluations in FMU „Vaičakas, Cad. No. 42800010014, Block 3, comp. 17, 12. Primary feedstock supplier No. 4 for HCV

evaluations in FMU „Lejas Igaunī,, Cad. No. 80680060023.

Auditor was witnessing the audit (High Conservation Value and Health and Safety risk mitigation measures) of the BP and at the same time doing their own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Second SBP auditor(Group 2) visited one primary feedstock supplier and choose two FMU’s to verify how BP has implemented evaluation regarding High Conservation Value risk mitigation measures. Auditor witnessed the audit (High Conservation Value risk mitigation measures) of the BP and at the same time doing his own independent evaluation of the suppliers to verify the correctness of the mitigation measure.

Afterwards auditor went back to Latgran Jēkabpils office and verified SAR documents of Gulbenes factory.

Auditor 3 (group 3) visited the primary feedstock suppliers. The CB was evaluating the risk mitigation measures implemented by suppliers of “low risk” primary feedstock and verified the correctness of implementation of risk mitigation measures at FMU level. Logging sites of 5 suppliers were visited. Auditor had evaluated the risk mitigation measures related to High Conservation Value risk mitigation measures) and at the same time doing their own independent evaluation of the suppliers.

Day 4

Roundtrip to BP’s pellet production in Jēkabpils was undertaken. 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

Auditors focused on verifying how risk mitigation measures are implemented 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. GHG data calculations/ SAR reports, Supply Base Reports, Biomass profiling data were reviewed partly (due to need for additional information not available at the BP – at the possession of Graanul Invest headquarters) during the fourth day of the audit. Part of day was spent by reviewing the SARs, Biomass profiling data and SBRs.

Auditors 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.

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.

Additional interview to responsible person at the Graanul Invest group (headquarters) was conducted on December 3 to obtain necessary information that is not available at the BP. On December 4, a follow up activities, review of documents provided by the BP were carried out.

Auditor team information:

Auditor(s), roles	Qualifications
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<p>Girts Karss, NEPCon Latvia, Auditor, evaluation of standards #2,#5</p>	<p>Works for NEPCon since 2011 Girts Karss holds M.Sc in Environmental Science from the Lund University and the University of Latvia. He has passed the Rainforest Alliance lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Girts Karss had acquired SBP auditor qualification in 2016 and has participated in capacity of auditor and lead auditor in a number of SBP assessments, scope change audits and annual surveillance audits, including Supply Base Evaluation in Latvia.</p>
<p>Liene Suveizda, NEPCon Latvia, evaluation against standards #1, #2, field inspections</p>	<p>Joined NEPCon Latvia in 2016. M.Sc in biology, forest ecology. Graduated from University of Latvia. Liene has also studied law and hold the 2nd level higher education in law, Business School "Turība". Liene has long term experience in forestry sector in Latvia. Liene has passed the NEPCon lead assessor training course in FSC Forest Management and FSC Chain of Custody operations and obtained the FSC lead auditor qualification. Liene has participated as an auditor in training is several SBP assessment and scope change (SBE) audits in Latvia. She has obtained the SBP auditor qualification.</p>
<p>Ēriks Lidemanis, NEPCon Latvia, auditor, evaluation of standards #2, #4, field inspections</p>	<p>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.</p>

b. Process of 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. Efficient recordkeeping system, automated roundwood measurement system. Small number of the management staff and clearly designated responsibilities within the staff members. SBE processes are well documented; main database for material balances is well maintained and all relevant information can be easily retrieved and reported. 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 proactive, positive approach has been observed during the audit.

Weaknesses: Large number and complicated structure of feedstock suppliers. High competition with other biomass producers for secondary feedstock resources in the region.

7.2 Rigour of Supply Base Evaluation

SIA Latgran Jēkabpils factory is implementing SBE for primary and secondary feedstock (forest products) that are 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 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 established a system to record and collect data. During the audit, the BP made a 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 HC VF, health and safety requirements in case of primary suppliers. Relevant certificates and diplomas were presented during the surveillance audit. Qualification requirements for personnel involved in SBE system are provided in documented procedures of the BP.

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

7.5 Stakeholder feedback

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

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

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

7.6 Preconditions

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

Indicator	Risk rating (Low or Specified)		Indicator	Risk rating (Low or Specified)	
	Producer	CB		Producer	CB
1.1.1	Low	Low	2.3.3	Low	Low
1.1.2	Low	Low	2.4.1	Low	Low
1.1.3	Low	Low	2.4.2	Low	Low
1.2.1	Low	Low	2.4.3	Low	Low
1.3.1	Low	Low	2.5.1	Low	Low
1.4.1	Low	Low	2.5.2	Low	Low
1.5.1	Low	Low	2.6.1	Low	Low
1.6.1	Low	Low	2.7.1	Low	Low
2.1.1	Specified	Specified	2.7.2	Low	Low
2.1.2	Specified	Specified	2.7.3	Low	Low
2.1.3	Low	Low	2.7.4	Low	Low
2.2.1	Low	Low	2.7.5	Low	Low
2.2.2	Low	Low	2.8.1	Specified	Specified
2.2.3	Low	Low	2.9.1	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

2.9.2	Low	Low
2.10.1	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

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 et al 2002). The tool has been verified in field verification process that took place (carried out by licenced forest ecology, biodiversity experts) to verify the correctness of the methodology and the algorithm implemented. Five different areas in Latvia were visited (each area ca. 200 ha) which have proved that the tool shows correct data and the WKH is not present in the "green areas". The database is used by both the pellet industry and primary and secondary feedstock suppliers to evaluate risks related to HCVF category 3 - identification and threatening the biodiversity values in sourcing of feedstock.

Indicator 2.1.2 (HCVF category 1):

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

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

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

Indicator 2.1.2 (HCVF category 3):

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

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

Secondary feedstock suppliers are sourcing raw materials from 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 in general. Interviewed responsible staff showed awareness of the requirement. Site tour through the storage areas showed that large diameter and noble tree species are actually in very minor amounts, i.e. few trunks. It has been explained also by interviewed persons at sawmills, that large diameter trunks (only aspen) are also received with FSC certified material from state forest enterprise and are delivered with certification claim. Certified amounts are out of the SBE scope.

Indicator 2.8.1:

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

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

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

sufficient quality.

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

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.

No open non-conformity reports

NCR: 01/19 (44250)	NC Classification: Minor
Standard & Requirement:	SBP Standard 5, instruction document 5E, p. 6.10.4 15.3 The following data can be recorded only when actual and verifiable data is available: - If transport fuels are blended with biofuels, the share of biofuel shall be reported. (5E, 6.10.4)
Report Section:	Appendix D, p. 15.3.
Description of Non-conformance and Related Evidence:	
Review of SAR report shows the share of biofuel (5%, increased to 7% as from January 1, 2020) blended with fuel is not reported in the SAR. A minor NCR 01/19 raised.	
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Organisation:	Pending
Findings for Evaluation of Evidence:	Pending
NCR Status:	OPEN

10.1 Closed Non-Conformity Reports (NCRs)

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:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Organisation:	Documented procedure “SBE Risku mazināšanas programma, SBP atbilstoša materiāla apstiprināšana, verifikācija”, see Exhibit 1
Findings for Evaluation of Evidence:	The organization had 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

10.2 Observations

OBS: 01/19 (44251)	Standard & Requirement:	SBP standard No. 5, Instruction document 5E, p. 6.10.3 To determine the effective load in metric tonnes per vehicle: in the case of trucks, the weight should be measured by a weighbridge, or equivalent, and recorded in a control system.
	Report Section	Appendix D, p 15.2
Description of findings leading to observation:	The BP does not have weighbridge installed or other means of determining the mass of feedstock since the BP is accounting the feedstock (both bulk feedstock and roundwood) solely in volume units only. For volume-mass conversions the BP uses general, literature-based conversion factors or conversion factors from other Graanul Invest group factories, corrected with feedstock moisture data. The BP had provided a justification for used methodology.	
Observation:	Given that the BP does not possess own, reliable empirical data to obtain the feedstock volume/mass conversion factor, and the new requirement to report the feedstock amount in mass units had entered into force a month prior to the annual surveillance audit, an Observation OBS 01/19 is raised. To determine the effective load in metric tonnes per vehicle the BP should record the weight of received feedstock by measuring it on weighbridge, or equivalent, and recorded in a control system.	

OBS: 02/19 (44252)	Standard & Requirement:	SBP standard No. 5, Instruction document 5E, p. 6.2.7 The Legal Owner shall record the most operationally specific and detailed data that is practically available. Variable data shall never be older than 18 months. The methodology used and the justification for the data selection shall be recorded in the SAR. All mass and energy flows must be evaluated for the complete Reporting Period. Any derogation must be justified and recorded in the SAR. (5E, 6.2.7)
	Report Section	Appendix D, p 7.8
Description of findings leading to observation:	the BP had provided operation specific data as far as possible. Methodology aspects of data acquisition had been provided in the relevant – “Other relevant information, including justifications for data provided and methodologies used” section of the SAR.	

	<p>It was revealed during the review of Report on Energy and GHG data (SAR) that average lower heating value for pellets (heating) value is not site specific since the pellet heating value (NCV) is only measured once pellets are loaded onto the vessel at the port terminal. The reported NCV is an average of all third-party lab results for pellets from vessels carrying production from several Graanul Invest pellet plants during the reference period including Latgran factories. An observation OBS 02/19 has been raised.</p>
<p>Observation:</p>	<p>The Legal Owner shall record the most operationally specific and detailed data that is practically available. The methodology used and the justification for the data selection shall be recorded in the SAR. All mass and energy flows must be evaluated for the complete Reporting Period. Any derogation must be justified and recorded in the SAR.</p>

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Nikolai Tochilov
Date of decision:	03/Mar/2020
Other comments:	<i>Click or tap here to enter text.</i>