

SCS Global Services Evaluation of Laskana SIA LSEZ Compliance with the SBP Framework: Public Summary Report

Third Surveillance Audit

www.sbp-cert.org



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

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

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1 Overview

| | |
|---------------------------------|--|
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| Primary contact for SBP: | Sarah Harris SHarris@SCSGlobalServices.com |
| Current report completion date: | 13/Feb/2020 |
| Report authors: | Sebastian Häfele and Jānis Švirksts |
| Name of the Company: | Laskana SIA LSEZ |
| Company contact for SBP: | Ojārs Zeme |
| Certified Supply Base: | Latvia; Belarus |
| SBP Certificate Code: | SBP-04-36 |
| Date of certificate issue: | 21/Apr/2017 |
| Date of certificate expiry: | 20/Apr/2022 |

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers production and trade of woodchips and transportation to Liepaja harbour. It also covers a Supply Base Evaluation for the sourcing of feedstock from Latvia.

The scope of the evaluation included verification of the company's conformance to SBP Standards 1, 2, 4, and 5 (versions indicated in section 4) including all currently effective instruction documents. The scope included an on-site visit to the facility, the feedstock storage and harbour. The audit methods included interview with relevant staff, a review of procedures, records, energy data collection, material balance records and other relevant documentation regarding the SBP program and a physical walkthrough of feedstock storage, chipping site and port.

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 SBP Standards 1, 2, 4, & 5 are implemented across the entire scope of certification; the objective includes collecting assessment information and generating assessment findings.

The following critical control points were identified and evaluated (edit list as appropriate and describe how the organization controls each point and how it was evaluated). Note that you may identify other CCPs for a particular client which you should also describe in the report:

Processes for procurement and processing, transport and storage

Volume accounting method

Documentation of transactions

Energy data collection and reporting

4 SBP Standards utilised

4.1 SBP Standards utilised

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

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

4.2 SBP-endorsed Regional Risk Assessment

SBP-endorsed Regional Risk Assessment for Latvia used (Published September 2017) and is available at:

<https://sbp-cert.org/docs/SBP-endorsed-Regional-Risk-Assessment-for-Latvia.pdf>

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

The BP is a wood chips producer and trader with the facilities situated in the Liepaja harbour. The BP purchases wood chips from primary feedstock from forest and secondary feedstock. The secondary feedstock is purchased coming as residuals from FSC certified or FSC Controlled Wood certified suppliers. Wood chips are also produced from different types of low quality wood and firewood delivered as FSC certified or verified according to the SBE or the BP's own Controlled Wood verification system for Latvia. Other countries are not included in Controlled Wood verification system implemented by the BP. Feedstock from Belarus is delivered with FSC certified or FSC Controlled Wood claim. The BP ships the woodchips from the Liepaja port where the facility is located and applies FOB terms.

5.2 Description of Company's Supply Base

SIA Laskana LSEZ purchases most of its feedstock for production of biomass (woodchip) as round timber, forest branch chip and non-forest land chip. Woodchips are bought from suppliers in Latvia and Belarus. The region of biomass origin is Latvia and Belarus via direct purchase and supply. Feedstock is delivered by truck to the facility where the volume is assessed. Forestry practices in the supply base

Data from deliveries period 01 Dec 2018 – 30 Nov 2019:

- Controlled Feedstock 1 % (FSC controlled Wood feedstock)
- SBP-compliant Primary Feedstock, 99%
- SBP-compliant Secondary Feedstock, 0%
- SBP-compliant Tertiary Feedstock, 0%
- SBP non-compliant Feedstock 0%

Species sourced by the company include: *Picea abies* (L.) H. Karst.; *Pinus sylvestris* (L.); *Alnus glutinosa* (L.) Gaertn.; *Alnus incana* (L.) Moench) *Populus tremula* (L.); *Betula pendula* (Roth; silver; *Betula pubescens* (Ehrh.)

5.2.1 Latvia

The forest sector has been one of the main employers in Latvia's rural regions ever since the early 1990s, when many people began to establish small sawmills. Forest sector is very prominent in Latvia, being worth 5.2% of GDP and making significant contribution to the country economy. Forest industry (forestry, timber processing and furniture industry) supports 53,000 jobs – a large number in a country of population below 2,000,000. Roughly 50% of timber products are Sawn logs and plywood blocks, the rest is made up of paper pulp, firewood and charcoal.

One-half of Latvia's forests belong to the state, and they are managed by the stock company Latvian State Forests (LVM). Another 50% belongs to private owners. Most privately owned forests are under 100 ha of size.

Latvian forests are composed of mostly Pine, Fir, Birch, Aspen, Black alder, White alder, Ash and Oak, with pine and Birch covering the largest areas. The age structure of Latvian forest is predominantly middle-aged stands followed by mature and young stands and stands at or above harvesting age.

Adjacent lands include agricultural lands, abandoned agricultural lands, settlements and infrastructure.

5.2.2 Belarus

Forest is one of the few exploitable natural resources in Belarus. As a branch of economy, the contribution of forestry in Belarus is significant. The Belarusian forest industry consists of forestry, forest industry, wood processing and wood-pulp and paper industries etc. It includes nearly 5 thousand companies and production facilities with different forms of property (including over 470 large and medium-scale enterprises) with over 146 thousand employees.

Forestry resources are one of the main natural resources of Belarus. The total stock of timber constitutes 1.3 billion cubic meters. The forested area covers roughly 8 million hectares and forest makes up ca. 38% of the territory of Belarus. Primary Forest make up ca. 5.0 % of all forested land, while modified natural makes up 72.4% and semi-natural ca. 22.5%.

Forests in Belarus are owned by the State and mostly belonged to the Committee of Forestry (about 7 mill. ha or 76.1% of the total area of the forestry fund). The rest part of forest owners is represented by the Committee of Defence, collective farms and associations, research institutions and administrative bodies. Dominant species in Belarus are Pine (52%), Birch (22%), Common alder (8%), Spruce (10%) and Oak (3%). The forests of Belarus are mostly coniferous, dominated by pine-trees (50.2%) and spruce (10.0%). Small-leaved forests are mostly birch (20.8%), black almond (8.2%), grey almond (2.3%) and asp (2.1%) groves. The broad-leaved forests occupy just around 3.9% of the area, including 3.3% of oak forests (1,31).

The stand age distribution is:

- Young forests: 36.6%
- Middle-aged forests: 14.2%,
- At or above harvesting age 4.8%

There are two main forest inventory systems in Belarus: 1) basis stand wise forest inventory (every 15 years for every forest enterprise, so called stand-level inventory); 2) operative continuous stand wise forest inventory on the basis of a database of the unique Belarusian version of the Geographical Information System called GIS "Forest resources" for forest enterprises. The operative continuous stand wise forest inventory has been used for the purposes of operational forest management planning. It covers all forests and the information from the forest inventory is used by forest enterprises for justifying and calibrating their results. The State Forest Assessment is based on operative continuous stand wise forest inventory database elaborated at the State Forest Inventory Enterprise "UP BELGOSLES", taking into account changes registered during forest inventory and afterwards, including forest felling and reforestation activities as well as changes in forest ownership. Forest inventory is obligatory to all forest owners. During the inventory forest stands are singled out, their quantitative and qualitative characteristics are provided, forest health is assessed and silvicultural measures foreseen. Forest management plans are prepared for forest enterprises, state parks, recreational and protected areas. The general forest management plans are prepared for all forest properties on the territory, controlled by forest enterprises as well as individual management plans - for

each private property. Adjacent lands include arable land (29.55%), permanent crops (0.6%), forest 43 % and other, including settlements, industry and infrastructure (13.6%).

For more information please refer to the SBR of the certificate holder:

<https://sbp-cert.org/certificate-holders/laskana-sia-lsez-sbp-04-36/>

http://laskana.lv/laskana/wp-content/uploads/2018/04/Laskana-SIA-LSEZ-Supply-Base-Report-ENG_jauns.pdf

5.3 Detailed description of Supply Base

- Total Supply Base area (ha): 12,055 milj. ha cumulative area of all forest types within SB
- Tenure by type (ha): privately owned – 1,747 milj ha / Government - 10,308 milj ha
- Forest by type (ha): Temperate 41% / Hemi boreal 59%
- Forest by management type (ha): managed natural- 12,055 milj. ha
- Certified forest by scheme (ha): 10 552 537 ha of FSC (Latvia, Belarus) and 10 250 405 ha PEFC-certified forest. Actual information about certified forest areas: <https://ic.fsc.org/en/facts-and-figures>; <https://www.pefc.org/about-pefc/who-we-are/facts-a-figures>.

For further data on the SB, please refer to the BPs SBR on SBPs website <https://sbp-cert.org/certificate-holders/laskana-sia-lsez-sbp-04-36/>

LATVIAN forest resources

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), forest Land amounts to 51.8 % (ratio of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), while the other 1 560 961 ha (51.68 % of the total forest area) belong to other owners. Private forest owners in Latvia amount to approximately 144 thousand.

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 Latvia has fluctuated between 9 and 13 million cubic metres (State Forest Services: vmd.gov.lv, 2015).

Forest land consists of:

- forests 3 056 578 ha (91.3%);
- marshes 175 111.8 ha (5.3%);
- glades (forest meadows) 35 446.7 ha (1.1%);
- flooded areas 18 453.2 ha (0,5%);
- objects of infrastructure 61 813.4 ha (1.8%).

State Forest Services: vmd.gov.lv, 2015.

Distribution of forests by the dominant species:

- pine 34.3 %;
- spruce 18.0 %;

- birch 30.8 %;
- black alder 3.0 %;
- grey alder 7.4 %;
- aspen 5.4 %;
- oak 0.3 %;
- ash 0.5 %;
- other species 0.3 %.

State Forest Services: vmd.gov.lv, 2015.

Certification

All forest area of Latvijas Valsts Meži as well as some part of forests in private and other ownership is FSC and PEFC certified. From all totally forest area 3 347 409 ha is approximately 1.737 million ha of Latvian forest are certified according to FSC and PEFC certification scheme. Both the FSC and PEFC systems have found their way into Latvia.

BELARUS forest resources

In Belarus forests cover area of 9,5 milj hectares. According to the data of the State Forest Ministry Woodenness amounts to 39,3 %

Country area 20760 (1000 Ha);

Agricultural area 8796 (1000 Ha);

Land area 20291 (1000 Ha);

Forest area 8707.6 (1000 Ha);

Forest industry input into IKP is 1,1%;

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.

Within the last decade, the timber production in Belarus has fluctuated aprox., 11 million cubic metres (<http://www.mlh.by> , 2015.)

| Forest land consists of: | Area (1000 hectares) |
|------------------------------|----------------------|
| Forest | 7 894 |
| Other wooded land | 914 |
| Forest and other wooded land | 8 808 |
| Other land | 11 94 |
| Total land area | 20 748 |
| Inland water bodies | 12 |
| Total area of country | 20 76 |

Source: <http://www.mlh.by> , 2015.

Distribution of forests by the dominant species:

- pine 50,4%;
- spruce 9,2%;
- birch 23,1%;
- black alder 3,3%;
- grey alder 3,3 %;
- aspen 2,1%;
- other species 3,3%.

Source: <http://www.mlh.by> , 2015.

Certification

All forest area is certified by PEFC certification scheme. 8,1milj. ha (95 floristries) are certified according to PEFC.

FSC 6,8 milj. ha (81 forestry's) are certified according to FSC FM standards.

Both the FSC and PEFC systems have found their way into Belarus.

5.4 Chain of Custody system

Organization holds valid FSC chain of custody (TT-COC-002576) and Controlled Wood (TT-CW-002576) certificates log/ firewood procurement, storage and selling as wood as wood chips procurement, production from logs and sales. The BP implements an FSC credit system for volume control. The company sources feedstock received with an FSC claim and verifies the necessary information such as claim, certificate code, volume and district of origin upon receipt. A regular check is done on the certification status of FSC suppliers is done. Also the company verifies controlled material through their FSC Controlled Wood DDS is stored together. The staff that are involved in the management and implementation of the FSC COC systems are identical to the ones managing the SBP system. Other feedstock, which is excluded from the SBP certification scope and is segregated and stored separately. The company uses an outsourcer for the warehouse for stevedoring. The company has not sourced secondary feedstock in the last three years and there are no plans to procure secondary feedstock in the future.

6 Evaluation process

6.1 Timing of evaluation activities

The 3rd annual surveillance audit was carried out as on-site audit at the premises of the company at the port of Liepaja, Latvia. The audit was conducted by Sebastian Häfele as lead and Jānis Švirksts as trainee auditor during January 13 – 15, 2020. The two auditors are also the two report authors. Additionally, FMU visits were conducted and organizations system for procurement and control of non-certified material was assessed. No pre-assessment or desk review was conducted for this audit. Pre-audit activities included the review of the company's SREG and SBR. The audit timeline (local time) is as follows:

| Date | Location | Participants | Activity | Time |
|----------------|---------------------|--|--|-----------------|
| 13.01. 2020 | Port of Lieapaja | BP: Ojārs Zeme (OZ) – Director of Manufacture Laila Dunkere – Accounting SCS: Jānis Švirksts (JS, trainee) and Sebastian Häfele (SH, lead) | Opening meeting | 9:15 |
| | | | Review of written procedures, work instructions, feedstock description (see ID 5E), product group list, accounting system | 9:45 |
| | | | Review of material tracking system, summary of purchases and sales, invoices, shipping documents, training records, outsourcing agreements, other applicable SBP/CoC systems, procedures and records, tracebacks from certified outputs to eligible inputs | 11:00 |
| | | | Review of organizations DTS | |
| | | | Break | 12:45 |
| | | | Audit team splits up | 13:30 |
| | | | Verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable (Lead Auditor) | 13:30 |
| | | | SBP Standard 1, review of procurement activities and SBR (Trainee Auditors) | 13:30 |
| | | | Audit team reconvenes | 15:00 |
| | | | Review of evidence of corrective actions taken by organization since previous audit (records, documents, pictures, etc.) | 15:00 |
| | | | Closing of day 1, debrief, discuss day 2 | 16:30- 17:00 |
| 14.01. | | | Site walkthrough of wood storage area and port. Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position | 8:30 |
| | | | Review of GHG data collection and SAR and SREG (if applicable) | 10:00 |
| | | | Break | 12:00 |

| | | | | |
|--------|-----------------------|--|--|-------------|
| | | | Review of auditor-selected sample of SBP/FSC/PEFC and/or SCS on-product and/or promotional trademark uses; review of any on-site trademark uses such as banners, posters, entryway signs | 12:45 |
| | | | Outstanding issues from Standards 2, 4 and 5 | 13:15 |
| | | | Closing of day 1, debrief, discuss day 2 | 16:30-17:00 |
| 15.01. | Field visits | OZ, Anželika Steina (AS) – Accounting operator JS, SH | Filed visits of 4 cadastral units | 8:45 |
| | Closing meeting prep. | JS, SH | | 10:30 |
| | Closing meeting | OZ, AS, JS, SH | | 10:45 |
| | End | | | 11:15 |

6.2 Description of evaluation activities

A general description outlining each step of the evaluation is presented in 6.1. Audit methods that were applied across the scope of the certificate of the organization were review of records, procedures, databases, interviews with relevant staff and walkthrough and observation during visits to the production and storage sites and cadastral units. The cadastral unit were selected according to forest type, supplier volume and associated risk. The number was determined by applying SCS sampling methodology.

The following SBP critical control points were audited and are described here and in the report:

*Feedstock procurement and storage and processing: The company purchases Roundwood and chips them in Liepaja harbour & purchases chips. The company also trades in woodchips. In the last audit period only wood chips were traded not produced by the company itself. Thus, production was assessed through interviews.

*Volume Accounting: The organization uses the FSC credit system and FSC volume accounting system to keep track of SBP volumes. The auditor reviewed the FSC credit account of the organization. All calculations are one site specific. The conversion factors were evaluated for a sample of the last audit period.

*Outgoing transactions: Invoices are issued, and outgoing transactions of SBP-certified biomass are recorded in the DTS. This has been verified by review of procedures, interviews and a review of the organization's DTS and invoice records.

*Energy data collection and reporting: The organization developed and maintains databases to record data values and calculate energy data as required by Standard 5 and keeps records that substantiate the data.

6.3 Process for consultation with stakeholders

SCS relies on its Master Stakeholder List, which contains stakeholders that are identified by type, e.g. ENGO, Government/regulatory, Educational/Academic, Industry, Indigenous/Aboriginal/Tribal, etc... This list is categorized by country and state/province at the very least, and for this consultation was filtered to omit any stakeholders that were not geographically relevant to the certificate-holder/applicant's supply base. SCS did not conduct a stakeholder consultation. No other comments were received or came to the attention of the auditors.

7 Results

7.1 Main strengths and weaknesses

Main strengths: BP has a good and transparent feedstock control system which enables them to track and assess material origin throughout the process. Close cooperation with the Laskana Mežs gives a solid background for knowhow in forest areas. The energy data collection system is set up well and provides a solid basis for collecting energy data. The company also has a sound volume management system in place.

Weaknesses: See section 10 below.

7.2 Rigour of Supply Base Evaluation

The Supply Base Evaluation was implemented for primary and secondary feedstock sourced from Latvia. Organization carries out the verification of the origin of the supply base through the primary raw material that is stored in Latvia and sold without:

- SBP approved forest management certificate;
- partial sales claim made on the basis of an SBP approved forest management certificate;
- sales claim of the SBP approved supply chain certificate.

The risk assessment is prescribed by the endorsed RRA. The company has rigorous procedures in place to verify origin and feedstock type and mitigation measures in place to rate all risk as low.

In order to mitigate risks associated with the primary raw material, the company checks the origin of the material for all supplies. The risk assessment used by the organization is the Approved Regional SBP Risk Assessment for Latvia available at the SBP website. The current definition of scope, as adopted by the Company, was adequate for the specific characteristics of the Supply Base and management systems in place.

7.3 Collection and Communication of Data

As a BP only producing woodchips, the requirements for Greenhouse Gas emission data collection is considerably lessened. The BP has created procedures and databases to support the reported energy data in a logical and thorough way, which was evidenced during the audit. The data presented was evaluated by auditor as adequate and accurate.

7.4 Competency of involved personnel

Overall responsibility lies on production manager who owns the authority for implementation and maintaining of the system. The Supply Base Evaluation system is implemented by internal personnel of the company, trained and supervised by the overall responsible person at the Laskana LSEZ SIA. Different staff members responsible for various aspects of the SBP certification. Board member is responsible for entering

agreements with supplier and buyers as well as claim review and management decisions. Financial specialist is responsible for preparation of sales documentation. Receptionists are responsible for incoming material reception, stock registration and material segregation according to the certification statuses.

7.5 Stakeholder feedback

No stakeholder comments were received since the last audit period.

7.6 Preconditions

Not applicable for annual surveillance audit.

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.

SBP-endorsed Regional Risk Assessment for Latvia was used by the Biomass Producer. Risk ratings in table 1 are taken from the approved risk assessment, where 3 indicators have been evaluated as specified risk. The auditors evaluated the risk for the indicators by reviewing the RRA, the procurement policy of the BP, interviewing procurement staff, confirming the origin of the biomass procured through invoices and delivery records, review of mitigation measures and national WKH database and field visits to harvesting sites.

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 | Low |
| 2.1.2 | Specified | Specified |
| 2.1.3 | Low | Low |
| 2.2.1 | Low | Low |
| 2.2.2 | Low | Low |
| 2.2.3 | Low | Low |
| 2.2.4 | Low | Low |
| 2.2.5 | Low | Low |
| 2.2.6 | Low | Low |
| 2.2.7 | Low | Low |

| 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 | Low |
| 2.9.1 | Low | Low |
| 2.9.2 | Low | Low |
| 2.10.1 | Low | Low |

| | | |
|-------|-----|-----|
| 2.2.8 | Low | Low |
| 2.2.9 | Low | Low |
| 2.3.1 | Low | Low |
| 2.3.2 | Low | Low |

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

Risk mitigation measures refer to the following biomass supply risk categories:

- Identification of the signs of forest biotopes and natural forest biotopes of European significance,
- Identification of cultural and historical monuments and objects of cultural and historical value in the process of logging,
- Identification of bird nesting sites,
- Mitigation of work protection and work safety risks.

The audit process:

- Surveillance audits are performed just for suppliers, which are approved as SBP suppliers.
- For the suppliers that are approved as SBP-compliant feedstock suppliers, audits and assessment of all categories is performed only prior to, during or after logging.
- Audits for the harvesting of agricultural lands during logging are performed prior to, during or after logging for all logging objects with assessment of all possible risks.

After the results of surveillance audits and the assessment of a supplier, the company management makes a decision on further co-operation with the supplier, the conditions and amount of wood supply. The suppliers that refuse to inform SIA Laskana on the planned amount of logging and refuse to cooperate with SIA LASKANA during audits may be excluded from the list of suppliers.

By involving appropriate biotope experts, specialists, and forest management work safety specialists, SIA LASKANA provides additional informative seminars for suppliers in order to better inform suppliers with SBP requirements for the conditions of supplying compliant feedstock and of potential risks, thus minimizing the risks of supplying feedstock that does not comply with the requirements of SBP standards.

General description of risk mitigation system:

General measures of risk mitigation:

- The purchase of FSC certified wood as priority for procurement of SBP-compliant biomass.
- Signing suppliers self-declaration and including the conditions of SBP standards for biomass supply, identifying and decreasing in a timely manner the risks of supplying SBP non-compliant feedstock.

- Performing biotope risk assessment procedures prior to logging, during or after logging, which includes the following measures:
 - Checking cadastre numbers prior to logging, during or after logging, using the „Biotope Tool” available in Latbio database http://latbio.lv/MBI/search_db;
 - An assessment audit form before logging is designed where all four risk categories are included. The form has been designed in collaboration with forest biotope experts to identify and minimize the impact on possible biotopes, to recognize and protect cultural and historical objects and bird nesting sites.
- The process of work protection and work safety risk assessment takes place during logging, during which a competent person performs checks according to a special form that includes minimal requirements for maintaining work safety in the forest. The form is designed in collaboration with a company licensed work safety specialist.
- Trainings and seminars are provided for the company employees and biomass suppliers. The objective of the trainings is to teach involved parties to recognize the signs of potential possible biotopes, bird nesting sites, cultural and historical objects, and to fully guarantee work safety requirements at our own company and the companies of service providers.

Since the introduction of the SBP, the company has been working with several suppliers to identify the biotopes, as well as to reduce the risk of inappropriate supply of raw material to SBP. During supplier audits, have found work safety breaches and unwillingness to cooperate with LASKANA SIA, so the company continues to collaborate on delivering SBP-compliant material with 1 supplier. The organization monitors the outcome of mitigation measures through supplier field audits.

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 Previous CARs closed during audit

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| NC number 2019.2 | NC Grading: Minor |
| Standard & Requirement: | SBP Framework Standard 2 Verification of SBP-compliant Feedstock V1.0 P.15.5 |
| Description of Non-conformance and Related Evidence: | |
| Not all records pertaining to the SBP system are kept for 5 years. Organization did not have evidences regarding carried out Stakeholder Consultation. | |
| Timeline for Conformance: | By the next surveillance audit, but no later than 12 months from report finalisation date |
| Evidence Provided by Company to close NC: | Revised procedures |
| Findings for Evaluation of Evidence: | Procedures "SBP sertifikācijas sistēmas apraksts" specify that records be kept for 5 years. Open Minor CAR: letter to stakeholders was presented, but the email records of notification to SH were lost. The person sending out the original SHC does not work at the company anymore. The company added a section to the procedure specifying that electronic records have also to be kept in printed form in regard to the SBP program. CAR is closed. |
| NC Status: | Closed |

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| NC number 2019.6 | NC Grading: Minor |
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| Standard & Requirement: | SBP Framework Standard 2 Verification of SBP-compliant Feedstock V1.0 P.12.4 |
| Description of Non-conformance and Related Evidence: | |
| Justification for selection of personnel not fully recorded & not presented in the public summary report. Justification for selection of all the personnel who were related to the SBE not recorded. Additionally summary from relevant information is not included into the public summary report. | |
| Timeline for Conformance: | By the next surveillance audit, but no later than 12 months from report finalisation date |
| Evidence Provided by Company to close NC: | Revised SBR, procedures |
| Findings for Evaluation of Evidence: | The organization included a summary of the relevant information in the SBR, chapter 8.1. Furthermore a detailed table with requirements for staff to perform tasks intended to meet the objectives of the SBE/RRA is specified in procedures in section 4. CAR is closed. |
| NC Status: | Closed |

10.2 CAR issued during current audit.

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| NC number 1 | NC Grading: Observation |
| Standard & Requirement: | SBP Trade Mark License Agreement, section 7.2 & SBP certification mark and trade mark use GUIDANCE FOR CERTIFICATE HOLDERS, section 4 |
| Description of Non-conformance and Related Evidence: | |
| On http://laskana.lv/laskana.lv/blog/riska-novertejums/ , the company makes use of the SBP trademarks "SBP" and "Sustainable Biomass Partnership". However, the site is "disconnected" from the homepage and cannot be reached by only browsing through the Laskana.lv homepage. The content is outdated and was published for the stakeholder consultation as per interview Laila and Ojars. The organization also uses the SBP logo in their procedures. No approval from SBP could be produced for the uses. | |
| Timeline for Conformance: | Other Response is optional |
| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |

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| NC Status: | Open |
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| NC number 2 | NC Grading: Major |
| Standard & Requirement: | SBP ID 5E 4.1.6 & 4.1.7 |
| Description of Non-conformance and Related Evidence: | |
| <p>The incorrect Production Batch ID (PBid) was used for several transactions in the last year's reporting period. The PBids are not consistent with the SDI on the SAR that was valid during time of transaction. During the interview with Laila it became apparent that the PBid is incremented by the value of 1 for each vessel and not for each reporting period (e.g. SBP-01-71-17 in DTS vs SBP-01-71-4 on SAR (cross-check with SAR)). This issue was found to be in several other transactions and thus of a systemic nature and roots in a misunderstanding of the requirement by staff. The issue was present in 6 transactions out of 15.</p> | |
| Timeline for Conformance: | 3 months from the report finalisation |
| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |
| NC Status: | Open |

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| NC number 3 | NC Grading: Major |
| Standard & Requirement: | SBP ID 5E, 3.1.6 & 3.1.8 |
| Description of Non-conformance and Related Evidence: | |
| <p>The organization has not completed an SAR for stationary wood chipping. Laskana completed an SREG for inland transport. They have not produced biomass, but only received woodchips and sold as is. However, the SREG does not report on required data such as feedstock characteristics, sold biomass volume and energy consumption of machinery used for unloading, storage, and loading. This information needs to be reported, as the biomass is not sourced as SBP-compliant or SBP-controlled. The review of data reported in the SREG shows that data is reported accurately.</p> | |
| Timeline for Conformance: | By the next surveillance audit, but no later than 12 months from report finalisation date |
| Evidence Provided by Company to close NC: | Submitted complete SAR for stationary chipping and supporting data spreadsheets. |

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| Findings for Evaluation of Evidence: | The organization submitted a complete SAR for stationary wood chips along with the underlying databases. CAR is closed. |
| NC Status: | Closed |

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| NC number 4 | NC Grading: Major |
| Standard & Requirement: | SBP ST 2 IN 2C, 4.1 |
| Description of Non-conformance and Related Evidence: | |
| <p>The SBR in English and Latvian of the organization does not include all required information as required in the SBR template and does not cover the most important features entirely. Some of the information is outdated, incorrect or recorded in the wrong section.</p> <p>Inconsistent translation from/to English: English version of the report says that "Translations from English: Yes" while Latvian version says "Translation to English: Yes", It is therefore unclear which language is original. Both Latvian and English version of the SBR need to be corrected and aligned.</p> <p>Section 2.1 – the following items are missing:</p> <ul style="list-style-type: none"> • Comparison of the scale of harvesting compared to other forest-based industries in the region. • Parts of socio-economic description • Profile of adjacent lands • IUCN species • Forestry management practices or land management practices <p>Section 2.5 Feedstock:</p> <ul style="list-style-type: none"> • f: There is a difference in total feedstock volume that is not accounted for when comparing the numbers given in f) (90041 tons) and g) (89112 tons). There is no other feedstock than primary. • l: The species list does not include oak, maple, fluttering elm, wych elm and ash, although they are stated in section 8.1. The species lists are not consistent. • k: Primary feedstock from primary forest is listed as input, but in section j) the SBR states that no feedstock is sourced from primary forests. • m: Through interviews it was established that no tertiary feedstock is sourced, but a volume of tertiary feedstock is received from arboricultural arisings which is inaccurate. The reported tonnage most likely accounts for the discrepancy in numbers identified for primary feedstock in f) and g). <p>Section 3: Secondary feedstock is mentioned, but not sourced anymore, yet in Section 4.1 secondary feedstock is not included, which demonstrates inconsistencies.</p> <p>Section 4.2 is outdated as it references a risk assessment done by the BP, since the risk assessment is now superseded by the SBP-endorsed regional risk assessment. Similarly, it cites a draft RRA.</p> <p>Section 4.4 and entire section 8: The BP describes the Supplier Verification Programme. Since there is a published SBP-endorsed regional risk assessment a Supplier Verification Programme (SVP) is not applicable, thus the content in this section refers to mitigation measures. The supplier verification that the BP is conducting is thorough and well described, but does not appear in section 9 of the SBR</p> | |

Section 5: it is not mentioned if the SBE was done in-house or outsourced to a consultant, or other. A justification for the selection of personnel responsible for achieving the objectives of the SBE was not recorded in the SBR.

Section 6.1: Two stakeholder comments were received as shown during interviews, but these are not described in this section of the report.

Section 7: as in section 4.2, this section references a draft RRA and is thus outdated. There is no reference to the approved RRA for Latvia. Table 1 however accurately reflects the risk designations in the RRA.

Section 9.1: it is unclear which mitigation measure is applied to mitigate which indicator's risk. For example, indicators 2.1.1, 2.1.2 and 2.8.1.

Section 9.2: the outcomes of monitoring are not included. The monitoring plan is not described fully. It is not clear what the company does to monitor effectiveness of mitigation measures. A plan to monitor mitigation measures is described in sections 13.2 and 13.3

Section 10: this section refers to SBR Annex I, but this Annex was replaced by the RRA, which is not cited.

Section 11.1: This section contains a stakeholder comment that belongs in section 6.

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| Timeline for Conformance: | 3 months from the report finalisation |
| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |
| NC Status: | Open |

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| NC number 5 | NC Grading: Minor |
| Standard & Requirement: | SBP ST 1, 2.7, indicator 2.1.1. |
| Description of Non-conformance and Related Evidence: | |
| <p>Since November 2019 Nature protection agency have published first results of Habitat of European importance mapping project "Dabas skaitīšana" in data base OZOLS. These habitats are considered as HCVs under SBP standards. Company is not using this data base as their mitigation measure, still as the updates are made recently and Latbio data base together with field visits are used, than CAR is considered as Minor.</p> | |
| Timeline for Conformance: | By the next surveillance audit, but no later than 12 months from report finalisation date |

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| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |
| NC Status: | Open |

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| NC number 6 | NC Grading: Minor |
| Standard & Requirement: | SBP ST 1, 2.7, indicator 2.2.1 |
| Description of Non-conformance and Related Evidence: | |
| <p>Organization carries out random FMU checks. Interview with personnel shows competency. However, during FMU verification it was identified that in 1 case ecological tree(s) next to the ant hills were not retained, as required by tree cutting regulation 57 of regulation number 935 (Noteikumi par koku ciršanu mežā).</p> <p>This is graded as a Minor nonconformity because there is past evidence of the organization not correctly implementing risk mitigation measures for specified risks related to HCVs and misidentification of forest structural elements (nature features) during field/site visit by completing potential forest biotope checklist. For example:</p> <ul style="list-style-type: none"> - The organization did not clearly evaluate the presence of forest stand structural elements and differentiation between "few" (1-3 peaces per ha) vs "many" (more than 3 per ha). - The organization has not always identified "few" different age trees and "few" large dimension trees in the checklist in the presence of "slow growing old trees" (spruces growing under the tree cover). | |
| Timeline for Conformance: | Other Response is optional |
| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |
| NC Status: | Open |

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| NC number 7 | NC Grading: Minor |
| Standard & Requirement: | IN-2C 3.1 |
| Description of Non-conformance and Related Evidence: | |
| The SBR of the 2018 audit has not been uploaded to the BP's website. The 2017 SBR version is uploaded.. | |

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| Timeline for Conformance: | By the next surveillance audit, but no later than 12 months from report finalisation date |
| Evidence Provided by Company to close NC: | <i>Click or tap here to enter description provided by Company to close the NC.</i> |
| Findings for Evaluation of Evidence: | <i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i> |
| NC Status: | Open |

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): | Theodore Brauer |
| Date of decision: | 27/Mar/2020 |
| Other comments: | <i>Click or tap here to enter text.</i> |