SBP

Sustainable Biomass Program

SCS Global Services Surveillance of Avoti SWF SIA Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

www.sbp-cert.org

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

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

Document history
Version 1.0: published 26 March 2015
Version 1.1: published 30 January 2018
Version 1.2: published 4 April 2018
Version 1.3: published 10 May 2018
Version 1.4: published 16 August 2018

Table of Contents

1 Overview

CB Name and contact:	SCS Global Services, 2000 Powell St. Ste 600 Emeryville, CA 94608
Primary contact for SBP:	Sarah Harris, SHarris@scsglobalservices.com
Current report completion date:	12/Mar/2020
Report authors:	Jānis Švirksts
Name of the Company:	Avoti SWF SIA
Company contact for SBP:	Janis Misins, phone: +371 26540255; e mail: janis.misins@avoti.lv
Certified Supply Base:	Latvia, Lithuania; Estonia, Sweden; Finland, Russia, and Poland
SBP Certificate Code:	SBP-04-35
Date of certificate issue:	31/Jan/2018
Date of certificate expiry:	30/Jan/2023

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

This certificate covers the production of wood pellets for use in energy production at Avoti SWF Lizums, Gulbene and transportation to the port of Riga. The scope includes a Supply Base Evaluation for sourcing primary and secondary feedstock from Latvia. The scope includes the communication of Dynamic Batch Sustainability Data.

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 following critical control points were identified and evaluated:

- Processes for procurement and processing, transport and storage
  - Supplier evaluation under BP's procurement procedures (e.g., DDS, FSC Controlled Wood Risk Assessment);
  - Field assessment of a sample of primary suppliers;
  - Review of supplier documentation (e.g., contracts, declarations, load tickets, etc.)
  - Delivery, storage, and processing of logs, wood chips and saw dust into pellets;
  - Delivery, filtering, and storage of secondary chips;
  - Phytosanitary practices for mixed chips and maple chips;
  - Filtering and storage of pellets prior to conveying onto ships
  -
- Volume accounting method
  - BP uses the FSC Credit System; however, BP also sources using its SBE;
  - Logs and chips are weighed at the scale-house located at the pellet mill entrance; and
  - Conversion factors based on historic production records incorporated into FSC credit account.
- Documentation of transactions
  - DTS and invoices are used;
  - BP also prepares annual volume summaries for its FSC certificate
- Energy data collection and reporting

The following were specifically reviewed during the fourth surveillance audit:

Review of the BP's management procedures, including requirements designated in SBP standards SBP Standard #1 V1.0; SBP Standard #2 V1.0;SBP Standard #4 V1.0 and SBP Standard #5 V1.0 :

- Review of the updated Supply Base Report;

- Review of Internal Management System audit and corrections;

- Review of the risk assessment results;

- Evaluation of mitigation measures implemented for both primary and secondary feedstocks;

- Field visits of the primary and secondary feedstock suppliers;

- Interviews with responsible staff;

- Review of the reports and records.

4 SBP Standards utilised

4.1 SBP Standards utilised

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

☒ SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)

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

4.2 SBP-endorsed Regional Risk Assessment

SBP-Endorsed regional risk assessment for Latvia was used.
https://sbp-cert.org/documents/standards-documents/risk-assessments/latvia
The designated risks in SBP endorsed RRA are “specified risk” for indicators 2.1.1 (only HCVF category 3), indicator 2.1.2 (HCVF categories 1, 3 and 6) and indicator 2.8.1.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

SIA “Avoti SWF” is a biomass producer with a production site and office located in Lizums, Gulbene region.
The factory is brand new and commenced production in October 2017.
BP is sourcing primary, secondary and tertiary feedstock for its pellet production.
Pellets are produced from primary feedstock (Roundwood – both conifer and broadleaf); secondary feedstock: (wood industry residues: wet sawdust, wood chips) and tertiary feedstock (dry sawdust).
Tertiary feedstock will be delivered by the BP’s own secondary production facilities.
All feedstock types are delivered to the pellet plant using road transport, biomass is transported to harbour by road transport as well.
All inputs materials delivered to the pellet production plant are FSC certified, FSC Controlled Wood or included in the Organisation’s FSC Controlled wood verification system.
The BP is conducting origin verification program by visiting its secondary suppliers and verification of the origin confirmation documentation at the supplier premises. Tertiary suppliers (suppliers selling lumber to Avoti SWF secondary production site) are also verified on a regular basis.
The BP is implementing the FSC credit system. The amount of the biomass produced according to FSC credit system can be sold as SBP-compliant and/or SBP- controlled biomass.
After the production, pellets are transported into the harbour temporary storage place in Riga by trucks. From warehouses, pellets are loaded into the ship and sent to the customers on FOB Riga/ DAP Riga incoterm conditions.
The BP has a Supply Base Evaluation added to the scope in 2018. The scope of SBE includes feedstock sourced from private and other (municipality, church etc) owned forests, excluding state owned forests under management of A/S Latvijas valsts meži in Latvia.

5.2 Description of Company’s Supply Base

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

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

5.3 Detailed description of Supply Base

Reference to companies website and SBE report: https://www.avoti.lv/kokskaidu-granulas/
Major CAR 2020.03 raised regarding companies SBE report content and accessibility.

Information about LATVIAN forest resources
Forests in Latvia cover 3,01 million ha (State forest service, Public report, 2016). According to the data of the State forest service (regarding the areas under consideration, which are subject to economic activity regulated by the Forest Law), the forest land territory occupies 51 % (the percentage of the forest land area (3,32

million ha) to the total area of the State territory) (State forest service, Public report, 2016 . In Latvia, the State owns the forest, area of which is 1,48 million ha (49% of the total forest area), while the total area of forests of other owners is 1,52 million ha (51 % of the total forest area) (State forest service, Public report, 2016). The number of private forest land owners in Latvia is about 144 thousand.
The area occupied by forests is increasing. The increase in forest areas occurs both naturally and artificially by afforestation of barren and non-agricultural land.
Wood production in the last decade in Latvia varies from 9 to 13 million cubic meters (the State forest service: vmd.gov.lv, 2017).
Forest lands consist of:
forests: 3,01 million ha (90,7 %);
marshes: 0,17 million ha (5.1 %);
clearings: 0,032 million ha (0,96 %);
flooded territories: 0,015 million ha (0.5 %);
infrastructure facilities: 0,062 million ha (1.9 %);
other land: 0,016 million ha (0,5%).
(the State forest service: vmd.gov.lv, 2017)

Breakdown of forests by dominant species:
Pine (Pinus sylvestris): 34 %
Spruce (Picea abies): 18.0 %
Birch (Betula pendula, Betula pubescens): 30 %
Black alder (Alnud glutinosa): 3 %
White alder (Alnus incana): 7 %
Aspen (Populus tremula): 7 %
Oak (Quercus robur): 0.3 %
Ash (Fraxinus excelsior): 1 %
Other species: 0.1 %
(the State forest service, Public report, 2016)

Share of tree species in forest renewal, breakdown by area (2016):
Pine: 18 %
Spruce: 18 %
Birch: 29 %
White alder: 13 %
Aspen: 18 %
Other species: 4 %
(the State forest service: vmd.gov.lv, 2017)

Wood extraction according to types of cutting, breakdown by volume of production (2016):
Final harvest: 80 %
Thinning: 13 %
Sanitary cutting: 5 %
Deforestation cutting: 1 %
Other types of cutting 1 %

(the State forest service: vmd.gov.lv, 2017)

Forestry sector

The forestry sector in Latvia is managed by the Ministry of Agriculture, which, in cooperation with the sector interest groups, develops forest policy, sector development strategy as well as forest management, forest resource use, nature conservation and hunting draft regulatory enactments (the Ministry of Agriculture: www.zm.gov.lv).

The implementation of the regulatory requirements included in the Latvian laws and the Cabinet of Ministers regulations in the management of forests, regardless of the type of property, is controlled by the State forest service under the supervision of the Ministry of Agriculture (the State forest service: www.vmd.gov.lv).

The company pursues national interests by ensuring the preservation and enhancement of the value of the forest as well as by increasing the contribution of the forest sector to the national economy ((www.lvm.lv).

In 2016, export reached EUR 2.084 billion in revenue (www.zm.gov.lv).

Biodiversity

Historically, the extensive use of Latvian forests for economic purposes began relatively later than in many other European countries, therefore, greater biodiversity has been preserved in Latvia.

For the preservation of nature values, 683 specially protected nature territories have been created (Nature Conservation Agency, 2017). Part of these territories is included in the Natura 2000, unified network of protected territories of European importance. The most part of the protected territories are in State ownership.

In order to ensure the protection of a specially protected species or a biotope outside specially protected nature territories, micro-reserves are created, if any of the functional zones does not provide it. According to the State forest service, the total area of the micro-reserves in 2018 was 43 527,40 ha ha. The identification of biologically valuable forest stands and the implementation of protective measures are performed continuously.

In turn, for the conservation of biodiversity in the forest management process, general nature conservation requirements have been developed that apply to all forest managers. They stipulate that during logging work the older and larger trees, dead wood, underwood and brushwood must be kept separately in wet micro-lowlands and other structures to promote the preservation of many habitats.

Latvia has ratified the CITES Convention (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) in 1997. In Latvian forests the species of trees mentioned in the CITES lists do not grow.

FOREST AND SOCIETY

Forest territories in which provision of recreation is one of the main objectives of forest management account for up to 8 % of the total forest area or 293,000 hectares (2012). Sight towers, cognitive trails, cultural heritage natural sites and recreational areas – these are just a few of the recreational infrastructure facilities available in forests that can be used by anyone. Particular attention to development of such territories is paid in the State-owned forests (JSC Latvijas valsts meži, Nature Conservation Agency). Recreation functions are also performed by specially protected nature territories (except in areas with a strict nature conservation regime) – national parks, nature parks, protected landscape areas, protected dendrological plantations and protected geological and geomorphologic objects, nature parks of local importance. The management of the specially protected nature territories (SPNT) of Latvia is provided by the Nature Conservation Agency under the authority of the Ministry of Environmental Protection and Regional Development. Some of the specially protected nature territories (SPNT) of Latvia are managed by the Nature Conservation Agency and some of them – by land

owners, legal possessors. In addition, land owners, legal possessors establish rest areas in forests also outside specially protected nature territories (for example, Latvijas valsts meži – see http://www.lvm.lv/par-mums/sociala-atbildiba/atputasplaces [1]).

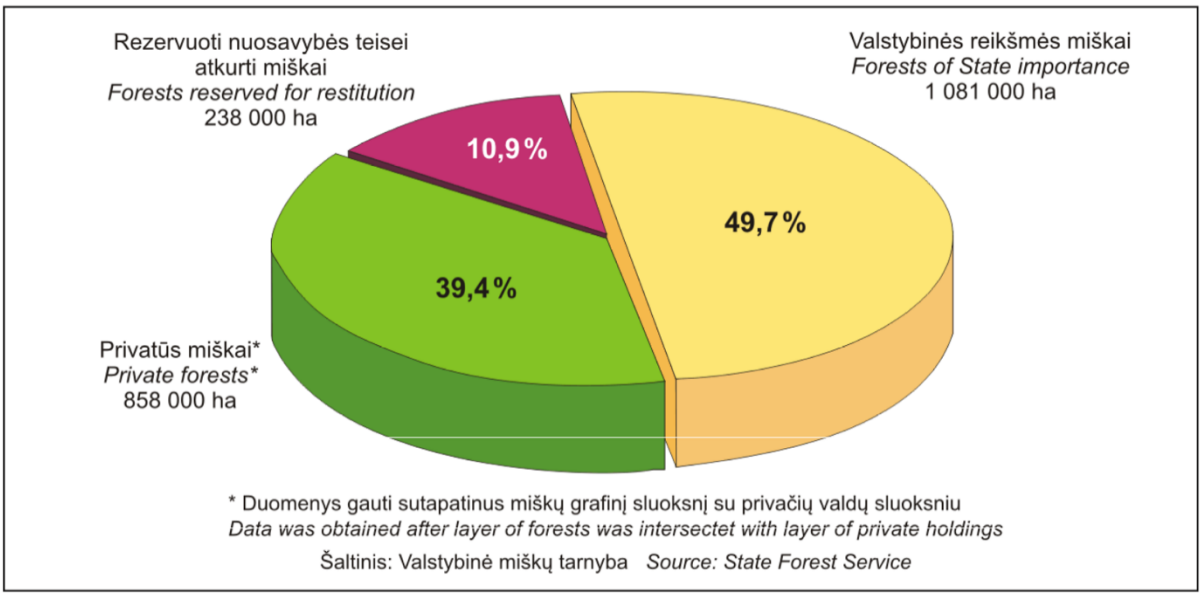
Certification

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

Information about LITHUANIAN forest resources

Agricultural land covers more than 50 % of Lithuania. The forested land occupies about 28 % or 2.18 million ha, while the land classified as forest occupies about 30 % of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 % of the land. The total land area belonged to 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 forestry sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10 % higher than in 2012.

FOREST LAND BY OWNERSHIP 01.01.2014



Forest land is divided into four protection categories: reserves (2 %), ecological category (5.8 %), protected category (14.9 %) and commercial category (77.3 %). All types of cuttings are prohibited in reserves. Clear cuttings are prohibited in national parks, while thinning and sanitary cuttings are allowed there. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinning as well. Almost no restrictions as to logging methods exist in the forests of commercial category.

Lithuania has signed the CITES Convention in 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

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 forests are the most common type of forests, covering about 38 % of the woodland. Spruce and birch forests account for 24 % and 20 % respectively. Alder forests occupy about 12 % of the forest area, which is a relatively high figure that indicates the moisture level on specific sites. Oak and ash account for about 2 % of the forest area each. The area occupied by aspen stands is almost 3 %.
The growing stock in Lithuanian forests is about 180 m3 per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m3 per hectare. Total annual growth is almost 11,900,000 m3 and the average annual wood increase has reached 6.3 m3 per hectare.

The expected annual logging volume is 5.2 million m3, 2.4 million m3 of which are sawn wood and the remaining 2.8 million m3 are small dimension wood for production of paper pulp or boards or for using as firewood. The calculations refer to the nearest 10-year period. If more intensive and efficient forest management systems are implemented, successful growth should be achieved.
Certification of all State forests in Lithuania is performed according to the FSC (Forest Stewardship Council) certification system. The audit of this certification confirms the fact that Lithuanian State forests are managed responsibly, in compliance with the requirements of protection and conservation of biodiversity.
(Source: http://www.fao.org/docrep/w3722e/w3722e22.htm)

ESTONIA forest resources
Estonia is a member of the European Union since 2004. The Estonian legislation is in compliance with the EU's legislative framework and directives. National legislative acts make references to the international framework. All legislation is drawn up within a democratic system, subject to free comment by all stakeholders1.The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 20202 has clear objectives and strategies in place to ensure the forestland is protected up to the standards of sustainable forest management techniques. The Ministry of the Environment coordinates the fulfilment of state duties in forestry. The implementation of environmental policies and its supervision are carried out by two separate entities operating under its governance. The Estonian Environmental Board monitors all of the work carried out in Estonia's forests whereas the Environmental Inspectorate exercises supervision in all areas of environmental protection.
The forest is defined in the Forest Act. There are three main forest categories are described in this legislation: commercial forest, protection forest and protected forests. According to the ownership, forests are also divided into private forests, municipality forests and state owned forests. The state owned forest represent approximately 40% of the total forest area3 and is certified according to FSC and PEFC forest management and chain of custody standard in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed4. The state forest is managed by State Forest Management Centre (RMK) which is a profit-making state agency founded on the basis of the Forest Act and its main duty lies in a sustainable and efficient management of state forest.
Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest as indicated in Figure 1 and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual

[1] http://europa.eu/about-eu/countries/member-countries/estonia/index_en.htm
[2] Original title: „Eesti metsanduse arengukava aastani 2020"; approved by Estonians parlament decision nr 909 OE 15.February 2011.a http://www.envir.ee/sites/default/files/elfinder/article_files/mak2020vastuvoetud.pdf
[3] http://www.rmk.ee/organisation/operating-areas
[4] http://www.rmk.ee/organisation/environmental-policy-of-rmk/certificates

change in the forest cover was +0.4 %5. Forestry Development Plan 2012-2020 and Yearbook Forest 2013, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill m³ per year6. The amount is in line with sustainable development principle when the cutting rate doesn't exceeds the annual increment and gives the potential to meet the long-term the economic, social and environmental needs. According to the Forestry Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.

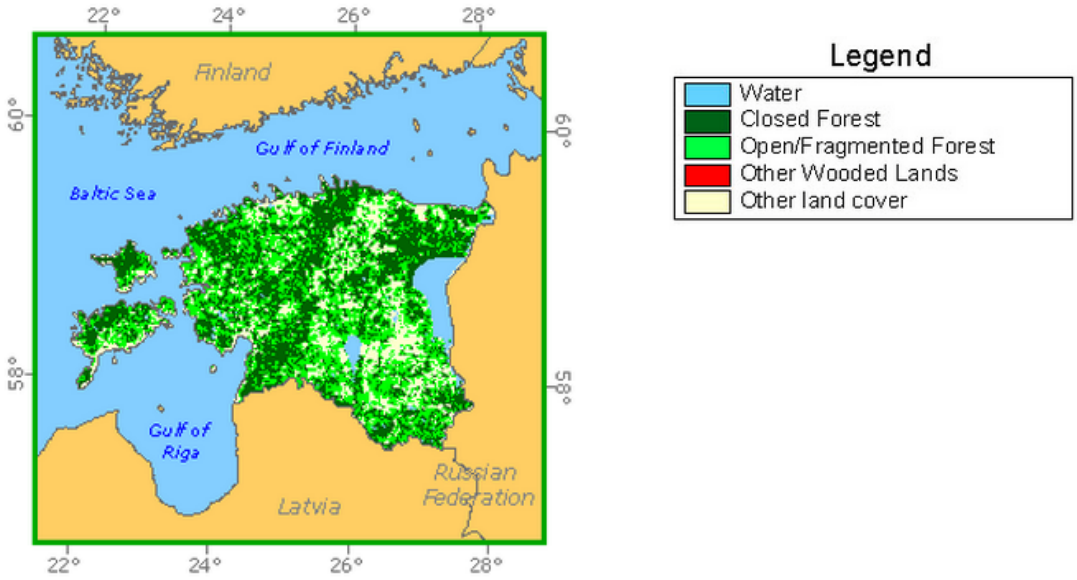


Figure 1. Forest cover of Estonia (FAO: http://www.fao.org/forestry/country/en/est/).

The distribution of growing stock by tree species in Estonia is shown in Figure 2.

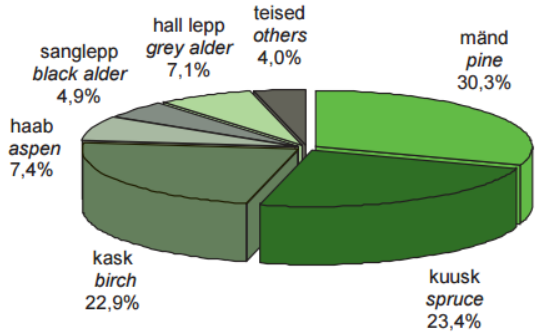


Figure 2. The distribution of growing stock by tree species (Yearbook Forest 2013).

[5] http://www.fao.org/forestry/country/32185/en/est/

[6] Yearbook Forest 2013 http://www.keskkonnainfo.ee/failid/Mets_2013.pdf (all key figures, graphs and tables are bilingual)

For logging in any type of forest, it is required that a valid forest inventory or forest management plan, along with a felling permit issued by the Environmental Board, is available. All issued felling permits and forest inventory data is available in the public forest registry online database7.

Area of protected forests accounts to 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests is located on state property. The main regulation governing the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act8. Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 19929 and joined the International Union for Conservation of Nature (IUCN) in 200710. There are no CITES or IUCN protected tree species naturally growing in Estonia.

According to the Forestry Yearbook 2013 the wood, paper and furniture industry (503.5 million euro) contributed 21.6% to the total sector providing 3.3% of the total value added. Forestry accounted for 1.6% of the value added.

In Estonia, it is permitted to access natural and cultural landscapes on foot, by bicycle, skis, boat or on horseback. Unmarked and unrestricted private property may be accessed any time and pick berries, mushrooms, medicinal plants, fallen or dried branches, unless the owner forbids it. On unmarked and unrestricted private property camping is allowed for 24 hours. RMK creates exercising and recreational opportunities in nature and in recreational and protection zones and provides education about the natural environment which are free to access.11

SWEDEN forest resources

Sweden has one of the healthiest economies in the European Union. It has the fifth highest GDP per capita3 after Luxembourg, Netherlands, Austria and Ireland. After the recession of 2008–2009, the economy recovered well and has resisted the current wave of economic crisis. This is one of the results of the economic reforms and responsible fiscal policy of the Swedish governments. The public debt in 2012 reached only 38.2% of GDP and the deficit is under very restrictive control. Government revenues and expenditures are high and during the last years were regularly exceeding 50% of GDP, which are generally higher than the OECD average. In 2011, both revenues and expenditures exceeded 51% of GDP. The Swedish economy is strongly export orientated. Exports of goods and services are responsible for around 50% of the Swedish GDP. Its industry, in particular car manufacturing, military industry, telecommunications, furniture production and pharmaceutical industry, is strongly based on advanced technologies which are very competitive on the international markets. Swedish companies like: Volvo, Scania, Ericsson, Electrolux, IKEA and many others are well known around the world. In 2011, the current balance of payments account represented a surplus of 7% of GDP. Sweden is often considered to have one of the best and most equal standards of living in the world. The GINI coefficient8 for income inequalities is one of the lowest in the world, at a level of around 0.259 (OECD average is 31.4)9. Until the early nineties, there was also very low unemployment in Sweden. The increase of unemployment, in particular for young people, was one of the consequences of the Swedish economic crisis at the beginning of the nineties. During the last decade, the unemployment rate has fluctuated between 6–8%. The current economic crisis has strongly increased the unemployment level, in particular for the most disadvantaged groups such as the young, people with low qualifications and immigrants. However, it is important to mention

[7] http://register.metsad.ee/avalik/
[8] https://www.riigiteataja.ee/en/eli/517062015004/consolide
[9] http://www.envir.ee/et/cites
[10] http://www.envir.ee/et/iucn
[11] https://www.eesti.ee/eng/topics/citizen/keskkond_loodus/maa/metsandus_1

that the labour market is in a relatively better situation compared to some countries from southern Europe. Source: https://www.europarl.europa.eu/RegData/etudes/note/join/2013/495863/IPOL-REGI_NT(2013)495863_EN.pdf

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

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

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

Due to effective and far-sighted forest management the timber stock in Sweden has increased by more than 60% in the last one hundred years and it is now 3000 million m3. In recent years felled quantities have been between 85 and 90 million m^3, whereas annual growth amounts approximately to 120 million m^3.

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

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

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

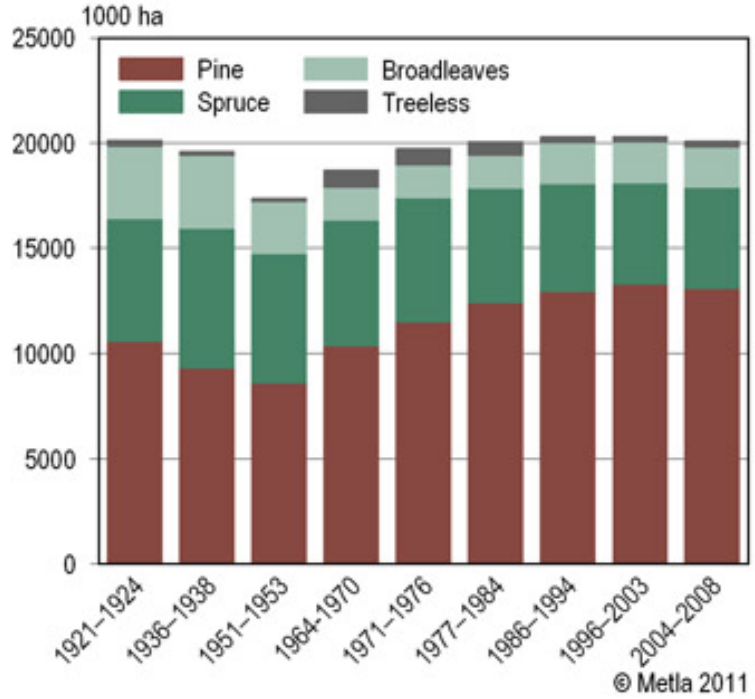
FINLAND forest resources

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

The Forest Act regulates the felling of timber in Finland. Regional Forestry Centres control the implementation of the forestry legislation and accept forest use declarations in which forest owners inform about the stand characteristics, intended measures, regeneration and ecological concerns on the site before the felling can take place. Regional Environment Centres control the implementation of Nature Conservation Act. The Finland's National Forest Programme also states the importance of legal wood and lists measures to promote sustainable wood and to control illegal logging both nationally and internationally.14

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

Forest composition in Finland:



Source: METLA State of Finland's Forests 2012

Private forest owners (mostly families) own the majority (60 %) of Finnish forests. The owner of the forest sells the timber which means that the obtaining logging authorisation through bribes does not exist in Finland. Owner needs to get acceptance for forest use declaration from regional forest centers. The state owns 26 percent of the Finnish forests, private industries, such as forest companies nine and other bodies five percent

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

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

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

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

The forest sector is one of key supporters of Finland's economy. In 2011 it employed directly about 70,000 people in Finland, which was 2.8 percent of all employees. One fifth of Finland's export income comes from forest industries. More than 60 percent of the value added generated by the forest industries came from pulp and paper industries and the rest wood products industries in 2011. Regionally, the importance of the forest sector is largest in southeastern corner of Finland and in Etelä-Savo and Central Finland regions, where the sector produces some ten percent of the regional GDP.
Similar to Estonia Finland has a relatively rare concept of Everyman's rights (Jokamiehenoikeus) which gives everyone, Finns and other nationalities alike, the right to move freely outdoors. Picking berries and mushrooms is permitted even on privately owned land thus free forest access provides, in addition to products for local or family consumption, income-earning opportunities for those who sell non-wood forest products. Everyman's right has traditionally been exercised with due concern for the environment and common courtesy to the landowner or those living in the vicinity.
A group considered as an indigenous people in Finland is the Sámi. Their rights have been secured in many laws e.g. the Constitution, the Sámi Parliament Act, the Act on the Finnish Forest and Park Service and the Act on Reindeer Husbandry. The Sámi Parliament is the supreme political body of the Sámi in Finland. The Sámi Parliament represents the Sámi in national and international connections, and it attends to the issues concerning Sámi language, culture, and their position as an indigenous people. The Sámi Parliament can make initiatives, proposals and statements to the authorities. The Sámi Parliament Act also states that the authorities have an obligation to negotiate with the Sámi Parliament for all important measures that concern the Sámi people. These include for example the use of state land and conservation areas.

Russia forest resources
The economy of Russia is an upper-middle income[27] mixed and transition economy. It is the fifth-largest national economy in Europe, the eleventh-largest nominal GDP in the world, and the sixth-largest by purchasing power parity.

Russia's vast geography is an important determinant of its economic activity, with some sources estimating that Russia contains over 30 percent of the world's natural resources.[28][29][30] The World Bank estimates the total value of Russia's natural resources at $75 trillion US dollars.[31][32] Russia relies on energy revenues to drive most of its growth. Russia has an abundance of oil, natural gas and precious metals, which make up a major share of Russia's exports. As of 2012, the oil-and-gas sector accounted for 16% of GDP, 52% of federal budget revenues and over 70% of total exports.[33][34] Russia is considered an "energy superpower".[35][36] It has the world's largest proven natural gas reserves and is the largest exporter of natural gas. It is also the second-largest exporter of petroleum.

Russia has a large and sophisticated arms industry, capable of designing and manufacturing high-tech military equipment, including a fifth-generation fighter jet, nuclear powered submarines, firearms, and short range/long range ballistic missiles. The value of Russian arms exports totalled $15.7 billion in 2013—second only to the US. Top military exports from Russia include combat aircraft, air defence systems, ships and submarines.[37][38]

The economic development of the country has been uneven geographically with the Moscow region contributing a very large share of the country's GDP.[39] There has been a substantial rise in wealth inequality in Russia since 1990 (far more than China and other Eastern European countries).[40][41] Credit Suisse has

described Russian wealth inequality as so extreme compared to other countries that it "deserves to be placed in a separate category."[41][42] One study estimates that "the wealth held offshore by rich Russians is about three times larger than official net foreign reserves, and is comparable in magnitude to total household financial assets held in Russia."[40]
Source: https://en.wikipedia.org/wiki/Economy_of_Russia
Sourcing area in Russia is the Republic of Karelia. The supply area is represented by semi-natural managed forests (southern boreal) with native tree species. Tree species sourced are Pine (Pinus sylvestris) and Spruce (Picea abies). Other species (Betula sp, Larix, Populus, Alnus, Salix) are also present in the forests. The coniferous species make 68% of the forest area. No CITES listed forest tree species are represented in the sourcing.
The total forest area of Russia is 764 million hectares. The average harvesting volume represents 0.3 m3 /ha/year, while the average annual growth of forests is 1.3 m3 /ha/year. The missing infrastructure leaves large parts of the forests beyond any economic access. The forest conservation network in the European Russia is relatively well defined, strictly protected areas being approximately 5 % of the forest area, and exceeding 10% of the forest area if different partly or temporarily protected and restricted areas are included. Forest management practices are based on the forestry law, forestry guidelines, and forest management planning practice by the state forestry organization. Also long term forest lease holders (companies) must hold a valid forest management plan. Forests are leased to companies for 1-49 years. The forest rotation period is 60-120 years. Forest is grown with 1-2 thinnings during the rotation period, with a final harvesting and a regeneration of a mature stand. Planting or natural seeding can be used in regeneration. Alternatively, forest regeneration is done in narrow stripes, which are regenerated naturally before proceeding into the next stripe. GMO trees or introduced tree species are not used. In Russia, continuous cover forestry practice is also available. Continuous cover forestry is based on a 15-20 years harvesting cycle with selective harvesting and preservation of the viable undergrowth to form the next tree generation. In the North-West Russia's two-storey spruce-birch stands, where spruce was naturally generated under a pioneering birch layer, it is common to remove the upper birch layer with preservation of the viable spruce understorey.
Approximately 50% of the supplying forest base in North-West Russia is FSC Forest Management certified. Altogether 40 Million hectares have been FSC certified in Russia.

Poland forest resources
The economy of Poland is the sixth largest in the European Union (EU) and the largest among the former Eastern Bloc members of the EU.[26] Since 1990, Poland has pursued a policy of economic liberalization and its economy was the only one in the EU to avoid a recession through the 2007–08 economic downturn.[27] As of 2019 the Polish economy has been growing steadily for the past 28 years, a record high in the EU and only surpassed by Australia in the world economy.[28] GDP per capita at purchasing power parity has grown on average by 6% p.a. over the last 20 years, the most impressive performance in Central Europe resulting in the country increasing its GDP seven-fold since 1990.[29]

Poland is classified as a high-income economy by the World Bank[30] and ranks 21st worldwide in terms of GDP (nominal) as well as 24th in the 2017 Ease of Doing Business Index. Poland has a highly diverse economy that ranks 21st in the 2016 Economic Complexity Index. The largest component of its economy is the service sector (62.3.%), followed by industry (34.2%) and agriculture (3.5%). With the economic reform of 1989 the Polish external debt increased from $42.2 billion in 1989 to $365.2 billion in 2014. Poland shipped US$224.6

billion worth of goods around the globe in 2017, while exports increased to US$221.4 billion. The country's top export goods include machinery, electronic equipment, vehicles, furniture, and plastics.

According to the Statistics Poland, in 2010 the Polish economic growth rate was 3.7%, which was one of the best results in Europe. In 2014 its economy grew by 3.3% and in 2015 by 3.8%. Although in 2016 economic growth slowed, government stimulus measures combined with a tighter labour market in late 2016 kick-started new growth, which in 2017 the Polish Central Statistics Office states to be 5.2%.[31]

On 29 September 2017, the index provider FTSE Russell changed Poland's market status from an emerging market to a developed market.[
Source: https://en.wikipedia.org/wiki/Economy_of_Poland
The supplier base includes supplying companies and direct purchases from the Polish state forests. 82% of the Polish forests are state owned. 18% belong to private owners (1.5-2 million smallholders). Poland is represented by semi-natural managed forests (mixed forests zone) with native tree species. Tree species sourced are Pine (Pinus sylvestris) and Spruce (Picea abies). Other species (Betula sp, Larix, Populus, Alnus, Salix, Querqus and Fraxinus etc.) are also present in the forests. No CITES listed forest tree species are represented in the sourcing. The forest area of Poland is over 9 million hectares, which makes some 30% of the land area. The share of forest area is expected to grow up to 33% by 2050. The growing stock of forests has increased in past years from 1.4 to 1.7 billion m3 . The State Forests National Forest Holding is responsible for managing the state forests with its 430 forest districts. General Directorate for Environmental Protection is in charge of the nature conservation management. 29% of the land area (49% of the forest area) in Poland is defined with a Natura 2000 status. National Parks cover 1% of the country. Forest management practices are based on the forest act, nature conservation act, forestry guidelines, and forest management planning practice by the state forestry organization. National Forest Programme and National Forest Inventory set the framework for forest resources use. The forest rotation period for coniferous species is 60-100 years. Forest is grown with 1-2 thinnings during the rotation period, with a final harvesting and a regeneration of a mature stand. Planting or natural seeding can be used in regeneration. Alternatively, forest regeneration is done in narrow stripes, which are regenerated naturally before proceeding into the next stripe. GMO trees or introduced tree species are not used.
More than 90% of the supplying forest base is FSC Forest Management certified. 1-10% of the forest base is PEFC Forest Management certified.

5.4 Chain of Custody system

The Organisation is holding a valid FSC Chain of Custody and FSC Controlled Wood certificate TT-COC/CW-002924. Valid FSC system description and other FSC Chain of Custody related documentation exist.
The Organisation implements and manages an FSC credit system. FSC credit system is used for materials received as FSC certified, FSC Controlled Wood and feedstock verified according to the Organisation’s own Controlled wood verification system. The Controlled Wood system, and the organization’s SBE covers primary feedstock originating from Latvia only. Feedstock originating from other regions is delivered with FSC claims. After the reception, the incoming feedstock is unloaded into piles according to type of feedstock and is registered into the recordkeeping system.
FSC credit account is updated once in a month: data about received raw materials by FSC certified material certification status and volume of sold pellets as FSC are recorded into recordkeeping system.

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

6 Evaluation process

6.1 Timing of evaluation activities

The audit was conducted on 20th January to 24th January and included an evaluation of the biomass producers conformance against SBP standards 1,2,4 and 5. Audit duration on site: 30 hours. Document review and preparation: 10 hours (off site). Total audit time: 40 hours.

Site Name or Location:	Lizums, Gulbene region, Latvia, LV-4425	
Date and Time of Audit:	20.01.2020 Audit team will be joint.	
Audit Activity	**Items to Review / Actions**	**Approx. Start Time**
Opening meeting	Introductions, auditor review of audit scope, audit plan and intro/update to SBP, FSC, and SCS standards and protocols, client description of organization	10:00
Review of CoC/SBP procedures, products and material accounting	Written procedures, work instructions, feedstock description (see ID 5B section 4), product group list, accounting system (transfer, percentage or credit; physical separation, percentage method)	11:00
Lunch		13:00
Review of material balances and records	Auditor-selected sample of the following: 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	13:20
Staff interviews	Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position	15:00
Review of previous nonconformities	Review of evidence of corrective actions taken by organization since previous audit (records, documents, pictures, etc.)	17:00
Site Name or Location:	Lizums, Gulbene region, Latvia, LV-4425	
Date and Time of Audit:	21.01.2020 Audit team will be joint.	
Audit Activity	**Items to Review / Actions**	**Approx. Start Time**
	Opening meeting day 2	9:00
Verification of calculations	Auditor-selected sample and verification of calculations for conversion factors, percentage claims, and credit accounts, as applicable	9:30
SBP ST 5, ID5A, ID5B, & ID5C	Review of GHG data collection	10:30
Evaluation of trademarks	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	11:00
Lunch		13:00
Walkthrough of facility	Review of physical inputs and outputs, material receipt, processing, storage, credit account (if applicable), sale, and overall control	13:20
Staff interviews	Interviews with appropriate number and diversity of staff to assess knowledge of CoC procedures related to their position	17:00
Site Name or Location:	Lizums, Gulbene region, Latvia, LV-4425	
Date and Time of Audit:	22.01.2020 Audit team will be joint.	
Audit Activity	**Items to Review / Actions**	**Approx. Start Time**

<table>
<tr><td></td><td>Opening meeting day 3</td><td>8:30</td></tr>
<tr><td>Field visits / supplier visits</td><td>Supplier visit: SIA Kraujas Z and SIA Vasks</td><td>8:30</td></tr>
<tr><td>Lunch</td><td></td><td>13:00</td></tr>
<tr><td>Field visits / supplier visits</td><td><table><tr><td>Cadastral</td><td>Block</td><td>Compartment</td></tr><tr><td>36520030038</td><td>1</td><td>1</td></tr><tr><td>50640060062</td><td>6</td><td>3</td></tr><tr><td>50640060062</td><td>6</td><td>18</td></tr><tr><td>50640060062</td><td>6</td><td>19</td></tr><tr><td>50640060062</td><td>6</td><td>14</td></tr><tr><td>50440070018</td><td>1</td><td>1</td></tr><tr><td>50440070018</td><td>1</td><td>11</td></tr><tr><td>50940050007</td><td>1</td><td>9</td></tr><tr><td>50940050007</td><td>1</td><td>15</td></tr></table></td><td>13:20 till 17:00</td></tr>
<tr><td>Site Name or Location:</td><td colspan="2">Lizums, Gulbene region, Latvia, LV-4425</td></tr>
<tr><td>Date and Time of Audit:</td><td colspan="2">23.01.2020 Audit team will be joint.</td></tr>
<tr><td>Audit Activity</td><td colspan="2">Items to Review / Actions</td><td>Approx. Start Time</td></tr>
<tr><td></td><td>Opening meeting day 4</td><td>8:30</td></tr>
<tr><td>Field visits / supplier visits</td><td>HCV and OHS risk mitigation measure visits within FMUs:<table><tr><td>Cadastral</td><td>Block</td><td>Compartment</td></tr><tr><td>38580010010</td><td>1</td><td>23</td></tr><tr><td>38580010010</td><td>1</td><td>14</td></tr><tr><td>38580010010</td><td>1</td><td>12</td></tr><tr><td>50600020052</td><td>1</td><td>9</td></tr></table></td><td>8:50</td></tr>
<tr><td>Lunch</td><td></td><td>13:00</td></tr>
<tr><td>Field visits / supplier visits</td><td>HCV and OHS risk mitigation measure visits within FMUs:<table><tr><td>Cadastral</td><td>Block</td><td>Compartment</td></tr><tr><td>50480030050</td><td>2</td><td>1</td></tr><tr><td>50480030050</td><td>2</td><td>4</td></tr><tr><td>50480030050</td><td>2</td><td>5</td></tr><tr><td>50480030050</td><td>2</td><td>6</td></tr><tr><td>50480030067</td><td>1</td><td>1</td></tr><tr><td>50480030067</td><td>1</td><td>7</td></tr><tr><td>50480030067</td><td>1</td><td>10</td></tr></table></td><td>13:20 Till 17:00</td></tr>
<tr><td>Site Name or Location:</td><td colspan="2">Lizums, Gulbene region, Latvia, LV-4425</td></tr>
<tr><td>Date and Time of Audit:</td><td colspan="2">24.01.2020 Audit team will be joint.</td></tr>
<tr><td>Audit Activity</td><td colspan="2">Items to Review / Actions</td><td>Approx. Start Time</td></tr>
<tr><td>Riga port visit - Walkthrough of facility and port</td><td>Review of physical inputs and outputs, material receipt, processing, storage, credit account (if applicable), sale, and overall control</td><td>9:00</td></tr>
<tr><td>Closing meeting preparation</td><td>Auditor takes time to consolidate notes and review audit findings for presentation at closing meeting</td><td>10:30</td></tr>
</table>

Closing meeting and review of findings	Convene with all relevant staff to summarize audit findings, review identified nonconformities, and discuss next steps	11:30
End		

6.2 Description of evaluation activities

The audit began with an opening meeting, where the lead auditor introduced the auditing team, provided information about audit plan, methodology, auditor qualification, confidentiality, and assessment methodology and clarified verification scope. The lead auditor explained the aim and objectives of the scope of the audit, informed about the process, underlined the need to collect objective evidence through a combination of document review, site visits, interviews and discussions, explained the essence and importance of sampling aspect of the auditing. Observations, minor and major nonconformity procedures and processes were explained. The audit itinerary was discussed and confirmed.

FMU site selection (primary and secondary) and secondary supplier interviews were confirmed and arranged pre-audit using the SBP formula $x=\sqrt{n}\times 0.8$. A sample of 20 FMUs (Both primary and Secondary) were visited, 2 secondary suppliers were interviewed for HCV; OHS mitigation measures material origin, their certification status and segregation methods. Cross check between information provided by CH and their suppliers were carried out

Lead Auditor: Jānis Švirksts

6.3 Process for consultation with stakeholders

Official stakeholder consultation was undertaken in the expansion of scope to include an SBE. Stakeholder consultation did occur as part of the audit with secondary supplier interviews, contractor interviews and internal staff interviews. The purpose of these interviews was the corroborate evidence being supplied by the BP.

For the stakeholder notification, 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 consultations this get filtered to omit any stakeholders that are not geographically relevant to the certificate-holder's supply base.

7 Results

7.1 Main strengths and weaknesses

Avoti has a strong work ethic and dedicates resources to the maintenance of their SBP certificate. Their operation employs over 400 people from the region in both their furniture manufacturing facility and their pellet producing facility. Their business was formed over 20 years ago and the owners have constantly adapted and being innovative. The facilities provided for staff were notable.
The weaknesses of the SBP program are listed in the non-conformity section of this report.

7.2 Rigour of Supply Base Evaluation

SIA Avoti SWF is implementing the SBE for primary and secondary feedstock (forest products) originating from Latvia and sourced without SBP-approved Forest Management Scheme claims, SBP-approved Forest Management partial claim, SBP-approved Chain-of-Custody (CoC) System claim. Risk mitigation measures are implemented for feedstock sourced from forest land (material sourced under FSC Controlled Wood system).
The BP is using the SBP approved and endorsed the Regional Risk Assessment for Latvia. The designated risks in both organization's risk assessment and the SBP endorsed RRA do not differ. Both organization's RRA and SBP endorsed RRA specifies the same "specified risk" for indicators 2.1.1, indicator 2.1.2 and indicator 2.8.1.
The BP is applying risk mitigation measures that were consulted with relevant stakeholders. The BP is implementing mitigation measures for individual SBP standard indicators that have "specified risk" status. Mitigation measures were designed in cooperation with external experts - acknowledged nature/forest habitat experts, and experts on health and safety issues.
Some non-conformities were issued during the 2019 audit whereby the BP needs to strengthen its approach.

7.3 Collection and Communication of Data

The BP implements a system to collect and record data on Greenhouse Gas emissions. The BP has elaborated detailed overview of the systems and databases to collect and record all GHG data related to production of pellets.

7.4 Competency of involved personnel

The Supply Base Evaluation (SBE) system is implemented by existing company staff with help of external consultant. The responsible staff had partly undergone training and at the time of audit is implementing the SBE system, very much supported and supervised by external consultant. Risk mitigation measures and supplier verification program is conducted together by BP's staff and external consultant via the on the job training.
Quality manager who is also responsible for FSC chain of custody certification system holds the overall responsibility for SBP and SBE system, as well as procurement and supplier related issues, SBE system

implementation and supplier audits. Accountancy staff is responsible for recordkeeping, accounting, mass-balance accounting. Material receptionists are responsible for incoming material reception, identification of material status and subsequent classification of material in the accountancy system. Pellet production operators are responsible for moisture measurements and production recordkeeping. Qualification requirements for personnel involved in SBE system are provided in documented procedures of the BP.
Involved personnel, including responsible staff at suppliers and sub-suppliers have demonstrated sufficient knowledge in relevant fields, including knowledge of critical aspects - recognition and identification of HCVF, health and safety requirements. Relevant certificates and diplomas were available upon request.

7.5 Stakeholder feedback

Stakeholder consultation was not formally carried out for the 1st surveillance audit. Stakeholder interviews during the audit were directly recorded in checklists to provide objective evidence of conformance with the relevant standards.

7.6 Preconditions

No preconditions were issued by the CB in this audit cycle in relation to the organizations certificate. Major non-conformities issued for the SAR component must be addressed prior to SAR approval by CB, and SBP.

8 Review of Company's Risk Assessments

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

The BP is using the SBP endorsed (September 28, 2017) SBP Regional Risk Assessment for Latvia where risks for each individual indicator have been evaluated. "Specified risk" in the Regional Risk Assessment for Latvia have been assigned to indicators 2.1.1 (only HCVF category 3), indicator 2.1.2 (HCVF categories 1, 3 and 6) and indicator 2.8.1. Mitigation measures planned and implemented by the BP can be considered sufficient in order to reduce the risk to "low risk" for indicators mentioned. See risk ratings in Table 1.
Risk assessment is available in www.sbp-cert.org. It is concluded that the actions taken (for the suppliers included in the SBE) by the BP lead to substantial decrease of the risk and the final risk level for all indicators can be considered as "low risk".

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

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Specified	Specified
2.1.2	Specified	Specified
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
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	Specified	Specified
2.9.1	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

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

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

The organization has designed and is implementing mitigation measures of risks for non-certified feedstock originating from Latvia. The organization has designed and is implementing mitigation measures for 3 indicators evaluated as specified risk (2.1.1, 2.1.2 and 2.8.1) during the assessment. The BP is also requiring suppliers to take necessary actions – risk mitigation measures to avoid supplying material of "specified risk".
To mitigate risks of mentioned 3 indicators at secondary feedstock level, the BP accept secondary feedstock from approved suppliers, which utilise "low risk" or "SBE NR" primary feedstock only. Primary feedstock suppliers are checked and verified by the BP.
Indicator 2.1.1 (HCVF category 3):
Woodland Key Habitat tool ("WKH tool") was developed by biomass producers in Latvia united under the Latvian biomass association "LATBio". The tool is used in private forest land and shows "Risky areas" which may comprise WKH and "Green areas" which most likely do not comprise WKHs. The tool is based on existing forest inventory databases and implements filtering forest inventory databases using the algorithm from "Inventory of woodland key habitats; methodology" (Ek at al 2002). The tool has been verified in field verification process that took place (carried out by licenced forest ecology, biodiversity experts) to verify the correctness of the methodology and the algorithm implemented. Five different areas in Latvia were visited (each area ca. 200 ha) which have proved that the tool shows correct data and the WKH is not present in the "green areas". The WKH tool is not used by the BP, however, the BP is considering using it as a source of additional information. The BP has defined the following approach for risk mitigation with regard to identification of high conservation values – all harvesting sites in the SBE system shall be inspected by the supplier of primary feedstock prior to harvesting and screened for presence of high conservation values according to WKH checklist. The checklist has been elaborated by forest habitat experts in Latvia and are used by many SBP certified biomass producers and forest management companies.
Indicator 2.1.2 (HCVF category 1):
According to the SBP endorsed risk assessment for Latvia, HCVF category 1 risks are related to Bird Directive's Annex 1 species (forest birds) whose populations are decreasing in the country. Risk mitigation measures envisages protection of existing bird habitats and protecting the nesting sites. The feedstock shall not be sourced from areas where the bird nesting sites had been destroyed as a result of forestry activities or feedstock sourced without proper forest management activities to preserve nesting sites. The BP has required all suppliers of primary and secondary feedstock included in the SBE to undergo a training course for identification high conservation values in forest ecosystems. The training course is held by recognized forest biotope experts. All current suppliers supplying feedstock within the SBE, sub-suppliers of primary material have participated in the training course and obtained knowledge on how to recognize HCVs (woodland key habitats, forest habitats of EU importance) and recognize important bird habitats and nesting sites and how these shall be protected.
Each supplier is required to evaluate all sites prior to harvesting and evaluate the presence of Woodland Key Habitats with help of WKH checklist. Suppliers are obliged to evaluate the presence of large diameter (>50cm) nest or protected bird species in the checklist. Interviews with suppliers as well as review of records showed that the procedure is followed by approved suppliers. In case of longer supply chains, e.g. primary processors

supplying secondary feedstock or traders/brokers, supplier of material to BP shall make necessary risk mitigation measures to assure that the feedstock can be considered low risk. In case of sub-suppliers, supplier shall verify that the material supplied by sub-supplier is not being sourced from areas with HCV Cat 1. In many cases the suppliers are actually evaluating the site prior to purchasing it and in case there is occurrence of large bird nests of indicative presence of potential WKH, they do not purchase the stand.
BP is monitoring the evaluation of the sites during regular supplier audits (frequency of the audits depends on the amount of material sourced).
Indicator 2.1.2 (HCVF category 3):
Every supplier of primary feedstock that is going to supply feedstock as low risk material or with “SBR NR” claim shall check the area designated for harvesting and filling in the WKH inventory checklist. In case the area is identified as potential woodland key habitat or forest habitat of EU importance, the supplier cannot supply the material with “SBR NR” claim. The supplier, however, can invite a certified biotope expert to evaluate the harvesting site for presence of WKHs and determine the status. In case the decision is negative, the site can be harvested and supplied to BP as “low risk” or “SBR NR” feedstock. Feedstock from area of identified HCVs – WKHs/EU habitats is not accepted by the BP.
The BP carries out monitoring of supplied feedstock loads with help of LATBio WKH tool. Areas that show up in the Latbio database as containing potential HCVs are inspected by the BP on a sampling basis, with prior evaluation of WKH potential based on forest inventory data (stand composition and age) through inspecting the plots where evaluations have been done by the suppliers. The BP carries out own evaluation of the site and this evaluation is then compared with the supplier evaluation. In case the BP identifies that the WKH were not evaluated correctly at least in one case, the supplier gets warning and has 1 month for corrective action. After that, the audits are repeated and in case they identify incorect evaluation repeatedly, the supplier is excluded from the list of accepted suppliers.
Secondary feedstock suppliers are sourcing raw material from BP approved suppliers. Only BP approved primary feedstock suppliers can supply feedstock and only „Low risk“ or „SBE NR“ input can be used as input. List of approved primary suppliers is available.
Indicator 2.1.2 (HCVF category 6):
The specified risk for this sub-indicator relates to noble tree species with large diameter which might be coming from old manors, parks or tree alleys having cultural heritage value. The BP has implemented procurement policy that noble species will not be sourced and in case it will be the diameter can´t exceed 70cm. The interview with the receptionist as well as site tour through the storage area proved that no noble tree species are received. This procedure shall also be followed by suppliers of secondary material (sawmills and brokers/traders) by applying BP’s procedure. Field inspections at suppliers of secondary feedstock showed that responsible staff showed awareness of the requirement. Site tour through the storage areas showed that large diameter and noble tree species are present. It has been explained also by interviewed persons, that large diameter trunks may be received with FSC certified material from certified forest managers are delivered with certification claim. Large trunks received with certified feedstock is not in the scope of SBE and are accepted by the BP as low risk feedstock. Companies HCV checklists contains information, that in case of Large Veteran trees or Alleys of trees have been identified in FMU - they should be preserved or expert involved if harvesting of them is planned (automatically triggers 10 points). Also companies representative have access to Nature protection agency data base OZOLS, where noble veteran trees are marked.
Indicator 2.8.1:
Each supplier is checked for H&S issues by the BP prior to accepting him as a supplier under the SBE system. The BP uses checklist which is filled in during interviews with the workers in the forest. Each supplier is checked before becoming accepted supplier.
Surveillance/monitoring of suppliers is carried out through sampling depending on the amount of material sourced, but at least one surveillance audit in calendar year. In case the BP identifies one aspect of the H/S as not fulfilled during the monitoring visits, the supplier gets warning and has 1 month to implement corrective

action. After that, the audit is repeated and in case they identify again some violation of the H/S rule the supplier is excluded from the list of accepted suppliers.
The supplier audits are conducted by the BP itself. In additional to this sub-suppliers and sawmill are conducting internal audits for their suppliers. BP does verify supplier audits methodology and conducts audits together with sawmills/ sub-suppliers with an aim to make sure supplier audits are done in the sufficient quality.
No mass-balance system is implemented at the sawmill (primary feedstock) level. Only FSC certified and SBE primary feedstock verified feedstock with SBNR mark in the sales invoices are accepted by sawmills. Other feedstock is not accepted. Feedstock coming from these sawmills is marked as „SB NR“ in its sales invoices. Number of the suppliers to sawmills is limited to approved SBE suppliers.

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.*

NC number 5	**NC Grading:** Minor
Standard & Requirement:	ST 2 section 16.1; ST 1 criterion 2.8.1
Description of Non-conformance and Related Evidence:	
The regional risk assessment states section 2.8.1 as specified risk. Safety audits are being conducted by the company and suppliers. Upon checking the contract agreement – Health and Safety is not specifically mentioned and does not form part of the considerations such as HCV and WKH.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	RRA for Latvia, contract agreement; Self declaration of suppliers. Internal audit reports of suppliers. Self declaration examples from SBE suppliers Stabilo, Rairu and others verified during audit.
Findings for Evaluation of Evidence:	Avoti conducts internal safety audits on a sample selection of contractors. The safety officer demonstrated her competence and showed several examples of checklists used in the past audit period. Field visit evidence documents: SIA Stabilo chain saw operators checked: Technologcial map on site and appropriate, operator licenses: No.72 (D.V); 0907-686 (G.P.); No. 25545 (K.J.); No.17-10-1/2 (R.K.).an others. All work equipment in order.
NC Status:	Closed

NC number 6	**NC Grading:** Minor
Standard & Requirement:	ST 1 2.7, criterion 1.3
Description of Non-conformance and Related Evidence:	
In cadastral unit No. 50880010009, quarter No.2, compartment No.4 no ecological trees are left in the cutting site, as regulated by National legislation. This is not indicated in companies HCV checklist.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	The cooperation with the supplier was terminated already on February 18, 2019 due to violation of Health and Safety requirements and supplier had refuse any training and improvements.
Findings for Evaluation of Evidence:	During Field verification 20 FMUs were visited. In 2 of them it was identified, that more appropriate ecological trees could have been left

	and that some of the dead wood, which should have been left in the forest have been cut into length, therefore major CAR is raised..Major CAR raised under indicator St.1. clause 2.2.1 See Major CAR 2020.02
NC Status:	Closed

NC number 7	**NC Grading:** Minor
Standard & Requirement:	ST 1, 2.7 & criterion 1.1.2
Description of Non-conformance and Related Evidence:	
Oak (Quercus robur) is listed in the species for the tertiary supplier of sawdust. This species is not listed in the pellet productions species list.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	Pellet production species list updated in SBR.
Findings for Evaluation of Evidence:	Companies manual and SBR checked during the audit. Oak included in product group list.
NC Status:	Closed

NC number 2020.01	**NC Grading:** Major
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0 indicators 2.1.1 and 2.1.2
Description of Non-conformance and Related Evidence:	
Company is using Latbio data base for potential HCV territory identification and planning of on site HCV assessments. In total company or its suppliers have made 478 on site assessments for primary feedstock and in 2 cases HCVs were identified. Since year 2017 Nature protection agency conducts WKH inventory in Latvia and first results of assessments carried out in year 2017 are publicly available in data base OZOLS since end of year 2019. During the audit companies SBE supplier FMU report (SBP_FRM_AuditData_SBE_V2-0_071619), were verified on sample basis and it was identified, that company have sourced from already mapped WKHs (cadastral units: 36960080046; 42480050008; 50640160036; 5076004006; 50880080090). HCV assessment, done by company "Rairu", in early 2019 for compartments in cadastral units: 36520030038 and 50640060062 (less HCV points are set than in nature) Companies SBR indicates, that if during the surveying a historical and cultural object is found, an expert is immediately invited to provide a complete report, still Companies HCV on site checklist do not have direct reference to forestry history testimonies, such as lime kilns, ancient bridges and historic roads, stones and households, as well as other little-known historical attractions, set as HCV 6 in SBP RRA for Latvia. As for the above mentioned information and because of the fact, that repeated CAR have been raised under particular indicator – Major CAR is raised.	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 2020.02	**NC Grading:** Major
Standard & Requirement:	SBP Framework Standard 1: Feedstock Compliance V1.0 indicators 2.2.1
Description of Non-conformance and Related Evidence:	

Year 2019: In cadastral unit No. 50880010009, quarter No.2, compartment No.4 no ecological trees are left in the cutting site, as regulated by National legislation. This is not indicated in companies HCV checklist. Year 2020: During Field verification 20 FMUs were visited. In 2 of them it was identified, that more appropriate ecological trees could have been left and that some of the dead wood, which should have been left in the forest have been cut into length, therefore major CAR is raised.	
Timeline for Conformance:	3 months from the report finalisation response is optional
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 2020.03	**NC Grading:** Major
Standard & Requirement:	SBP Framework Standard 2: Verification of SBP-compliant Feedstock V1.0 7.1; IN-2C 4.1; IN-2C 2.1; IN-2C 3.1
Description of Non-conformance and Related Evidence:	
No Translation in latvian available for SBR for year 2019. Latest approved SBR (year 2019) is not available in companies homepage. Also - not all the information mentioned in SBR template available in companies SBR report, for example: 2.1 … Include a comparison of the scale of harvesting compared to other forest based industries in the region...; As the CAR under this indicators is repeated, than Major CAR is raised.	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
NC Status:	Open

NC number 2020.04	**NC Grading:** Minor
Standard & Requirement:	SBP Framework SBP Standard 5 with Instruction Documents 5A, 5B, and 5C (V1.1) Section ID 5C, 4.2.1
Description of Non-conformance and Related Evidence:	
Unloading operations by truck drivers within companies premises shall be accounted within GHG calculations within pellet production process. Minor CAR with closure time 3 months is raised	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts from report finalisation date
Evidence Provided by Company to close NC:	*Click or tap here to enter description provided by Company to close the NC.*
Findings for Evaluation of Evidence:	*Click or tap here to enter findings for evaluation of evidence by the auditor.*
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:	14/Apr/2020
Other comments:	*Click or tap here to enter text.*