



NEPCon OÜ Evaluation of Palleteries SIA Compliance with the SBP Framework: Public Summary Report

Main (Initial) Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.5

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

Document history

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1 Overview

Certification Body (CB) Name:	NEPCon OÜ
Primary CB contact for SBP:	Ondrej Tarabus
Primary CB contact email:	otarabus@preferredbynature.org
Audit team leader:	Liene Suveizda
Audit team members:	Eriks Lidemanis
Name of the Company:	Palleteries SIA
Company legal address:	O.Vaciesa street 18, LV-1004 Riga, Latvia
Company contact for SBP:	Arita Upmale
Company contact email:	arita@palleteries.lv
Company website:	N/A
SBP Certificate Code:	SBP-08-42
Date of certificate issue:	01 Jul 2021
Date of certificate expiry:	30 Jun 2026
Audit closing meeting date:	12 May 2021
Audit cycle:	Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope Item	Check all that apply to the Certificate Scope	Change in scope (N/A for Assessments)
Primary Activity:	Biomass Producer	<input type="checkbox"/>
Approved Standards:	SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; SBP Standard 5: Collection and Communication of Data Instruction; Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4	<input type="checkbox"/>
Includes Supply Base Evaluation (SBE):	No	<input type="checkbox"/>
Includes communication of Dynamic Batch Sustainability Data (DBSD)	Yes	<input type="checkbox"/>
Includes Group Scheme	No	<input type="checkbox"/>
Products	Chips, Pellets	<input type="checkbox"/>

Feedstock types:	Primary, Secondary	<input type="checkbox"/>
Feedstock origin (countries):	Latvia	<input type="checkbox"/>
SBP-endorsed Regional Risk Assessments used:	Not applicable	<input type="checkbox"/>
Public link: https://sbp-cert.org/documents/standards-documents/risk-assessments/		<input type="checkbox"/>
Chain of custody system implemented:	PEFC, FSC: FSC: NC-COC-022294, PEFC: NC-PEFC/CoC-022294	<input type="checkbox"/>
	Credit	<input type="checkbox"/>

2.1 Description of the company

The certificate scope covers the office and pellet and wood chips production site in Kuldīga, sales office in Rīga and storage place in Ventspils harbour. The Organisation owns two sawmills and wood chip production site/ pellet mill in Kuldīga. The Organisation holds valid FSC Chain of Custody certificate as well valid PEFC Chain of Custody certificate covering the sawmill in Krauļu iela 4 (Kuldīga, Latvia) and sawmill in Zaļā iela 6 (Kuldīga, Latvia) with legal address Ojara Vaciesa str. 18 (Rīga, LV-1004, LATVIA). In practice the production of PEFC certified products mainly is organised in Zaļā iela 6 and production of FSC certified products in Krauļu iela 4. Sawdust and wood chip production is covered by both FSC/ PEFC certificates. SBP biomass production covers two SBP product group production ways – pellet production from secondary feedstock from own industry residuals(sawdusts) and wood chips from own industry residuals(woodchips) as well as chipped low grade primary feedstock. Only secondary feedstock is used for pellet production. Secondary feedstock from own primary production (sawdust) is applied. Wood chips from own primary feedstock production used for dryer. Pellets are produced from own primary processing waste, FSC or PEFC (including FSC Controlled Wood and PEFC Controlled Sources) certified industry residuals (sawdust). The Organisation is also using small part of primary feedstock: chips sourced as low grade roundwood supplied by Joint Stock company Latvijas Valsts Meži as FSC certified feedstock and chipped by mobile chippers. Mainly FSC/ PEFC certified (including FSC Controlled Wood and PEFC Controlled Sources) feedstock is used for wood chips production. Chipped primary feedstock is used for SBP product group wood chips. All inputs delivered to the sawmills (and later on the residues from this production used for biomass production and for biomass driers) are FSC certified, FSC controlled wood or PEFC certified. Feedstock used in the biomass production originates from Latvia only.

2.2 Detailed description of the Chain of Custody system

The Organisation holds FSC chain of custody (COC) certificate FSC-C125216; NC-COC-022294, covering

Wood package, pellet production and solid wood products. There are FSC procedures in place. The FSC system is implemented in sawmill located in Krauļu iela 4, Kuldīga, where the pellet production is organised. In addition to FSC Chain of Custody system, the BP holds a PEFC chain of custody certificate NC-PEFC/CoC-022294. The PEFC CoC and credit system is implemented in sawmill located in Zaļā iela 6, Kuldīga, close to Krauļu iela 4. An input materials are PEFC 100% certified and PEFC Controlled Sources. The Organisation is implementing a FSC credit system. FSC Credit system is used for materials received as FSC certified and FSC Controlled wood. The volume of the incoming feedstock received from the sawmill production is recalculated into the volume of pellets based on conversion coefficient and volume into tone coefficient. Non-controlled material is segregated. List of active suppliers exist, certification status of each supplier is verified on regular basis.

3 Specific objective

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system,
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis;
- Evaluation of sales activities and DTS registration process;
- Internal audit system evaluation.

4 Evaluation process

4.1 Timing of evaluation activities

<i>Audit Level of Effort (LoE)</i>		
Activity	Auditors	Auditor hours
1. Preparation	Liene Suveizda (LS), Eriks Lidemanis	12,0
2. On-site (excl. travel time)	Liene Suveizda (LS), Eriks Lidemanis	7,5
3. Report writing	Liene Suveizda (LS), Eriks Lidemanis	8,0
4. Other	Liene Suveizda (LS), Eriks Lidemanis	2,0

Audit Schedule			
Activity	Location	Auditor name	Date/time
<i>Opening meeting</i>	Kuldiga office	Liene Suveizda (LS), Eriks Lidemanis	14 Jun 2021/10.00
<i>Review of the documents and evidences related to implementation of the SBP std2,4. Review of the FSC and PEFC CCP</i>	Kuldiga office and production	Liene Suveizda (LS), Eriks Lidemanis	14 Jun 2021/10.30
<i>Production site visit, production</i>	Kuldiga office	Liene Suveizda (LS), Eriks	14 Jun 2021/13.30

<i>staff interview, credit account</i>		Lidemanis	
<i>SAR, review of the documents and evidences related to implementation of the SBP standard 5 and instruction document 5E</i>	Kuldiga office	Eriks Lidemanis	14 Jun 2021/14.15
<i>SBP procedure, SBR report review Recordkeeping data, sales</i>	Kuldiga office	Liene Suveizda (LS)	14 Jun 2021/14.15
<i>Summary of results</i>	Kuldiga office	Liene Suveizda (LS), Eriks Lidemanis	14 Jun 2021/17.15
<i>Closing meeting</i>	remote	Liene Suveizda (LS), Eriks Lidemanis	12 May 2021/10.00

Auditor qualification		
Auditor name	Role	Qualification
Liene Suveizda	Lead Auditor evaluation against standards 2, 4	Joined NEPCon Latvia in 2016. M.Sc in biology, forest ecology. Graduated from University of Latvia. Liene has also studied law and hold the 2nd level higher education in law, Business School "Turība". Liene has long term experience in forestry sector in Latvia. Liene has passed the NEPCon lead assessor training course in FSC Forest Management, PEFC and FSC Chain of Custody operations and obtained the PEFC, FSC as well SBP auditor qualification. Liene has participated as an auditor in several SBP assessment and scope change (SBE) audits in Latvia.

Eriks Lidemanis	Lead Auditor evaluation against standard 4,5	Joined NEPCon in 2017. Holds bachelor's degree from Latvia University of Agriculture Forest Faculty (forest management). Previous work experience in wood processing industry and roundwood measurement. Ēriks has passed the NEPCon lead assessor training course in FSC Chain of Custody and FSC FM operations and obtained the FSC CoC/FM auditor qualification. And has participated in FM audits in Latvia,Lithuania and Russia. Successfully obtained SBP auditor qualification in 2019 and participated in SBP audits in Latvia
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4.2 Description of evaluation activities

Main attention during the main evaluation was focused on practical implementation aspects of the SBP system, review of documents and system, evaluation of input material classification (reception and registration), analysis of the critical control points in existing recordkeeping system as well as correctness and availability of GHG data.

Description of the evaluation:

The audit began with an opening meeting in Palleteries SIA office in Kuldiga, Zaļā iela 6. Opening meeting was attended by production director, production ingeneur and consultant (outsourced specialist).

Auditors introduced themselves, provided information about audit plan, methodology, auditor qualification, confidentiality issues, surveillance audit methodology and clarified verification scope. During the opening meeting auditors explained CB's accreditation related issues related to the audit.

After the opening meeting auditors went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5E covering input clarification, existing chain of custody, management system, CoC, emission and energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the process overall responsible person for SBP system and over responsible staff having key responsibilities within the system were interviewed.

After the document review, a roundtrip to BP's pellet production was undertaken. During the site tour applicable records were reviewed, FSC system control points were analysed.

In the second half of the day one auditor reviewed the SAR and the documents and evidences related to implementation of the SBP standard 5 and instruction document 5E documents. Second auditor reviewed the SBR, SBP related procedures, recordkeeping/mass balance requirements. The staff responsible for acceptance, registration and preparation of sales documentation were interviewed.

Due to the COVID-19 gathering restriction limitation harbour visit was held remotely – using pictures, interviews and document review related to material reception, storage, separation and loading on vessel, volume of pellets received in storage were discussed. The port terminal was visited during the other evaluations, risk of material mixing is evaluated as low.

At the end of the audit, audit findings were summarised and audit conclusion based on use of 3 angle evaluation method were provided during the preliminary closing meeting to the overall responsible person, and other responsible staff that have participated in the meeting.

After preliminary closing meeting the BP provided an reviewed SARs, SBR and other documents. At the end of the audit, audit findings were summarised and audit conclusion based on use of 3 angle evaluation method were provided to responsible person. The closing meeting held remotely on 12th of May using Skype software.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

4.3 Sampling methodology

Procurement/ sales documents were verified based on sampling

4.4 CB stakeholder engagement

The stakeholder information was carried out on March 11, 2021 by CB sending direct email to different stakeholder categories. In total representatives of 45 stakeholders has been notified. The stakeholder structure according to type is as following: authorities and forestry and nature protection supervising institutions (35%), timber industry and nature conservation associations (30%), non-governmental organizations (20%), academia and scientific institutions (8%); and 6% - FSC national/regional representative, forest managers and other organizations. No comments from the stakeholders have been received.

4.5 Stakeholder feedback

No comments from the stakeholders have been received.

5 Results

5.1 Main strengths and weaknesses

Strengths: The main SBP system elements are implemented. Majority of feedstock used for production is being sourced from the company's own production (sawmill) as co-products/ production waste. Small part of feedstock sourced as low grade roundwood and chipped by mobile chippers and sold as product group wood chips. The management system in BP is small and has an longterm experience in forest sector and FSC/ PEFC certification systems.

Logs used in both sawmills as well are at least FSC Controlled wood / PEFC Controlled Sources (either purchased as FSC certified, FSC Controlled wood, PEFC certified or controlled within companies PEFC Controlled wood verification system). Biomass used into the biomass drier is at least with FSC CW or PEFC Controlled Sources status. The organization is operating a small number of management staff with clearly designated responsibilities.

Weaknesses: The responsible personnel has short experience in SBP system certification. See in the NCR section of the report.

As controversial impact can cause that BP plans to refuse from PEFC system in 2021 and implement the FSC system in sawmill located in Zaļā iela 6.

5.2 Rigour of Supply Base Evaluation

N/A

5.3 Collection and communication of data

The data had been updated and provided prior the onsite evaluation and verified and validated at the time of audit. The data is complete, accurate and is based on the records from the internal recordkeeping system.

The following energy sources are used by BP: electricity for pellet production; chips for feedstock drying, diesel for feedstock handling, shipping and for biomass transportation to customer.

5.4 Competency of involved personnel

During the audit staff members involved into the SBP system management and implementation were identified, including Production director, production ingeneur responsible for FSC/ PEFC/SBP system and office administrator. Interviewed staff demonstrated awareness of their responsibilities within SBP system.

6 Review of company's risk assessments

6.1 Overview of company's risk assessments and mitigation measures

N/A

6.2 Specified risk indicators and mitigation measures

Country/Area	Indicator	Specified risk description	Mitigation measure
N/A	N/A	N/A	N/A

7 Non-conformities and observations

NC number NC-000439	NC Grading: Major
Standard:	SBP Standard 2: Verification of SBP-compliant Feedstock
Requirement:	IN2C; 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest version of the SBR template for Biomass Producers downloaded from the SBP website.
Description of Non-conformance and Related Evidence:	
<p>During review of SIA "Palleteries" SBR report in SBP Audit Portal following gaps identified: - There is missing information regarding forest resources and management practice in Chapter 3.1. The required information included in SBR version uploaded by BP in portal. - In third sentences in Chapter 3.2. a one kind of feedstock type, is missing. According standards used the feedstock types - sawdust and chips are defined as "co-products". In rows after tree species used following gaps identified: a) Missing data about roundwood coming from final fellings from forests with > 40 yr rotation times. b) regarding volume of primary feedstock from primary forests an amount of 3900 t registered. According national forest statistics there aren't primary forests in Latvia. In practice, there is very small amount of primary forests, but they are protected under national legislation, e.g. some islands in river or lakes. c) see previous comment regarding primary feedstock coming from primary forest to an SBP-approved Forest Management Scheme as the BP registered such 1-19%. In SBR version uploaded in Audit Portal following gaps identified: - The Chapters 2.1. written "SIA PALLETERIES receives the most part of feedstock after own sawmill processing and from others sawmills in Latvia as a wood residues after processing". During audit the BP informed that all secondary feedstock originates only from two owned sawmills. Please clarify the situation regarding secondary feedstock origin. - there are incorrect data in Chapter 2.5. I provided; - the information in Chapter 2.3. don't correspond to information provided during audit and reviewed documents as the dominantly main feedstock are co-products from own sawmills. - Please provide additional information to amount of secondary feedstock additionally (Chapter 2.5. I and 13.4, 13.5) adding the feedstock type like chips and sawdust) using absolute or relative numbers. - The information regarding amount of primary and secondary feedstock in Chapters 13.4 and 13.5 don't correspond to actual figures. Due gaps identified a major NCR 01/21 raised.</p>	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Updated SBR report in Audit Portal and homepage.
Findings for Evaluation of Evidence:	<p>During audit preparation period the BP provided an updated SBR in Audit Portal and own homepage https://www.palleteries.lv/jaunumi/. the new version of the report addresses the above shortcomings. According to audit results and interview of responsible person the shortcomings caused mainly by misunderstanding of terminology and/or requirements. The major NCR 01/21 closed.</p>
NC Status:	Closed

NC number NC-000440	NC Grading: Minor
Standard:	SBP Standard 4: Chain of Custody
Requirement:	5.3.1 All requirements of the relevant chain of custody control system specified in the SBP-approved CoC system shall be implemented to calculate outputs.
Description of Non-conformance and Related Evidence:	
During the audit organisation demonstrated conversion factor values for all feedstock types along with calculations done, however the conversion factor calculation methodology is not explicitly described in the written procedures of the Organisation. Minor NCR 02/21 raised.	
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:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	Open

8 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):	Olesja Puiso
Date of decision:	29 Jun 2021
Other comments:	N/A