

NEPCon Evaluation of Letofin AS 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 1.4

*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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Version 1.1: published 30 January 2018

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus otarabus@nepcon.org, +420 606 730 382
Current report completion date:	09/Sep/2019
Report authors:	Toomas Tammeleht
Name of the Company:	Letofin AS
Company contact for SBP:	Helena Eivin
Certified Supply Base:	N/A
SBP Certificate Code:	SBP-07-26
Date of certificate issue:	09/Sep/2019
Date of certificate expiry:	08/Sep/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Audit scope description: Trading and transportation of wood pellets and wood chips for use in energy production to Europe. The scope of the certificate does not include Supply Base Evaluation.

Scope Item	Check all that apply to the Certificate Scope				Change in Scope (N/A for Assessments)	
Approved Standards:	SBP Standard #4 V1.0; SBP Standard #5 V1.0 http://www.sbp-cert.org/documents				☐	
Primary Activity:	Trader with physical possession (During the assessment the company did not have any products in their possession and no storage yards in Riga were rented or used. Storage yards will be used in the future when needed. Therefore, no storage yards were visited.)				☐	
Input Material Categories:	☐ SBP-Compliant Primary Feedstock	☐ SBP-Compliant Secondary Feedstock			☐	
	☐ Controlled Feedstock	☐ SBP non-Compliant Feedstock				
	☐ SBP-Compliant Tertiary biomass	☐ Post-consumer Tertiary Feedstock				
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock				
Chain of custody system implemented:	☒ FSC	☐ PEFC	☐ SFI	☐ GGL	☐	
	☒ Transfer	☐ Percentage	☐ Credit		☐	

Points of sales	☒ Harbour (including own handling of material)	☒ Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour	☐ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	☐
	Provide name of all points of sales	- Riga	- DAP purchase, sales FOB	
Use of SBP claim:	☒ Yes		☐ No	☐
SBE Verification Program:	☐ Low risk sources only	☐ Sources with unspecified/ specified risk		☐
	New districts approved for SBP-Compliant inputs:			
Sub-scopes	N/A			☐
Specify SBP Product Groups added or removed: -				
Comments: During the assessment the company did not have any products in their possession and no storage yards in Riga were rented or used. Storage yards will be used in the future when needed. Therefore, no storage yards were visited.				

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Trader's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the Biomass Trader's management procedures;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records and calculations
- GHG data collection analysis;

4 SBP Standards utilised

4.1 SBP Standards utilised

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

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

4.2 SBP-endorsed Regional Risk Assessment

N/A

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Letofin is on the commodity trading market since year 1994. The head office is based in Tallinn, Estonia. The company is active in several business segments, such as trading, production and real estate.

Today Letofin AS is an international trading company with sales volumes over 150 000 t. Team in the whole group is 65 people. Letofin AS constantly develops by investing in hard assets, logistics and processing supported by a strong physical trading platform.

The SBP certification scope contains trading activities only. Letofin AS is trading pellets and wood chips and the material is sourced from Belarus, Russia and Ukraine. The organization holds a FSC CoC certificate with the certificate number NC-COC-053361. The CoC system is based on a transfer system (for details see below). The purchase is made with DAP and sales with FOB incoterm, and the GHG emissions occur during handling and storage of the biomass. The scope of the certificate does include physical possession of the material in one Baltic harbour. By the time of the audit no material is present and no harbours used.

5.2 Description of Company's Supply Base

N/A

5.3 Detailed description of Supply Base

N/A

5.4 Chain of Custody system

The organization has implemented the FSC transfer system for biomass (wood pellets and chips) in the scope of the certificate (NC-COC-053361). The process covers trade with biomass with physical possession in Riga harbour. The material is sourced from Belarus, Russia and Ukraine.

Once the material is purchased it is either directly sold to the customer (transfer system) or stored in Riga harbour and sold from this harbour. At the moment no storage yards are used. Riga harbour storage yard will be used in the future when needed. The storage location is defined for each material based on the supplier and certification claim by the head office in Tallinn. The information about segregating different batches is given to the workers at the harbour.

Each purchased material is recorded including the certification status of the material and the sales always contain the same type and quantity of material as purchased.

The FSC and SBP claim is mentioned in the DTS. The sustainability characteristics for each batch are also included. This consist of the SDI from the Biomass producer, and GHG data relating to the transport, which are updated by Letofon AS.

6 Evaluation process

6.1 Timing of evaluation activities

The assessment audit was carried out on July 11, 2019. One day was needed for the desk-based audit and additional half day for the documentation review.

Activity	Location	Auditors	Date/time
Opening meeting*	Main Office	TT	11.07.2019 09:00
Interviews with the FSC certification responsible person; review of procedures	Main office	TT	11.07.2019 09:30
Interview with Purchasing department representative (material sourcing and reception, purchasing documents) Interviews with the responsible staff members for different sections of the FSC control system (shipping, storage, sales documents)	Main office	TT	11.07.2019 12:30
Break			11.07.2019 13:00
Interviews with the SBP certification responsible person; review of procedures	Main office	TT	11.07.2019 15:00
Interview with Purchasing department representative (material sourcing and reception, purchasing documents) Interviews with the responsible staff members for different sections of the SBP control system (shipping, sales documents) Energy data collection and calculation, management of SBP batches and sustainability characteristics	Main office	TT	11.07.2019 16:30

Internal team meeting	Main office	TT	11.07.2019 16:45
Closing meeting*	Main office	TT	11.07.2019 17:00

6.2 Description of evaluation activities

Audit started with an opening meeting attended by Head of Execution, Member of Supervisory Board (buyer) and General Sales manager. The audit took place in the organisations office with most responsible workers.

Lead auditor introduced himself, provided information about audit plan, methodology and aim of the assessment audit. The Certification Body's approval process and confidentiality approach were covered as well.

After that auditor went through all applicable requirements of the standard covering management system, CoC, recordkeeping requirements, DTS records, emission and energy data and verification of SBP compliant biomass. Later on the purchasing and logistics functions were discussed. Overall responsible person for the SBP system and staff having key responsibilities within the system was interviewed during the audit process.

The on-site audit to Riga did not take place, because by the time of the audit no SBP materia was present and no storage areas were used. Company plans to use one storage yard in Riga harbour in the future.

During the closing meeting, the lead auditor presented the outcome of the audit and further actions to be taken were discussed.

Composition of audit team:

Auditor(s), roles	Qualifications
Toomas Tammeleht Lead auditor Evaluation against all applicable requirements	BSc in forestry and MSc in industrial ecology. Toomas has been working in NEPCon as an auditor since 2016. He has passed NEPCons forest management and chain of custody leadauditors training. Has participated in over 10 FSC forest management audits and has conducted over 100 Chain of Custody audits. He has previously worked for Environmental Inspectorate. Toomas successfully completed SBP training course and he has practical experience with carbon footprint certification.

6.3 Process for consultation with stakeholders

N/A

7 Results

7.1 Main strengths and weaknesses

Good overview of SBP system in general. The transfer system as the CoC system is easy to follow as it will be done for one storage site only.

For the weaknesses, see open NCR in section 10

7.2 Rigour of Supply Base Evaluation

N/A

7.3 Collection and Communication of Data

Letofin AS is responsible for emission occurred during storage and handling of the material. The organization plans to collect all the necessary data for GHG calculations from storage and handling service provider and add the information to SREG.

7.4 Competency of involved personnel

The main responsible person in the company is Helena Eivin, Head of Execution. The overall responsible person showed very good understanding of the requirements in relation to SBP certification and FSC CoC system. All other interviewed staff showed good competence, good awareness of standard requirements and own responsibilities.

7.5 Stakeholder feedback

N/A

7.6 Preconditions

N/A

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.

N/A

9 Review of Company's mitigation measures

N/A

10 Non-conformities and observations

NC number 01/19	NC Grading: Major
Standard & Requirement:	Standard #4: Chain of Custody, p 5.1.2
Description of Non-conformance and Related Evidence:	
During the audit it turned out that the company did not have an SBP approved CoC system in place and working. The FSC CoC procedures did not meet the standard requirements. Auditor decided to raise a Major non-conformity, NCR 01/19	
Timeline for Conformance:	Other Before issue of certificate.
Evidence Provided by Company to close NC:	FSC CoC procedures, interview with responsible person
Findings for Evaluation of Evidence:	The company submitted updated FSC procedures before the report was finalised. The procedures meet the standard requirements. Responsible person is aware of the requirements. Auditor decided to close the non-conformity before the report was finalised.
NC Status:	Closed

NC number 02/19	NC Grading: Minor
Standard & Requirement:	Standard #4: Chain of Custody, p 6.3.2
Description of Non-conformance and Related Evidence:	
During the audit it was confirmed that all purchase and sales actions are done written way, no cash is used, money is transferred via banks only. Organisation trades internationally but does not have written anti-corruption policy. Organisation plans to add anti-corruption policy to their supplier declaration. Auditor decided to raise a minor NCR 02/19.	
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:	Pending
Findings for Evaluation of Evidence:	Pending
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):	Asko Lust
Date of decision:	09/Sep/2019
Other comments:	