Sustainable Biomass Program

Supply Base Report: Avoti SWF SIA

First Surveillance and Transfer Audit

www.sbp-cert.org

Completed in accordance with the Supply Base Report Template Version 1.3

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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Contents

1 Overview

Producer name:	"AVOTI SWF" SIA
Producer location:	" Avoti, Lizums, Gulbene's region, Latvia, LV4425
Geographic position:	57.194944, 26.374747
Primary contact:	Janis Misins, phone: +371 26540255; e mail: janis.misins@avoti.lv
Company website:	http://www.avoti.lv/
Date report finalised:	30/Apr/2018; last update 5/Mar/2019
Close of last CB audit:	16/May/2018, Lizums
Name of CB:	NEPCon SIA
Translations from English:	Yes
SBP Standard(s) used:	Standard 1 version 1.0, Standard 2 version 1.1, Standard 4 version 1.0, Standard 5 version 1.0, instruction documents 5A, B, C version 1.1
Weblink to Standard(s) used:	https://sbp-cert.org/documents/standards-documents/standards
SBP Endorsed Regional Risk Assessment:	https://sbp-cert.org/documents/risk-assessments/latvia
Weblink to SBE on Company website:	https://www.avoti.lv/en/wood-pellets

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	**First Surveillance**	**Second Surveillance**	**Third Surveillance**	**Fourth Surveillance**
☐	X	☐	☐	☐

2 Description of the Supply Base

2.1 General description

AVOTI SWF SIA receives the most part of feedstock from Latvia as roundwood and wood residues after processing as well as a small part of feedstock from Lithuania; Estonia, Sweden; Finland, Russia, Poland indirectly after wood processing as tertiary feedstock.

SBP-controlled primary feedstock: 45,8% (from ~ 9 suppliers)
SBP-controlled secondary feedstock: 28,02 (from ~ 7 suppliers)
SBP- controlled tertiary feedstock: 0%

SBP-compliant primary feedstock: 9,60% (from ~ 8 suppliers)
SBP-compliant secondary feedstock: 16,58% (from ~ 8 suppliers)
SBP-compliant tertiary feedstock: 0%
SBP-noncompliant feedstock: 0 %

Species: Alnus glutinosa; Alnus incana; Betula pendula; Betula pubescens; Fraxinus excelsior; Picea abies; Pinus sylvestris; Populus tremula; Tilia cordata, Salix spp.

Information about LATVIAN forest resources

Forests in Latvia cover 3,01million 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 milliom 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: 34 %
- Spruce: 18.0 %

- Birch: 30 %
- Black alder: 3 %
- White alder: 7 %
- Aspen: 7 %
- Oak: 0.3 %
- Ash: 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.

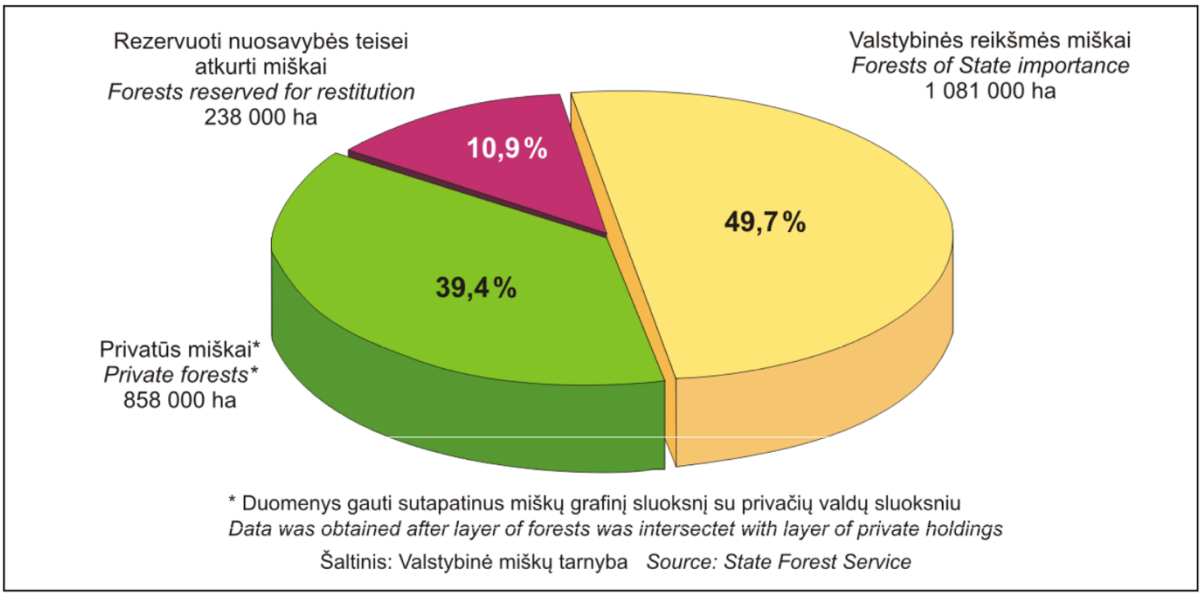
In turn, for the conservation of biodiversity in the forest management process, general nature conservation requirements have been developed that apply to all forest managers. They stipulate that during logging work the older and larger trees, dead wood, underwood and brushwood must be kept separately 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 m^3 per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m^3 per hectare. Total annual growth is almost 11,900,000 m^3 and the average annual wood increase has reached 6.3 m^3 per hectare.

The expected annual logging volume is 5.2 million m^3, 2.4 million m^3 of which are sawn wood and the remaining 2.8 million m^3 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 stakeholders[1].The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 2020[2] 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 area[3] 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 addressed[4]. 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 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 year[6]. 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.

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[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
[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)

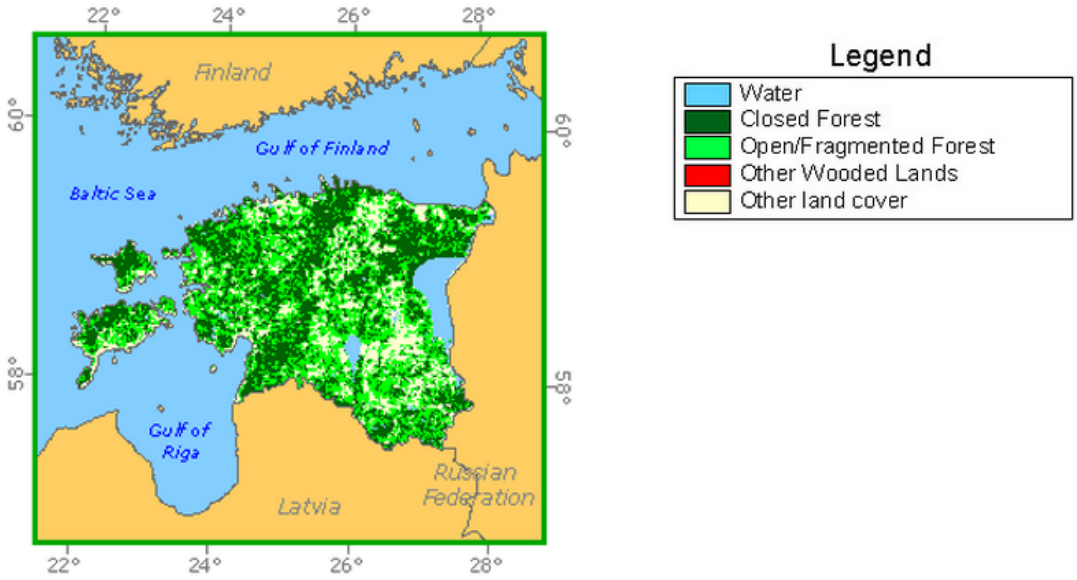


Figure 1. Forest cover of Estonia (FAO: http://www.fao.org/forestry/country/en/est/).

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

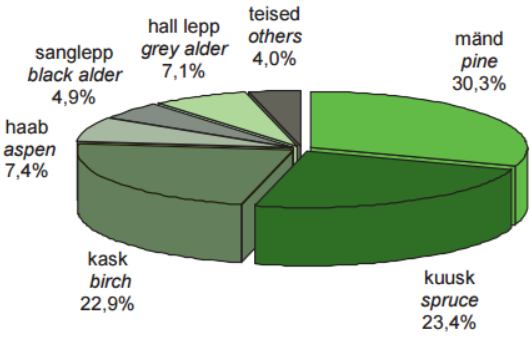


Figure 2. The distribution of growing stock by tree species (Yearbook Forest 2013).

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 database[7].

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 Act[8]. Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1992[9] and joined the International Union for Conservation of Nature (IUCN) in 2007[10]. There are no CITES or IUCN protected tree species naturally growing in Estonia.

[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

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 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

[11] https://www.eesti.ee/eng/topics/citizen/keskkond_loodus/maa/metsandus_1

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.

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

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 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.

2.2 Actions taken to promote certification amongst feedstock supplier

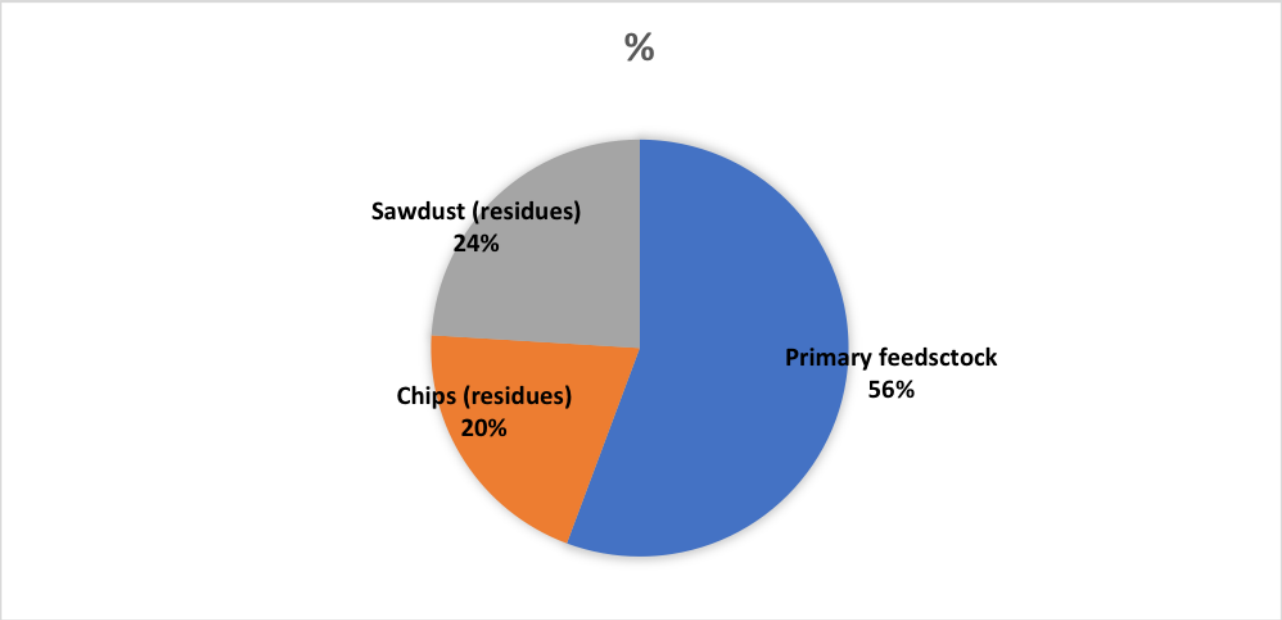
For the production of SBP pellets are used FSC and PEFC certified supplier material 25-30%. The company policy is to give a preference to certified suppliers. Raw material (sawdust) consists of wood waste from main production of suppliers. Therefore, uncertified and new suppliers are invited to certify their base production and get benefit from residues. During preparation for SBP certification, the company has increased the share of FSC-certified or SBP compliant raw materials from 20-30 %, and the management of the company has decided to increase procurement of *FSC and PEFC certified* materials by more than 90 % till December 2018.

2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is about 55,68 % compared to quantity of other raw material assortment. The primary raw material has been procured from the Supply Base area and it consists of round wood/firewood. The raw materials are procured in well developed, free and open market with competition of other customers. Different assortments of raw materials are obtained from the logging. All companies of forest industry have public price lists for the assortments. The price lists reflect the solvency of the industry for different assortments. The price lists clearly indicate that logs and veneer logs are the most valuable assortments while firewood (e.g. for pellet production) is less valuable

assortment. This information is derived from the documents and data submitted by suppliers and forest developers.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]



2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): ~52456477 ha cumulative area of all forest types within SB
b. Tenure by type (ha): ~33961661 ha privately owned/public/community concession
c. Forest by type (ha): ~ 41% temperate; 59% Hemi boreal
d. Forest by management type (ha): ~52456477 ha plantation/managed natural/natural
e. Certified forest by scheme (ha): 34889000 ha of FSC and 12590000 PEFC-certified forest)

Feedstock

f. Total volume of Feedstock: tonnes 250 000- 300 000m3
g. Volume of primary feedstock: 150 000- 200 00m3
h. List percentage of primary feedstock. Subdivide by SBP-approved Forest Management Schemes:
    - Certified to an SBP-approved Forest Management Scheme – 18 %
    - Not certified to an SBP-approved Forest Management Scheme - 0%
i. List all species in primary feedstock, including scientific name:
   Alnus glutinosa; Alnus incana; Betula pendula; Betula pubescens; Fraxinus excelsior; Picea abies; Pinus sylvestris; Populus tremula; Tilia cordata, Salix spp.

j. Volume of primary feedstock from primary forest-0%

k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
    - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme- 0%
    - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme- 0%

l. Volume of secondary feedstock: 32300 berm3 of sawdust and chips (residues at sawmills) as production waste

m. Volume of tertiary feedstock: 0 tonnes

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
X	☐

SBP Biomass supply assessment includes:

- Roundwood (firewood) suppliers,
- Wood chips from forest residues and from agriculture lands (primary feedstock) suppliers,
- Slab wood (secondary feedstock) suppliers,
- Sawdust (secondary feedstock) suppliers.

“AVOTI SWF” SIA, having assessed the suppliers by performing specified SBP risk and FSC CNR risk audits before logging, during and after logging, defines the wood received for production of pellets as SBP-compliant biomass.

“AVOTI SWF” SIA bases its assessment on SBP Risk Assessment for Latvia approved on 28 September 2017,

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

4 Supply Base Evaluation

4.1 Scope

Applicable to:

- primary and secondary raw material supply from Latvian forest properties before, during, or after logging.

4.2 Justification

The basis of the provisions of agreements concluded by “AVOTI SWF” SIA with granule product buyers in 2017 is the supply of SBP-compliant products. A large amount of raw material is purchased as FSC-certified wood. However, the decision of the company management is to design SBE risk minimisation measures, cooperate with suppliers, attract independent environmental specialists and experts to exclude the purchase of wood that does not meet the SBP-certified product status.

In 2017 – 2018, designing and introducing effective risk minimisation measures, which will be evaluated beginning with January 2018 by the auditor company, allows “AVOTI SWF” SIA to purchase SBP-approved and compliant assortment to produce the required amount of SBP-compliant biomass products.

The classification of designed risk indicators is graded from possible risk to lower risk.

During the design of risk minimisation measures, the SBP and FSC Risk Assessment for Latvia was taken into account, which was (and still is) available in the consultation process on SBP website.

“AVOTI SWF” SIA, by attracting independent biotope experts, professional logging company experts and nature conservation specialists, has designed a risk minimisation and control mechanism to assess and approve those biomass supplies and suppliers whose products supplied meet the SBP-compliant biomass status.

4.3 Results of Risk Assessment

The risk assessment analysis includes the requirements provided for by the laws and regulations of the Republic of Latvia, regulatory activities of the State legislation and laws and regulations for primary and secondary wood supply from the Latvian forest properties.

Considering the specific nature of Latvia and expert recommendations, “Specified risk” was applied with regard to biotope conservation (HCV category 3), occupational safety, bird habitat preservation (HCV category 1), and historical and cultural objects (HCV category 6).

4.4 Results of Supplier Verification Programme

SBP risk minimisation and supplier audits and results described below and related to specified risks are available to third and interested parties as documental evidence of the audits performed. Information, the database of assessments performed includes property names, cadastres, plots, notes on indicators of biological diversity, independent expert reports, recommendations, decisions made regarding biomass suppliers.

Information obtained during risk assessment and field testing of the information for all SBE risk categories confirmed that for 4 categories – biotope conservation (HCV category 3), occupational safety, bird habitat preservation (HCV category 1), and historical and cultural objects (HCV category 6) – a specified risk is applicable, whereas for the other categories the risk is low.

Risk assessment and risk minimisation mechanism in primary wood audits before logging confirm that specified risks are urgent in logging.

Secondary wood approval is possible only for those processors who have an “AVOTI SWF” SIA SBE-approved supplier and who have agreed to cooperation to assess and minimise risks before logging (biological and historical and cultural values), or during logging (occupational safety) at the wood procurement site.

4.5 Conclusion

Since January 2018, by introducing the SBE system and reviewing cooperation with wood suppliers, effective information exchange has been achieved, obtaining information on forest properties before logging, during and after logging. This is significant for effective implementation of corrective or preventive activities in case of possible risks to preserve biological diversity, study and initiate the implementation of occupational safety measures in the logging process, and to decline suppliers or materials supplied which may threaten the effectiveness of the SBE system where risks have been identified.

“AVOTI SWF” SIA, having reviewed the system effectiveness after 4 months of the introduction, can overall conclude that cooperation is effective with suppliers who take fair risk minimisation measures. All the information required for risk survey and prevention and the conservation of nature values is provided, in keeping with the recommendations of the experts invited.

Risk minimisation measures are implemented for wood processors (secondary raw material suppliers) for approved SBE suppliers. The system is based on primary raw material control and SBP-compliant material registration, registration of processed material in credit systems calculation.

5 Supply Base Evaluation Process

The system of risk minimisation measures, supplier audits, property plot visiting criteria, registers, assessment forms, expert involvement process, occupational safety assessment procedure, are defined in the general SBE system procedures.

SBE system effectiveness summary report for 2018 (from January until May) and risk assessment results were achieved by performing forest plot risk assessment, physical audits with or without the presence of logging companies. Additional consultation took place with experts, other forestry and logging companies, and the results and experience gained were discussed at the company management level, the results are submitted to the auditor company.

For confirming the fulfilment of SBE risk minimisation requirements and assessing the competency of suppliers, logging companies, processors, and experts in occupational safety and biotope and bird nest surveys, as well as identification of possible historical and cultural objects were invited.

For SBE system design and supply assessment, the risk minimisation measures, audits, and communication with approved suppliers and experts is implemented by “AVOTI SWF” SIA quality manager with 15 years of experience in wood industry, many years of experience in FSC system maintenance and wood origin assessment in forestry, and 14 years of experience and knowledge in forestry and the field of wood supply, procurement and Legislation.

As the basis for the SBP SBE risk minimisation system, an audit programme has been designed and FSC CRN minimisation measures programme guidelines, FSC supply and FSC Forest certification system experience and knowledge in forestry and in the field of wood supply legislation have been used.

6 Stakeholder Consultation

The company, on 6 March 2018, published an SBP risk assessment on its website. An informative letter on the risk assessment designed in accordance with SBP Standard was e-mailed to the interested parties. The list of interested parties was created so as to include a maximum number of recipients who represent the economic, social, and environmental interests of society, and the local governments. The total number of recipients is approximately 86 correspondents.

SBP risk assessment is available on the company website:

http://www.avoti.lv/lv/sbp_lv.pdf

“AVOTI SWF” SIA quality manager has performed and performs consultations with interested parties in person, by phone, by attending seminars on biotope identification, logging processes and conservation of biological values of nature in logging, on the assessment of effects on the environment, on occupational safety in logging.

Responses to the comments received from interested parties.

An e-mail from the Nature Conservation Agency was received with recommendations for specifying the text of SBR report.

6.1 Response to stakeholder comments

In response to the Nature Conservation Agency, receiving the comments was acknowledged by e-mail.

All the specifying additions and corrections to SBR were made.

The general conclusion of the Nature Conservation Agency:

“The Agency appreciates that in January – March 2018 biotope monitoring risk audits were initiated in Vidzeme and Latgale and that logging companies will not supply wood from forests with high biological value.”

7 Overview of Initial Assessment of Risk

The risk assessment level reviewed by "AVOTI SWF" SIA for each indicator has been designed in accordance with the Regional Risk Assessment for Latvia, designed by NEPCon on the basis of SBP Standard No.1 version 1.0 of March 2015.

After publishing the risk assessment, "AVOTI SWF" SIA began the risk minimisation process for 3 risk categories shown. The results are presented in item 7 and 8.

Risk assessment results are summarised in Table 1.

After publishing the risk assessment, "AVOTI SWF" SIA began verification of two specified risks singled out on site. The results are presented in item 7 and 8.

Table 1. Overview of results from the risk assessment of all Indicators (prior to SVP)

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1		X	
1.1.2		X	
1.1.3		X	
1.2.1		X	
1.3.1		X	
1.4.1		X	
1.5.1		X	
1.6.1		X	
2.1.1	X		
2.1.2	X		
2.1.3		X	
2.2.1		X	
2.2.2		X	
2.2.3		X	
2.2.4		X	
2.2.5		x	
2.2.6		X	
2.2.7		X	
2.2.8		X	
2.2.9		X	

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1		X	
2.3.2		X	
2.3.3		X	
2.4.1		X	
2.4.2		X	
2.4.3		X	
2.5.1		X	
2.5.2		X	
2.6.1		X	
2.7.1		X	
2.7.2		X	
2.7.3		X	
2.7.4		X	
2.7.5		X	
2.8.1	X		
2.9.1		X	
2.9.2		X	
2.10.1		X	

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Risk minimisation measures are applicable to the following categories of raw material:

- Primary raw material supply from Latvian forest properties before logging and after logging, as well as during logging. Primary biomass cannot be qualified and is not applicable to such tree species as the oak, ash, maple, elm, fluttering elm, if their diameter at the stump exceeds 70cm;
- Secondary raw material supply.

Supplier testing programme and selection criteria are described in the company SBE system procedure.

General description of the testing programme:

- Suppliers submit information on the properties planned for logging, additional documents, and the volumes supplied are tested at the moment of delivery according to available databases to identify risks.
- Having assessed the location of the properties, regional nature value mapping, the presence of protected territories, and information on possible biotopes, a plan is designed and sites are selected for visiting.
- Together with the supplier or without their presence, properties are visited where biotopes are possible and nature values are shown in available databases.
- Property audits can be performed regardless of whether wood will be supplied from the plot or not.
- During an audit, general, expert-approved biotope and occupational safety surveys are applied.
- If during the surveying, a possible biotope, bird nest, or a historical and cultural object is found, an expert is immediately invited to provide a complete report.

The result achieved by the supplier testing programme is that only such wood is received from suppliers which comes from production forests with low biological value, from properties without threatened nature values, where bird nests are surveyed and left intact, and where historical and cultural objects are preserved.

An independent international audit company performs SIA “AVOTI SWF” approved supplier compliancy assessment and verification. If during an audit it is found that a supplier has ignored a risk category determined by the audit, the SBE system effectiveness and risk assessment programme is reviewed.
Additional property assessment is performed together with the proprietor. As a result of ineffective cooperation, further supply is discontinued.

8.2 Site visits

Audits are performed before logging, during or after logging.

All the wood that is supplied or is going to be supplied to “AVOTI SWF” SIA, or for which information is provided as for planned forest properties from SBE NR-certified suppliers, is audited regardless of the location of the felling site. Property plots with signs of possible biotopes have priority, and all the logging teams of all suppliers are assessed in accordance with the company audit plan.

At the time of reviewing the SBE system effectiveness from January until 30 April 2018, the company "AVOTI SWF" SIA, with or without the presence of a supplier, has performed:

- ~ Assessment of 183 plots and audits in Northern Latgale, Latgale, and Vidzeme regions where some of the biotopes are possible.
- Compliance of 16 logging companies with occupational safety requirements during logging.

8.3 Conclusions from the Supplier Verification Programme

Occupational safety and health surveillance risk programme

Audits of occupational safety were started from 1 January to 30 April, 2018, and are being carried out to the independent audit and after it.

Audits were planned in order to inspect and carry out audits of all suppliers and their service providers within a year.

In total, 16 audits for the assessment of occupational safety are carried out. The suppliers of SBE NR perform logging mainly using logging equipment, rarer – worker teams with hand saws.

According to the audits carried out, it may be concluded that occupational safety and health risks related to logging are low for the approved suppliers of SBE NR since they employ their workers, logging experts and occupational safety experts who control service providers in the sphere of logging in order to ensure full compliance with the requirements for occupational safety.

Identification of biotopes, bird habitats and heritage objects and their surveillance risk programme

Audits of biotope surveillance risk programme were started from 1 January to 30 April, 2018, and are being carried out to the independent audit and after it within the framework of the programme before the commencement of works, logging and after logging in those felling areas where, according to data of "Latbio" and Nature Conservation Agency, potential natural wood biotopes are identified.

Territories to be audited and suppliers are chosen in order to cover maximum of various supply regions, as well as various logging and suppliers' companies. Audit programme includes Vidzeme, Kurzeme and Latgale region. In relation to every audit, notes and observations are recorded.

The following conclusions are made on the basis of the audits carried out:

1) The suppliers have understanding about the mechanism of biotope assessment, they are aware of the need to carry out audit of biotope assessment before the commencement of logging works. During the audits, on-site inspection of potential felling areas in production forests or agricultural land with low probability of existing wood biotopes was carried out. In case of doubt, an expert in the sphere of wood and grassland habitats was involved or a consultation was organized.

2) During logging, objects of heritage value were not found in the chosen wood plots. During the audits, it was established that the suppliers are aware of the fact that protection of heritage values is governed by the legislation of the Republic of Latvia. Survey of logging companies allows concluding that, if a heritage object is found in the felling area during logging works, the State Forest Service and the respective local government is informed thereof in writing. Logging works are suspended until the decision is received from the responsible authorities.

3) During the audit, large (above 50 cm) nests were not found.

4) The suppliers have understanding about the required actions if large (above 50 cm) nests are noticed. Logging companies understand the need to leave the deadwood and ecologically important trees in the forest clearings, as well as to comply with other nature conservation requirements in forest management. During the audits, it is established that various restrictions for logging in administrative territories are observed.

5) During the audit, it is established that logging companies are willing to show to the auditor of “AVOTI SWF” SIA the territories which are kept as biologically high-value forests (wood biotopes and natural wood biotopes of EU importance) where logging will not be performed, or the management of “AVOTI SWF” SIA will be informed about it. Timber from these forest units/properties (farms) will not be delivered.

9 Mitigation Measures

9.1 Mitigation measures

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

- identification of characteristics of wood biotopes and natural wood biotopes of EU importance;
- identification of heritage monuments and objects of heritage value during logging process;
- identification of bird nesting sites;
- mitigation of occupational safety and health risks.

All logging objects are audited before removal of plant cover or logging works in agricultural land or during such removal or logging, evaluating all possible risks; however, extraction of biomass outside forest land refers to biomass fuels for producing energy and heat.

According to the results of surveillance audits and supplier assessment, management of the company makes a decision on further collaboration with a supplier, conditions for timber supply and supply volumes. The suppliers who refuse to inform “AVOTI SWF” SIA about the planned logging volumes and/or refuse to collaborate in performing audits may be removed from the list of suppliers.

“AVOTI SWF” SIA, by involving respective biotope experts, specialists, as well as occupational safety experts in the sphere of forest management, undertakes to organize additional informative seminars for the suppliers in order to provide the suppliers with maximum information on SBP’s requirements for the supplies of appropriate raw materials and potential risks thus mitigating the risks of the supplies of raw materials which do not comply with the requirements of SBP’s standards.

The assessment of effectiveness of risk mitigation measures and audit results are available for the interested parties on demand, meeting physically and explaining common mechanism of risk mitigation measures and benefits, as well as facilitating further collaboration in the process of minimizing risk identification.

9.2 Monitoring and outcomes

During the supplier audits, 4 suppliers were not approved for timber supplies due to the breaches of occupational safety and unwillingness to collaborate with “AVOTI SWF” SIA in the process of biotope identification and minimizing risks of supplying inappropriate raw materials.

After on-site surveillance audits when the risks of possible biotopes and occupational safety were assessed, the management of the company has made a decision to remove from the list of suppliers those who failed to meet the criteria for permissible results of company’s risk mitigation programme.

Supply regions — Vidzeme, Latgale.

Detailed findings for every indicator are given in risk assessment.

Risk assessment: https://sbp-cert.org/documents/risk-assessments/latvia.

10 Detailed Findings for Indicators

Detailed findings for each Indicator are given in Risk Assessment:

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

11 Review of Report

11.1 Peer review

The final version of the report was sent to the specialists in the wood industry, forestry and forest environment processes.
The report was sent for review to:
Jānis Rozītis – CEO and Forest Programme Manager, Pasaules Dabas Fonds (WWF associated partner in Latvia) – experience in sustainable forestry practice, assessment:
The base supply report includes a general description of the base supply forest management, offering an insight into the governance of the forest sector, and describes the measures implemented to ensure biological diversity and social needs in the forest. The information provided in the report is current and corresponds to the information sources used.

The company's decision to configure a procurement of timber raw materials originating from forest managed in accordance with the requirements of the FSC forest management certification standard is commendable. It is recommended that the company should increase the proportion of procurements of timber raw materials sourced from forest managed in this way.

Realizing the huge degree to which protection of biological diversity and social needs are relevant to forest management in Latvia, the employees responsible within the company need to develop their knowledge of environmentally friendly and socially responsible forest management, which is also required through the introduction at the earliest opportunity of the SBE system, as well as developing a supervisory system and conducting audits at site where the timber resources of raw materials suppliers are produced.

11.2 Public or additional reviews

The public version of the supply base report in the Latvian and English languages is publicly available at *http://www.avoti.lv/lv/about.html* for interested parties. After familiarization with the report, comments and clarifications can be sent to *arnita.apine@avoti.lv*

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	***Arnita Apine***	***Quality manager***	***30/04/2018***
	Name	**Title**	**Date**
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	***Uldis Misins***	***Chairman of the board***	***30/04/2018***
	Name	**Title**	**Date**
Report approved by:	***Janis Misins***	***Key Account manager***	***30/04/2018***
	Name	**Title**	**Date**

13 Updates

This Report updates are prepared for period: 01.12.2017.-31.12.2018.

13.1 Significant changes in the Supply Base

Updated Supply Base, p.2.1. – Russian and Poland forest resources added (indirect delivery - secondary feedstock).

13.2 Effectiveness of previous mitigation measures

13.2.1 Primary and secondary feedstock supplies from Latvia:

13.2.1.1 211 woodland key habitat (WKH) audits were performed:

- 40 of these audits where done by certificated habitat expert. 2 of these forest sites where detected as WKH. The consultation with supplier were carried out to ensure that WKH verification system of these suppliers will be improved to prevent such cases from happening again.
- 171 of these audits where done by SIA “Avoti SWF” representative. No WKH where found in these audits.
- Effectiveness of WHK risk mitigation actions is acceptable. Many suppliers are conducting habitat assessments prior to obtaining a cutting permit to prevent destruction of WKH.

13.2.1.2 42 work safety audits were performed:

- In some cases, there were detected some non-compliances, but the overall level of compliance with work safety requirements is acceptable. The non-compliances can be prevented in short period of time.
- Many of these logging companies use harvesters in logging operations, that reduces the risks.
- The results of the audits show that the risk of violation of work safety is considered to be low.

13.3 New risk ratings and mitigation measures

For risks 2.1.1 and 2.1.2:

- Inspection of felling areas in Latbio database (http://latbio.lv/MBI/search_db)
- Potential WKH field audit using WHK assessment questionnaire
- Request of habitat expert evaluation

For risks 2.8.1:

- The system of field tests has been developed. Representative of SIA “Avoti SWF” perform a field audit to evaluate compliance with work safety requirements in logging operations.
- The questionnaire is used for the evaluation. It is based on requirements of Cabinet of Ministers Regulations No.310 “Labor protection requirements in forestry” (09.05.2012.)
- Emphasis is placed on loggers who use hand saws.

13.4 Actual figures for feedstock over the previous 12 months

Period December 1st, 2017 – December 31st, 2018:

a. Total volume of Feedstock: 200,000 – 400,000 tonnes

b. Volume of primary feedstock: 0 – 200,000 tonnes

c. List percentage of primary feedstock (b), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. Subdivide by SBP-approved Forest Management Schemes:

- Certified to an SBP-approved Forest Management Scheme – 0-19%
- Not certified to an SBP-approved Forest Management Scheme – 80-100%

d. List all species in primary feedstock, including scientific name:

Alnus glutinosa; Alnus incana; Betula pendula; Betula pubescens; Fraxinus excelsior; Picea abies; Pinus sylvestris; Populus tremula; Tilia cordata, Salix spp.

e. Volume of primary feedstock from primary forest – 0%
f. List percentage of primary feedstock from primary forest (e), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
    a. Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme – 0%
    b. Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme – 0%

g. Volume of secondary feedstock: specify origin and type - the volume may be shown as a % of the figure in (a) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided* - 40%-59% sawdust and chips (residues at sawmills) as production waste

h. Volume of tertiary feedstock: specify origin and composition - the volume may be shown as a % of the figure in (a) and percentages may be shown in a banding between XX% to YY% if a compelling justification is provided* - 0-19%

13.5 Projected figures for feedstock over the next 12 months

*Using the categories in Section 2.5 'Quantification of the Supply Base' (above), give an updated projection for the coming 12 month period. Volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m^3 if a compelling justification is provided**

Planned feedstock during period January 1st, 2019 – December 31st, 2019 – 200,000 – 400,000 tonnes

* Compelling justification would be specific evidence that, for example, disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. State the reasons why the information is commercially sensitive, for example, what competitors would be able to do or determine with knowledge of the information.