

Supply Base Report: Kurzemes Granulas

Fourth Surveillance 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

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Version 1.3 published 14 January 2019

© Copyright The Sustainable Biomass Program Limited 2019

Contents

1	Overview	1
2	Description of the Supply Base	2
2.1	General description.....	2
2.2	Actions taken to promote certification amongst feedstock supplier.....	2
2.3	Final harvest sampling programme.....	11
2.4	Flow diagram of feedstock inputs showing feedstock type [optional].....	11
2.5	Quantification of the Supply Base.....	12
3	Requirement for a Supply Base Evaluation	14
4	Supply Base Evaluation	14
4.1	Scope.....	15
4.2	Justification.....	15
4.3	Results of Risk Assessment.....	15
4.4	Results of Supplier Verification Programme.....	15
4.5	Conclusion.....	15
5	Supply Base Evaluation Process	16
6	Stakeholder Consultation	17
6.1	Response to stakeholder comments.....	17
7	Overview of Initial Assessment of Risk	18
8	Supplier Verification Programme	19
8.1	Description of the Supplier Verification Programme.....	19
8.2	Site visits.....	19
8.3	Conclusions from the Supplier Verification Programme.....	19
9	Mitigation Measures	19
9.1	Mitigation measures.....	20
9.2	Monitoring and outcomes.....	20
10	Detailed Findings for Indicators	20
11	Review of Report	22
11.1	Peer review.....	22
11.2	Public or additional reviews.....	22
12	Approval of Report	22

13	Updates	24
13.1	Significant changes in the Supply Base.....	24
13.2	Effectiveness of previous mitigation measures.....	24
13.3	New risk ratings and mitigation measures	24
13.4	Actual figures for feedstock over the previous 12 months	24
13.5	Projected figures for feedstock over the next 12 months.....	24

1 Overview

Producer name: SIA "Kurzemes Granulas"
Producer location: Kustes dambis 22, Ventspils, LV-3601, Latvia
Geographic position: 57.393883, 21.607353
Primary contact: Viesturs Grinbergs, phone: +371 636 62086, E-mail: info@granulas.lv
Company website: <http://www.granulas.lv>
Date report finalised: Date of approval by senior management: 22/Aug/2019
Close of last CB audit: Date and location of the closing meeting CB: Ventspils, 30/08/2019
Name of CB: SIA "NEPCon"
Translations from English: NA

SBP Standard(s) used:

SBP standard 2 v 1.0 (26/03/2015);
 SBP standard 4 v 1.0 (26/03/2015);
 SBP standard 5 v 1.0 (26/03/2015);

Instruction Documents:

Instruction Document 5A: version 1.1 (12/10/2016)
 Instruction Document 5B: version 1.1 (12/10/2016)
 Instruction Document 5C: version 1.1 (12/10/2016)
 Instruction Document 5D: version 1.1 (27/03/2018)

Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>

SBP Endorsed Regional Risk Assessment: NA

Weblink to SBE on Company website: NA

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	X

2 Description of the Supply Base

2.1 General description

SIA “Kurzemes Granulas” is Latvian based wood pellet producer which owns single production facility in Latvia, current SBR describes the facility located in Ventspils in N/W Latvia.

Most of SIA “Kurzemes Granulas” raw material is received from Latvian sawmills as by - products (sawmill residues). Small part of the same type of raw material indirectly comes from Lithuania, Norway, Finland.

SBP- Compliant feedstock 64.04%.

Overview of SIA “Kurzemes Granulas” SBP feedstock profile: 1st July 2018 till 30st June 2019

Feedstock product groups	Estimated Proportion	Indicative number of suppliers	Species mix
SBP-Compliant Primary Feedstock	80% hardwood, 20% softwood	2	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Secondary Feedstock	16.62% hardwood, 83.38% softwood	9	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Tertiary Feedstock	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (primary)	80% hardwood, 20% softwood	4	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (secondary)	50.18% hardwood, 49.82% softwood	28	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (tertiary)	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;

Forest resources: LATVIA

Forest facts

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

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

Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic metres (State Forest Services: vmd.gov.lv, 2015).

Forest land consists of:

- Forests 3 056 578 ha (91.3%);
- Marshes 175 111.8 ha (5.3%);
- Glades (forest meadows) 35 446.7 ha (1.1%);
- Flooded areas 18 453.2 ha (0,5%);
- Objects of infrastructure 61 813.4 ha (1.8%).

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

Distribution of forests by the dominant species:

- Pine 34.3%;
- Spruce 18.0%;
- Birch 30.8%;
- Black alder 3.0 %;
- Grey alder 7.4%:
- Aspen 5.4%;
- Oak 0.3%;
- Ash 0.5%:
- Other species 0.3%.

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

The field of forestry

In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting.

Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture.

Management of the state-owned forests is performed by the *Joint Stock Company "Latvia's State Forests"*, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving

value of the forest and increasing the share of forest in the national economy. Export yielded 1.978 billion euro (approx. 20 % of the total amount in 2014).

Biological diversity

Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia.

For the sake of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas have been included in the European network of protected areas *Natura 2000*. Most of the protected areas are state-owned.

In order to protect highly endangered species and biotopes located without the designated protected areas, if a functional zone does not provide that, micro-reserves are established. According to data of the State Forest Service (2015), the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, underwood trees and shrubs, land cover around wet micro-lowlands (terrain depressions) are to be preserved, thus providing habitat for many organisms.

Latvia has been a signatory of the CITES Convention since 1997. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Latvia.

Forest and community

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012y). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Certification

All forest area of Latvijas valsts meži as well as some part of forests in private and other ownership are FSC and PEFC certified. From all totally forest area 3 347 409 ha is approximately 1,737 million ha All forest area of Latvijas valsts meži as well as some part of forests in private and other ownership are FSC and PEFC certified. All together there is ca 1 300 000 ha FSC certified and 1 700 000 PEFC certified forest in Latvia.

Sources: www.vmd.gov.lv
www.zm.gov.lv
www.lvm.lv

LITHUANIA

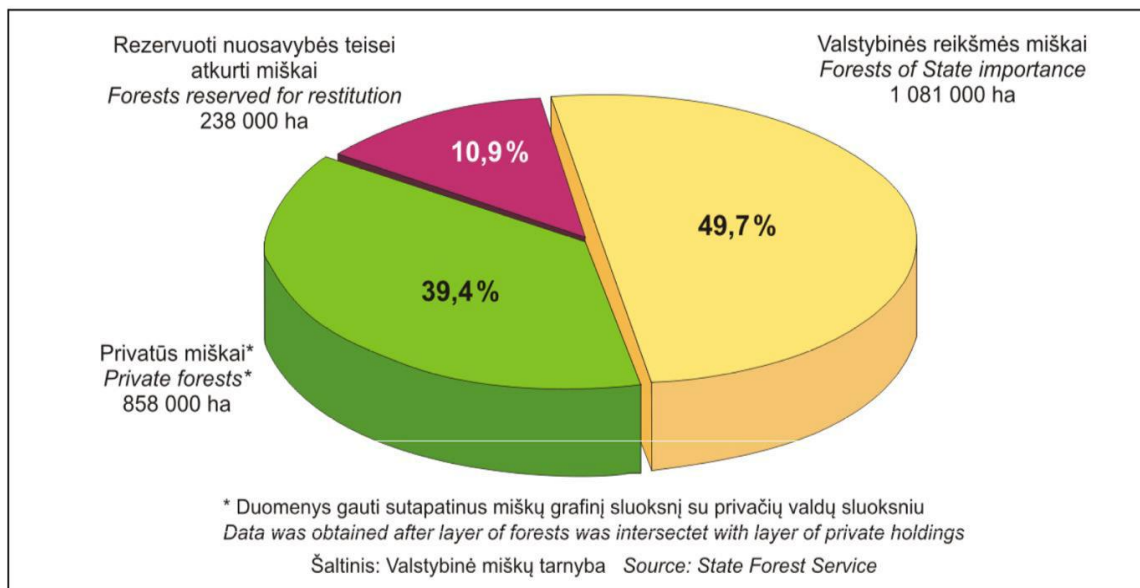
Forest facts

Total forest land area was 2,173,000 ha, covering 33.3% of the country's territory. Since the 1st January 2003, the forest land area has increased by 128,000 ha corresponding to 2.0% of the total forest cover. Occupying 1,153,200 ha, coniferous stands prevail in Lithuania, covering 56.1% of the forest area. They are followed by softwood deciduous forests (818,500 ha, 39.8%). Hardwood deciduous forests occupy 83,800 ha (4.1%).

The total area of softwood deciduous forest land increased by 120,100 ha over the last nine years. The area of hardwood deciduous has decreased by 8,800 ha and coniferous forest by 6,800 ha.

Scots pine occupies the biggest share in Lithuanian forests - 722,200 ha. Compared to 2003, the area of pine expanded by 10,700 ha.

FOREST LAND BY OWNERSHIP 01.01.2014



Forest consists of

Scots pine occupies the biggest share in Lithuanian forests - 722,200 ha. Compared to 2003, the area of pine expanded by 10,700 ha. Norway spruce covers 428,400 ha., with a reduction of 16,900 ha. Birch covers the largest area among deciduous trees. Since 2003, it increased by 66,600 ha and reached 458,800 ha by the 1st January 2012. Areas of black alder increased by 22,500 ha, to 141,9 ha. The area of grey alder expanded by 6,500 ha i.e. less than the black alder, reaching 128,500 ha. The area of aspen stands expanded by 20,900 to 78,200 ha. Oak forests increased from 35,700 ha. to 41,900 ha. The area of ash stands diminished by 30% to 35,700 ha. The average forest area per capita increased from 0.57 ha to 0.67 ha.

Distribution of forests by the dominant species:

- Scots pine - 37.6%;
- Spruce - 24.0%;
- Birch - 19.5%;

Alder - 11.2%;
Ash - 2.7%;
Aspen - 2.6%;
Oak - 1.8%.

Biological diversity

Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management. 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.

There are no CITES tree species naturally growing in Lithuania. To secure and maintain SFM both state and private forests are monitored and inspected by the Lithuanian State Forest Department, which also develops the main forestry management rules. Before commercial activities in the forests can commence, the State Forest Department requires a long - term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting License for separate sites. The Harvesting Licence determines what kind of forest felling system is allowed and which species and in what amount can be harvested in the area. It also determines the forest regeneration method at each harvesting site. The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.

Forest and community

Approximately 837 000 ha of the forest is privately owned. The southeastern part of the country is most heavily forested, and here forests cover about 45% of the land. The total value added in the forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012. Forest land is divided into four protection classes: reserves (2%); ecological (5.8%); protected (14.9%); and commercial (77.3%). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well.

Total annual growth comes to 11 030 000 m³ and current harvest has reached some 9 million m³ u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m³. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result. The potential future annual cut is calculated at 5.2 million m³, of which 2.4 million m³ is made up of sawn timber and the remaining 2.8 million m³ of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10 - year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

The total value added in the forest sector (including manufacture of furniture) reached EUR 1.2 billion in 2011 and was 25% higher than in 2010. Its share in the total national value added has increased from 3.7% (2010) to 4.2% (2011). The biggest share (EUR 520 million) of the value added in the sector was generated by the furniture industry.

Certification

There is ca 1 100 000 ha FSC certified forest in Lithuania, but no PEFC certified forest area.

Sources: http://www.gmu.lt/forest_resources/
<http://www.fao.org/docrep/w3722e/w3722e22.htm>

FINLAND

Finnish forests resources

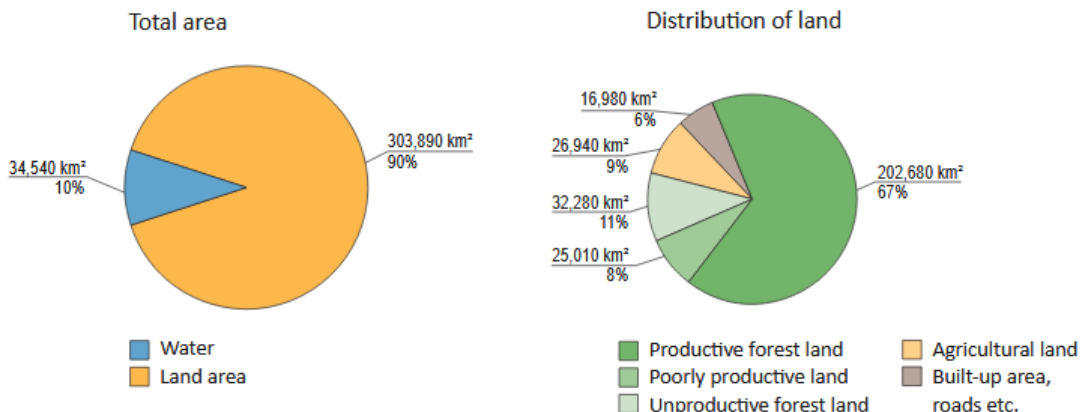
The amount of timber in Finnish forests increases every year. Annual fellings have for a long time been smaller than growth.

TOTAL AREA	33.8 mill. ha	STANDING TIMBER STOCK	2,356 mill. m ³
Water	3.5 mill. ha	FOREST GROWTH PER YEAR	105.5 mill. m ³
TOTAL FOREST AREA	26.2 mill. ha	LOGGINGS PER YEAR	70 mill. m ³
Share of land area	86 %	HARVESTED FOREST AREA	3.0 %
Productive forest land	20.3 mill. ha	Fellings for regeneration	0.7 %
Low productive forest land	2.5 mill. ha	Thinnings 2.2 %	
Other forestry land	3.2 mill. ha	CERTIFIED FOREST (PEFC & FSC)	19,1 mill. ha
Logging roads etc.	0.2 mill. ha	FOREST SECTOR'S SHARE OF GDP	4.1 %
Family forests	53 %	Value of exports	11,7 bill. €
State-owned	35 %	Share of exports	21.7 %
Industry-owned	12 %	Employees	65 000
POPULATION	5.5 mill	Share of total employment	2.6 %
FOREST PER PERSON (productive and low productive forest land)	4.1 ha		
PROTECTED FORESTS	2.7 mill. ha		
Share of productive and low productive forest land	12 %		

The total volume of timber in Finnish forests was 2,360 million cubic metres in 2014. The annual growth of Finnish forests has for a few years already exceeded one hundred million cubic metres. Trees grow only during the growing season, which in Finland is about 80 days long. In 2014, the annual growth was 104 million cubic metres so the daily growth was over one million cubic metres.

When annual removals are subtracted from annual growth the result is annual increment: the amount the timber volume increases in forests per year. Removals include fellings, the parts of trees left in forests from felled trees and trees which die naturally. For all tree species and all forestry areas of Finland, the annual growth is greater than annual removals.

FINLAND – A LAND OF FORESTS



Compared to the start of the 21st century, the timber resources in Finland have increased by 60 percent, even though over ten percent of land area and best forest resources of Finland were ceded to the Soviet Union after the Winter War in 1940. On the average, there is 111 cubic metres of timber on a hectare of forest land; in 1970's the figure was 75 cubic metres.

Forests cover 75 percent of Finland's land area. For every Finn, there is around 4,2 hectares of forest. In Finland, land area is classified according to its use. 86 percent of land area is forestry land. The rest is agricultural land, built-up areas etc.

Forestry land is further divided into different types according to the productivity of the land: productive forest land, where the annual wood growth is over one cubic meter per hectare, poorly productive forest land, where growth is between 0.1 and 1 cubic metres, and unproductive forest land, where the annual growth is below 0.1 cubic metres.

When Finns talk about forests, they mean the area of forest land and poorly productive forest land combined. Most of Finnish forests grow on productive forest land, which covers an area of 20.3 million hectares.

34 percent of forestry land consists of peatlands. The area of forest land increased from the 1950's up to the 1980's, because peatlands were drained for forestry use. This resulted in higher productivity per hectare.

In terms of phytogeography, the vast majority of Finland is situated in the boreal coniferous zone. In the boreal coniferous zone the soil is poor and acid and there are only few forest trees species.

Almost half of the volume of the timber stock consists of pine (*Pinus sylvestris*). The other most common species are spruce (*Picea abies*) downy birch (*Betula pubescens*) and silver birch (*Betula pendula*). These species make for 97 percent of total timber volume in Finland.

The majority of Finnish forests are mixed, which means that they are made of more than one species. In all, Finland has about thirty indigenous tree species.

Private forest owners - family forests predominate

As in other countries in western Europe, forests in Finland are mainly owned by private people and families. In the principal growth area, southern and central Finland, about 3/4 of all forests are in private ownership, and in some areas in southern Finland the percentage can exceed 90%. State forests are for the most part situated in northern and eastern Finland.

Forest certification is a voluntary instrument for market actors. It serves as an adjunct to the implementation of sustainable forest management, ensuring the commitment by the actors to silvicultural instructions and standards. In forest certification, an independent third party grants a certificate (sustainable forestry certificate) vouching for the sustainable management and use of the forest holding in accordance with an agreed standard. The major international certification systems are the PEFC (Programme for the Endorsement of Forest Certification Schemes) and the FSC (Forest Stewardship Council). Finland has its own national certification system, the FFCS (Finnish Forest Certification System), designed in the 1990s for family forestry. The system was accepted as part of the PEFC in 2000. Finland's PEFC forest certification standards have been updated twice since acceptance in 2000. Today, 95% (22 million hectares) of Finland's forests are certified under the PEFC system. Finland's FSC certification standards were completed and approved by the international FSC in 2010. The number of forest holdings certified under the FSC system is expected to increase in Finland in the near future.

Sources: <https://www.smy.fi/en/forest-fi/graphs/forest-resources/>
<https://www.smy.fi/en/forest-fi/forest-facts/finnish-forests-resources/>

<http://www.metla.fi/julkaisut/seuranta/pdf/state-of-finlands-forests-2011.pdf>

NORWAY

Forest facts

About 37% of the surface area in Norway is covered by forest. The total forested area amounts to 11 900 000 ha, including more than 7 200 000 ha or 23% of which are productive forest. 15% of the productive forest has been estimated as non-economic operational areas due to difficult terrain and long distance transport, which means that economical forestry may only be operated in about 50% of the forested area.

Distribution of forests by the dominant species:

- Norway spruce (47%);
- Scots pine (33%);
- Birch (18%).

Forest and community

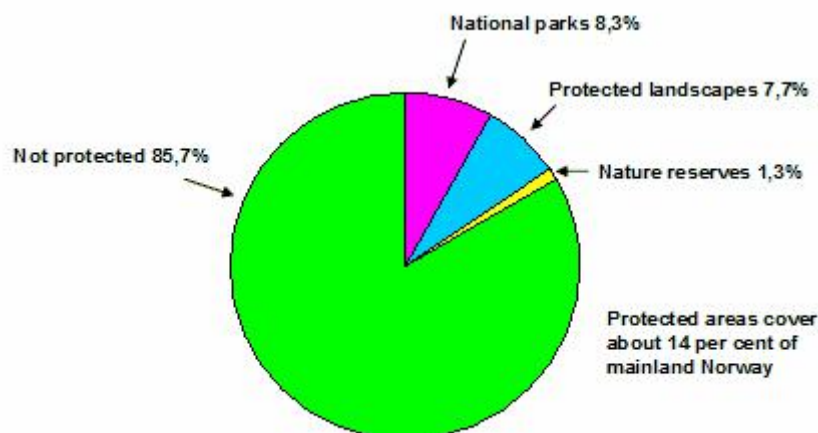
The productive forest is distributed between 125,000 forest properties. About 79% of the productive forest area is owned by private individuals, 12% by state and municipalities, 4% by industrial private and also 4% is local common land. Norwegian forests have been exploited intensively for export of roundwood, sawn timber and wood tar. A lot of people use the forest for recreational activities, both traditional and modern, including walking, picking berries and mushrooms, game hunting and fishing.

Certification

All productive forests in Norway are certified, i.e. 7.397.000 hectares (PEFC/FSC). The number of certified forest owners is approximately 43.000 (private, municipalities, state).

Forest protection

Areas protected under the Nature Conservation Act 2008



Areas protected under the Nature Conservation Act 2008

Biological diversity

Approximately 6.4% of mainland Norway has protected area status. In addition, 15,000 square km of Spitsbergen is designated as conservation area - national parks, nature reserves or other kinds of protected area cover 10-12% of the area of the remote islands.

The total number of species in Norway is estimated to be 45,000, of which approximately 33,000 are known and described. It exists information enough to estimate whether a species is threatened or not for only 10,000 species. Of these, 150 are threatened by extinction, 279 are deemed vulnerable, 800 are categorized as rare (the last number also includes species which are rare of natural causes, and not only because of human intervention). 359 are deemed species of special concern, 36 species are indeterminate, while 169 species are classified as insufficiently known.

Species "Red lists" can be used to point out the habitats containing an especially rich variety of endangered species. Red list species have often proved to be the red warning lights of nature to tell us that a biotope is threatened or something else is wrong in nature. The red lists also give us a picture of the condition of our flora and fauna, and may contribute to the efforts of securing and improve the ecosystem for these species.

In the country there are areas of endangered high conservation value forests. More specifically there are Global200 and IFL areas in the northern mountain regions.

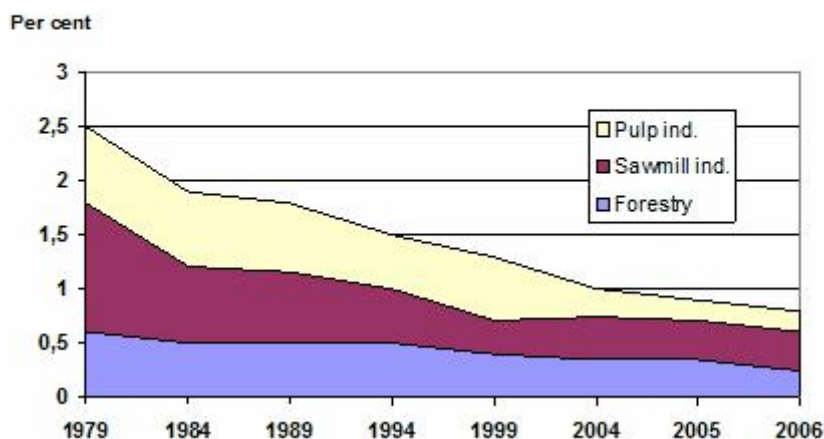
Those regions identified by Conservation International as a Biodiversity Hotspot <http://www.biodiversityhotspots.org/xp/hotspots/Pages/default.aspx> Those forest, woodland, or mangrove ecoregions identified by World Wildlife Fund as a Global 200 Ecoregion and assessed by WWF as having a conservation status of endangered or critical. Those regions identified by the World Resources Institute as a Frontier Forest Intact Forests Landscapes, as identified by Greenpeace

Forest sector in Norway's national economy

In 2006 forestry and the forest industries accounted for about 0.8% of the Gross National Product in Norway. Of the total employment of 2.443.000 persons in Norway approximately 40.000 people receive their income from forestry and from the forest industry. 6.700 persons (0.3%) are directly employed in forestry.

About 50 percent of the Norwegian round wood harvested is used by sawmills. There are 225 sawmills in Norway operating on an industrial scale.

Forestry and forest industry as part of GNP 1979-2006



Sources: http://www.borealforest.org/world/world_norway.htm
www.intactforests.org

2.2 Actions taken to promote certification amongst feedstock supplier

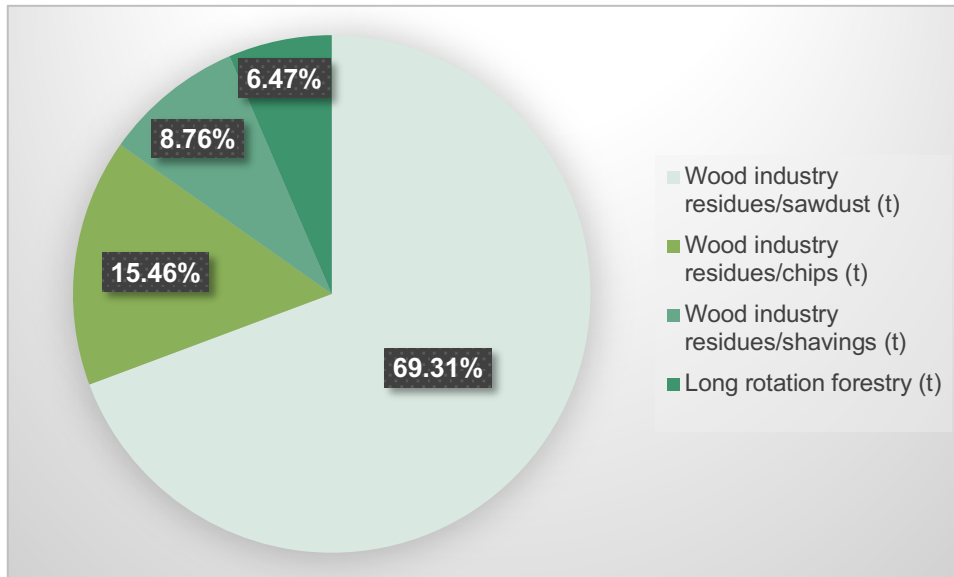
The raw material procurement is based on long-term co-operation with regular suppliers that have attested their participation in wood chain of custody certification. The objective of the chain of custody system is to provide information on the origin of forest raw materials down from the point of delivery. The company's initiated FSC Mix credit / PEFC 100% certified wood procurement has decreased from 71.36% to 64.04% in July 2018-June 2019, but FSC Controlled Wood / PEFC Controlled Sources procurement has reached 16% and self-verified feedstock has reached 19.96%. As well as their business decision is specially not to increase the FSC / PEFC certified wood procurement, but to following the market situation, many of suppliers choose to procure FSC Controlled Wood / PEFC Controlled Sources round wood. The company has established the FSC Mix credit/ PEFC 100% certified wood higher purchase price than uncertified. Thus, all involved companies from the forest management and logging enterprises to woodworking sphere are interested that sustainable forestry methods are attested. The company procures wood for pellet production mainly from woodworking enterprises of Kurzeme region, which in turn procure round wood from the FSC and PEFC-certified forest in Joint Stock company "Latvia's State Forest".

Woodworking residues are procured from woodworking enterprises that mainly produce sawn materials and other products. Motivation for getting certified for those enterprises is the fact that support to sustainable forest management by certified chain of custody increases sales opportunities for both main and side products.

2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is 25-35% 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 [1.07.2018.-30.06.2019.]



2.5 Quantification of the Supply Base

Supply Base

- Total Supply Base area (ha): 28.5 million ha
- Tenure by type (ha): 19.1 million ha private /9.4 million ha public
- Forest by type (ha): 8.55 million ha boreal / 19.95 million ha temperate
- Forest by management type (ha): 26.5 managed natural
- Certified forest by scheme (ha): 5.8 million ha FSC / 22.7 million ha PEFC

Feedstock

- Total volume of Feedstock: 152'662,16 tonnes (or 611'297,03 loose/m³).
- Volume of primary feedstock: 9'875,22 tonnes (or 12'344,03 loose/m³).
- List percentage of primary feedstock (g), 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 80.04%.
 - Not certified to an SBP-approved Forest Management Scheme 19.96%.
- List all species in primary feedstock, including scientific name: Alder - *Alnus glutinosa*; Grey alder - *Alnus incana* (L.) Moench; Silver birch - *Betula Pendula*; Downy birch - *Betula verrucosa*; Norway spruce - *Picea abies*; Scots pine - *Pinus sylvestris*; Aspen - *Populus tremula*.
- Volume of primary feedstock from primary forest N/A.
- 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 N/A.
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme N/A.
- l. Volume of secondary feedstock: 129'413,72 t (84.77%).
Sawdust 69.31% - Latvia, Lithuania, Norway, Finland.
Other types of sawmill residues 15.46% – Latvia, Lithuania, Norway, Finland.
- m. Volume of tertiary feedstock: 13'373,22 t (8.76%).
Pre-consumer untreated tertiary feedstock Latvia, Lithuania, Norway, Finland.
- * 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.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

SBE system is not implemented, because 64.04% from total input of feedstock is FSC Mix Credit and 100% PEFC Certified, also FSC Controlled Wood and PEFC Controlled Sources feedstock is 16%, and only 19.96% of total feedstock input comes from own verification program (as on 30th June 2019). For the next period the company (SIA KURZEMES GRANULAS) has enough FSC and PEFC certified material in order to fulfil sales plan of SBP certified pellets.

4 Supply Base Evaluation

4.1 Scope

N/A

4.2 Justification

N/A

4.3 Results of Risk Assessment

N/A

4.4 Results of Supplier Verification Programme

N/A

4.5 Conclusion

N/A

5 Supply Base Evaluation Process

N/A

6 Stakeholder Consultation

N/A

6.1 Response to stakeholder comments

N/A

7 Overview of Initial Assessment of Risk

N/A

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

When purchasing self verified, the Quality Manager carries out a risk assessment of the purchased material at the site once a year, but no later than November, according to PEFC ST 2002:2013 standard, according to the following criteria:

- Information about tree species, material type
- Information about origin
- Scientific names

If deliveries are from countries and areas that can not be classified as low risk areas, the Quality Manager draws up an annual audit plan and inspection program to ensure verification of the suppliers and to obtain evidence that the uncertified delivered wood meets PEFC-Controlled Sources requirements.

The Quality Manager must draw up a list of suppliers of non-certified raw materials and determine the required number of test audits using the sampling method in accordance with PEFC ST 2002:2013.

Inspection audits are carried out immediately after receipt of the timber, at least once a year.

8.2 Site visits

All of still active suppliers have been audited at production sites.

8.3 Conclusions from the Supplier Verification Programme

All of the suppliers have been audited at production sites and 8 of suppliers were excluded from supplier list in 2019.

9 Mitigation Measures

9.1 Mitigation measures

Different price for certified/not certified product. Increase number of certified suppliers.

9.2 Monitoring and outcomes

8 of suppliers were excluded from supplier list in 2019, due to shut down of production or too high price of product.

10 Detailed Findings for Indicators

N/A

11 Review of Report

11.1 Peer review

N/A

11.2 Public or additional reviews

The report is available on the company's website <http://www.granulas.lv> for public inspection of all interested parties. After reading all the interested parties can send their comments, if any, at the company info@granulas.lv

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Mārtiņš Kalmans</i>	<i>Quality manager</i>	<i>22.08.2019.</i>
	Name	Title	Date
<p>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.</p>			
Report approved by:	<i>Viesturs Grīnbergs</i>	<i>Chairman of the board</i>	<i>22.08.2019.</i>
	Name	Title	Date

13 Updates

Report updated with data from 01.07.2018. –30.06.2019.

13.1 Significant changes in the Supply Base

Total input of feedstock has decreased from 71.36% to 64.04% from total input of FSC Mix Credit and 100% PEFC Certified. Also 16% FSC Controlled Wood and PEFC Controlled Sources, and 19.96% Controlled feedstock from own verification program (as on 30th June 2019).

13.2 Effectiveness of previous mitigation measures

N/A

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual figures for feedstock over the previous 12 months

Period: 01/07/2018 till 30/06/2019.

Total feedstock: 152'662,16 tonnes (or 611'297,03 loose/m3);

Long rotation forestry: 9'875,22 t (12'344,03 m3);

Other types of sawmill residues: 23'604,82 t (74'229,00 loose m3);

Sawdust: 105'808,90 t (367'392,00 loose m3);

Pre-consumer untreated tertiary feedstock: 13'373,22 t (157'332,00 loose m3).

13.5 Projected figures for feedstock over the next 12 months

Period: 01/07/2019 till 30/06/2020.

Total feedstock: 160 000 t (650 000 loose m3).

No significant changes in the proportion of the feedstock types is foreseen.