

Supply Base Report: Sveaskog Baltfor SIA

First Surveillance Audit

www.sbp-cert.org



Completed in accordance with the Supply Base Report Template Version 1.2

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

Document history

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1 Overview

Producer name: Sveaskog Baltfor SIA
Producer location: Office, Brivibas 40-23, Riga, LV-1050
Riga`s Jaunmilgravja terminal, Tvaika 70, Riga, LV-1034
Liepaja`s Terrabalt terminal, Brivostas 14A, Liepaja, LV-3405
Zvejniekciems Skulte terminal, Skultes 1, Zvejniekciems, LV-2161
Geographic position: Latvia
Primary contact: Marta Ciekure (Environment and quality manager), mob. +371 26111329
 E-pasts: Marta.Ciekure@sveaskog.se
Company website: <http://www.sveaskog.se/en/sveaskog-baltfor-sia/>
Date report finalised: 18/Sep/2018
Close of last CB audit: 18/Sep/2018
Name of CB: NEPCon SIA
Translations from English: Yes
SBP Standard(s) used: SBP Standard 1 V1.0; SBP Standard 2 V1.0; SBP Standard 4 V1.0;
 SBP Standard 5 V1.0 (instructions documents 5A V1.1; 5B V1.1; 5C V1.1)
Weblink to Standard(s) used: <https://sbp-cert.org/documents>
SBP Endorsed Regional Risk Assessment: <https://sbp-cert.org/documents/risk-assessments/latvia>
Weblink to SBE on Company website: <http://www.sveaskog.se/en/sveaskog-baltfor-sia/>

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

Sveaskog Baltfor SIA purchases the most of its feedstock for production of biomass (woodchips): branches as wood residues from logging and branches from non-forest lands, also firewood.

A small part of chips as biomass is obtained after the processing of roundwood from sawmills.

Biomass is mainly obtained from our own production.

The region of biomass origin is Latvia; a small part of biomass is obtained from Lithuania via direct purchase and supply.

Data from deliveries period: From / Till 31 August 2017 / 30 April 2018

Time period chosen due to date when SBP certification comes into force till first surveillance audit.

Controlled Feedstock: 100 % (FSC Controlled Wood, Controlled Wood)

The number of suppliers – 12

SBP-compliant Primary Feedstock: 46 %

SBP-controlled Primary Feedstock: 52 %

SBP-compliant Secondary Feedstock: 0%

SBP-controlled Secondary Feedstock: 2 %

SBP-compliant Tertiary Feedstock: 0%

SBP non-compliant Feedstock: 0%

Generic: Picea abies (L.) H. Karst.; Pinus sylvestris L.; Alnus glutinosa (L.) Gaertn.; Alnus incana (L.) Moench; Populus tremula (L.); Betula pendula (Roth); Betula pubescens (Ehrh.)

LATVIAN forest resources

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 Service: 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 Service: 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 Service: vmd.gov.lv, 2015)

Share of species used in reforestation, by planting area:

- Pine 20 %;
 - Spruce 17 %;
 - Birch 28 %;
 - Grey alder 12 %;
 - Aspen 20 %;
 - Other species 3 %.
- (State Forest Service: vmd.gov.lv, 2015)

Timber production by types of cuts, by volume produced:

- Final cuts 81.00 %;
 - Thinning 12.57 %;
 - Sanitary clear-cuts 3.63 %;
 - Sanitary selective cuts 1.43 %;
 - Deforestation cuts 0.76 %;
 - Other types of cuts 0.06 %.
- (State Forest Service: 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 (LR Ministry of Agriculture: www.zm.gov.lv).

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 (State Forest Service: www.vmd.gov.lv).

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 (PLC Latvia's State Forests: www.lvm.lv).

In 2015 income from forest product export reached 2,010 billion euro (LR Ministry of Agriculture: www.zm.gov.lv).

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 683 protected areas have been established (Nature Conservation Agency: daba.gov.lv). Part of the areas has 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 in 2015 the total area of micro reserves is 40 595 ha, annually area of micro reserves slightly increases. 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, under wood trees and shrubs, land cover around wet micro-lowlands (terrain depressions) are to be preserved, thus providing habitat for many organisms.

Latvia has ratified the CITES Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) 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 (year 2012). 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. Part of management and governance of specially protected natural areas (SAC) in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

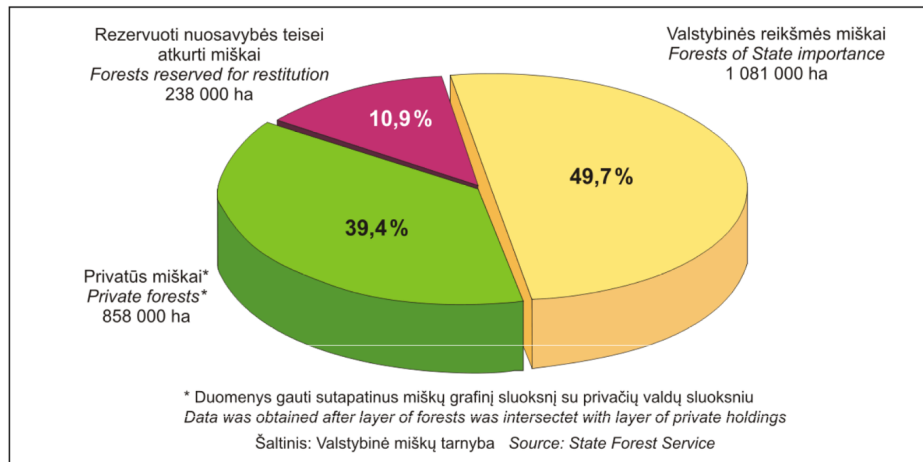
Certification

All forest area of PLC Latvia's State Forests as well as some part of forests in private and other ownership is FSC and PEFC certified. From all forest area 3 056 578 ha approximately 1.737 million ha of Latvian forests are certified according to FSC and / or PEFC certification scheme (year 2015). Both the FSC and PEFC systems have found their way into Latvia.

LITHUANIA forest resources

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2.18 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under 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 forest 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 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. In commercial forests, there are almost no restrictions as to harvesting methods.

Lithuania has ratified the CITES Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) since 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 forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about 12 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent.

The growing stock given as standing volume per hectare is on the average of 180 m³ in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m³ per hectare. Total annual growth comes to 11 900 000 m³ and the mean timber increment has reached 6.3 m³ per year and per hectare.

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.

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.

(Resource: <http://www.fao.org/docrep/w3722e/w3722e22.htm>)

2.2 Actions taken to promote certification amongst feedstock supplier

Sveaskog Baltfor prefers dealing with FSC-certified companies.

Company initiates cooperation and offers better conditions of supply for FSC-certified suppliers (better payment terms, higher delivery volumes, price bonus).

Sveaskog Baltfor introduces with FSC certification uncertified suppliers and forest owners, as well as motivates to carry out their own certification.

At the time of preparation SBP certification, Sveaskog Baltfor increased the amount of woodchips, which has been certified by the FSC system, cooperation with 5 new certified biomass suppliers.

Sveaskog Baltfor management has decided to increase amount of FSC-certified woodchips purchase as much possible in 2017.

The wood obtained from non-forest lands, risks are evaluated and compliance approved according to SBP Compliant biomass status.

2.3 Final harvest sampling programme

The proportion of provided Biomass from primary feedstock from the base logging area is approximately 25–35% compared to other types of feedstock. Primary feedstock is obtained from Supply Base Area and is formed by roundwood (firewood, pulpwood assortment), also branches as wood residues.

Feedstock is obtained on well developed, free and open market where competition of other consumers is present. The price-lists of the assortment offered are publicly available to all companies in the field of forestry. The price-lists clearly state that saw log (including finishing log) is the most valuable product, whereas wood intended for fuel (for SBP biomass) is significantly less valuable. This information is obtained from documents and data submitted by suppliers and persons involved in forest development.

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

N/A

2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): Total area of all forest types within SPB 5 236 578
- b. Tenure by type (ha): Government 2 576 616 / Privately owned 2 418 961 / Other 2 380 000
- c. Forest by type (ha): Hemi boreal area 5 236 578
- d. Forest by management type (ha): Managed natural 5 236 578
- e. Certified forest by scheme (ha): FSC-certified 2 100 023 and PEFC-certified 1 690 000

Feedstock

- f. Total volume of Feedstock: 59 000 tonnes (indicative for year 2018)
- g. Volume of primary feedstock: 59 000 tonnes, including 28 000 tonnes (biomass from branches as wood residues from logging and firewood) and 31 000 tonnes (biomass from branches from non-forest lands)

- h. List percentage of primary feedstock (g), by the following categories.
Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme:0%
 - Not certified to an SBP-approved Forest Management Scheme:100%
- i. List all species in primary feedstock, including scientific name:
Picea abies (L.) H. Karst.; Pinus sylvestris L.; Alnus glutinosa (L.) Gaertn.; Alnus incana (L.) Moench;
Populus tremula (L.); Betula pendula (Roth); Betula pubescens (Ehrh.)
- 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: specify origin and type:
 - Woodchips (sawmills residues) as residues of wood industry bought within origin Latvia: 0 tonnes
- m. Volume of tertiary feedstock: specify origin and composition: 0%tonnes

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
✓	☐

SBP Biomass supply evaluation includes:

- **Primary** feedstock (woodchips from firewood and branches as wood residues from logging)
- **Non-forest land** feedstock (woodchips from overgrown agricultural areas, powerline and ditch areas branches after clearing)

Sveaskog Baltfor SIA defines the biomass received from approved biomass sources and supplies as SBP-compliant biomass.

Risk categories and justification for both cases is “specified risk” in those indicators whose risk level has been changed during the Regional Risk assessment process, have been reviewed taking into consideration operational profile of Sveaskog Baltfor SIA

Reviewed risk assessment has been sent out for public consultations.
 Risk assessment (RA) was sent for public consultation on 12 September 2016.

Risk assessment is divided into “Low risk”, “Specified risk” or “Unspecified risk”.

4 Supply Base Evaluation

4.1 Scope

4.1.1. It refers to primary feedstock supplies (firewood) from the Latvian forest properties after logging.

4.1.2. It refers to primary feedstock purchases in forest (branches) from the Latvian forest properties after logging.

4.1.3. It refers to primary feedstock supplies(branches) from the Latvian overgrown agricultural land areas, ditches and roadsides after clearing.

4.2 Justification

The risk assessment has been developed in accordance with SBP Standard 1 V1.0 and SBP Standard 2 V1.0 of March 2015, assessing the risk categories for each SBP indicator. While describing and assessing the risks, company acquired an in-depth understanding of the wood supply risks that could affect the acceptance of SBP non-compliant material for biomass production.

By introducing efficient risk mitigation measures, company has the option to purchase SBP approved and compliant assortment to produce the required amount of SBP compliant biomass products.

The classification of developed risk indicators is graded from potential risk to lower risk.

At first company reviewed risk level for each indicator based on the draft version of SBP Regional Risk assessment for Latvia V1.0, developed by NEPCon and based on SBP Standard 1 V1.0 of March 2015.

The designated risk specifications for “Specified risk” indicators and those indicators whose risk level has been changed during the risk assessment process (for example, 1.1.2, 1.4.1, 2.2.5, see draft version of Regional Risk Assessment for Latvia) were reviewed, evaluated in line with requirements of national legislation, national policies (forest sector, nature protection, biodiversity etc), annual reports and publications of national responsible institutions and authorities). In addition to this, the risk specification has been consulted with stakeholders and leading experts in nature protection and forestry sectors.

During consultation with interested parties and through communication with biomass suppliers, additional information related to current “Specified risk” and “Low risk” indicators has been obtained, however, no changes in risk designation for given indicators were made. Thus, the risk assessment reviewed by the Sveaskog Baltfor SIA does not differ from the draft Regional Risk Assessment for Latvia.

Reviewed Risk assessment has been checked via public consultation with the stakeholders according to requirements of SBP Standard 1 V1.0

Sveaskog Baltfor SIA as a wood processing and forestry company with more than 20 years of experience, as well as by attracting independent experts of biotope and nature conservation specialists, has developed risk mitigation and control mechanisms to assess and validate the biomass supplies and suppliers whose products correspond to SBP-compliant biomass status.

To develop a SBE system, supply assessment and risk mitigation measures have been performed by Sveaskog Baltfor SIA by attracting the existing staff, Production manager, who has more than 10 years experience in woodchips production and trade, experience and knowledge of forestry and wood procurement

and legislation matters; Environment and Quality manager, who has more than 5 years experience in FSC, ISO system maintenance and development, also attracting outsourcing provider company Lodret SIA consultant - Wood processing technologist with more than 20 years experience in the timber industry, 10 years experience as the leading auditor of FSC, PEFC forestry and supply certification.

4.3 Results of Risk Assessment

The requirements of Latvian normative acts were included in the risk assessment analysis.

Considering the specific character of Latvia and expert advices and recommendations "Specified risk" was applied to biotope protection (HCV category 3), work safety, bird habitat conservation (HCV category 1) and cultural and historical sites (HCV category 6).

4.4 Results of Supplier Verification Programme

SBP approved supplier audits and results described below and associated with specific risks are available to third parties and interested parties by documentary evidence of the audits performed.

The information obtained during risk assessment from both the legislative and the physical information verification on site on all SBE risk categories has confirmed that "Specific risk" are applicable to 4 categories: biotope protection (HCV category 3), work safety, bird habitat conservation (HCV category 1) and cultural and historical sites (HCV category 6), whereas the risk for other categories is low.

Risk assessment and risk mitigation mechanism in primary feedstock compliance audits confirmed the urgency of defined risks in forestry and outside forest lands.

4.5 Conclusion

Since August 1, 2016 when the requirements of SBE standards were initiated and introduced, the compliance of feedstock suppliers to specific risks was reviewed. Only a small part of suppliers who have direct logging and the competence to assess potential risks is recognized suitable as SBP suppliers for wood that is not certified according to the requirements of FSC or PEFC standards.

The amount of FSC or PEFC certified forests and access to certified wood is insufficient to ensure that at least 70% of the biomass is SBP-compliant biomass.

As a result of risk mitigation measures, Sveaskog Baltfor SIA has confirmed that risk mitigation measures can be provided at our own forestry and conform to SBE low risk category at supply level.

Also, when Sveaskog Baltfor inspecting and performing risk mitigation measures to his supplier before logging in certain production area, can be if risk mitigation measures are effective and meet SBE low risk category at supply level.

5 Supply Base Evaluation Process

Sveaskog Baltfor SIA SBP-compliant biomass assessment refers to supplies from Latvia only and obtaining of biomass from:

- SBP-approved forestry certification scheme;
- SBP-low risk feedstock sourced within SBE system;
- SBP approved supply chain (CoC) system requirements;
- SBP-approved supply from outside forest lands.

Risk assessment results were obtained by carrying out audits at logging companies which approved taking necessary measures for risk mitigation. Additional consultation with other forestry and logging companies was carried out, and the results and experience obtained was publicly discussed with non-governmental organizations.

During confirmation of fulfilment of SBP requirements and assessment of the competence of suppliers, loggers and processors, experts in work safety, biotope and bird nest exploration and identification of possible cultural and historical sites were involved.

The company has developed and implemented a risk mitigation procedure where the identified risk mitigation measures and tools are described.

Questionnaires to test each risk indicator were designed and applied to objectively assess and obtain all information on each wood acquisition site, which is or is not approved as SBP compliant biomass.

Audit frequency and plan is designed so that timber from felling (forest management units) that originates from approved cutting area is audited in a 6-month period. Audits are performed prior to and during logging. The audit procedure is available at the company only by request, considering confidentiality, and is presented and discussed with interested parties to improve it effectively.

6 Stakeholder Consultation

On 12th September 2016, Sveaskog Baltfor published SBP risk assessment on its website. An informative letter was sent electronically to the interested parties on the risk assessment developed according to SBP standard.

The list of interested parties was created so that it includes the maximum number of recipients that represent economic, social and environmental interests of society, as well as local municipalities.

The total number of recipients is 59 correspondents.

SBP risk assessment is available on the website:

https://www.sveaskog.se/globalassets/sveaskog-baltfor-sia/sveaskog-baltfor_sbp_risk_assess_latvia_v1.pdf

6.1 Response to stakeholder comments

At the time of the SBR final version is published and submitted to NEPCon SIA The Nature Conservation Agency Latgale regional board provided comments with recommendations for clarifying and correcting the text of the risk assessment.

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

All the comments provided by the stakeholder were addressed and corrected in the risk assessment document and subsequently in the Supply Base Report.

The general conclusion of the Nature Conservation Agency:

“...the Nature Protection Agency expresses the view that it does not have objections to the content of documentation developed by the Sveaskog Baltfor SIA, but the mentioned corrections and clarifications shall be made in order to eliminate inaccuracies of similar content elsewhere”.

7 Overview of Initial Assessment of Risk

Sveaskog Baltfor reviewed risk level for each indicator based on the draft version of SBP Regional Risk assessment for Latvia V1.0, developed by NEPCo and based on SBP Standard 1 V1.0 of March 2015.

The designated risk specifications for “Specified risk” indicators and those indicators whose risk level has been changed during the risk assessment process (for example, 1.1.2, 1.4.1, 2.2.5, see draft version of Regional Risk Assessment for Latvia) were reviewed, evaluated in line with requirements of national legislation, national policies (forest sector, nature protection, biodiversity etc), annual reports and publications of national responsible institutions and authorities). In addition to this, the risk specification has been consulted with stakeholders and leading experts in nature protection and forestry sectors.

After the publication of the risk assessment Sveaskog Baltfor had started risk mitigation process for 3 “Specified risk” categories.

Risk assessment results are summarised in the table 1 below.

After the publication of the risk assessment Sveaskog Baltfor had started risk mitigation process for 3 “Specified risk” categories verification in nature. The results are reflected in paragraphs 7 and 8 below.

Table 1. Overview of results from the risk assessment of all Indicators (before supplier control program)

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	

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		

2.2.5		X	
2.2.6		X	
2.2.7		X	
2.2.8		X	
2.2.9		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 mitigation measures refer to the following feedstock categories:

- primary feedstock supplies from Latvian forest properties prior to and after logging, as well as during the logging;
- primary feedstock supplies from Latvian overgrown agricultural land areas, power lines and ditches;
- not applicable to secondary feedstock and other regions of origin;
- primary biomass is not qualified and is not applicable to tree species such as oak, ash, maple, fluttering elm, if the diameter on the stump exceeds 70cm.

Sveaskog Baltfor SIA SBP suppliers groups in two categories:

1st category: SBP-compliant supplier – the suppliers who have signed an agreement on the supplies of SBP compliant feedstock and are trained in identification of risk categories; the supplier tests feedstock supplies from all wood units of origin; the supplier has been audited and received written confirmation from Sveaskog Baltfor.

If the supplier has not assessed the logging unit and has ignored any of the risk categories that it has not identified or has concealed, the supplier is excluded from SBP-compliant feedstock supplier list.

2nd category: SBP non-compliant supplier – includes all suppliers that have not performed risk assessment for the entire amount of supplied wood and with whom an agreement has not been signed on SBP-compliant feedstock supplies. The supplier has been trained on risk identification, but the supplier does not carry out risk mitigation measures using Sveaskog Baltfor risk mitigation tools. The supplier may be audited, but has not received written confirmation from Sveaskog Baltfor.

An independent, international auditing company performs the compliance assessment and verification of the suppliers approved by Sveaskog Baltfor. If the audit finds that any of the suppliers has ignored risk categories during audit, the assessment programme is reviewed, and the supplier is excluded from SBP-compliant feedstock supplier list.

During the development process of SBP certification, the company assessed SIA Sveaskog Baltfor own logging in forest and outside the forest lands.

Audits are carried out both for approved suppliers by carrying out checks at least 1 x 3 months, in order to ensure compliance with SBP requirements and for unapproved suppliers at least 1x a year before or after the logging period.

Unapproved suppliers that are competent in risk category assessment and have expressed an interest in supplying SBP compliant biomass are included into the additional monitoring programme, which involves testing prior to commencement of logging. The minimum criteria for approving SBP-compliant suppliers are described in the company procedures.

The number and selection of sites to be visited is planned, one month before the logging, receiving information on planned logging sites, cadastral numbers, and felling coordinates from both approved and unapproved suppliers.

For obtaining additional information, the following information sources are used: Natural Data Management System "Ozols" of the Nature Conservation Agency (Nature Conservation Agency: <http://ozols.daba.gov.lv/pub/>).

On the Nature Conservation Agency information available, recommendations of forestry and nature protection experts. In the auditing process during interviews with suppliers, confirmation is obtained that the supplier understands the risks associated with sustainable biomass sourcing, the supplier correctly identifies risk categories and takes measures necessary to mitigate the risks.

The objective of Sveaskog Baltfor within SBP certification is to verify all feedstock suppliers by performing audits and assessing their compliance with the requirements of SBP standards, the competence and skills of risk identification associated with the 3 afore mentioned risk categories for Latvia.

All suppliers, whether approved or unapproved, are subjected to assessment of the work safety system of the logging company, a set of measures taken by the company to conserve biotopes, including identification of possible signs of biotopes prior to the start of logging, preservation of cultural and historical values and protection of bird nests.

During the supplier's audit, the way company carries out risk mitigation measures is examined by reviewing the completed audit forms approved by a biotope expert (check form, control form) - reports, which makes it possible to conclude whether the company is ready to supply SBE-compliant feedstock, whether the supplier needs to take corrective measures and the audit needs to be repeated.

During risk mitigation process, all the possible forest and outside forest area felling sites are inspected and audited at Data Management System "Ozols" <http://ozols.daba.gov.lv/pub/> .

8.2 Site visits

The audits are carried out selectively prior to logging or during logging.

As a priority, those properties and plots are visited that show signs of potential biologically valuable stands forest - biotopes of European significance, natural forest biotopes.

For planning the number of audits for each supplier, Sveaskog Baltfor uses the following formula:

$$0,8\sqrt{FMU} = x \text{ FMU}$$

FMU- planned number of fellings per year

X FMU- the number of fellings to be visited prior or during logging

The auditable areas and suppliers are selected so that both supply regions and a variety of wood harvesting companies and their sub-contractors and service providers are maximally covered. The wood sourcing regions included in the audit programme are: Kurzeme, Vidzeme, Zemgale, Latgale.

167 management units - forest properties, overgrown agricultural land areas - were visited within the framework of the programme for identification of potential biotopes, bird nests, cultural and historical sites and work safety risks, and risk mitigation;

21 work safety audits at the loggers and their sub-contractors, and service providers.

8.3 Conclusions from the Supplier Verification Programme

Work protection and work safety risk monitoring programme

Work protection audits started during summer. The audits were pre-planned and carried out for all suppliers, 20 audits in total (which is 70 % of all suppliers, including suppliers, logging companies and their contractors, wood processors) during logging, having requested information from suppliers about logging sites and service providers in advance. The auditable areas and suppliers are selected so that both supply regions and a variety of wood harvesting companies and their sub-contractors are maximally covered. The regions included in the audit programme are: Kurzeme, Vidzeme, Zemgale, Latgale. Records and observations are made for each supplier audit.

Work protection and work safety risks related to logging for both forest lands and outside forest lands can be divided into two categories:

- 1) Logging with mechanized multi-operational harvesting machines (harvesters) maximally minimizes risks related to work protection and work safety. Minor deficiencies were found during the audits.
- 2) A high work safety and work protection risk was found for 50% of the audited forest fellings where logging was performed using hand motor-saws. Audits found significant discrepancies in work safety, and the management of the companies under inspection was invited to pay increased attention to work protection.

Identification of biotopes, bird habitats and cultural and historical sites, and monitoring risk programme

The audits of biotope monitoring risk programme were started on September. In the framework of the programme, prior to and during logging, those fellings and adjoining areas were audited where according to Ozols Natural Data Management System, potential possibility of natural forest biotopes was identified.

The auditable areas and suppliers are selected so that a variety of supply regions and wood harvesting companies and their sub-contractors are maximally covered. Kurzeme, Vidzeme, Zemgale and Latgale regions are included in the audit programme. Records and observations are made for each audit.

The following conclusions were made from the audits:

- 1) The suppliers understand the biotope evaluation mechanism; the suppliers are aware of the need for biotope assessment audit prior to starting the logging. During audits, potential felling areas in economic forests or on agricultural lands were inspected on site with a small possibility of a forest biotope. In case of doubt, a forest and meadow biotope expert was invited or consulted.
- 2) In the logging process, no objects of cultural or historical value were found in the selected forest areas. The audits found that suppliers are aware that the protection of cultural values is governed by Latvian legislation. It has been concluded from the survey of the logging companies that if during logging an object of cultural or historical value is found in the felling area, the State Forest Service and a relevant

municipality are informed about it in written manner. The logging is suspended until an appropriate decision from the competent authorities is received.

- 3) No large bird-nests (over 50 cm) were found during audit of inspected felling areas. The suppliers are aware of the actions to be taken if large bird-nests (over 50 cm) are found. The logging companies are aware of the need to leave deadwood and ecological trees, as well as to comply with the other requirements of nature protection in forest management. It was found during audits that different logging restrictions set by administrative territories are observed.

It was found during audit that the logging companies are ready to show Sveaskog Baltfor auditor the territories that are left as biologically valuable forests (forest biotopes of EU significance, natural forest biotopes) and where logging will not be performed or the administration of the company Sveaskog Baltfor will be informed. Wood from these forest units / properties (farms) will not be supplied.

9 Mitigation Measures

9.1 Mitigation measures

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

- Identification of the signs of forest biotopes and natural forest biotopes of European significance,
- Identification of cultural and historical monuments and objects of cultural and historical value in the process of logging,
- Identification of bird nesting sites,
- Mitigation of work protection and work safety risks.

The audit process: Surveillance audits are performed selectively for all suppliers, whether approved as SBP suppliers or not.

For the suppliers that are approved as SBP-compliant feedstock suppliers, audits and assessment of all categories is performed only prior to or during logging.

Audits for the harvesting of agricultural lands during logging are performed prior to or during logging for all logging objects with assessment of all possible risks.

After the results of surveillance audits and the assessment of a supplier, the company management decides on further co-operation with the supplier, the conditions and amount of wood supply. The suppliers that refuse to inform Sveaskog Baltfor on the planned amount of logging and refuse to cooperate with Sveaskog Baltfor during audits may be excluded from the list of suppliers.

By involving appropriate biotope experts, specialists, and forest management work safety specialists, Sveaskog Baltfor provides additional informative seminars for suppliers to better inform suppliers with SBP requirements for the conditions of supplying compliant feedstock and of potential risks, thus minimizing the risks of supplying feedstock that does not comply with the requirements of SBP standards.

9.1.2. General description of risk mitigation system:

General measures of risk mitigation:

The purchase of FSC certified wood as priority for procurement of SBP-compliant biomass.

Signing supply contracts and including the conditions of SBP standards for biomass supply, identifying and decreasing in a timely manner the risks of supplying SBP non-compliant feedstock.

Performing biotope risk assessment procedures prior to logging, during or after logging, which includes the following measures:

Checking for the presence of a forest biotope of European significance, the potential forest biotope (FB) in each procured forest area, using natural data management system "OZOLS"

http://www.daba.gov.lv/public/lat/dati1/dabas_datu_parvaldibas_sistema_ozols/http://www.daba.gov.lv/public/lat/publikacijas/parskati_zinojumi/

An assessment audit form before logging is designed where all 3 risk categories are included.

The form has been designed in collaboration with forest biotope experts to identify and minimize the impact on possible biotopes, to recognize and protect cultural and historical objects and bird nesting sites.

9.1.3. Risk mitigation measures non-woodland territories (arable land, agriculture land, meadows, gardens, and ditches), wood risk identification and risk reduction measures:

The developed risk assessment, criteria, audit process also applies to non-woodland territories, the following territories are being defined as non-woodland in accordance with the LR Forest Law:

- land occupied by existing road network land section strips, railway land section strips, electrical networks and electronic communications overhead line network routes, gas pipelines, oil pipeline routes, water supply routes and cemeteries, artificial or natural tree rows with a width of maximum 20 metres, orchards, parks, tree nurseries;
- territories existing separately from woodlands, but meet the definition of woodlands in accordance with [Clause 1](#), Paragraph 34 and are less than 0.5 ha in size.

The non-woodland wood materials are checked according to the criteria both in the pre-processing and post-processing phases.

The suppliers submit information in the previous month before processing, indicating the cadastral numbers.

Cadastral numbers are being checked according to data bases whether a possibility is present of any of the risk groups applying, also, if wood acquisition from protected areas is planned, such as meadow areas of conservation.

Assessment of risks for non-woodland territories applies in the same amount as regarding woodlands;

Wood purchasers carry out audits using already approved biotope questionnaires, with the only exception of identifying the type of non-woodland territory in accordance with the data from cadastre, and in accordance with the data from documents of land property usage.

Wood purchasers utilise information available in the data base of Latvian State Service (VZD) <https://www.kadastrs.lv/>:

as regards distribution of units of land according to real estate target use groups, and land usage types, this information is available from sites where data are registered, for instance, according to property and ownership rights;

“Distribution of land according to real estate target use groups”

<http://latvijas.daba.lv/biotopi/plavas.shtml>

If during the inspection and evaluation of the overgrown non-woodland areas there are doubts of possible biotope, the wood purchasers contact the experts of lawns (meadow territories) to acquire additional data on the found indicators, or ensure access of experts to the site

Wood purchasers, before processing the non-woodland territories, evaluate the conditions of the processing, possible ground water height, applicable processing techniques to reduce the pressure of the machinery on the ground surface, as well as to prevent penetrations of enlarged grooves.

9.1.4. The process of work protection and work safety risk assessment takes place during logging, during which a logging master performs checks according to a special form that includes minimal requirements for maintaining work safety in the forest. The form is designed in collaboration with a company licensed work safety specialist.

9.1.5. Trainings and seminars are provided for the company logging masters and biomass suppliers. The objective of the trainings is to teach loggers and suppliers to recognize the signs of potential possible biotopes, bird nesting sites, cultural and historical objects, and to fully guarantee work safety requirements at our own company and the companies of service providers.

- 9.1.6. The assessment of the efficiency of risk mitigation measures and results of audit are available upon request from the interested parties by meeting in person and explaining the mechanism and benefits of general risk mitigation measures, and by promoting further cooperation in the process of identifying risk mitigation.

9.2 Monitoring and outcomes

Due to findings, during supplier audits, work safety violations and a lack of cooperation with Sveaskog Baltfor in the identification of the presence of biotopes, and in mitigating the risks of supplying SBP non-compliant feedstock, 2 suppliers (loggers) were not approved for wood supply.

After on-site surveillance audits, having assessed the risks of possible biotopes and work safety, the company management decided to exclude from the supplier list those suppliers that during audit did not meet the acceptable performance criteria of the risk mitigation programme established by the company.

Supply regions: Kurzeme, Zemgale, Vidzeme, Latgale.

After SBP risk mitigation audits, as well as supplier training for suppliers who are forest owners, logging companies have developed an understanding of SBE requirements regarding risk categories, their recognition and mitigation mechanism.

Detailed information on each indicator is provided in the risk assessment.

Risk assessment is available at: https://www.sveaskog.se/globalassets/sveaskog-baltfor-sia/sveaskog-baltfor_sbp_risk_assess_latvia_v1.pdf

10 Detailed Findings for Indicators

No additional detailed opinion on indicators.

11 Review of Report

11.1 Peer review

No additional reports or additional information.

11.2 Public or additional reviews

No additional reports or additional information.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Marta Ciekure</i> 	<i>Environment and quality manager</i>	<i>18.09.2018.</i>
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organization'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:	<i>Guntars Zvejsalnieks</i> 	<i>Managing Director</i>	<i>18.09.2018.</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Scope of supply base remains the same level.

13.2 Effectiveness of previous mitigation measures

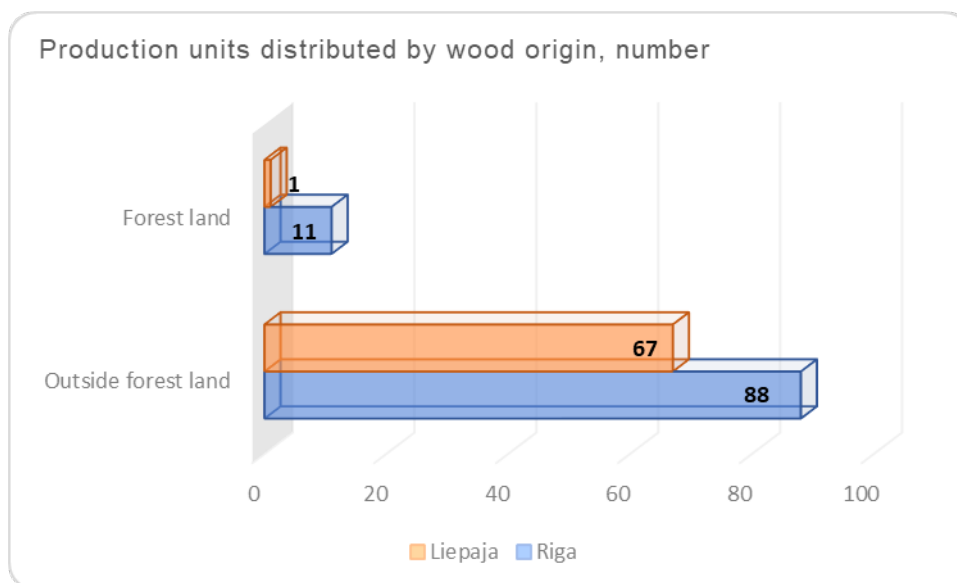
Risk mitigation activities refers to:

- 1) primary feedstock supplies (firewood) from the Latvian forest properties after logging;
- 2) primary feedstock purchases in forest (branches) from the Latvian forest properties after logging;
- 3) primary feedstock supplies(branches) from the Latvian overgrown agricultural land areas.

Risk mitigation was performed in accordance with the risks defined in 2017 (see SBR paragraph 7).

The main activity of risk mitigation is to choose a site where any high conservation value could be threatened.

During supply base period, chips were produced from branches and wood growing on outside forest land (overgrown agricultural land areas, ditches and roadsides after clearing).



167 audits of high conservation values were performed. Audit results confirms that mitigation measures ensure that risk is low. No woodland habitats identified.

During side audits, no new cultural heritage objects and no birds nest were identified, either identified as being destroyed.

For wood cutting operations several reliable partners are being hired for long term cooperation. Once per year all companies gather to have an educational study theory and practice led by outsourced experienced teacher.

During cutting season audit for health and safety are performed by selection together with other daily

routines. Some audit reports detected minor unconformities, which are being controlled and updated by repeated instruction and additional audit.

13.3 New risk ratings and mitigation measures

New risks were not identified for supply base.

Mitigation measures shows sufficient effectiveness to reduce all identified specified risks to low level hereafter.

13.4 Actual figures for feedstock over the previous 12 months

01.05.2017. – 30.04.2018. 70 000 – 80 000 tonnes

The volume of sourced feedstock is indicated in a banding as per Section 2.5 (f). Actual figures of feedstock consumption are not provided due to commercial sensitivity of the data.

Disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. It is of particular importance due to saturated, highly competitive market of biomass / pellet production in Latvia.

Knowledge of this information can facilitate competitors to use price regulating mechanisms in feedstock sourcing, through offering better feedstock procurement conditions thus gaining advantage and distracting suppliers from supplying feedstock to biomass producer in highly competitive market conditions.

13.5 Projected figures for feedstock over the next 12 months

01.05.2018. – 30.04.2019. 70 000 – 80 000 tonnes