

Supply Base Report: Pellet 4Energia SIA

Scope Change Audit

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

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1 Overview

Producer name: Pellet 4Energia SIA
 Producer location: "Granulas", Brocēnu pagasts, Cieceres novads
 Geographic position: 56.699568, 22.592332
 Primary contact: Member of the board Toms Nāburgs, phone: +371 29286295
 e-mail: Toms.Naburgs@neljaenergia.ee
 Company's website: <https://www.4energia.ee/en/>
 Date of report finalisation: September 2017
 Name of certification body (CB): NEPCon SIA
 Translations from English: Yes
 SBP standard(s) used: 1 version 1.0, SBP Standard 2-V1.0 ; SBP Standard 4-V1.0. ; SBP Standard 5-V1.0 (instructions documents 5A;B;C V1.1.)
 Weblink to standards used: <http://www.sustainablebiomasspartnership.org/documents>
 SBP endorsed regional risk assessment: not applicable
 Weblink to the company's website: <https://www.4energia.ee/en/>

Indicate how the current evaluation complies with the cycle of supply base evaluations				
Main (initial) evaluation	First surveillance	Second surveillance	Third surveillance	Fourth surveillance
<input type="checkbox"/>	X (SBE certification)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the supply base

2.1 General description

Pellet 4Energia SIA receives the most part of feedstock from Latvia as round wood and wood residues after processing as well as a small part of feedstock from Lithuania indirectly after wood processing.

Proven feedstock: 2.1 %

SBP-compliant primary feedstock: 83.50 % (one supplier – LVM)

SBP-compliant secondary feedstock, 14.49 % (from 10 suppliers)

SBP-compliant tertiary feedstock: 0 %

SBP-noncompliant feedstock: 0 %

Species: *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.)

Information about LATVIAN forest resources

Forests in Latvia cover 3,056,578 ha. 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 territory occupies 51.8 % (the percentage of the forest land area (3,347,409 ha) to the total area of the State territory). In Latvia, the State owns the forest, area of which is 1,495,616 ha (48.97% of the total forest area), while the total area of forests of other owners is 1,560,961 ha (51.68 % of the total forest area). 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, 2015).

Forest lands consist of:

- forests: 3,056,578 ha (91.3 %);
- marshes: 175,111.8 ha (5.3 %);
- clearings: 35,446.7 ha (1.1 %);
- flooded territories: 18,453.2 ha (0.5 %);
- infrastructure facilities: 61,813.4 ha (1.8 %).

(the State forest service: vmd.gov.lv, 2015)

Breakdown of forests by dominant species:

- Pine: 34.3 %
- Spruce: 18.0 %
- Birch: 30.8 %
- Black alder: 3.0 %
- White alder: 7.4 %
- Aspen: 5.4 %
- Oak: 0.3 %

- Ash: 0.5 %
- Other species: 0.3 %

(the State forest service: vmd.gov.lv, 2015)

Share of tree species in forest renewal, breakdown by area (2014):

- Pine: 20 %
- Spruce: 17 %
- Birch: 28 %
- White alder: 12 %
- Aspen: 20 %
- Other species: 3 %

(the State forest service: vmd.gov.lv, 2015)

Wood extraction according to types of cutting, breakdown by volume of production (2014):

- Final harvest: 81.00 %
- Thinning: 12.57 %
- Sanitary clear cutting: 3.63 %
- Sanitary selective cutting: 1.43 %
- Deforestation cutting: 0.76 %
- Other types of cutting 0.06 %

(the State forest service: vmd.gov.lv, 2015)

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). Management of the State-owned forests is ensured by JSC Latvijas valsts meži, established in 1999.

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. 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 October 2016 was 43,217.30 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, as well as in Lithuanian 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. 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, protection zones of the Baltic Sea coastal dunes, protective zones around cities, forests in administrative territories of cities, etc. The management of the specially protected nature territories (SPNT) of Latvia is provided by the Nature protection board 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 protection board 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]).

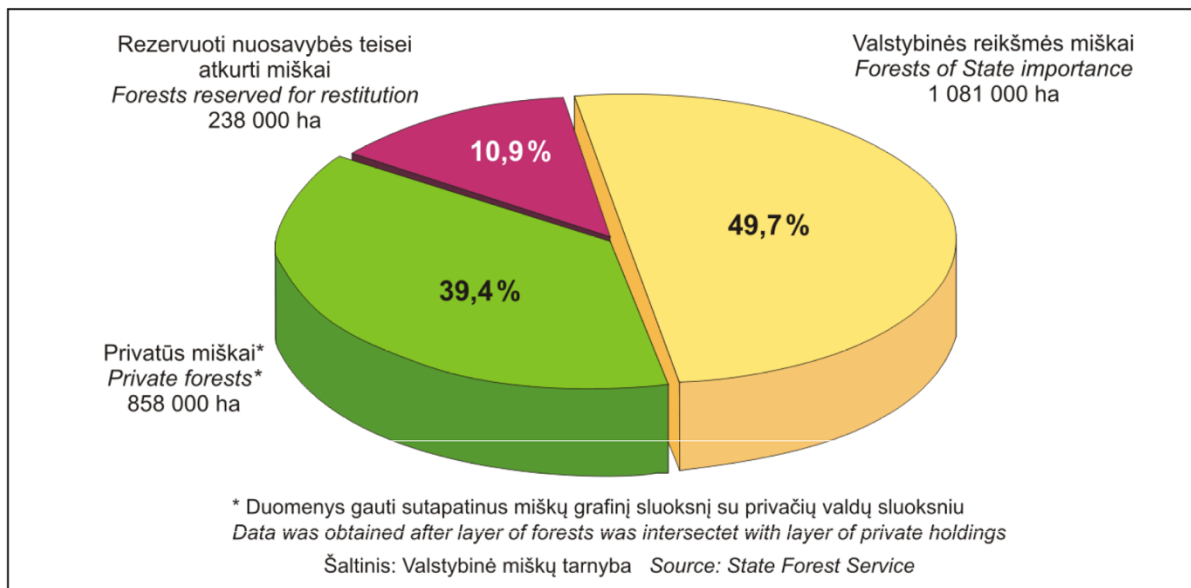
Certification

Forests of JSC Latvijas valsts meži and private owners 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 m³ per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m³ per hectare. Total annual growth is almost 11,900,000 m³ and the average annual wood increase has reached 6.3 m³ per hectare.

The expected annual logging volume is 5.2 million m³, 2.4 million m³ of which are sawn wood and the remaining 2.8 million m³ 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 strictest certification system in the world – the FSC (Forest Stewardship Council) certificate. 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>)

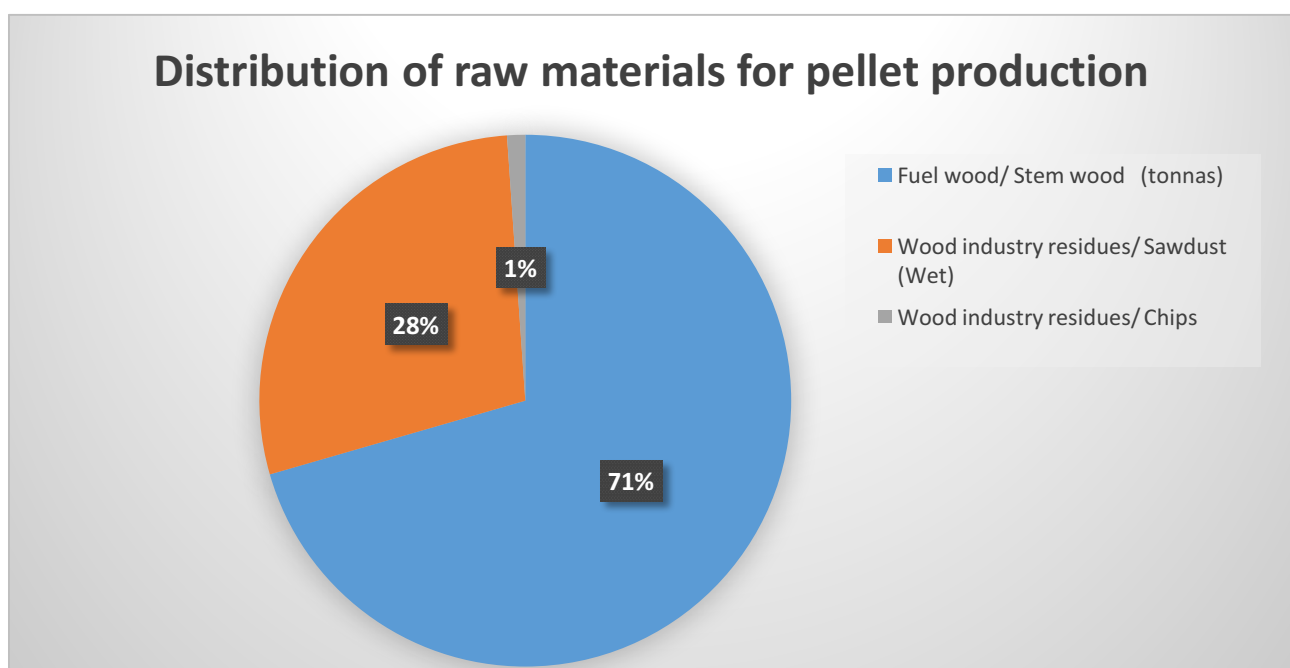
2.2 Measures taken to promote certification among feedstock suppliers

Materials from suppliers, which are 98.9% FSC-certified or prepared according to FSC Controlled wood requirements, are mainly used for production of SBP pellets. The company's policy is aimed at cooperation with certified suppliers. Feedstock (sawdust) is made up of suppliers' waste wood from production of main products. For this reason, uncertified and new suppliers are being asked to certify their main products and make good use of residues. During preparation for SBP, SBE audit and certification, the company increased the amount of feedstock certified by the FSC system – from 20 % to 98 % and the company's management has decided to increase the amount of FSC-certified or SBP-, SBE-compliant feedstock to 100 % by 2018.

2.3 Final harvest sampling programme

Share of biomass as the primary feedstock after final harvest is approximately 95 % compared to other types of feedstock. Primary feedstock is extracted from the supply base area and is made up of round wood. Feedstock is extracted in a well-developed, free and open market where other consumers compete. Various types of feedstock are extracted by performing work in the forest. All companies in the forestry sector have publicly available price lists of the offered assortment. They clearly indicate that the timber (including finishing timber) is the most valuable product, but the round wood (firewood) (for example, pellets) is significantly less valuable product. This information is obtained from documents and data provided by suppliers and persons involved in forest development.

2.4 Flow diagram of feedstock showing feedstock type



2.5 Quantification of the supply base

Supply Base

- a. Total supply base area (ha): total area of 5,236,578 ha from all forest types within SBP
- b. Breakdown of ownership:
 - State property: 2,576,616 ha;
 - private property: 2,418,961 ha
- c. Forest type:
 - boreal forests – temperate 41 %/hemi-boreal 59 %
- d. Forestry types: managed, partly natural forest
- e. Certified forest areas:
 - (3,907,000 ha are certified according FSC, 1,690,000 ha – according PEFC)

Feedstock

- f. Total volume of Feedstock: 30,000 – 35,000 m³
- g. Volume of primary feedstock: 5,000 – 7,000 m³
- h. Percentage breakdown of primary feedstock by category is as follows. Divided into subgroups according to the SBP-approved forest management schemes:
 - Certified according to the SBP-approved forest management scheme 98.9 %
 - Not certified according to the SBP-approved forest management scheme 0 %
- i. Wood species used in the primary feedstock:
 - Species: *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 the primary feedstock from the primary forest – 0 %
- k. Percentage breakdown of the primary feedstock obtained from the primary forest (j), taking into account the following categories. Divided into subgroups according to the SBP-approved forest management schemes:
 - Primary feedstock from the primary forest certified according to the SBP-approved forest management scheme
 - Primary feedstock from the primary forest not certified according to the SBP-approved forest management scheme
- l. Volume of the secondary feedstock: 6,000 – 10,000 tonnes of sawdust (residues at sawmills) as production waste
- m. Volume of tertiary feedstock: 0 tonnes

3 Supply base evaluation requirement

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

SBP biomass supply evaluation includes:

- primary wood (round wood)
- secondary wood (chips, sawdust after processing)

Pellet 4Energia SIA defines the biomass received from the approved biomass extraction sources and supplies as a SBP-compliant biomass.

Pellet 4Energia SIA used the already developed interim risk assessment project for Latvia as a basis

The risk category and justification for both types of biomass origin is a "defined risk", where the level of risk has been changed and reviewed in the regional risk assessment and evaluation process, taking into account the type of activity and profile of Pellet 4Energia SIA.

A revised and updated risk assessment was sent to the public consultation. The risk assessment (RA) was sent to the public consultation on 19 April 2017.

The supply base report, which describes the risk mitigation measures that are combined with the risk assessment, is publicly available on the website of Pellet 4Energia SIA.

The risk assessment is divided into: "Low risk", "Defined risk" or "Undefined risk".

4 Supply chain evaluation

4.1 Scope

Applies to pre-logging, logging or post-logging time.

Applies to the secondary feedstock after round wood processing as wood residues: sawdust and chips.

4.2 Justification

The risk assessment has been developed in accordance with SBP standard No. 1; No. 2 version 1.0, March 2015, evaluating the risk categories for each SBP indicator. In describing and evaluating the risks, the company acquired an in-depth understanding of the risks of wood supply that could affect the acceptance of inappropriate SBP material for biomass production.

By implementation of effective risk mitigation measures, the company has the ability to purchase a SBP-approved and appropriate assortment to produce the required volume of SBP-compliant biomass products

The classification of developed risk indicators has been graded from the potential risk to the lower risk.

At the risk assessment stage, the risk assessment for Latvia, which was available during the consultation process on the SBP website, was taken into account.

Pellet 4Energia SIA initially developed a risk assessment based on the SBP standard No. 1 version 1.0, 2015 Risk assessment and the public risk assessment developed by NEPCo.

Indicators of the specified risk category "defined risk" and those indicators, the risk level of which was changed during the risk assessment process (for example, 1.1.2, 1.4.1, 2.2.5, see the draft version of the Regional Risk Assessment for Latvia), were reviewed, assessed in accordance with requirements of the State laws and regulatory enactments, State policies (in the area of forest sector, nature protection, biodiversity, etc.), an annual report and publications for the responsible State institutions and bodies). In addition, the risk assessment has been carried out through communication and consultation with stakeholders and leading experts in the nature protection and forestry sectors.

During the public consultation with the stakeholders as well as contacting biomass suppliers, additional information related to the current "defined risk" and "low risk" indicators has been obtained as well as indices, information given in risk indicators were not changed during risk assessment. Thus, the risk assessment report for Pellet 4Energia SIA is no different from the Regional risk assessment project for Latvia.

In consultation with stakeholders, communicating with biomass suppliers, information and approval were obtained which of the risk indicators are of immediate interest in the Latvian forest sector.

Pellet 4Energia SIA has developed risk mitigation and control mechanism for the evaluation and confirmation of its biomass supplies and suppliers, delivered products of which comply with the SBP-compliant biomass status, by attracting independent biotope experts, professional logging companies' experts and nature protection specialists.

4.3 Results of risk assessment

The risk assessment analysis included requirements regulated by the regulatory enactments of the Republic of Latvia.

Taking into account the specifics of Latvia as well as the recommendations and advice of experts, "Defined risk" was used for biotope protection (HCV category 3), occupational safety, conservation of bird habitats (HCV category 1) and cultural heritage objects (HCV category 6).

4.4 Results of the supplier verification programme

Audits of the SBP-approved suppliers and results described below and related to the defined risks are available to third parties and stakeholders as documentary evidence of audits performed.

In the course of the risk assessment, information was obtained based on both regulatory enactments and physical check of information on site for all SBE risk categories; it was confirmed that a certain risk may be assigned to four categories – biotope protection (HCV category 3), occupational safety, conservation of bird habitats (HCV category 1) and cultural heritage objects (HCV category 6), while risk for the other categories is low.

Risk assessment and risk mitigation mechanism compliance audits for primary wood confirmed the relevance of the defined risks in forestry.

Secondary wood approval is valid for three sawmills, round wood for which is delivered from logging companies approved by Pellet 4Energia SBE SIA. Round wood is from forest properties where forest plots have been evaluated before or during logging.

4.5 Conclusion

From 1 January 2017, when requirements of the SBE standards were initiated and implemented, compliance with the defined risks of wood suppliers was reviewed. Only a small percentage of suppliers having direct logging and competence to assess potential risks that are approved as SBP suppliers for wood are not certified according to FSC or PEFC standard requirements.

The volume of FSC- or PEFC-certified forests and access to certified wood is not enough to ensure that at least 70 % of the biomass is a SBP-compliant biomass.

As a result of the implementation of risk mitigation measures, Pellet 4Energia SIA has confirmed that 2 suppliers (loggers that extract wood from their own or other owners' forests) can provide risk mitigation measures and meet the SBE low risk category at supply level.

5 Supply base evaluation process

Pellet 4Energia SIA assessment of the SBP-compliant biomass is related to supplies from Latvia only, as well as to the extraction of the biomass from:

- the SBP-approved forestry scheme;
- the SBP – low-risk feedstock source that was approved within the SBE system;
- the SBP-approved supply chain in compliance (CoC) with system requirements;
- the SBP-approved supply after processing as wood residues.

The results of the risk assessment were obtained through audits of logging companies, which confirmed the necessary actions to be taken in order to reduce risks. Additional consultations with other forestry, logging companies were carried out, and the results and experience gained were discussed publicly with non-governmental organizations.

When confirming the fulfilment of the SBP requirements and assessing the competence of suppliers, loggers and processors, the experts were involved, both for occupational safety and for the identification of biotopes and bird nests as well as for identification of potential cultural heritage objects.

The company has developed and applies a risk mitigation procedure that describes the identified risk mitigation measures and tools.

The company has prepared and applied verification questionnaires for each risk indicator in order to objectively evaluate and obtain general information for each wood extraction site that has been approved or not approved as the SBP-compliant biomass.

The frequency and plan of the audits has been developed in such a way that the wood from the cutting sites (forest management units), which came from approved suppliers (using the testing tools Latbio and Ozols) has been audited during the six-month period. Audits are carried out before and during logging. The audit procedure is available in the company only on request, subject to confidentiality, and is presented and discussed with stakeholders in order to effectively improve it.

The development of the SBE system for evaluation of supplies and risk mitigation measures have been performed in Pellet 4Energia SIA company with involvement of Lodret SIA, a consultant and wood industry technologist (more than 20 years experience in the wood industry, 10 years of experience in FSC and PEFC forestry and supply certification).

As the basis for the establishment of the SBP and SBE risk mitigation system, there were taken requirements of the FSC supply and FSC Forest certification system standards, staff competence in the wood supply chain as well as knowledge in forestry, wood industry and the legality of wood supplies.

6 Consultations with stakeholders

On 19 April 2017, Pellet 4Energia SIA published a SBP risk assessment on the website. A letter of information on the developed risk assessment in accordance with the SBP standard was sent electronically to stakeholders. A list of stakeholders has been developed in such a way that to include the maximum number of recipients representing the economic, social and environmental interests of the society as well as local governments. The total number of recipients is 86.

During the public consultation, the meetings with stakeholders face-to-face and both correspondence and telephone interviews are planned.

SBP risk assessment is available on the company's website:

<http://pellet4energia.lv/en/>

6.1 Response to stakeholder comments

Responses to stakeholder comments.

Summary of comments received from stakeholders. A description of the corrective and preventive actions that were taken when implementing the SBE certification process.

An e-mail has been received from Gita Strode, director of the Nature protection department of the Nature protection board, on consideration of the SBE risk and supply base report. The following comments are given: Comment 1.

The supply base report section on biodiversity in Latvian forests does not provide any specific data on this topic. There is only general information about its protection in Latvia. The Board indicates that currently there are totally 683 specially protected nature territories in Latvia (not 674 as written in the report), which are owned by both the State and private and legal persons (up-to-date information is available on the website of the Board: <http://www.daba.gov.lv/public/lat/iadt/> and http://www.daba.gov.lv/public/lat/iadt/natura_200011/).

As to micro-reserves, the Board indicates that micro-reserves are created in order to ensure protection of a specially protected species or biotope outside specially protected nature territories or in the specially protected nature territories if any of the functional zones does not provide the required protection status. We indicate that according to the calculations made by the Board, as of 10 October 2016, the total area of the micro-reserves in the country is 43,217.30 ha.

Response 1. Corrections and additions have been made to the SBE text.

Comment 2.

Both the supply base report (page iv) and the risk assessment report (for indicator 1.5.1) refer to the CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, with an erroneous indication that "Species mentioned in the CITES lists do not appear in Latvia". It should be noted in the text that in Latvian, as well as in Lithuanian forests, the species of trees mentioned in the CITES lists do not grow. Consequently, in our opinion, there are unnecessary broad descriptions in the risk assessment report on compliance with the CITES Convention requirements in the mentioned countries, including a reference to the inspections carried out by the Board (also in the text with incorrect its English translation Nature Protection Board).

Response 2. Corrections and additions have been made both to the supply base report and to the risk assessment.

Comment 3.

- The Board also believes that the initial risk assessment category "defined" should also be applied to the indicator 2.2.3 (the same as in the case of indicator 2.1.2). As already mentioned in the Risk assessment, the inventory of protected biotopes throughout Latvia has yet to be done. The inventory of the European Union's protected biotopes is expected to be completed in 2019. Until this is done, the Board believes that there are risks both in private lands and in parts of the State lands, where so far no biotope inventory has been carried out.

The initial risk assessment category "defined" should also be applied to the indicator 2.2.4, since, in accordance with Latvian legislation, the protection of the protected species and biotopes is the responsibility of the land owner rather than a mandatory requirement (Section 9 of the Law on the Protection of Species and Biotopes).

- In the risk assessment and in the supply base report section "Forestry sector", it is necessary to clarify the text "Management of the State-owned forests is ensured by JSC Latvijas valsts meži established in 1999". The Board indicates that JSC Latvijas valsts meži does not manage all the State-owned forests, but only the forest areas transferred to the management of JSC Latvijas valsts meži. Similar adjustments are also needed in the Risk assessment text.
- The text of the supply base report section "Forest and Society": "Forest areas provided for recreation include national parks (except for special protected territories), nature parks, protected landscape areas, protected dendrological plantations and protected geological and geomorphologic objects..." - needs to be specified. National parks established in Latvia are specially protected nature territories throughout their whole area. Nature reserve areas of the national parks as well as essentially similar areas in other specially protected nature territories are not considered as areas provided for recreation. The Board implements the administration of the specially protected nature territories, their management is carried out by land owners. In addition, land owners can and also establish recreation sites in forests also outside specially protected nature territories (see for example, <http://www.lvm.lv/par-mums/sociala-atbildiba/atputas-vietas>).

Response 3.

Additions and corrections have been made in both documents.

An e-mail has been received from Valdis Pilāts, senior expert of the Nature protection board, on consideration of the SBE risk and supply base report. Referring to that indicated in the Supply base report Paragraph

9.1.6.1.3 Evaluation of the effectiveness of risk mitigation measures and the results of audits are available upon request from stakeholders, meeting face-to-face and explaining the general mechanism of risk mitigation measures, benefits as well as encouraging further collaboration in the risk identification and mitigation process. the Senior inspector wishes to be familiarized with the results of the audit of a particular cutting site, receiving information electronically. As a response, Pellet 4Energia SIA sent the requested information, appendices and additional documentation on the audits carried out in the properties.

7 Initial risk assessment report

A summary of the Risk assessment results is provided in the table below.

The risk assessment level for each indicator revised by Pellet 4Energia SIA has been developed with the SBP Regional risk assessment in Latvia, developed by NEPCo on the basis of the SBP standard No. 1 version 1.0 of March 2015.

Indicators of the defined risk specification "special risk" and those indicators, the risk level of which was changed during the risk assessment process, were reviewed, assessed in accordance with requirements of the laws, State policies (in the area of forest sector, nature protection, biodiversity, etc.), an annual report and publications for the responsible State institutions and bodies). In addition, the risk specification has been carried out through consultation with stakeholders and leading experts in the nature protection and forestry sectors.

Prior to and after the publication of the risk assessment, Pellet 4Energia SIA has started the risk mitigation process for the specified risk categories. The results are shown in Table 7 and Table 8 below.

The results of the risk assessment are summarized in the table below.

After publication of the risk assessment, Pellet 4Energia SIA began verification of two selected defined risks on site. The results are presented in Paragraph 7 and Paragraph 8.

Table 1. Risk assessment results report for all indicators (before the supplier verification programme (SVP))

Indicator	Initial risk rating		
	Defined	Low	Undefined
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		
1.1.2		X	
2.1.2		X	
2.3.1	X		
1.2.2	X		
2.2.2	X		

Indicator	Initial risk rating		
	Defined	Low	Undefined
2.3.1	X		
2.3.2	X		
2.3.3	X		
2.4.1	X		
2.4.2	X		
2.3.4	X		
1.5.2	X		
2.5.2	X		
1.6.2	X		
2.7.1	X		
2.7.2	X		
2.3.7	X		
2.7.4	X		

2.3.2	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		

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 mitigation measures are related to the following feedstock categories:

- supplies of primary feedstock from Latvian forest properties before logging and after logging as well as during logging;
- secondary feedstock suppliers;
- the primary biomass can not be qualified and does not apply to tree species such as oak, ash, maple, wych elm, elm, if their diameter on the stump is more than 70 cm

Suppliers of Pellet 4Energia SIA are grouped in two categories:

Category 1

SBP-compliant supplier – suppliers that have signed an agreement on supplies of the SBP-compliant feedstock, have been trained on identifying risk categories, the supplier carries out inspections of feedstock supplies from all units of wood origin, the supplier has been audited and received written approval from Pellet 4Energia SIA. If the supplier has not evaluated the logging unit and has ignored any of the risk categories that it has not identified or has concealed, the material is not accepted as the SBP NR (NR – forest units with no risk related to biotopes, occupational safety, cultural heritage or the presence of bird nests) and the supplier is excluded from a list of the SBP-compliant feedstock suppliers.

Category 2

SBP-controlled wood suppliers – include all suppliers which have not carried out a risk assessment for all volume of the delivered wood and have not signed an agreement on SBP-compliant feedstock supplies. The supplier has been trained in identifying risks, but the supplier does not take risk mitigation measures using Pellet 4Energia SIA risk mitigation tools. The supplier may be audited, however has not received written approval from Pellet 4Energia SIA.

An independent, international auditing company performs compliance evaluation and verification of suppliers approved by Pellet 4Energia SIA. If during the audit it was found that any of the suppliers has ignored the category risk, the evaluation programme is reviewed as well as the supplier is excluded from the list of SBP-compliant feedstock suppliers.

In the process of preparation of the SBP certification, the company has conducted an evaluation of the suppliers for logging in the forest and the processors, which have agreed and signed an agreement on the fulfilment of the SBE requirements, conducting an evaluation of cutting sites before logging and identifying all risk categories.

Audits are carried out both for approved suppliers by checking each SBE-approved supplier to verify compliance with SBP requirements. Using the formula $0.8\sqrt{\text{FMU}} = x \text{ FMU}$ for further inspections for all SBE supplies (this does not relate to properties with biotope probabilities). Cadastres of the supplied wood are checked in Latbio or Ozols databases to ensure that wood is not extracted from possible approved risk plots.

Those non-approved suppliers that are competent to evaluate risk categories and have expressed an interest in supplying the appropriate biomass to SBP are included in an additional supervision programme that includes inspections before the beginning of logging and during logging (occupational safety inspections). The minimum criteria for approval of the SBP-compliant suppliers are described in the company's procedures.

The number and selection of sites to be visited are planned in advance, one month before logging, receiving information from the approved and unapproved suppliers about the planned logging sites, cadastral numbers and the coordinates of the cutting site.

In addition to obtaining information, the following sources of information are used: Latbio potential biotope database (www.latbio.lv/MBI/), Nature data management system "Ozols" of the Nature protection board (http://www.daba.gov.lv/public/lat/dati1/dabas_datu_parvaldibas_sistema_ozols/), information available at the Nature protection board, recommendations of forestry and nature protection specialists. During an audit, when negotiating with a supplier, it is acknowledged that the supplier has an understanding of the risks associated with sustainable biomass extraction, the supplier correctly identifies the risk categories and takes the necessary actions to reduce the risk.

The task of Pellet 4Energia SIA within the SBP certification is to check all feedstock suppliers by performing audits and evaluating their compliance with requirements of SBP standards, competences and skills to identify the risks associated with the four risk categories mentioned above for Latvia.

The logging company's labour protection system, the company's set of measures taken for preserving biotopes, including the identification of the possible signs of biotopes before the beginning of logging, the preservation of cultural heritage values and the protection of bird nests are evaluated for all suppliers, regardless of whether it is an approved or unapproved supplier.

During the audit of suppliers there is checked how a company carries out risk mitigation measures by examining the completed audit forms approved by a biotope expert (check-list, control list) – the reports that can be used to determine if the company is ready to supply a SBE-compliant feedstock or the supplier should take corrective actions and the audit should be repeated.

In the process of risk mitigation, all possible cutting sites are checked, audited on the website of signs of possible biotopes <http://latbio.lv/MBI/>

8.2 Audits of wood extraction sites

Initially, for those suppliers that have agreed to supply SBE NR (NR – forest units that have been evaluated and have no risks related to biotopes, occupational safety, cultural heritage or the presence of bird nests). The audits are carried out within 3 months for all forest units (cadastral plots) from which wood will be delivered, before logging or during logging.

As a priority, the properties, plots, showing signs of a possible biologically valuable forest stand – a forest biotope of European importance, a natural forest biotope, are visited.

After approval by SBE, Pellet 4Energia SIA uses the following formula for planning the number of audits for each approved supplier:

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

FMU – the number of planned cutting sites for logging per year

X FMU – the number of cutting sites to be visited before or after logging.

Selection of the territory to be audited and the suppliers is performed in such a way that to cover both the supply regions and the different logging companies and their subcontractors, and the service providers as much as possible. The wood extraction regions included in the audit programme are: Zemgale, Vidzeme and Kurzeme

Forest management units – forest properties (enterprises) – were visited in the framework of the risk identification and risk mitigation programme for potential biotopes, bird nests, cultural heritage objects and occupational safety.

35 forest property plot units were visited before the beginning of the logging work;

3 forest properties – during logging;

3 labour protection audits for loggers and their subcontractors, service providers. (Logging in the most part of the properties is performed with the machinery.)

8.3 Results of the supplier verification programme

Labour protection and occupational safety supervision risk programme

Labour protection audits were launched in March 2017. The audits were previously planned and carried out for all suppliers; totally 3 audits of logging companies were carried out during logging work, previously requesting information from suppliers on logging sites and service providers. The selection of territories and suppliers to be audited was carried out in such a way that to cover both the supply regions and the different logging companies and their contractors. The regions included in the audit programme are: Vidzeme, Kurzeme and Zemgale. Records and observations have been made for each supplier's audit performed.

After the performed audits it can be concluded that labour protection and occupational safety risks associated with logging work on both forest lands and non-forest lands are divided into two categories:

- 1) Logging with mechanized logging machines (so called harvesters) performing many operations decreases the risks associated with labour protection and occupational safety as much as possible. The performed audits revealed insignificant shortcomings.
- 2) Occupational safety and labour protection violations; no discrepancies were found where logging was done with hand-operated chainsaws.

Biotopes, bird habitats and cultural heritage objects identification and supervision risk programme.

The audits of the biotopes supervision risk programme began in March 2017. Within the framework of the programme, before the beginning of the logging work and during logging, those cutting sites and areas adjacent to the cutting site were audited, where, according to Latbio, Nature protection board the potential of natural forest biotopes has been identified.

The selection of territories and suppliers to be audited was carried out in such a way that to cover both the different supply regions and the different logging companies and contractors. The audit programme includes Vidzeme, Kurzeme and Zemgale regions. Records and observations have been made for each audit.

The following conclusions were made from the performed audits:

- 1) Suppliers have an understanding of the biotope evaluation mechanism, suppliers are aware of the need for a biotope evaluation audit before the beginning of the logging work. Potential cutting sites in managed forests or on agricultural lands, where there was a small possibility for the existence of a forest biotope, have been inspected in audits on site.
- 2) There were no sites of cultural heritage value found in the forest plots selected during the logging process. The audits found that suppliers are aware that the protection of cultural heritage values is regulated by the legislation of the Republic of Latvia. A survey of logging companies concluded that if a cultural heritage object was detected on the cutting site during the logging work, the State forest service and the relevant local government are informed about it in writing. The logging work is terminated until the relevant decision is received from the responsible authorities.

- 3) No large bird nests (over 50 cm) were found on the cutting sites visited during the audit. Suppliers have an understanding of what to do if they spot large bird nests (over 50 cm). Logging companies understand the need to leave dead wood and ecological trees on the cuttings sites as well as to comply with other requirements for nature conservation in forest management. Audits have found that various logging restrictions imposed by the administrative territory are being observed.

During the audit, it was found that logging companies are ready to present to the auditor of Pellet 4Energia SIA the forest properties that are left as biologically valuable forests (forest biotopes of EU importance, natural forest biotopes), where logging will not be carried out or about which the management of the Pellet 4Energia SIA company will be informed. Wood from these forest units/properties (enterprises) will not be purchased or delivered.

9 Risk mitigation measures

9.1 Risk mitigation measures

9.1.1 Risk mitigation measures are related to the following biomass supply risk categories:

- Identification of signs of forest biotopes of European importance, natural forest biotopes,
- Identification of cultural heritage monuments, sites of cultural heritage value in the logging process,
- Identification of bird nesting sites,
- Reduction of labour protection and occupational safety risks.

9.1.2 Audit process:

9.1.2.1. Surveillance audits are carried out at random for all suppliers, regardless of whether the supplier is approved as an SBP supplier or not.

9.1.2.1 For suppliers that are approved as SBP-compliant feedstock suppliers, audits and evaluation for all categories are performed only before or during logging.

9.1.2.2 Following the results of surveillance audits and supplier evaluation, the management of the company takes a decision on further cooperation with the supplier, wood supply conditions and the volume of supply. Suppliers that refuse to inform Pellet 4Energia SIA on planned logging volumes as well as refuse to cooperate with Pellet 4Energia SIA during audits may be excluded from the list of suppliers.

9.1.2.3 Pellet 4Energia SIA by attracting relevant biotope experts, specialists as well as forestry occupational safety specialists carries out additional informative seminars for suppliers in order to familiarize as much as possible the suppliers with SBP-compliant feedstock supply conditions and potential risks, thus reducing delivery risks of feedstock that is not compliant with SBP standards.

9.1.3 General description of the risk mitigation system:

9.1.3.1 General measures for risk mitigation:

9.1.3.1.1 Purchase of the FSC-certified wood as a priority for the purchase of the SBP-compliant biomass.

9.1.3.1.1 Concluding supply contracts and including provisions of SBP standards for biomass supply, timely identification and reduction of SBP-noncompliant feedstock supply risks.

9.1.3.1.2 Carrying out a biotope risk assessment procedure before logging, during logging or after logging, which includes the following set of measures:

- a) check of cadastral numbers before the beginning of logging on cutting sites, during logging or after logging, using the "Biotope tool" available in the Latbio database http://latbio.lv/MBI/search_db;
- b) Check of the existence of the forest biotope of European importance, the potential forest biotope (FB) in each territory of the potential cutting site, using the 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/
- c) An evaluation form (questionnaire) before logging has been developed, which includes all three risk categories. The form has been developed together with forest biotope experts to identify and

minimize impact on potential biotopes, recognize and protect cultural heritage objects and bird nesting sites.

9.1.3.1.3 The process of assessment of labour protection and occupational safety risks takes place during the logging work, within which the logging master performs checks based on a developed form that includes the minimum requirements for occupational safety in the forest. The form has been developed together with the company's licensed occupational safety specialist.

9.1.3.1.4 The company's logging masters and biomass suppliers are undergoing training and seminars. The purpose of the training is to enable loggers, suppliers to identify signs of potentially available biotopes, bird nesting sites, cultural heritage objects as well as to fully ensure the occupational safety requirements at their and service provider companies.

9.1.3.1.5 Evaluation of the effectiveness of risk mitigation measures and the results of audits are available upon request from stakeholders, meeting face-to-face and explaining the general mechanism of risk mitigation measures, benefits as well as encouraging further collaboration in the risk identification and mitigation process.

9.2 Monitoring and results

Two companies, which have been included in the SBE supply evaluation, have developed a procedure of risk mitigation that describes risk mitigation, communication on the data exchange process.

Not all the properties that are a potential source of possible supply will be audited, however available databases will be checked for potential risks. Successful circulation of information on planned cutting sites and check on site or in database resources ensure that SBE NR purchases are excluded as SBP-compliant biomass volume.

Supply regions are Zemgale, Vidzeme and Kurzeme.

Following SBP risk mitigation audits as well as training of suppliers – forest owners, the logging companies have developed an understanding of SBE requirements for risk categories, their recognition and risk mitigation mechanism.

As a result of the audits, five supplier companies that can be recognized as SBP-compliant suppliers of the appropriate biomass have been approved.

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

10 Detailed information on indicators

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

The risk assessment is available on the website of Pellet 4Energia SIA at:

<http://pellet4energia.lv/en/>

11 Review of the report

11.1 Professional 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 – the World Wildlife Fund (WWF associate partner in Latvia) – experience in sustainable forestry practice, assessment.

J. Rozītis, director of the foundation of the World Wildlife Fund and head of the Forest programme:

The information provided in the section "Information about Latvian forest resources" of the supply base report of the biomass producer Pellet 4Energia SIA is in line with the mentioned sources.

The company's past activity, increasing the amount of feedstock originating from responsibly managed forests, is appreciated. In the section "Measures taken to promote certification among feedstock suppliers" Pellet 4Energia SIA indicates the planned 100% FSC-certified or SBP-compliant feedstock provision until 2018, thus promoting responsible forestry development in Latvia.

In the Pellet 4Energia SIA's risk assessment for feedstock supplies, four defined risk areas are reasonably proposed in the Latvian situation: protection of biotopes, protection of bird habitats, preservation of cultural heritage objects and observance of occupational safety measures. The above-mentioned risk areas are important problems currently in the forest management practice in Latvia, which require urgent solutions. Risk mitigation measures mentioned in the supply base report and the SBP-compliant material approval, verification, risk mitigation process documentation are expected to ensure the elimination or minimization of risks – for the protection of biological and socially valuable forests and the successful implementation of occupational safety measures in forest management. At present, the suppliers' audit results mentioned in the supply base report already show the functionality of the system, eliminating feedstock suppliers that do not meet the requirements.

Pellet 4Energia SIA has developed and applies a risk mitigation procedure. At the same time the company needs to obtain information in the public space or in direct communication with experts in biotopes, species and social fields, non-governmental organizations, local governments regarding the solutions of the problems of the defined risk areas, current events in Latvia, reviewing and implementing, if necessary, the more stringent surveillance audit system requirements. Understanding the recent history and the lack of experience of the application of such certification requirements in Latvia, Pellet 4Energia SIA is recommended to perform supervision of suppliers as stringent as possible before logging and during logging, paying special attention to the provision of protection of biologically valuable forests (biotopes and habitats).

Pellet 4Energia SIA needs to arrange information events, advance training of responsible company's employees, performers of logging work, feedstock suppliers. Educational activities should include information on the preservation of nature diversity, including in routine work on cutting sites (preservation of ecological trees and dead wood, conservation of underwood, advance growth, ecosystem transition zones and other natural structures with special management conditions), conservation of cultural heritage and occupational safety requirements.

Sigitas Girdziušas – Lithuanian University of Agriculture, Master's degree in forestry, forestry specialist.
No additional objections or comments were received.

11.2 Public or additional reports

The public version of the supply base report in the Latvian and English languages is publicly available at <http://pellet4energia.lv/en/> for interested parties. After familiarization with the report, comments and clarifications can be sent to Toms.Naburgs@neljaenergia.ee.

12 Approval of the report

Approval of the supply base report by senior management			
The report has been prepared by:	Uldis Žurilo	SIA "Lodret" consultant	01.08.2017
	Name, surname	Position	Date
The undersigned persons confirm that they are members of the organisation's senior management and confirm that the senior management recognizes content of this evaluation report as accurate and correct prior to approval and finalisation of the report.			
The report has been approved by:	Toms Nāburgs	Member of the Board	01.08.2017
	Name, surname	Position	Date
The report has been approved by:	Mairis Reiziņš	Pellet plant manager	01.08.2017
	Name, surname	Position	Date

13 Updates

13.1 Significant changes in the Supply Base

Not applicable.

13.2 Effectiveness of previous risk mitigation measures

Not applicable.

13.3 New estimation of risks and risks mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

1 January – 30 July 2017: 50,000 – 80,000 tonnes

13.5 Projected figures for feedstock over the next 12 months

1 January – 31 December 2018: 200,000 – 400,000 tonnes.