Sustainable Biomass Program

Supply Base Report: SIA KURZEMES GRANULAS

Third 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

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Contents

1 Overview

Producer name:	SIA "Kurzemes Granulas"
Producer location:	Kustes dambis 22, Ventspils, LV-3601, Latvia
Geographic position:	57.393883, 21.607353
Primary contact:	Viesturs Grinbergs, phone: +371 636 62086, E-mail: info@granulas.lv
Company website:	http://www.granulas.lv
Date report finalised:	Date of approval by senior management: 08/Aug/2018
Close of last CB audit:	Date and location of the closing meeting CB: Ventspils, 18/Aug/2018
Name of CB:	SIA “NEPCon”
Translations from English:	NA
SBP Standard(s) used:	SBP standard 2 v 1.0 (26/03/2015); SBP standard 4 v 1.0 (26/03/2015); SBP standard 5 v 1.0 (26/03/2015); Instruction Documents: Instruction Document 5A: version 1.1 (12/10/2016) Instruction Document 5B: version 1.1 (12/10/2016) Instruction Document 5C: version 1.1 (12/10/2016) Instruction Document 5D: version 1.1 (27/03/2018)
Weblink to Standard(s) used:	http://www.sbp-cert.org/documents
SBP Endorsed Regional Risk Assessment:	NA
Weblink to SBE on Company website:	NA

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

2 Description of the Supply Base

2.1 General description

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

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

SBP- Complaint feedstock 71.36%.

Overview of SIA “Kurzemes Granulas” SBP feedstock profile: 1st July 2017 till 30st June 2018

Feedstock product groups	Estimated Proportion	Indicative number of suppliers	Species mix
SBP-Compliant Primary Feedstock	80% hardwood, 20% softwood	2	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Secondary Feedstock	17.18% hardwood, 82.82% softwood	13	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Tertiary Feedstock	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (primary)	80% hardwood, 20% softwood	2	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (secondary)	50.59% hardwood, 49.41% softwood	31	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (tertiary)	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;

Forest resources:
LATVIA

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

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

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

Forest land consists of:

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

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

Distribution of forests by the dominant species:

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

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

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

Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture.
Management of the state-owned forests is performed by the *Joint Stock Company "Latvia's State Forests"*, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy. Export yielded 1.978 billion euro (approx. 20 % of the total amount in 2014).

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

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

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

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

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

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

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

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

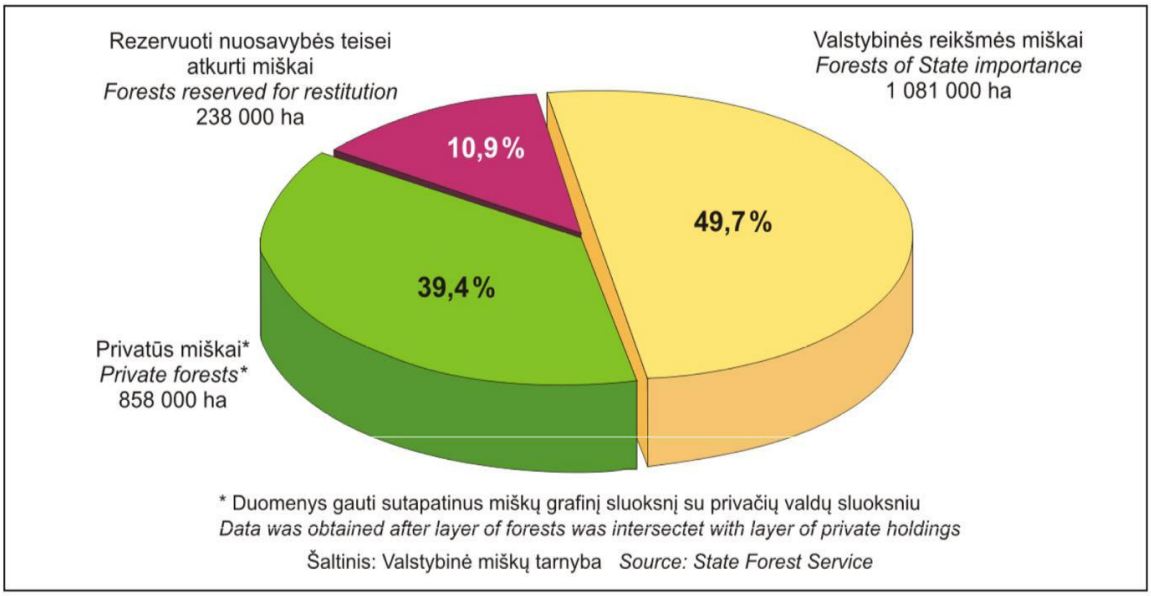
LITHUANIA

Forest facts

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

The total area of softwood deciduous forest land increased by 120,100 ha over the last nine years. The area of hardwood deciduous has decreased by 8,800 ha and coniferous forest by 6,800 ha.
Scots pine occupies the biggest share in Lithuanian forests - 722,200 ha. Compared to 2003, the area of pine expanded by 10,700 ha.

FOREST LAND BY OWNERSHIP 01.01.2014



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

Distribution of forests by the dominant species:

Scots pine - 37.6%;
Spruce - 24.0%;
Birch - 19.5%;
Alder - 11.2%;
Ash - 2.7%;
Aspen - 2.6%;
Oak - 1.8%.

Biological diversity

Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management. Lithuania is situated within the so - called mixed forest belt with a high percentage of broadleaves and mixed conifer - broadleaved stands. Most of the forests - especially spruce and birch – often grow in mixed stands.

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

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

Total annual growth comes to 11 030 000 m^3 and current harvest has reached some 9 million m^3 u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m^3. 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 m^3, of which 2.4 million m^3 is made up of sawn timber and the remaining 2.8 million m^3 of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10 - year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

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

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

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

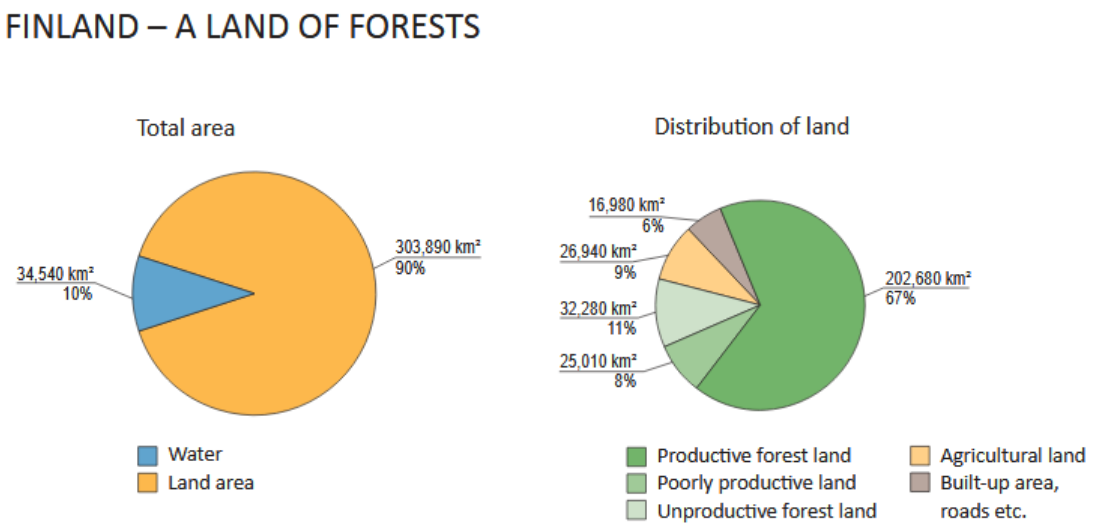
FINLAND

Finnish forests resources

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

TOTAL AREA	33.8 mill. ha	STANDING TIMBER STOCK	2,356 mill. m³
Water	3.5 mill. ha	FOREST GROWTH PER YEAR	105.5 mill. m³
TOTAL FOREST AREA	26.2 mill. ha	LOGGINGS PER YEAR	70 mill. m³
Share of land area	86 %	HARVESTED FOREST AREA	3.0 %
Productive forest land	20.3 mill ha	Fellings for regeneration	0.7 %
Low productive forest land	2.5 mill. ha	Thinnings 2.2 %	
Other forestry land	3.2 mill. ha		
Logging roads etc.	0.2 mill. ha	CERTIFIED FOREST (PEFC & FSC)	19,1 mill. ha
Family forests	53 %	FOREST SECTOR'S SHARE OF GDP	4.1 %
State-owned	35 %	Value of exports	11,7 bill. €
Industry-owned	12 %	Share of exports	21.7 %
POPULATION	5.5 mill	Employees	65 000
FOREST PER PERSON (productive and low productive forest land)	4.1 ha	Share of total employment	2.6 %
PROTECTED FORESTS	2.7 mill. ha		
Share of productive and low productive forest land	12 %		

The total volume of timber in Finnish forests was 2,360 million cubic metres in 2014. The annual growth of Finnish forests has for a few years already exceeded one hundred million cubic metres. Trees grow only during the growing season, which in Finland is about 80 days long. In 2014, the annual growth was 104 million cubic metres so the daily growth was over one million cubic metres.
When annual removals are subtracted from annual growth the result is annual increment: the amount the timber volume increases in forests per year. Removals include fellings, the parts of trees left in forests from felled trees and trees which die naturally. For all tree species and all forestry areas of Finland, the annual growth is greater than annual removals.



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

Forests cover 75 percent of Finland's land area. For every Finn, there is around 4,2 hectares of forest.In Finland, land area is classified according to its use. 86 percent of land area is forestry land. The rest is agricultural land, built-up areas etc.
Forestry land is further divided into different types according to the productivity of the land: productive forest land, where the annual wood growth is over one cubic meter per hectare, poorly productive forest land, where growth is between 0.1 and 1 cubic metres, and unproductive forest land, where the annual growth is below 0.1 cubic metres.
When Finns talk about forests, they mean the area of forest land and poorly productive forest land combined. Most of Finnish forests grow on productive forest land, which covers an area of 20.3 million hectares.
34 percent of forestry land consists of peatlands. The area of forest land increased from the 1950's up to the 1980's, because peatlands were drained for forestry use. This resulted in higher productivity per hectare.
In terms of phytogeography, the vast majority of Finland is situated in the boreal coniferous zone. In the boreal coniferous zone the soil is poor and acid and there are only few forest trees species.
Almost half of the volume of the timber stock consists of pine (*Pinus sylvestris*). The other most common species are spruce (*Picea abies*) downy birch (*Betula pubescens*) and silver birch (*Betula pendula*). These species make for 97 percent of total timber volume in Finland.
The majority of Finnish forests are mixed, which means that they are made of more than one species. In all, Finland has about thirty indigenous tree species.

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

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

Sources: https://www.smy.fi/en/forest-fi/graphs/forest-resources/
https://www.smy.fi/en/forest-fi/forest-facts/finnish-forests-resources/
http://www.metla.fi/julkaisut/seuranta/pdf/state-of-finlands-forests-2011.pdf

NORWAY

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

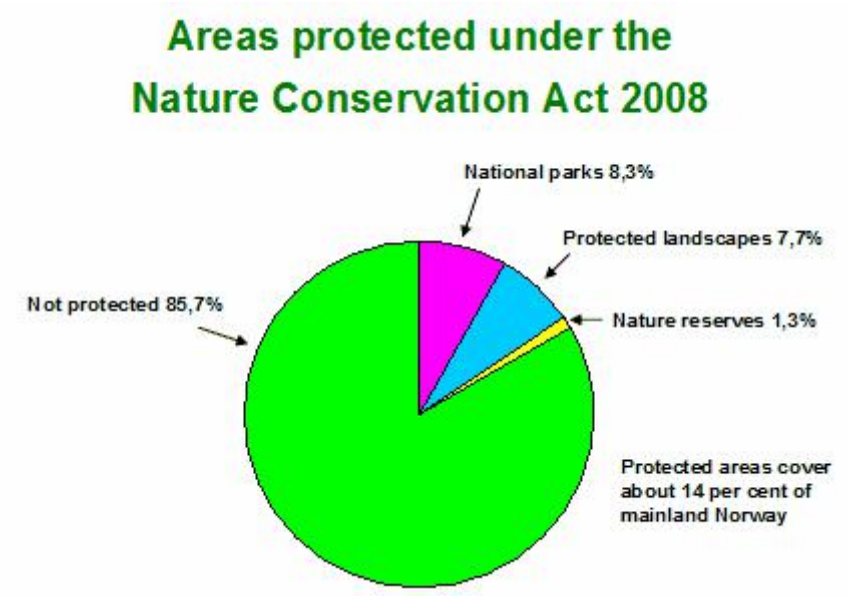
Distribution of forests by the dominant species:

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

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

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

Forest protection



Areas protected under the Nature Conservation Act 2008

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

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

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

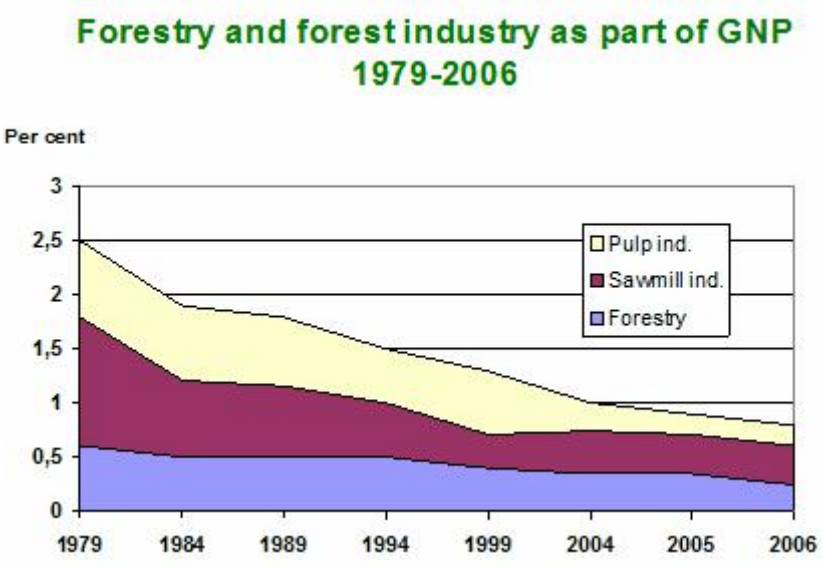
In the country there are areas of endangered high conservation value forests. More specifically there are Global200 and IFL areas in the northern mountain regions.

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

Forest sector in Norway's national economy

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

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



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

SWEDEN

Forest resources

Sweden is parliamentary constitutional monarchy that joined EU in 1995.
The Swedish Forest Agency us the national authority responsible for matter relating to the forest. It strives to ensure that the nation's forests are managed in such a way as to yield an abundant and sustainable harvest while at the same time preserving biodiversity. The Agency also strives to increase awareness of the forest's significance, including its value for outdoor recreation. The Agency has offices throughout the country. Its most important tasks are to give advice on forest related matters, supervise compliance with the Forest Act, provide services to the forest industry, support nature conservation efforts and conduct inventories. Sweden has Europe's second biggest afforested area after Russia. Sweden's productive forests cover about 23 million hectares. However, if this area is calculated according to international forest land definitions, it is 27 million hectares. Spruce and pine are by large the predominant species in Swedish forests. These two species count more than 80 % of the timber stock. In northern Sweden pine is the most common species, whereas, spruce, mixed with some birch, dominates in southern Sweden. Due to effective and far-sighted forest management, the timber stock in Sweden has increased by more than 60 % in the last hundred years and it is now 300 million m3. In recent years felled quantities have been between 85 and 90 million m3, whereas annual growth amounts approximately to 120 million m3.

Biological diversity

The amount of protected forests in Sweden amounts to circa 1.9 million hectares. A great extent, about 90 % of these forests are the kind of forests in which minor interventions are allowed. The share of strictly protected forests, where no human interventions are allowed is 0.3 % from the forest area. National parks, nature reserves and nature conservation areas cover as area of 4.2 million hectares, i.e. 10% of Sweden's land area. There are at least 220.00 hectares of protected forests which still in terms of forest growth are productive. In addition, there are about 12.000 hectares of protected habitat types and 25.000 hectares of wood land set aside and protected by environment conservation agreements. Large forest areas are also protected trough forest owners' voluntary activities. Swedensigned the Convention on International Tarde in Endangered Species of Wild Fauna and Flora in August 1974 and the convention entered into force in July 1975. Sweden has also established an IUCN National Committee.

Forest and community

Private forest owner families hold about 50 % of Swedish forests, privately owned forestry companies about 25 % and the State and other public owners have the remaining 25 %. The ownership of forests in Sweden varies between regions. In Southern parts of the country forests are mainly owned by private persons whereas in Northern Sweden companies own more significant amounts of forests.11

Certification

Focusing on sustainable sourcing solutions 80 % of the Swedish forest land is certified under either the FSC or under PEFC certification schemes. FSC certified forests amount to 10.2 million hectares and PEFC certified to 7.5 million hectares. Of the total 7.5 million hectares certified under the PEFC scheme, 3 million hectares are family owned.

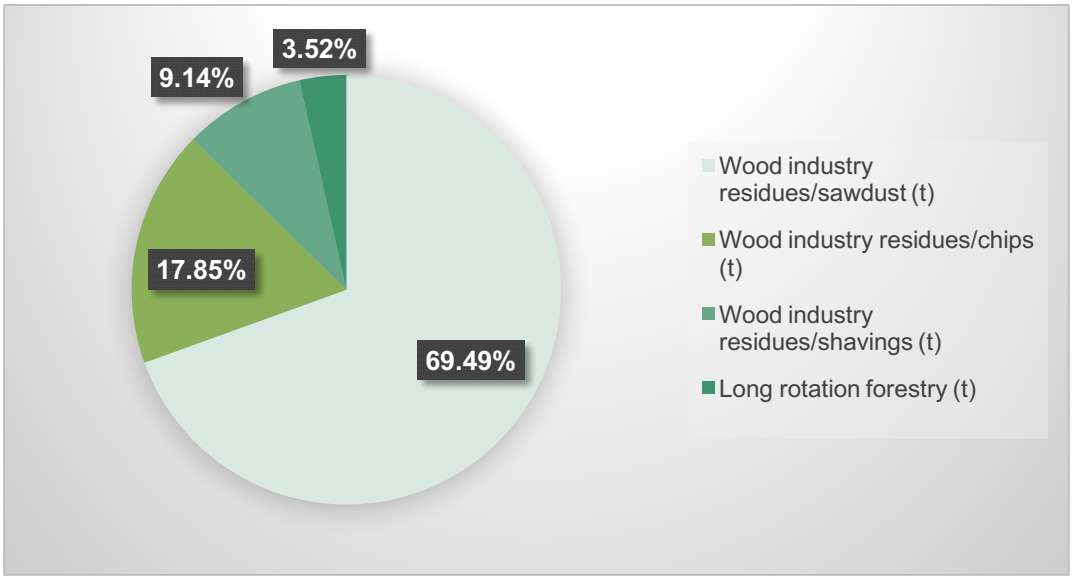
2.2 Actions taken to promote certification amongst feedstock supplier

The raw material procurement is based on long-term co-operation with regular suppliers that have attested their participation in wood chain of custody certification. The objective of the chain of custody system is to provide information on the origin of forest raw materials down from the point of delivery. The company has initiated to the FSC / PEFC certified wood procurement increased from 70.77% to 71.36% in July 2017-June 2018. As well as their business decision is specially not to increase the FSC / PEFC certified wood procurement, but to follow the market situation, development of general requirement for biomass and whether SBP certified biomass final buyers will financially appreciate certified pellets and respect the 'good practice' principles. The company has established the FSC / PEFC certified wood higher purchase price than uncertified. Thus, all involved companies from the forest management and logging enterprises to woodworking sphere are interested that sustainable forestry methods are attested. The company procures wood for pellet production mainly from woodworking enterprises of Kurzeme region, which in turn procure round wood from the FSC and PEFC-certified forest in Joint Stock company “Latvia`s State Forest”.
Woodworking residues are procured from woodworking enterprises that mainly produce sawn materials and other products. Motivation for getting certified for those enterprises is the fact that support to sustainable forest management by certified chain of custody increases sales opportunities for both main and side products.

2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is 25-35% compared to quantity of other raw material assortment. The primary raw material has been procured from the Supply Base area and it consists of round wood/firewood. The raw materials are procured in well developed, free and open market with competition of other customers. Different assortments of raw materials are obtained from the logging. All companies of forest industry have public price lists for the assortments. The price lists reflect the solvency of the industry for different assortments. The price lists clearly indicate that logs and veneer logs are the most valuable assortments while firewood (e.g. for pellet production) is less valuable assortment. This information is derived from the documents and data submitted by suppliers and forest developers.

2.4 Flow diagram of feedstock inputs showing feedstock type [1.07.2017.-30.06.2018.]



2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): 54.5 million ha
b. Tenure by type (ha): 32.1 million ha private /22.4 million ha public
c. Forest by type (ha): 16.1 million ha boreal / 18.5 million ha temperate
d. Forest by management type (ha): 48.5 managed natural
e. Certified forest by scheme (ha): 16 million ha FSC / 34.6 million ha PEFC

Feedstock [1.07.2017.-30.06.2018.]

f. Total volume of Feedstock: 138'765,59 tonnes (or 568'066,29 loose/m3)
g. Origin: (Latvija - 91.823%; Lithuania - 2.304%; Norway - 2.422%; Finland - 1.019%; Sweden – 2.432%)
h. List all species in primary feedstock, including scientific name: *Alnus glutinosa; Alnus incana (L.) Moench; Betula Pendula, Betula verrucosa; Picea abies; Pinus sylvestris; Populus tremula*
i. Volume of primary feedstock: 4'880.04 tonnes (3.52%)
   - Composition
     - Long rotation forestry (broadleaf) (3'903.03t) 80%
     - Long rotation forestry (conifer) 20% (976.01t)
       - FSC Mix Credit 80.15%, PEFC 100% 11.96%, Controlled feedstock from own verification program 7.89%.
   - Origin:
     - Long rotation forestry – Latvia.

j. Subdivide by SBP - approved Forest Management Schemes: N/A

k. Volume of primary feedstock from primary forest: N/A

l. List percentage of primary feedstock from primary forest (j), by the following categories.

Subdivide by SBP-approved Forest Management Schemes:

- Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme N/A
- Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme N/A

Volume of secondary feedstock: 121’199.3 t (89.42%)

- Composition:
  - sawdust – 96’426.82 t (69.49%)
  - other types of sawmill residues – 24’772.49 t (17.85%)
    - sawdust FSC Mix Credit 17.8%, FSC Controlled Wood 2.65%, PEFC 100% 57.18%, PEFC Controlled Sources 11.2%, Controlled feedstock from own verification program 11.17%.
    - other types of sawmill residues FSC Mix Credit 57.08%, FSC Controlled Wood 22.17%, PEFC Controlled Sources 11.2%, Controlled feedstock from own verification program 19.6%.
- Origin:
  - sawdust - Latvia, Lithuania, Norway, Finland, Sweden.
  - other types of sawmill residues – Latvia, Sweden.

Volume of tertiary feedstock: 12’686,25 t (10.30%)

- Composition:
  - pre-consumer untreated tertiary feedstock – 12’686,25t (10.30%)
    - FSC Mix Credit 24.72%, FSC Controlled Wood 21.15%, PEFC 100% certified 38.98%, PEFC Controlled Sources certified 15.15%.
- Origin:
  - pre-consumer untreated tertiary feedstock – Latvia, Lithuania, Norway, Finland, Sweden.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
□	**X**

SBE system is not implemented, because 71.36% from total input of feedstock is FSC Mix Credit and 100% PEFC Certified, also FSC Controlled Wood and PEFC Controlled Sources feedstock is 17.1%, and only 11.54% of total feedstock input comes from own verification program (as on 30th June 2018). For the next period the company (SIA KURZEMES GRANULAS) has enough FSC and PEFC certified material in order to fulfil sales plan of SBP certified pellets.

4 Supply Base Evaluation

4.1 Scope

Not applicable.

4.2 Justification

Not applicable.

4.3 Results of Risk Assessment

Not applicable.

4.4 Results of Supplier Verification Programme

Not applicable.

4.5 Conclusion

Not applicable.

5 Supply Base Evaluation Process

Not applicable.

6 Stakeholder Consultation

Not applicable.

6.1 Response to stakeholder comments

Not applicable.

7 Overview of Initial Assessment of Risk

Not applicable. The BP does not utilize Supply Base Evaluation process in sourcing of feedstock

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

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

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

If deliveries are from countries and areas that can not be classified as low risk areas, the Quality Manager draws up an annual audit plan and inspection program to ensure verification of the suppliers and to obtain evidence that the uncertified delivered wood meets PEFC-Controlled Sources requirements.
The Quality Manager must draw up a list of suppliers of non-certified raw materials and determine the required number of test audits using the sampling method in accordance with PEFC ST 2002:2013.
Inspection audits are carried out immediately after receipt of the timber, at least once a year.

8.2 Site visits

All of the suppliers have been audited at production sites.

8.3 Conclusions from the Supplier Verification Programme

All of the suppliers have been audited at production sites and 7 of suppliers were excluded from supplier list in 2018.

9 Mitigation Measures

9.1 Mitigation measures

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

9.2 Monitoring and outcomes

7 of suppliers were excluded from supplier list in 2018, due to shut down of production or they could not keep up with necessary requirements.

10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

11.1 Peer review

Not applicable.

11.2 Public or additional reviews

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

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	***Mārtiņš Kalmans***	***Quality manager***	***7.08.2018.***
	Name	**Title**	**Date**
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	***Viesturs Grīnbergs***	***Chairman of the board***	***8.08.2018.***
	Name	**Title**	**Date**

13 Updates

13.1 Significant changes in the Supply Base

Total feedstock input has increased from 70.77% to 71.36% from total input of feedstock is FSC Mix Credit and 100% PEFC Certified, 17.1% FSC Controlled Wood and PEFC Controlled Sources and 11.54% Controlled feedstock from own verification program (as on 30th June 2018).

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

Period: 01/07/2017 till 30/06/2018.

Total feedstock: 138’765,59 tonnes (or 568’066,29 loose/m3);

Long rotation forestry: 4’880.04 t (6’100.05 m3);

Other types of sawmill residues: 24’772,49 t (77’900,90 loose m3);

Sawdust: 96’426,82 t (334815,34 loose m3);

Pre-consumer untreated tertiary feedstock: 12’686,25 t (149’250,00 loose m3).

13.5 Projected figures for feedstock over the next 12 months

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

Total feedstock: 135 000 t (575 000 loose m3).

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