

Supply Base Report: ML DVĪŅI SIA

Main (Initial) Audit

www.sbp-cert.org



Completed in accordance with the Supply Base Report Template Version 1.3

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

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1 Overview

Producer name: ML DVINI SIA
 Producer location: Robezu str. 202, Ventspils, Latvia, LV-3601
 Geographic position: 56.901145° N, 24.148358° E
 Primary contact: Raitis Rumbergs; +371 29576511; raitis@ml-dvini.lv
 Company website: <http://www.ml-dvini.lv/>
 Date report finalised: 20/May/2019
 Close of last CB audit: 09/Aug/2019
 Name of CB: NEPCon OÜ
 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 Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>
 SBP Endorsed Regional Risk Assessment: not applicable
 Weblink to SBE on Company website: <http://www.ml-dvini.lv/>

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

2 Description of the Supply Base

2.1 General description

ML DVINI SIA purchases the most of its feedstock for production of biomass (woodchips): branches as wood residues from logging and branches from non-forest lands, also firewood. Biomass is mainly obtained from our own production.

The region of biomass origin only is Latvia

Data from deliveries period: From / Till 1, January 2019 / 1. May 2019

Controlled Feedstock:

SBP-compliant Primary Feedstock: 100% (~16-22 suppliers)

From forest ~53,75% (~16 suppliers)

From non forest land ~ 46,25% (~22 suppliers)

SBP-controlled Primary Feedstock: 0%

SBP-compliant Secondary Feedstock: 0%

SBP-controlled Secondary Feedstock: 0%

SBP-compliant Tertiary Feedstock: 0%

SBP non-compliant Feedstock: 0 %

Generic: Norway spruce (*Picea abies* Karst.); Scots Pine (*Pinus sylvestris* L.); Alder (*Alnus glutinosa* Gaertn.); Grey alder (*Alnus incana* Moench.); Aspen (*Populus tremula* L.); Silver birch (*Betula pendula* Roth.); downy Birch (*Betula pubescens* Ehrh.); Ash (*Fraxinus excelsior* L.); small-leaved lime (*Tilia cordata* Mill.); willow species (*Salix* spp.)

Information about LATVIAN forest resources

Forests in Latvia cover 3 056 475 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 (3 350 684 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 ~135 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, 2019).

Forest lands consist of:

- forests: 3 056 475 ha (91.3 %);
- marshes: 168 424,67 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, 2018)

Breakdown of forests by dominant species:

- Pine: 33 %
- Spruce: 19 %
- Birch: 30 %
- Black alder: 3 %
- White alder: 7 %
- Aspen: 7 %
- Other species: 1 %

(the State forest service: vmd.gov.lv, 2019)

Share of tree species in forest renewal, breakdown by area (2017):

- Pine: 15 %
- Spruce: 19 %
- Birch: 30%
- White alder: 14 %
- Aspen: 18 %
- Other species: 4 %

(the State forest service: vmd.gov.lv, 2019)

Wood extraction according to types of cutting, breakdown by volume of production (2017):

- Final harvest: 45,3 %
- Thinning: 33,8 %
- Sanitary clear cutting: 14,5 %
- Deforestation cutting: 0.04 %
- Other types of cutting 6,3 %

(the State forest service: vmd.gov.lv, 2019)

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).

The forest sector is one of the cornerstones of the country's economy. In 2017, the share of forestry, wood processing and furniture production in the gross domestic product made up 4.8%, while the export volume reached 2.2 billion euros - 20% of the country's total exports.

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 total, the protected areas occupy 28.2% of the total forest area. In just over half of these areas, there are no restrictions on forestry activities. 6.9% of the total forest area is forbidden clearing, 1.2% forbidden main felling, and 2.3% forbidden care and main felling. Only 100.3 thousand hectares, corresponding to 3.3% of the total forest area, is subject to a complete limitation of forestry activities. Most of the protected areas with restrictions on economic activity are owned by the state.

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. In Latvia, more than 300 FSC supply chain certificates. Most of the largest forest industry companies have FSC certification. Both these systems are operating in Latvia.

2.2 Actions taken to promote certification amongst feedstock supplier

SIA ML Dvīņi prefers working with FSC-certified companies.

The organization facilitates cooperation and tries to offering better conditions of supply for FSC-certified suppliers (better payment terms, higher delivery volumes, price bonus).

SIA ML Dvīņi introduces with FSC certification uncertified suppliers and forest owners, as well as motivates to carry out their own certification.

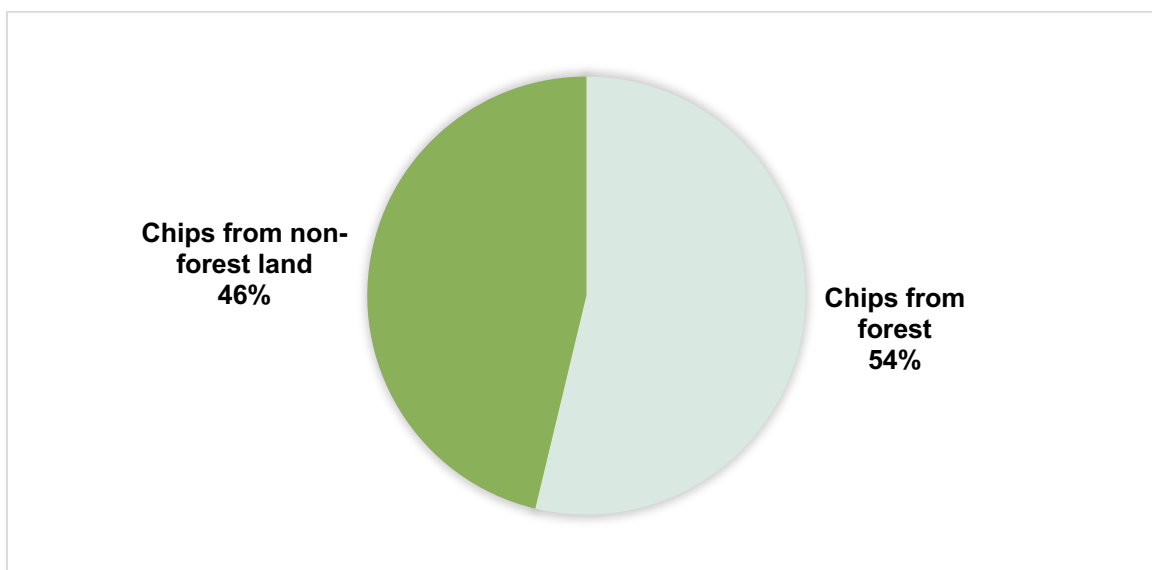
The biomass sourced from both non-certified forest and non-forest lands is considered a low risk biomass which is evaluated for risks within the SBE process and compliance approved according to SBP Compliant biomass status.

2.3 Final harvest sampling programme

The proportion of provided Biomass from primary feedstock from the base logging area is approximately 50-80% compared to other types of feedstock. Primary feedstock is obtained from Supply Base Area and is formed by roundwood (firewood, pulpwood assortment), also branches as wood residues.

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

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



2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): Latvia 3 056 475 ha;
- b. Tenure by type (ha): 1,495,616 ha state forests; 1,560,961 ha private forests,
- c. Forest by type (ha): Hemi boreal area 3 056 475 ha;
- d. Tenure by type (ha): 1,495,616 ha state forests; 1,560,961 ha private forests,
- e. Forest by type (ha): Hemi boreal
- f. Forest by management type (ha): managed natural
- g. Certified forest by scheme (ha): FSC ~1,05 milj/ ha are certified according to FSC and/or ~1,8 milj PEFC certification systems

Feedstock

- h. Total volume of Feedstock: 18 546 m³
- i. Volume of primary feedstock 18 546 m³
- j. From forest: 10 849 m³
- k. From non forest land: 7 697 m³
- l. List percentage of primary feedstock (g), by the following categories.. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme ~0%
 - Not certified to an SBP-approved Forest Management Scheme ~0%
- m. List all species in primary feedstock, including scientific name:

Norway spruce (*Picea abies Karst.*); Scots Pine (*Pinus sylvestris L.*); Alder (*Alnus glutinosa Gaertn.*); Grey alder (*Alnus incana Moench.*); Aspen (*Populus tremula L.*); Silver birch (*Betula pendula Roth.*); downy Birch (*Betula pubescens Ehrh.*); Ash (*Fraxinus excelsior L.*); small-leaved lime (*Tilia cordata Mill.*); willow species (*Salix spp.*)
- n. Volume of primary feedstock from primary forest: 0%
- o. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: NA
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme NA
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme NA

- p. Volume of secondary feedstock: specify origin and type – woodchips 0 m³,
- q. Volume of tertiary feedstock: specify origin and composition – 0 m³

3 Requirement for a Supply Base Evaluation

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

SBP biomass supply evaluation includes:

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

SIA ML DVINI defines the biomass received from the approved biomass extraction sources and supplies as a SBP-compliant biomass.

SIA ML DVINI 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 SIA ML DVINI

A revised and updated risk assessment was sent to the public consultation. The risk assessment (RA) was sent to the public consultation on 20may 2019.

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

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

4 Supply Base 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.

SIA ML DVINI 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 NEPCon.

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 SIA ML DVINI 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.

SIA ML DVINI 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 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 supply verification, direct supply from saw mills, for which risk mitigation measures are taken at the forest plot supply level.

4.5 Conclusion

From January 1, 2019, 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 100 % of the biomass is a SBP-compliant biomass.

As a result of the implementation of risk mitigation measures, SIA ML DVINI has confirmed all 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.

In the reporting year period, the company is taking risk mitigation measures for the supplies of all suppliers at the forest plot level to confirm the correspondence of all feedstock to SBP compliant material.

5 Supply Base Evaluation Process

SIA ML DVINI 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.

SBE system development for supply assessment and risk mitigation measures are performed by SIA ML DVINI company logistic manager with 20 years long experience in the procurement market of Latvia, long-term experience in maintaining FSC system and assessment of wood origin at forest management and 5 years long experience and knowledge in forestry, supplies of wood, procurement and legislation.

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 Stakeholder Consultation

On 20.may 2019, SIA ML DVINI 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 had been conducted.

SBP risk assessment is available on the company's website: <http://ml-dvini.lv>

6.1 Response to stakeholder comments

No addressable comments related to SBP system and the Supply Base Evaluation process were received during the stakeholder consultation process. Most of stakeholders consulted during the direct, proactive consultation process did not raise comments or questions to organization's approach to SBP/SBE certification. The State Labour Inspectorate informed it had conducted an inspection to the production site and carried out an inspection of the Labour Protection/Occupational Health and Safety system at the organization and no non-conformances had been identified. The Labour Union of Forest industry expressed the readiness to establish a social dialogue and cooperate in the future. The State Forest Service expressed the opinion that most requirements of the SBP certification system is based upon are covered by the national forestry legislation which is enforced by the State Forest Service. The State Forest Service representative expressed the openness to discussing and evaluating the overhead requirements specific to the SBP certification.

7 Overview of Initial Assessment of Risk

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

The risk assessment level for each indicator revised by SIA ML DVINI has been developed with the SBP endorsed regional risk assessment for Latvia

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

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, SIA ML DVINI 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, SIA ML DVINI 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		
	Specified	Low	Unspecified
1.1.1	X		
1.1.2	X		
1.1.3	X		
1.2.1	X		
1.3.1	X		
1.4.1	X		
1.5.1	X		
1.6.1	X		
1.1.2		X	
2.1.2		X	
2.3.1	X		
1.2.2	X		
2.2.2	X		
2.3.2	X		
2.2.4	X		

Indicator	Initial Risk Rating		
	Defined	Low	Unspecified
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		
2.7.5	X		
2.8.1		X	

2.2.5	X		
2.2.6	X		
2.2.7	X		
2.2.8	X		
2.2.9	X		

2.9.1	X		
2.9.2	X		
2.10.1	X		

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Risk mitigation measures 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 cannot 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
- For primary feedstock supplies, the company registers and checks all the information on the origin of incoming wood at the forest plot level to exclude the possibility that logging certificates are submitted by suppliers for other properties, not related to the wood supply.
- Cadastre plots of the wood supplied are checked in Latbio to find the indication “Protected forest biotope may be present or environmental protection limitations established”.
- Additional information, survey data are obtained from databases or forest proprietors, loggers.
- For all property plots that have the indication “Protected forest biotope may be present or environmental protection limitations established” an assessment in available databases is performed and/or the plots are physically visited in real life.
- For properties with the indication “Protected forest biotope may be present or environmental protection limitations established”, during the audit, biotope expert confirmed audit forms are checked and filled in (check page, control page). For the plots audited after or before logging and where signs of possible biotopes are found, a biotope expert is invited. If a possible biotope is confirmed, the company assesses future cooperation with the supplier, does not accept the wood from the corresponding cadastre plot, in case of delivery cancels the amount of the corresponding assortment. In the risk mitigation process, when assessing plots before logging, adjacent plots are also examined to check for the presence of possible bird nests or historical and cultural objects.

Information on the involvement of subcontractors in logging is obtained from all suppliers. Work safety risk mitigation audits are planned or performed spontaneously for all suppliers which outsource or do the logging themselves with manual teams. Taking into account the deficit of human resources in logging, companies use forest machinery more and more. In the report for the audit year it was found that approximately 60-90% of all supplies are made with forest machinery.

8.2 Site visits

Risk mitigation measures are related to the following feedstock categories:

- supplies of primary feedstock from Latvian forest properties after logging
- the primary biomass cannot 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
- For primary feedstock supplies, the company registers and checks all the information on the origin of incoming wood at the forest plot level to exclude the possibility that logging certificates are submitted by suppliers for other properties, not related to the wood supply.
- Cadastre plots of the wood supplied are checked in Latbio to find the indication “Protected forest biotope may be present or environmental protection limitations established”.
- Additional information, survey data are obtained from databases or forest proprietors, loggers.

- For all property plots that have the indication “Protected forest biotope may be present or environmental protection limitations established” an assessment in available databases is performed and/or the plots are physically visited in real life.
- For properties with the indication “Protected forest biotope may be present or environmental protection limitations established”, during the audit, biotope expert confirmed audit forms are checked and filled in (check page, control page). For the plots audited after or before logging and where signs of possible biotopes are found, a biotope expert is invited. If a possible biotope is confirmed, the company assesses future cooperation with the supplier, does not accept the wood from the corresponding cadastre plot, in case of delivery cancels the amount of the corresponding assortment. In the risk mitigation process, when assessing plots before logging, adjacent plots are also examined to check for the presence of possible bird nests or historical and cultural objects.

Information on the involvement of subcontractors in logging is obtained from all suppliers. Work safety risk mitigation audits are planned or performed spontaneously for all suppliers which outsource or do the logging themselves with manual teams. Taking into account the deficit of human resources in logging, companies use forest machinery more and more. In the report for the audit year it was found that approximately 80-95% of all supplies are made with forest machinery.

8.3 Conclusions from the Supplier Verification Programme

Labour protection and occupational safety supervision risk programme

Labour protection audits were launched in September 2018. 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: all Latvia region. 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 January 2019. 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 and Zemgale, Kurzeme 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 SIA ML DVINI 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 ML DVINI company will be informed. Wood from these forest units/properties (enterprises) will not be purchased or delivered.

9 Mitigation Measures

9.1 Mitigation measures

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.

9.1.1 Audit process:

Monitoring audits are performed for all plots of the wood supplied by the suppliers for all plots with the indication "Protected forest biotope may be present or environmental protection limitations established".

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

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 ML DVINI SIA on planned logging volumes as well as refuse to cooperate with ML DVINI SIA during audits may be excluded from the list of suppliers.

ML DVINI SIA by inviting 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.

9.1.2 General description of the risk mitigation system:

General measures for risk mitigation:

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

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

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.

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 company's logging masters and biomass suppliers are undergoing training. 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.

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.

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

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

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

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

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

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

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

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

- as to distribution of units of land according to real estate target use groups, and land usage types, this information is available from sites where data are registered, for instance, according to property and ownership rights; "Distribution of land according to real estate target use groups" <http://latvijas.daba.lv/biotopi/plavas.shtml>

If during the inspection and evaluation of the overgrown non-woodland areas there are doubts of possible biotope, the wood purchasers contact the experts of non-forest land habitats (meadows, for example) to acquire additional data on the found indicators, or ensure access of experts to the site.

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

9.2 Monitoring and outcomes

Accepting the wood of all suppliers with CA that meets the origin criteria, the company during the annual review has found that suppliers are not forced to select and specify the CA number and submit a CA copy to the company, which does not correspond to the actual wood origin.

The company has also refused to accept wood from suppliers for which a field evaluation was performed before logging or recommended to preserve the possible natural values.

Supply regions – Kurzeme, Zemgale, Vidzeme,

After the SBP risk mitigation audits, training is recommended for suppliers – forest proprietors, logging companies. An understanding of SBE requirements has formed regarding risk categories, their identification and risk mitigation mechanism.

As a result of the risk assessment, during the past 5 months the number of indications with the reference “Protected forest biotope may be present or environmental protection limitations established” has decreased.

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

10 Detailed Findings for Indicators

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

The risk assessment is available on the website of SIA ML DVINI at:

<http://ml-dvini.lv>

11 Review of Report

11.1 Peer review

The Supply Base Report was sent out for comments to specialists working with wood industry, forest management and forest environment processes.

The report was reviewed by:

Regarding the SBP/ SBE section: Jānis Rozītis, representing Pasaules dabas fonds (World Wildlife Foundation, WWF Latvia), experienced in sustainable forest management practice, assessment.

11.2 Public or additional reviews

No additional reports or additional information.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Iluta Veidemane</i>	<i>Export manager</i>	<i>05.09.2019</i>
	Name	Title	Date
<p>The undersigned persons confirm that I/we are members of the organisation’s senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.</p>			
Report approved by:	<i>Bruno Brūveris</i>	<i>Member of the Board</i>	<i>05.09.2019</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

N/A

13.2 Effectiveness of previous mitigation measures

N/A

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual figures for feedstock over the previous 12 months

N/A

13.5 Projected figures for feedstock over the next 12 months

N/A