Supply Base Report: LATGRANULA 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

Document history

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Version 1.3 published 14 January 2019; re-published 3 April 2020

Contents

1 Overview

Producer name:	LATGRANULA SIA
Producer location:	Rupniecibas street 10; Inčukalna district, Inčukalns LV-2141, Latvia
Geographic position:	57.094769, 24.680770
Primary contact:	Ojars Bezins; mob. +371 26549705; e-mail: ojars.berzins@latgranula.lv
Company website:	http://www.latgranula.lv/eng/
Date report finalised:	8/Apr/2020
Close of last CB audit:	18/May/2020
Name of CB:	NEPCon SIA
Translations from English:	Yes
SBP Standard(s) used:	Standard 2, version 1.0; Standard 4, version 1.0; Standard 5, version 1.0; 5E instruction version 1.1
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:	[e.g. www.bp.com]

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

2 Description of the Supply Base

2.1 General description

Most part of SIA Latgranula raw material is received from Latvian sawmills as by-products/ tertiary feedstock (sawmill residues). Small part of the same type of raw material indirectly comes from, Estonia,. In reference period was 2-3 suppliers total.

The region of origin is Latvia and small part from Estonia indirect supply for all feedstock during period 1.April – 15. May 2020 when start prepering for SBP certification

SBP-compliant primary feedstock: 0%
SBP-compliant secondary feedstock, Chips from wood industry 0%
SBP-compliant secondary feedstock 0%
SBP-compliant tertiary feedstock: **100%** (as 100% PEFC certified and FSC 100% or FSC Mix Credit Wood shavings Latvia ~3 suppliers, Indirect from Estonia)
SBP-noncompliant feedstock: 0 %

Species: Picea abies (L.) Pinus sylvestris

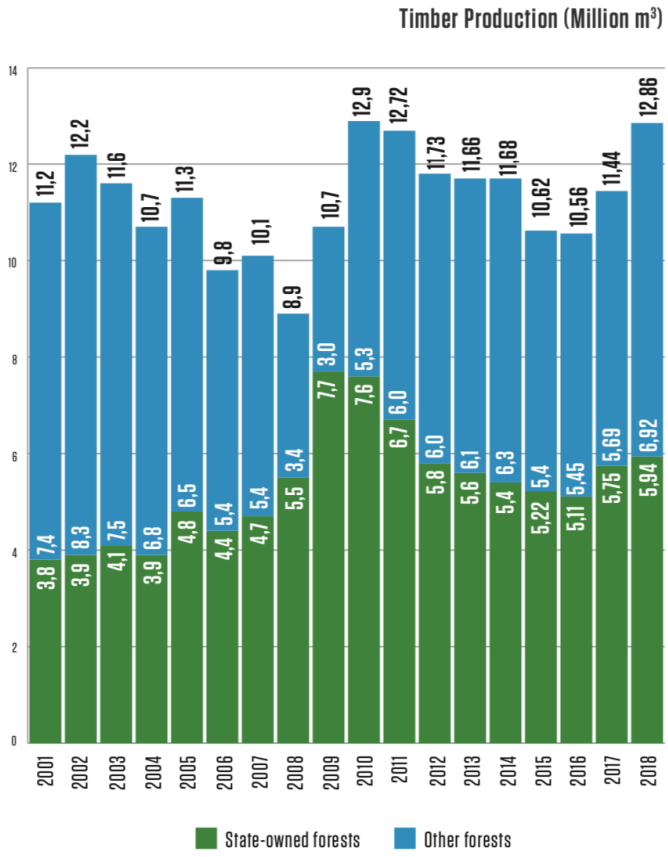
LATVIA forest resources

Forest cover

Latvia has the fourth highest forest cover among all EU countries, surpassed only by Finland (77 %), Sweden (76 %) and Slovenia (63 %). Forests in Latvia take up 3.412 million hectares of land, or 53% of the country's territory. The Latvian state owns around one-half of the country's forests, while most of the rest of the forest belongs to approximately 135,000 private owners. The amount of forestland, moreover, is constantly expanding, both naturally and thanks to afforestation of infertile land and other land that is not used for agriculture.

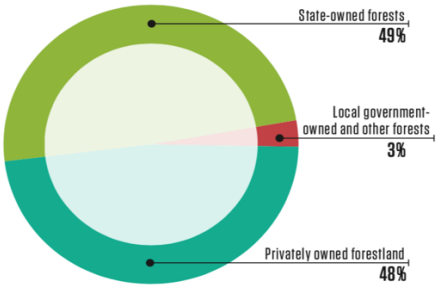
In 2019, the predominant forest species in Latvia are: Pine 33%, Birch 30 %, Spruce 19%, Grey Alder 7%, Aspen 7%, Black Alder 3 %, Other Species 1%. (State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture: https://www.zm.gov.lv/public/ck/files/ZM/mezhi/skaitlifakti_ENG20.pdf)

An average of approximately 11 million m3 of timber have been harvested each year in Latvia's forests during the past decade. That is less than the annual increment, and so forestry in Latvia can be described as sustainable. (State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture: https://www.zm.gov.lv/public/ck/files/ZM/mezhi/skaitlifakti_ENG20.pdf)



Ownership

The Latvian state owns around one-half of the country's forests, while most of the rest of the forest belongs to approximately 135,000 private owners. Forest ownership by status, 2019 (State Forest Service).



Management practices

The forest sector in Latvia is under the supervision of the Ministry of Agriculture. It works with stakeholders to draft forest policies, development strategies for the sector, as well as regulations on forest management, the use of forest resources, environment protection and hunting. www.zm.gov.lv. The State Forest Service, under the Ministry of Agriculture, is the responsible agency for supervising how the provisions of the laws and regulations are observed in forest management irrespective of the ownership type. www.vmd.gov.lv. State-owned forests are managed by Stock Company "Latvian State Forests", which was established in

1999. It implements the state's interests in terms of preserving and increasing the value of the forest and enhancing the contributions of the forest to the national economy.

Limitations on economic activity apply to 28,2% of Latvia's forests at this time, and most of this territory is owned by the state. 683 especially protected environmental territories have been set aside to protect nature. Many are included in the unified and pan-European NATURA 2000 network of protected territories.

There are various restrictions on economic activity in the specially protected areas, ranging from a complete ban on forestry throughout the calendar year to a ban on tree felling in certain months of the year or on specific conditions for felling. Overall, in around 13.5% of Latvia's forests there are some form of forest management restrictions in place, in 3.4% of these areas all forest management activities are prohibited.

Due to the dramatic increase in forest cover in the last 100 years, the current proportion of old-growth forests in Latvia is low and as such, a major challenge of forest conservation in Latvia is to ensure that such old-growth forests and features are protected and allowed to develop. www.lvm.lv

According to the State Forest Service data, the total growing stock volume was 682 million m3 in 2019. Latvian forest land consists of:

Forest land consists of:

- Forests 3.04 mln. ha (90.6%);
- Marshes 0.17 mln. ha (5.1%);
- Glades 0.031 mln. ha (0.9%);
- Flooded areas 0.017 mln. ha (0.5%);
- Objects of infrastructure 0.081 mln. ha (2.4%);
- Other forest land 0.017 mln. ha (0.5%).

State Forest Services: vmd.gov.lv, 2019.

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 (www.zm.gov.lv). Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (State Forest Services: www.vmd.gov.lv). Management of the state-owned forests is performed by the *Joint Stock Company "Latvia's State Forests"*, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy (www.lvm.lv).

Export yielded 2,645 billion euro (approx. 21% of all exports in 2018).

Socio-Economic setting

According to the Latvian Ministry of Agriculture, the forest sector is one of the cornerstones of the national economy at this time. Forestry, wood processing and furniture manufacturing represented 5,1% of GDP in 2018, while exports amounted to EUR 2,645 billion – 21% of all exports. There is no parish in Latvia with no larger or smaller wood processing company. Often these are the most important employers in the surrounding area, thus being the main pillar of support for local economies and residents.

The forest industry has always been Latvia's export leader. About 71 % of forestry-sector output is exported. The foreign trade balance of the Latvian woodworking industry is positive, having reached EUR 1.7 billion in 2018. In 2018, the value of forest product exports was EUR 2.645 billion, 17 % higher than in 2017, while the value of forest products import was EUR 939 million. The main export destinations traditionally are the EU countries: the United Kingdom, Germany, and Sweden that together account for more than 40% of Latvia's wooden product exports.

Biological diversity

In historical terms, the intensive use of Latvia's forests for economic purposes began comparatively later than in many other European countries, and that has allowed us to preserve extensive biological diversity. Limitations on economic activity apply to 28,2% of Latvia's forests at this time, and most of this territory is owned by the state. 683 especially protected environmental territories have been set aside to protect nature. Many are included in the unified and pan-European NATURA 2000 network of protected territories.

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. In 2018, the State Forest Service has established and maintained 2417 micro-reserves in forest lands with a total area of 43.7 thousand. ha, of which 91% of micro-restricted areas are in state forests, 7% - in private forests and 2% - in municipal forests. Identification and protection planning of biologically valuable forest stands is carried out continuously.

Moreover, there are national laws in place designed for the preservation of biological diversity and general nature protection requirements must be followed during the forest management activities. These are binding to all forest managers. These requirements stipulate that selected old and large trees, dead wood, underwood trees and shrubs, land cover around wet micro-lowlands (terrain depressions) are to be preserved at felling, 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 272 960 ha (2019). 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 or PEFC certified. From a total forest area of 3.412 million hectares more than a hald of Latvian forest ares have been certified according to FSC or PEFC certification scheme. Both the FSC and PEFC systems have found their way into Latvia.

Conservation CITES or IUCN species

Species	CITES status	IUCN classification
Oak (*Quercus robur*)	Not on the list	Least concern (LC)
Oak (*Quercus petraea*)	Not on the list	Least concern (LC)
Other CITES / IUCN registrations	Accession 1997 https://cites.org/eng/cms/index.php/component/cp/country/LV Other CITES species are present but do not include softwood or deciduous trees which are threatened. Full list: http://checklist.cites.org/#/en/search/country_ids%5B%5D=196&cites_appendices%5B%5D=I&cites_appendices%5B%5D=II&cites_appendices%5B%5D=III&output_layout=alphabetical&level_of_listing=0&show_synonyms=1&show_author=1&show_english=1&show_spanish=1&show_french=1&scientific_name=Plantae&page=1&per_page=20	Common Ash (*Fraxinus excelsior*) – Near Threatened https://www.iucnredlist.org/species/203367/67807718 Full list https://www.iucnredlist.org/search?landRegions=LV&searchType=species

Estonia's Forest Resources

Estonia is a member of the European Union since 2004. The Estonian legislation is in compliance with the EU's legislative framework and directives. National legislative acts make references to the international framework. All legislation is drawn up within a democratic system, subject to free comment by all stakeholders[1].The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 2020[2] has clear objectives and strategies in place to ensure the forestland is protected up to the standards of sustainable forest management techniques. The Ministry of the Environment coordinates the fulfilment of state duties in forestry. The implementation of environmental policies and its supervision are carried out by two separate entities operating under its governance. The

Estonian Environmental Board monitors all of the work carried out in Estonia's forests whereas the Environmental Inspectorate exercises supervision in all areas of environmental protection.

The forest is defined in the Forest Act. There are three main forest categories described in this legislation: commercial forests, protection forests and protected forests. According to the ownership, forests are also divided into private forests, municipality forests and state owned forests. The state owned forest represent approximately 40% of the total forest area[3] and are certified according to FSC and PEFC forest management and chain of custody standards in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed[4]. The state forest is managed by State Forest Management Centre (RMK) which is a profit-making state agency founded on the basis of the Forest Act and its main duty lies in a sustainable and efficient management of state forest.

Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest as indicated in Figure 1 and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual change in the forest cover was +0.4 %[5]. Forestry Development Plan 2012-2020 and Yearbook Forest 2014, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill m3 per year[6]. The amount is in line with sustainable development principle when the cutting rate doesn't exceed the annual increment and gives the potential to meet the long-term economic, social and environmental needs. According to the Forestry Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.

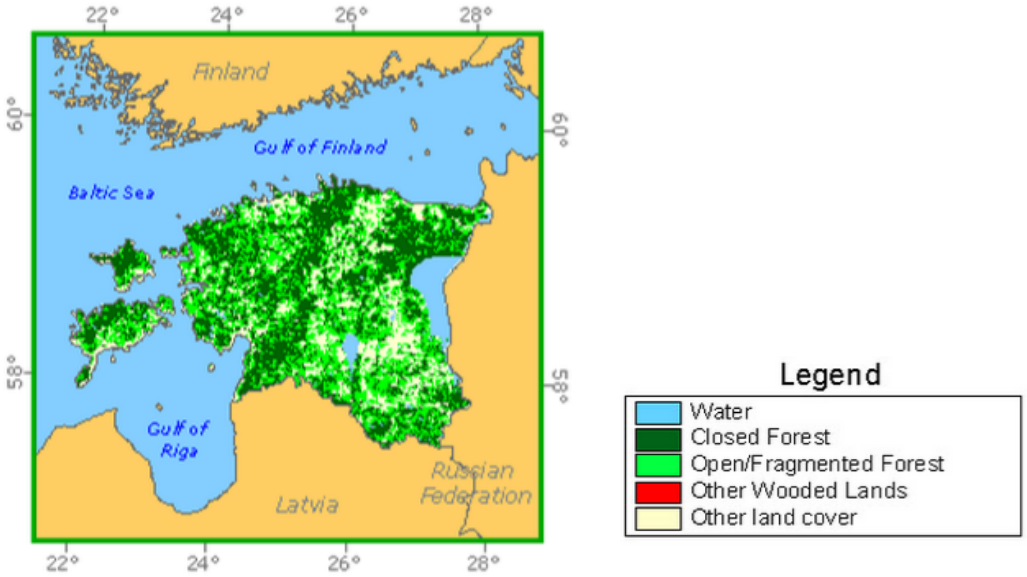


Figure 1. Forest cover of Estonia (FAO: http://www.fao.org/forestry/country/en/est/).

Figure 2. The distribution of growing stock by tree species (Yearbook Forest 2014).

For logging in any type of forest, it is required that a valid forest inventory or forest management plan, along with a felling permit issued by the Environmental Board, is available. All issued felling permits and forest inventory data is available in the public forest registry online database[7].

Area of protected forests accounts for 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests are located on state property. The main regulation governing the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act[8]. Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1992[9] and joined the International Union for Conservation of Nature (IUCN) in 2007[10]. There are no CITES or IUCN protected tree species naturally growing in Estonia.

According to the Forestry Yearbook 2014 the wood, paper and furniture industry (646,4 million euro) contributed 23.7% to the total sector providing 3.8% of the total value added. Forestry accounted for 1.5% of the value added.

In Estonia, it is permitted to access natural and cultural landscapes on foot, by bicycle, skis, boat or on horseback. Unmarked and unrestricted private property may be accessed any time to pick berries, mushrooms, medicinal plants, fallen or dried branches, unless the owner forbids it. On unmarked and

unrestricted private property camping is allowed for 24 hours. RMK creates exercising and recreational opportunities in nature and in recreational and protection zones and also provides education about nature.

2.2 Actions taken to promote certification amongst feedstock supplier

For the production of SBP pellets, preference is given to suppliers certified according to FSC and PEFC systems and delivering certified material.The company concludes long-term procurement contracts with enterprises 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. Management of the company has decided to increase procurement of *FSC Mix Credit* and 100% PEFC certified materials. Thus, all involved companies from the forest management and logging enterprises to woodworking sphere are interested that sustainable forestry methods are attested. LatGranula SIA requests its suppliers to provide information about wood origin and legal procurement document. As a priority, receiving wood from suppliers companies that purchase roundwood for processing from Latvia and indirect from Estonia, requires wood residues to be FSC-certified.

2.3 Final harvest sampling programme

Not applicable.

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

Insert flow diagram.

2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): Latvia 3.412 milj/ha, Estonia 2,23 milj
b. Tenure by type (ha): Estonia and Latvia 3,01 mln state forests; 2,63 mln private forests
c. Forest by type (ha): Latvia 3.412 milj/ha, Estonia 2,23 milj hemi boreal.
d. Forest by management type (ha): Latvia 3.412 milj/ha, Estonia 2,23 milj managed natural.
e. Certified forest by scheme (ha):

Latvia FSC ~1,13 mil/ ha are certified according to FSC and/or ~1,71 milj ha PEFC certification systems. Estonia overall there is 1 491 863 ha of FSC certified and 1 241 612 ha of PEFC certified forest.

Feedstock

f. Total volume of Feedstock: 3355 tonnes per period 1.January- 31. December 2019
g. Volume of primary feedstock: 0 tonnes or m^3
h. List percentage of primary feedstock (g), by the following categories. - 0 tonnes :
    - Certified to an SBP-approved Forest Management Scheme
    - Not certified to an SBP-approved Forest Management Scheme
i. List all species in primary feedstock, including scientific name:
   Picea abies (L.) H. Karst.; Pinus sylvestris (L.)

j. Volume of primary feedstock from primary forest 0%
k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
    - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme 0%
    - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme 0%
l. Volume of secondary feedstock: specify origin and type – 0%
m. Volume of tertiary feedstock: Volume from Latvia~ 90%, small part indirect form Estonia ~ 10%

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	x

The SBE system of the Organisation is not finished and is not ready at the moment.

For the production of SBP compliant fuel pellets, PEFC, FSC-certified wood is used, i.e. 100% of the total pellet production will have a PEFC and FSC statement. An assessment of the resource base is not required.

4 Supply Base Evaluation

Not aplicable

4.1 Scope

Not aplicable

4.2 Justification

Not aplicable

4.3 Results of Risk Assessment

Not aplicable

4.4 Results of Supplier Verification Programme

Not aplicable

4.5 Conclusion

Not aplicable

5 Supply Base Evaluation Process

Not aplicable

6 Stakeholder Consultation

Not aplicable

6.1 Response to stakeholder comments

Not aplicable

7 Overview of Initial Assessment of Risk

Not aplicable

8 Supplier Verification Programme

Not aplicable

8.1 Description of the Supplier Verification Programme

Not aplicable

8.2 Site visits

Not aplicable

8.3 Conclusions from the Supplier Verification Programme

Not aplicable

9 Mitigation Measures

Not aplicable

9.1 Mitigation measures

Not aplicable

9.2 Monitoring and outcomes

Not aplicable

10 Detailed Findings for Indicators

Not aplicable

11 Review of Report

11.1 Peer review

No peer review is performed. The report is prepared by external consultan experienced in SBP.

11.2 Public or additional reviews

The report on the supply base is posted on the SBP website. Any interested parties can send their comments by e-mail to SBP certification responsible.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	***Daiga Krumina***	***Sales spcialist***	***17. April 2020***
	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:	***Ojars Berzins***	***Director***	***17. April 2020***
	Name	**Title**	**Date**

13 Updates

13.1 Significant changes in the Supply Base

Not aplicable

13.2 Effectiveness of previous mitigation measures

Not aplicable

13.3 New risk ratings and mitigation measures

Not aplicable

13.4 Actual figures for feedstock over the previous 12 months

Please see point 2.5

Not aplicable

13.5 Projected figures for feedstock over the next 12 months

Volume of tertiary feedstock ~38000 tonnes