



Supply Base Report: NewFuels RSEZ SIA

Re-assessment

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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

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1 Overview

Producer name: SIA NewFuels RSEZ
Producer location: Atbrivosanas alley 169a, Rezekne, LV-4604, Latvia]
Geographic position: 56.53724, 27.34867
Primary contact: Mihails Bickovskis; +371 26411975; e-mail: info@newfuels.eu
Company website: <http://www.newfuels.eu>
Date report finalised: 20/Nov/2020
Close of last CB audit: 30/Mar/2021
Name of CB: Preferred By Nature
Translations from English: N/A
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 5E;ID5E 1.1
Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>
SBP Endorsed Regional Risk Assessment: [SBP endorsed Regional Risk Assessment for Latvia \(September 2017\)](#)
Weblink to SBE on Company website: <http://www.newfuels.eu>

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Re-assessment	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

SIA NewFuels RSEZ receives the most part of feedstock from Latvia as round wood and wood residues after processing as well as a small part of feedstock from and from Lithuania (~0,3%) after wood processing.

Biomass proportion by certification status:

Delivery Period: January 1. – December 31 2020

SBP-compliant primary feedstock: 52,76% (~107 suppliers)

SBP-controlled Primary Feedstock: 0%

SBP-compliant secondary feedstock 47,24 % (~24 suppliers)

SBP-controlled Secondary Feedstock: 0%

SBP-compliant tertiary feedstock: 0 %

SBP-noncompliant feedstock: 0 %

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

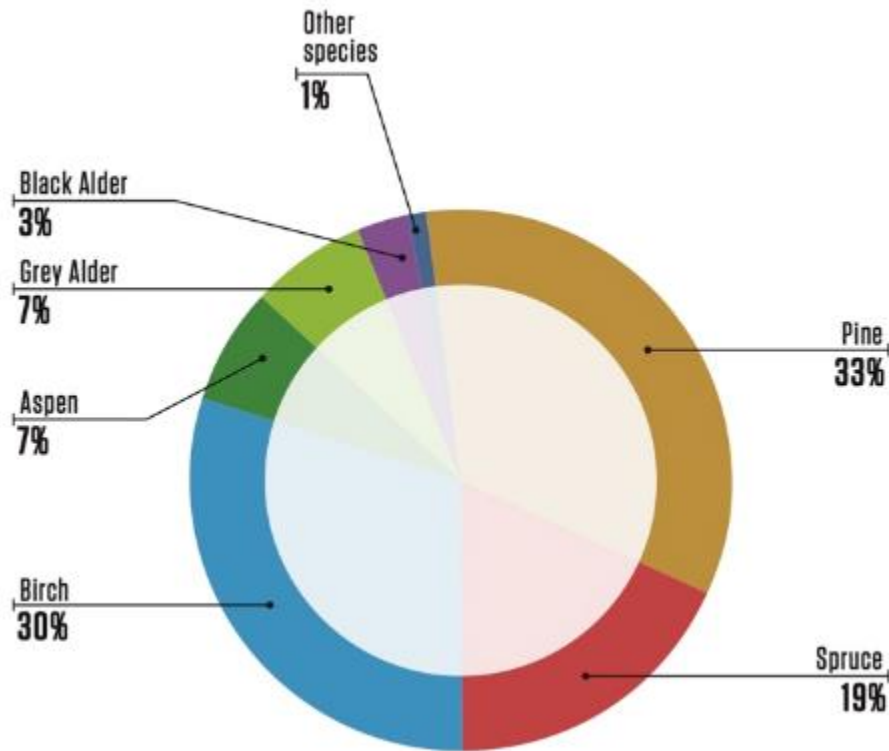
2.1.1 Information about LATVIAN forest resources

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 total forest areas 3 597 000 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.

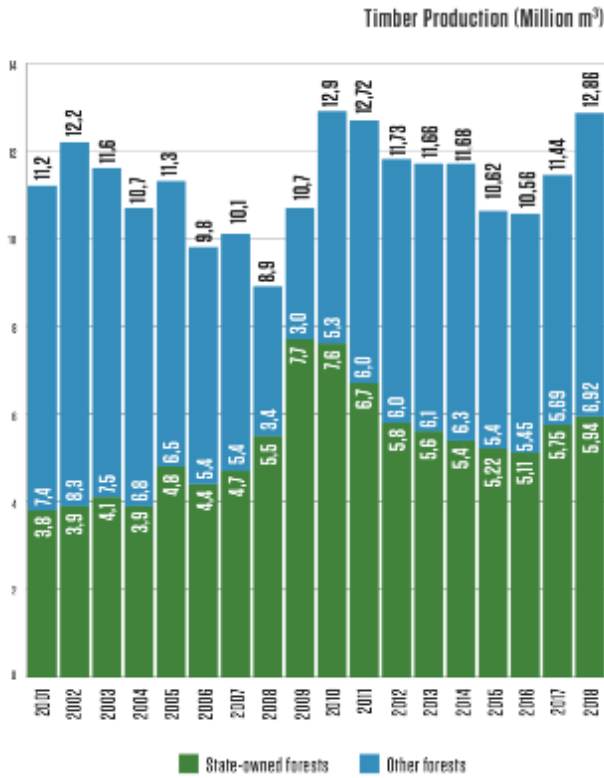
(<https://www.zm.gov.lv/20.>)

Forest Area by Dominant Species. Whole country, 2020



(State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture:

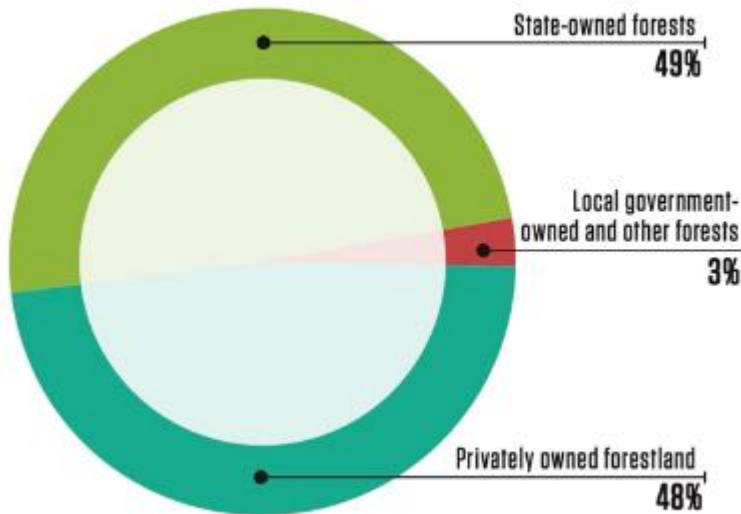
(<https://www.zm.gov.lv/20>.))
An average of approximately 11 million m³ of timber have been harvested each year in Latvia's forests during the past decade. That is less than the annual increment, and so forestry in Latvia can be described as sustainable. (State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture: (<https://www.zm.gov.lv/20>.)



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, 2020 (State Forest Service).

(<https://www.zm.gov.lv/20.>)



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

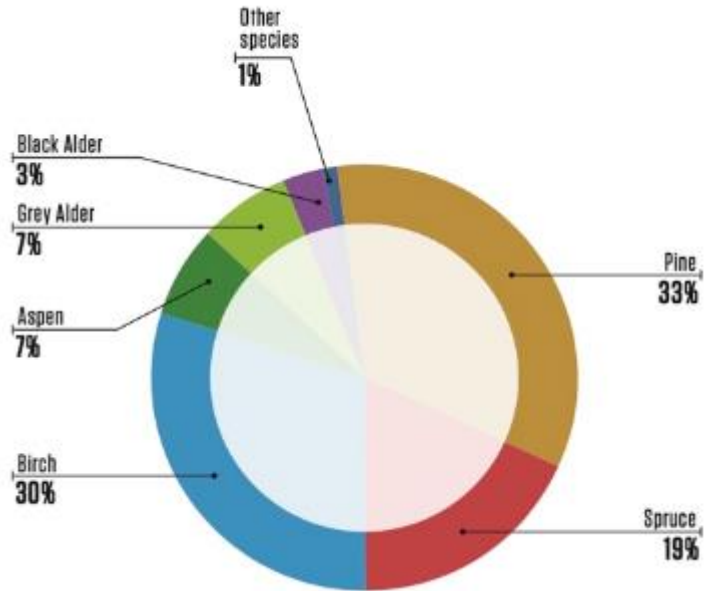
According to the State Forest Service data, the total growing stock volume was 682 million m³ in 2020. Latvian forest land consists of:

Forest land consists of:

- Forests 3292 tha/ha (91,5%);
- Marshes 125 tha/ha (3,5%);
- Glades 30 tha/ha (0,8%);
- Flooded areas 42 tha/ha (1,2%);
- Objects of infrastructure 97tha/ha (2,7%);
- Other forest land 11 tha/ha (0,3%).

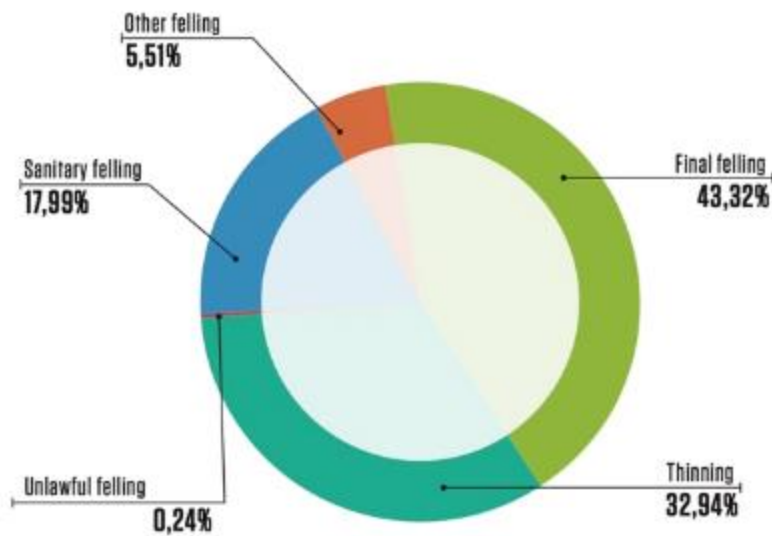
(<https://www.zm.gov.lv/20>.)

Forest Area by Dominant Species. Whole country, 2020



(<https://www.zm.gov.lv/>)

Timber production by types of cuts, by volume produced:



(<https://www.zm.gov.lv/>)

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).

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

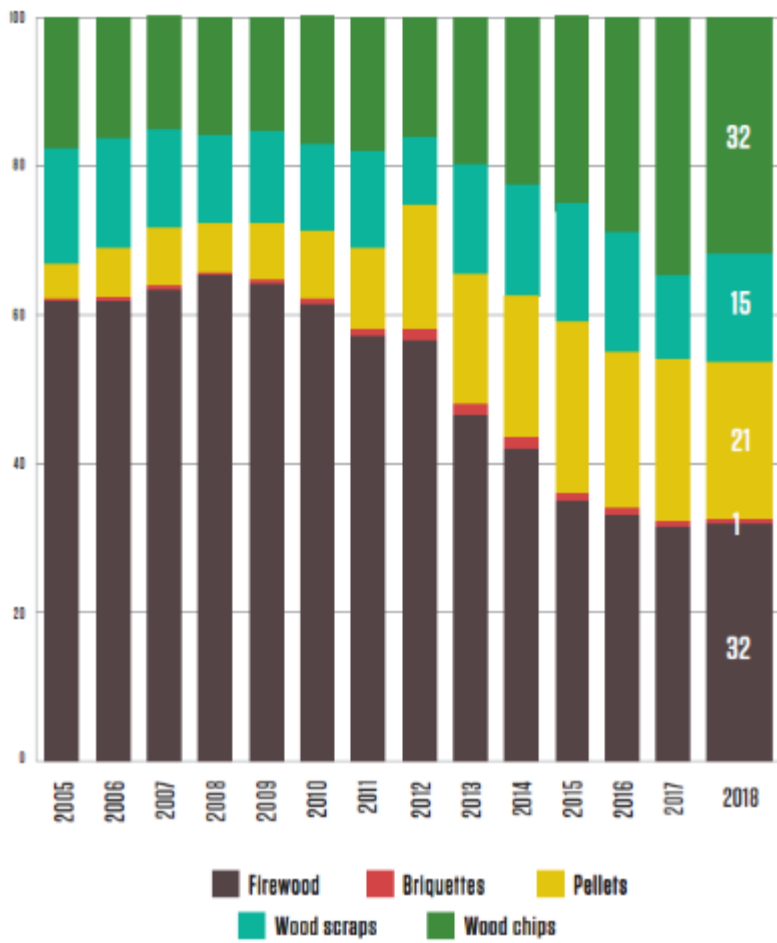
Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 272 960 ha (2019). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to 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.

Forest Sector / Statical pages

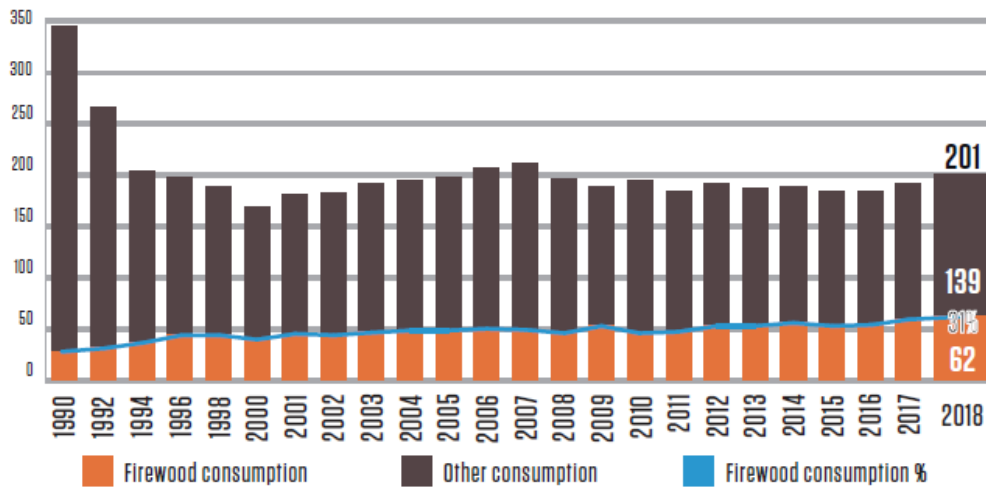
Forestry production

Area	Element	Item	Year	Unit	Value
Latvia	Production	Roundwood	2018	m3	12942170
Latvia	Production	Wood chips, particles and residues	2018	m3	4740200
Latvia	Production	Wood pellets and other agglomerates	2018	tonnes	1622000
Latvia	Production	Sawnwood	2018	m3	3775000
Latvia	Production	Wood-based panels	2018	m3	1363583
Latvia	Production	Fibreboard	2018	m3	0
Latvia	Production	Total fibre furnish	2018	tonnes	70000
Latvia	Production	Pulp for paper	2018	tonnes	0
Latvia	Production	Paper and paperboard	2018	tonnes	16000
Latvia	Production	Paper and paperboard, excluding newsprint	2018	tonnes	16000
Latvia	Production	Packaging paper and paperboard	2018	tonnes	16000
Source: FAOSTAT - Forestry database					

Types of energy-wood in total output (%)

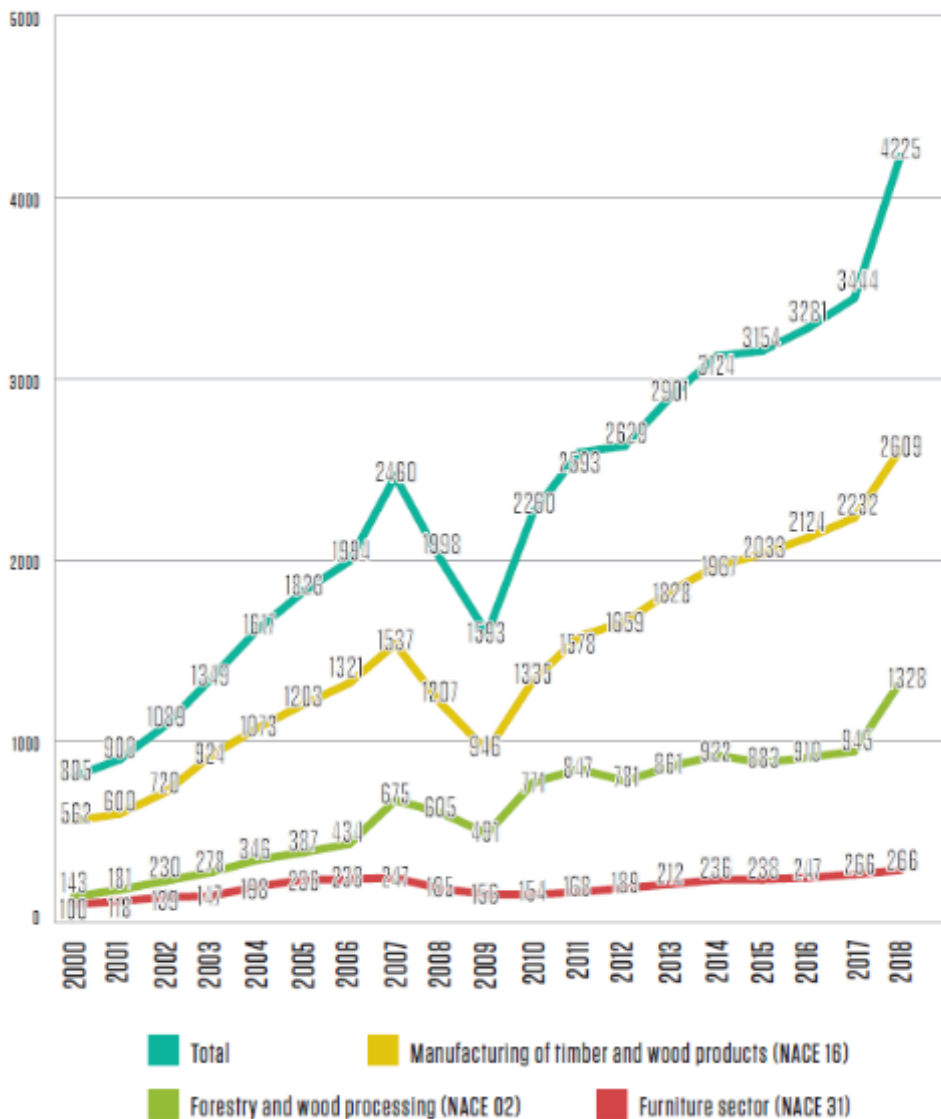


Total consumption of energy resources (Thousand TJ)



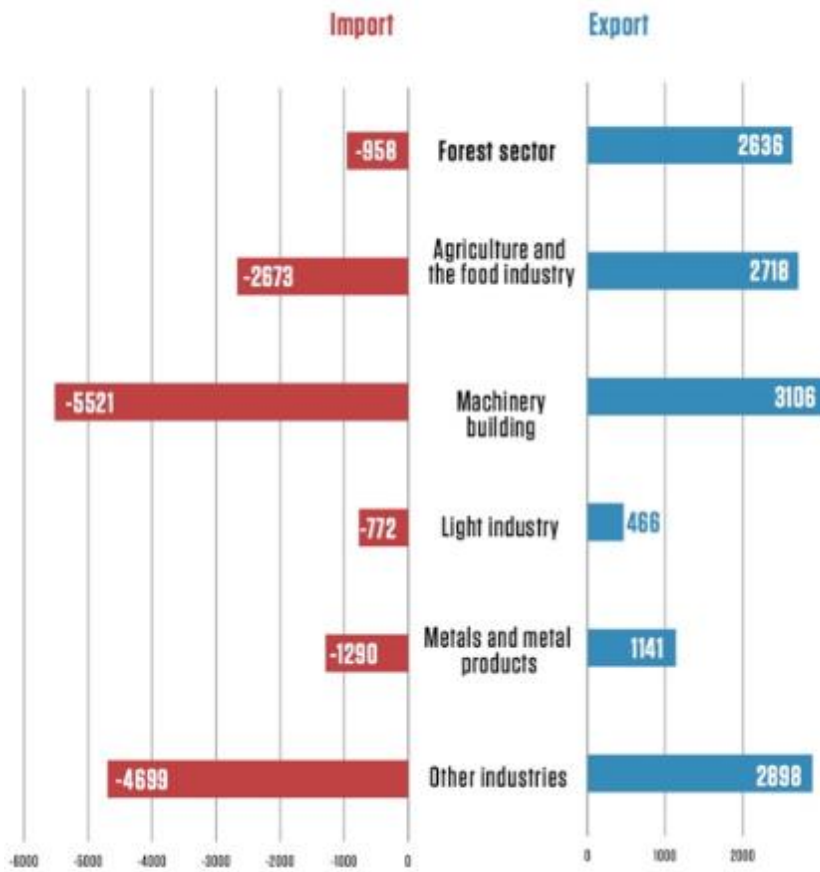
SOURCE: CSB

Net turnover of Forest sector (Million EUR)





Latvia's Import-Export Balance (Million EUR), 2018



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 more than a half of Latvian forest areas have been certified according to FSC 1,204 milj/ha or PEFC 1,723 milj/ha certification scheme. Both the FSC and PEFC in totally 2,927 milj/ ha systems have found their way into Latvia.

Conservation CITES or IUCN species

Species	CITES status	IUCN classification
Oak (<i>Quercus robur</i>)	Not on the list	Least concern (LC)
Oak (<i>Quercus petraea</i>)	Not on the list	Least concern (LC)
Other CITES / IUCN registrations	<p>Accession 1997</p> <p>https://cites.org/eng/cms/index.php/component/cp/country/LV</p> <p>Other CITES species are present but do not include softwood or deciduous trees which are threatened.</p> <p>Full list:</p> <p>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</p>	<p>Common Ash (<i>Fraxinus excelsior</i>) – Near Threatened</p> <p>https://www.iucnredlist.org/species/203367/67807718</p> <p>Full list</p> <p>https://www.iucnredlist.org/search?l andRegions=LV&searchType=species</p>

2.1.2 Information about LITHUANIAN forest resources

Forest Cover

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. According to 2017 forest statistics, the total forest land occupies 33,5 % of the country's territory or 2,2 mill

The amount of merchantable roundwood prepared in Lithuanian forest increase by 3% to 7.2 million m³ in 2018.

Felling rates in state forests slightly decreasing over the last few years. The amount of roundwood harvested in state forests totalled 3.5 million m³ in 2018. From this, 3.47 million were felled by enterprise themselves or by contractors, while stumpage sales made up 0.05 million m³.

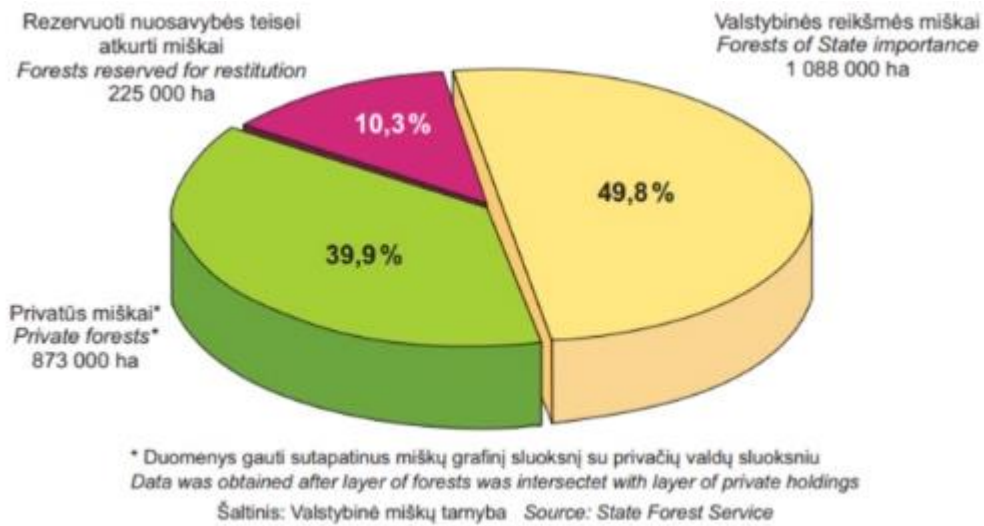
The volume from the final felling in State forests enterprise was 2.7 million m³. Part of roundwood (58,000 m³) prepared by selective salvage felling, due to changes in legal acts, were included in this quantity in 2018. The share of the final felling constituted 77% in the total harvest.

Amount of timber prepared in coniferous stands by final felling totalled 1,309,000 m³. The share of roundwood harvested in pine stands increased during 2018. The volume of roundwood prepared in pine stands amounted 682,000 m³ or 52% of volume from coniferous stands. Volume of 627,000 m³ was prepared in spruce stands. In stands of oak and ash production of roundwood amounted respectively 11,300 m³ and 8,100 m³.

(Source <http://www.amvmt.lt/>)

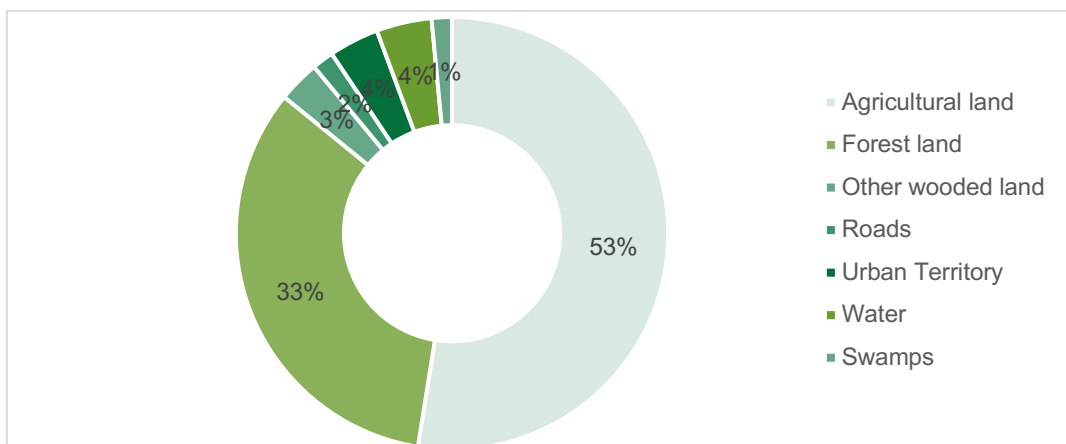
Of the deciduous trees biggest amount of roundwood (690,000 m³) was prepared in birch stands, 295,000 m³ – black alder, 312,000 m³ – aspen and 54,000 m³ – grey alder. Another 12,000 m³ of wood prepared in other tree species stands.

The volume from intermediate felling decreased to 0,82 million m³. The volume of wood (621,000 m³) prepared by commercial thinning remained in the level of 2017. Amount of timber harvested by thinning constituted 18% in the total harvest. Amount of selective sanitary felling decreased three times to 89,000 m³. Clear salvage felling in immature stands increased from 24,000 m³ to 25,000 m³. The felling rate in private forests increased from 3.3 million m³ to 3.7 million m³ (expert evaluation). Private forest owners received cutting permissions for 3.0 million m³. Half of this (1.4 million m³) was issued to cut in coniferous stands. The allowable cut in pine stands increased from 681,000 m³ in 2017 to 745,000 m³ in 2018. The allowable cut in spruce stands increased by 3% to 677,000 m³. Felling in birch stands increased by 13% to 794,000 m³. Contractors harvested 72% (73% in 2017) of timber produced in State Forest Enterprise (VMU). In the territories of fourteen from 42 former state forest enterprises contracted out 100% of harvesting works. Contractors hauled 66% of the prepared timber. It is relatively more if to compare with 2017 (62%).



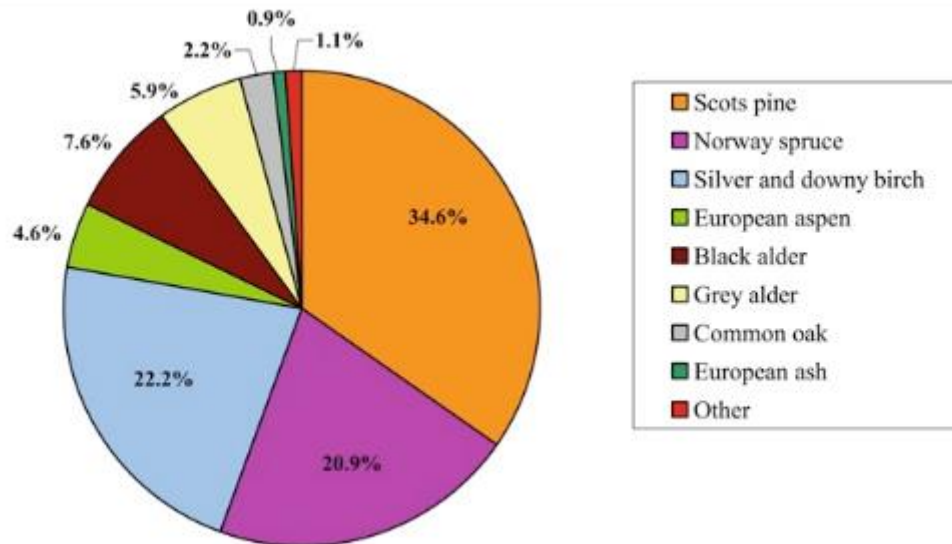
(Source <http://www.amvmt.lt/>)

LAND FUND REPUBLIC OF LITHUANIA BY LAND-USE CATEGORIES



(Source <http://www.amvmt.lt/>)

Distribution of most common species:



(Source <http://www.amvmt.lt/>).

Ownership

State forest 1.089 mill ha, private forest area 1.101 mill ha.

Socio-Economic setting

The wood processing sector accounts for about 2.0 % of GDP, employing around 32,200 workers or 3.5 % of total employment. 2,257 companies were active in the sector at the beginning of 2016, 99.8 % of them were SME (small and medium sized enterprises). In 2015 production of the wood processing sector (at current prices excl. taxes) amounted to 973 mill EUR, which was a 10.4 % increase compared to 2014. Around 2/3 of production is exported to more than 90 countries around the world.

The most important export markets for the wood processing sector in 2015 were Germany, followed by Norway, Latvia and the United Kingdom. European Union countries accounted for almost 70 % of exports by the wood processing sector.

Key products is Sawn timber; Prefabricated buildings; Practical boards and board of wood; Wooden windows and doors; Flooring panels and Exterior and interior planks.

Management

All Lithuanian forests are distributed into four functional groups. In the beginning of 2017, distribution of forests by functional groups was as follows: group I (strict nature reserves) – (1.1%); group II (ecosystems protection and recreational forests) (11.9%); group III (protective forests) (14.6%); and group IV (exploitable forests) (72.3%).

Fellings

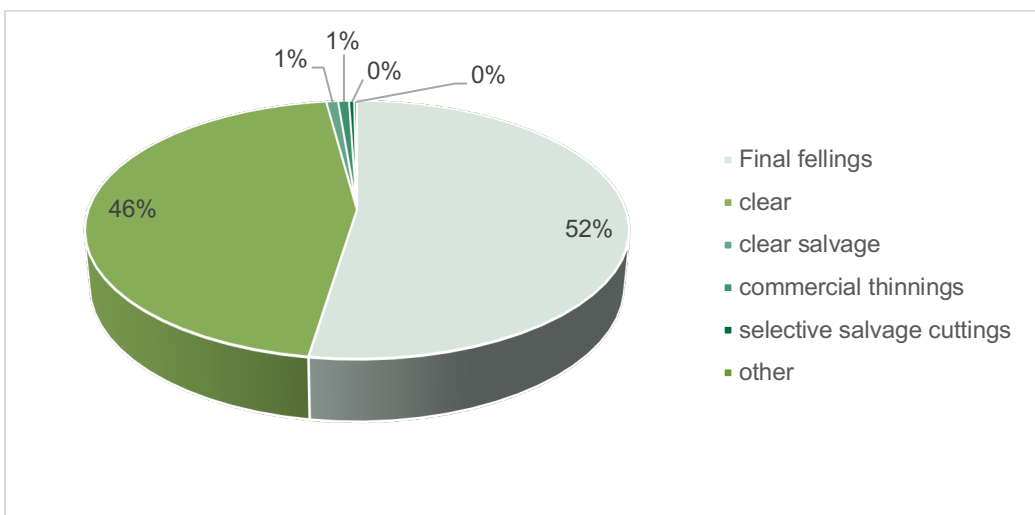
Over 1990-1995 felling rates in all Lithuanian forests (irrespective of their ownership) were unstable, but still slightly increasing and reached the peak in 1995 with the total of 9.43 mill. m³ of living trees felled. After 1995 felling were decreasing to 7.71 mill. m³ of living trees felled in 1997

and then started to increase again. The highest point over the whole accounting period was reached in 2003 (10.34 mill. m3 of living trees felled) and then started slightly to decrease until 2012 (8.05 mill. m3 of living trees felled). Over the past years, marginal increase in forest felling is observed (9.86 mill. m3 in 2016). State forest of Lithuania are FSC certified. The audit of this certification confirms the fact that Lithuanian State forests are managed responsibly, in compliance with the requirements of protection and conservation of biodiversity. (

Source: <http://www.fao.org>

VOLUME OF WOOD ALLOWED TO CUT BY CUTTING PERMISSIONS IN 2018

ha / 1000 m3



(Source <http://www.amvmt.lt/>)

Certification

In Lithuania is operating FSC certification system. No PEFC forest management certification

1, 258 milj/ ha are FSC certified

Forest Sector / Statical pages

Forestry production

Area	Element	Item	Year	Unit	Value
Lithuania	Production	Roundwood	2018	m3	6982000
Lithuania	Production	Wood chips, particles and residues	2018	m3	1934000
Lithuania	Production	Wood pellets and other agglomerates	2018	tonnes	510000
Lithuania	Production	Sawnwood	2018	m3	1280000
Lithuania	Production	Wood-based panels	2018	m3	856500
Lithuania	Production	Fibreboard	2018	m3	65800
Lithuania	Production	Total fibre furnish	2018	tonnes	207000
Lithuania	Production	Pulp for paper	2018	tonnes	0
Lithuania	Production	Paper and paperboard	2018	tonnes	156700
Lithuania	Production	Paper and paperboard, excluding newsprint	2018	tonnes	152000
Lithuania	Production	Packaging paper and paperboard	2018	tonnes	137200

Source: FAOSTAT - Forestry database

Output of sawmills decreased to 1.28 million m³ in 2018. Manufacture of paper and paperboard decreased too. Output of this sector was 159,500 t. The particle board production from 748,00 m³ decreased to 737,000 m³. Production of fibre board decreased from 22.2 million m² to 21.9 million m². Production of plywood veneered panels and similar laminated wood increased by 5% and amounted to 50,700 m³. Production of veneer sheets amounted to 74,000 m³ and increased by 2%.

The total exports from Lithuania increased by 7% in 2018. A year ago, growth was 17%. Lithuania's main export markets were countries of the European Union. Share of member states was 59%.

The wood industry (including manufacture of furniture) exports increased to EUR 3,100 million or by 9% compared with 2017. Its share in the total export of Lithuania increased from 10.8% to 11.0%. The main Lithuanian wood and wood products export markets were Sweden, Germany, United Kingdom, Norway and Denmark.

The share of furniture in total wood industry export was 58%. The value of exported furniture increased by 10% to EUR 1.79 billion. The main markets for furniture remained the EU countries. The sales in Sweden market increased by 5% and amounted to EUR 318 million. Sales in Germany market grew up by 11% to EUR 203 million. The sales in UK market increased by 15% to EUR 169 million. The value of furniture delivered to Norway and Denmark increased by 14% and 10% to EUR 140 million and EUR 124 million respectively.

The paper, paperboard and their products were the second product by importance of sector export and its share in it reached 9%. The value of exported products increased by 8%. The main markets remained Poland, where 18% of this production was sold. Share of Russia was 15%, Latvia - 12% and Germany - 10%.

The portion of sawn wood in total wood industry export was 7%. The value of sawn wood increased by 21% compared with 2017. Exports amounted to 1,015,200 m³, i.e. 8% more than in 2017. Exports to Germany (139,000 m³) decreased by 13%. Extent of deliveries to UK increased by 51% to 98,000 m³. Exports to France reached 97,000 m³, Denmark - 67,000 m³ and Estonia - 62,000 m³. The volume of timber exports to these countries decreased by 19%, 6% and 5% respectively.

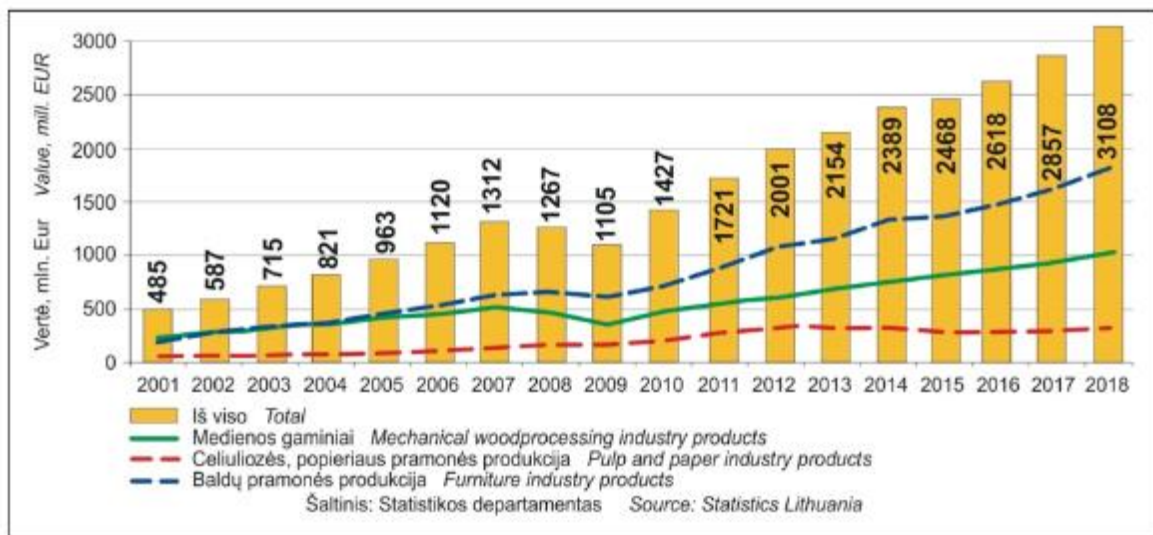
Total Lithuania's imports increased by 9% in 2018

(2017 - 15%). Imports of wood industry products increased by 12% and reached EUR 1431 million. The main import partners were Poland, Belarus, Latvia, Russia and Germany.

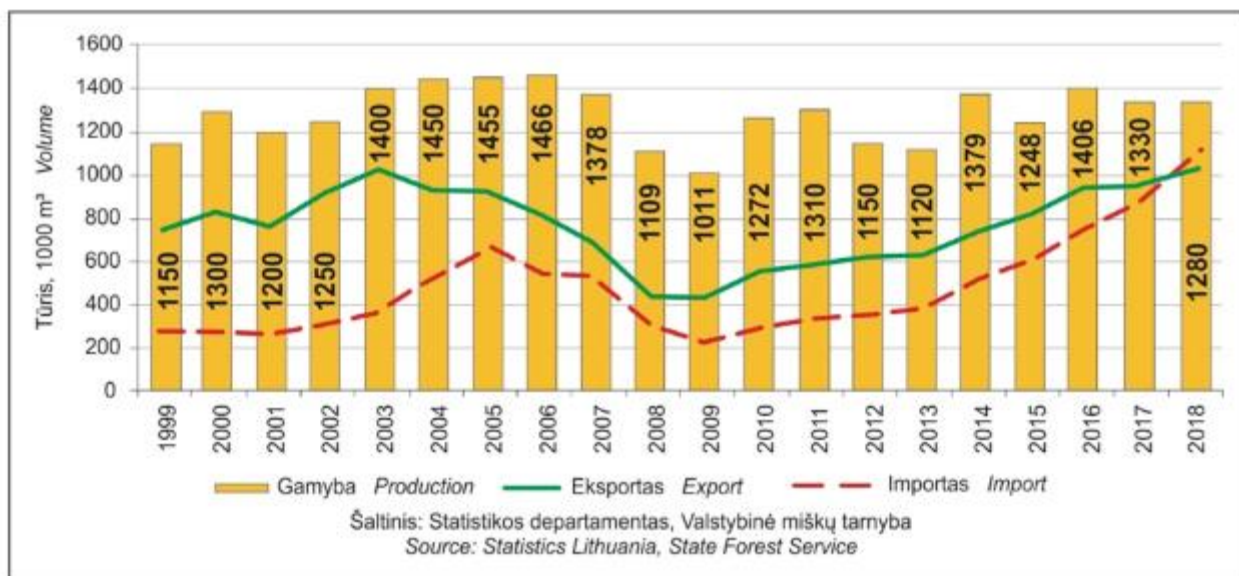
Paper, paperboard and their products were the main imported wood industry products. The share of them decreased from 32% to 31%. The value of these imported products increased by 9% comparing with 2017. The share of sawnwood in imports grew up to 15%. The value of imported sawn wood increased by 17%. The share of furniture in imports was 21%. The value of furniture imports increased by 9%.

The amount of imported sawn wood increased by 23% up to 1,082,000 m³. The biggest share of it was imported from Belarus. It amounted to 604,000 m³, i.e. increased by 56% comparing with 2017. Imports from Russia decreased by 17% and amounted to 173,000 m³. Imports from Latvia decreased by 19% and amounted to 138,000 m³. Deliveries of sawn wood from Ukraine decreased by 14% to 47,000 m³.

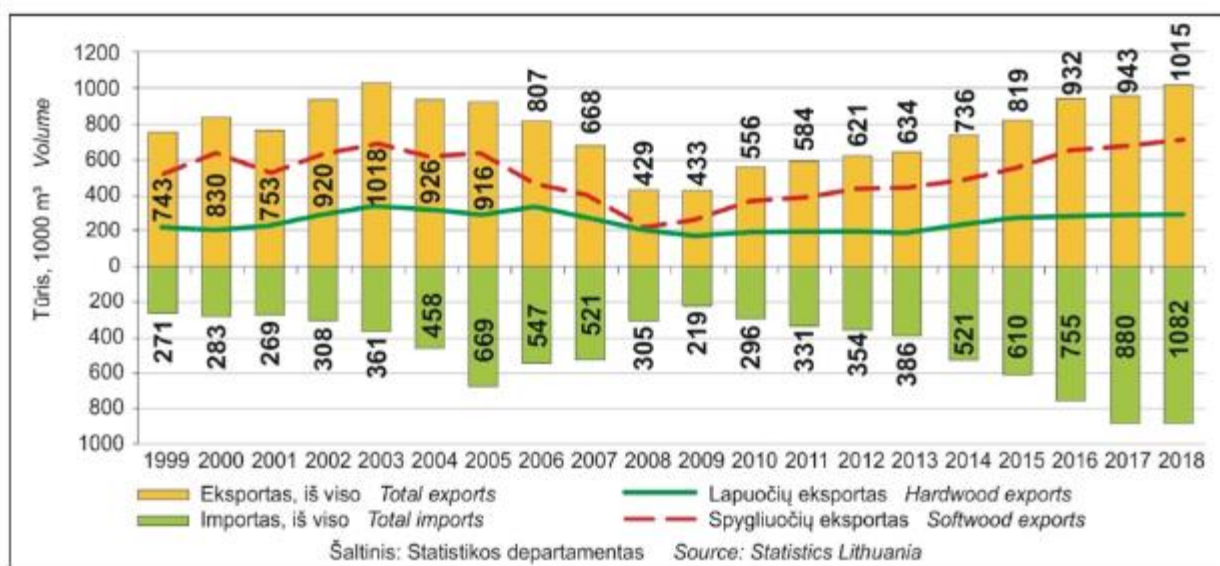
Exports of wood industry products, 2001-2018



sawnwood production and Foreign trade, 1999-2018



Foreign trade of sawnwood, 1999-2018



Forest and wood processing sector's share of total national value added reached 4,5%, with forestry adding about 0,6%. The biggest share of the value added in the sector was generated by the furniture industry, some 2%. The number of companies in forestry, logging and the forest industry diminished while their average size increased in recent years.

The furniture and wood processing industries provide over 30% of the jobs available in the whole Lithuanian manufacturing industry. In recent times the furniture industry developed mostly due to foreign investments.

In 2016 furniture exports from Lithuania amounted to EUR 1.486 million (6 percent increase in relation to 2015). Imports of furniture amounted to EUR 1.210 million (6 percent increase in relation to 2015). Production of sawn wood was about 0.9 million cubic meters in 2014. Lithuanian furniture industry is 14th in World export charts and 8th in Europe.

Lithuania exports about 20 percent of its wood resources, but to a great extent the wood is unprocessed and this suppresses the sector's income possibilities. More value-added orientation would be beneficial for all parties in the wood industry. The growth in the furniture industry in Lithuania and solid potential for increasing processed sawn wood and wood products in Lithuania can be seen to provide opportunities for cooperation

(Source <http://www.amvmt.lt/>)

Conservation: CITES or IUCN species

Species	CITES status	IUCN classification
Oak (<i>Quercus robur</i>)	Not on the list	Least concern (LC)
Oak (<i>Quercus petraea</i>)	Not on the list	Rare - status is rare because Lithuania is the edge of its growing range.
Other CITES / IUCN registrations	<p>Accession 2001</p> <p>https://cites.org/eng/cms/index.php/component/cp/country/LT</p> <p>Other CITES species are present but do not include softwood or deciduous trees which are threatened.</p> <p>Full list:</p> <p>http://checklist.cites.org/#/en/search/country_ids%5B%5D=154&cites_appndices%5B%5D=I&cites_appndices%5B%5D=II&cites_appndices%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=&page=1&per_page=20</p>	<p>Common Ash (<i>Fraxinus excelsior</i>) – Near Threatened</p> <p>https://www.iucnredlist.org/species/203367/67807718</p> <p>Full list</p> <p>https://www.iucnredlist.org/search?l andRegions=LT&searchType=species</p>

2.2 Actions taken to promote certification amongst feedstock supplier

As a priority, materials for the production of SBP pellets are purchased from suppliers certified by FSC or PEFC as the certified wood. The company policy is directed at cooperation with certified suppliers. Feedstock (woodchips) is comprised of wood by-products from the suppliers' production of their primary product. For this reason, uncertified and new suppliers are encouraged to have

their primary product certified and put the leftovers to good use. Decision of the company management is to assess overall supply risks and decrease these in accordance with SBP risk assessment in Latvia, both for FSC Controlled and uncertified primary and secondary feedstock, so that the entire amount meets at least the SBP Compliant biomass or SBP Controlled Biomass status.

2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is about 48% company data register on the type of cutting type used 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 [optional]

Insert flow diagram.

2.5 Quantification of the Supply Base

Provide metrics for the Supply Base including the following. Where estimates are provided these shall be justified.

2.5.1 Supply Base

- a. Total Supply Base area (ha): Cumulative area of all forest types within SB: ~5.79 milj/ha
- b. Tenure by type (ha): Private and other forests 2,64 mil/ha Local Government 2,61 mil ha, Other 0,54 mil/ha
- c. Forest by type (ha): Hemi boreal area 5,79mil/ha
- d. Forest by management type (ha): Managed, partly natural forests 5,79 mil/ ha
- e. Certified forest by scheme (ha): FSC certified 2,462 Milj/ ha and PEFC certified only Latvia 1,723 mil ha

2.5.2 Feedstock

- f. Total volume of Feedstock: tonnes or m³ - 600 000 – 800 000 tonnes
- g. Volume of primary feedstock: tonnes or m³ - 200 000- 400 000 tonnes
- h. List percentage of primary feedstock (g), by the following categories. - Subdivide by SBP-approved Forest Management Schemes:

- Certified to an SBP-approved Forest Management Scheme-~70,10%
 - Not certified to an SBP-approved Forest Management Scheme- 0%
- i. List all species in primary feedstock, including scientific name
Picea abies (L.) H. Karst.; Pinus sylvestris (L.); Alnus glutinosa (L.) Gaertn.; Alnus incana (L.) Moench, Populus tremula (L.); Betula pendula (Roth); Betula pubescens (Ehrh.)
- j. Volume of primary feedstock from primary forest- 0%
- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
- Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme- 0%
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme- 0%
- l. Volume of secondary feedstock: specify origin and type - 200 000- 400 000 tonnes (Chips from Latvia 81,35%, from Lithuania indirect supply 0,28 %, Sawdust from Latvia 18,37%)
- m. Volume of tertiary feedstock: specify origin and composition – 0%.

* Compelling justification would be specific evidence that, for example, disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. State the reasons why the information is commercially sensitive, for example, what competitors would be able to do or determine with knowledge of the information.

Bands for (f) and (g) are:

1. 0 – 200,000 tonnes or m³
2. 200,000 – 400,000 tonnes or m³
3. 400,000 – 600,000 tonnes or m³
4. 600,000 – 800,000 tonnes or m³
5. 800,000 – 1,000,000 tonnes or m³
6. >1,000, 000 tonnes or m³

Bands for (h), (l) and (m) are:

1. 0%-19%
2. 20%-39%
3. 40%-59%
4. 60%-79%
5. 80%-100%

NB: Percentage values to be calculated as rounded-up integers.

3 Requirement for a Supply Base Evaluation

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

In SBP biomass supply evaluation is included the supply of primary and secondary feedstock to SIA NewFuels, which confirms the supplied primary feedstock for the production of pellets as SBP-compliant. The evaluation process uses the SBP endorsed risk assessment for Latvia.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia

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.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

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 NewFuels RSEZ 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 "unspecified 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 " unspecified 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 NewFuels RSEZ 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 NewFuels RSEZ 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.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia

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)

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

4.4 Results of Supplier Verification Programme

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

4.5 Conclusion

From **August 1, 2016**, 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 NewFuels RSEZ 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.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

5 Supply Base Evaluation Process

The development of the SBP SBE mitigation system is based on experience with FSC supplies and FSC forest certification system and knowledge in forest management, as well as timber industry education and forestry supplies from the legislative viewpoint; consultations with governmental and non-governmental organisations.

To reduce supply risks for primary and secondary feedstocks in pellet production, pursuant to risk assessment indicators, the risks of origin are classified from potential risk to lower risk, to ensure full risk assessment and exclude the supply of non-compliant feedstock.

Risk assessment results, based on site visits and consultations with forest management/ logging and wood processing companies regarding mitigation measures, were subjected to public discussion, public consultation was carried out with non-governmental organisations and societies. The company organises seminars for loggers, primary and secondary feedstock suppliers, by engaging experts, concerning certain risk indicators.

The supply risk assessment system includes an audit mechanism plan for risk assessment within the framework of the supply base. The plan and inspection criteria are available at the company only upon special request due to confidentiality considerations.

The following skills are required for a staff involved in maintaining the Supply Base Evaluation system and works towards achieving the objectives of this system:

- knowledge of ecological and social values associated with the SB
- knowledge of applicable laws and regulations
- knowledge of business management practices
- knowledge of operation of suppliers, including management systems and products •
- knowledge of the local forest resource
- competence in evaluating SBP requirements • competence in implementing the SBE
- language skills appropriate to all stakeholders • note-taking and report-writing skills
- interviewing skills
- appropriate management skills.

To develop an SBE system, supply assessment and risk mitigation measures have been performed at SIA NewFuels SBE system development for supply assessment and risk mitigation measures are performed by SIA NewFuels RSEZ company Procurement manager with 15 years long experience in the procurement market of Baltic States, long-term experience in maintaining FSC system and assessment of wood origin at forest management and 15 years long experience and knowledge in forestry, supplies of wood, procurement and legislation.

Involving a certification specialist – a wood industry technologist (more than 25 years of experience in wood industry), 15 years of experience in FSC and PEFC forest management and supply certification. Has participated in biotope mapping and attended work safety courses in logging and various seminars.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

6 Stakeholder Consultation

Give a general description of the process of Stakeholder Consultation, including stakeholders contacted and method of communication.

As the re-certification of the company on January 5, 2021, NewFuels RSEZ SIA published an SBP risk assessment on the RSEZ website on November 20, 2020,. An information letter was sent electronically to stakeholders on the risk assessment developed in accordance with the SBP standard. The list of stakeholders is designed to include the maximum number of beneficiaries representing the economic, social and environmental interests of society and municipalities. The total number of beneficiaries is 86. During the public consultation, face-to-face meetings with stakeholders are planned, as well as correspondence and telephone interviews. The SBP risk assessment is available on the company's website: <http://www.newfuels.eu>.

6.1 Response to stakeholder comments

Provide a summary of all stakeholder comments received and how the comments were taken into consideration in the SBE process.

After additional communication with stakeholders, the addressees of the SBR report were reached, but no comments from stakeholders were received or by email or phone call it was confirmed that no comments were received.

7 Overview of Initial Assessment of Risk

Primary and secondary feedstock supplies from Latvian forest properties

The below table offers a summary of risk assessment. The risk assessment was performed based on theoretical information that is obtained from laws, scientific materials, publications, State Forest Service data. After the publication of the risk assessment, SIA NewFuels RSEZ started on-site verification of two identified risks. The results are shown in Paragraphs 7 and 8.

Table 1. Overview of results from the risk assessment of all Indicators (prior to SVP)

Indicator	Initial Risk Rating			Indicator	Initial Risk Rating		
	Specified	Low	Unspecified		Specified	Low	Unspecified
1.1.1		X		2.3.1		X	
1.1.2		X		2.3.2		X	
1.1.3		X		2.3.3		X	
1.2.1		X		2.4.1		X	
1.3.1		X		2.4.2		X	
1.4.1		X		2.4.3		X	
1.5.1		X		2.5.1		X	
1.6.1		X		2.5.2		X	
2.1.1	x			2.6.1		X	
2.1.2	x			2.7.1		X	
2.1.3		X		2.7.2		X	
2.2.1		X		2.7.3		X	
2.2.2		X		2.7.4		X	
2.2.3		X		2.7.5		X	
2.2.4		X		2.8.1	x		
2.2.5		X		2.9.1		X	
2.2.6		X		2.9.2		X	
2.2.7		X		2.10.1		X	
2.2.8		X					
2.2.9		X					

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia

8.2 Site visits

Describe any field assessments of Indicators.

8.3 Conclusions from the Supplier Verification Programme

Summarise conclusions from the SVP.

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia

9 Mitigation Measures

9.1 Mitigation measures

Risk mitigation measures for each criterion, for each type of raw material, overall statistics and efficacy are described in the company's documents and procedures. Available on request to auditors and interested parties.

Delivery of primary and secondary raw materials from Latvian forest properties.

The risk mitigation audit program is coordinated with the company's management. The supplier's audit plan was divided according to the possible habitats included in the Latbio database. During the audit, the main objective is to make sure that raw materials are not purchased from potential habitats, which are confirmed by habitat experts.

Unlike primary raw material suppliers, secondary material suppliers use a mass balance system before supplying secondary material for pellet production. The amount of low-risk material corresponding to the extraction of roundwood from the relevant cadastres is evaluated. Risk categories are assessed in the same way as for the supply of primary material.

Also, as of September 1, 2020, the company uses the database "Ozols" as a basis to identify and exclude the supply of timber to the company's territory with a felling application, where a habitat has been approved in one of the plots.

The following values are continued and taken into account during audits of suppliers: the safety of the logging organization and the assessment of the logging organization on habitat conservation, preservation of cultural heritage sites and bird protection, additional monitoring system and credit system for secondary suppliers.

The following forms are completed during the audit:

(1) Habitat expert-approved audit template - a report that can be used to determine whether a company is ready to supply an SBE-compliant range, or whether the supplier needs to make adjustments and repeat the audit.

(2) Approved occupational safety audit form for logging.

(3) Resource origin audit template, which also includes an audit of the implementation of the wood processing credit system.

In the risk mitigation process, the company will promote the acceptance of raw materials from suppliers who are ready to implement the proposed mitigation system. Supplier verification program procedures are available at the company.

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

- Forest habitats of European importance, WKH,
- Identification of cultural heritage monuments, cultural heritage valuable sites in the logging process,
- identification of bird nesting sites,
- Reduction of labor protection and occupational safety risks.

General audit planning and verification process:

With regard to forest habitats during the reporting period for 2020, audits were planned and performed for those areas that complied to two criteria:

- in the database Latbio there is a not "possible biotope"
- if the cadastre has not been assessed or an opinion has not been made from the Nature Protection Board.

Wood from approved habitats was not accepted.

Habitat experts were involved in those areas that were not assessed and the number of questionnaire points is 10 or higher.

Regarding Labor Protection:

During the year, supplier logging teams are identified for both primary and secondary material. A list of hand loggers is registered, monitoring audits are performed in the forest or in non-forest areas.

Regarding Cultural and Historical Objects:

It is monitored during the year by conducting audits in the forest or during the Labor Safety Inspection, as well as from additional information that the company obtains from suppliers before development.

For large bird nests:

It is monitored during the year by conducting audits in the forest or by asking the logging teams during the Labor Protection Inspection, as well as from additional information that the company obtains from suppliers before or after the development.

9.2 Monitoring and outcomes

Describe how the Indicators are being monitored and what the outcomes are (if known) from that monitoring.

For forest habitats

In the reporting period for 2020, additional cadastral sections of all imported timber were evaluated with the Ozols database to ensure that no timber from habitats was accepted during the year. During the year, taking into account the registered data, field audit inspections, switches of hired experts, audits of suppliers, delivery criteria - to prevent the supply of wood from habitats are fulfilled. A set of risk mitigation measures has reduced the risks of supplying timber from potential habitats.

Wood from approved habitats was not accepted.

Regarding Labor Protection:

An overall average score of at least 3 points is allowed as a eligibility criterion. Reviewing ~ 36 audits, it was concluded that the average number of annual audit points is ~ 3.8- ~ 4.2. In occupational safety audits, detailed criteria are met to confirm low-risk delivery. If the field audits revealed significant violations of labor protection, the company refused further delivery, which was ~ 4-6 suppliers during the year;

With regard to Cultural and Historical Objects:

The total information on all volumes of wood origin obtained during the year (cadastres) was compared with the data submitted from the National Cultural Heritage Board on the damaged cultural and historical objects - the general conclusion that the company did not receive timber from endangered or damaged cultural and historical objects.

For nests of large birds:

The total information on all timber volumes obtained during the year (cadastres) was compared with the submitted data from suppliers, additional information from developers, such as the Association of Ornithologists, - the overall conclusion that the company did not receive timber from endangered or damaged bird nests. In many cases, such properties have been preserved without development, as well as by preserving a group of trees around bird nests.

Risk mitigation measures for each criterion, for each type of raw material, overall statistics and efficacy are described in the company's documents and procedures and are available on request to auditors and interested parties.

Conclusion:

Labour protection and occupational safety supervision risk programme

Labour protection audits in 2020 The audits were previously planned and carried out for all available suppliers; totally ~36 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: whole territory of Latvia. 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.

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

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

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

The following conclusions were made from the performed audits:

1. Suppliers have an understanding of the biotope evaluation mechanism, suppliers are aware of the need for a biotope evaluation audit before the beginning of the logging work. Potential cutting sites in managed forests or on agricultural lands, where there was a small possibility for the existence of a forest biotope, have been inspected in audits on site.

2. There were no sites of cultural heritage value found in the forest plots selected during the logging process. The audits found that suppliers are aware that the protection of cultural heritage values is regulated by the legislation of the Republic of Latvia. A survey of logging companies concluded that if a cultural heritage object was detected on the cutting site during the logging work, the State forest service and the relevant local government were 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 NewFuels RSEZ SIA the forest properties that are left as biologically valuable forests (forest biotopes of EU importance, natural forest biotopes), where logging will not be carried out or about which the management of the SIA NewFuels RSEZ company will be informed. Wood from these forest units/properties (enterprises) will not be purchased or delivered

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

Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.

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 NewFuels RSEZ at:

<http://www.newfuels.eu>

11 Review of Report

11.1 Peer review

The report was reviewed by and comments received from:

Laila Šestakovska, Senior forestry consultant of Cēsis branch of “Latvian Rural Consultation and Education Centre” (LLKC) Forest Advisory Service Centre, "Forests and heaths" certified expert (certificate no. 077).

The information provided in the Supply Base Report of the biomass producer SIA NewFuels RSEZ in the section Supply Base Description “Latvian Forest Resources” corresponds to the information provided by the used information sources.

The company's activities to date, described in the section “Measures taken to motivate certification among raw material suppliers”, the increase of FSC certified raw material in deliveries, organizing seminars for potential timber suppliers, and regular assessment of potential risks are commendable. Recommendation for SIA NewFuels RSEZ is to purposefully continue increasing the volume of procurement of wood raw materials, the origin of which is responsibly managed forests, in accordance with the requirements of the FSC forest management standard, incl. promoting the development of FSC forest management certification.

The company's risk assessment for the supply of raw materials is convincing, priority risk areas for supply regions in Latvia are correctly set: protection of forest habitats and natural forest habitats of EU importance, protection of bird habitats, preservation of cultural and historical objects, and supervision of work safety measures. Approval, verification, risk mitigation measures mentioned in the basic supply report and SBP compliant material are likely to ensure the elimination or minimization of risks for the protection of high-value, protected biotopes and habitats, as well as socially high-value forests of public importance and the implementation of occupational safety measures in practice. The results of the supplier audit mentioned in the basic report show the functionality of the system, excluding non-compliant suppliers - loggers from timber deliveries.

In the future, SIA NewFuels RSEZ must analyse the results of supplier monitoring audits, evaluate information obtained in public or in direct communication from the Nature Protection Board database “Ozols”, habitat, species and social experts, monitoring data, non-governmental organizations, local governments on identified risk areas in Latvia, introducing, if necessary, stricter requirements for the supervisory audit system.

SIA NewFuels RSEZ must continue to carry out informative events, seminars, refresher training for the company's responsible employees, foresters, raw material suppliers on the identified risk areas, as well as on general nature protection requirements in felling, soil and water protection in the logging process.

11.2 Public or additional reviews

If another type of external review was done prior to finalisation of this report (e.g. publication for comments by stakeholders, NGOs, or other independent third parties), describe the process here.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Ronalds Polis	Procurement Specialist	8.03.2021.
	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:	Roman Vdovychenko	Chairman of the Board	8.03.2021.
	Name	Title	Date
Report approved by:	Witold Dura	Pellet Plant Manager	8.03.2021.
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Provide a description of any significant changes to the supply base.

13.2 Effectiveness of previous mitigation measures

For each mitigation measure identified during the evaluation, give a detailed account of whether the measures were shown to be effective or not.

13.3 New risk ratings and mitigation measures

Provide an update of risk ratings for all relevant Indicators.

13.4 Actual figures for feedstock over the previous 12 months

Reference period 1. January 2020 – 31. December 2020.

- Total volume of Feedstock: 600 000 – 800 000 tonnes
- Volume of primary feedstock: 200 000- 400 000 tonnes
- Sawmill residues 200 000- 400 000 tonnes
- Sawmill residues 100 000- 150 000 tonnes (80 % chips and 20 %sawdust from Latvia ~ 98,6%..Lithuania indirect supply 1,4% all volume as chips.

As SBR is publicly available document not only for the purchasers of the product but also for others interested, the management has decided to display the data as limit indicators in order not to display the exact data of raw materials and production output. The exact volume has not been shown by the reason of commercial sensibility. The exact volume data is provided to the buyer with a SAR report.

13.5 Projected figures for feedstock over the next 12 months

January 2021 – 31. December 2021.

- Total volume of Feedstock: 600 000 – 800 000 tonnes
- Volume of primary feedstock: 200 000- 400 000 tonnes
- Sawmill residues 200 000- 400 000 tonnes
- Sawmill residues 100 000- 150 000 tonnes (~80 % chips and ~ 20 %sawdust from Latvia ~ 98,6%..Lithuania indirect supply 1,4% all volume as chips.

As SBR is publicly available document not only for the purchasers of the product but also for others interested, the management has decided to display the data as limit indicators in order not to display

the exact data of raw materials and production output. The exact volume has not been shown by the reason of commercial sensibility. The exact volume data is provided to the buyer with a SAR report.