Sustainable Biomass Program

Supply Base Report:

SIA NewFuels RSEZ

Biomass Producers

Added:January.*2018*
Added: January 2019
Added: May 2019
Added: January 2020

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

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Version 1.2 published 23 June 2016

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Contents

1 Overview

On the first page include the following information:

Producer name: SIA NewFuels RSEZ

Producer location: Atbrivosanas alley 169a, Rezekne, LV-4604, Latvia]

Geographic position: 56.537214, 27.344867

Primary contact: Mihails Bickovskis; +371 26411975; e-mail: info@newfuels.eu

Company website: http://www.newfuels.eu

Date report finalised: January 2020

Close of last CB audit: [Date and location of the closing meeting CB]

Name of CB: NEPCon SIA

Translations from English: Yes

SBP Standard(s) used: [1 version 1.0, SBP Standard 2-V1.0 ; SBP Standard 4-V1.0. ; SBP Standard 5-V1.0 (instructions documents 5E;ID5E 1.1.]

Weblink to Standard(s) used: https://sbp-cert.org/documents/standards-documents/standards

SBP Endorsed Regional Risk Assessment: [Reference endorsed RRA or 'not applicable']

Weblink to SBE on Company website: http://www.newfuels.eu

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

2 Description of the Supply Base

2.1 General description

SIA 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, 2019

Controlled feedstock: 50,1% (~150 suppliers)

SBP-compliant primary feedstock: 49,9% (~5 suppliers)

SBP-compliant secondary feedstock 0,04% (~2 suppliers)

SBP-compliant tertiary feedstock: 0 %

SBP-noncompliant feedstock: 0 %

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

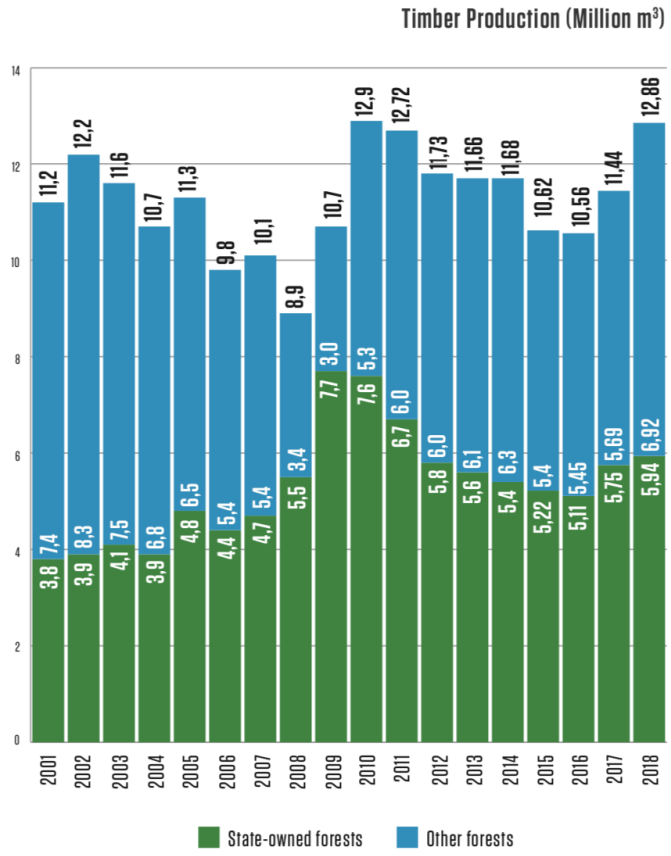
Information about LATVIAN forest resources

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.

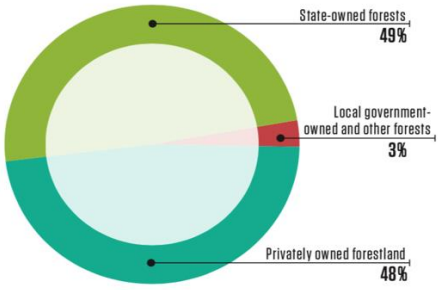
In 2019, the predominant forest species in Latvia are: Pine 33%, Birch 30 %, Spruce 19%, Grey Alder 7%, Aspen 7%, Black Alder 3 %, Other Species 1%. (State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture: https://www.zm.gov.lv/public/ck/files/ZM/mezhi/skaitlifakti_ENG20.pdf)

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.

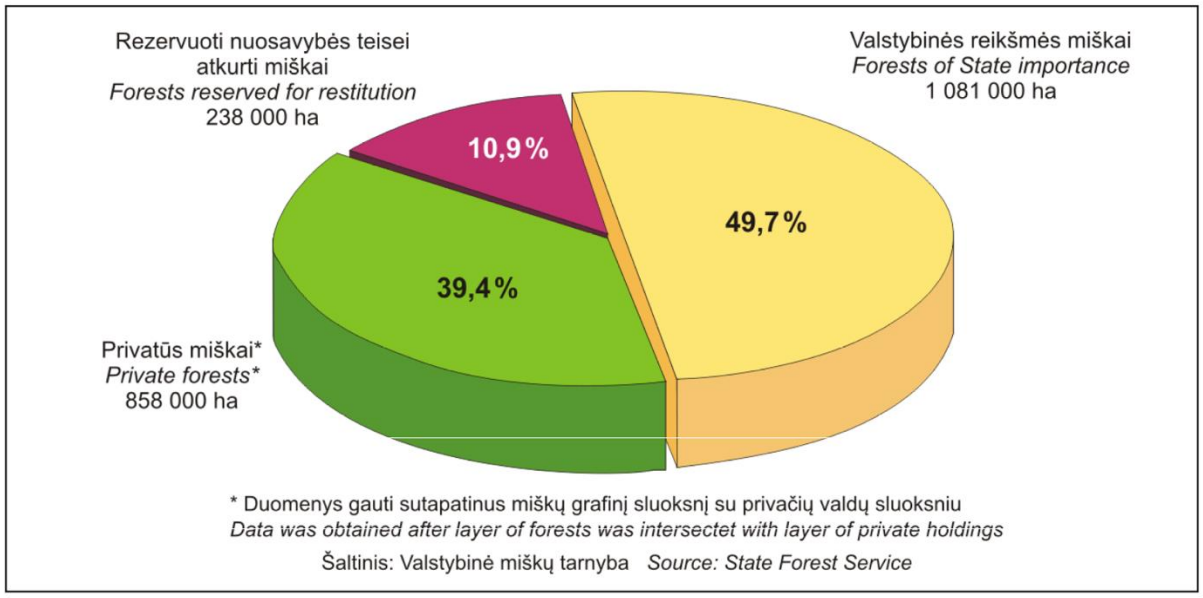
Conservation CITES or IUCN species

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

Information about LITHUANIAN forest resources

Agricultural land covers more than 50 % of Lithuania. The forested land occupies about 28 % or 2.18 million ha, while the land classified as forest occupies about 30 % of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 % of the land. The total land area belonged to the State forest enterprises is divided into forest and non-forest land. Forest land is divided into forested and non-forested land. The total value added in the forestry sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10 % higher than in 2012.

FOREST LAND BY OWNERSHIP 01.01.2014



Forest land is divided into four protection categories: reserves (2 %), ecological category (5.8 %), protected category (14.9 %) and commercial category (77.3 %). All types of cuttings are prohibited in reserves. Clear cuttings are prohibited in national parks, while thinning and sanitary cuttings are allowed there. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinning as well. Almost no restrictions as to logging methods exist in the forests of commercial category.
Lithuania has signed the CITES Convention in 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests – especially spruce and birch – often grow in mixed stands. Pine forests are the most common type of forests, covering about 38 % of the woodland. Spruce and birch forests account for 24 % and 20 % respectively. Alder forests occupy about 12 % of the forest area, which is

a relatively high figure that indicates the moisture level on specific sites. Oak and ash account for about 2 % of the forest area each. The area occupied by aspen stands is almost 3 %.

The growing stock in Lithuanian forests is about 180 m^3 per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m^3 per hectare. Total annual growth is almost 11,900,000 m^3 and the average annual wood increase has reached 6.3 m^3 per hectare.

The expected annual logging volume is 5.2 million m^3, 2.4 million m^3 of which are sawn wood and the remaining 2.8 million m^3 are small dimension wood for production of paper pulp or boards or for using as firewood. The calculations refer to the nearest 10-year period. If more intensive and efficient forest management systems are implemented, successful growth should be achieved.

Certification of all State forests in Lithuania is performed according to the strictest certification system in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certification confirms the fact that Lithuanian State forests are managed responsibly, in compliance with the requirements of protection and conservation of biodiversity.
(Source: http://www.fao.org/docrep/w3722e/w3722e22.htm)

2.2 Actions taken to promote certification amongst feedstock supplier

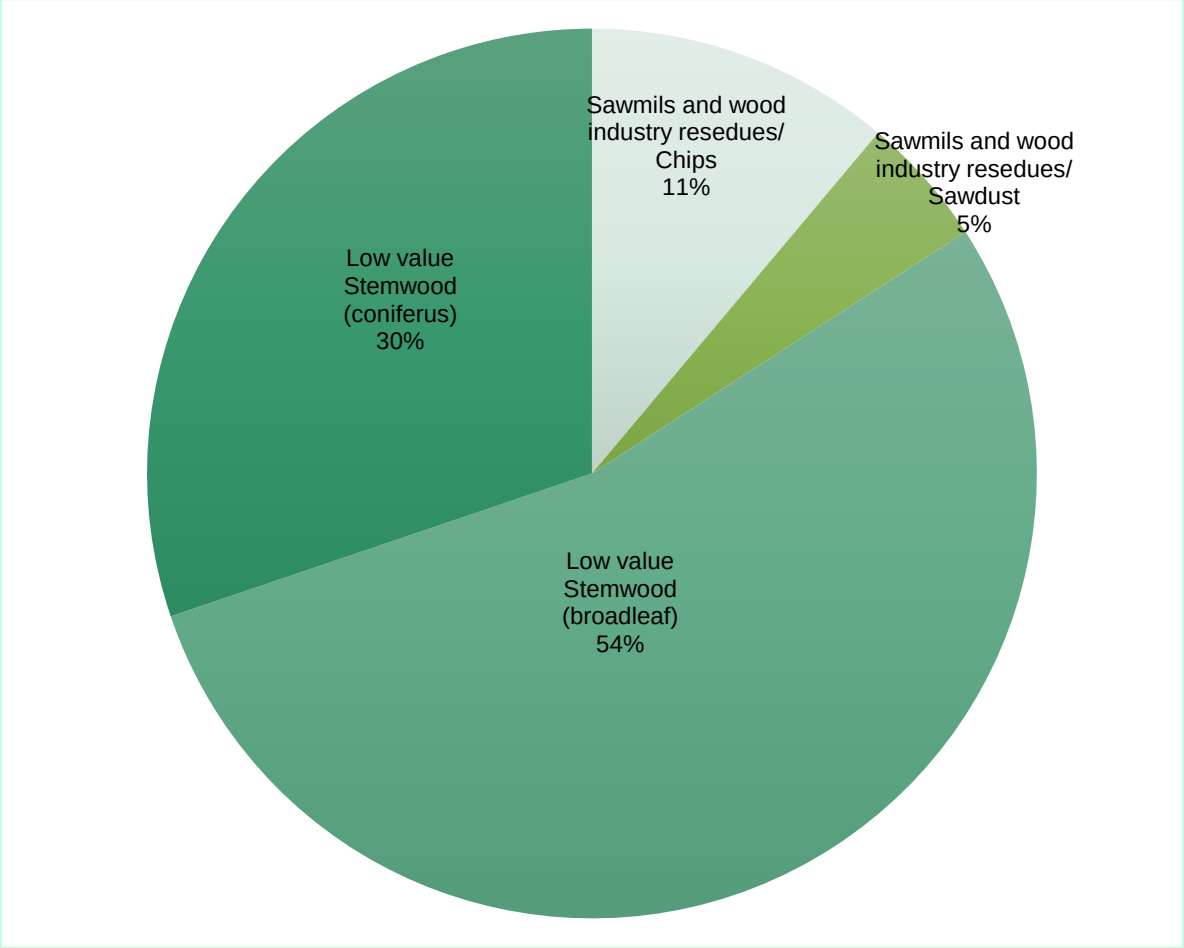
As a priority, materials for the production of SBP pellets are purchased from suppliers certified by FSC or PEFC or compliant with the FSC Controlled Wood requirements. The company policy is directed at cooperation with certified suppliers. Feedstock (saw dust, woodchips) is comprised of wood by-products 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. Since March 2018, the amount of FSC certified and FSC Controlled Wood tends to decrease, which is related to the national risk assessment and the performance of risk mitigation measures. This is why the 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

Share of biomass as the primary feedstock after final harvest is approximately 50-60% % compared to other types of feedstock. Primary feedstock is extracted from the supply base area and is made up of round wood. Feedstock is extracted in a well-developed, free and open market where other consumers compete. Various types of feedstock are extracted by performing work in the forest. All companies in the forestry sector have publicly available price lists of the offered assortment. They clearly indicate that the timber (including

finishing timber) is the most valuable product, but the round wood (firewood) (for example, pellets) is significantly less valuable product. This information is obtained from documents and data provided by suppliers and persons involved in forest development. .

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



2.5 Quantification of the Supply Base

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

Supply Base

a. Total Supply Base area (ha): Latvia 3.412 milj/ha Lithuania 2,2 milj/ ha
b. Tenure by type (ha): Latvia 1,67 mln/ha state forests; 1,64 mln/ha private forests. Local Government 0,102 mln/ha, Lithuania 1,4 mln/ha forests reseserved for restitution, 0,80 mln/ha private forests
c. Forest by type (ha): boreal; (hemi boreal)
d. Forest by management type (ha): Managed, partly natural forests 5,47 million ha

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, Lithuania ~1,18 mln ha hectares are certified under FSC

Feedstock

f. Total volume of Feedstock: 600,000 – 800,000m3 - volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m^3 if a compelling justification is provided*

g. Volume of primary feedstock: 400,000 – 600,000 m^3 - volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m^3 if a compelling justification is provided*

h. List percentage of primary feedstock (g), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. Subdivide by SBP-approved Forest Management Schemes:
   - Certified to an SBP-approved Forest Management Scheme 200,000 – 400,000
   - Not certified to an SBP-approved Forest Management Scheme 0 – 200,000

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:Sawmill residues (chips and sawdust from Latvia ~ 98,6%..Lithuania indirect suolay 1,4%

m. Volume of tertiary feedstock: 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 m^3

2. 200,000 – 400,000 tonnes or m^3

3. 400,000 – 600,000 tonnes or m^3

4. 600,000 – 800,000 tonnes or m^3

5. 800,000 – 1,000,000 tonnes or m^3

6. >1,000, 000 tonnes or m^3

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
X	☐

Provide a concise summary of why a SBE was determined to be required or not required.

SBP biomass supply evaluation includes:

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

SBP biomass supply evaluation includes:

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

  To SIA NewFuels RSEZ which confirms the supplied primary feedstock for the production of pellets as SBP -compliant. The evalution process use the SBP endorsed risk assessment for Latvija.

  Risk assesment

The risk assessment is divided into: "Low risk" and "Defined 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.

The evalution process use the SBP endorsed risk assessment for Latvija.

4.2 Justification

Provide a justification for the approach used in the evaluation

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 "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 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

The evalution process use the SBP endorsed risk assessment for Latvija.

4.3 Results of Risk Assessment

Give a brief summary of the results of the 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)

The evalution process use the SBP endorsed risk assessment for Latvija.

4.4 Results of Supplier Verification Programme

Give a brief summary of the results of the SVP.

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

The evalution process use the SBP endorsed risk assessment for Latvija.

4.5 Conclusion

Give a concise summary of the overall conclusions from the SBE as to whether the organisation meets SBP requirements. This summary should include a discussion of the main strengths and weaknesses of the

supply base evaluation, and a statement about the confidence that the evaluators have that the Biomass Producer can ensure that all specified feedstock are in full compliance with SBP Standards.

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.

5 Supply Base Evaluation Process

Give a general description of the process for Supply Base Evaluation including any relevant consultations with stakeholders. Specify whether the SBE was performed 'in house' or whether an external party was contracted to perform the SBE. If the latter, give a full description of the competencies of the contracted party that includes a justification for the appointment of personnel to the evaluation team.

Although not required by SBP, it is likely that the verification system will also include a sampling plan for assessing forest operations within the Supply Base. If such a plan has been developed for monitoring suppliers, it should be described here.

SIA NewFuels RSEZ 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 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 specialis – a wood industry technologist (more than 25 years of experience in wood industry), 10 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.

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

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

On 19 September 2016, SIA NewFuels RSEZ published a SBP risk assessment on the website. A letter of information on the developed risk assessment in accordance with the SBP standard was sent electronically to stakeholders. A list of stakeholders has been developed in such a way that to include the maximum number of recipients representing the economic, social and environmental interests of the society as well as local governments. The total number of recipients is 86.

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

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

http://www.newfuels.eu

6.1 Response to stakeholder comments.

At the time of the SBR final version is published and submitted to NEPCon SIA, no recommendations, comments or complains regarding the risk assessment or risk mitigation measures actions as a such and risk mitigation process implementation had been obtained.

Sent the information, not receivedany comments were received in writing or by telephone, rather than full-time.

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 NewFuels RSEZ has been developed with the SBP Regional risk assessment in Latvia, developed by NEPCon on the basis of the SBP standard No. 1 version 1.0 of 19 September 2016.

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 NewFuels RSEZ 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 NewFuels RSEZ 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			
2.1.1		X	
2.1.2		X	
2.1.3	X		
2.2.1	X		
2.2.2	X		

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1	X		
2.3.2	X		
2.3.3	X		
2.4.1	x		
2.4.2	X		
2.4.3	X		
2.5.1	X		
2.5.2	X		
2.6.1	X		
2.7.1	X		
2.7.2	X		
2.7.3	X		
2.7.4	X		

2.2.3	X		
2.2.4	X		
2.2.5	X		
2.2.6	X		
2.2.7	X		
2.2.8	X		
2.2.9	X		

2.7.5	X		
2.8.1		x	
2.9.1	X		
2.9.2	X		
2.10.1	X		

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Give a general description of the Supplier Verification Program (SVP) including the criteria used for monitoring suppliers (e.g. supplier characteristics, risk factors, or local circumstances) as applicable. Describe how the control system in place will ensure that all Feedstock remains in compliance with SBP Standards. If applicable, explain how the sampling frequency and intensity was chosen, and why certain suppliers were grouped together for sampling purposes

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.

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8.2 Site visits

Describe any field assessments of Indicators.

Primary wood extractions from private forest proprietors in Latvia are performed with all supply CA registers. Assessment is performed for all plots with the indication ““Protected forest biotope may be present or environmental protection limitations established”.

In the reporting year period, ~1200 forest property plot assessments have been performed and visits in real life have been made after and before logging.

(in 2019 ~1200 forest property plot assessments have been potentially risk assessment performed as well as visits have been made after and before logging)

As a result of the audit, the company refused to accept wood from more than ~ 40 cadastres, ~ 80 plots.

(in 2019 As a result of the audit, the company refused to accept wood from more than ~ 20 forest areas

In the reporting period, 18 labour safety audits of loggers and their subcontractors, service providers, have been performed (the majority of the properties are logged using machinery). According to the labour safety assessment point system, the company meets and ensures labour safety requirements. 8 companies were requested to improve their safety equipment and observe at least ~10-15% saw-in safety zone criteria

8.3 Conclusions from the Supplier Verification Programme

Summarise conclusions from the SVP.

Labour protection and occupational safety supervision risk programme
Labour protection audits in 2019. The audits were previously planned and carried out for all savailable suppliers; totally 18 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 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 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 NewFuels RSEZ 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

9 Mitigation Measures

9.1 Mitigation measures

Describe any mitigation measures taken to address specified risks associated with Indicators.

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

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

9.1.2. Audit process:

9.1.2.1. 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”.

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

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

9.1.3. General description of the risk mitigation system:

9.1.3.1. General measures for risk mitigation:

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

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

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

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

a) 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/

b) An evaluation form (questionnaire) before or after logging has been used, which includes all three risk categories. The form has been use as template from forest biotope experts to identify and minimize impact on potential biotopes, recognize and protect cultural heritage objects and bird nesting sites.

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

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

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

9.2 Monitoring and outcomes

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

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 – Latgale, 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 findings for each Indicator are given in Annex 1.

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.e

11 Review of Report

11.1 Peer review

If an external peer review of this report was done prior to finalisation, describe the process that was followed and the competency of the parties involved.

The final version on 2017y. of the report was sent to the specialists in the wood industry, forestry and forest environment processes.

The report was sent for review to:

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

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

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

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

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

SIA NewFuels RSEZ has developed and applies a risk mitigation procedure. At the same time the company needs to obtain information in the public space or in direct communication with experts in biotopes, species and social fields, non-governmental organizations, local governments regarding the solutions of the problems of the defined risk areas, current events in Latvia, reviewing and implementing, if necessary, the more stringent surveillance audit system requirements. Understanding the recent history and the lack of experience of the application of such certification requirements in Latvia, SIA NewFuels RSEZ is recommended to perform

supervision of suppliers as stringent as possible before logging and during logging, paying special attention to the provision of protection of biologically valuable forests (biotopes and habitats).

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

Sigitas Girdziušas – Lithuanian University of Agriculture, Master's degree in forestry, forestry specialist.

No additional objections or comments were received

11.2 Public or additional 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.

The public version of the supply base report in the Latvian and English languages is publicly available at http://www.newfuels.eu for interested parties. After familiarization with the report, comments and clarifications can be sent to info@newfuels.eu

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Ronalds Polis	*Procurement Specialist*	20.01.2020.
	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:	Roman Vdovychenko	*Chairman of the Board*	20.01.2020
	Name	Title	Date
Report approved by:	Witold Dura	*Pellet Plant Manager*	20.01.2020
	Name	Title	Date

13 Updates

Note: Updates should be provided in the form of additional pages, either published separately or added to the original public summary report.

Reference period 1. January 2029 – 31. December 2019.

13.1 Significant changes in the Supply Base

In the reporting year period, there were changes in the proportions of the amounts of primary supply. Wood after processing is purchased more than wood by-products. As a result, direct supply after logging has decreased.

13.2 Effectiveness of previous mitigation measures

Please refer to section 9.2. .

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual figures for feedstock over the previous 12 months

Reference period 1. January 2029 – 31. December 2019.

Total volume: 600 000- 800 000 m3

Volume of primary feedstock: 400 000- 600 000m^3

Secondary feedstock. 200 000- 400 000 m^3

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.*

13.5 Projected figures for feedstock over the next 12 months

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

Total volume: 600 000- 800 000 m3

Volume of primary feedstock: 400 000- 600 000m^3

Secondary feedstock. 200 000- 400 000 m^3

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.*