



Supply Base Report: SIA NewFuels RSEZ

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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

On the first page include the following information:

Producer name: SIA NewFuels RSEZ]

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

Geographic position: 56.53724, 27.34867

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

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

Date report finalised: 20.November 2020

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

Name of CB: Nepcon SIA]

Translations from English: NA

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
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

The volume data will be corrected after the public consultation by concluding a period of 12 months

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

SBP-compliant primary feedstock: 49,86% (~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..

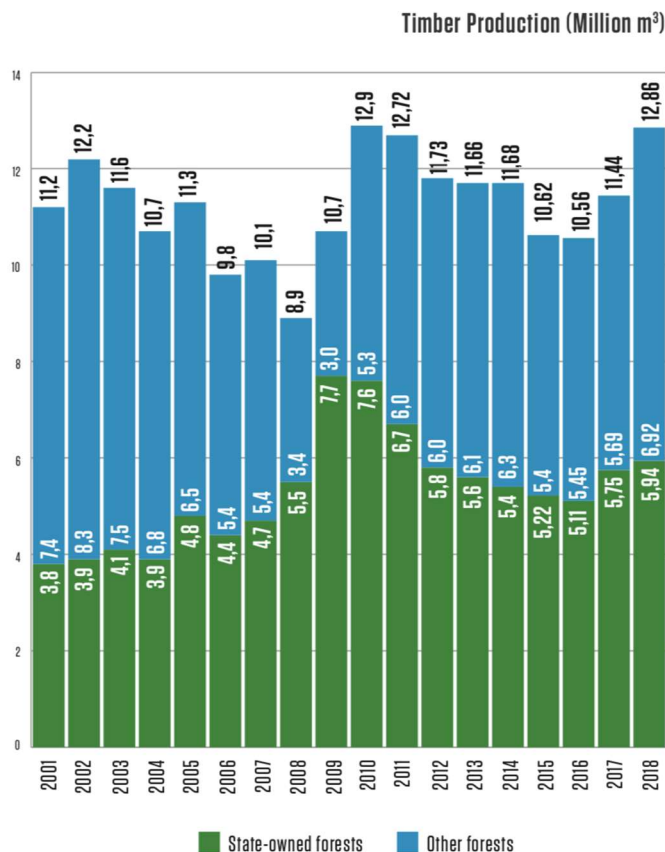
Information about LATVIAN forest resources

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.

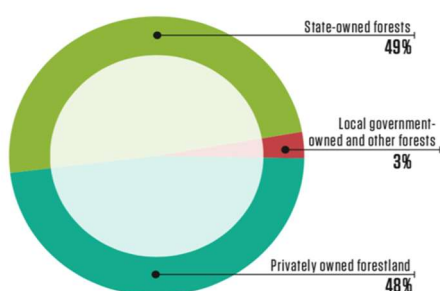
In 2019, the predominant forest species in Latvia are: Pine 33%, Birch 30 %, Spruce 19%, Grey Alder 7%, Aspen 7%, Black Alder 3 %, Other Species 1%. (State Forest Service data in Latvian Forest Sector in Facts & Figures 2020, published by the Ministry of Agriculture: https://www.zm.gov.lv/public/ck/files/ZM/mezhi/skaitlifakti_ENG20.pdf)

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 half of Latvian forest areas have been certified according to FSC or PEFC certification scheme. Both the FSC and PEFC systems have found their way into Latvia.

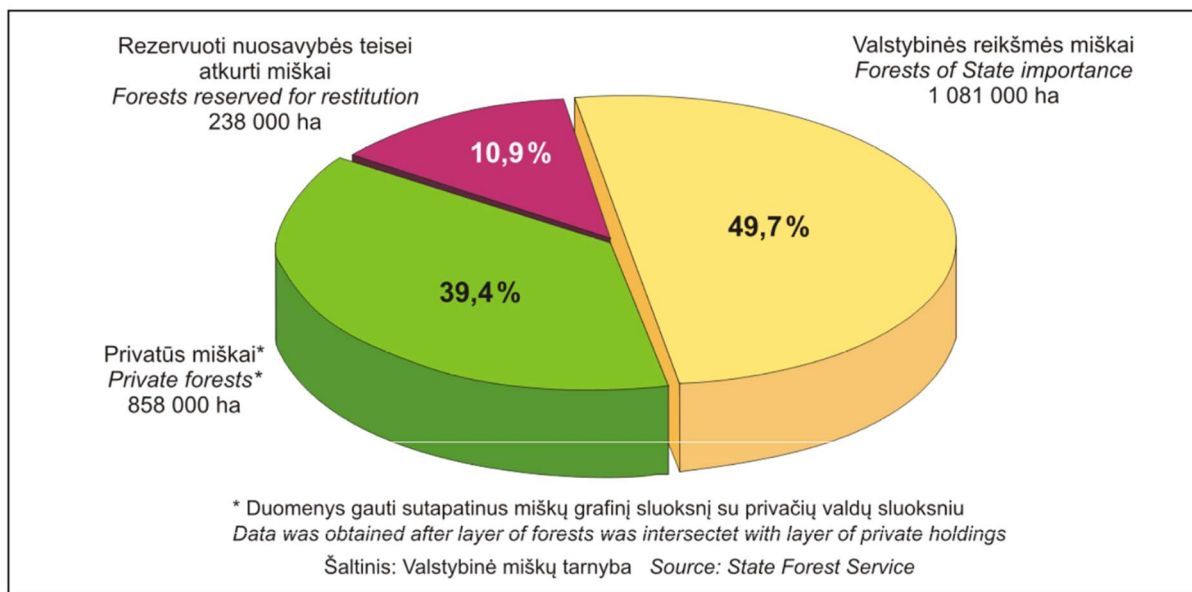
Conservation CITES or IUCN species

Species	CITES status	IUCN classification
Oak (<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=LV&searchType=species</p>

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 m³ per hectare. In nature stands, the average growing stock in all Lithuanian forests is 244 m³ per hectare. Total annual growth is almost 11,900,000 m³ and the average annual wood increase has reached 6.3 m³ per hectare. Sustainable forest management is the

overriding objective for forest policy and practise in Lithuania. Therefore, forest resources are used responsibly and annual timber harvest rate does not exceed the annual increment. Lithuania's forests produce around 18 million m³ of stem wood (over bark). Annual fellings do not exceed 60 per cent of gross total annual increment.

Forests are divided into groups upon the objectives of the economic activities, their regime and the major functional purpose.

Group I – strict reserves forests. These are the strict reserves and small strict reserves forests on the territories of state strict nature reserves, state parks and biosphere monitoring territories. Objective of economic activities – to preserve the forests for a natural growth.

Group II – forests of special purpose, split into the following: A – ecosystem protection forests. Landscape, botanical, forest genetic, zoological, botanical-zoological reserves and reserves of these types in state parks

and biosphere monitoring territories. Objective of economic activities – to preserve or restore forest ecosystems or separate ecosystem components. B – recreational forests. Recreational forests cover forest parks, urban (city) forests, forests of recreation zones of the state parks, recreational forest areas and other forests defined for recreation. Objective of economic activities – to form and preserve the recreational forest environment.

Group III – protective forests. These are the forests in the territories of geological, geomorphological, hidrographical, and cultural reserves, forests of protection zones. Objective of economic activities – to form productive forest stands capable of performing the functions of protection of soil, air, water and human living surroundings.

Group IV – commercial forests, split into the following: A – commercial forests of normal cutting age. Objective of economic activities – to form productive forest stands and supply wood continuously following the requirements of environmental protection;; B - forest plantations. Objective of economic activities – to grow as much wood as possible in the shortest period of time.

The expected annual logging volume is 5.2 million m³, 2.4 million m³ of which are sawn wood and the remaining 2.8 million m³ 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>)

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_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=&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 30-40% (company's 2019-2020 accounting data) 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.

Supply Base

- a. Total Supply Base area (ha): Latvia 3.412 milj/ha Lithuania 2,18 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 reserved for restitution, 0,80 mln/ha private forests
- c. Forest by type (ha): Latvia 3.412 milj/ha Lithuania 2,18 milj/ ha hemi boreal
- d. Forest by management type (ha): Managed, partly natural forests 5,592 million ha
- e. Certified forest by scheme (ha): Latvia FSC ~1,05 mil/ ha are certified according to FSC and/or ~1,8 milj ha PEFC certification systems. Lithuania ~1,17 mln ha hectares are certified under FSC

Feedstock

- f. Total volume of Feedstock: tonnes or m³ - 400 000 – 550,000 tonnes
- g. Volume of primary feedstock: tonnes or m³ - 200 000- 280 000 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- 49,86%
 - 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 - 65 000- 75 000 tonnes (~71% chips and ~ 29 %sawdust from Latvia ~ 98,6%..Lithuania indirect supply 1,4% all volume as chips.
- 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
X	<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.

Risk assessment has been divided into: "Low risk", "Certain risk" or "Uncertain 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.

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 "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.

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

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)

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

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.

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.

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), 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.

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 is planned for 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.

Comment 1:

Response 1:

Comment 2:

Response 2:

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		
	Specified	Low	Unspecified
1.1.1		X	
1.1.2		X	
1.1.3		X	
1.2.1		X	
1.3.1		X	
1.4.1		X	
1.5.1		X	
1.6.1		X	
2.1.1	x		
2.1.2	x		
2.1.3		X	
2.2.1		X	
2.2.2		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	

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	
2.7.5		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

Delivery of primary and secondary raw materials from Latvian forest properties

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.

Also, as of September 1, 2020, the company uses the Ozols database as a basis to identify and exclude the supply of timber in 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 in the audit 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.

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.

Primary timber extraction from private forest owners in Latvia is performed with all delivery CA registers. The assessment is performed for all sample plots with the indication "May contain a protected forest habitat or certain environmental protection restrictions".

During the reporting year, from 1 January to 31 July 2020, ~ 80 forest property plots were assessed and real-time visits were carried out after and before logging to assess potential habitats.

3 experts and their conclusions are involved.

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

(In 2020, as a result of the audit, the company refused to accept wood from more than ~ 20 forest areas)

During the reporting period, occupational safety audits of 12 loggers and their subcontractors and service providers were performed (most properties are registered using equipment). According to the system of occupational safety assessment points, the company meets and ensures occupational safety requirements. 3 companies were asked to improve their safety equipment and comply with at least ~ 10-15% of the criteria for sawn safety zones.

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

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 are related to the following risk categories for biomass supply:

- Forest habitats of European importance, natural forest habitats,
- 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.

Audit process:

Monitoring audits are performed on all wood plots delivered to suppliers for all plots with the indication “May have a protected forest habitat or environmental restrictions”, and as of September 2020, the company evaluates all deliveries through the OZOLS database to exclude any possible habitat supply. Audits are performed to make sure that the habitat is intact at the time of delivery. Random audits are performed evaluating cultural and historical objects, the possibility of large bird nests, compliance of nature protection requirements in forestry with hand crews

NewFuels RSEZ, with the involvement of relevant habitat experts, specialists, as well as forestry safety specialists, conducts additional informative seminars for suppliers in order to acquaint suppliers as much as possible with SBP-compliant raw material supply conditions and potential risks, thus reducing supply risks. raw material that does not meet SBP standards.

9.2 Monitoring and outcomes

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

Describe how the indicators are monitored and what the results of this monitoring are (if known).

By accepting all suppliers' timber with CAs that meet the origin criteria, the company has found during the annual report that suppliers are not forced to select and provide a CA number and provide the company with a copy of the CA that does not match the actual origin of the timber.

The company has also refused to accept wood from habitats that are validated in the database “Ozols”.

Delivery regions - Latgale, Zemgale, Vidzeme,

After SBP risk mitigation audits, training is recommended for suppliers - forest owners, logging companies. There is an understanding of SBE requirements for risk categories, their definition and risk mitigation mechanism.

As a result of the risk assessment, the number of indications with the indication “It is possible that the forest habitat may be protected or environmental restrictions have been imposed” has decreased during the last 5 months, and wood from plots included in the felling certificate and habitat status is not accepted.

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 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.eu>

11 Review of Report

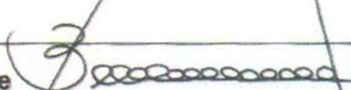

11.1 Peer review

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.

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 	<i>Procurement Specialist</i>	20.11.2020.
	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 	<i>Chairman of the Board</i>	20.11.2020.
	Name	Title	Date
Report approved by:	Witold Dura 	<i>Pellet Plant Manager</i>	20.11.2020.
	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.

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

Using the categories in Section 2.5 'Quantification of the Supply Base' (above), give an update on the actual figures for the previous 12 month period. Volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m³ if a compelling justification is provided*

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

Total volume of Feedstock: 450 000 – 550 000 tonnes

Volume of primary feedstock: 350 000 - 400 000 tonnes

Sawmill residues 100 000- 150 000 tonnes (~80 % chips and ~ 20 %sawdust from Latvia ~ 98,6%..Lithuania indirect supplay 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

Using the categories in Section 2.5 'Quantification of the Supply Base' (above), give an updated projection for the coming 12 month period. Volume may be shown in a banding between XXX,000 to YYY,000 tonnes
Reference period

1. January 2021 – 31. December 2021.

Total volume of Feedstock: 400 000 – 550,000 tonnes

Volume of primary feedstock: 200 000- 280 000 tonnes

Sawmill residues 65 000- 75 000 tonnes (~71% chips and ~ 29 %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.