

SBP

Sustainable Biomass Partnership

Supply Base Report Varpa SIA

www.sustainablebiomasspartnership.org



Version 1.2 June 2016

Report period 01st October, 2015 – 30th September, 2016

NOTE:

This template, v1.2, is effective as of the date of publication, that is, 23 June 2016. Template v1.1 may still be used for those audits undertaken prior to 23 June 2016 and where the certificate is issued to Certificate Holders before 1 October 2016.

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

Document history

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

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Contents

1	Overview.....	1
2	Description of the Supply Base	2
2.1	General description	2
2.2	Actions taken to promote certification amongst feedstock supplier	8
2.3	Final harvest sampling program	9
2.4	Flow diagram of feedstock inputs showing feedstock type [optional]	9
2.5	Quantification of the Supply Base	9
3	Requirement for a Supply Base Evaluation.....	11
4	Supply Base Evaluation.....	12
4.1	Area of work.....	12
4.2	Substantiation.....	12
4.3	Results of Risk analyzing.....	13
4.4	Results of testing programm for suppliers.....	13
4.5	Conclusion.....	13
5	Evaluation process for Major supplies.....	14
6	Consultation with the interested parties.....	15
7	Review of the Initial risk Evaluation.....	18
8	Suppliers testing program.....	20
8.1	Description of the Suppliers testing program.....	20
8.2	Audits of wood obtaining places	21
8.3	Results of testing programfor supplier.....	22
9	Risk mitigation measures.....	24
9.1	Risk mitigation measures.....	24
9.2	Control and results.....	25
10	Review of Report	26
10.1	Peer review.....	26

10.2	Public or additional reviews	26
11	Approval of Report	27
12	Updates	28
12.1	Significant changes in the Supply Base	28
12.2	Effectiveness of previous mitigation measures	28
12.3	New risk ratings and mitigation measures.....	28
12.4	Actual figures for feedstock over the previous 12 months	28
12.5	Projected figures for feedstock over the next 12 months.....	28

1 Overview

Producer name: SIA Varpa

Producer location: Legal/Sawmill address: Kaplavas pag., Krāslavas novads, LV-5668

Office address: Indras iela 15, Krāslava, LV-5601

Geographic position: Sawmill: Lat E 27 degrees 0 minutes, Long N 55 degrees 51 minutes

Office: Lat E 27 degrees 11 minutes, Long N 55 degrees 53 minutes

Primary contact: Bernards Baranovskis, Indras iela 15, Krāslava, LV-5601, +37165626653,
b.baranovskis@varpa.eu

Company website: www.varpa.eu

Date report finalised: 28.04.2017.

Close of last CB audit: 02.06.2017., Kraslava.

Name of CB: NEPCon Latvia

Translations from English: No, from Latvian

SBP Standard(s) used: SBP Standard 1 version 1.0, SBP Standard 2-V1.0 ; SBP Standard 4-V1.0. ; SBP Standard 5-V1.0 (instructions documents 5A;B;C V1.1.)

Weblink to Standard(s) used: <http://www.sustainablebiomasspartnership.org/documents>

SBP Endorsed Regional Risk Assessment:

RRA for Latvia still has not been completed, shall be coming soon.

Web link to SBP related info on the Company website: <http://www.varpa.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
<input type="checkbox"/>	X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

The bigger part of Feedstock for biomass obtaining SIA VARPA buy as round firewood and wood processing residues after processing. The major part of Biomass is obtained from forestry's. The Biomass country of Origin is Latvia, a small part of Biomass is obtained from Lithuania and a very little amount of Biomass is obtained from Belarus, using direct procurement and delivery.

Overview of the proportions of SBP feedstock product groups

Production Group	Proportion of the PG, %	Amount of Suppliers
Controlled Feedstock	59.3	39
SBP – compliant primary Feedstock	18.9	5
SBP – compliant secondary Feedstock	20.9	9
SBP – compliant tertiary Feedstock	0.9	1

Feedstock`s mixture of species: Spruce (Picea abies (L.) Karst), Pine (Pinus sylvestris L.), Birch (Betula pendula), Pubescent birch (Betula pubescens (Ehrh.)) Aspen (Populus lpp.), Grey Alder (Alnus glutinosa (L.) Gaertner), Black Alder (Alnus incana (L.) Moench), Oak (Quercus lpp.), Ash (Fraxinus exelsior L.).

Latvian forest resources.

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest law), woodness amounts to 51.8% (ration of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), whilst the other 1 560 961 ha (51.68% of the total forest area) belong to other private forest owners. Private forest owners in Latvia amount to approximately 144 thousand.

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.

Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic meters (source: vmd.gov.lv).

Forest land consists of:

- Forests 3 056 578 ha (91.3%)
- Marshes 175 111.8 ha (5.3%)
- Open areas 35 446.7 ha (1.1%)

- Flooded areas 18 453.2 ha (0.5%)
- Objects of infrastructure 61 813.4 ha (1.8%)

(source: vmd.gov.lv)

Distribution of forests by the dominant species:

- Pine 34.3%
- Spruce 18%
- Birch 30.8%
- Black Alder 3%
- Grey Alder 7.4%
- Aspen 5.4%
- Oak 0.3%
- Ash 0.5%
- Other species 0.3%

(source: vmd.gov.lv)

Share of species used in reforestation, by planting area:

- Pine 20%
- Spruce 17%
- Birch 28%
- Grey Alder 12%
- Aspen 20%
- Other Species 3%

(source: vmd.gov.lv)

Timber production by types of cuts, by volume produced:

- Final cuts 81%
- Thinning 12.57%
- Sanitary clear-cuts 3.63%
- Sanitary selective cuts 1.43%
- Deforestation cuts 0.76%
- Other types of cuts 0.06%

(source: vmd.gov.lv)

The field of forestry

In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting (www.zn.gov.lv). Implementation of requirements of the national laws and regulations is issued by the

Cabinet of Ministers notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (www.vmd.gov.lv).

Management of the state-owned forests is performed by the public limited company Latvian State Forests, established in 1999. The enterprises 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).

The share of forestry, wood-working industry and furniture production amounted in 2015 to about 20% of export yielded to 2.01 billion EUR.

Harvesting

In order to commence commercial activities in the forest, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting Licence for separate sites. The Harvesting License determines what kind of forest felling system is allowed, and which species and in what amount can be harvested in that area. It also determines the forest regeneration method for the each harvesting site. After the harvesting operation, the site owner signs a report on the harvested volumes and planned forest regeneration method. The site is inspected by a representative of the State Forest department. The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.

Biological diversity

Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia.

For the purpose of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas has been included in the European network of protected areas NATURA 2000. Most of the protected areas are state-owned.

Micro reserves were established in order to protect highly endangered species and woodland key habitats located without the designated protected areas. According to the data provided by the State Forest Service in 2015, the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions are to be preserved, thus providing habitats for many organisms.

Latvia has been signatory of CITES Convention since 1997. CITES requirements are respected in forest management, although there are no species from CITES lists fauna in Latvia.

775 IUCN species are strictly protected by Latvian legislation, the protection measures has been taken into account permitting economical activities in the forests, including issuing of cutting licences.

Forest and community

Areas where recreation is one of the main forest management objectives add up to 8% of the total forest area or 293 000 ha (2012). 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 specifically protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry of Environmental Protection and Regional Development.

Certification

The forests of both public limited company Latvian State Forests and private owners may be certified against sustainable forest management standards, whereas woodworking enterprises can contribute to sustainable forest management by certification against the chain of custody system requirements.

Both FSC ® and PEFC ® systems have found their way into Latvia. SIA Varpa only uses FSC certified and controlled wood, in the form of wood waste from its own woodworking plant and purchased from other suppliers.

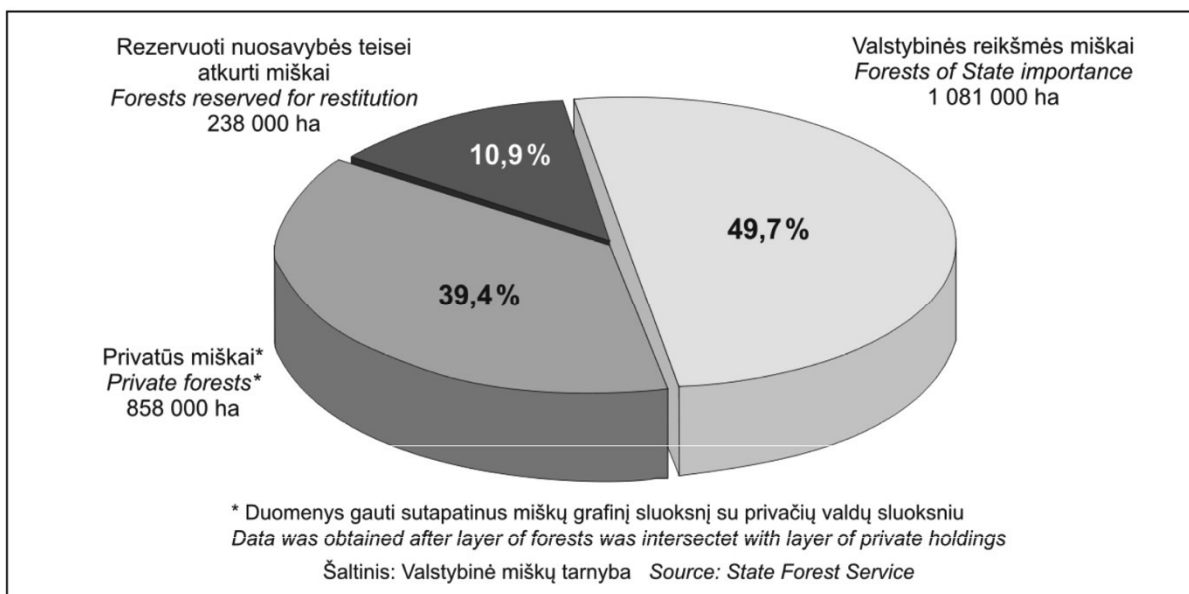
Varpa SIA is obtaining raw material, which is claimed as FSC certified, mainly originating from Latvian State Forests.

Varpa SIA is also sourcing controlled material from variety of suppliers in Latvia.

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2,177 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under 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 forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012.

Forest land is divided into four protection classes: reserves (2 %); ecological (5.8 %): protected (14.9 %); and commercial (77.3 %). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well. In commercial forests, there are almost no restrictions as to harvesting methods.

FOREST LAND BY OWNERSHIP 01.01.2014


Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

IUCN Red Book species are strictly protected by Lithuanian legislation, and protection measures are taken into account during any economical activity in forests.

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 forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about 12 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent.

The growing stock given as standing volume per hectare is on the average of 180 m³ in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m³ per hectare. Total annual growth comes to 11 900 000 m³ and the mean timber increment has reached 6.3 m³ per year and per hectare. Current harvest has reached some 3.0 million m³ u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m³. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result.

The potential future annual cut is calculated at 5.2 million m³, of which 2.4 million m³ is made up of sawn timber and the remaining 2.8 million m³ of small dimension wood for pulp or board production, or for fuel.

The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.

(Resources: <http://www.fao.org/docrep/w3722e/w3722e22.htm>)

Varpa SIA is obtaining raw material, which is claimed as FSC certified, mainly originating from Lithuanian State Forest Enterprises.

Varpa SIA is also sourcing controlled material from variety of suppliers in Lithuania.

BELARUS

38.1% —or about 8.71 Mio hectares—of Belarus is forested. Of this, 5.1% —or roughly 400,000 hectares—is classified as primary forest, the most biodiverse form of forest. The total stock of timber constitutes 1.3 billion cubic meters. Young forests constitute 36.6%, ripening 14.2%, and overmature 4.8%.

All forest in Belarus belongs to Government and managed by state FMU's, belonging to Committee of forestry (86%), Presidential Administration (8%), The Ministry of Emergency Situations (2%) and some smaller institutions. The structure of the Committee of Forestry is represented by 800 forestries (average area is about 8 thousand ha), 88 forest enterprises (average area is about 70 thousand ha) and 6 Forestry Boards.

Belarusian Forestry and Forest industry includes nearly 5 thousand enterprises and production facilities with different forms of property (including over 470 large and medium-scale enterprises) with over 146 thousand employees.

In 2013, the forestry sector contributed to 2.1% of GDP and exports amounted to 1.2 Billion USD.

The level of forests management in Belarus is quite satisfactory, due to the fact that implementation of forest legislation is ensured properly by FMU's. Depending on their value and their location, the Belarus Republic's forests are divided into two groups. The first group of forests having water protection, sanitary and other protective functions takes up 44 per cent, while the second one, which is of commercial value, constitutes 56 per cent of forests.

There are five National Parks in Belarus, protected by the State. Their work has been recognised and supported by UNESCO.

Number of Native tree species is 28.

Number of tree species in IUCN red list: Critically Endangered – 0, Endangered – 0 and Vulnerable – 0.

Belarus has acceded CITES on 08.11.1995. and has correspondent legislation in place. Species of woody vegetation are not listed by CITES in Belarus.

Distribution of forests by the dominant species:

- Pine 52%
- Spruce 10%
- Birch 22%
- Black Alder 8%
- Grey Alder 2%
- Aspen 2%
- Oak 3%
- Other species 1%

The amounts to an average annual reforestation rate of 0.64%. Between 1990 and 2005, Belarus gained 7.0% of its forest cover, or around 518,000 hectares.

Belarus has 8,5 Mio ha of FSC certified forests. There are 105 FSC CoC certificates, part of them are group certificates. By that area of FSC certified forests Belarus ranks 7th in the World.

The Ministry of forestry preferred system is PEFC. Belarus has about 8,7 Mio ha of PEFC certified forests.

(Sources: ic.fsc.org/download.sdgbproposalsfinal.1694.htm,
<http://rainforests.mongabay.com/deforestation/archive/Belarus.htm>,
<http://www.fao.org/docrep/ARTICLE/WFC/XII/0784-B1.HTM>)

From May, 2016 Varpa SIA started to obtain raw material from Belarus, which is claimed as FSC certified only.

A few suppliers deliver the raw material from Belarus, the volume of the supply is still insignificant.

2.2 Actions taken to promote certification amongst feedstock supplier

Company's procurement contracts contain demand for suppliers to provide information on the origin of forest raw materials upstream from the point of delivery and the obligation to support Varpa SIA in inspecting this information. SIA Varpa supply managers explained for suppliers that the best way to fulfil these contracts' demands is the participation in wood chain of custody certification. Thus, the attention of all involved responsables from the woodworking and logging enterprises has been turned to the necessity to implement sustainable forestry certification methods.

Varpa SIA also declared on a regular basis to their suppliers its preference to FSC or PEFC certified supplies, compared with supplies having other sustainability data.

In September 2016 Varpa SIA has broadcasted among its uncertified suppliers a letter with invitation to participate in FSC COC certification. This invitation explained the role and importance of the CoC certification, as well as benefits for the supplier resulting from this certification.

As the result of all activities taken, several Varpa's suppliers became certified during the current period, as well as the share of FSC certified supplies at Varpa SIA has increased till 40.7%.

2.3 Final harvest sampling programme

All feedstock supplied to Varpa SIA pellet production is derived from long-term rotation period forests (over 40 years) in line with Latvian forest management traditional practice which also is aligned with Latvian legislation. The determination of the share of fellings coming directly to the biomass production is based on transport documentation originating from a cutting area, which includes the specification, and correspondingly usage purpose, of the delivered logs.

The cutting areas are taken into this monitoring program by random choice in quantity of 0.8 times the square root of the number of cutting areas processed during the reporting period.

In the period of 1st Oct 2015- 30th September 2016 the share was **19%**.

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

N/A

2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): 13.9 Mio ha.
- b. Tenure by type (ha):
 - privately owned LV – 1.56 Mio ha, LT – 0.86 Mio ha, BY – no.
 - public/community concession LV – 1.50 Mio ha, LT – 1.32 Mio ha, BY – 8.71 Mio ha.
- c. Forest by type (ha): temperate -13.9 Mio ha.
- d. Forest by management type (ha): managed semi-natural - 13.9 Mio ha.

e. Certified forest by scheme (ha):

FSC -certified forest LV-1.01 Mio ha, LT- 1.09 Mio ha, BY – 8.50 Mio ha, Total: 10.60 Mio ha.
PEFC-certified forest LV-1.68 Mio ha, LT- no, BY – 8.71 Mio ha, Total: 10.39 Mio ha.

Feedstock

f. Total volume of Feedstock: 59944 mt – for biomass production, 4937 mt – for drying.

g. Volume of primary feedstock: 16177 mt – for biomass production, 4132 mt – for drying.

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
for biomass production - 70%;
for drying – 0%.
- Not certified to an SBP-approved Forest Management Scheme
for biomass production - 30%;
for drying – 100%.

i. List all species in primary feedstock, including scientific name

- Spruce (Picea abies (L.) Karst)
- Pine (Pinus sylvestris L.)
- Birch (Betula pendula)
- Aspen (Populus lpp.)
- Black alder (Alnus glutinosa (L.) Gaertner)
- Grey alder (Alnus incana (L.) Moench)
- Oak (Quercus lpp.)
- Ash (Fraxinus exelsior L.)

j. Volume of primary feedstock from primary forest: None

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
- Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
Not Applicable

l. Volume of secondary feedstock:

For biomass production:

Sawdust LV- 21860 mt, LT- 11371 mt, BY – 845 mt, Total: 34076 mt.
Sawmill residues LV- 8618 mt, BY – 327 mt, Total: 8945 mt.

For drying:

Bark LV- 696 mt.
Sawdust LV- 109 mt.

m. Volume of tertiary feedstock:

For biomass production: Sawmill residues (Shavings) LV - 746 mt.

3 Requirement for a Supply Base Evaluation

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

IN SBP Biomass Supply Base Evaluation is included:

- **Primary** wood (rough wood),
- **Secondary** wood (woodchips, sawdust after processing).

SBE covers feedstock supplies of Latvian origin.

SIA Varpa define received Biomass as SBP- compliant biomass, if it is obtained from approval biomass sources.

For Risk Assessment (Local applicable verifiers) – is used developed and published NepCon Risk assessments and it`s compliance has been checked in consultation with the interested parts. Used SBP Standard Nr.1 v 1.0; Standard Nr.2 v 1.0.

Risk Assessment (RA) 19th of September 2016 has been sent for public discussion.

Risk Assessment parts: “Low Risk”, “Specified risk” or “Unspecified risk”.

4 Supply Base Evaluation

4.1 Scope

4.1.1. This is related to primary Feedstock supplies from Latvian forest properties before or after harvesting process.

4.1.2. This is related to secondary Feedstock after rough wood processing, as wood residues (sawdust, woodchips) from Latvia.

4.2 Justification

Evaluating Risk categories for each SBP indicator, it's been developed Risk Assessment according SBP Standard Nr.1 and Nr. 2 version 1.0. from the March 2015, While describing and evaluating risks, company got deeper understanding about wood delivery risks, which might affect SBP non-compliant materials reception for biomass producing.

Initiating an effective Risk mitigation measures company get an opportunity to buy approved and compliant SBP assortments, to produce necessary volume of SBP-compliant biomass production.

The classification of the developed risks indicators is graded, from potential risk to lower risk.

While developing risks, company took into account Risk Assessment for Latvia, which was available in consultation process on SBP home page.

In the beginning SIA Varpa made Risk Assessments developing according to SBP Standard Nr.1. from 2015 year Risk Assessments version 1.0. and developed by NepCon Public Risk Assessment.

The define risk category's indicator is "Specified risk" to the indicators, who's level of risks has been changed in risk evaluating process (exm. 1.1.2., 1.4.1., 2,2,5,. see project version of Regional Risk Assessment for Latvia), the have been overviewed, evaluated in accordance with national law and regulatory requirements, national policies (forest industry, nature protection, biodiversity uc), the annual report and publication of the national institutions and authorities. In addition, Risk assessment has been discussed with the interested parties and the leading experts in the field of environmental protection and forestry sectors.

In the Public Discuss with the interested parties, also communicating with the biomass suppliers, it's been obtained extra information, which is connected with the current indicators of "defined risks" and "low risks", also there are not made any changes in the Risk Assessment indicators or indicators information. Thereby the Risk Assessment overview of SIA Varpa is not different from Regional Risk Assessment for Latvia.

While having consultation with the interested parties and communicating with the biomass suppliers, has been got information and approval, which one risk's indicators is actual for Latvian forestry industry.

SIA Varpa has developed risk mitigation and control system with the assistance of independent biotope experts, professional logging company experts and nature protection specialists. This system helps evaluate and approve biomass deliveries and suppliers, which delivered production is appropriate to SBP-compliant biomass status.

4.3 Results of Risk Assessment.

The regulatory requirements of the Republic of Latvia Laws and regulation are included In the Analyses of Risk Assessment.

Taking in account Latvian particularity, experts advice and recommendation was used definition as “defined risks”, regarding to protection of the biotope (HCV category 3), conservation of birds habitat (HCV category 1), culture and historical objects (HCV category 6) and work health & safety.

4.4 Results of Supplier Verification Programme.

The results of audits of approved SBP Suppliers are related to define risks and they are described down the text. These results of audits are available to the Third Parties and to the Interested Parties. There are documents, which approve audits.

During the risk evaluation`s time the information was collected from legislations sources and also from the check of information`s truthfulness in real life. This collected information about all SBE Risk categories being approved, in 4 categories – Protection of the biotope (HCV category 3), work safety, conservation of birds` habitat (HCV category 1) and culture and historical objects (HCV category 6). For these categories are related “Define risk”, for others categories the risk is define as low.

Risk evaluating and risk mitigation actions for primary wood compliance audit were approved also as actual Define risk in forestry

Secondary wood approval is possible only for the that processors, who has rough wood suppliers, who corresponds to Risk mitigations requirements and who agreed to cooperate to evaluate and mitigate risks on the processing places before processing wood.

4.5 Conclusion

Since the 1st August of 2016 year, when SBE standards` requirements was initiated and implemented, the wood resources` suppliers conformity for define risks was revised. Just a small part of suppliers, who has direct logging and a competence to evaluate potential risks was approved as SBP compliant feedstock delivers for the wood, which is not certified as FSC compliant or PEFC compliant standards` requirement.

The volume of the FSC or PEFC certificated forests and access to the certificated wood is not enough to provide from this biomass at least 75% SBP-compliant biomass.

In the results of risk mitigation measures, Varpa SIA has approved 5 suppliers, who can provide risk mitigation measures and corresponds to SBE low risks category in the delivery's level.

5. Supply Base Evaluation Programme.

The feedstock, which SIA Varpa is obtaining as SBP-compliant biomass is referring to supplies from Latvia and also biomass obtaining from:

- SBP approved forestry scheme
- SBP partially approved for forestry requirements
- SBP approved supply chain for (CoC) system requirements
- SBP approved supplies after rough wood processing

The results of Risk assessment were received by performing audits in the logging companies, who approved and agreed to do necessary action to mitigate risks. Was managed an extra consultation with other logging and forestry companies. The results and experience was publicly discussed with the non-governmental organization.

While managing approval of SBP requirements` implementation and evaluating competence of suppliers, loggers, processors, it were invited following experts in work safety, experts in biotope and experts to identify birds` nests or identify possible culture or historical objects.

The company has developed and uses Risk mitigating procedure, where is described the identified risk mitigation measures and instruments.

For each risk indicator, there are developed and applied questionnaire, so it would be possible objectively evaluate and get the total information about all wood obtaining places, which is or is not approved as SBP-compliant biomass.

The audits frequency and plan are developed for each 6 month, so wood we receive from approved suppliers` cutting areas (forests management units) would be auditing each 6 month. The audit is made before and during processing time. The audits procedure is available only by request. It is confidential. The results are presented and discussed, how to make effective changes with the interested parties.

6. Stakeholder Consultation

The company has published Risk Assessment on SBP home page in 19th September 2016. The information about developed Risk assessment in accordance with SBP standards has been sent to the interested parties. The list of stakeholders includes maximum of receivers' amount. The receivers represent economic, social, environmental interests and also local authorities. In general, it was 86 correspondents.

SBP Risk Assessment is available on the company's home page.

Reply on the commentaries of interested parties.

On the moment of publication and submission SBR to the SIA NEPCon, the company haven't received any recommendation or claims about Risk Assessment and Risk mitigation developing and implementation process.

The approval and note about Risk Assessment developing and the general conclusion has been received from Roberts Kuznerevics, Southlatgale forest district, Kraslava department, the elder Forester.

SIA Varpa has been evaluated and developed the environmental and work safety risks, which might take a place buying rough wood, wood residues and wood biomass.

The company is developing Risk mitigation system, so wood obtaining sources would be environmentally friendly and meet the economic and social interests of the Republic of Latvia.

Recommendation about corrections and comments were received from A. Zeize the director of the Regional Administration of Latgale.

SIA Varpa has been evaluated comments and made correction in the text. Replies to A.Zeize was given by the phone.

Recommendation and the qualifying comment have been received from Viesturs Kerus, The chairman of the Board of the Latvian Ornithology community.

We have received your invitation to comment SIA Varpa Risk mitigation measures, however attached to the email information with the describe of measures is too general and it's impossible to evaluate, how these measures reduce the risks to the birds. Please, send more details about birds' nesting site identification and "audits table for cuts", which is in your opinion, is a good thing in order to determinate and minimize the impact of birds nesting sites.

While consultation process took a place, it was arranged the meeting with the Latvian Ornithology community project manager Roland Lebus. During these meetings it was discussed Risk mitigation measures and further action, if birds' nests sites are identified. Also attention was paid to the

information exchange between audit's company and The ornithology community, because the nests site location is the confidential information.

The recommendation on the necessary corrections or qualifying comment is received from Janis Rozitis, The director of the World Wildlife Fund.

About Risk Assessment

The World Wildlife Fund got familiarized with SIA Varpa SBP Risk Assessment. From The World Wildlife Fund point of view SBP standards requirements' implementation in the Risk assessment are reasonable. Reasonable specific risks for indicators 2.1.1, 2.1.2., 2.8.1. This indicators shows on the problem with biotope identifying and protection, protection of birds nesting sites, work safety, conservation of the cultural and historical values.

The World Wildlife Fund gives following suggestion:

1) The specific risk of the 2.1.1. Indicator is relating to all non-certified forests, forest stand with the key biotope and EU biotope identification. There is no need to pay a lot of attention for private forests as local authorities forests, church forest and others, because there aren't proof, what environmentally friendly forest management would be implemented there.

For risk mitigation there is used data base with possible biotope summary, as well there is developed audit system for the tests in the forests. In the same time, the training about biotope identification should be provided for logging work managers / workers. They should understand, which structure of wood is necessary to save for biodiversity, while logging. The certified forest ecology experts should be invited to both initial courses and for further qualification courses. If there is a specific cases experts should be invited to evaluate the situation before obtaining resources too.

2) The specific risk of the 2.1.2. Indicator is relating to all non-certified forests. There is no need to pay a lot of attention for private forests. See comment of indicator 2.1.1.

3) For the indicators 2.2.1., 2.2.3., 2.2.4., 2.2.5., 2.2.6. in the part "Finding" there is mentioned Low risk. However it should be paid high level of attention in the future as well, because increase of biomass obtaining, changes in the laws and legalization, there are risks for the negative effects for biodiversity (the removal of dead wood, the cut of all underwood etc.), soil and water ecosystem.

4) For the indicators 2.2.5. in the part "Finding" there is suggestion to switch off point Nr.3 "Felling residues should not be removed in certain forest site types such as SI (Cladinoso–callunosa), Ln (Myrtillosa) and Mr (Vacciniosa), to avoid depletion of soil humus according to authors of study on impacts of forestry machinery on forest soils", because this might cause confusion and get contradictions with the biological diversity conservation necessity, reducing this forest type overgrowing.

5) We can agree what for the indicator 2.3.2. Specific risk is not promotable, but in the part "Finding" it should be said, what logging workers still need to improve their knowledge about the implementation of the requirements of the environment and the protection of nature while doing logging works, biotope protection.

During the consultations time the meeting with World Wildlife Fund director in Latvia – Mr. Janis Rozitis has been arranged. SIA Varpa affirms that actively participates in the Risk mitigation

measures, so the all system would correspond to effective Risk mitigation program and it wouldn't be just formal, but to grasp all chosen suppliers wood deliveries, which are compliant with SBP requirements and Risk mitigations measures.

The recommendation on the necessary corrections or qualifying comment is received from

Senior expert Stella Boķe, The State Forest Center, stella.boke@vmd.gov.lv

Below there are some comments from VMD, but they are more related to the indicators, where are mentioned imported wood and EU Regulation of wood (EUTR).

"Stakeholders have underlined that

The share of imported timber from countries with a specified risk level with regard to the timber legality, i.e. the Russian Federation, the Republic of Belarus and Ukraine, is small" (5.page.)

In general, we agree to this and also others statements and we can say this is "low risk" indicator.

* "Most of the timber imported to Latvia from the Russian

Federation is FSC certified or controlled material (FSC Controlled Wood),

Supported by the fact that timber from Russian Federation is mostly purchased

by large sawmills that are FSC/PEFC certified." (5.page)

We don't know is this statement right or not. Our experience shows, that a large part (but we don't say, that the most) of wood from Russia is not certified/controlled. Is there somebody who had counted which one part is larger? (if yes, then OK). The fact is, what if sawmills are certificated, it doesn't mean what wood materials which they buy/ import are certified/ controlled.

**Said in the end of 5th page and in the beginning of 6th page in connection with EUTR and Competent Authority is true".

* The text for indicator 1.3.1. (in connection with the Regulation) is not true or partly true. This one wasn't right from the beginning and Nepcon LV, Nepcon central bureau and FSC central bureau/Europe were informed. At the moment the text is in the correction process. For example, while text was still in the developing process, the test had been started, but all companies were informed, all amounts of companies was known, nothing was developed in cooperation with the Nature Protection Administration. This is mentioned on the 6th page and there is wrong amount of fine, which are related to import/all EUTR. They are legal from July 2015. In the end of description ("Finding") there is mentioned "most issues, particularly those indicated in WWF Barometer survey have already been resolved or are in the process of implementation", bet even this is not true, because there is nothing in the implementation process, but everything has been implemented.

The correction has been accepted and implemented in the Risk Assessment.

7. Overview of Initial Assessment of risk.

In the reviewed Risk Assessment by SIA Varpa level for each indicator is developed SBP Regional Risk Assessment for Latvia, which NEPCo has developed according to SBP Standard Nr.1 version 1.0 from the March of 2015.

Define risk specification's indicator "Specific risk" and these indicators, whose level of risk have been changed in the Risk Assessment Process were revised, evaluated in accordance with the requirements of the law, public policy (the forest sector, the protection of nature and biodiversity etc.), the annual reports and the publication of the national institutions and authorities. In addition, the Risk specification was discussed with the interested parties and the leading experts in the environmental protection and forestry sectors.

After Risk Assessment publication, SIA Varpa began Risk mitigation process for 3 risk categories. The Results are shown in the table, point 7 and point 8 below.

The summary of Risk Assessment results is shown in the table below.

After Risk Assessment publication, SIA Varpa began the verification of 2 highlighted define risk in the nature. The Results are shown in the table, point 7 and point 8.1. below.

The overview of Risk Assessment results for all indicators (before suppliers testing program (SVP))

Indicators	Initial Risk Assessment		
	Low	Define	Non Define
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		

Indicators	Initial Risk Assessment		
	Low	Define	Non Define
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		

2.2.1	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		
2.3.1	X		
2.3.2	X		
2.3.3	X		

2.8.1		X	
2.9.1	X		
2.9.2	X		
2.10.1	X		

8. Suppliers Verification programme

8.1 Description of the Suppliers Verification Programme

Risk mitigation measures are related to following feedstock categories:

- primary feedstock deliveries from Latvian forests properties before, during and after logging works;
- secondary feedstock (woodchips, sawdust);
- does not apply to other regions of origin;
- primary biomass is not qualifying and isn't related to broad-leaved tree species such as oak, maple, elm, if it exceeds 70 cm diameter on the stump.

SIA Varpa divides SBP suppliers in 2 categories:

Category Nr.1. SBP NR compliant supplier - suppliers, who has signed the Agreement about SBP Compliant feedstock deliveries, the training about identifying risk categories has been done, the supplier is making tests for all delivered feedstock from all wood origin units, SIA Varpa made an audit for this supplier and gave a written confirmation. In the case, if supplier have not evaluated the logging unit and have ignored any of Risk category, which haven't identifying or haven't told about it, then this supplier is switch off from the list of SBP compliant feedstock supplier.

Category Nr.2. SBP NR non-compliant supplier – include all suppliers, who hasn't been done Risk assessment to all delivered wood volume and with these suppliers there hasn't signed the Agreement about SBP Compliant feedstock deliveries. The training about identifying risk categories has been done, but suppliers doesn't do any Risk mitigation measures, using SIA Varpa Risk mitigations instruments. The audit to this supplier might be done, but SIA Varpa haven't give him a written confirmation.

An independent, international auditor company does the evaluating and verification of compliance for SIA Varpa approved suppliers. If during audit time there is found, what any from suppliers have ignored risk categories, the evaluating program is revised and the supplier is excluded from the list of SBP compliant feedstock supplier.

During the process of SBP certification, the company was evaluating suppliers, logging works in the forest and processors, who agreed and signed The Agreement about SBE requirements performance, in way of doing evaluation of logging area before work and identifying all risk categories.

Audits are performed at least once in a 6 month for approved suppliers to make sure what they compliant for SBP requirements and at least once in a year for non-approved suppliers before or during logging works.

There is an additional program for those non-approved suppliers, who would like to supply a compliant biomass and have competency to evaluate the risk categories. This program includes a test before logging

works. In the company's procedures there is described a minimum criteria for suppliers to be approved as SBP compliant.

The number and choice of visiting places are planned in advance. One month before logging work company receive from the approved and non-approved suppliers information about planned logging work places, cadaster numbers, coordinates of cutting areas.

To get an additional information there is used the following sources: Latbio, the potential biotope data base (www.latbio.lv/MBI/), The Nature Conservation Agency's data base "Ozols" (http://www.daba.gov.lv/public/lat/dati1/dabas_datu_parvaldibas_sistema_ozols/). There can be found information about recommendation from forestry and nature protections' experts. During audits, we have got an approval, what suppliers understand about risks relating long-term biomass obtaining, they correctly identifying risk categories and do everything to mitigate the risks.

SIA Varpa's tasks in the SBP certification are to test all the feedstock suppliers, performing audits, evaluating compliance to SBP standards requirements, evaluating competency and ability to identify risks, which are connected with 4 risk categories in Latvia.

For all suppliers, approved and non-approved, it's been evaluated work safety system, all actions to safe biotopes, actions to identify biotopes before logging works, actions to safe cultural and historical values and birds' nests protection.

During audit time it was checked, how the forestry company does the Risk mitigation measures, filling specials check lists, which were approved by biotope experts. After checking these reports (check lists), SIA Varpa can make a conclusion if supplier is ready to supply SBE compliant feedstock or supplier has to do corrections in his work and audits should be done once again.

In the process of Risk mitigation all cutting areas were checked using <http://latbio.lv/MBI/>.

8.2 Site visits.

Audits were performed randomly before or during logging works.

Forests parts with the sign of potential biologically highly valued forest stand were attended firstly (forest biotope).

SIA Varpa uses a formula $0,8\sqrt{FMU} = x \cdot FMU$ to plan a number of audits for each supplier. The FMU means the amount of planned cuts during the year, X FMU – the amount of visited cuts before or after logging works.

Territories for audit and suppliers were chosen in the next way: to cover maximum of deliveries regions, service providers, different forestry companies and the subcontracts of these companies. The region of wood obtaining in audit's program is Latvia.

It was visited 95 forest management units (forest properties, farms) while following programs were performing: identifying of potential biotope, birds` nests identifying, cultural and historical objects identifying, work safety risk identification and risk mitigation measures.

95 – Forest property units were visited before work starts.

52 – Forest property – during work

2 – Manufacturers, who delivery secondary feedstock after processing

52 – Work safety audits of forestry companies and subcontractors of these, service providers.

8.3 Conclusions from the Supplier Verification Programme

Monitoring risk program of labour protection and work safety

Labour protection audits were started the 1st of January 2017. Audits were planned in advance and were performed to all suppliers and processors. Before doing tests SIA Varpa asked suppliers to give information about logging places service providers. All together were tested 52 logging work places.

Territories for audit and suppliers were chosen in the next way: to cover maximum of deliveries regions, different forestry companies and the subcontracts of these companies. The region of audit: Eastern Latvia.

Notes and records were done for each audit of supplier.

After audits we can make a conclusion, what the risks related to labour protection and work safety in logging works in the forest or not in the forest can be divided in two parts:

1) the logging with the special machines (harvesters) maximum reduce all risks related to labour protection and work safety. During audits were found just a few minor failures.

2) the high level of risk related to labour protection and work safety was found in 11,5% of logging places, where logging was made with the hand saws. During audits were found significant discrepancies. The management of these companies was invited to pay more attention to the labour protection.

Biotope, bird habitat, cultural and historical objects identification and monitoring of risk program

Audits of monitoring of biotope risk program were started from 19th September. Firstly were tested that cutting areas and territories near cutting areas, where by Latbio, Nature administrative data were potential biotopes. These tests were done before and during logging work.

Territories for audit and suppliers were chosen in the next way: to cover maximum of deliveries regions, service providers, different forestry companies and the subcontracts of these companies. The region of wood obtaining in audit's program is Latvia. Notes and records were done for each audit.

The following conclusions are done after performed audits:

1) suppliers have an understanding about biotope evaluating mechanism, suppliers understand the necessity of doing biotope evaluating audit before any logging work, the necessity of biotope audits in economic forests and agricultural land, where wasn't a big possibility of biotope existence. In the cases of doubt there is invited forest and field biotope expert for consultation.

2) on the chosen forests plots during logging works weren't found any cultural or historical values. It means, what suppliers understand, what protection of the cultural and historical values is regulated by the Law of the Republic of Latvia. If any of cultural and historical values are founded, the State Forest Service and relevant local authorities are informed about this by written note. The logging works are suspended until the decision of the competent authorities.

3) there are not found big birds' nests (more than 50cm) on the visited cutting areas during audits. Suppliers know what to do, in case if they find big birds' nests (more than 50cm). Logging companies understand the need to leave on the glades dead trees and ecological trees. Audits found that the administrative territories restrictions for logging are followed.

Audits founds, what logging companies are ready to show to SIA Varpa auditors forest territories, which they recognize as highly valued biological forest (EU definition - forest biotope, natural forest biotope) and loggings work won't be done there, or in the other case SIA Varpa management will be informed about this. The wood from these forests sites/properties won't be delivered.

9. Mitigation measures

9.1 Mitigation measures

9.2. Risk mitigation measures are related to following biomass deliveries` risk categories:

- Forest biotope in the Europe interest, identification of forest biotope
- cultural and historical monuments, identification of objects with the cultural and historical value during logging process
- identification of the birds` nests
- Labour protection and work safety`s risk mitigation

9.3. The process of audit

9.3.1. Audits were performing randomly to all suppliers despite are they approved as SBP supplier or are not.

9.3.2. For those suppliers, who are approved as SBP compliant feedstock supplier, audits and all categories evaluating are performing only before or during logging works

9.3.3. For agricultural land, before removing plant cover (bushes, small trees, audits are performing before and during processing time, evaluating all possible risks.

9.4. After analyzing audit`s results, the management of SIA Varpa makes a decision about further cooperation, volumes of deliveries. If suppliers refuse to give information about planned processing volumes or refuse to cooperate with the SIA Varpa audits, then these suppliers might be switched off from the suppliers` list.

9.5. SIA Varpa invites biotope experts, specialists, forest work`s safety specialists and manage additional informative seminars. This is doing to inform suppliers as much as possible about SBP compliant feedstock deliveries requirements and potential risks, reducing this way SBP non-compliant feedstock deliveries risks.

9.6. General description of risk mitigation system:

9.6.1. General Risk mitigation measures:

9.6.1.2. FSC certified wood procurement, as priority SBP compliant biomass procurement.

9.6.1.3. Including in the Supply contract conditions of SBP standards for biomass deliveries, thereby identifying and reducing risk of SBP non-compliant feedstock deliveries.

9.6.1.4. Biotope Risk Assessment procedure is made before logging works, during and after, including following actions:

9.6.1.4.1. Check of cadaster number before, during or after processing, using Latbio data base "Biotope instrument" http://latbio.lv/MBI/search_db;

9.6.1.4.2. Check of possible existence of forest biotope in the Europe interest, potential forest biotope (MB) on the each forest site, which was bought, using Natere's data base 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/

9.6.1.4.3. There is developed audit's form of evaluating before logging works. This form includes all 4 risks categories. The form is developed together with the biotope experts in order to determinate and minimize impact on potential biotope, identify and protect cultural and historical objects and birds' nesting sites.

9.6.1.5. Labour protection and work safety's risk assessment is occurring during logging works. The Master of Forestry is doing check following specially developed check list. This list includes minimum requirements for the safety in the forest. This check list has been developed together with the company's licensed safety specialist.

9.6.1.6. The training has been done to the company's masters of forest and biomass suppliers. The aim of the trainings is to teach loggers and suppliers to identify the indicators of possibly potential biotopes, birds' nesting sites, cultural and historical objects, also to fully ensure work safety requirements in own company and service provider's company.

The evaluation of Risk assessment effectiveness and results of the audits are available on request from the third parties. While face-to-face meeting the mechanism of Risk mitigation measures will be explained, profit from this and further cooperation in the process of risk reducing.

9.2 Monitoring and outcomes.

2 suppliers – loggers were aren't approved for wood deliveries. This happen, because during audits of suppliers the violations of work safety was found and supplier didn't want to cooperate with the SIA Varpa in biotope identifying, as well as reducing SBP non-compliant feedstock deliveries' risks

After surveillance audits and potential biotope and work safety's risk evaluating, the management of SIA Varpa decided to switch off those suppliers, who didn't meet the criteria of risk mitigation program, developed by SIA Varpa.

Supply region: Eastern Latvia

After SBP Risk mitigation audits and trainings for suppliers, all participants (suppliers, forest properties' holders, logging companies) got the understanding about SBP requirements related to risk categories, risk identifying and risk mitigation mechanism.

After audits the 5 companies are approved as SBP compliant feedstock suppliers.

Details for each indicator are provided in the risk assessment.

The risk assessment available: SIA “Varpa” in the office, at the address Krāslava, Indras street 15.

10 Review of Report

10.1 Peer review

The final version of this report was submitted for review of specialists connected to woodworking, wood growing and forest environmental processes.

The report has been considered by and received back with comments from:

*Riga State Technical School Principal of Kraslava Branch **Mr. Aivars Andžāns** who has extensive experience in wood processing.*

*The Senior Silvicultural Consultant of Dienvidlatgale Forest Owner Consulting Centre **Mr. Janis Dzalbs** who is the expert in wood yield and quality.*


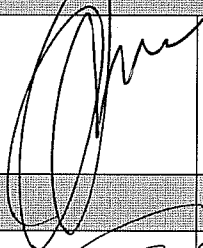
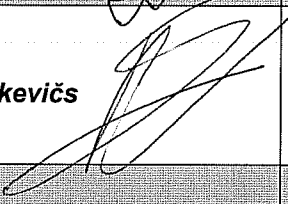
*World Wildlife Fund director in Latvia and forest program leader – **Mr. Janis Rozitis**.*

*Latvian Ornithological Society (LOB), Chairman of the board - **Mr. Viesturs Kerus**.*

10.2 Public or additional reviews

Other opinion (except opinions presented in 10.1) has not been received.

11 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Bernards Baranovskis</i> 	<i>Board Member</i>	<i>28.04.2017.</i>
	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:	<i>Edvars Baranovskis</i> 	<i>Chairman of the Board</i>	<i>28.04.2017.</i>
	Name	Title	Date
Report approved by:	<i>Aleksandrs Bartkevičs</i> 	<i>Board Member</i>	<i>28.04.2017.</i>
	Name	Title	Date

12 Updates

12.1 Significant changes in the Supply Base

From May, 2016 Belarus has been included into Supply Base. Only FSC certified supplies have been authorized of Belarus origin.

12.2 Effectiveness of previous mitigation measures

n/a

12.3 New risk ratings and mitigation measures

n/a.

12.4 Actual figures for feedstock over the previous 12 months

64881 mt.

12.5 Projected figures for feedstock over the next 12 months

228500 mt.