Supply Base Report: Varpa SIA

Third Surveillance Audit

www.sbp-cert.org

Completed in accordance with the Supply Base Report Template Version 1.5

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

Document history

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1 Overview

Producer name: Varpa SIA

Producer address: Indras Street 15, LV-5601 Krāslava, Latvia

SBP Certificate Code: SBP-04-59

Geographic position: 55.842900, 27.169100

Primary contact: Bernards Baranovskis, +371 6562 6653,b.baranovskis@varpa.eu

Company website: www.varpa.eu

Date report finalised: 19 Mar 2024

Close of last CB audit: 29 Mar 2023

Name of CB: SCS Global Services

SBP Standard(s) used: SBP Standard 1: Feedstock Compliance Standard, SBP Standard 2: Verification of SBP-compliant Feedstock, SBP Standard 4: Chain of Custody, SBP Standard 5: Collection and Communication of Data Instruction, Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.5

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

SBP Endorsed Regional Risk Assessment: Lithuania, Latvia

Weblink to SBR on Company website: N/A

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

2 Description of the Supply Base

2.1 General description

Feedstock types: Primary, Secondary, Tertiary

Includes Supply Base evaluation (SBE): Yes

Includes REDII: Yes

Includes REDII SBE: No

Feedstock origin (countries): Latvia, Lithuania

2.2 Description of countries included in the Supply Base

Country: Latvia

Area/Region: Whole country

Sub-Scope: N/A

Exclusions: No

In Latvia, forests cover area of 3,441 mil. ha (the State Forest Services, 2023). According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest law), woodenness amounts to 53% (ration of forest to the entire territory of the country). The Latvian State owns 49% of the total forest area, whilst 48 % of the total forest area belong to private forest owners and 3% - to municipalities. Private forest owners in Latvia constitute a number of approximately 144 thousands.

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 3.052 mil ha (90.6%)

· Marshes 0.17 mil ha (5.05%)

· Glades (forest meadown) 0.03 mil ha (0.89%)

· Flooded areas 0.017 mil. ha (0.5%)

· Roads 0.022 mil. ha (0.65%)

· Ditches 0.061 mil. Ha (1.81%)

· Other woodland 0.017 mil.ha (0.5%)

(source: vmd.gov.lv, the State Forest Services, 2019) Distribution of forests by the dominant species:

· Pine 32,95%

· Spruce 18,68%

· Birch 29,63%

· Black Alder 3,29%

· Grey Alder 7,07%

· Aspen 7,25%

· Other species (each less than 1%) 1%

(source: vmd.gov.lv, the State Forest Services, 2019) Share of species used in reforestation, by planting area:

· Pine 16%

· Spruce 21%

· Birch 29%

· Grey Alder 13%

· Aspen 16%

· Other Species 5%

(source: vmd.gov.lv, the State Forest Services, 2019) Timber production by types of cuts, by volume produced:

· Final cuts 82,94%

· Thinning 10,84 %

· Sanitary cuts: 3,05%

· Deforestation cuts 1.55%

· Other types of cuts 1.62%

(source: vmd.gov.lv, the State Forest Services, 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.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 in gross domestic product accounted for 6,5%, while exports amounted to 3.633 billion EUR in 2021 (liaa.gov.lv).

Harvesting

In order to commence commercial activities in the forest, the State Forest Department requires long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting License 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 License (license 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 658 protected areas have been established, that covers 28.2% of woodland territories. 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 2019, the total area of micro reserves is 45,1 mil. 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.

786 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 licenses.

Forest and community

Areas where recreation is one of the main forest management objectives add up to 8% of the total forest area (State Forest Service, 2020). 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. Latvian forests are certified according to FSC on 1,217,971 ha and PEFC certification scheme on 1 764 979 ha.

SIA Varpa only uses FSC certified and controlled wood, as well as PEFC certified or controlled by PEFC DDS feedstock, 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 or PEFC certified, mainly originating from Latvian State Forests and large private owners.

Varpa SIA is also implementing by PEFC DDS to other materials from variety of suppliers in Latvia.

Feedstock groups

The largest part of feedstock for biomass productioin has been bought by VARPA SIA from Latvia as low grade round firewood and wood processing residues at saw mills.

Overview of the proportions of SBP feedstock product groups for Latvian supplies:

Production Group	Proportion of the PG, %	Amount of Suppliers
Controlled Feedstock	0	0
SBP – compliant primary Feedstock	67.76	23
SBP – compliant secondary Feedstock	31.99	12
SBP – compliant tertiary Feedstock	0.25	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).

Country: Lithuania

Area/Region: Whole country

Sub-Scope: N/A

Exclusions: No

According to National Forest Inventory data (2021), the forested land consists of 2,200,667 ha covering 34% of the country's territory. The south-eastern part of the country is most heavily forested, and here forests cover about 45% of the land. Since the 1st January 2003, the forest land area has increased by 157,367ha corresponding to 7,2% of the total forest cover.

By 1st January 2020, around a half of all forest land in Lithuania was of state importance – 1110,000 ha. 924,000 ha of private forests were registered in the State Enterprise Centre of Registers.

Forest land covered 607,900 ha in protected areas at the beginning of 2019. After estimating the overlaps of protected areas, this area decreases to 589,800 ha. NATURA 2000 sites and natural habitats of European Community importance (taking into account the overlaps between these sites) included 688,700 ha of forest land. Lithuania has been a signatory of the CITES Convention since 9 March 2002. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.Restrictions of activities were applied in 68,800 ha of forest land as these areas fall into the key forest habitats, protection zones of Lithuanian Red Book objects or buffer zones of state parks. The area of forest land in all these territories, taking into account their overlaps, was 845,500 ha.

Half of this forest land is classified as forest group IV (commercial). The area classified as group III (protective) compose 22%, group II (ecosystem protection and recreational) - 25% and group I (strict nature reserves) - 3%.

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. Occupying 1,145,600 ha, coniferous stands prevail in Lithuania, covering 55.6% of the forest stands area. They are followed by softwood deciduous forests (844,800 ha, 41.0%). Hardwood deciduous forests occupy 68,200 ha (3.3%). The total area of softwood deciduous forest stands increased by 146,400 ha over the last sixteen years. The area of hardwood deciduous has decreased by 24,400 ha (mainly due to dieback of ash stands) and coniferous forest by 14,400 ha. Scots pine occupies the biggest share in Lithuanian forests – 710,600 ha. Compared to 2003, the area of pine decreased by 900 ha. Norway spruce stands covers 432,600 ha, with a reduction of 12,700 ha. Birch stands covers the largest area among deciduous trees. Since 2003, it increased by 60,300 ha and reached 452,400 ha by the 1st January 2019. Area of black alder increased by 41,800 ha, to 161,300 ha. The area of grey alder decreased by 300 ha reaching 121,700 ha. The area of aspen stands expanded by 38,600 to 96,000 ha. The area of oak stands increased from 35,700 ha to 47,300 ha. The area of ash stands decreased more than three times and occupied 13,000 ha. The average forest area per capita increased to 0.79 ha.

The average growing stock volume in all forests since 2003 increased by 34 m^3/ha up to 260 m^3/ha. The growing stock volume of mature stands in III-IV forest groups has increased from 109.9 to 153.7 million m^3 in average 2.7 million m^3 per year. The gross annual increment increased from 16.0 to 20.4 million m^3 in average and now contain 9.6 m^3/ha per year. The average growing stock volume per capita reached 198 m^3.

The wood industry (including manufacture of furniture) exports increased to EUR 3,100 million or by 9% compared with 2017. Its share in the total export of Lithuania increased from 10.8% to 11.0%. The total value added in the forest sector (including manufacture of furniture) reached EUR 1.8 billion in 2017. Total value added (at current prices) increased by 9% over the year. Sectors share in the total national value added was 4.6% same as in 2016. (Resources: https://osp.stat.gov.lt/services-portlet/pub-edition-file?id=35942)

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate - 1,276,608 ha. 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 implementing by PEFC DDS to other materials from variety of suppliers in Lithuania and includes controlled Lithuanian supplies into SBE.

Feedstock groups

About one thrird of the feedstock VARPA SIA obtains from Lithuania as wood processing residues from saw mills.

Overview of the proportions of SBP feedstock product groups for Latvian supplies:

Production Group	**Proportion of the PG, %**	**Amount of Suppliers**
Controlled Feedstock	0	0
SBP – compliant primary Feedstock	0	0
SBP – compliant secondary Feedstock	100	3
SBP – compliant tertiary Feedstock	0	0

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).

2.3 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 explain 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 responsibles 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 March 2021, 2022, 2023 and 2024 Varpa SIA has broadcasted among its uncertified suppliers a letter with invitation to participate in FSC or PEFC COC certification schemes. This invitation explained the role and importance of the CoC certification, as well as benefits for the supplier resulting from this certification.

2.4 Quantification of the Supply Base

Supply Base

a. **Total Supply Base area (million ha)**: 5.64
b. **Tenure by type (million ha):**2.80 (Public), 2.58 (Privately owned), 0.26 (Community concession)
c. **Forest by type (million ha):**5.64 (Temperate)
d. **Forest by management type (million ha):**5.64 (Managed natural)
e. **Certified forest by scheme (million ha):**2.49 (FSC), 1.76 (PEFC)

Describe the harvesting type which best describes how your material is sourced: Mix of the above
Explanation: The main harvesting method in Latvia and Lithuania is clear cutting after the forest has achieved maturity age (60-100 years depending on dominant species). Thinnings represent a small part of the feedstock.
Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority
Explanation: Forests are managed traditionally with the purpose to maximize their value. Therefore the main outcome after cuttings is represented by high value logs, which are used in woodworking industries as sawmilling and veneer production. Such logs are economically not suitable for usage as energy source.

For the forests in the Supply Base, is there an intention to retain, restock or encourage natural regeneration within 5 years of felling? Yes - Majority
Explanation: Local traditions and state legislation is asking for recovering of cutted forests, by artificial planting of trees or naturally.

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? Yes - Minority
Explanation: Sanitary harvesting has very minor extent. Most forests are well managed and healthy.

What is the estimated amount of REDII-compliant sustainable feedstock that could be harvested annually in a Supply Base (estimated): 90000.00 tonnes
Explanation: The secondary and tertial feedstock will be sourced as REDII-compliant. The numerical estimate is based on the amount of the secondary and tertial feedstock received by the plant in the previous reporting period.

Feedstock

Reporting period from: 01 Jan 2023

Reporting period to: 31 Dec 2023

a. **Total volume of Feedstock**: 200,000-400,000 tonnes
b. **Volume of primary feedstoc**k: 1-200,000 tonnes
c. **List percentage of primary feedstock, by the following categories.**
    - Certified to an SBP-approved Forest Management Scheme: 40% - 59%
    - Not certified to an SBP-approved Forest Management Scheme: 1% - 19%
d. **List of all the species in primary feedstock, including scientific name:** Picea abies (Spruce); Pinus sylvestris (Pine); Betula pendula (Birch); Betula pubescens (Pubescent birch); Populus tremula (Aspen); Alnus glutinosa (Grey alder); Alnus incana (Black alder);

e. **Is any of the feedstock used likely to have come from protected or threatened species?** No
   - Name of species: N/A
   - Biomass proportion, by weight, that is likely to be composed of that species (%):

f. **Hardwood (i.e. broadleaf trees): specify proportion of biomass from (%):** 74.40

g. **Softwood (i.e. coniferous trees): specify proportion of biomass from (%):** 25.60

h. **Proportion of biomass composed of or derived from saw logs (%):** 0

i. **Specify the local regulations or industry standards that define saw logs:** The local industry considers that saw log has diameter 12 cm and more for coniferous species, and 14+ cm - for broadleaf species, lengths shall be not less than 2m, and the saw log shall be straight enough, no rot , without metal inclusions.

j. **Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%):** 100.00

k. **Volume of primary feedstock from primary forest:** 0 N/A

l. **List percentage of primary feedstock from primary forest, by the following categories. Subdivide by SBP-approved Forest Management Schemes**:
   - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme: N/A
   - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme: N/A

m. **Volume of secondary feedstock**: 1-200,000 tonnes
   - Physical form of the feedstock: Chips, Sawdust

n. **Volume of tertiary feedstock**: 1-200,000 tonnes
   - Physical form of the feedstock: Shavings

o. **Estimated amount of REDII-compliant sustainable feedstock that could be collected annually by the BP:** 90000.00tonnes

Proportion of feedstock sourced per type of claim during the reporting period				
Feedstock type	**Sourced by using Supply Base Evaluation (SBE) %**	**FSC %**	**PEFC %**	**SFI %**
Primary	26.72	35.48	37.80	0.00
Secondary	59.76	27.66	12.58	0.00
Tertiary	0.00	100.00	0.00	0.00
Other	0.00	0.00	0.00	0.00

3 Requirement for a Supply Base Evaluation

Note: Annex 1 is generated by the system if the SBE is used without Region Risk Assessment(s). Annex 2 is generated if RED II SBE is in the scope.

Is Supply Base Evaluation (SBE) is completed? Yes

SIA Varpa receives only part of its feedstock as SBP- compliant, when it is obtained from SBP-approved Forest Management Schemes. The market demands mainly for SBP-complant biomass, therefore the SBE needs to be implemented.

SBP Supply Base Evaluation includes:

· Primary wood (rough wood),

· Secondary wood (woodchips and sawdust as sawmill and wood industry residues).

Is REDII SBE completed? No

N/A

4 Supply Base Evaluation

Note: Annex 2 is generated if RED II is in the scope.

4.1 Scope

Feedstock types included in SBE: Primary, Secondary

SBP-endorsed Regional Risk Assessments used: Lithuania, Latvia

List of countries and regions included in the SBE:

Country: Latvia

Indicator with specified risk in the risk assessment used:
2.1.1 The BP has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation value in the Supply Base are identified and mapped.

Specific risk description:
High Conservation Value Forests, category 1 (major locations of concentrations of

species listed in the EU Habitat and EU Birds directive):

A given number of important habitat sites, e.g., the nesting areas of a number of species included in the Bird's Directive Annex I, are not identified within the State Register of Forests this can result in forest management activities threatening the conservation status of many species through habitat removal and fragmentation.

High Conservation Value Forests, category 3 (include Natura 2000 sites, EU protected

habitats, Woodland key habitats):

Significant areas of WKH, particularly those located in non-certified forests do not have any protection status and there is a high risk of elimination of WKHs and EU protected habitats in non-certified forests.

High Conservation Value Forests, category 6 (Forest and parks in or around objects of cultural heritage):

The legacy of cultural heritage in forests is not fully known and there are gaps in the knowledge.

Country: Latvia

Indicator with specified risk in the risk assessment used:
2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:

High Conservation Value Forests, category 1: There is an expert concern about nesting areas of a number of species included in the Bird's Directive Annex I which are not identified and registered in the forest register databases and thus "de facto" are not protected outside protected nature territories with special protection regimes. Intensive forest management particularly in non-certified forests leading to a loss of old forest stands suitable for nesting.

High Conservation Value Forests, category 3: Requirements to protect Woodland Key Habitats and/or EU protected forest habitats are not provided for by the current forestry and environmental legislation. In fact, forest owners/managers and logging companies lack knowledge and awareness on identification and protection of WKHs and EU protected habitats. There is high risk that woodland key habitats and EU protected habitats are destroyed or damaged during harvesting operations in non-certified forests.

High Conservation Value Forests, category 6:

There is information on isolated cases of destruction/damaging of objects of cultural heritage in private forests that do not have official protection status; the general opinion of stakeholders regarding a lack of awareness by private forest owners of the cultural heritage values in their forests; frequent negligence of harvesting companies with regard to preserving objects of cultural heritage; unwillingness of private forest owners to communicate/notify authorities about objects of cultural heritage in their forests due to a fear of restrictions on tree harvesting.

Country: Latvia

Indicator with specified risk in the risk assessment used:
2.8.1 The BP has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).

Specific risk description:
Professional OH&S institutions consider that the risk level cannot be specified as "low risk" for all operations in the forestry sector in Latvia, as the situation vary significantly among the companies working in the forestry sector. "Specified risk" is considered for harvesting works which are carried out by manual harvesting means (chainsaws) in non-certified forests.

Country: Lithuania

Indicator with specified risk in the risk assessment used:
2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:
Absence of a regulated protection regime in private forests against negative impacts of forest activities on WKH in Lithuania brings this indicator to have "Specified risk".

Country: Lithuania

Indicator with specified risk in the risk assessment used:

2.8.1 The BP has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).

Specific risk description:

There is concern about contractors working in private forests because of periodically occurring fatal and serious injuries at the work place. In addition, there are not sufficient measures to ensure that contractors working in private forests are properly equipped and trained about OH&S.

4.2 Justification

RRAs has been developed by implementing extensive consultations with the interested parties and communicating with the biomass suppliers, NGOs, experts and state institutions, as well as overview of national low and regulatory requirements, national policies (forest industry, nature protection, biodiversity etc.), the annual reports and publications of the national institutions and authorities has been deeply analyzed, what gave all-encompassing knowledge about risk indicators actual for Latvian and Lithuanian forestry industry.

Achieving compliance with those RRAs shall be the best practice of the proper risk mitigation for indicators in trouble.

4.3 Results of risk assessment and Supplier Verification Programme

Taking into account Latvian particularity, experts' advises and recommendations, “specified risk” has been applied to the identification and conservation of birds habitats (HCV category 1), protection of WKHs (HCV category 3), cultural and historical objects (HCV category 6), as well as to the work safety of forest workers (indicator 2.8.1).

In Lithuania “specified risk” has been defined to the protection measures WKHs (HCV category 3) (indicator 2.1.2.) and work safety of forest workers (indicator 2.8.1).

4.4 Conclusion

Our SBE procedure, based on RRAs, has a solid ground for observation and protection of all SBP principles, because it is based on wide range of stakeholders' opinions, scientific research and governmental recommendations.

Supplier verification program, correspondingly elaborated, is intended to control all main points of risks origin, and is capable to optimization and development.

It has proofed its reliability and effectiveness by the medium of the real-life experience.

5 Supply Base Evaluation process

The SBE approved feedstock, which SIA Varpa is obtaining for SBP-compliant biomass, refers to supplies from Latvia and Lithuania.

While looking for the approval of its SBE procedures Varpa SIA has initiated stakeholders consultation in both countries with wide range of experts, state officials, independent organization, local communities, suppliers, loggers and processors.

Our person responsible for BP's SBE field audits at the level of suppliers has high and checked by BP qualification. All people involved into the auditing processes have got the specialized training.

For each risk indicator, a questionnaire has been developed and applied, so that it would be possible to evaluate objectively and get the full necessary information about wood obtaining places, which are included into the scope of the SBE. Robust nationwide databases (Ozols in Latvia and Geoportal in Lithuania) are used for HCV recognition and identification.

The frequent random field and onsite audits according to the developed plan and initial audits at the new suppliers are taken with the purpose to keep the SBE processes running stably, uniformly and comprehensively.

All results and observations are documented and colligated.

Consolidated results are presented to the interested parties, senior executives and partners, as well as discussed with the intention to improve the effectiveness and quality of the system.

6 Stakeholder consultation

The Risk Mitigation Meathures were published on Varpa SIA home page on 8th January, 2021. 114 stakeholders from different society segments were invited to consultations about Varpa SIA mitigation meathures in Latvia, and and 133 - in Lithuania. The list of stakeholders includes maximum of possible interested parties. The stakeholders in the list represent economic, social, environmental interests and also local authorities.

The information about BP's risk mitigation measures were distributed by means of mass e-mail mail-out with the registering of receipt.

No feedback has been received.

6.1 Response to stakeholder comments

7 Mitigation measures

7.1 Mitigation measures

Country:
Latvia

Specified risk indicator:
2.1.1 The BP has implemented appropriate control systems and procedures for verifying that forests and other areas with high conservation value in the Supply Base are identified and mapped.

Specific risk description:
High Conservation Value Forests, category 1 (major locations of concentrations of

species listed in the EU Habitat and EU Birds directive):

A given number of important habitat sites, e.g., the nesting areas of a number of species included in the Bird's Directive Annex I, are not identified within the State Register of Forests this can result in forest management activities threatening the conservation status of many species through habitat removal and fragmentation.

High Conservation Value Forests, category 3 (include Natura 2000 sites, EU protected

habitats, Woodland key habitats):

Significant areas of WKH, particularly those located in non-certified forests do not have any protection status and there is a high risk of elimination of WKHs and EU protected habitats in non-certified forests.

High Conservation Value Forests, category 6 (Forest and parks in or around objects of cultural heritage):

The legacy of cultural heritage in forests is not fully known and there are gaps in the knowledge.

Mitigation measure:
Applies to timber purchases throughout the territory of Latvia which include purchases after logging or clearing of agricultural land.

Does not apply to FSC or PEFC certified deliveries.

The assessment is be carried out before logging at site by a trained person who has been issued with the relevant certificate .

The assessor must have expert access to the Ozols database, which maps all HCV on the territory of the country.

The Assessor checks every cadastral number at the database "Ozols" about the existence of HCV. If a HCV in the database is presented at the given cadastral number, wood from it must be rejected.

If Ozols database does not indicate a HCV, the Assessor must further make field check at the cutting area after large bird nests (dia> 50cm), thick aged trees (dia> 80cm) and markers of cultural or historical objects.

If any of such objects mentioned will be found at the felling area, a respective expert must be invited, whose assessment about the existence of the HCV will be the final.

The assessor shall also use any other professionally or publicly available supplement information for the identification of HCV at felling areas.

Country:
Latvia

Specified risk indicator:
2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:
High Conservation Value Forests, category 1: There is an expert concern about nesting areas of a number of species included in the Bird's Directive Annex I which are not identified and registered in the forest register databases and thus "de facto" are not protected outside protected nature territories with special protection regimes. Intensive forest management particularly in non-certified forests leading to a loss of old forest stands suitable for nesting.

High Conservation Value Forests, category 3: Requirements to protect Woodland Key Habitats and/or EU protected forest habitats are not provided for by the current forestry and environmental legislation. In fact, forest owners/managers and logging companies lack knowledge and awareness on identification and protection of WKHs and EU protected habitats. There is high risk that woodland key habitats and EU protected habitats are destroyed or damaged during harvesting operations in non-certified forests.

High Conservation Value Forests, category 6:

There is information on isolated cases of destruction/damaging of objects of cultural heritage in private forests that do not have official protection status; the general opinion of stakeholders regarding a lack of awareness by private forest owners of the cultural heritage values in their forests; frequent negligence of harvesting companies with regard to preserving objects of cultural heritage; unwillingness of private forest owners to communicate/notify authorities about objects of cultural heritage in their forests due to a fear of restrictions on tree harvesting.

Mitigation measure:
When a HCV is identified on the cutting site, wood from such cutting areas cannot be supplied to BP.

Suppliers are correspondingly trained about this restriction, they have written instructions and obligations in written contracts with the BP for eligible feedstock supply.

Suppliers are randomly and regularly inspected about the compliance with SBE demands by BP's field visits.

Country:
Latvia

Specified risk indicator:
2.8.1 The BP has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).

Specific risk description:
Professional OH&S institutions consider that the risk level cannot be specified as “low risk” for all operations in the forestry sector in Latvia, as the situation vary significantly among the companies working in the forestry sector. “Specified risk” is considered for harvesting works which are carried out by manual harvesting means (chainsaws) in non-certified forests.

Mitigation measure:
Occupational safety risk mitigation measures - applies only to hand-held chainsaw forestry teams. Of these, occupational safety audits are not performed for those companies that have OH&S work safety certification for logging or working for FSC or PEFC certified forests. Such suppliers have a low risk status.

The Audit Specialist performs field audits in forests during logging by prior planning, or together with other audits.

The task of the audit is to make sure that the supplier adheres to the work

in the logging works security regulations in accordance with the legislation of the Republic of Latvia.

For each occupational safety supervision audit, fill in the questionnaire “Occupational safety questionnaire” (Document SBP-22). If the number of any entry in the work safety questionnaire appears to be 1 ore 2, then the supplier is informed about his failure to pass the audit, and wood harvested by that logger will no longer be purchased until it will be approved by the additional audit that occupational safety issues are brought in order and all requirements are met.

Initially, the Audit Specialist performs the audit of each hand saw team before their first delivery of the feedstock to BP.

Afterwards, approved SBE NR compliant loggers are audited on a random basis, starting with the number of annual inspections 0.8 times the square root of the total number of SBE NR loggers in a year, rounding the obtained number up to the integer.

The number of repeated safety audits per year is be calculated on a country-by-country basis. Audit are carried out on a random basis each month, spreading the overall number of audits evenly over the year and suppliers.

Country:
Lithuania

Specified risk indicator:
2.1.2 The BP has implemented appropriate control systems and procedures to identify and address potential threats to forests and other areas with high conservation values from forest management activities.

Specific risk description:
Absence of a regulated protection regime in private forests against negative impacts of forest activities on WKH in Lithuania brings this indicator to have "Specified risk".

Mitigation measure:
Most High Conservation Values (HCV) in the forest are duly protected by Lithuanian legislation, and threats for these HCV are addressed.

Nevertheless one exception exists, it is the protection of Woodland key habitats (WKH).

Lithuanian state forests by their initiative have implemented comprehensive measures to protect WKH, and therefore risk for WKH in state forests is considered as low. Correspondingly, the feedstock coming from state forests does not need mitigation.

Risk mitigation measures shall be applied to feedstock originating from private forests.

WKH were invented in Lithuania in 2013.

The information about areas with WKH among others is acceptable at the web page https://www.geoportal.lt/geoportal/

Each supplier wanting to supply primary feedstock to Varpa SIA as compliant with SBE requirements shall check cutting areas on the presence of WKH at the given web-site, as well as document the results of these checks (eg. printout of screenshots).

If a cutting area appears having no WKH, the wooden feedstock from it may be supplied as compliant with SBE requirements, and the primary supplier places the inscription “SBE NR” on waybills what indicates the Negligible Risk.

If WKH are present on the cutting area, such feedstock cannot be supplied to Varpa SIA.

To exclude the risk of improper supplies SIA Varpa to makes random field inspections of suppliers and cutting areas during the year evenly spreading checks by suppliers and months.

Country:
Lithuania

Specified risk indicator:
2.8.1 The BP has implemented appropriate control systems and procedures for verifying that appropriate safeguards are put in place to protect the health and safety of forest workers (CPET S12).

Specific risk description:
There is concern about contractors working in private forests because of periodically occurring fatal and serious injuries at the work place. In addition, there are not sufficient measures to ensure that contractors working in private forests are properly equipped and trained about OH&S.

Mitigation measure:
Forestry in Lithuania has the highest risk in relation to health and safety.

Corresponding measures have been prepared in Lithuanian state forest, namely: periodical monitoring of all contractors and subcontractors working in state forest and checks if they are following to the health and safety requirements.

Logging companies that are working in FSC FM/COC certified forest operations based on subcontracting agreements are monitored not only by the forest managers, but are required to fulfill the FSC requirements set in P2, P4 in FSC-STD-01-001 v 5-2.

Therefore logging companies, which work in certified forests and who have valid contracts with state forests or FSC FM certified forest owners are exempt from risk mitigation activities.

Mechanized forestry operations (by harvesters) represent much lower risk level compared with traditional hand-held chainsaw operations.

Therefore occupational safety risk mitigation measures only apply to hand- held chainsaws, operating in non-certified private forests.

The Varpa SIA Audit Specialist carries out field audits in the forest during logging in advance, i.e. before the first wood cutting for supplies to Varpa SIA, and checks if all occupational safety measures are in place.

The task of the audit is to make sure that the supplier complies with labor safety regulations in accordance with the legislation of the Republic of Lithuania.

The auditor fills the questionnaire “Safety Requirements Questionnaire” (is available on request) and assesses each safety aspect by five-point grading scale.

For each occupational safety supervision audit, fill in the questionnaire “Occupational safety questionnaire” (Document SBP-22). If the number of any entry in the work safety questionnaire appears to be 1 ore 2, then the supplier is informed about his failure to pass the audit, and wood harvested by that logger will no longer be purchased until it will be approved by the additional audit that occupational safety issues are brought in order and all requirements are met.

To minimize the risks, the Audit Specialist of SIA Varpa makes further random checks of woodcutters as the 0.8 multiplied by square root of total quantity of hand-logging squads implemented during the year evenly spreading checks by suppliers and months.

7.2 Monitoring and outcomes

Indicators are monitored at site visits of suppliers and field visits of cutting areas, as well as by requests of data about cutting areas at from databases Ozols in Latvia and Geoportal in Lithuania.

In 2023, 611 cutting areas has been visitied by BP's Licensing Specialist, and 59 site visits of suppliers and sub-supliers have been fulfilled.

20 work safety audits have been carried out. The result shows that there are no significant non-conformities in occupational safety.

8 Detailed findings for indicators

Detailed findings for each Indicator are given in Annex 1 in case the Regional Risk Assessment (RRA) is not used.

Is RRA used? Yes

9 Review of report

9.1 Peer review

Not implemented

9.2 Public or additional reviews

Not implemented

10 Approval of report

Approval of Supply Base Report by senior management			
Report Prepared by:	Bernards Baranovskis	Board Member	19 Mar 2024
	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:	Edvards Baranovskis	Chairman of the Board	19 Mar 2024
	Name	Title	Date
Report approved by:	Josifs Vorslovs	Board Member	19 Mar 2024
	Name	Title	Date
Report approved by:	Jekaterina Alehno	Board Member	19 Mar 2024
	Name	Title	Date
Report approved by:	Bernards Baranovskis	Board Member	19 Mar 2024
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A

Annex 2: Detailed findings for REDII
Section 1. RED II Supply Base Evaluation

Country:Latvia	
(i) The legality of harvesting operations	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level ☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A
(ii) Forest regeneration of harvested areas	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level ☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A
(iii) That areas designated by international or national law or by the relevant competent authority for nature protection purposes, including in wetlands and peatlands, are protected unless evidence is provided that the harvesting of that raw material does not interfere with those nature protection purposes	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level ☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A
(iv) That harvesting is carried out considering the maintenance of soil quality and biodiversity with the aim of minimising negative impacts	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level

	☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A
(v) That harvesting maintains or improves the long-term production capacity of the forest.	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level ☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A
LULUCF criteria 29(7)	
Type of Risk Assessment used	☐ Level A – proof at national or sub-national level ☐ Level B – management system at forest sourcing area level
Level A risk assessment description	N/A
Level B management system at the level of the forest sourcing area	N/A

Section 2. RED II detailed findings for secondary and tertiary feedstock

10.1 Verification and monitoring of suppliers

BP maintains the verification process for suppliers of secondary and tertiary feedstock with the purpose to determine whether their feedstock is eligible for the exemption under the REDII Article 29 (1), including:

1) Each supplier of secondary / tertiary feedstock, i.e. sawmills, signs a written agreement with the BP, declaring its commitment to supply exclusively secondary / tertiary feedstock under the agreement with the BP.

2) Before the beginning of the supply, a site visit by the BP Assessor of each supplier of secondary / tertiary feedstock takes place. The BP's Assessor estimates ability, knowledge and procedures in place at the supplier site to provide correct and reliable classification of the feedstock supplied.

3) The BP keeps an up-to-date registry of suppliers, including the following data: name and address of the supplier, type of the supplier (saw mill, purchaser/ collector or trader), categories of feedstock provided by the supplier.

10.2 Feedstock inspection and classification upon receipt

Each shipment of the feedstock is visually inspected at the BP's reception. The warehouse keeper assesses correspondence of the material received to the shipment documentation, as well as documents observed parameters of the accepted shipment in a dedicated registry.

Non-compliant deliveries are rejected at this point.

10.3 Supplier audit for secondary and tertiary feedstock

Each supplier of the secondary / tertiary feedstock is liable to an annual site inspection by BP's Assessor. Evidences found are registered and assessed by BP's Assessor.