



Supply Base Report: SIA “Kurzemes granulas”

Re-assessment

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Completed in accordance with the Supply Base Report Template Version 1.3

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

Document history

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1 Overview

On the first page include the following information:

Producer name: SIA "Kurzemes granulas"

Producer location: Kustes dambis 22, Ventspils, LV-3601, Latvia

Geographic position: 57.393883, 21.607353

Primary contact: Mārtiņš Kalmans, phone: +371 223 05192, E-mail: martins@granulas.lv

Company website: <http://www.granulas.lv>

Date report finalised: 31.07.2020.

Close of last CB audit: 11.08.2020.

Name of CB: SIA "NEPCon"

Translations from English: No

SBP Standard(s) used: SBP Standard(s) used:

SBP standard 2 v 1.0 (26/03/2015);

SBP standard 4 v 1.0 (26/03/2015);

SBP standard 5 v 1.0 (26/03/2015);

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

SBP Endorsed Regional Risk Assessment: not applicable

Weblink to SBE on Company website: not applicable

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
X	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

SIA “Kurzemes Granulas” is Latvian based wood pellet producer which owns single production facility in Latvia, current SBR describes the facility located in Ventspils in N/W Latvia.

Most of SIA “Kurzemes Granulas” raw material is received from Latvian sawmills as by - products (sawmill residues). Small part of the same type of raw material indirectly comes from Lithuania, Norway, Sweden.

SBP- Complaint feedstock 58.04%.

Overview of SIA “Kurzemes Granulas” SBP feedstock profile: 1st July 2019 till 30st June 2020

Feedstock product groups	Estimated Proportion	Indicative number of suppliers	Species mix
SBP-Compliant Primary Feedstock	80% hardwood, 20% softwood	3	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Secondary Feedstock	15.10% hardwood, 84.90% softwood	6	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
SBP-Compliant Tertiary Feedstock	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (primary)	80% hardwood, 20% softwood	2	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (secondary)	61.34% hardwood, 38.66% softwood	21	Aspen - Populus tremula; Grey alder - Alnus incana; Black Alder - Alnus glutinosa; Silver birch - Betula pendula; Downy birch - Betula pubescens; Oak - Quercus robur (L.); Ash - Fraxinus excelsior (L.); Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;
Controlled Feedstock (tertiary)	100% softwood	1	Scots pine (whitewood) - Pinus sylvestris; Norway spruce (redwood) - Picea abies;

2.2 Actions taken to promote certification amongst feedstock supplier

The raw material procurement is based on long-term co-operation with regular suppliers that have attested their participation in wood chain of custody certification. The objective of the chain of custody system is to provide information on the origin of forest raw materials down from the point of delivery. The company's initiated FSC Mix credit / PEFC 100% certified wood procurement has decreased from 71.36% to 64.04% in July 2019-June 2020, but FSC Controlled Wood / PEFC Controlled Sources procurement has reached 16% and self-verified feedstock has reached 19.96%. As well as their business decision is specially not to increase the FSC / PEFC certified wood procurement, but to following the market situation, many of suppliers choose to procure FSC Controlled Wood and non-certified round wood. The company has established the FSC Mix credit/ PEFC 100% certified wood higher purchase price than non-certified. Thus, all involved companies from the forest management and logging enterprises to woodworking sphere are interested that sustainable forestry methods are attested. The company procures wood for pellet production mainly from woodworking enterprises of Kurzeme region, which in turn procure round wood from the FSC and PEFC-certified forest in Joint Stock company "Latvia's State Forest".

Woodworking residues are procured from woodworking enterprises that mainly produce sawn materials and other products. Motivation for getting certified for those enterprises is the fact that support to sustainable forest management by certified chain of custody increases sales opportunities for both main and side products.

2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is 25-35% compared to quantity of other raw material assortment. The primary raw material has been procured from the Supply Base area and it consists of round wood/firewood. The raw materials are procured in well developed, free and open market with competition of other customers. Different assortments of raw materials are obtained from the logging. All companies of forest industry have public price lists for the assortments. The price lists reflect the solvency of the industry for different assortments. The price lists clearly indicate that logs and veneer logs are the most valuable assortments while firewood (e.g. for pellet production) is less valuable assortment. This information is provided by main suppliers responsible person about cutting areas and logging.

Forest resources: LATVIA

Forest facts

In Latvia, forests cover area of 3 036 475 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), forest Land amounts to 51.8 % (ratio of the 3 350 684 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), while the other 1 560 961 ha (51.68 % of the total forest area) belong to other owners. Private forest owners in Latvia amount to approximately 135 thousand.

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

Wood production in the last decade in Latvia varies from 9 to 13 million cubic meters

State forest service: vmd.gov.lv, 2019.

Forest land consists of:

- forests: 3 036 475 ha (91.3%);
- marshes: 168 424,67 ha (5.3%);
- clearings: 35,446,7 ha (1.1%);
- flooded territories: 18,453.2 ha (0.5%);
- infrastructure facilities: 61,813.4 ha (1.8%).

State forest service: vmd.gov.lv, 2018

Distribution of forests by the dominant species:

- Pine: 33%
- Spruce: 19%
- Birch: 30%
- Black alder: 3%
- White alder: 7%
- Aspen: 7%
- Other species: 1%

State forest service: vmd.gov.lv, 2019

Share of tree species in forest renewal, breakdown by area:

- Pine: 15%
- Spruce: 19%
- Birch: 30%
- White alder: 14%
- Aspen: 18%
- Other species: 4%

State forest service: vmd.gov.lv, 2019

Wood extraction according to types of cutting, breakdown by volume of production:

- Final harvest: 45,3%
- Thinning: 33,8%
- Sanitary clear cutting: 14,5%
- Deforestation cutting: 0.04%
- Other types of cutting 6,3%

State forest service: vmd.gov.lv, 2019

The field of forestry

The forestry sector in Latvia is managed by the Ministry of agriculture, which, in cooperation with the sector interest groups, develops forest policy, sector development strategy as well as forest management, forest resource use, nature conservation and hunting draft regulatory enactments (the Ministry of agriculture: www.zm.gov.lv).

The implementation of the regulatory requirements included in the Latvian laws and the Cabinet of ministers regulations in the management of forests, regardless of the type of property, is controlled by the State forest service under the supervision of the Ministry of agriculture (the State forest service: www.vmd.gov.lv).

Management of the state-owned forests is performed by the Joint Stock Company "Latvia's State Forests", established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy (www.lvm.lv). The forest sector is one of the cornerstones of the country's economy. In 2017, the share of forestry, wood processing and furniture production in the gross domestic product made up 4.8%, while the export volume reached 2.2 billion euros -20% of the country's total exports.

Biodiversity

Historically, the extensive use of Latvian forests for economic purposes began relatively later than in many other European countries, therefore, greater biodiversity has been preserved in Latvia.

For the preservation of nature values, 683 specially protected nature territories have been created. Part of these territories is included in the Natura2000, unified network of protected territories of European importance. The most part of the protected territories are in State ownership.

In order to ensure the protection of a specially protected species or a biotope outside specially protected nature territories, micro-reserves are created, if any of the functional zones does not provide it. According to the State forest service, the total area of the micro-reserves in October 2016 was 43,217.30ha. The identification of biologically valuable forest stands and the implementation of protective measures are performed continuously. In total, the protected areas occupy 28.2% of the total forest area. In just over half of these areas, there are no restrictions on forestry activities. 6.9% of the total forest area is forbidden clearing, 1.2% forbidden main felling, and 2.3% forbidden care and main felling. Only 100.3 thousand hectares, corresponding to 3.3% of the total forest area, is subject to a complete limitation of forestry activities. Most of the protected areas with restrictions on economic activity are owned by the state.

In turn, for the conservation of biodiversity in the forest management process, general nature conservation requirements have been developed that apply to all forest managers. They stipulate that during logging work the older and larger trees, dead wood, underwood and brushwood must be kept separately in wet micro-lowlands and other structures to promote the preservation of many habitats.

Latvia has ratified the CITES Convention (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) in 1997. In Latvian, as well as in Lithuanian forests, the species of trees mentioned in the CITES lists do not grow.

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 specially protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Certification

Forests of JSC Latvijas valsts meži and private owners are certified according to FSC and PEFC certification systems. Approximately 1.737 million ha of Latvian forests from the total forest area are certified according to FSC and/or PEFC certification systems. In Latvia, more than 300 FSC supply chain certificates

have been issued to more than 550 companies. Most of the largest forest industry companies have FSC certification. Both these systems are operating in Latvia.

Sources: www.vmd.gov.lv
www.zm.gov.lv
www.lvm.lv

LITHUANIA

Forest facts

The forested land occupies 33,5 % of the country's territory or 2,189 mill ha. The south-eastern part of the country is most heavily forested. Average annual increase in forest area is about 7.000 ha. The huge differences in forest coverage during the last 10 years is explained by insufficient data previously used by Forest Assessment.

Occupying 1,145 mill ha, coniferous stands prevail in Lithuania, covering 55.6% of the forest area. They are followed by softwood deciduous forests (0.841 mill ha, 40.9 %). Hardwood deciduous forests occupy 72,000. ha (3.5 %). Over the last 14 years total area of softwood deciduous forests increased by 142,700 ha. The area of hardwood deciduous has decreased by 20,400 ha over the last 14 years (mainly due to the loss of ashwoods), and coniferous forest area in last 14 years decreased by 14,900 ha.

Distribution of most common species:

- Scots pine (*Pinus sylvestris*) –33 %
- Norway spruce (*Picea abies*) -20 %
- Birch (*Betula pendula*) –21 %
- Black alder (*Alnus glutinosa*) –7 %
- Grey alder (*Alnus incana*) –6 % • Aspen (*Populus tremula*) –4 %
- Oak (*Quercus robur*) -2 %
- Ash (*Fraxinus excelsior*) –1 % (stands diminished by 64.6 % due to disease)
- Other -7 %

Ownership

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

Socio-Economic setting

The wood processing sector accounts for about 2.0 % of GDP, employing around 32,200 workers or 3.5 % of total employment. 2,257 companies were active in the sector at the beginning of 2016, 99.8 % of them were SME (small and medium sized enterprises).

In 2015 production of the wood processing sector (at current prices excl. taxes) amounted to 973 mill EUR, which was a 10.4 % increase compared to 2014. Around 2/3 of production is exported to more than 90 countries around the world.

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

Management

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

Fellings

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

After 1995 felling were decreasing to 7.71 mill. m3 of living trees felled in 1997 and then started to increase again. The highest point over the whole accounting period was reached in 2003 (10.34 mill. m3 of living trees felled) and then started slightly to decrease until 2012 (8.05 mill. m3 of living trees felled). Over the past years, marginal increase in forest felling is observed (9.86 mill. m3 in 2016).

State forest of Lithuania are FSC certified. The audit of this certification confirms the fact that Lithuanian State forests are managed responsibly, in compliance with the requirements of protection and conservation of biodiversity.

Sources: <http://www.fao.org/docrep/w3722e/w3722e22.htm>

SWEDEN

Sweden's land area is 40.7 million ha, of which 28.1 million ha are forest land (69%). Of these 23.5 million ha are productive forest land. Productive forest land is the most dominant land use followed by Alpine areas (5.1 million ha) and agricultural land.

Over half of the forests are PEFC-certified and slightly less have a double certification of FSC and PEFC.

Sweden's forests are dominated by Norway spruce and Scots pine. Almost the whole country is within the Boreal region. Up until the 1970's an increase in standing stock was realised by spruce, since then the volumes of spruce, pine and broadleaves have all increased.

The forest products industry is significant for the Swedish economy, and accounts for 9 to 12% of the Swedish industry's total employment. Around 73 thousand people work in the forest and wood sector, of which 16 thousand in forestry, 28 thousand in wood working, and 29 thousand in the paper and paper products industry. Sweden is the third largest exporter of wood products in the world, after Canada and the US.

The total forest harvesting volume in Sweden is around 80 million m3 annually, which is below the annual increment of forests. Calculated as dry weight, the total volume is 2642 million tons.

Sweden ranks high on the Worldwide Governance Indicator (WGI) with excellent scores on 'rule of law' and 'control of corruption'. With a Corruption Perception Index (CPI) score of 85 points (in 2018), Sweden is in the top three of less corrupt countries in the world.

Forest ownership

The largest part of the Swedish productive forest land is in private ownership. About 50% of the productive forests are owned by people, 25% is owned by private companies, 17% by the state (including state-owned companies) and the remaining 8% is the property by other private or public organisations. All forestry activities in Sweden are subject to the same legislation and requirements.

The purpose of the Timber Measurement Act (1966: 209/SFS 2014:1005) is to give the seller and buyer of logs a tool to evaluate the price of the logs delivered to the industry. The law does not provide a basis for taxes and fees, however, does contribute to a credible and transparent market for logs.

The 'right of public access' gives people the possibility to gather mushrooms, berries and flowers that are not protected in the forests.

Forest management

The forest rotation period is usually 60-100 years, mostly with 2-3 intermediate thinnings. Planting and natural regeneration are both commonly used. GMO tree species are not used in

forestry.

In recent years, continuous cover forestry methods are also applied. Continuous cover forestry is based on a 15-20 years harvesting cycle using selective harvesting techniques or the felling of small sites of less than 0.5 ha.

The Swedish Forestry Act aims at promoting high long-term wood production as well as environmental protection during forestry activities. It contains:

- an obligation to regenerate forest on forest land;
- a ban to harvest trees under certain ages;
- limitations to the size of clear cuts and young forest within an estate; and
- requirements to prevent outbreaks of pests.

However, the law does not contain requirements on silviculture measures, such as pre-commercial or commercial thinnings.

The authority to enforce requirements concerning environmental protection is delegated to the Swedish Forest Agency. Besides, the Forest Agency, the County Administrative Board, and the Municipality's environmental authorities are responsible for the supervision of several forestry related activities. The Forest Agency processes approximately 60 thousand Timber Harvesting Notifications annually, which are inspected within a 6-week period allocated for this purpose. Harvesting permits are only required for specific forest lands, e.g. mountainous forests. However, final fellings on areas larger than 0.5 ha must be notified in advance to the Swedish Forest Agency.

To define which forestry actions are legal is complicated. Most of the detailed requirements regulated by authorities such as the Swedish Forest Agency and the Swedish Work Environment Authority are used as references to issue injunctions to forest owners or buyers. The injunctions normally have a preventive character. Actions deviating from some regulations are not always regarded as illegal. Transgressing requirements of the Forest Agency could however be subject to injunctions on repairing measures, e.g. restoring disturbed waterways or clearing frequently used trails.

The Swedish interpretation of 'illegal harvested timber' in the EU Timber Regulation, as given in the Law on Trade with Timber and Wood products (2014:1009), includes only activities not complying with legal requirements subject to direct sanctions, such as fines or imprisonment.

Since 1993, the production and environmental function of forests are given equal importance in the opening paragraph of Sweden's Forestry Act. The Swedish Forestry Agency has also laid down regulations on detailed requirements in order to protect species and the environment. However, such requirements may not lead to any significant economic loss for the landowner.

The Swedish Forest Agency (SFA) uses satellite imagery; the imagery is essential to detecting illegal activities and to train forest owners in best management practices. This approach has proven to have a positive impact on forest productivity and on wild-life conservation.

Protected species and conservation areas

No CITES listed tree species are represented in the Swedish forestry.

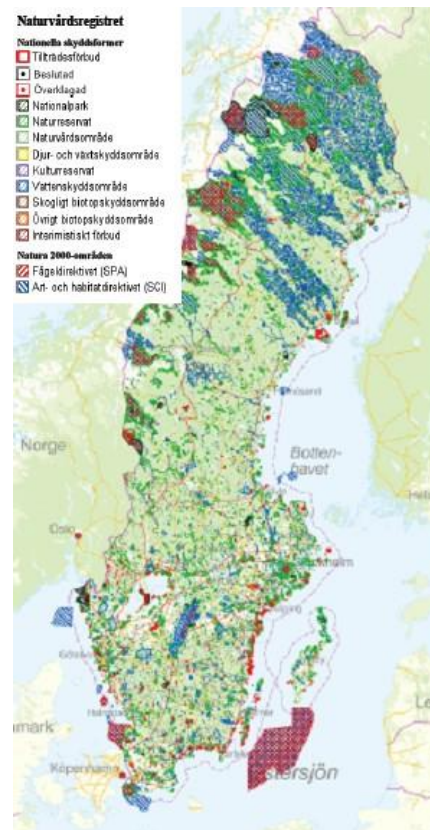
A complete list of all plant and animal species that are protected throughout Sweden is available on the website of the Environmental Protection Agency. At present, there are about 300 species with the protected status throughout the country, and an additional fifty in one or more counties.

There is systematic planning of formal (legal) forest protection in Sweden through the establishment of national parks, nature reserves, habitat protection, Natura 2000-areas and nature conservation agreements.

Whereas national parks only may be established on state land, nature reserves, habitat protection, Natura 2000-areas or nature conservation agreements can be established on forest land that continues to be privately owned. A natural conservation agreement is a civil contract between the state and a forest owner through which the latter undertakes to limit its forestry activities or make specific conservation measures.

According to a regulation of the Swedish Forestry Agency (SKSFS 2011:7, Chapter 7, Section 17) harm to sensitive biotopes due to forestry activities must be avoided, or limited. The Agency has specified biotope types that it considers sensitive. Harming such biotopes during forestry activities is, however, not subject to legal sanctions, if no prior injunction was issued by the Agency.

According to statistics from the Swedish Forest Agency of 2013, around 4 300 (7,3%) of the notified final fellings were inspected before timber harvesting commenced. The inspections check if specified environmental requirements are addressed; they do not assess legality of forest activity in general. The inspections resulted in 129 injunctions to limit the harvesting area or to take specific measures.



NORWAY

Forest facts

In total 37% of Norway's land area, or about 12.2 million ha is covered by forests or wooded land. Around 50% is considered productive area. Roughly 25 thousand people (of a total population of 5 million) are employed in the forest-based value chain.

Norway spruce and Scots pine are the most common tree species in Norwegian forests, representing 75% of the total standing stock. The main forest types used commercially are dominated by spruce, pine, birch, and (marginally) oak.

Almost all Norwegian forests are part of a certification scheme. PEFC certification covers 7 380 750 ha (2017), whereof 6% has a double certification FSC/PEFC (Statement PEFC, 2018).

Annually, Norwegian forests absorb 30.8 million tons of CO₂. This is about 50% of the Norwegian emissions of climate gases.

In 2018, Norway had a Corruption Perception Index (CPI) of 84 and according to the World Bank Worldwide Governance Indicators (WGI) it has excellent scores on 'Government Effectiveness', 'Rule of Law' and 'Control of Corruption'.

Distribution of forests by the dominant species:

	Standing stock (2017) 1 000 m ³	Share	Changes in percentages	
			2016 - 2017	2008 - 2017
Growing stock				
Total	964915	100%	1.3%	23.1%
Spruce	424432	44%	1.5%	20.4%
Pine	296255	31%	1.4%	16.4%
Broad-leaved	244228	25%	0.9%	38.1%
Annual increment				
Total	25421	100%	- 1.5%	2.1%
Spruce	13635	54%	- 0.8%	1.1%

Pine	5719	22%	- 3.4%	- 2.4%
Broad-leaved	6068	24%	- 1.3%	9.2%

Forest and community

Norwegian forestry is closely connected to family farming and cooperatives. About one third of the forest properties is smaller than 10 ha. Individual land holders own 77% of the forests, the state owns 7%, and the remainder is owned by companies, the church, forest-commons and municipalities. 80-85% of the timber for industrial use comes from family owned forests connected to forest owners' cooperatives. The timber cooperatives were formed about a hundred years ago by family forest owners.

There are six regional forest owners' cooperatives in Norway with around 36 thousand members. The cooperatives are found throughout the country and are based on democratic principles with boards composed of elected employees and forest owners.

Property size (ha)	Number of properties	Share	Productive forest area (ha)	Share
2.5 - 9.9	43 571	34.3%	243 197	3.5%
10 - 24.9	33 218	26.2%	543 456	7.8%
25 - 49.9	21 963	17.3%	780 561	11.1%
50 - 99.9	15 499	12.2%	1 084 885	15.5%
100 - 199.9	7 976	6.3%	1 096 645	15.7%
200 - 499.9	3 589	2.8%	1 057 062	15.1%
500 - 1 999.9	988	0.8%	860 863	12.3%
≥ 2 000	234	0.2%	1 335 681	19.1%
Total	1 27 038	100.0%	7 002 349	100.0%

In Norway, each property is registered and filed under a unique number ("gårds- og bruksnummer") with an associated map. Many property borders are also marked in the field, but not systematically. The governments have an accessible public register "Grunnboka" recording all legal rights associated to each property.

The legal rights to the land include logging and grazing rights. These two types of rights can be separate, meaning that persons other than the landowner can have grazing rights. Logging rights always belong to the owner and can be sold, while grazing rights normally cannot. To sell timber, the owner needs either to be registered as a self-employed person (sole proprietorship) or a joint-stock company.

Protected species and conservation areas

In 2016, the Parliament decided on a target to strictly protect 10% of the Norwegian forests, partly through voluntary protection, partly through conserving public forests.

Protection categories*	Protected area** (thousand ha)	Number of protected areas	Proportion of total area
National parks	31 29.4	39	9.7%
Nature reserves	6 78.2	2 265	2.1%
Landscape areas	17 23.1	194	5.3%
Other protected areas	38.7	458	0.1%

* Some protected areas belong to several protection categories

** Mainland of Norway including islands, but excluding Svalbard and

CITES species are present in Norway, but are not included in any deliveries.

Species classified as critically endangered include the Arctic fox, wolf and common guillemot. According to the Norwegian Environment Agency land-use change is a threat to 90% of all critically endangered, endangered and vulnerable species (threatened species). Commercial forestry is a threat to 41% of these vulnerable species.

Forests account for the largest proportion of red-listed species. Almost half (48%) of all threatened species are found in forests, either exclusively or both in forests and in other areas. The largest numbers of threatened species in forest habitats are in the species groups fungi (353 species), beetles (230

species), true flies or Diptera (128 species) and lichens (124 species). Many of the threatened species in forest are specialists, for example found on dead wood, large deciduous broad-leaved trees, burnt areas left by forest fires, or calcareous soils. A substantial proportion of the red-listed species found in forests are associated with rich broad-leaved forests, even though these represent only 1% of Norway's productive forest area.

4.3% of the total forest cover and 3% of the productive forest in Norway is situated in strictly protected areas such as national parks and nature reserves. During the ongoing process of protecting additional areas, care is taken to cover particularly high conservation values for species diversity, and especially threatened species.

The Norwegian Red list gives an overview of the rare, threatened and endangered species. Not all areas containing these species have an official protection status, however, as most forests are PEFC certified there should be measures taken to protect these vulnerable areas.

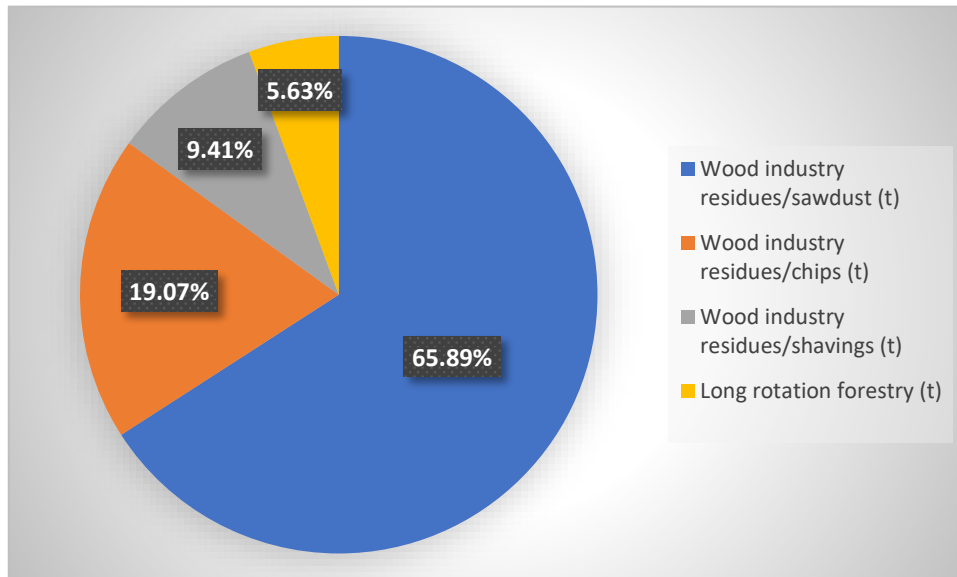
Norwegian forest properties are required to implement environmental surveys documenting key habitats. The key habitats are subjected by forestry legislation (§§ 4 and 5 in the regulation concerning sustainable forestry (FOR-2006-06-07-593)). After the survey, a landscape analysis of the combined results (assembly of possible key habitats) is made by a biologist. Each area is labelled on a scale A to C, where A-areas are most important. The ecological value of the key habitats shall be maintained during forestry activities, and according to §5 the management must comply to the guidelines given in the PEFC standard (requirement 21). The law itself does not give explicit guidelines, but it refers to this standard for practical execution.

Almost all Norwegian forests are covered by one or more PEFC group-certificates. PEFC revision reports for the years 2014-2016 revealed very few breaches regarding key habitats.

Sources: <https://www.ssb.no/en>



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



2.5 Quantification of the Supply Base

Supply Base

- Total Supply Base area (ha): 34.83 million ha
- Tenure by type (ha): 26.86 million ha private / 7.97 million ha public
- Forest by type (ha): 10.45 million ha boreal / 24.38 million ha temperate
- Forest by management type (ha): 32 million ha managed natural
- Certified forest by scheme (ha): 12.04 million ha FSC / 20.87 million ha PEFC

Feedstock

- Total volume of Feedstock: 157'100,59 tonnes.
- Volume of primary feedstock: 8'852,97 tonnes.
- List percentage of primary feedstock (g), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme 81.64%.
 - Not certified to an SBP-approved Forest Management Scheme 18.36%.
- List all species in primary feedstock, including scientific name: Alder - *Alnus glutinosa*; Grey alder - *Alnus incana* (L.) Moench; Silver birch - *Betula Pendula*; Downy birch - *Betula verrucosa*; Norway spruce - *Picea abies*; Scots pine - *Pinus sylvestris*; Aspen - *Populus tremula*.
- Volume of primary feedstock from primary forest N/A.
- 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 N/A.
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme N/A.
- Volume of secondary feedstock: 133'471.13 t (84.96%).

Sawdust 65.89% - Latvia, Lithuania, Norway, Sweden.

Other types of sawmill residues 19.07% - Latvia, Lithuania, Norway, Sweden.

m. Volume of tertiary feedstock: 14'776.49 t.

Pre-consumer untreated tertiary feedstock 9.41% - Latvia, Lithuania, Norway, Sweden.

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

Bands for (f) and (g) are:

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

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

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

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

3 Requirement for a Supply Base Evaluation

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

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

4 Supply Base Evaluation

4.1 Scope

Provide a concise summary of the scope of the evaluation.

4.2 Justification

Provide a justification for the approach used in the evaluation.

4.3 Results of Risk Assessment

Give a brief summary of the results of the risk assessment.

4.4 Results of Supplier Verification Programme

Give a brief summary of the results of the SVP.

4.5 Conclusion

Give a concise summary of the overall conclusions from the SBE as to whether the organisation meets SBP requirements. This summary should include a discussion of the main strengths and weaknesses of the supply base evaluation, and a statement about the confidence that the evaluators have that the Biomass Producer can ensure that all specified feedstock are in full compliance with SBP Standards.

5 Supply Base Evaluation Process

N/A

6 Stakeholder Consultation

N/A

6.1 Response to stakeholder comments

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

Comment 1:

Response 1:

Comment 2:

Response 2:

7 Overview of Initial Assessment of Risk

Briefly describe the results of the Risk Assessment. This represents the initial evaluation of risk done prior to the SVP and prior to any mitigation measures.

This section provides an opportunity to detail how the BP's management system is effective in reducing risk.

List the result for each Indicator in Table 1.

Where multiple sub-scopes are involved, prepare a separate overview table for each sub-scope showing the initial risk ratings for each Indicator.

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

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1			
1.1.2			
1.1.3			
1.2.1			
1.3.1			
1.4.1			
1.5.1			
1.6.1			
2.1.1			
2.1.2			
2.1.3			
2.2.1			
2.2.2			
2.2.3			
2.2.4			
2.2.5			
2.2.6			
2.2.7			
2.2.8			
2.2.9			

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1			
2.3.2			
2.3.3			
2.4.1			
2.4.2			
2.4.3			
2.5.1			
2.5.2			
2.6.1			
2.7.1			
2.7.2			
2.7.3			
2.7.4			
2.7.5			
2.8.1			
2.9.1			
2.9.2			
2.10.1			

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

N/A

8.2 Site visits

N/a

8.3 Conclusions from the Supplier Verification Programme

N/A

9 Mitigation Measures

9.1 Mitigation measures

N/A

9.2 Monitoring and outcomes

N/A

10 Detailed Findings for Indicators

N/A

11 Review of Report

11.1 Peer review

Initial SBR was reviewed and returned with comments from: Janis Rozītis, WWF International Director—experience in sustainable forestry practice and assessment. Sigitas Girdziušas, Lithuanian Agricultural University, Master of Forestry—forestry specialists.

This report was reviewed by the company's CEO and quality system manager, also independent auditors conduct annual surveillance audits of the PEFC and FSC certification programs. Kurzemes granulas believes sufficient independent review of its Program and Procedures was undertaken and additional Peer Review is neither warranted nor required.

11.2 Public or additional reviews

The report is available on the company's website <http://www.granulas.lv> for public inspection of all interested parties. After reading all the interested parties can send their comments, if any, at the company info@granulas.lv

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Mārtiņš Kalmans</i>	<i>Quality system manager</i>	<i>5.08.2020.</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>Viesturs Grīnbergs</i>	<i>Chairman of the board</i>	<i>5.08.2020.</i>
	Name	Title	Date

13 Updates

Report updated with data from 01.07.2019. –30.06.2020.

13.1 Significant changes in the Supply Base

Total input of feedstock has increased from 152'662,16 to 157'100,59, of which FSC Mix Credit and 100% PEFC Certified has decreased from 64.04% to 58.04%. Also FSC Controlled Wood has increased to 23.59% and PEFC Controlled Sources has decreased to 0%, and the rest of feedstock is 18.37% Controlled feedstock from own verification program (as on 30th June 2020).

13.2 Effectiveness of previous mitigation measures

N/A

13.3 New risk ratings and mitigation measures

N/A

13.4 Actual figures for feedstock over the previous 12 months

Period: 01/07/2019 till 30/06/2020.

Total feedstock: 157'100,59 tonnes

Long rotation forestry: 8'852,97 t

Other types of sawmill residues: 29'957,76 t

Sawdust: 103'513,37 t

Pre-consumer untreated tertiary feedstock: 14'776,49 t

13.5 Projected figures for feedstock over the next 12 months

Period: 01/07/2020 till 30/06/2021.

Total feedstock: 150 000 – 160 000 t.

No significant changes in the proportion of the feedstock types is foreseen.