Supply Base Report:
Kurzemes granulas SIA

First Surveillance Audit

www.sbp-cert.org

Completed in accordance with the Supply Base Report Template Version 1.4

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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Contents

1 Overview

Producer name: Kurzemes granulas SIA

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

SBP Certificate Code: SBP-01-04

Geographic position: 57.391500, 21.597700

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Company website: www.granulas.lv

Date report finalised: 02 Sep 2021

Close of last CB audit: 08 Sep 2021

Name of CB: NEPCon OÜ

SBP Standard(s) used: 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 1.4

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

SBP Endorsed Regional Risk Assessment: Not applicable

Weblink to SBR on Company website: https://www.granulas.lv/uploads/SBR-2020-EN1.pdf

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): No

Feedstock origin (countries): Latvia, Norway, Lithuania, Sweden

2.2 Description of countries included in the Supply Base

Country: Latvia

Area/Region: Whole

Exclusions: No

Forest management

Forests in Latvia occupy 3.08 million. ha. According to the VMD data compiled in the MVR (for the inventoried areas that are subject to economic activities regulated by the Forest Law), the forest cover is 52%. In comparison with other European countries, Latvia is one of the most forest-rich countries. In Latvia, the state owns a forest of 1.49 million. ha (49% of the total), while for others the total forest area is 1.58 mil. ha (51% of the total forest area).

Forest land consists of:

- forest 3.08 mil. ha (90.6%);
- bogs 0.17 mil. ha (5.0%);
- for fields 0.03 mil. ha (0.9%);
- for flooded plains 0.017 mil. ha (0.5%);
- infrastructure objects 0.084 mil. ha (2.5%);
- other forest land 0.018 mil. ha (0.5%).

Compared to 1923, when forest cover in Latvia was 23%, over time it has doubled to 52%. The increase of forest areas is expected to continue, as the natural overgrowth of non-agricultural lands, as well as their artificial afforestation continues.

Latvian forests are mostly formed by conifers, however, a significant part is also occupied by other species, species composition. The dominant tree species in most forest stands is coniferous trees - pine and spruce. Coniferous stands occupy 51% of the area of all stands, birch - 30%, white alder - 7%, aspen - 7%, black alder stands 4% and stands of other species - 1%.

As the trees grow, wood growth is formed every year, which according to current estimates is 16.5 million. m3 per year. Every year, a certain amount of wood is felled, harvesting the grown wood in the main felling, as well as felling trees to improve the condition of the forest stand that remains in care and sanitary felling.

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 structuresto 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.

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.

Country: Lithuania

Area/Region: Whole

Exclusions: No

Forest facts

The forested land occupies 33,5 % of the country´s territory or 2,189 mil 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 mil ha, coniferous stands prevail in Lithuania, covering 55.6% of the forest area. They are followed by softwood deciduous forests (0.841 mil ha, 40.9 %).Hardwood deciduous forestsoccupy 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 mouth 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 mil ha, private forest area 1.101 mil 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 mil EUR,
which was a 10.4 % increase compared to 2014. Around 2/3 of production is exported to more th an 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 mil. m3 of living trees felled. After 1995 felling were decreasing to 7.71mil. 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 mil. m3 of living trees felled) and then started slightly to decrease until 2012 (8.05 mil. m3 of living trees felled). Over the past years, marginal increase in forest felling is observed (9.86 mil. 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.

Country: Sweden

Area/Region: Whole

Exclusions: No

Forest area, standing volumes and annual harvest

Forests cover 28 million hectares in Sweden, including 23.6 million hectares of productive forestland (SLU 2020), where 'productive forestland' is defined as forest producing at least 1 m3 of wood per hectare per year. The unproductive forests that do not reach that minimum threshold (often referred to as "forest impediments") are mostly found as open forests on peatlands, on rocky outcrops and at high altitudes. The area of productive forestland outside formally protected areas was 22.3 million hectares as of 2018. According to the Swedish National Forest Inventory (NFI), the total standing volume on all forestland was 3.55 billion m3 (stem and bark) in 2015–2019. Outside formally protected areas where forestry activities are not allowed, the total standing volume was 3.12 billion m3. This corresponds to an average standing volume of 139 m3 per hectare. The standing volume in Sweden has almost doubled since the beginning of the NFI in the 1920s. This increase is largely explained by enhanced growth through effective forest management (e.g. silvicultural treatments and associated changes in forest age-class distribution and tree species composition, use of genetically improved regeneration material), in combination with other factors such as afforestation of former agricultural land, the fertilizing effects of nitrogen deposition and climate change. Norway spruce and Scots pine together comprise 80 % of the standing timber volume in Swedish forests, with roughly equal shares (Table 1). Birch comes in the third place with 12 % of the standing volume, followed by 14 tree species with less than 2 % each (Table 1). On the national scale, introduced tree species comprise a relatively small share of the forest area in Sweden compared to many other European countries (Forest Europe 2015). The current Forestry Act states that introduced tree species can only be used in exceptional cases (SFA 2019c). Lodgepole pine (Pinus contorta), an introduced conifer originating from North America, is the most common nonnative tree species in Sweden. It occurs mostly in the northern parts of the country. This species nowadays stands for 1.4 % of the timber volume in Sweden as a whole and 2.3 % of the forest area (SLU 2018). Note, however, that lodgepole pine may be relatively abundant at the local scale in parts of north-central Sweden (SLU 2010). The average annual harvest in Sweden was about 84 million m3 (stem and bark) during the period 2015/16–2018/19. This corresponds to 72 million m3 solid wood per year (assuming a conversion factor of 0.82). The total harvest corresponds to an average of 3.8 m3 (stem and bark) per hectare of productive forestland per year (excluding nature reserves and other areas where forestry is not allowed). In forest statistics, Sweden is often divided into four regions with similar forest areas: Northern Norrland, Southern Norrland, Svealand and Götaland (from north to south). The harvested volume is largest in Götaland and smallest in Northern Norrland in accordance with the general south-north gradient of decreasing forest productivity. Approximately 60 % of the harvested timber volume originates from final felling, 30 % from thinning and 10 % from the felling of shelter trees and other kinds of Harvest. About 60 % of the total harvest comes from private forest (non-industrial private forest owners) land and 40% from company-owned forests and state-owned forests.

Current ownership structure

Approximately 330,000 non-industrial private forest owners (hereafter "individual forest owners"), representing 3 % of the Swedish population, together hold about half of the forestland. Approximately one-fourth (25 %) of the forestland is owned by forestry companies, 19 % by the state (the state-owned forestry company Sveaskog and the National Property Board Fastighetsverket) and other public owners, and 6 % by other private owners such as the Swedish Church, foundations and associations (SFA 2014). The share of forest area belonging to individual forest owners is highest in southern Sweden (approximately 80 %), while company and state-owned forests dominate in the northern parts of the country.

Certification

There are two main schemes in Sweden – FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification). In 2011 the FSC had 11,6 million hectares of certified forest land and the PEFC programme had 11,0 million hectares of certified forest land. As a customer you can have a high confidence in certified wood products from Sweden.

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.

Country: Norway

Area/Region: Whole

Exclusions: No

Forest

Forests cover about 38 percent of Norway's land area, or about 122.000 square kilometers. Of this, around 86.600 square kilometers are productive forests - that is, they produce enough timber to be important for forestry. In total, Norway today has almost 11 billion trees of 5 cm or more in diameter.

Forestry is an industry practically all over the country. The main tree species by volume and economic importance are spruce, pine and birch. Hedmark is Norway's largest forest county.

Certification

The Norwegian PEFC standard, also known as the Norwegian adaptation of the Programme for the Endorsement of Forest Certification, is the forest industry's own standard and certification scheme that sets criteria for sustainable forest management. Currently, 75% of Norway's forest land is certified under the PEFC standard (Ring et al. 2017). In practice, though, close to all forest produce on the Norwegian market falls under the PEFC standard, as the remaining 25% forest areas are not under active production. Other Nordic countries have their own national Forest Stewardship Council (FSC) standards for certification running in parallel with their PEFC standard. The Norwegian FSC standard was discontinued in 2010, together with the collapse of the Living Forests initiative, although negotiations for a new standard are underway. Regardless of the current absence of a national standard, some 3% of Norway's forest areas are certified by the international FSC standard.

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.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 (230species), 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)).

2.3 Actions taken to promote certification amongst feedstock supplier

The company has established the FSC Mix credit/ PEFC 100% certified wood higher purchase price than non-certified.

2.4 Quantification of the Supply Base

Supply Base

a. **Total Supply Base area (million ha)**: 35,23
b. **Tenure by type (million ha):**27.06 (Privately owned), 8.17 (Public)
c. **Forest by type (million ha):**10.65 (Boreal), 24.58 (Temperate)
d. **Forest by management type (million ha):**35.23 (Managed natural)
e. **Certified forest by scheme (million ha):**12.04 (FSC), 20.87 (PEFC)

Describe the harvesting type which best describes how your material is sourced: Mix of the above
Explanation: Most of harvested material comes from clearcutting with maximum area up to 10 ha, also most of harvesting is done with harvester and taken to stockpile with forwarder. For - technological firewood. https://likumi.lv/ta/id/253760-noteikumi-par-koku-cirsanu-meza
Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority
Explanation: Most of the forest are used by sawmills for production and also some part is exported.

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: After the influence of felling or other factors, if due to them the cross-sectional area of the forest stand has become smaller than the critical cross-sectional area, depending on the type of forest, the forest shall be restored within the following term: within five calendar years after the year of felling or the year of the influence of other factors - silage, moor, lynx, dahlia, ox, goose, green, wet mint, wet dam, wet beet, wet goose, heather, mint, broadleaf, narrow-leaved arena, heather peat, mint peat, narrow-leaved peat, broad-leaved peat; within 10 calendar years after the year of felling or the year of the influence of other factors - in the bog, reed, swamp and curve.

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? N/A
Explanation: N/A

Feedstock

Reporting period from: 01 Jul 2020

Reporting period to: 30 Jun 2021

a. **Total volume of Feedstock**: 1-200,000 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: 80% - 100%

- Not certified to an SBP-approved Forest Management Scheme: 1% - 19%

d. List of all the species in primary feedstock, including scientific name: Alnus glutinosa (Alder); Alnus incana (Grey alder); Betula pendula (Silver birch); Betula pubescens (Downy birch); Picea abies (Norway spruce); Pinus sylvestris (Scots pine); Populus tremula (Aspen);

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 (%): N/A

f. Hardwood (i.e. broadleaf trees): specify proportion of biomass from (%): 16,99

g. Softwood (i.e. coniferous trees): specify proportion of biomass from (%): 83,01

h. Proportion of biomass composed of or derived from saw logs (%): 100,00

i. Specify the local regulations or industry standards that define saw logs: Technological firewood - decay of individual cuts up to 85% or 4/5 of the diameter in both rounds at the ends of timber and / or core rot for cargo up to 70%. Sources: https://www.lkuuv.lv/normativa-vide/ https://www.vmf.lv/site/upload/MI%2002.09%20Apalo%20kokmaterialu%20kvalitates%20prasibas%2012%20v.pdf

j. Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%): 25,00

k. Volume of primary feedstock from primary forest: 0 tonnes

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: 80% - 100%
- Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme: 1% - 19%

m. Volume of secondary feedstock: 1-200,000 tonnes

- Physical form of the feedstock: Chips, Sawdust

n. Volume of tertiary feedstock: 0 tonnes

- Physical form of the feedstock: Shavings

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	0,00	0,00	100,00	0,00
Secondary	0,00	15,72	84,28	0,00
Tertiary	0,00	26,20	73,80	0,00

Other	0,00	0,00	0,00	0,00

3 Requirement for a Supply Base Evaluation

Is Supply Base Evaluation (SBE) is completed? No

N/A

4 Supply Base Evaluation

4.1 Scope

Feedstock types included in SBE: N/A

SBP-endorsed Regional Risk Assessments used: Not applicable

List of countries and regions included in the SBE:

Country: N/A

Indicator with specified risk in the risk assessment used:
N/A

Specific risk description:

4.2 Justification

N/A

4.3 Results of risk assessment and Supplier Verification Programme

N/A

4.4 Conclusion

N/A

5 Supply Base Evaluation process

N/A

6 Stakeholder consultation

N/A

6.1 Response to stakeholder comments

N/A

7 Mitigation measures

7.1 Mitigation measures

N/A

7.2 Monitoring and outcomes

N/A

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? N/A

9 Review of report

9.1 Peer review

N/A

9.2 Public or additional reviews

N/A

10 Approval of report

Approval of Supply Base Report by senior management			
Report Prepared by:	**Mārtiņš Kalmans**	**Quality system manager**	**11 Aug 2021**
	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:	**Māris Petrovskis**	**Member of the board**	**02 Sep 2021**
	Name	**Title**	**Date**

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A