

Supply Base Report: Timberteh SIA

Main (Initial) 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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2 Description of the Supply Base

2.1 General description

Feedstock types: Primary

Includes Supply Base evaluation (SBE): Yes

Feedstock origin (countries): Latvia

2.2 Description of countries included in the Supply Base

Country: Latvia

Area/Region: All Latvia

Exclusions: No

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), forest Land amounts to 51.8 % (ratio of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), 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 144 thousand.

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture. Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic meters.

Forest land consists of:

- forests 3 056 578 ha (91,3%);
- marshes 175 111.8 ha (5,3%);
- glades (forest meadows) 35 446.7 ha (1,1%);
- flooded areas 18 453.2 ha (0,5%);
- objects of infrastructure 61 813.4 ha (1,8%).

Distribution of forests by the dominant species:

- pine 40,3 %;
- spruce 18,1 %;
- birch 26,1 %;

- black alder 3,1 %;
- grey alder 5,1 %;
- aspen 6,0 %;
- oak 0,4 %;
- ash 0,6 %;
- other species 0,3 %

Share of species used in reforestation, by planting area:

- pine 15 %;
- spruce 19 %;
- birch 30 %;
- grey alder 14 %;
- aspen 18 %;
- other species 4 %.

Timber production by types of cuts, by volume produced:

- final cuts 82,3 %;
- thinning 12,2 %;
- sanitary cuts 2,6 %;
- deforestation cuts 1,1 %;
- other types of cuts 1,8 %.

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.

Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture.

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.

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

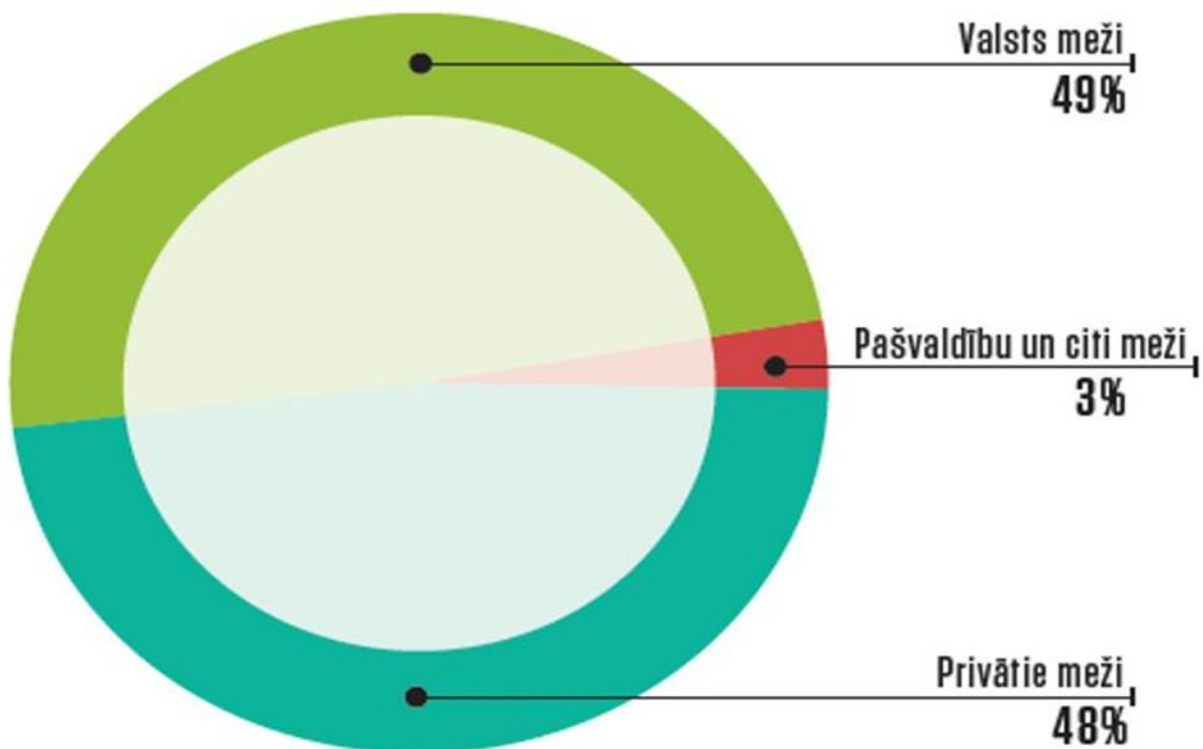
In order to protect highly endangered species and biotopes located without the designated protected areas, if a functional zone does not provide that, micro-reserves are established. According to data of the State Forest Service (2015), the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

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

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

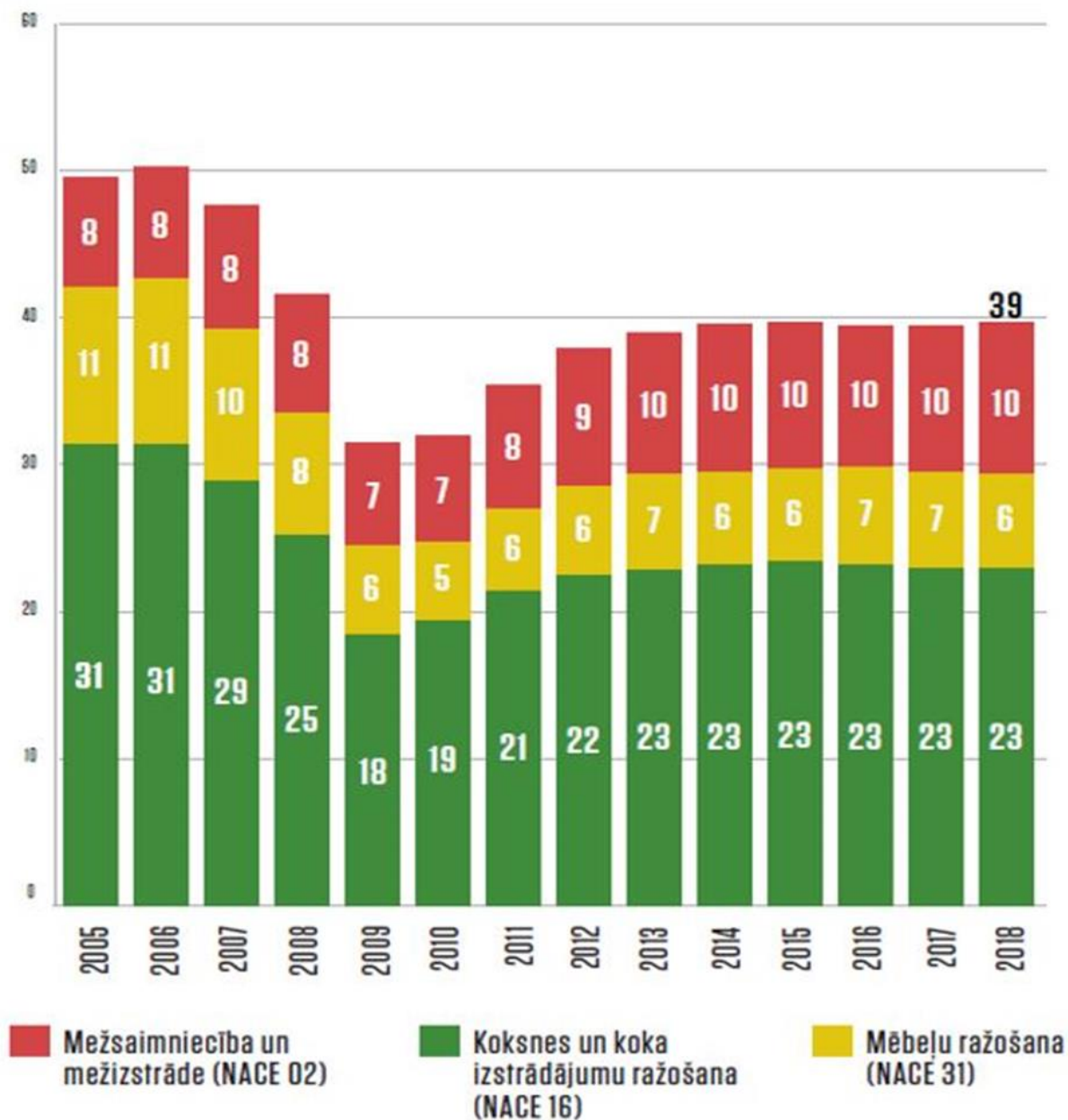
Forest and community

About half of Latvia's forests belong to the state, while most of the others belong to private landowners, the total number of which is about 135 thousand. In Latvia, it will be difficult to find forests that would not be publicly available - almost all people have the right to move freely, pick mushrooms or berries. The number of various recreational objects in Latvia's forests is increasing every year and the territories where recreation is one of the main goals of forest management occupy 8% of the total forest area in the country.



Picture No1 Ownership structure

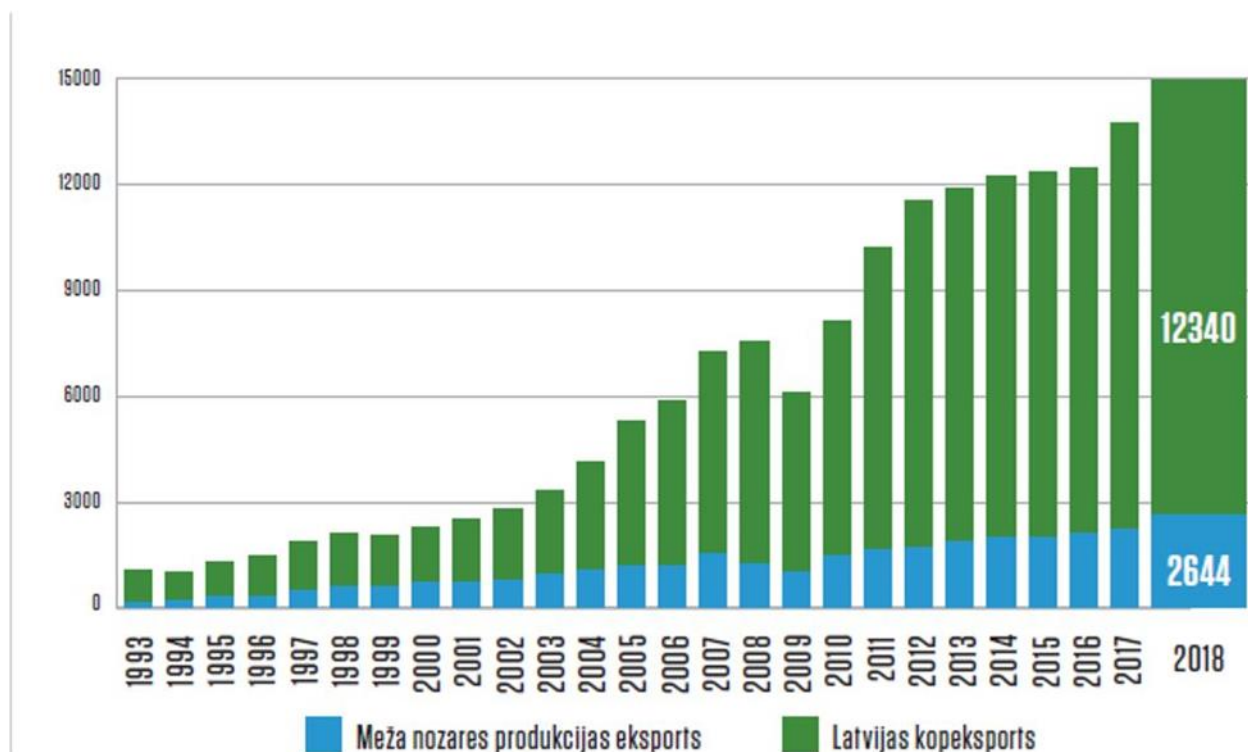
The forest sector employs about 39,000 people (3.3% of the number of able-bodied people in Latvia), the number of which has not changed significantly over the last 10 years. This type of indicator shows stability and growth in the sector, as financial indicators for the forest sector are growing. It also points to the modernization of the sector, as despite the increase in production volumes, there are no significant changes in the number of employees.



Picture No2 Employees in forest sector

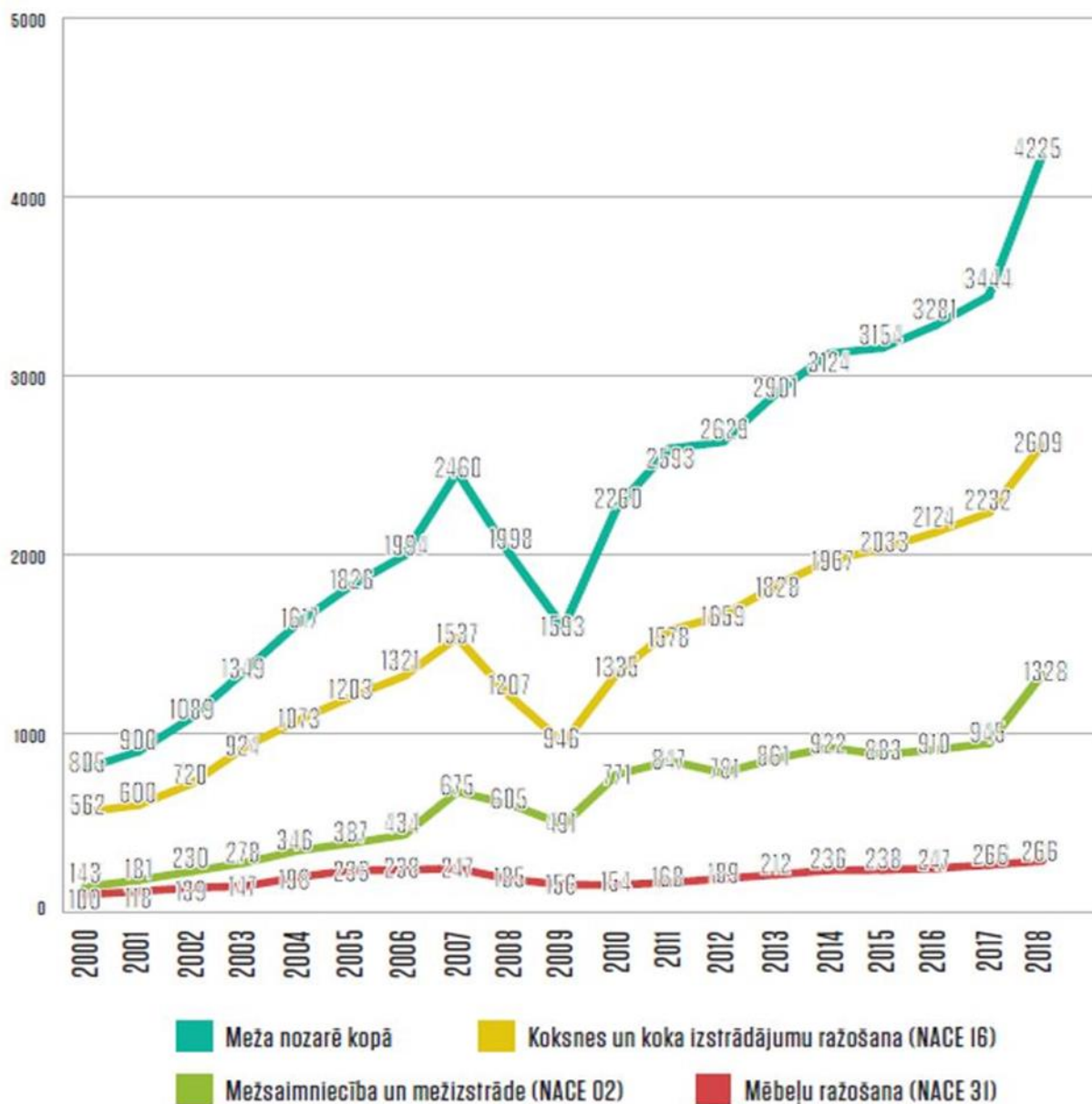
Economic indicators of the forest sector

Over the past 30 years, the forest sector has played a significant role in Latvia's export performance. Despite the fact that the percentage of these indicators for the forest sector is decreasing against the background of Latvia's total exports (this is related to the development of other sectors), the total volume of forest sector production is constantly increasing. In 2018, it makes up 17.6% of Latvia's total exports, which is 2,644 million euros.



Picture No3 Export

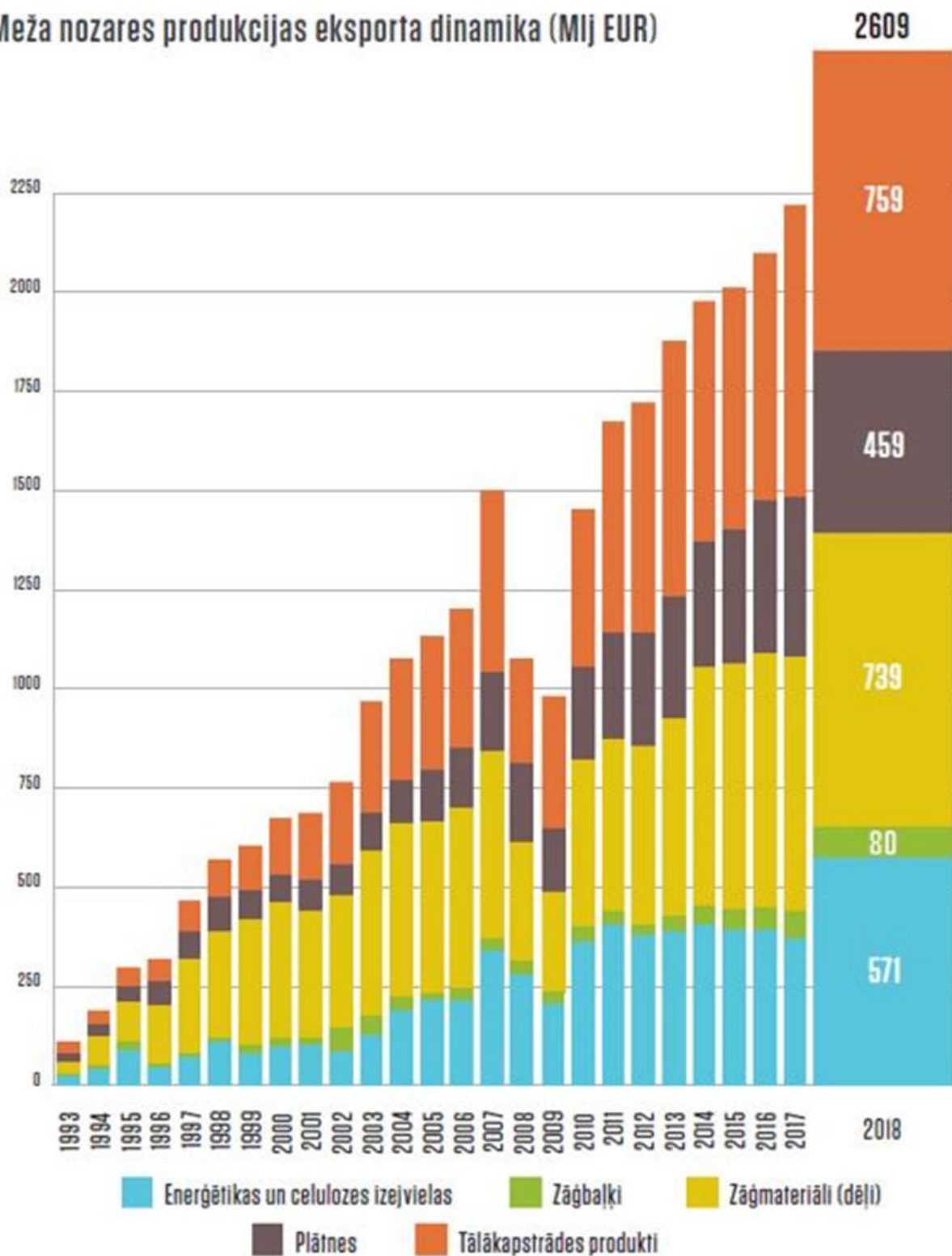
Compared to other forest-related industries, forestry and logging account for 31.4% of the total turnover of the forest sector. Recent years have seen a sharp rise. In the wood and wood products industry, logging volumes are rising accordingly. The furniture industry has seen a modest increase in turnover and stability over the last 15 years.



Picture No4 Forest sector turnover

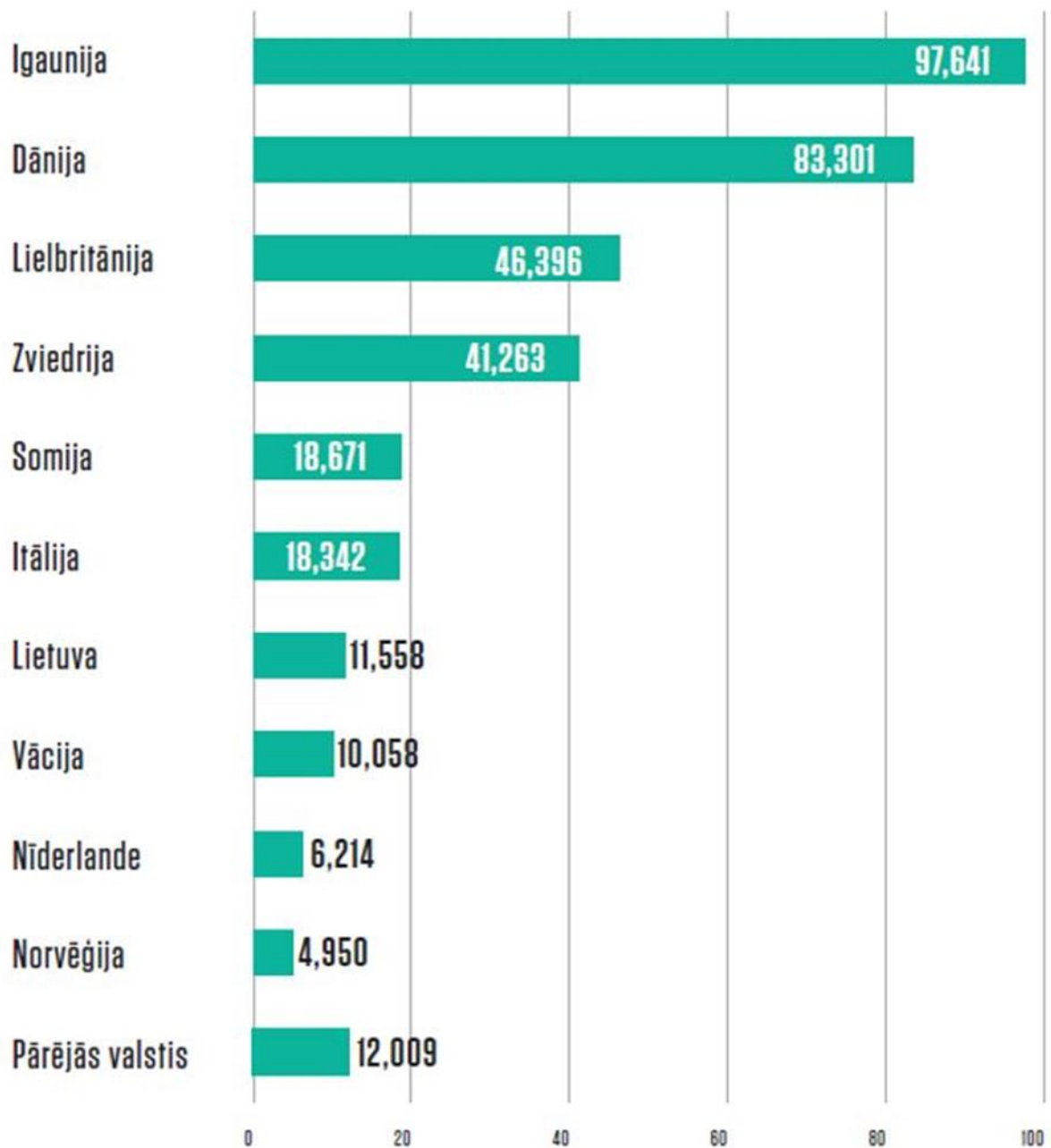
The dynamics of forest sector exports has been steadily rising over the last 30 years. As can be seen, exports of energy and pulp raw materials maintain a stable position among other products such as sawlogs, sawn timber, board materials and further processing products. In 2018, exports of energy and pulp raw materials totaled 571 million euros, which is 21.9% of the total exports of forest products.

Meža nozares produkcijas eksporta dinamika (Mij EUR)



Picture No5 Forest industry product export dynamics

87% of the amount of firewood is sold in 6 countries; Estonia (27.9%), Denmark (23.8%), the United Kingdom (13.2%), Sweden (11.8%), Finland (5.3%) and Italy (5.2%).



Picture No6 Export of firewood

Info:

<https://www.zInfo:>

<https://www.zm.gov.lv/mezi/statiskas-lapas/buklets-meza-nozare-skaitlos-un-faktos-2020-?id=19172#jump>

www.zm.gov.lv

2.3 Actions taken to promote certification amongst feedstock supplier

By obtaining Primary feedstock from forests and overgrown agricultural areas, the company informs suppliers of its habitat assessment system within the FSC system to preserve high quality forest habitats.

2.4 Quantification of the Supply Base

Supply Base

- a. **Total Supply Base area (million ha):** 3,06
- b. **Tenure by type (million ha):** 1.56 (Privately owned), 1.50 (Public)
- c. **Forest by type (million ha):** 3.06 (Boreal)
- d. **Forest by management type (million ha):** 3.06 (Managed natural)
- e. **Certified forest by scheme (million ha):** 1.23 (FSC)

Describe the harvesting type which best describes how your material is sourced: Clearcutting

Explanation: The company obtains the raw material in places where logging has been carried out (clear cut, selection cut or commercial thinning), as well as by harvesting overgrown agricultural land. In Latvia maximum area of clear cut can be 10 ha, but just in 3 of 23 forest types. In small areas and to avoid soil damage in wet soils hand chainsaws is used for felling operations. For large areas and if the condition of the soil allows the use of heavy machinery harvesters is used for tree felling. Round wood or branches is delivered to the material landing area with a forvarder or an agricultural tractor adapted to forestry work.

Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority

Explanation: In the supply base region, timber is harvested mainly for the production of timber and timber products. This industry produces a lot of felling residues, which are used in the production of wood chips. However, part of the material is also obtained from the overgrowth of overgrown agricultural land.

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: Restoration of felled forests is regulated by the Forest Regeneration, Reforestation and Plantation Forest Regulations (Cabinet of Ministers No.308 in force from 09.05.2012). The regulations stipulate that felled forest areas must be restored (naturally or artificially) within 5 years from the moment of felling. With the exception of boggy forest types, where restoration must be carried out within 10 years. In Latvia, this process is monitored by the State Forest Service.

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: Every year in Latvia, sanitary felling is carried out in areas damaged by diseases or pests. There is a possibility that material from such locations may be included in the supply chain. In 2020, a total of

50,000 ha of sanitary felling was carried out in Latvia. Such sanitary felling is carried out to avoid diseases or pests epidemics in forest areas.

Feedstock

Reporting period from: 01 Jan 2023

Reporting period to: 30 Apr 2023

- a. **Total volume of Feedstock:** 1-200,000 m³
- b. **Volume of primary feedstock:** 1-200,000 m³
- c. **List percentage of primary feedstock, by the following categories.**
 - Certified to an SBP-approved Forest Management Scheme: 0%
 - Not certified to an SBP-approved Forest Management Scheme: 80% - 100%
- d. **List of all the species in primary feedstock, including scientific name:** Parastā egle (European spruce, *Picea abies*), Parastā kļava (Norway maple, *Acer platanoides*), Melnalksnis (Black alder, *Alnus glutinosa*), Baltalksnis (Gray alder, *Alnus incana*), Kārpainais bērzs (Silver birch, *Betula pendula*), Parastais osis (European ash, *Fraxinus excelsior*), Parastā priede (Scots pine, *Pinus sylvestris*), Parastā apse (European aspen, *Populus tremula*), Parastais ozols (English oak, *Quercus robur*).
- 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 (%):** 50,00
- g. **Softwood (i.e. coniferous trees): specify proportion of biomass from (%):** 50,00
- h. **Proportion of biomass composed of or derived from saw logs (%):** 0,00
- i. **Specify the local regulations or industry standards that define saw logs:** In the industry, the accounting of round timber is controlled in accordance with Cabinet Regulation No. 744 "Regulations on the Accounting of Trees and Round Timber". The timber referred to in these regulations of the Cabinet of Ministers must be measured in accordance with the standard LVS 82: 2020. It describes the principles of surveying and determining the quality of all assortments of round timber used in Latvia.
- j. **Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%):** 75,00
- 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:** 0 N/A
 - Physical form of the feedstock: N/A
- n. **Volume of tertiary feedstock:** 0 N/A
 - Physical form of the feedstock: N/A

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	100,00	0,00	0,00	0,00
Secondary	0,00	0,00	0,00	0,00
Tertiary	0,00	0,00	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

SBP Biomass supply evaluation includes:

- **Primary** feedstock (firewood and branch chip after logging)
- **Non-forest land** feedstock (overgrown agricultural areas)

SIA Timberteh defines the biomass received from approved biomass sources and supply as SBP compliant biomass.

The SBP endorsed Regional Risk assessment for Latvia (September 28, 2017) is used.

Is REDII SBE completed? N/A

N/A

4 Supply Base Evaluation

4.1 Scope

Feedstock types included in SBE: Primary

SBP-endorsed Regional Risk Assessments used: 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:

This risk was determined to be high in Latvia because no data were available on part of high-value forest areas. HCV monitoring has been performed in Latvia and HCV areas are displayed in the data management system "OZOLS". There is a risk that these areas are not yet protected by law, so cutting licenses may be legally obtained for felling operations.

Also there can be found new protected bird species nests, that is not recognized and registered in data base "OZOLS". There is a risk that the favorable environment at the sites of protected birds will be disturbed and destroyed by logging actions.

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:

This risk was determined to be high in Latvia because no data were available on part of high-value forest areas. HCV monitoring has been performed in Latvia and HCV areas are displayed in the data management system "OZOLS". There is a risk that these areas are not yet protected by law, so cutting licenses may be legally obtained for felling operations.

Also there can be found new sites of cultural and historical value, that is not recognized and registered in data base "OZOLS". Data base <https://karte.mantojums.lv> contains registered cultural and historical sites and protection zone around them. There is a risk that the sites of cultural and historical will be destroyed by logging actions.

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:

In the Latvian region, there are shortcomings in the safety requirements in the logging process, which is carried out with chainsaws. Cases of violations of occupational safety regulations in logging and accidents often occur.

4.2 Justification

SIA Timberteh is using the SBP endorsed SBP Regional Risk assessment for Latvia (September 28, 2017). This assessment is similar to FSC CNRA for Latvia. SIA Timberteh is preparing FSC CoC system that will contain Due Diligence system for FSC controlled material.

Based on these SBP and FSC risk assessments the Supplier Verification programme was developed to ensure, that all risks have been identified and mitigated, if possible, otherwise it is not included in SBP compliant biomass deliveries.

During consultation with interested parties and through communication with biomass suppliers, additional information related to current "specified risk" and "low risk" indicators has been obtained and mitigation measures used if necessary.

4.3 Results of risk assessment and Supplier Verification Programme

The requirements of Latvian normative acts were included in the risk assessment analysis.

Taking into account the specific character of Latvia and expert advice and recommendations, "specified risk" was applied to work safety requirements in logging operations done by chainsaw operators, bird habitat conservation (HCV category 1), biotope protection (HCV category 3) and cultural and historical sites (HCV category 6) in non-certified forests.

SIA Timberteh FSC due diligence system is adapted to prevent the risks posed by SBP. The biomass included in the due diligence system is SBP compliant.

Purchasing Controlled Material will only accept FSC Controlled Material. Prior to the inclusion of such material in the SBP system, the supplier's FSC Due Diligence System will be assessed for compliance with the SBP requirements. The inspections have resulted in situations where the company implementing the FSC Due Diligence System is unable to provide sufficient evidence of control of the materials included in the system and the origin of the materials (risks are not sufficiently mitigated). Controlled wood from such companies will not be sold as SBP compliant. As well as from sawmills with such suppliers, such wood will not be included in the SBP scheme.

4.4 Conclusion

Due to company's extensive industry experience, the company has developed successful FSC due diligence system and adapted it to meet SBP requirements.

The strengths of the system are:

- Most of the Primary feedstock biomass will be controlled directly through SIA Timberteh FSC due diligence system, so company will be sure for compliance SBP compliant status;
- The country of origin of the material required for the realization of SBP compliant material is Latvia;

The weaknesses of the system are:

- Difficulties in coordinating occupational safety audits with supplier's loggers.

5 Supply Base Evaluation process

SBE was done based on SIA Timberteh FSC system's scope, including strong side of the system to ensure compliance with SBP compliant biomass.

For SBP compliant biomass company mostly will use controlled biomass, that is controlled through companie's due diligence system. Controlled biomass, that is controlled through other companies due diligence systems will not be added in SBP material flow.

SBE was assisted by a forest certification and wood product supply chain consultant. The consultant successfully utilizes forestry knowledge acquired through bachelor and master degrees in forestry, as well as over 4 years of experience in implementing FSC and PEFC supply chain and forest certification.

6 Stakeholder consultation

One month before the initial audit of the SBP certification, stakeholders will be informed to provide questions, criticisms, suggestions on the evaluation of SIA Timberteh supply base. The stakeholder list is made up of over 28 members from the economic, social and environmental sectors. This ensures that an SBP certification-compliant and sustainable system is established, taking into account comments from stakeholders.

Responses to comments from interested parties will be provided after their stakeholders have been informed and received.

There are currently no comments on the evaluation of SIA Timberteh supply base.

6.1 Response to stakeholder comments

Description: N/A

Comment: N/A

Response: N/A

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: This risk was determined to be high in Latvia because no data were available on part of high-value forest areas. HCV monitoring has been performed in Latvia and HCV areas are displayed in the data management system "OZOLS". There is a risk that these areas are not yet protected by law, so cutting licenses may be legally obtained for felling operations.

Also there can be found new protected bird species nests, that is not recognized and registered in data base "OZOLS". There is a risk that the favorable environment at the sites of protected birds will be disturbed and destroyed by logging actions.

Mitigation measure:

Identification of protected bird habitats is carried out by using data base "OZOLS" and with field audits using "High Value Element Identification checklist".

In the case of a forest site with life habitat of protected bird species, at least one tree 1.3 m in diameter at least 80 cm above the root collar or a tree with large nest with a diameter above 50 cm, a certified ornithologist shall be invited in before carrying out the harvesting work to assess the potential bird protection. If the presence of protected bird species in the has been detected then ornithologist impose restrictions on logging operations. The aim is to preserve habitats that are suitable or already contain protected bird species.

The identification of high value forest habitats is carried out by using data base OZOLS (<http://ozols.daba.gov.lv/>). This check requires information on the area from which the raw material is to be obtained (cadastral number, quarter number and site number of the unit of forest land). If the system does not display existing or potential high value forest habitat in particular forest site, then timber from this place will not be included in the due diligence system as controlled wood.

The identification of cultural and historical values is carried out by using data base "karte.mantojums.lv" and with field audits using "High Value Element Identification checklist". The area is checked for graves, planted alleys of old trees (over 150 years), old manor parks, monuments, etc. cultural and historical object. If they are found, protection is organized to prevent them from being damaged or damaged during logging

operations. If necessary, a representative from the National Heritage Board shall be invited to give evaluation and recommendations.

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: This risk was determined to be high in Latvia because no data were available on part of high-value forest areas. HCV monitoring has been performed in Latvia and HCV areas are displayed in the data management system "OZOLS". There is a risk that these areas are not yet protected by law, so cutting licenses may be legally obtained for felling operations.

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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: In the Latvian region, there are shortcomings in the safety requirements in the logging process, which is carried out with chainsaws. Cases of violations of occupational safety regulations in logging and accidents often occur.

Mitigation measure:

Occupational safety audits:

Occupational safety requirements are checked in accordance with Cabinet of Ministers Regulations 2012 No.310 "Labour Protection Requirements in Forestry". The purpose of the audits is to achieve a systematic improvement of compliance with occupational safety requirements in the use of hand-held chainsaws in forest operations. A list of loggers who carry out logging operations in forest areas or overgrown areas from which the raw material will be accepted is maintained.

When performing safety audits, the auditor should evaluate each identified non-conformance and classify it as either "major" or "minor".

Major non-compliance -

- the work is performed by a person who is not qualified to perform the specific job;
- the person does not use:
 - o safety shoes with a special protective coating for working with a chainsaw;
 - o protective trousers with a special lining for work with chainsaw;
 - o safety helmet.
- at least two persons within sight or hearing of each other are not employed in work involving the felling of trees with a chainsaw;
- failure to observe minimum danger zone distances - allow persons to be in the danger area (except the helper of the logger);
- danger zones are not marked with safety signs when felling trees;
- the conditions for removing trapped trees are violated;
- tree felling works in protection zones (along power lines, overhead and overhead cable electronic communications lines, railway lines, oil and gas pipelines, motorways and roads in the land strip) are carried out without the consent of the owners of these objects;
- work is performed with a chainsaw that does not operate the chain brake.
- significant oil or fuel leakage from harvesting equipment;

- tractor equipment that is not specially equipped for forest work is used for logging;
- logging works are carried out without the technological map of the felling area.

A non-compliance is classified as "**major**" if it, alone or in combination with possible future non-compliances, results in a systemic error that prevents compliance with the requirements.

This type of errors:

- Continues over a long period of time;
- Are repetitive, systematic;
- Affects a large number of employees.

Minor non-compliance –

Non-conformities that do not directly endanger the workers, but are a violation of Labor Protection requirements.

The following types of error are classified as "**minor**":

- it is a temporary error; or
- it is atypical / non-systematic, or
- nonconformity has a narrow impact on processes, personnel, and
- it does not cause a fundamental system error to meet specified requirements.

Deadlines for Requesting Corrective Action:

- An agreed timeframe and, if necessary, a re-audit of the non-conformance with the audited logger shall be agreed.
- Failure by the logger to prevent the non-compliance within the specified timeframe shall be assessed with a view to not cooperating with the logger and not accepting raw materials from areas where the logger performed the work.

7.2 Monitoring and outcomes

SIA Timberteh FSC due diligence system is customized and suitable to mitigate risks and enable primary raw materials to be marketed as SBP compliant. SIA Timberteh due diligence system includes raw materials obtained from forest areas and overgrown areas of other land categories.

Company is preparing for the initial audits for FSC COC DDS and SBP systems.

At this moment there is no non-conformities detected in evaluation system of materials.

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

This section will be updated after receiving comments, questions and suggestions from stakeholders.

9.2 Public or additional reviews

This section will be updated after receiving comments, questions and suggestions from stakeholders.

10 Approval of report

Approval of Supply Base Report by senior management			
Report Prepared by:	Raitis Latvelis	Independent Consultant in Timber Certification	11 May 2023
	Name	Title	Date
<p>The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.</p>			
Report approved by:	Toms Egle	Chairman of the Board	23 Feb 2023
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A