Supply Base Report:
AKZ SIA

Scope Change Audit

www.sbp-cert.org

Completed in accordance with the Supply Base Report Template Version 1.5

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

Document history

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Contents

1 Overview

Producer name: AKZ SIA

Producer address: Matrožu iela 15, LV-1048 Riga, Latvia

SBP Certificate Code: SBP-01-02

Geographic position: 57.055200, 24.060700

Primary contact: Ilze Silina, +371 267 906 43,ilze.silina@akz.lv

Company website: www.akz.lv

Date report finalised: 03 Nov 2023

Close of last CB audit: 06 Dec 2023

Name of CB: Preferred by Nature 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 1.5

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: N/A

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

2 Description of the Supply Base

2.1 General description

Feedstock types: Secondary, Tertiary

Includes Supply Base evaluation (SBE): No

Includes REDII: Yes

Includes REDII SBE: No

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

2.2 Description of countries included in the Supply Base

Country: Latvia

Area/Region: all

Sub-Scope: N/A

Exclusions: No

Around 53% (3,04 mill ha) of the total land area is covered with forests.
Forest management is described in a special law, called the Forest Law.
41% of all forests are state forests and 59% are private forests.
To secure and maintain SFM both state and private forests are monitored and inspected by the Latvian Forest Department, which also develops the main forestry regulations.
Before commercial activities in the forests can commence, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting Licence for separate sites. The Harvesting Licence determines what kind of forest felling system is allowed, and which species and in what amount can be harvested in the area. It also determines the forest regeneration method at each harvesting site.
After the harvesting operation, the site owner signs a report on the harvested volumes and planned forest regeneration method. The site is inspected by a representative of the State Forest department.
The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.
Forests in protected territories and protected forests account for 28.2% of total forest area, or 862.8 thousand hectares. Forests in strict conservation areas account for 42.6% by area. One-fifth of the area of forests in protected territories is located in National parks (various protection tenures); with the remainder made up as follows: 16%: protected landscape areas; 13%: Baltic Sea and Riga Bay belt zone; 12%: nature parks; 7%: micro reserves; 4%: city protection belts; 3%: specially protected forest areas; 2%: strict nature reserves and protected Baltic Sea and Riga Bay coastal dune forests. Most of the protected forests and forests in protected areas are owned by the State. The highest proportion of privately owned forests is in protected landscape forests (57%), National parks and nature parks (51%). There is a relatively smaller area of private forests in protected territories with more strictly regulated protection regimes: protected coastal forests (Baltic Sea and Riga Bay belt 33%, Baltic Sea and Riga Bay protection zone 34%); strict conservation areas (20%); and micro reserves (7%). All other forests apart from forests in protected

territories and belts and their buffer zones are considered production forests.
The Republic of Latvia has signed and ratified the Convention on International Trade in Endangered Species of Wild Fauna and Flora (The Washington Convention, 1973). In addition to the CITES Convention, trade in endangered species of wild fauna and flora is regulated by a number of EU directives that extend the scope of species within the European Union.
Latvia's forests are regenerated either naturally or artificially. Natural regeneration of pine, spruce and deciduous species take place according to the site conditions on wet mineral and wet peat soils. Artificial rejuvenation involves the use of genetically improved seed and planting stock.
The BP does not participate in forest harvesting and the forests are not harvested for the purpose of selling to the BP. The harvesting in the region is completely driven by non-energy industries like sawmills, plywood and pulp. Harvests in the region are mainly carried out for the purpose of nonenergy products and the % of forestry returns that end up in the energy sector are low quality wood, logging residues and defective logs. These represent the minority of the volume and would not be harvested if the other industries would not exist. In 2019, the total stock amounted to 679 million m3, a total of 13.3 million m3 of roundwood was produced and 24% (3.2 million m3) of which was used for production of heating materials.
In 2019 total forest growing stock was 679 mill. m3 out of which 13.3 mill m3 was harvested (round wood). Wood fuel production in 2019 was 3.2 mill m3 (24% of harvested wood).
Wood specie composition: Pine- 32%; Spruce-19%; Birch- 30%; Aspen- 7%; Grey Adler 7%; Black alder -4%; Other – 1%
Timber production by types of cuts, by volume produced (2018): final felling 33.23%; thinning 25.32%; sanitary felling 37.87%; other types of cuts 3.48 %, illegal cuts 0.09%.

Country: Lithuania

Area/Region: all

Sub-Scope: N/A

Exclusions: No

Around 33.1% (2.2 mill. ha) of the total land area is covered with forests.
Around 55% of all forests are state forests; 45% are private forests.
To secure and maintain SFM both state and private forests are monitored and inspected by the Lithuanian State Forest Department, which also develops the main forestry management rules.
Before commercial activities in the forests can commence, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting License for separate sites. The Harvesting Licence determines what kind of forest felling system is allowed and which species and in what amount can be harvested in the area. It also determines the forest regeneration method at each harvesting site.
The Harvesting Licence (licence number) is the main document for suppliers to track the supply chain and secure sustainable log purchases.
Adjacent lands: agricultural land covers more than 52.6% of Lithuania.
According to the National Forest Inventory data (2017), the total forest land area of Lithuania was 2 178 958 ha, covering 33,38% of the country’s territory. Since the 1st January 2003, the forest land area has increased by 141,500 ha corresponding to 2.2% of the total forest cover. During the same period, forest stands expanded by 107,300 ha to 2,058,300 ha. Lithuania forest land ownership is divided into: Forests of state importance (1 088 000 ha or 49.8 %), Private forests (873 000 ha or 39.9 %) and Forests reserved for restitution (225 000 ha or 10.3 %). By 1st January 2016, the number of private forest owners amounted to almost 249,100, with forest estates averaging 3.4 ha. Forty two State forest enterprises and 1 national park, under subordination of the Ministry of Environment, managed 1,050,200 ha of forest land. The number of forest districts during the last year decreased from 350 to 341 reaching an average size of 3,200 ha.
According to functional groups Lithuania forest is divided into: group I (strict nature reserves): 25,337 ha (1.2%); - group II (ecosystem protection and recreational): 260,335 ha (11.8%); - group III (protective):

288,156 ha (13.1%); - group IV (exploitable): 1,623,289 ha (73.9%).
Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests - especially spruce and birch - often grow in mixed stands. Forest composition: Scots pine - 34.5%, spruce - 21%, birch - 22%, Black Alder – 7.8%, Grey Adler - 5.9%, Ash - 0.6%; Aspen – 4.7%, Oak – 2.3%, other species – 1.2%.
Today, bioenergy is the largest renewable source (all sectors considered). Bioenergy provides the largest share of Lithuanian renewable energy supply and accounts for around 75% of all heat production in Lithuania. Around 95% of bioenergy is woody biomass, of which the largest share is harvested in Lithuania. Around 75% of all heat is produced by burning woody biomass.
Statistics Lithuania shows that in 2019 the harvest volume was 6.9 mln m3 and the use of all biomass firewood + wood residues was 3,250 mln m3. The scale of firewood harvests is not reported next to other assortments but if all biomass used is bioenergy is less than 50% of total harvest volume then it can be assumed that scale of firewood is 20-30% of annual harvests.
CITES came into force in the Republic of Lithuania on 9 March 2002. The rules for trade in wild animals regulating bringing into and taking out of the Republic of Lithuania animals, parts thereof or articles made of them are prepared following the requirements of the CITES, provisions of Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein and Commission Regulation (EC) No 1808/2001 of 30 August 2001 laying down detailed rules concerning the implementation of the protection of species of wild fauna and flora by regulating trade therein. No CITES tree species growing in Lithuania.

Country: Estonia

Area/Region: all

Sub-Scope: N/A

Exclusions: No

Around 51.4% (2.2 mill. ha) of the total land are is covered with forests.
Around 28% of all forests are state forests; 47% are private forests and 26% of forests are under protection.
In order to preserve biological diversity in the forest management process, general nature protection requirements have been developed, which apply to all forest managers. These are publicly available through a centralized database and map system (https://register.metsad.ee/#/) for maximal transparency and communication of protection requirements/areas. This information is also included in harvest permits in more detail. This system is used to communicate the requirements and protected species under multiple EU wide directives, like the habitat directive, and would include IUCN and CITES tree species if there were any detected.
Estonia signed the CITES Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) in 1992. Forest management complies with CITES requirements, although Estonia does not have CITES-listed species https://cites.org/eng) , nor do IUCN-listed protected tree species.
Most of the Estonian forests mainly contain pine and birch. Forest composition: Scots pine - 31.1%, spruce - 18.9%, birch - 29.3%, Black Alder – 3.9%, Grey Adler - 8.9%, Aspen – 6.4%, other species – 1.5%.
Biomass provides 50% of heat/fuel for heating in Estonia. Approximately 36% of wood biomass removals in Estonia are primarily used for energy, mostly originating from low-quality wood and felling residues.
ate within the forestry and wood industry. These constituted to 4% of the total active companies in Estonia in 2017. In 2018, the industry employed 28 178 people, which constituted around 6% of the total employment in Estonia. Moreover, the forestry and wood industry has an active role in creating employment outside the usual main employment centers. In rural areas the wood and forest industry is up to 14,5% of total employment.
The revenues and operating profits of the companies in the forestry and wood industry constituted 7*% and 6,8*% respectively, and the gross value added 14,7 % of the total in Estonia in 2018.

https://empl.ee/wpcontent/ uploads/2020/12/EY_EMPL_metsa-ja-puidusektoriuuring_2020_11.12.20.pdf
https://www.envir.ee/et/metsastatistika

Country: Sweden

Area/Region: all

Sub-Scope: N/A

Exclusions: No

Around 70% (28 mill. ha) of the total area is covered with forests.
Around 56% of all forests are private forests, 19% are state forests; and 25% are owned by large forest companies.
A major part of the mountain forest is state-owned. The average size of a privately owned forest is roughly 50 hectares. In total, there are about 350 000 private forest owners in Sweden, of whom 70% live on their properties. Annual growth is about 120 million m3 and annual felling is around 80 million m3. Each year the volume of standing timber increases by around 40 million m3 (net annual increment).
The forest products industry plays a major role in the Swedish economy, and accounts for between nine and 12 percent of Swedish industry's total employment, exports, sales and added value.
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.
Wood specie composition: Pine- 40%; Spruce 41%; Birch- 13%; Other – 6%
Around 60% of renewable energy is from biomass. Almost 70% of fuels/heat provision in Sweden (excluding heat pumps / electric heating) is through biomass.
The forest products industry plays a major role in the Swedish economy, and accounts for between nine and 12% of Swedish industry's total employment, exports, sales and added value. It includes companies within the pulp and paper industry, as well as the wood-mechanical industry. Close to 90% of paper and pulp production is exported, and the corresponding figure for sawn-wood products is almost 75%.
http://www.svenskttra.se/siteassets/6-om-oss/publikationer/pdfer/swedish-forestry.pdf

Country: Norway

Area/Region: all

Sub-Scope: N/A

Exclusions: No

Around 38% (12 mill. ha) of the total area is covered with forests.
Around 80% of all forests are owned by regional cooperatives, 13% are state forests; and 3% are owned by large forest companies and 4% are privately owned.
Of this, around 86.600 square kilometers are productive forests - that is, they produce enough timber to be important for forestry. The main tree species by volume and economic importance are spruce, pine and birch. Hedmark is Norway's largest forest county. The Norwegian Forest Owners' Federation represent about 30 000 family forest owners. The Norwegian Forest Owners' Federation was founded in 1913, and is the central organisation for four regional cooperatives.

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 (https://link.springer.com/article/10.1007/s13280-020-01357-1).
The Norwegian Red List of Species from 2021 provides an overview of species' predictions of extinction. 12 % of the species that have been assessed in the work on the red list are classified as endangered. Most are associated with forests and cultural landscapes and open lowlands (semi-natural land). Red list database: https://artsdatabanken.no/lister/rodlisteforarter/2021 . CITES species are present in Norway. 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).
Direct use of biomass dropped to lower levels after 2012 due to closures in the pulp and paper sectors, but still represents around 30% of fuel/heat provision. (https://miljostatus.miljodirektoratet.no/tema/naturomrader-pa-land/vernet-natur/). Forestry is administrated by The Royal Ministry of Agriculture. The Ministry may also decide that forest – or certain types of forest – shall be considered as protection forest when it may serve as protection against avalanches and landslides, flooding rivers, flood damage, sand drift or similar or as special protection for other forest, cultivated land or settlement (http://archnetwork.org/forestry-in-norway-2/).

2.3 Actions taken to promote certification amongst feedstock supplier

AKZ is promoting Sustainable Forest Management (mainly FSC) certification. We explain to our suppliers its criteria and importance. AKZ give priority to FSC certified suppliers. AKZ promote only FSC controlled and FSC certified wood supply with that action certified wood purchase is promoted.

2.4 Quantification of the Supply Base

Supply Base

a. **Total Supply Base area (million ha)**: 47.44
b. **Tenure by type (million ha):**19.98 (Privately owned), 9.93 (Public), 16.89 (Community concession)
c. **Forest by type (million ha):**47.44 (Temperate)
d. **Forest by management type (million ha):**47.44 (Managed natural)
e. **Certified forest by scheme (million ha):**25.41 (FSC), 36.12 (PEFC)

Describe the harvesting type which best describes how your material is sourced: Mix of the above

Explanation: AKZ production is organized with 0 waste technologies. AKZ uses round wood in their sawing operations and does not harvest trees with the goal to produce pellets. AKZ only use wood wastes, originating from woodworking or bought with FSC claim. The resources originate from well-managedmultifunctional forests with a long rotation period. AKZ sources are either FSC certified wood, or FSC controlled wood.
Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority
Explanation: Forest from which AKZ sourced sawn logs generally is meant for lumber processing.

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: Each of the supply regions where sawn logs are sourced have the following main principles of sustainable forest management (SFM) and land management.

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? No
Explanation: Forest from which AKZ sourced sawn logs was not dead, infected by bugs or salvaged by any means.

What is the estimated amount of REDII-compliant sustainable feedstock that could be harvested annually in a Supply Base (estimated): 0.00 tonnes
Explanation: Not applicable. Only secondary and tertiary feedstock in the scope.

Feedstock

Reporting period from: 01 Jun 2022

Reporting period to: 31 May 2023

a. **Total volume of Feedstock**: 400,000-600,000 m3
b. **Volume of primary feedstoc**k: 0 N/A
c. **List percentage of primary feedstock, by the following categories.**
    - Certified to an SBP-approved Forest Management Scheme: N/A
    - Not certified to an SBP-approved Forest Management Scheme: N/A
d. **List of all the species in primary feedstock, including scientific name:** Picea abies (N/A); Pinus sylvestris (N/A);
e. **Is any of the feedstock used likely to have come from protected or threatened species?** N/A
    - Name of species: N/A
    - Biomass proportion, by weight, that is likely to be composed of that species (%):
f. **Hardwood (i.e. broadleaf trees): specify proportion of biomass from (%):**
g. **Softwood (i.e. coniferous trees): specify proportion of biomass from (%):**
h. **Proportion of biomass composed of or derived from saw logs (%):**
i. **Specify the local regulations or industry standards that define saw logs:** N/A
j. **Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%):**
k. **Volume of primary feedstock from primary forest:** 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: 400,000-600,000 m3

- Physical form of the feedstock: Chips, Sawdust

n. Volume of tertiary feedstock: 1-200,000 m3

- Physical form of the feedstock: Shavings

o. **Estimated amount of REDII-compliant sustainable feedstock that could be collected annually by the BP:** 500000.00m3

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	0.00	0.00
Secondary	0.00	56.00	44.00	0.00
Tertiary	0.00	100.00	0.00	0.00
Other	0.00	0.00	0.00	0.00

3 Requirement for a Supply Base Evaluation

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

Is Supply Base Evaluation (SBE) is completed? No

N/A

Is REDII SBE completed? N/A

N/A

4 Supply Base Evaluation

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

4.1 Scope

Feedstock types included in SBE:

SBP-endorsed Regional Risk Assessments used: Not applicable

List of countries and regions included in the SBE:

Country:

Indicator with specified risk in the risk assessment used:

Specific risk description:
N/A

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

7 Mitigation measures

7.1 Mitigation measures

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:	**Ilze Silina**	**Certification specialist**	**03 Nov 2023**
	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:	**Aigars Āboliņš**	**Production director**	**03 Nov 2023**
	Name	**Title**	**Date**

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A

Annex 2: Detailed findings for REDII

Section 1. RED II Supply Base Evaluation

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

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

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

10.1 Verification and monitoring of suppliers

N/A, only secondary and tertiary feedstock from own sawmill.

10.2 Feedstock inspection and classification upon receipt

N/A, only secondary and tertiary feedstock from own sawmill.

10.3 Supplier audit for secondary and tertiary feedstock

N/A, only secondary and tertiary feedstock from own sawmill.