

NEPCon Evaluation of Derussa Factory LLC Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

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Completed in accordance with the CB Public Summary 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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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	03/May/2019
Report authors: :	Roman Kurakin
Name of the Company:	Derussa Factory LLC
Company contact for SBP:	Alexander Lesnikov, Head of sales department, +79212521593, aleksandr.lesnikov@derussa.ru
Certified Supply Base:	Sourcing from Russia, Vologda region
SBP Certificate Code:	SBP-01-96
Date of certificate issue:	02/May/2018
Date of certificate expiry:	01/May/2023

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Hohlovo, Vologda region.

Scope description: Production of wood pellets, for use in energy production, at Derussa Factory and transportation to Saint Petersburg harbour (Russia). The scope of the certificate does not include Supply Base Evaluation.

Scope of the evaluation is indicated in the table below and includes ID5D in this annual audit:

Scope Item	Check all that apply to the Certificate Scope			Change in Scope (N/A for Assessments)	
Approved Standards:	SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0 https://sbp-cert.org/documents			<input type="checkbox"/>	
Primary Activity:	Pellet producer			<input type="checkbox"/>	
Input Material Categories:	<input type="checkbox"/> SBP-Compliant Primary Feedstock	<input checked="" type="checkbox"/> SBP-Compliant Secondary Feedstock		<input type="checkbox"/>	
	<input checked="" type="checkbox"/> Controlled Feedstock	<input type="checkbox"/> SBP non-Compliant Feedstock			
	<input type="checkbox"/> SBP-Compliant Tertiary biomass	<input type="checkbox"/> Post-consumer Tertiary Feedstock			
	<input type="checkbox"/> SBP-approved Recycled Claim	<input type="checkbox"/> Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	<input checked="" type="checkbox"/> FSC	<input type="checkbox"/> PEFC	<input type="checkbox"/> SFI	<input type="checkbox"/> GGL	<input type="checkbox"/>
	<input type="checkbox"/> Transfer	<input type="checkbox"/> Percentage	<input checked="" type="checkbox"/> Credit		<input type="checkbox"/>
Points of sales	<input type="checkbox"/> Harbour – Permanent storage (Storage site)	<input type="checkbox"/> Harbour – Temporally storage (Logistic site)	<input checked="" type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)		<input type="checkbox"/>

Provide name of all points of sales			Saint-Petersburg (harbour) FCA	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	
SBE Verification Program:	<input type="checkbox"/> Low risk sources only		<input type="checkbox"/> Sources with unspecified/ specified risk	
	New districts approved for SBP-Compliant inputs:			
Sub-scopes				<input type="checkbox"/>
Specify SBP Product Groups added or removed:				
Comments:				

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis;

- Review ID5D

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

4.2 SBP-endorsed Regional Risk Assessment

Not applicable.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a wood processing company located in Vologda region, Russia. Total annual production capacity of pellet plant is 9 500 tones (the project).

Company runs both pellet production and lumber, which supplies secondary feedstock with FSC Mix Credit or FSC Controlled Wood claim to the pellet plant.

The round wood used at lumber production line (logs for primary production) is originating from the Vologda region only.

The BP has implemented FSC credit system and all amount of produced biomass shall be sold with FSC Mix (SBP-compliant biomass) or FSC Controlled Wood (SBP-controlled biomass) claim.

The pellets are transported by railway to S.Peterburg harbor where the biomass is taken into possession by new owner.

5.2 Description of Company's Supply Base

The supply base of the Derussa Factory is represented mainly by mixed forests. The factory doesn't have its own harvesting of wood. The work of the enterprise is conducted with the use of purchased raw materials. At this moment, the region of origin of raw materials is the Vologda region only, Derussa doesn't have deliveries from other regions. The main areas of origin raw materials are Kaduysky, Cherepovetsky, Belozersky, Babaevsky, Vashkinsky, and Kirillovsky districts of Vologda region.

The forests of Vologda region.

Vegetation is typical for the middle and southern taiga. Our region have mainly the podzolic soils in the northern part and the sod-podzolic soils in the south, in places there are bog soils. Forests occupy about 75% of the region (in the north-west and south-east 80%, in the central part up to 50%). More than half of the forests are coniferous, mostly spruce forests. The most common species of forests are European spruce and Siberian spruce, also their hybrid - spruce Finnish. Second place have the Pinus sylvestris.

Siberian fir occurs in the eastern part of the region, and the larch of Sukachev (Russian, a subspecies of Siberian larch) is predominantly in the eastern and northern parts. Warty birch, pubescent birch and aspen are often distributed. It often forming secondary forests. Somewhat less common are alder gray and alder black.

In areas with benign soils, mainly in the undergrowth, rarely - in the second and first layers of the forest stand, sometimes grow a small-leaved linden, an European white elm, an witch elm, in the west of the region a norway maple is added, and in the south-west – English oak, European ash, European hazel.

Nature is protected in the Russian North National Park, the Darwin Reserve and other 198 specially protected natural areas.

In accordance with the legislation of the Russian Federation, all lands of the forest fund are in state ownership. Legal entities receive forest plots in use on the lease terms and short-term use. Lease relations are the dominant way of using forests. The lease term can be from 10 to 49 years.

The forestry complex of the Russian Federation, which includes forestry and timber industry in timber harvesting and processing, occupies an important place in the country's economy. In the forestry complex of the Russian Federation, about 60 000 large, medium and small enterprises are employed in all regions of the country. The total number of employees in the forestry complex is about 1 million people. North-West of Russia is the leader in the level of development of sawmills, woodworking, pulp and paper industries.

The Derussa Factory is one of the biggest plants in the Kaduy district. The factory employs about 250 people. Director of the factory is a member of the Board of Directors of the enterprises of the district. This council is engaged in solving social and economic problems of the region.

The practice of forest management in Russia is based on the achievement of sustainable forest management in accordance with the requirements of forest legislation, and, if applicable, the principles of forest certification. The rotation period is 60-120 years. During the rotation period, thinnings and clear cuttings in the stage of maturity are carried out and reforestation is ensured. Planting of seedlings or natural regeneration can be used for reforestation. The practice of continuous forest management is also used. Continuous forest harvesting is based on a 15-20-year cycle of logging with selective harvesting and retention of a viable undergrowth.

Derussa does not purchase tree species on the CITES and IUCN list.

The factory is average in the volume of processing of raw materials by the enterprise. Every month Derussa processes, on average about 5000 m³ of coniferous wood. The closest enterprises to the Factory and competing in the purchase of forest enterprises are ChFMK 7000 m³ Cherepovetsles 15000 m³ of coniferous forest at the entrance to the month.

For the production of fuel pellets at the factory are used only sawdust and chips, which is formed during own sawing. The Derussa factory is FSC certified, therefore the company purchases both FSC certified and FSC controlled wood. The quantity of main suppliers of raw materials is about 20 companies. The main and largest suppliers are the Kaduysky, Belozersky, Kirillovsky, Vashkinsky, Cherepovets leshozes - having 100% FSC.

In 2018 the company processed 40,000 m³ of roundwood. Ratio by species composition - 45% pine, 55% spruce. The ratio of certified and controlled raw materials is 30% and 70% respectively. The company has developed procedures for controlling the origin of incoming timber in accordance with the standard FSC-STD-40-005, the company has a policy of responsible forestry.

<i>SBP product Group</i>	<i>Percentage of content in total supplies for the reporting period</i>	<i>Quantity of suppliers</i>	<i>Species composition</i>
<i>Controlled Feedstock</i>	<i>82%</i>	<i>20</i>	<i>Spruce 55%, Pine 45%</i>

<i>SBP-compliant Primary Feedstock</i>	0%	0	-
<i>SBP-compliant Secondary Feedstock</i>	18%	20	<i>Spruce 55%, Pine 45%</i>
<i>SBP-compliant Tertiary Feedstock</i>	0%	0	-
<i>SBP non-compliant Feedstock</i>	0%	0	-

All primary feedstock is transported to the plant for the production of sawn wood. Pellets from primary feedstock are not produced. They are produced from residues of wood processing (secondary feedstock).

As the company use credit control system chain of custody FSC, the ratio of SBP-compliant feedstock and SBP-controlled feedstock is maintained in the same proportion.

The ratio of raw materials: FSC certified raw material is 30% and the controlled raw material is 70%.

Detailed information about the supply base (general description of the forest resources and forest management practices within the Supply Base) is publically available at the BP's homepage:

<http://www.derussa.ru/responsibility-sbp>

<http://www.derussa.ru/en/responsibility-sbp>

5.3 Detailed description of Supply Base

- Total Supply Base area (ha): 11,7 million ha
- Tenure by type (ha): 100%, state
- Forest by type (ha): 11,7 million ha, boreal
- Forest by management type (ha): 11,7 million ha, natural, managed according to lease Agreements.
- Certified forest by scheme (ha): 3,57 million ha, FSC certified

5.4 Chain of Custody system

The BP is holding valid FSC Chain of Custody and FSC Controlled wood certificate

<https://info.fsc.org/details.php?id=a023300000VUoXLAA1&type=certificate>

BP is implementing FSC credit system. FSC Credit system is used for materials received as FSC certified, FSC Controlled wood and feedstock verified according to the BP's own Controlled wood verification system. The Controlled wood system is covering the whole Russia (according to Russian National Risk Assessment) however in fact the controlled material is coming occasionally from neighbouring suppliers located in Vologda region.

After the reception, incoming primary feedstock (saw logs) is registered in BP's database and processed at sawmilling facilities. Relevant credit accounts are maintained for all FSC product groups (sawn material,

wood chips, sawdust, pellets). Conversion factors are established and regularly revised based on actual production data. Pellets are produced of the secondary feedstock (sawdust and bark).

In case of the FSC and/ or SBP sales the volume of sold pellets is withdrawn from the credit account.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite annual audit was conducted on 24-25.01.2019 and 04.02.2019 (15,5 h). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	24/01/2019 09.00-09.15
Documents and procedures review, staff interview.	Office	24/01/2019 09.15-12.00
Break		24/01/2019 12.00-12.30
Chain of custody review (site tour); interview with the chief of pellet production	Production facilities	24/01/2019 12.30-14:00
Documents and procedures review; staff interview.	Office	24/01/2019 14.00-17.00
Continuation of evaluation	Office	25/01/2019 9.00-17.00
Interview of the responsible officer by phone	phone	04/02/2019 16.30-16.50
Closing meeting*	phone	04/02/2019 16.50-17.00
End of the evaluation	phone	04/02/2019 17.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	NEPCo FSC CoC auditor. He passed SBP lead auditor training course in Dec. 2016 in Amsterdam and participated in SBP assessment in Russia in training purposes. Role at the audit: lead auditor

The annual audit visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as GHG data availability.

Description of the annual audit evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC system of the organisation, including SBP Procedure, SAR and GHG data calculations, Supply Base Report and FSC system description was provided by the company in the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person.

Auditor introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction documents 5a, 5c and 5d covering input clarification, existing chain of custody system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant biomass. During the process overall responsible person for SBP system and other staff were interviewed.

6.3 Process for consultation with stakeholders

No stakeholder consultations conducted prior, during or after this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC credit system. All secondary feedstock in the reporting period was FSC certified (FSC Mix Credit or controlled material from BP's own program of controlled material suppliers verification according to FSC-STD-40-005 (3-1) implemented at the level of sawmill supplying all feedstock to the pellet plant.

Weaknesses: not found

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

During the main assessment the BP has already implemented all the requirements for collection of energy data.

7.4 Competency of involved personnel

The SBP responsible staff has shown good understanding of the requirements in relation to SBP certification and FSC CoC system.

7.5 Stakeholder feedback

No stakeholder comments are received.

7.6 Preconditions

None.

8 Review of Company's Risk Assessments

Not applicable.

9 Review of Company's mitigation measures

Not applicable.

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- applicable requirement(s)*
- grading of the non-conformity (major or minor) or observation with supporting rationale*
- timeframe for resolution of the non-conformity*
- a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

NCR: 01/19 Major	NC Classification: minor / незначительное
Standard & Requirement:	Standard #5: Collection of Data for Energy and Carbon Balance Calculations 6.2 The SAR shall be formally approved by SBP before it can be supplied to customers and End--Users (5b, 3.1.3)
Description of Non-conformance and Related Evidence:	
SAR was not approved by SPB within 90 days from the end of the audit.	
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	Not later than 3 months from report finalisation date
Evidence Provided by Organisation:	-
Findings for Evaluation of Evidence:	-
NCR Status:	OPEN

11 Certification decision

Based on the auditor’s recommendation and the Certification Body’s quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorría Serrano
Date of decision:	03/May/2019
Other comments:	<i>Click or tap here to enter text.</i>