

NEPCon Evaluation of IND Timber Ltd. Compliance with the SBP Framework: Public Summary Report

Third 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*

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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:	14/Mar/2019
Report authors: :	Natalia Zaladinova
Name of the Company:	IND Timber Ltd
Company contact for SBP:	Mikhail Minaev, 27, 666781, Russian Federation, Irkutsk region, Ust-Kut town, Horoshilova street, estate. 3, office 2, email: chief_ctg@ind-timber.ru, tel: +7 950 115 27 33.
Certified Supply Base:	Sourcing from Russia, Irkutsk region
SBP Certificate Code:	SBP-01-27
Date of certificate issue:	13/Aug/2016
Date of certificate expiry:	12/Aug/2021

This report relates to the Third Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Ust-Kut, Irkutsk region.

The BP holds valid FSC Chain of Custody and FSC Controlled wood certificate, covering both sawmill and pellet production.

70% of primary feedstock (logs) delivered to sawmill is FSC certified, and about 30% of primary feedstock is included into the Organisation's FSC controlled material sources verification system. All feedstock originates from Russia, Irkutsk region. The input material used by the Organisation for biomass production contains only secondary feedstock (mixture of sawdust and shavings for pellet production and woodchips for dryer).

Scope description: Production of wood pellets, for use in energy production, at IND Timber and transportation to St. Petersburg harbor. The scope of the certificate does not include Supply Base Evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

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;
- Assess compliance against Instruction Document 5D: Dynamic Batch Sustainability Data v1.1.

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

Ogranisation is a sawmill and pellet producer located in Ust-Kut, Irkutsk region. Annual production capacity is 70 000 tons of wood pellets. Incoming material is secondary feedstock in form of mixture of sawdust and wood shavings (feedstock for biomass) and woodchips (feedstock for dryer heating). All secondary feedstock is supplied by Ogranisation's sawmill located at the same production site. Final product is transported in big bags by railway to Saint-Petersburg harbour.

The BP has implemented FSC credit system and produced biomass is sold with FSC Mix Credit claim (SBP-compliant biomass) or FSC Controlled Wood claim (SBP-controlled biomass). During the reporting period all feedstock for

5.2 Description of Company's Supply Base

The feedstock supply base is located within the territory of 2 forestry sections, 3 administrative divisions of Irkutsk region in Siberian federal district of the Russian Federation.

The total area of the wooded lands in the RF territory is 764 million hectares, which constitutes approximately 21% of the world stumpage stocks. The areas occupied with the main forest forming species have remained quite stable over the last decades. The softwood species are 68,4%, hardwood species - 2,4%, soft-wooded broadleaved species - 19,3%. Other wood species are less than 10 % of the forests.

Irkutsk region is the largest region of Russia without access to the sea. The Irkutsk region is also a major subject of the Russian Federation, occupying an area of 774,846 km² (4.52% of the territory of Russia), slightly less than Turkey (780,580 km²), and also larger than the largest state of Europe - Ukraine.

The distance from Irkutsk to Moscow by rail is 5192 km, to Vladivostok - 4106 km. The time difference between the region and Moscow is 5 hours.

In accordance with the RF legislation, all of the forest area lands are the property of the state. Legal entities are provided with the forested land parcels on a leasehold and short-term exploitation basis. The lease relationship is the dominant legal form of the forests exploitation. The lease period can last from 10 to 49 years.

The forested land parcels leasing contracts or the forest stand purchase-and-sale contracts are concluded at public sales of the right to conclude such contracts. The parcels being leased are subject to the mandatory state cadastral registration. In accordance with Forestry Code of the RF, every forest user who has leased a forested land parcel shall be obliged to:

- Support the forest conservation, protection and reproduction practices,

- Present the forestry declaration annually,
- Make the forest resources development project,
- Present a report on the forests exploitation, its conservation, protection and reproduction.

Countrywide, the exploitation of the allowable cut area does not exceed 35%. According to the Russian Federal Forestry Agency data, the total reserve for the cut volumes increase to support the wood harvesting countrywide is about 400 million m³ per year. However, a percentage of the forests difficult to access is high in the country and the infrastructure is underdeveloped almost everywhere.

Ensuring the proper reproduction of the forest resources and the protective forestation are the mandatory conditions of the forests exploitation. All reforestation works in the forested land parcels leased out are planned and performed by the forest users at their own expense in accordance with the forest resources development projects.

When harvesting the wood, Red Book animal units as well as their habitat are subject to preservation according to the forestry legislation of the RF. Cutting the valuable, endangered and specially protected wood species is prohibited.

The RF timber complex, including the forestry and the timber harvesting and processing branches, plays a critical part in the economy of the country. There are about 60 thousand large, medium and small companies involved in the timber complex of the RF. About 1 million people are employed in the timber complex.

The forest surveying is the fundamental factor of the forestry keeping in the Russian Federation.

The forest surveying is a specialized type of the forestry activity which provides the performance of the forest condition assessment as well as the planning of steps aimed at the reasonable exploitation, reproduction, conservation and protection of the forests and its higher productivity and stability.

The forest surveying data are the basis for developing the primary documentation on the forestry keeping. The information received from the forest surveying allows for getting the correct and actual data on the forest stock quality, its taxation characteristics, species composition. In total, these data let planning of the forestry activity in the forestry branch.

The forestry certification is an effective tool to oppose illegal wood harvests and illegal wood trade. Forest Stewardship Council (FSC) certification system is widely used in the RF. The area of the certified forests in the RF is about 40 million hectares or 30% from the total amount of the forests being leased. This is the second largest country in the world for the FSC certified forests area after Canada. The dynamics of the forestry certification development in the RF demonstrates a reliable approach to providing the legality of the wood harvested and observing the common environmental and social requirements of the stable forestry management.

Supply base of «IND Timber» Ltd.

The supply base «IND Timber» Ltd.– is the overall forest stock area of the forestry sections listed below. The total area of the supply base, including the one planned for exploitation - **7506807 ha**.

Irkutsk region

Ust-Kutskoe – 3 248 455 ha

Kirenskoe – 4 258 352 ha

The supply base of «IND Timber» Ltd. is located in the Middle Siberian upland taiga forest district – forests of Angara Region.

Irkutsk region territory embraces the south of the Middle Siberian upland and the upstream basins of Angara, Lena and Nizhnaya Tunguska rivers. In the southwest, its borders are wedged by the Eastern Sayan mountain masses, Primorskiy and Baikalskiy mountain ranges in the east, Stanovoye and Patomskoye plateaus. The major part of the territory has a plain relief with a slight slope to the north and the northwest. That is confirmed by the rivers flowing in this direction. Heights of 500-600 m above sea level prevail on the plain ground with the absolute elevations decreasing to 300-400m to the northwest, although, there are separate elevations of up to 1000m and higher, namely, the Leno-Angarskoe plateau and Angarskiy mountain ridge; the land relief shapes include mountains, plains, hollows and valleys.

As a whole, the climate within the supply base territory is acutely continental. The maximum temperature in the summer can rise up to +30 °C; in winter, the thermometers can show the temperature below -50°C in some of the northern districts. There are old-growth forests and High Conservation Value Forests of different types outlined in the supply base territory.

CITES or IUNC species are not used in production.

The main supplier of raw materials for the production of pellets in the city of Ust-Kut is «IND Timber» Ltd. sawmill certified by the chain of custody FSC system. In its turn, the round timber is delivered to the sawmill from the forested parcels leased out to LCC «Igirma Forest Group» for the period of 49 years, the total area being 690 063,8 ha, with the annual allowable cut volume of 1390,2 thds.m³, LLC «West-Siberian Forest Group» for the period of 25 years, the area being 318 057,0 ha, with the annual allowable cut volume of 590,8 thds.m³, LLC «TSFG» for the period of 49 years, the area being 1 096 613 ha, with the annual allowable cut volume of 2017,5 thds.m³, given that the entire area of the forested parcels is certified by FSC forestry management system and also the round timber is delivered by the third-party suppliers included in the own FSC inspection system for the controlled wood from non-certified suppliers.

In average, the 3rd -4th class of quality (bonitet) prevails in the forested parcels given into the lease. The most rational approach is applied to organizing the clear-cutting process when harvesting the wood in the forested parcels of LCC «Igirma Forest Group», LLC «West-Siberian Forest Group», LLC «TSFG», i.e. small-scale cuts are applied in 90% of the cases (small – scale cut areas are areas exploited by companies and do not exceed 30 ha), followed by the reforestation activities conducted by all means available.

Based on the analysis results, LCC «Igirma Forest Group», LLC «West-Siberian Forest Group», LLC «TSFG» has drawn up a plan of shifting from the large-scale clear cuts with the area of more than 30 ha to the small-scale cuts for the period of 2014-2019, for the purpose of meeting the requirements of the Russian national FSC standard. Also, the companies are actively performing selective cuts, cleaning cuts in all of the forested parcels in accordance with the forest resources development projects.

Primary feedstock is supplied from 9 FSC-certified forest management units and 5 non-certified forest management units (controlled material).

In the reporting period 70% of the primary feedstock for sawmill was delivered as FSC-certified and 30% - as FSC-controlled.

All residual sawmills and sawdust for the production of fuel pellets come with the claim of FSC Mix and are secondary feedstock.

An overview of the proportions of SBP feedstock product groups:

Controlled Feedstock – 0%

SBP-compliant Primary Feedstock – 0%

SBP-compliant Secondary Feedstock – 100%

SBP-compliant Tertiary Feedstock – 0%

SBP non-compliant Feedstock – 0%

Share of tree species at the entrance to production in the reporting period was *Pinus sylvestris* - 82%, *Larix sibirica* – 12%, *Picea obovate* and *Abies sibirica* – 6%.

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

<http://ind-timber.ru/documentation/>

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	7 506 807 ha
Tenure by type (ha):	100% state owned, 100% private management
Forest by type (ha):	7 506 807 ha, boreal
Forest by management type (ha):	100% Natural
Certified forest by scheme (ha):	2 496 601,88 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=a02400000DMWYVAA5&type=certificate>

BP is a pellet producer located in Irkutsk region. Annual production capacity is 70 000 tonnes of wood pellets. Incoming feedstock is mixture of sawdust and wood shavings supplied exclusively from its own sawmilling located at the same production site. Final product is transported in big bags by railway to Saint-Petersburg harbor. Round wood with FSC 100% claim is delivered from FSC certified forest management units in Irkutsk region, its share is about 70% in total supplies. The rest 30% of supplies are non-certified and included into BP's own program of field verification of controlled material sources under FSC certification. There are no non-controlled inputs of the feedstock.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on January 17, 21-22, 2019, 14 March 2019. Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting and review of procedures and sustainable documentation	NEPCon office	17.01.2019 09.00-11.00
Opening meeting*	Office	21/01/2019 09.00-09.15
Documents and procedures review. Inputs review, energy use calculations review	Office	21/01/2019 09:15-17.00
Chain of custody review (site tour); staff interview	Pellet production site	22/01/2019 09.30-10.30
Documents and procedures review	Office	22/01/2019 10:30-16.00
Closing meeting*	Office	22/01/2019 16.00-16.30
End of the evaluation		22/01/2019 16.30
Review of procedures, SAR and interview with responsible by phone (instruction 5D)	NEPCon office	14.03.2019 9.00-11.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Natalia Zaladinova	Role: Lead auditor Qualification: NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia.

The 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, SBP Profiling data and Supply Base Report and FSC system description was provided by the company at the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person and the management of the organization.

Audit team was introduced, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting, the lead 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, 5b, 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 and controlled 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 or during this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC credit system. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: there are no weaknesses during this audit.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

Energy use data for pellet production site (electricity; diesel consumption by loaders) is based on actual information. Responsible for collecting information is quality manager. The data taken from accounting records, invoices. As for feedstock and biomass transportation, BioGrace values are taken by BP.

7.4 Competency of involved personnel

All staff involved into SBP certification showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system. The responsible for SBP certification is Minaev Mikhail. He is working in the organizations as the quality manager and the chief of pellet production since 2016.

7.5 Stakeholder feedback

No feedback from stakeholders have been 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.*

Not applicable

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:	14/Mar/2019
Other comments:	<i>Click or tap here to enter text.</i>