

SBP

Sustainable Biomass Partnership

Supply Base Report: Stora Enso Wood Products, OOO Setnovo, Nebolchi

www.sustainablebiomasspartnership.org



Completed in accordance with the Supply Base Report Template Version 1.1

*For further information on the SBP Framework and to view the full set of documentation see
www.sustainablebiomasspartnership.org*

Document history

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1 Overview

Producer name: OOO Setново
Producer location: OOO Setново, Gagarina 1, 174755 Nebolchi, Lyubitinsky district, Novgorod Region, Russia
Geographic position: Lat E/W 32 degrees 12'57.5 minutes, Long N/S 58 degrees 50'51.8 minutes
Primary contact: Irina Vasilyeva, OOO Setново, Gagarina 1, 174755 Nebolchi, Lyubitinsky District, Novgorod Region, Russia, Tel. + 7 81668 65101
irina.vasilyeva@storaenso.com
Company website: <https://www.storaenso.com>, <http://buildingandliving.storaenso.com>
Date report finalised: 10/Jun/2016
Close of last CB audit:
Name of CB: DNV GL
Translations from English: NA
SBP Standard(s) used: Standard 1 version 1.0, Standard 2 version 1.0, Standard 4 version 1.0, Standard 5 version 1.0
Weblink to Standard(s) used: <http://www.sustainablebiomasspartnership.org/documents>
SBP Endorsed Regional Risk Assessment: Russia, FSC Endorsed Risk Assessment
Weblink to SBE on Company website: <http://buildingandliving.storaenso.com>

| Indicate how the current evaluation fits within the cycle of Supply Base Evaluations | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Main (Initial) Evaluation | First Surveillance | Second Surveillance | Third Surveillance | Fourth Surveillance |
| X | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

2 Description of the Supply Base

2.1 General description

| | | |
|--------------------------|------------------------------|---|
| Pellet production | | <p>Pellet production is based on sawmill residues only (shavings, sawdust). Primary feedstock is not used. Recycled or treated materials are not used.</p> <p>For sawmill wood sourcing, please see supply base description below.</p> |
| Russia | Regional context of sourcing | <p>Sawmill residues are used for pellet production.</p> <p>The sawmill’s wood sourcing area is the North-West Region, including the Regions of Leningrad, Vologda, Tver, Pskov and Novgorod, Republic of Karelia.</p> <p>The share of Nebolchi pellet raw material from total supply base harvesting is 0,26%.</p> <p>All land in supply base area is owned by Russian Federation, no private forest ownership.</p> |
| | Supplier base | <p>Rough wood for Stora Enso’s sawmills is sourced by Stora Enso Wood Supply Russia. The supplier base includes both Stora Enso managed long term forest lease areas and external supplying companies.</p> <p>The number of suppliers in each SBP product group:</p> <ul style="list-style-type: none"> • The 1st tier supply of raw materials to the pellet production <ul style="list-style-type: none"> ○ 1 supplier: The integrated sawmill <ul style="list-style-type: none"> ▪ SBP Compliant: 40-50 % of the volume ▪ SBP Controlled: 50-60 % of the volume ▪ Uncontrolled: 0 % • The 2nd tier supply to sawmill include: <ul style="list-style-type: none"> ○ Stora Enso Wood Supply (1) ○ Stora Enso sawmills /external sawmills (0 in 2015) • The 3rd tier supply <ul style="list-style-type: none"> ○ Log suppliers to Stora Enso Wood Supply (10-100) |
| | Forest base and forest | <p>North-West Russia is represented by semi-natural managed forests with native tree species.</p> |

| | | |
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| | <p>management practices</p> | <p>Tree species that Stora Enso sawmills use are Pine (<i>Pinus sylvestris</i>) and Spruce (<i>Picea abies</i>). Other species (<i>Betula</i> sp, <i>Larix</i>, <i>Populus</i>, <i>Alnus</i>, <i>Salix</i>) are also present in the forests.</p> <p>No CITES listed forest tree species are represented in the sourcing.</p> <p>The total forest area of Leningrad, Vologda and Novgorod, Republic of Karelia is 37 million hectares. The average annual harvesting volume represents 0.3 % of the annual growth of the forests, while the net annual increment of forests is 1.3%. The missing infrastructure leaves large parts of the forests beyond economic access.</p> <p>The forest conservation network in the European Russia is relatively well defined, strictly protected areas being approximately 5 % of the forest area, and exceeding 10% of the forest area if different partly or temporarily protected and restricted areas are included.</p> <p>Stora Enso has a policy in Russia since 1990's not to source wood from designated natural old-growth forests, from conservation areas unless in line with the conservation programme, or from areas designated for conservation planning. In addition, high conservation values of forests are protected in the managed forests.</p> <p>All Stora Enso's forest lease areas are managed in line with FSC Forest Management certification.</p> <p>Forest management practices are based on the forestry law, forestry guidelines, and forest management planning practice by the state forestry organization. Also long term forest lease holders (companies) must hold a valid forest management plan. The forest rotation period is 60-120 years. Forest is grown with 1-2 thinnings during the rotation period, with a final harvesting and a regeneration of a mature stand. Planting or natural seeding can be used in regeneration. Alternatively, forest regeneration is done in narrow stripes, which are regenerated naturally before proceeding into the next stripe. GMO trees or introduced tree species are not used.</p> <p>In Russia, continuous cover forestry practice is also available. Continuous cover forestry is based on a 15-20 years harvesting cycle with selective harvesting and preservation of the viable undergrowth to form the next tree generation. In the</p> |
|--|-----------------------------|--|

| | | |
|--|---|--|
| | | North-West Russia’s two-storey spruce-birch stands, where spruce was naturally generated under a pioneering birch layer, it is common to remove the upper birch layer with preservation of the viable spruce understorey. |
| | FM certification | <p>Approximately 50 % of the supplying forest base is FSC® (C125195) Forest Management certified.</p> <p>All Stora Enso managed forest lease areas are FSC Forest Management certified (0.4 million hectares in North-West Russia).</p> <p>Stora Enso runs an FSC group certification also for its suppliers to promote the growth of the forest certified area. The Stora Enso driven FSC certification groups have certified all together about one million hectares of forests in the North-West Russia.</p> <p>1-5 % of the forest base is PEFC Forest Management certified.</p> |
| | Supply chain certification (Chain of Custody) | <p>All Stora Enso’s wood sources, including wood and sawmill wood residues, are covered by the Stora Enso wood traceability system, which is third party certified according to FSC Chain of Custody/Controlled Wood.</p> <p>All wood sourcing is done in line with</p> <ul style="list-style-type: none"> • Stora Enso policy for the sustainable sourcing of wood and fibre, and land management, • Stora Enso Supplier Code of Conduct, • national and international laws • FSC Controlled Wood requirements. |
| | Risk assessment | <p>FSC National Risk Assessment enclosed, including risks assessed for legality, High Conservation Values of forests, GMOs, indigenous peoples, and forest conversion is available at https://www.globalforestryregistry.org</p> <p>Suppliers and their supply chains are also assessed in line with the FSC Chain of Custody/Controlled Wood rules.</p> <p>All other than low risk supply chains are included in the annual supplier auditing programme in line with the FSC Chain of Custody/Controlled Wood rules.</p> |
| | Supply chain type | Stora Enso operated forest management and forest logging makes approximately one half of the wood sourcing. The rest of the logging is operated by the suppliers. |

2.2 Actions taken to promote certification amongst feedstock supplier

Stora Enso has forest management certified all **the lands that are managed or owned, or partly owned by Stora Enso**. Most of the lands are certified according to FSC Forest Management systems.

In Russia this covers 0.4 million hectares of long term forest lease areas, where Stora Enso operates forest management, forest harvesting and transport of wood. These are FSC certified.

For the external wood suppliers, Stora Enso runs forest management certification groups. In Russia this has resulted additional 0.6 million hectares of FSC certified forests which are managed by the external suppliers.

2.3 Final harvest sampling programme

Only sawmill residues are used in the moment for pellet production. No primary feedstock is used.

The wood procurement for Stora Enso's mills has a solid task to source wood in a responsible way, from sustainably managed forests, and to optimize the value of all wood that is made available for industrial use. Value optimization is important to all forest owners.

In wood harvesting, the value output of each tree stem is measured and optimized with automation-assisted measuring and cutting of each tree stem. In the harvesting machines, automatized systems measure each tree stem and optimize the yield of the high-value sawn wood and fibre wood. Logging residues such as branches and tree tops are used for direct energy generation.

In the sawmill manufacturing, the output of high-value sawn wood is optimized through automatized measuring and cutting. Only barks and residues of manufacturing are used for energy generation and/or pellet production.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

Insert flow diagram.

See annexed diagrams for each mill concerned.

2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): cumulative area of all forest types within SB

| |
|--|
| 37 million ha in Republic Karelia, Novgorod, Tver, Pskov, Vologda and Leningrad areas. |
|--|
- b. Tenure by type (ha): privately owned/public/community concession

| |
|--|
| Sole state ownership. Long-term lease to forestry enterprises. |
|--|
- c. Forest by type (ha): boreal/temperate/tropical

| |
|----------------------------|
| Boreal (south and central) |
|----------------------------|
- d. Forest by management type (ha): plantation/managed natural/natural

| |
|--|
| Semi-natural managed forests, domestic species |
|--|
- e. Certified forest by scheme (ha): (e.g. hectares of FSC or PEFC-certified forest)

| |
|--|
| Over one half of the supply base of sawmills is FM certified |
|--|

Feedstock

- f. Total volume of Feedstock: tonnes or m³ - volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m³ if a compelling justification is provided*

76.153scub
- g. Volume of primary feedstock: tonnes or m³ - volume may be shown in a banding between XXX,000 to YYY,000 tonnes or m³ if a compelling justification is provided*

| |
|--|
| No primary feedstock, pellet production is based on residues |
|--|
- h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme
 - Not certified to an SBP-approved Forest Management Scheme
- i. List all species in primary feedstock, including scientific name

| |
|----------------------|
| No primary feedstock |
|----------------------|
- j. Volume of primary feedstock from primary forest - Not Applicable
- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
- l. Volume of secondary feedstock: specify origin and type - the volume may be shown as a % of the figure in (f) if a compelling justification is provided

Volume of secondary feedstock:

In 2015:

72.157 scub sawdust

3.996 scub sawmill residues

Include Pine (*Pinus sylvestris*), and Spruce (*Picea abies*)

- m. Volume of tertiary feedstock: specify origin and composition - the volume may be shown as a % of the figure in (f) if a compelling justification is provided

No recycled materials used.

- * Compelling justification would be specific evidence that, for example, disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. State the reasons why the information is commercially sensitive, for example, what competitors would be able to do or determine with knowledge of the information.

Bands for (f) and (g) are:

1. 0 – 200,000 tonnes or m³
2. 200,000 – 400,000 tonnes or m³
3. 400,000 – 600,000 tonnes or m³
4. 600,000 – 800,000 tonnes or m³
5. 800,000 – 1,000,000 tonnes or m³
6. >1,000, 000 tonnes or m³

3 Requirement for a Supply Base Evaluation

| SBE completed | SBE not completed |
|--------------------------|-------------------------------------|
| <input type="checkbox"/> | <input checked="" type="checkbox"/> |

According to the “SBP Framework Standard 2: Verification of SBP compliant Feedstock” 8.2: feedstock types (only SBP-approved CoC System or SBP-approved Controlled Feedstock claim material is used) used for pellet production in Nebolchi may be excluded from a Supply Base Evaluation.

and

The inputs to pellet production are sawmill residues from the integrated Nebolchi sawmill, which is based in the same location as the pellet mill. No primary or tertiary feedstocks are used in pellet production.

All the inputs to the sawmill (for sawing and possible further processing) are from

- Stora Enso Wood Supply Russia (logs)
- Stora Enso sawmills or external sawmills (sawn wood), not in 2015!

All inputs to the sawmill must be from FSC certified forests or from FSC controlled sources, or alternatively controlled through the FSC Controlled Wood system, including a supplier auditing programme for possible high risk suppliers.

References:

- The sawmill and pellet mill FSC certificate (DNV-COC/CW-001077)
- The sawmills’ supplier supply area and supply chain risk assessment plus risk mitigation actions

4 Supply Base Evaluation

4.1 Scope

Not applicable.

4.2 Justification

Not applicable.

4.3 Results of Risk Assessment

Not applicable.

4.4 Results of Supplier Verification Programme

Not applicable.

4.5 Conclusion

Not applicable.

5 Supply Base Evaluation Process

Not applicable.

6 Stakeholder Consultation

Not applicable, SBE not needed.

6.1 Response to stakeholder comments

Not applicable.

7 Overview of Initial Assessment of Risk

Not applicable.

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

The supplier risk assessment and country risk assessment are done according to FSC Chain of Custody/Controlled Wood. When SBP country risk assessment is available, that is applied. All the supply to the mill is from certified forests or from controlled sources. Consequently, no supplier auditing programme required. However, a supplier auditing could be triggered with special circumstances: Initial audit of a supplier, stakeholder complaint or supplier performance failure.

8.2 Site visits

Not applicable.

8.3 Conclusions from the Supplier Verification Programme

Table 2. Overview of risk ratings after SVP evaluation and after review of mitigation measures.

| Indicator | Supplier or Sub-scope | Risk rating after SVP | | Mitigation measure taken? (Y, N or N/A) | Risk rating after taking mitigation measure | |
|-----------|-----------------------|-----------------------|-----------|---|---|-----|
| | | Low | Specified | | Specified | Low |
| Examples | | | | | | |
| 1.1.2 | Company A | X | - | N/A | N/A | N/A |
| 2.2.3 | Company A | - | X | Yes | - | X |
| 3.1.1 | Company B | - | X | No | X | - |
| | | | | | | |

9 Mitigation Measures

9.1 Mitigation measures

Not applicable.

9.2 Monitoring and outcomes

Not applicable.

10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

11.1 Peer review

Not applicable.

11.2 Public or additional reviews

| |
|----------------------|
| No peer review done. |
|----------------------|

12 Approval of Report

| Approval of Supply Base Report by senior management | | | |
|--|--------------------------|---|-----------------------|
| Report Prepared by: | <i>Margus Kuusk</i> | <i>Production and Development Manager</i> | <i>[10 June 2016]</i> |
| | 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: | <i>[Mikhail Polin]</i> | <i>[Mill Manager, OOO Setново]</i> | <i>[10 June 2016]</i> |
| | Name | Title | Date |
| Report approved by: | <i>[Irina Vasilyeva]</i> | <i>[SBP Manager, OOO Setново]</i> | <i>[10 June 2016]</i> |
| | Name | Title | Date |
| Report approved by: | <i>[name]</i> | <i>[title]</i> | <i>[date]</i> |
| | Name | Title | Date |

13 Updates

First finalized and approved version 7 June 2016.

13.1 Significant changes in the Supply Base

Not applicable.

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

Not applicable.

13.5 Projected figures for feedstock over the next 12 months

Not applicable.

- * Compelling justification would be specific evidence that, for example, disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. State the reasons why the information is commercially sensitive, for example, what competitors would be able to do or determine with knowledge of the information.

Bands are:

1. 0 – 200,000 tonnes or m³
2. 200,000 – 400,000 tonnes or m³
3. 400,000 – 600,000 tonnes or m³
4. 600,000 – 800,000 tonnes or m³
5. 800,000 – 1,000,000 tonnes or m³

6. >1,000, 000 tonnes or m³