

Supply Base Report: Eurasia-Lesprom Group LLC

First Surveillance Audit

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Completed in accordance with the Supply Base Report Template Version 1.2

*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

Producer name:	LLC "Eurasia – Lesprom group"
Producer location:	Pugacheva str.,37, Magistralny village, Kazachinsko-Lensky district, Irkutsk region, Russia, 666505
Geographic position:	56°09'N, 107°26'E
Primary contact:	Peter Vladimirovich Finaev, Pugacheva str.,37, Magistralny village, Kazachinsko-Lensky district, Irkutsk region, Russia, 666505, tel.: +7-902-541-80-81, info@feforest.ru
Company website:	www.feforest.com
Date report finalised:	13/Nov/2017
Close of last CB audit:	15/Nov/2017, Magistralny village, Irkutsk region, Russia.
Name of CB:	NEPCon
Translations from English:	Yes
SBP Standard(s) used:	Standard #2 version 1.0, Standard#4 version 1.0, Standard #5 version 1.0, Instruction #5A, 5B, 5C, version 1.1
Weblink to Standard(s) used:	http://www.sbp-cert.org/documents
SBP Endorsed Regional Risk Assessment:	not applicable
Weblink to SBE on Company website:	not applicable

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

2 Description of the Supply Base

2.1 General description

Supply base of wood feedstock is located on the territory of Irkutsk region in Siberian Federal District of RF.

The total area of forest land on the territory of RF is 764 million ha representing approximately 21% of world reserves of standing timber.

The areas occupied by plantations of main forest forming species remain rather stable for the last decades. Coniferous species are 68%, hard-leaved forest – 2,4%, soft-leaved forest – 19,3%. Others wood species are less than 1% of forest.

In accordance with the legislation of RF all the forest reserve lands are the property of the state. Legal entities get forest sites for use on a leasehold basis and short-term use. Period of leasing can be from 10 years to 49 years.

In accordance with the Russian Forest legislation every forest user who got a forest site for lease is obliged to do the following:

Implement measures for conservation, protection and reproduction of forests,

Annually provide forest declaration,

Make forest development project,

Provide report on forest use, their conservation, protection and reproduction.

Use of the AAC in the whole country does not exceed 13%, because the percentage of forest of hard access is high in the country and almost everywhere there is a poor development of infrastructure.

Provision of high quality reproduction of forest resources and safeguarding foresting is a must for a forest user. Forest users plan and carry out all the forest restoration work at the forest leased areas at their own expenses and in accordance with the forest development projects.

During harvesting, according to the forest legislation of RF, specimens of species listed in the Red Book are subject to the preservation along with their inhabitations. Cutting of valuable, endangered and protected species of trees is prohibited.

Forest complex of the Russian Federation, including the forestry and timber industry in logging and wood processing plays an important role in country economy. Around 60 thousand of large enterprises, of medium-sized enterprises and of small-sized enterprises are involved in forest complex of RF. The total number of employees working for forest industry is approximately one million people.

The key factor of forest management in RF is forest organization and regulation.

All the primary documentation of the forest management is worked out based on the data of forest organization.

More forestry companies are beginning to follow the rules of sustainable forestry. The growth of forest certification in RF is a sign of this. Forest certification shows the responsible reproach to provision of legal wood harvesting and compliance with generally accepted environmental and social requirements of sustainable forest management.

Supply base of LLC “Eurasia – Lesprom group”

Supply base of LLC “Eurasia – Lesprom group” is located in Kirensky (4 258 352 ha) and in Kazachinskoye (3 276 904 ha) districts of Irkutsk region.

Irkutsk region

Supply base of LLC “Eurasia – Lesprom group” is located in Irkutsk region in a Central Siberian taiga forest plateau – forest areas of Angara region.

The districts of low-disturbed forest areas and HCVF of different types are allocated on the territory of supply base. LLC “Eurasia – Lesprom group” doesn’t carry out any harvesting in HCVF and doesn’t buy such wood from any other suppliers.

LLC “Eurasia – Lesprom group” harvests only Scots Pine and Siberian Larch. These tree species are not included in CITES or IUCN.

The main supplier of round wood for wood processing in LLC “Eurasia – Lesprom group” is the LLC “IVLPS-Nebelsky LPH” that is certified to FSC management system. The plant LLC “Eurasia – Lesprom group” itself is certified to FSC Chain of Custody system. Further, round wood is coming to the plant both from the forest areas leased by LLC “IVLPS-Nebelsky LPH” with term of leasing of 49 years and total area of 247800 ha.

Deliveries of round wood is also possible from third-party suppliers included in own FSC controlled wood system of non-certified suppliers. However, so far there are none.

Forest areas of the plant LLC “Eurasia – Lesprom group” are not FSC certified but they are included in the program

of a partial certification of “IVLPS-Nebelsky LPH”. Due to the remoteness of these areas almost no harvesting of these areas is conducted at present time. Both companies are among the ten largest enterprises of the timber industry in the region.

In the forest areas leased by LLC “IVLPS-Nebelsky LPH” prevails on the average 3-4 bonitet. For the harvesting on forest areas hereof it is used the most appropriate approach to the organization of clear cutting, i.e. in 60% of cases of small-scale cutting (cutting area are small-scale, not exceeding 20 hectares), after which reforestation activities are carried out. Promotion of natural regeneration is carried out on 80% of the territory, sowing and planting on 20%.

Based on the analysis, in order to meet the requirements of Russian national FSC standard, in LLC “IVLPS-Nebelsky LPH” a transition plan was developed to switch over from large-scale clear-cutting with an area of more than 30 hectares to small-scale cutting for the period of 2014-2019 in intact forests. Also, the company is actively pursuing thinning on all forest areas in accordance with the forest management projects.

SBP group of products used in the production of pellets is 100% SBP-compliant secondary feedstock. Woodworking residues in LLC “Eurasia-Lesprom group” have only FSC Mix Credit claim in accordance with the approved by SBP FSC certification system. However, it also could be Controlled Feedstock, if any of controlled suppliers enter the supply chain. Species used in the production - Scots pine (*Pinus sylvestris*) - 80%, Siberian larch (*Larix sibirica*) - 20%.

Pellets by LLC “Eurasia-Lesprom group” are used as a clean and safe bio fuel, which will enable:

- increase the energy efficiency of facilities using pellets;
- reduce greenhouse gas emissions.

Production capacity of wood pellets is: 30 000 tonnes per year.

2.2 Actions taken to promote certification amongst feedstock supplier

For the production of pellets the plant LLC "Eurasia-Lesprom group" uses its own feedstock coming from the sawmill. In turn, the supply of round wood to the plant for production of sawn timber will be carried out from the forest areas leased by LLC "IVLPS-Nebelsky LPH" certified in FSC forest management system. The feedstock used for the production of SBP pellets come from FSC certified suppliers. Also, round wood could come to the plant LLC "Eurasia-Lesprom group" from controlled suppliers. Names of these controlled suppliers may be changed, so the main certified supplier is represented in the report. Prior to entering into supply contracts with controlled suppliers it is requested a list of applicable laws, regulations, nationally ratified international treaties, conventions, agreements and (checked) documents when checking non-certified supplier of controlled wood, the application to join the program on check of FSC controlled wood, Declaration of wood feedstock about the origin of wood provided by the supplier and compliance with FSC-STD-40-005 to controlled wood. If any documents are missing, the contract with the supplier is not concluded, and the wood is not purchased. Thus, the plant is supplied with already checked wood and "Eurasia-Lesprom group" carries out checks of forest areas, which are the source of supplied roundwood from controlled suppliers.

Meanwhile the probability of supply of feedstock, harvested by unscrupulous supplier, is excluded. LLC "Eurasia-Lesprom group" checks the forest areas of controlled suppliers concerning compliance with the requirements of FSC-STD-40-005 to the Controlled Wood including legality, the presence of HC VF threats, keeping the interests of the local population and workers' rights; the work is carried out to explain to the suppliers requirements of the voluntary certification, its use and application.

The basic factor of the enterprise operation and of the work of its suppliers is a careful forest management, compliance with FSC national standard, requirements of FSC-STD-40-005 to Controlled Wood.

LLC "Eurasia-Lesprom group" does not purchase sawdust and sawmill residues from non-certified and non-controlled suppliers. Also, our suppliers carry out serious work on the identification of legally harvested wood (cutting with title documentation). When wood is supplied to the plant by controlled suppliers, first of all the legality of harvested wood, logging in intact forest areas are checked by "Eurasia-Lesprom group".

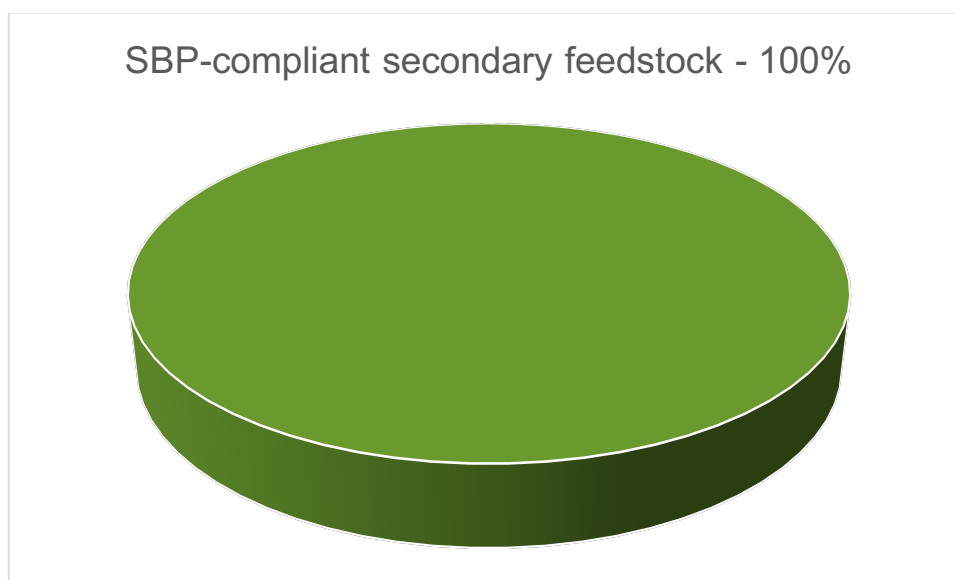
All documents justifying the requirements and the need for voluntary forest FSC certification are available both for general public view and for suppliers and are posted on the company website <http://www.feforest.com>. While conclusion of supply contracts, to the conditions of the contract shall be added the requirements of national FSC standards.

"Eurasia-Lesprom group" hopes that the mutually beneficial and long-term cooperation will be an example for other businesses to promote their products to the market and sustainable forest management in accordance with FSC principles.

2.3 Final harvest sampling programme

Not applicable. "Eurasia-Lesprom group" LLC does not harvest wood for processing into biomass.

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



2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|--|
| a. Total Supply Base area (ha): | 7 535 256 ha |
| b. Tenure by type (ha): | 7 535 256 ha state owned (public property) |
| c. Forest by type (ha): | 7 535 256 ha boreal |
| d. Forest by management type (ha): | 7 535 256 ha managed natural |
| e. Certified forest by scheme (ha): | 247 801 ha. |

Feedstock

- f. Total volume of Feedstock: 20 291,47 solid. m³.
- g. Volume of primary feedstock: 0 m³. "Eurasia-Lesprom group" LLC does not use primary feedstock.
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 – 0 m³
 - Not certified to an SBP-approved Forest Management Scheme– 0 m³
- h. List all species in primary feedstock, including scientific name – 100% Scots Pine (Pinussylvestris L.)
- i. Volume of primary feedstock from primary forest– 0 m³
- j. 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 – 0 tonnes
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme – 0 tonnes
- k. Volume of secondary feedstock: 20 291,47 solid m³ (sawdust -14 956,72 solid. m³, wood chips - 5334,75 solid m³)
- l. Volume of tertiary feedstock: 0 m³.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	x

All feedstock for the production of pellets in "Eurasia-Lesprom group" is secondary and has been evaluated according to the FSC custody chain and Supply base, is certified by FSC forest management or is controlled. Accordingly, a Supply Base Evaluation is not required

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

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

Not applicable

8.2 Site visits

Not applicable

8.3 Conclusions from the Supplier Verification Programme

Not applicable

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

External peer review of this report was not conducted this year.

11.2 Public or additional reviews

Supply base report is published at the web site of the company and is available for comments of any stakeholders.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Peter Vladimirovich Finaev</i>	<i>Head of the production and technical department</i>	<i>13.11.2017</i>
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organization'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 finalization of the report.			
Report approved by:	<i>Natalya Martynenko</i>	<i>Deputy head of legal department</i>	<i>13.11.2017</i>
	Name	Title	Date
Report approved by:			
	Name	Title	Date
Report approved by:			
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Currently, wood is not supplied from controlled suppliers, only from certified suppliers. However, this is possible in the future, so the supply base remained the same.

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

20 291,47 solid m³.

13.5 Projected figures for feedstock over the next 12 months

50 000 solid m³.