

Supply Base Report: ULK Group LLC

First Surveillance Audit

www.sbp-cert.org



Completed in accordance with the Supply Base Report Template Version 1.3

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: ULK Group LLC
 Producer location: Kostylevo, 165210, Ustyanskiy area, Arkhangelsk region, Russia
 Geographic position: 61.079120°N, 43.278808°E
 Primary contact: Ekaterina Krivosheeva, 165210, Kostylevo, Ustyanskiy district, Arkhangelsk region, Russia, tel.: +79212949267, e.krivosheeva@ulkust.ru
 Company website: <http://ulkust.ru>
 Date report finalised: 05/Apr/2019
 Close of last CB audit: 10/Apr/2019, Kostylevo
 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
 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
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2 Description of the Supply Base

2.1 General description

The Supply base of ULK Group LLC is the forest fund area of its own leased base in the Arkhangelsk and Vologda regions and the leased area of three FSC certified suppliers, who is located in the Arkhangelsk and Vologda regions. The company ULK GROUP LLC has an FSC forest management certificate (NC-FM / COC-014108).

ULK GROUP LLC is one of the largest logging and timber processing enterprises in the Arkhangelsk region. The group includes 4 sawmills (3 in the Arkhangelsk region and 1 in the Novgorod region) and two pellet plants in the Arkhangelsk region, the village of Oktyabrsky and the city of Velsk.

The SBP-certified biomass producer is located in the south of the Arkhangelsk region in the middle taiga zone, in close proximity to Oktyabrsky and the Northern Railway. The main activities are lumbering and lumber production. The company processes about 1,400 thousand m³ of roundwood per year. For the production of pellets, ULK GROUP LLC uses only SBP-compliant secondary feedstock (sawdust, waste of its own sawn timber production).

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Softwood species constitute 78%, hardwood - 22%.

In accordance with the legislation of the Russian Federation, all lands of the forest fund are in state ownership. Legal entities receive forest plots for use for a period of 10 to 49 years on loan (with the possibility of their prolongation). Long-term rental relations are the dominant legal form for obtaining the right to harvest timber on stem. The conclusion of lease agreements for forest plots or purchase and sale agreements for forest stands is carried out at auctions for the sale of the right to conclude such agreements. Land leased, must pass a state cadastral registration.

The Forest Code of the Russian Federation obliges each tenant to develop a forest development project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

The Arkhangelsk and Vologda regions are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 3/4 of the timber stock. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and ULK GROUP LLC, observe a moratorium on timber harvesting in these forest areas. On the territory of the Supply Base there are intact forests and wetlands of international importance. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, ULK GROUP LLC uses wood only from FSC certified forests in the pellets production.

Within the Supply Base, forest management practices are based on the achievement of renewable sustainable forest management in accordance with the requirements of forest legislation and the principles of forest certification. The rotation period is 60-120 years. Only clear cuts are used as a method of wood harvesting. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings or the promotion of natural regeneration.

When harvesting wood, according to the forest legislation, species listed in the Red Book, as well as their habitats, are subject to conservation. Harvesting of valuable, endangered and specially protected species of trees is prohibited. ULK GROUP LLC processes only Siberian spruce (*Picea obovata*), European spruce (*Picea abies*) and Scotch pine (*Pinus sylvestris*). The tree species listed in CITES and IUCN are not procured.

The forest complex of the Russian Federation, which includes forestry and timber industries for the harvesting and processing of wood, occupies an important place in the country's economy. The development of the social sphere (health, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of settlements.

ULK GROUP LLC is of great socio-economic importance in the Ustyansky District and the Arkhangelsk Region. The company provides financial and material support to social and cultural facilities and organizations, sports facilities and healthcare facilities, is engaged in repair and construction of roads in the district.

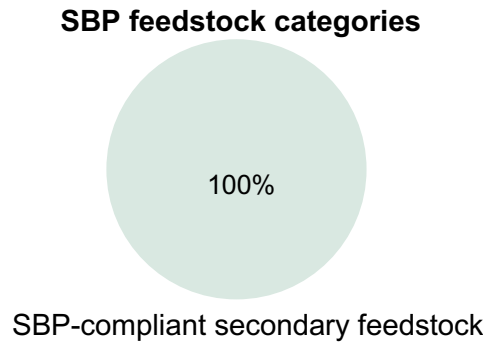
2.2 Actions taken to promote certification amongst feedstock supplier

For the pellets production, ULK GROUP LLC uses only FSC-certified feedstock of its own procurement from an FSC-certified lease area and from three FSC-certified suppliers, therefore no additional steps are required to promote FSC certification.

2.3 Final harvest sampling programme

Not applicable because for the pellets production only used FSC-certified secondary feedstock is used.

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



2.5 Quantification of the Supply Base

Provide metrics for the Supply Base including the following. Where estimates are provided these shall be justified.

Supply Base

- a. Total Supply Base area (ha): **4 450 603** ha
- b. Tenure by type (ha): **4 450 603** ha public
- c. Forest by type (ha): **4 450 603** ha boreal
- d. Forest by management type (ha): **4 450 603** ha managed natural
- e. Certified forest by scheme (ha): **4 450 603** ha of FSC-certified forest and PEFC-certified forests

Feedstock

- f. Total volume of Feedstock: **86 404 m³**
- g. Volume of primary feedstock: **0 m³**.
- h. List percentage of primary feedstock (g), by the following categories. - percentages may be shown in a banding between XX% to YY% if a compelling justification is provided*. 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**.
- i. List all species in primary feedstock, including scientific name
- j. Volume of primary feedstock from primary forest – **0 m³**.
- 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 - **0 m³**.
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme - **0 m³**.
- l. Volume of secondary feedstock: **86 404 m³**
- m. Volume of tertiary feedstock: **0 m³**.

3 Requirement for a Supply Base Evaluation

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

In the production of SBP pellets, FSC 100% secondary feedstock is used.

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

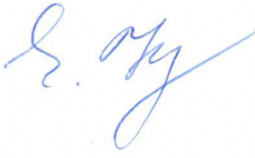

11.1 Peer review

This year, the Supply Base Report was not reviewed by an expert.

11.2 Public or additional reviews

The Supply Base report of ULK GROUP LLC is posted on the site <http://ulkust.ru/>. Questions and comments can be sent to the SBP certification manager by e-mail to e.krivosheeva@ulkust.ru.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Ekaterina Krivosheeva</i> 	<i>SBP manager</i>	<i>05/04/2019</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>Evgeniy Tolstoy</i> 	<i>Director</i>	<i>05/04/2019</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

LLC Ustyansky LPK was included in the ULK GROUP LLC. Thus, the area of the Supply base has increased by the area of leased bases of other enterprises of the group. The structure of suppliers within the Arkhangelsk region has changed.

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

86 404 m³

13.5 Projected figures for feedstock over the next 12 months

340 000 m³