

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

Main (Initial) 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: 16/Sep/2019

Report authors: : Nikolai Tochilov

Name of the Company: INCOM LLC. Legal address: Energetik zhiloy rayon, P 18 17 02 01, Bratsk 665709, Irkutsk region, Russian Federation; Production site address: 665618, stlm Komsomolskiy, 18, industrial site BLPK, Bratsk, Irkutsk region, Russian Federation

Company contact for SBP: Svetlana Usova, certification responsible. Mob.: +79086419419; Email: br-trln@mail.ru

Certified Supply Base: Russia, Irkutsk region

SBP Certificate Code: SBP-07-27

Date of certificate issue: 01/Oct/2019

Date of certificate expiry: 30/Sep/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office and production site in Bratsk, Irkutsk region, Russia.

Scope description: Production of wood pellets in Bratsk, Irkutsk region, Russia, for use in energy production and its transportation by railway to St. Petersburg harbor and Ust-Luga harbor, or any other harbor in Russia. 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

BP is a wood processing (primary and secondary) company located in Bratsk, Irkutsk region, Russia. Total annual production capacity of pellet plant is 15000 tones.

BP runs both pellet and lumber production, which supplies secondary feedstock (sawdust) with FSC 100% claim to the pellet plant. Some amount of FSC 100% certified sawdust for pellet production is also purchased from one external supplier.

All roundwood used for lumber production (logs for primary production) originates from Irkutsk region and has FSC 100% claim.

The BP implements FSC transfer system of claims, and all amount of produced biomass is sold with FSC 100% (equal to SBP-compliant biomass) claim.

The biomass is transported in big bags by railway to S.Peterburg and Ust-Luga harbours (FCA, Incoterms). Potentially it may be transported to any other harbor in Russia.

Pellet plant was commissioned in August 2017.

5.2 Description of Company's Supply Base

INCOM LLC is a biomass producer located in Bratsk, Irkutsk Region. The pellet plant was launched in 2017 to process residues from wood processing industries. Feedstock (sawdust) is supplied to the plant both from own sawmill production and from the supplier's wood processing industry. Biomass is produced only from SBP-compliant secondary feedstock with a FSC 100% claim. Species mix is 50% of Siberian larch (*Larix sibirica*) and 50% of Scots pine (*Pinus sylvestris*).

The Supply base of INCOM LLC is the area of the forest fund of the Irkutsk region. The total area of the Supply base is 69,4 million ha. Forest lands comprise 64,7 million ha and non-forest land 4,7 million ha. Production forests make up 50% of the Supply base area, buffer forests - 23%, reserve forests - 27%. According to the information contained in the regional Forest Plan, 12% of the country's forest reserves are concentrated in the region. But not all forest area is covered with forests. Some of them have been cut down and not yet replanted; part damaged by fires; about 1,6 million hectares are occupied by glades, ravines, roads, buildings, etc. The total standing stock is 8,8 billion m³, including the stock of coniferous stands – 7,5 billion m³.

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 in lease (with the possibility of their prolongation). Long-term rental relations are the dominant legal form for obtaining the right to harvest timber. 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 management plan for 10 years (based on taxation and forest regulation), implement measures for the conservation, protection and reproduction of forests, submit a forest declaration and make addendums to it about the planned way of forest resources use. Once a quarter, tenants are required to submit a forest declaration containing a report on the implemented measures and logging volumes of felling for a calendar year with a cumulative total.

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 at the maturity stage with subsequent reforestation. Sanitary felling is also possible. The maximum cutting area is limited to 50 ha. Reforestation can be done with planting seedlings or the promotion of natural regeneration. Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for the use of forests. To do this, a forest management plan is being developed, the measures in which are aimed at improving the forestry characteristics of the forest area, and the implementation of continuous and sustainable forest management.

The composition of the forests of the Irkutsk region is Scots pine (*Pinus sylvestris*), Siberian larch (*Larix sibirica*), Siberian cedar pine (*Pinus sibirica*), Siberian spruce (*Picea obovata*), Siberian fir (*Abies sibirica*), Silver birch (*Betula pendula*), aspen (*Populus tremula*), a tree-shaped willow (*Salix* spp.) is found.

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. On the territory of the Irkutsk region there are such types of trees listed in the Red Book as Blue siberian spruce (*Picea obovata* Var. *Coerulea*), Berry apple Tree (*Malus baccata*). Areas with a predominance of Siberian cedar pine (*Pinus sibirica*) are prohibited for cutting in the Irkutsk region. INCOM LLC processes only Scotch pine (*Pinus sylvestris*) and Siberian larch (*Larix sibirica*). The tree species listed in CITES and IUCN are not procured or processed.

The company INCOM LLC is located in Bratsk, Irkutsk region. Bratsk serves as an important support base for the development of the northern regions of Eastern Siberia and the Far East. The company provides jobs for residents of the Irkutsk region.

The main enterprises of the forest industry in the Irkutsk region, which are also the largest tenants and loggers: JSC Ilim Group, JSC Bratsk Timber Industry Complex (BLPK) - manufacturers of pulp and cardboard; Omfal LLC, Ind-Timber LLC, Lesresurs LLC, PromLesTrade LLC, IP Zarechny, Madera CJSC, LLC DeCom - manufacturers of lumber and pellets; LLC TM Baikal, CJSC KATA, LLC Orion, LLC Ltsobalt - manufacturers of lumber; Usolsky Plywood Plant LLC, Ilim Timber LLC - plywood manufacturers. In terms of timber processing, INCOM LLC is included in the first half of enterprises in the region and in the top ten enterprises in the city of Bratsk.

In the framework of socio-economic cooperation, INCOM LLC provides charitable assistance to Center for New Opportunities LLC, which is engaged in the rehabilitation of children with cerebral palsy and musculoskeletal problems, and also helps to cope with disorders resulting from the disease.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 69,4 mln. ha
Tenure by type (ha): public 69,4 mln. ha
Forest by type (ha): boreal 69,4 mln. ha
Forest by management type (ha): managed natural 69,4 mln. ha
Certified forest by scheme (ha): 6,6 mln. ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at company's homepage <http://www.wvpl.ru/index.html>.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a02400000F8S9HAAV&type=certificate>

BP implements FSC transfer system and runs both pellet and lumber production (two sawmills/sites), which supplies secondary feedstock (sawdust) with FSC 100% claim to the pellet plant. Some amount of FSC 100% certified sawdust for pellet production is also purchased from one external supplier. Non-certified inputs are not accepted.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on 09.09.2019 (7,5 h*). Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	09/09/2019 09.00-09.15
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	09/09/2019 09.15-12.00
Break		09/09/2019 12.00-12.30
Chain of custody review (site tour); staff interview	Production facilities	09/09/2019 12.30-13.15
Documents and procedures review (SAR and energy use primary data); staff interview		09/09/2019 13.15-16.45
Closing meeting	Office	09/09/2019 16.45-17.00
End of the evaluation	Office	09/09/2019 17.00

**Note – additionally app. 4 hours was spent for review of SBP-related documentation provided to audit team leader prior to onsite assessment.*

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov, audit team leader	NEPCon SBP lead auditor. He has successfully passed SBP auditor training in Tallinn in January 2015; previous experience with more than 40 SBP assessments and annual audits in Russia and Europe.

The evaluation 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 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 prior to the assessment and audit team leader had enough time to review it and get well prepared for onsite visit. Assessment started with an opening meeting attended by the representatives from Organisation’s management and staff.

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-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.

After a roundtrip around BP’s pellet production was undertaken. During the site tour, applicable records were reviewed, staff was interviewed and FSC system critical control points were analysed.

At the end of the assessment findings were summarised and assessment conclusions based on use of 3 angle evaluation method were provided to the management and SBP responsible person.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on August 2, 2019 by sending direct email to different stakeholder categories. No comments from the stakeholders have been received. List of informed stakeholders is the same which is used for FSC FM/COC assessments notification in Russia. This list was compiled by FSC Russia; it is available at FSC Russia homepage <https://ru.fsc.org/ru-ru> and includes such groups of stakeholders as FSC National Initiative, environmental and social NGOs, FSC-certified companies

in the region, scientific and educational entities, indigenous peoples' communities (where applicable), state forestry authorities, trade unions etc.

7 Results

7.1 Main strengths and weaknesses

Strengths: Use of the FSC transfer system. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: Please see list of minor NCRs in section 10 below.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The following energy sources are used by BP: electricity for pellet production; diesel for feedstock delivery, handling and shipping; diesel and electricity for biomass transportation to customer. Electricity consumption value is based on actual data taken from electric meters installed at pellet plant. Diesel consumption value by loaders is based on actual refuelling data obtained in accountancy (for own forklift loaders) and from contractor (for front-end loader). For biomass transportation by railway BP expects that customer will be using reference consumption values for trains from ID 5B.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. The following key staff members are involved to SBP certification: SBP responsible (development and updating of SBP Procedure and related documents; preparation of SAR; monitoring of the amount of feedstock used for pellet production; monitoring of the amount of produced biomass; feedstock and biomass moisture measurement; diesel consumption by loaders; electricity consumption); FSC CoC responsible (Supply Base Report and Static Biomass Profiling Data update; implementation of FSC CoC requirements; performance of invoices); chief engineer (H&S requirements); accountant (registration of deals in DTS); lawyer (compliance with trade and customs legislation). Prior and during SBP assessment, BP was supported by external consultant, who also have provided relevant training to BP staff.

7.5 Stakeholder feedback

No feedback from stakeholders have been received prior, during and after this assessment.

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.

NC number 01/19	NC Grading: Minor
Standard & Requirement:	SBP Standard #4 Chain of Custody, ver. 1-0, p. 5.3.1. All requirements of the relevant chain of custody control system specified in the SBP-approved CoC system shall be implemented to calculate outputs.
Description of Non-conformance and Related Evidence:	
<p>Prior to SBP certification, Organisation did not establish the conversion factors for pellet production, because all feedstock for pellet production is wastes generated from sawmilling and woodworking operations, and the main purpose to construct the pellet plant was wood wastes utilization. During preparation to SBP certification, to establish conversion factor for pellet production, Organisation conducted 3 testing measurements (3 working shifts x 12 hours = totally 36 hours) of amount of the secondary feedstock used in pelletizing and in dryer, and calculated the average result: 1,35 tone of sawdust for pelletizing and 0,19 tone of sawdust for dryer is needed to produce 1 tone of biomass. In the new reporting period Organisation intends implementing the regular (every 10 days) measurements of the amount of feedstock used in pelletizing and in dryer. Conversion factor values, established by Organisation based on 3 measurements are close to conversion factors established by other biomass producers, having the same size and equipment. Nevertheless, auditor come to conclusion that 3 measurements are not enough for reliable establishing of conversion factor values.</p> <p>Ранее Организация не определяла для себя коэффициенты выхода (нормы расхода сырья), поскольку все сырье для производства пеллет является отходами лесопильно-деревообрабатывающего производства, и основной целью организации пеллетного производства была утилизация образующихся древесных отходов. В рамках подготовки к сертификации SBP, для определения коэффициента выхода продукции (норм расхода сырья) Организация произвела три измерения (в течение 3 рабочих смен, каждая по 12 часов = итого 36 часов) расхода сырья (опилок) для производства пеллет и для теплогенерации. Определено среднее значение – для производства 1 тонны пеллет требуется подать 1,35 тонны сырья в производство и 0,19 тонн сырья сжечь для генерации тепла. В новом отчетном периоде Организация планирует осуществлять регулярные замеры расхода сырья для производства пеллет и теплогенерации. Замеры будут производиться каждые 10 дней. Установленные на основании трех измерений нормы расхода сырья близки к нормам расхода сырья, рассчитанным другими производителями пеллет, которые имеют подобный размер, и используют подобное оборудование. Тем не менее, аудитор считает, что трех проведенных измерений недостаточно для надежного определения значений норм расхода.</p>	

Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета
Evidence Provided by Company to close NC:	Pending / Находится на рассмотрении
Findings for Evaluation of Evidence:	Pending / Находится на рассмотрении
NC Status:	Open / Открыто

NC number 02/19	NC Grading: Minor
Standard & Requirement:	<p>SBP Instruction Document 5B V.1.1 p. 5.4.2</p> <p>Either option 1 or option 2 must be used for the drying process, where applicable.</p> <p>Option 1 – Specify moisture content of feedstock</p> <ul style="list-style-type: none"> - Data on the mass share of feedstock to be dried as well as both maximum and weighted average moisture content of Input Groups entering the drying process shall be recorded. A single representative value may be calculated for the average and maximum moisture content for each Input Group entering the production process. The CB should validate the methodology used. - When measurement of moisture of incoming feedstock is not determined on receipt of feedstock, the moisture content shall be measured and recorded as soon as possible in the production process. For example, in the case of the receipt of logs, moisture should be measured after debarking and processing to chips. - In the absence of moisture monitoring as specified above, the methodology used and the values recorded shall be justified to the CB, and the justification shall be recorded in the SAR. <p>Option 2 – Specify energy use of dryer, when applicable</p> <ul style="list-style-type: none"> - If a heat meter is installed, calculate how much heat energy from the boiler is provided to the dryer and provide details of the calculation; - Specify heat consumption in kWh/tonne dried feedstock and the corresponding period for this evaluation.
Description of Non-conformance and Related Evidence:	
<p>For feedstock after drying Organisation did not measure the moisture content and specified target moisture in SAR, Organisation explained that target moisture anyway shall be app. 10%, otherwise they will have difficulties with pelletizing. For the feedstock prior to dryer, moisture content was calculated and specified in SAR based on 10 measurements done prior to SBP assessment. Furthermore, after SBP assessment Organisation has implemented the regular (at least once per shift) measurement of the feedstock moisture prior to dryer (relevant data was provided to auditor after SBP assessment by email).</p>	

Nevertheless, auditor come to conclusion that 10 moisture measurements conducted prior to SBP assessment are not enough for reliable establishing of the average moisture value for the feedstock prior to dryer. Considering that the BP has established the measurement procedure, this NCR is considered as minor.

Для сырья после сушки Организация не измеряла влажность, указав ее целевой показатель в SAR. Организация пояснила, что целевой показатель влажности в любом случае должен быть около 10%, иначе возникнут затруднения с гранулированием. Значение влажности сырья до сушки было рассчитано и указано в SAR на основании 10 измерений, сделанных перед оценкой SBP. Кроме того, сразу после оценки SBP Организация внедрила регулярный (по крайней мере, раз в смену) замер влажности сырья до сушки (соответствующие данные были предоставлены аудитору после оценки по электронной почте). Тем не менее, аудитор считает, что 10 проведенных перед оценкой SBP измерений недостаточно для надежного определения среднего значения влажности сырья до сушки; однако с учетом того, что Организация внедрила процедуру проведения измерений, несоответствие классифицировано как незначительное.

Timeline for Conformance:	<p>By the next surveillance audit, but no later than 12 months from report finalisation date</p> <p>До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета</p>
Evidence Provided by Company to close NC:	Pending / Находится на рассмотрении
Findings for Evaluation of Evidence:	Pending / Находится на рассмотрении
NC Status:	Open / Открыто

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 Gorriá Serrano
Date of decision:	16/Sep/2019
Other comments:	<i>Click or tap here to enter text.</i>