

NEPCon Evaluation of SPLG LTD Compliance with the SBP Framework: Public Summary Report

Main (Initial) Audit

www.sbp-cert.org



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:	05/Feb/2020
Report authors: :	Roman Kurakin
Name of the Company:	SPLG LTD
Company contact for SBP:	Andrey Martynenko, founder. Mob: +79119220635. Email: 5967586@mail.ru
Certified Supply Base:	Sourcing from Russia, Leningrad, Novgorod and Vologda regions
SBP Certificate Code:	SBP-07-49
Date of certificate issue:	06/Feb/2020
Date of certificate expiry:	05/Feb/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Tikhvin, Leningrad region.

The input material used by the BP for biomass production (both as raw material for pellet production and feedstock used into dryer) contains secondary feedstock supplied from local supplier (chips - logging waste after shredding) Origin of the feedstock is Novgorod region of Russia. Point of sale of the final product is Saint-Petersburg harbour (delivery conditions – truck, FCA, S.Petersburg harbour).

Supply Base Evaluation is not included into the scope of the evaluation.

Scope of the evaluation is indicated in the table below:

Scope Item	Check all that apply to the Certificate Scope				Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0 http://www.sustainablebiomasspartnership.org/documents				<input type="checkbox"/>
Primary Activity:	Pellet producer				<input type="checkbox"/>
Input Material Categories:	<input type="checkbox"/> SBP-Compliant Primary Feedstock		<input checked="" type="checkbox"/> SBP-Compliant Secondary Feedstock		<input type="checkbox"/>
	<input checked="" type="checkbox"/> Controlled Feedstock		<input type="checkbox"/> SBP non-Compliant Feedstock		
	<input type="checkbox"/> SBP-Compliant Tertiary biomass		<input type="checkbox"/> Post-consumer Tertiary Feedstock		
	<input type="checkbox"/> SBP-approved Recycled Claim		<input type="checkbox"/> Post-consumer Tertiary Feedstock		
Chain of custody system implemented:	<input checked="" type="checkbox"/> FSC	<input type="checkbox"/> PEFC	<input type="checkbox"/> SFI	<input type="checkbox"/> GGL	<input type="checkbox"/>
	<input type="checkbox"/> Transfer		<input checked="" type="checkbox"/> Percentage		<input type="checkbox"/> Credit

Points of sales	<input type="checkbox"/> Harbour (including own handling of material)	<input type="checkbox"/> Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbor	<input checked="" type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	<input type="checkbox"/>
	Provide name of all points of sales	-	-	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	<input type="checkbox"/>
SBE Verification Program:	<input type="checkbox"/> Low risk sources only	<input type="checkbox"/> Sources with unspecified/ specified risk		<input type="checkbox"/>
	New districts approved for SBP-Compliant inputs: SBE not applicable			
Sub-scopes	-			<input type="checkbox"/>
Specify SBP Product Groups added or removed:				
Comments:				

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;
- Review ID5D - Dynamic Batch Sustainability Data

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 relatively small company having legal address in Saint-Petersburg and production site in Tikhvin, Leningrad region, Russia. Total number of staff is 20. Maximum possible production capacity is 15 000 tonnes of pellets / year. Incoming feedstock is sawdust, sawmill residues and bark from neighboring wood processing companies. Final product is transported in big bags by trucks to S.Petersburg harbor. Only secondary feedstock with FSC 100% and FSC Controlled Wood are sourced. FSC credit system of claims is used for pellet production (all pellets have FSC Mix claim or FSC Controlled Wood).

5.2 Description of Company's Supply Base

The total area of forest land in Russia is 764 million ha, which is approximately 21% of the world's forests. The entire State Forestry is a state property. A small percentage of forests are not part of the State Forestry, and they include urban forests, the forests managed by the Ministry of Defense, the forests of conservation areas and the former forests of rural municipalities (source: www.wwf.ru/data/pub/forests/do_legal-final-web.pdf).

Use of the rated wood cutting all over the country does not exceed 35%. However, the percent of the forest with difficult access is high as the infrastructure of the country is underdeveloped. In fact, most forest areas are not available.

Legal entities obtain forest land for use on a leasehold basis and for a short-term use. Lease is most often used. The lease term ranges from 10 to 49 years. Lease agreements and purchase and sale contracts are concluded plantations at the auctions. By law, the companies involved in forest management are obliged to ensure preservation, protection and restoration of forests.

According to the Forest Code of the Russian Federation, every company taking a forest area on lease shall:

- make a forest management plan
- provide an annual report stating the use, preservation, safety and restoration of forests.

Reforestation of the leased forest areas is planned and implemented by the forest users at their own expense, in accordance with the forest exploitation drafts. When harvesting timber, the species included in the Red Book and their habitats shall be preserved. Felling of the valuable, endangered and protected species of trees is prohibited by law.

Russian timber industry (including forestry, logging and processing of wood) plays an important part in the economy of the country. There are about 60,000 large, medium and small enterprises operating in the timber industry employing about 1 million people.

The area of FSC-certified forests in Russia is about 40 million ha (30% of the total amount of leased forests). Russia ranks second after Canada in the area of certified forests. The first FSC certificates in Russia were issued over a decade ago.

BP's Supply Base

Novgorod Region

As of 01.01.2015, the total area of the Novgorod region forests amounted to 3912.52 thousand ha. The Committee on Natural Resources and Forest Industry of Novgorod Region is an executive authority of the constituent unit of the Russian Federation for forest relations in Novgorod region. It is responsible for the forests of the State Forestry lands—3367.2 thousand ha.

The forests of Novgorod region occupy 89.8% of the total area of the State Forestry lands, 3.5% of the forests are located on the defense and security lands and the lands within the conservation areas and facilities.

Non-forest lands occupy 24748 ha (16.0%) including: swamps - 7139 ha (4.0%), roads - 1038 ha (0.6%), others - 16571 ha (10.0%)

Novgorod region includes the territory of 23 forest districts.

In general, the forests of Novgorod region are quite evenly distributed over the forest areas: 1948.6 thousand ha or 49.8% of the total forest area of the State Forestry land are located within the southern taiga zone of the European part of the Russian Federation; 1963.5 thousand ha or 50.2% are located in the area of coniferous and deciduous forests of the European part of the Russian Federation.

According to the Forest Code of the Russian Federation, the forests are divided into the protective, exploitable and reserved ones, based on their designated purpose.

The forests located on the land of the Novgorod region forest fund are divided into the protective and exploitable ones, based on their designated purpose. There are no reserved forests in the territory of Novgorod region. The forests located on the land of other categories can also belong to the protective forest class based on their functionality.

The protective forests include those to be developed in order to preserve the environmental, water protection, sanitation, recreation and other beneficial functions of forests with a simultaneous use of forests, provided this use is consistent with the intended purpose of protected forests and their useful functions. The protective forests of the region occupy 838.1 thousand hectares.

The exploitable forests include those to be developed for sustainable, maximum efficient production of high-quality wood and other forest resources, their products to ensure preservation of the useful functions of forests. The exploitable forests cover 2529.1 thousand ha, or 64.6% of the total forest area of the region

The climate of Novgorod region is temperate continental, close to the oceanic climate. The amount of precipitation is 200-500 mm more than can be evaporated. The annual amount ranges from 540 to 750 mm. A maximum amount of precipitation occurs in summer (38%), a slightly lower level - in autumn (27%).

As of 1 January 2015, the resident population is 618.7 thousand people, urban population - 438.3 thousand (70.8% of the total population), rural population - 180.4 thousand people (29.2%).

The region has various mineral resources of non-metallic origin. The explored deposits of refractory clay, limestone, building and quartz sand, boulders and gravel and sandy material are of the greatest industrial importance. The peat deposits of the region are among the highest in the European part of the country. 1435 peat deposits have been explored in the region, with the total reserves of 1,717 million tons (at 40 per cent relative moisture), which can significantly increase the volume of peat extraction. To use these mineral resources, the region has a network of mining, processing and consuming industries. 282 fields of lake sapropel and 102 fields (field sites) of fresh groundwater have been explored. The total forest area of the region is 4.1 million hectares including the area covered with forest vegetation - 3.5 million ha. Deciduous plants predominate in the region forests - 65 percent, the conifers - account for 35 percent, hardwoods are practically absent, they account for 0.07 percent. In accordance with the approved forestry regulations, the allowable cutting rate (annual allowable exemption of wood) over the region is 8.6 million cubic meter as of 2011 and the subsequent years, including the coniferous - 2.0 thousand cubic meters. Over the past 5 years, the average annual timber harvesting in the region has been 3.5 million cubic meters, or 40 per cent of the annual allowable cut.

The production index in the manufacturing sector had amounted to 99.5% by January-April 2015, in the mining sector - 117.5%, in power, gas and water generation and distribution - 103.4%.

The greatest increase was observed in the following economic activities:

manufacture of leather, leather products and footwear (146.5%);

extraction of fuel and energy minerals (141.4%);

manufacture of rubber and plastic goods (134.8%);

textile and clothing manufacture (124.7%);

extraction of minerals, except for fuel and energy ones (116.5%);

chemical production (110.2%);

generation, transfer and distribution of steam and hot water (thermal energy) (104.1%);

pulp and paper industry; publishing and printing (102.5%);

generation, transfer and distribution of electricity (102.5%).

The scope of work performed in the "Construction" economic activity amounted to 15.8 billion. RUB, which is 64.5% above the level of January-April 2015.

Large and medium-sized organizations have provided 52.7% of the retail trade revenue, small organizations - 22.8%, retail markets and fairs - 9.9%, individual entrepreneurs engaged in trade outside the market - 14.5%.

As of 1 May 2016, the registered unemployment rate amounted to 1.4% of the economically active population of the region that corresponds to the level of 1 April 2016 and is 0.2 percentage points higher than that of 1 May 2015.

In January-March 2016, the average monthly wages in the economy amounted to 26123.6 RUB in the region, 105.2% - by the relevant period of 2015, for large and medium-sized organizations - 29049.5 RUB, 104.8%.

Internal Control Procedure.

The lawfulness of the raw material origin at the initial point is the basis of the internal control procedure. No HCVF (High Conservation Value Forests) included. Recognition of the interests of the indigenous population, control of compliance with the labor code regulations regarding the working conditions of the employees. Employment lawfulness, compliance with the labor legislation.

CITES or IUCN species are not supplied.

All raw materials for the production of fuel pellets are supplied for pellet production as waste of the sawmill and woodworking areas production manufacturing key products - structural wood elements.

All material for the production of fuel pellets can be classified as secondary feedstock (the waste from the wood processing industry).

The main forest forming species and the average proportion of the species (based on our procurement research) are as follows:

- 50% *Pinus sylvestris*,
- 50% *Picea abies*.

More detailed information on BP's supply base can be found in BP's Supply Base Report in Internet:

http://tikhvinpellets.com/f/otchet_2019_supply_base_report_template_rus_0.docx

http://tikhvinpellets.com/f/angl_otchet_2019_supply_base_report_template_rus-en_1.docx

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	20143.72 thousand ha
Tenure by type (ha):	100% state property of the Russian Federation
Forest by type (ha):	100% Boreal
Forest by management type (ha):	Managed natural
Certified forest by scheme (ha):	63704.00 ha

5.4 Chain of Custody system

The certificate scope covers the production site and office in Tikhvin, Leningrad region. BP holds valid FSC CoC certificate

<http://info.fsc.org/details.php?id=a023300000WUaEwAAL&type=certificate&return=certificate.php> .

The input material used by the BP for biomass production (both as raw material for pellet production and feedstock used into dryer) contains secondary feedstock supplied from local sawmills (sawmill residues, sawdust and bark). Origin of the feedstock is Novgorod region of Russia. Point of sale of the final product is Saint-Petersburg harbour (delivery conditions – truck, FCA, S.Petersburg harbour).

In the revision period, all raw materials were FSC 100%. The organization may purchase raw materials FSC 100%, FSC Mix, FSC Controlled Wood.

Secondary feedstock is delivered to BP by trucks. Incoming material is mixed, and therefore pellets are produced with FSC MIX claim (SBP-compliant biomass) and FSC Controlled Wood claim (SBP-controlled biomass).

Non-certified and non-controlled inputs of secondary feedstock are not acceptable.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on Nov 7-8, 2019 (16h). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	07/11/2019 10.00-10.30
Documents and procedures review. Inputs review Interview with chief accountant	Office	10:30-12.00
Break		12:00-13:00
GHG calculation review	Office	13:00-17:00
Presentation of the results of the first day of assessment	Office	17:00-17:30
Chain of custody review (site tour); interview with the chief of pellet production	Production facilities	08/11/2019 12:00 – 13:00
Documents and procedures review; staff interview.	Production facilities	13:00 – 15:00
Closing meeting*	Production facilities	15:00 – 16:00
End of the evaluation	Production facilities	16:30

6.2 Description of evaluation activities

Auditor(s), roles	Qualifications
Roman Kurakin	NEPCo FSC CoC auditor. He passed SBP lead auditor training course in Dec. 2016 in Amsterdam and participated in SBP assessment in Russia in training purposes. Role at the audit: lead auditor

The assessment 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 and GHG data calculations, Supply Base Report and FSC system description was provided by the company in the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person.

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.

6.3 Process for consultation with stakeholders

11/07/2019 the information letter (e-mail) was sent to the stakeholders. More than 100 stakeholders was informed about the assessment. No feedback has been received from them. A list of FSC Russia stakeholders has been used.

7 Results

7.1 Main strengths and weaknesses

Strength: The organization is FSC certified. All raw materials for the production of pellets at the time of the audit come as FSC 100%.

Weaknesses: Not found.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The BP has involved external consultant from who helped with implementation of the system for collection of the emission and energy data. Some of the energy use data is based on actual information, whereas calculation of some data was conducted with implementation of theoretical approaches.

7.4 Competency of involved personnel

The SBP responsible person was supported by external consultant who was closely involved in preparation of internal procedures and helping to set up the management system. The SBP responsible person has shown good understanding of the requirements in relation to SBP certification and of the already implemented FSC CoC system.

7.5 Stakeholder feedback

No stakeholder comments are received

7.6 Preconditions

NC number 01/19	NC Grading: Major
Standard & Requirement:	STD 5b 5.1.3.
Description of Non-conformance and Related Evidence:	
Regarding the biofuel consumption for pellets production, the BP states that 0.809 tn of biofuel is used for the production of 1tn of pellets. The BP records the biofuel used in m3 and 1 m3 of biofuel is used in the production of 1 tn of pellets. According to the BP, the exact species composition of biofuel is not known, so Organisation takes the assumption that it is 50% pine and 50% spruce. Since there is no data of density for moisture of 50,78% in AEBIOM Wood Fuels Handbook, table 1.7.3, Organisation takes the density for the moisture of 50% (758 kg/m3 for spruce and 861 kg/m3 for pine). Average density then is	

calculated as $(0,758+0,861)/2 = 0,8095$ MT/m³. This value shows an energy efficiency of the furnace very low. The BP has considered for the density calculations roundwood values, but actually chips are used instead as biofuel and according to the AEBIOM handbook 312 kg/m³ and 354 kg/m³ are the CF for spruce and pine respectively. Considering that the energy used in the direr is not correct, the SAR can't be approved and this NCR is conserved as a pre-condition.

Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Updated SAR, Exh 6. Interview a responsible employee by phone.
Findings for Evaluation of Evidence:	BP updated SAR in part of using biofuels. Checking the SAR and a survey of the responsible employee showed that the BP correctly determined the energy consumption for this section.
NC Status:	Closed

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

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: Observation
Standard & Requirement:	Standard #2: Verification of SBP-compliant feedstock2.8 The report shall be concise, covering the most important features, and shall be completed using the latest versions of the SBR Template for Biomass Producers downloaded from the SBP website. (2C, 4.1)
Description of Non-conformance and Related Evidence:	
The Supply Base Report is concise and contains all information required by SB, however, BP indicated: "CITES or IUCN species are not supplied". In the SBR instructions it is said: "The description must include a description of the forestry management practices or land management practices used and the presence of any CITES or IUCN species". The organization should supplement this information.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 02/19	NC Grading: Observation
Standard & Requirement:	Standard #4: Chain of Custody 1.1 The legal owner shall be certified against an SBP Approved CoC system and hold a valid certificate (5.1.1)

Description of Non-conformance and Related Evidence:	
Findings: BP holds valid FSC COC certificate. Detailed information is available here: https://info.fsc.org/details.php?id=a023300000WUaEwAAL&type=certificate&return=certificate.php The organization buys wood chips - logging waste after shredding (by invoices). However, in the FSC database PB is listed as the primary processor. BP should update the information in the FSC database.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

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:	05/Feb/2020
Other comments:	<i>Click or tap here to enter text.</i>