

NEPCon Evaluation of SLDK 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

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

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1 Overview

CB Name and contact: NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia

Primary contact for SBP: Ondrej Tarabus otarabus@nepcon.org, +420 606 730 382

Current report completion date: 06/Mar/2020

Report authors: : Nikolai Tochilov

Name of the Company: SLDK LLC. Legal and production site address: 15, Lesozavodskaya str., Syktyvkar, Republic of Komi 167009, Russian Federation.

Company contact for SBP: Nikolay Kulikov, engineer-technologist. Mob.: +79121610319; email: kulikov@sldk.com

Certified Supply Base: Russia, Republic of Komi

SBP Certificate Code: SBP-07-61

Date of certificate issue: 09/Mar/2020

Date of certificate expiry: 08/Mar/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Syktyvkar, Republic of Komi, Russia, for use in energy production, and its transportation by different means of transport to different end points all over the world. The scope of the certificate does not include Supply Base Evaluation. The scope of the certificate 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 and assessment of compliance with ID 5E ver. 1.0.

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

Organisation is a primary (sawmilling) and secondary (pellet production) manufacturer located in Syktyvkar, Republic of Komi, Russia. Total annual production capacity of pellet plant is 10 000 tones. Pellet plant was commissioned in October 2019.

Only secondary feedstock with FSC 100% claim is used for FSC/SBP certified pellet production (sawdust) and heating (mixture of sawdust and chipped dry off-cuts). FSC-certified secondary feedstock is supplied from Organisation's sawmill located at the same production site.

FSC transfer system of claims is implemented for pellet production (all pellets have FSC 100% claim).

The final product may be transported by different means of transport to different end points in Russia, on different Incoterms delivery conditions.

5.2 Description of Company's Supply Base

SLDK LLC is a logging and wood processing enterprise of a closed cycle. SBP-compliant secondary feedstock – sawmill residue (sawdust) - are processed into pellets and burned in a boiler room, so the production is waste-free. SLDK LLC is one of the largest loggers and wood processors in the Komi Republic. The annual volume of incoming raw materials (sawlogs) at the plant of SLDK LLC is 380 thousand m³.

The Supply base of SLDK LLC is the area of the forest fund of the Komi Republic. In own lease of SLDK LLC there are 3 certified forest areas located in the Komi Republic. The volume of the forest fund is 210 thousand ha. In addition, SLDK LLC purchases logs from a third-party certified supplier from leased area located in the Komi Republic. The company and its supplier have FSC forest management certificates and are responsible forest users. A small amount of logs comes from non-certified forests, but its storage and processing are physically separated from the FSC certified and residues are not used for the production of pellets and drying of feedstock.

SLDK LLC produces SBP-certified biomass from Skots pine (*Pinus sylvestris*), European spruce (*Picea abies*).

The Supply base is located in the Komi Republic 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 254,7 billion m³ of the global standing stock of wood, that is, about 21%. The forest fund of Russia is 1 173,9 million ha.

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 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 Development Project 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 Komi Republic is one of the leading forest regions of Russia. The share of mature and overmature forest stands is approximately 3/4 of the timber stock. In protective forests along lakes, swamps and other environmentally sensitive objects, a more strict management regime is applied. Forests of the Komi Republic are mostly coniferous. Deciduous trees account for about a fifth of the region's forest fund. At the same time, more than half of the estimated cutting area is located in the zone of low transport development. The total land area of the forest fund of the Komi Republic is 36,262.3 thousand ha, or 87.2% of the region. The total land area of the forest fund has changed slightly in recent years.

Within the Supply base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, including and LLC "SLDK", keep a moratorium on timber harvesting in these forest areas.

Woody species listed in the Red Book of the Russian Federation are not harvested or processed. The harvesting of tree species that are on the IUCN and CITES lists is excluded, since the distribution areal of these species is outside the Company's supply base.

The presence of vast forests with a predominance of mature stands of economically valuable species contributed to the rapid development of the logging industry in the region. The Republic of Komi is located in one of the leading places in the European part of Russia in terms of its timber potential. The logging industry is the core industry of the forest industry. The main consumers of wood in the Komi Republic are the pulp and paper mill and large enterprises of the woodworking industry. In recent years, priority in the transfer of forests for lease has been given to enterprises in which logging is integrated with wood processing.

The timber industry complex takes the second place in the economy of the republic and is represented by the enterprises of forestry, logging, woodworking, pulp and paper and hydrolysis industries. The share of the Komi Republic in Russian wood production is 5.5%. Half of the paper and paper products are exported to more than 80 countries.

SLDK LLC is an enterprise of regional importance by its scale. SLDK LLC is a responsible taxpayer to the local budget. When hiring, preference is given to the local population.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	2 238 131 700 ha
Tenure by type (ha):	public 2 238 131 700 ha
Forest by type (ha):	boreal 2 238 131 700 ha
Forest by management type (ha):	managed natural 11,5 mln. ha
Certified forest by scheme (ha):	2 238 131 700 ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at company homepage <https://sldk.com/about/docs/>.

5.4 Chain of Custody system

Organisation holds valid FSC CoC certificate

<https://info.fsc.org/details.php?id=a024000000BPkGCAA1&type=certificate>. Only secondary feedstock (sawdust) with FSC 100% claim is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim).

Non-certified feedstock is not processed, neither used for heating.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on February 12-13, 2020 (8,5 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	12/02/2020 10.30-10.45
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	12/02/2020 10.45-13.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	12/02/2020 13.30-16.00
Chain of custody review (site tour); staff interview	Production facilities	13/02/2020 11.00-11.45
Documents and procedures review (SAR and energy use primary data); staff interview	Office	13/02/2020 11.45-14.30
Closing meeting	Office	13/02/2020 14.30-14.45

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
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<p>Nikolai Tochilov, audit team leader</p>	<p>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.</p>
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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 in the beginning of the assessment, which started with an opening meeting attended by the representatives from Organisation’s management and staff.

Audit team leader 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 document 5e 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 audit, findings were summarised and audit 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 December 04, 2019 by sending direct email to different stakeholder categories. 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.

One comment has been received from stakeholder, stating that SLDK LLC does not have trade union organization, therefore the public control over the Organisation's work is difficult and thus stakeholder is not able to give any specific comments and/or proposal regarding Organisation's pellet production.

This issue (absence of the trade union organization) was considered by NEPCon lead auditor as being out of the SBP certification scope.

7 Results

7.1 Main strengths and weaknesses

Strengths: use of the FSC transfer system; only FSC 100% secondary feedstock is sourced; non-certified feedstock is not accepted. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: please see minor NCR 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 and handling; diesel for biomass shipping and transportation to customer; electricity for biomass transportation to customer. Diesel consumption value by loaders and trucks at production site is based on engineering calculations (because these vehicles are engaged in pellet production only part time). Electricity consumption by pellet plant is based on readings obtained from installed electric meter.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: Engineer-technologist takes responsibility for implementation of almost all requirements related to SBP certification. The rest staff members involved to SBP certification are: engineer-ecologist (SBR updates), director on wood processing (conversion factor for pellet production; biofuel consumption by boiler), and specialists of sales department (entering the deals into DTS, information on new routes and delivery distances for shipped biomass). Prior to and during SBP assessment, BP was supported by external consultant, who also have provided relevant training to BP staff.

7.5 Stakeholder feedback

Please see findings in section 6.3 above.

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 01/20	NC Grading: minor / незначительное
Standard & Requirement:	SBP Standard 4 Chain of Custody V.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>Until this assessment, BP did not undertake any actual measurements of the amount of feedstock inputs for pellet production. BP from time to time updates the conversion factor based on reverse calculation. I.e., knowing the amount of produced biomass and its average moisture, as well as the average moisture of the feedstock inputs used in pellet production, BP calculates the amount of feedstock which would be needed to produce that amount of biomass. This approach is theoretical (engineering) and does not allow to evaluate effectively the mass balance (inputs and outputs).</p> <p>Организация до настоящего времени не делала никаких актуальных измерений количества сырья, подаваемого в пеллетное производство. Организация периодически обновляет коэффициент выхода продукции на основании обратного расчета – то есть, зная количество произведенных пеллет и их влажность, а также среднюю влажность исходного сырья, поданного в производство, Организация рассчитывает количество сырья, которое потребовалось бы для произведенного количества пеллет. Этот метод расчета является теоретическим и не позволяет эффективно оценить корректность массового баланса (вход-выход).</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 / На рассмотрении
Findings for Evaluation of Evidence:	Pending / 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):	Olesja Puiso
Date of decision:	06/Mar/2020
Other comments:	<i>Click or tap here to enter text.</i>