

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

Second Surveillance 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 otarabus@nepcon.org, +420 606 730 382
Current report completion date:	12/Mar/2020
Report authors: :	Roman Kurakin
Name of the Company:	Svir Pellets LLC, 34 Fizkulturnaya,street, Podporozhye, Leningrad region, 187780, Russia
Company contact for SBP:	Alexander Gorshkov, Director General. Tel.: +7(931)2030655, Email: sm@svirpellets.com
Certified Supply Base:	Sourcing from Russia
SBP Certificate Code:	SBP-01-36
Date of certificate issue:	05/Dec/2017
Date of certificate expiry:	04/Dec/2022

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office and pellet production in Podporozhje, Leningrad region, Russia.

The BP holds valid FSC Chain of Custody, covering pellet production and implements FSC transfer system of claims <https://info.fsc.org/details.php?id=a023300000WW1YLAA1&type=certificate>

BP purchases secondary feedstock (sawdust) from 2 FSC certified suppliers. And also primary raw materials from one certified supplier. The feedstock has FSC Mix Credit and FSC 100% claim. Origin of the primary feedstock is different regions of Russia. FSC certified raw materials are used for the production of pellets and for drying.

BP also purchase non-certified secondary feedstock (wood chips and slab wood) for biomass production – in such case this feedstock is handled separately at all stages of production and sales.

Scope description: Production of wood pellets in Podporozhje, Leningrad region, Russia, for use in energy production, communication of the Dynamic Batch sustainability data. Supply Base include Russian Federation. Post production end point is Saint Petersburg harbour (truck FCA, Incoterms). The scope of the certificate does not include Supply Base Evaluation.

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.

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

n/a

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a pellet producer situated in Leningard region, Russia. Currently BP uses secondary feedstock with FSC Mix Credit claim. In addition to this BP intends to source FSC 100% certified primary feedstock delivered to sawmill and pellet production by single supplier and FSC 100% certified Sawmill residuals and low quality/ small diameter logs from own production in the pellet production in the next reporting period. Transfer system of claims is used for pellet production (all pellets have FSC Mix claim). Certified primary and secondary raw materials are processed separately from non-certified feedstock. The final product is transported by truck to S.Petersburg sea port on FCA conditions of Incoterms.

Total annual production capacity of pellet plant is 50000 tones. Pellet production has been commissioned in March 2009.

5.2 Description of Company's Supply Base

Svir Pellets LLC buys FSC certified feedstock from 3 suppliers, who in turn purchase raw materials (certified as well as controlled) from suppliers from different regions of the Russian Federation. In connection with the above fact and also the fact that the geography of deliveries is constantly expanding Svir Pellets LLC gives the description of the supply base for Russia in general.

The total area of forest land on the territory of the Russian Federation is 764 million hectares, accounting for about 21% of world reserves of standing timber. Forests cover 46.6% of the area of the Russian Federation, which is 1183.3 million hectares. Forests are mainly boreal. The main wood species are larch, pine, spruce, birch, aspen. Areas occupied by the main wood species plantations remain rather stable within last decades. Coniferous species form 68.4%, hardwood species - 2.4%, softwood - 19.3%. Other wood species - less than 1% of the forests. The total reserve of the wood in the forests located on forest fund land is 80 billion m³.

In accordance with Russian legislation all forest fund lands are state property. Legal entities can use forest areas in lease and short-term use. Lease relations are the dominant legal form of forests using. The lease term may continue from 10 to 49 years. The using of forests as an entrepreneurial activity can be given to entities registered in the territory of the Russian Federation as a legal entity or individual entrepreneur (in accordance with the legislation of the Russian Federation). Entering into the lease agreement or sale contract of forest plantations is carried out at the auction for the selling the right to enter into such agreements. Forest areas for a lease must pass a state cadastral registration. According to the Forest Code of the Russian Federation each forest user taking a forest land on lease is obliged:

- to carry out the activities on protection and reproduction of forests;
- to provide annual forest declaration;
- to develop the forest management plan;
- to provide a report on the use of forests, their protection and reproduction.

Allowable wood-cutting area in the Russian Federation is about 660 million m³, including softwood - 370 million m³. Using the allowable wood-cutting area does not exceed 35% of the country territory. According to Rosleskhoz (Russian forestry authorities) data the total recourses of increased volumes of cutting with the aim of cutting within the country is about 400 million m³ per year. High quality reproduction of forest resources and protective forestation is a prerequisite for use of forests. All reforestation activities in leased forest areas are

planned and carried out by forest users at their own expense in accordance with the forest management projects. The main way of reforestation in the Russian Federation is the procurement of natural regeneration. Artificial reforestation is carried out by creating forest plantations: planting or seeding of forest plants in the region of the supply base where active wood-cutting is taking place. As well all forest users plan and implement a set of fire-prevention measures aimed at preventing and reducing the after-effects of forest fires in the summer period.

According to the forest legislation of the Russian Federation the species listed in the Red Book shall be preserved as well as their habitats when harvesting. Felling of valuable, endangered and protected species of trees is prohibited.

Traditionally in Russia softwood is harvested. However for the pellets production hardwood is a substantial part of feedstock.

Forest complex of the Russian Federation including the forestry and forest industry of harvesting and wood handling occupies an important place in the economy of the country. Products of forest complex are widely used in many industries, construction, agriculture, printing, trade and medicine. The forest complex of the Russian Federation employs about 60 thousand of large, medium and small enterprises in all regions of the country. The share of the forestry sector accounts 1.3% of GDP; 3.7% of the total industrial output, 2.4% of foreign profits in the scale of the Russian Federation. The total number of employees in the forest complex of Russia is about 1 million people. From the total production of forest complex of the Russian Federation about 60% products are for the domestic market and 40% - for export.

Thus, the abundant forest resources of the Russian Federation as well as the North-West region in particular, proximity to foreign and domestic markets of forest products determined the appearance of not only large timber production, but also production structures of small and medium businesses, one of which is a plant for the production of wood pellets, Svir Pellets LLC. Today pellet plant is one of the 10 largest Russian producers and exporters of wood pellets. The geography of deliveries is whole Europe and Scandinavia.

The largest part of the supply base are coniferous forests (spruce, pine) that do not belong to woody species CITES or IUCN.

Please see more description of the Supply Base in BP's supply base report available in Internet at BP's homepage <http://svirpellets.com/page/certificates> (please switch the language option to read the report in English or Russian, respectively or link <http://svirpellets.com/page/certificates?lang=en>).

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	764 mln. ha
Tenure by type (ha):	public 764 mln. ha
Forest by type (ha):	boreal 764 mln. ha
Forest by management type (ha):	managed natural 764 mln. ha
Certified forest by scheme (ha):	FSC-certified forest 43,5 mln. Ha

Quantitative description of the Supply Base can be found in the Biomass Producer's Supply Base Report.

5.4 Chain of Custody system

BP is a pellet producer situated in Leningard region, Russia. Currently BP uses secondary feedstock with FSC Mix Credit claim. In addition to this BP intends to source FSC 100% certified primary feedstock delivered to sawmill and pellet production by single supplier and FSC 100% certified Sawmill residuals and low quality/ small diameter logs from own production in the pellet production in the next reporting period. Transfer system of claims is used for pellet production (all pellets have FSC Mix claim). Certified primary and secondary raw materials are processed separately from non-certified feedstock.

When non-certified material is purchased, it is handled separately from certified material at all stages.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on November 28-29, 2019 (16 h). Document review and closing meeting was held at December 6, 2019 and December 13, 20219. Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	28/11/2019 09.30-09.50
Documents and procedures review. Inputs review, energy use calculations review	Pellet production site	28/11/2019 09:50-12.00
Chain of custody review (site tour); staff interview Documents and procedures review	Office	28/11/2019 13.00-17.00
Documents and procedures review Inputs review, energy use calculations review	Office	29/11/2019 9:00-17.00
Documents and procedures review	On-line	6/12/2019 8.00-10.30
Closing meeting*	Office by phone	13/12/2019 10.30-11.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	Audit team leader.

NEPCon SBP lead auditor. He has successfully passed SBP auditor training in Amsterdam in December 2016; previous experience with more than 10 SBP assessments and annual audits in Russia.
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The audit 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, SBP Profiling data and Supply Base Report and FSC system description was provided by the company at the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person and the management of the organization.

Audit team was introduced, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the lead 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, 5b, 5c, 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 and controlled 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 CoC 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

No stakeholder consultations conducted prior, during or after this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC transfer system. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: no weaknesses identified.

7.2 Rigour of Supply Base Evaluation

n/a

7.3 Collection and Communication of Data

The BP has involved external consultant who helped with implementation of the system for collection of the emission and energy data. Energy use data are based on actual production results.

7.4 Competency of involved personnel

All staff members interviewed by auditor during this assessment showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system.

7.5 Stakeholder feedback

No stakeholder consultations conducted prior, during or after this annual audit.

7.6 Preconditions

n/a

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.

n/a

9 Review of Company's mitigation measures

n/a

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 Framework Standard 51.5 The characteristics of biomass shall be able to be traced back to the characteristics and quantities of incoming feedstock, taking account of the applicable conversion factors.SBP Framework Standard 51.5 The characteristics of biomass shall be able to be traced back to the characteristics and quantities of incoming feedstock, taking account of the applicable conversion factors.
Description of Non-conformance and Related Evidence:	
The organization provided a detailed calculation of the conversion factor for wood chips and sawdust. However, the Organization did not pedagogically calculate the conversion factor for the production of pellets from round timber (from waste from its own sawmilling). The organization intends to use this in the next period, so the discrepancy is Minor.	
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:	-
Findings for Evaluation of Evidence:	-
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):	Olesja Puiso
Date of decision:	12/Mar/2020
Other comments:	<i>Click or tap here to enter text.</i>