SBP

Sustainable Biomass Program

NEPCon Evaluation of Lesresurs Ltd Compliance with the SBP Framework: Public Summary Report

Fourth 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
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Current report completion date:	21/Apr/2020
Report authors: :	Roman Kurakin
Name of the Company:	Lesresurs Ltd
Company contact for SBP:	Vera Pochinchik, V.Pochinchik@lesresurs.com, +7-964-821-78-29, certification specialist; Legal address: office 601, 293/7, Baikalskaya street, Irkutsk, 664050, Russia, Production site address: 2/99, Vostochnaya Magistral street, Novaya Igirma, Nizhneilimsk district, Irkutsk region, Russia, 665684
Certified Supply Base:	Sourcing from Russia, Irkutsk region and Krasnoyarskiy krai
SBP Certificate Code:	SBP-01-28
Date of certificate issue:	15/Aug/2016
Date of certificate expiry:	14/Aug/2021

This report relates to the Fourth Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Novaya Igirma, Irkutsk region.

The BP holds valid FSC Chain of Custody and FSC Controlled wood certificate, covering both sawmill and pellet production.

Pellets are produced entirely from the own sawmill production waste. 68% of primary feedstock (logs) delivered to sawmill is FSC certified, and about 32% of primary feedstock is included into the Organisation's FSC controlled material sources verification system. All feedstock originates from Russia, Irkutsk region and Krasnoyarskiy krai. The input material used by the Organisation for biomass production contains only secondary feedstock (wood chips, sawdust and shavings for pellet production and bark and sawdust for dryer).

Scope description: Production of wood pellets in Novaya Igirma, Irkutsk region, Russia, for use in energy production. Post production end point is Saint-Petersburg harbour (terms of delivery - railway, FCA, Incoterms 2010). 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

Not applicable

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a pellet producer located in Novaya Igirma, Irkutsk region. BP may produce about 56 000 tonnes of wood pellets annually. Incoming production feedstock is sawdust, wood chips and shavings as well as feedstock used for drier (bark and Woodchips) supplied exclusively from its own sawmilling located at the same production site. Final product is transported in big bags by railway to Saint-Petersburg harbour. Round wood with FSC 100% claim is delivered to the sawmill from FSC certified forest management units in Irkutsk region, its share is about 68 % in total supplies. The rest 32 % of supplies are non-certified and included into BP's own program of field verification of controlled material sources under FSC certification. There are no non-controlled inputs of the feedstock.
The BP has implemented FSC credit system and produced biomass can be sold with FSC Mix Credit claim (SBP-compliant biomass) or FSC Controlled Wood claim (SBP-controlled biomass). In the reporting period, only FSC Mix Credit claim (SBP-compliant biomass) was used by the BP.

5.2 Description of Company's Supply Base

The total area of forest land in Russia is 764 million hectares, accounting for about 21% of the world reserves of standing timber. Area under main forest species remain fairly stable over the past decades. Coniferous makes up 68.4%, hard-wooded broadleaved species – 2.4%, soft-wooded broadleaved species –19.3%. Other tree species make up less than 1% of forests.

Geographical location of the resource base of LLC Lesresurs Russian Federation, Siberian Federal District (SFD), Irkutsk region (Kirensk, Kazachinsko-Lensk, Nizhneilimsk, Ust-Kut districts) and Krasnoyarsk krai (Tungussko-Chunsky district).

Lesresurs is a lessee of following forest areas in Irkutsk region:

1. Kirenk district, Kirensk lesnichestvo, Karelinskoe forest unit, Nebelskaya dacha, Kirenskoe forest unit, Kirenskaya dacha – 101,436 ha.
2. Kazachinsko-Lensk district, Kazachinsko-Lensk lesnichestvo, Magistralnoe forest unit, Martynovskaya dacha – 39,203 ha.
3. Kirenk district, Kirensk lesnichestvo, Karelinskoe forest unit, Nebelskaya dacha – 20,494 ha.

FMU 1 – Lease forest area is characterized by high percentage of forest land (98.1%) and wooded land (92.2%). Coniferous stands account for 94% of wooded land with pine (Pinus sylvestris) accounting for 63% of total wooded land and spruce (Picea), fir tree (Abies), larch (Larix sibirica) and Siberian stone pine (Pinus sibirica) – 8%, 1%, 15% and 8% correspondingly. Average age of coniferous forest stands is 148 years, soft broadleaved – 61 year.

FMU 2 – The forest area is predominated by wooded lands (93.7%) covered mostly by forests of natural origin. In general, coniferous stands predominate (91%) with pine (Pinus Sylvestris) accounting for 67% of total coniferous area and Siberian stone pine (Pinus sibirica), larch (Larix sibirica), spruce (Picea) and fir tree (Abies)

– 13%, 10%, 9% and 1% correspondingly. Mature and over-mature stands prevail. Average age of coniferous forest stands is 122 years, soft broadleaved – 60 years.

FMU 3 – The forest area is predominated by softwood - 98% of wooded land, from which pine (Pinus sylvestris) – 54%, larch (Larix sibirica) -21%, Siberian stone pine (Pinus sibirica) – 14%, fir tree (Abies) – 3%. Average age of coniferous forest stands is 159 years, soft broadleaved – 75 year.

Lease forest areas of total 161,133 ha are FSC certified.

Company has valid certificates:

- FC-FM/COC-643064 (Licence code FSC-C109107)
- FC-COC-643053 / FC-CW-643053 (licence code FSC-C104427).

The roundwood species used by the organization in production are not subject to the CITES Convention and are not included in the IUCN listings:

- Pine (Pinus sylvestris)
- Siberian larch (Larix sibirica).

Logging volumes of forestry producers in the region:

№	Leaseholder	Area (1,000 ha)	Allowable cut (1,000 m3)	
			Total	incl. coniferous
1	RusForest Magystralny LLC	514,8	725,7	580,8
2	LDK Igirma LLC	327.45	624.2	433.4
3	Lesresurs LLC	161.133	440.0	386.4

As indicated at the table above, the company is one of the three largest by annual allowable cut (AAC).

Lease area is dominated by boreal forest, classified as commercial. There are no virgin forests on the lease area, indigenous peoples do not live.

The areas climate is sharply continental, and their territory equated with the far North.

On the lease area is being conducted clear cutting, reforestation work, high-quality reproduction of forest resources and protective measures.

Socio-economic conditions of the Irkutsk region and the Krasnoyarsk krai, in which forest plots are located.

The Irkutsk region occupies the third place among the Russian regions in terms of forest resources and the first place in the Siberian Federal District.
Forest resources of Irkutsk region:

- forest land - 68.5 million hectares, including 62.9 million hectares covered with forest vegetation,
- timber stock of 9 billion m3, including 7.7 billion m3 for coniferous species.

Irkutsk region is the largest region of Russia without access to the sea. The region is a large subject of the Russian Federation, occupying an area of 774 846 km ² with a population of 2 408 901 people. (2017).

The Irkutsk region is part of the East Siberian economic region; has a significant economic importance, the main branches of the region's specialization are forestry, woodworking, pulp and paper, mining, machine

building, etc. In the all-Russian industry, 6.5% of electricity production, 15% of export of commercial timber, 6% of coal production, almost 20% All-Russian production of cellulose, more than 10% of cardboard, about 9% of oil is processed. In terms of GDP per capita, the Irkutsk region ranks 20th among 85 subjects of the Federation.

The Krasnoyarsk krai is the second largest forest resource in Russia. The area of the forest fund of the region is 158.7 million hectares, or 42.6% of the area of the forest fund of the Siberian Federal District.

The population of the Krasnoyarsk krai is 2,875,790 people as of January 1, 2017.

The Tungussko-Chunsky district of the Evenki Autonomous District of Krasnoyarsk krai is located in the southeastern part of the district. The total area of the region is 111,600 km^2. The length of the area from west to east is 340 km. from north to south - 540 km.

The prospects of the Tungussko-Chunsky district are largely related to the development of the extractive industry - in the bowels of the region there are large reserves of oil, gas and other minerals. On the "Poiginskoye" deposit there is a private enterprise "Taimura". It has been providing the entire municipal energy sector with liquid fuel for 10 years now.

In the plans - the construction of a new school, a hospital, a plant for the preparation of boiler-furnace fuel. The plant is designed to process 20,000 tons of crude oil. It will produce diesel fuel, gasoline, boiler-heating oil.

On the territory of the district there are five House of Culture, district (adult and children's) libraries and four rural branches. In the village of Vanavara there is a school of arts with music, art and decorative and applied departments.

Proportion of SBP feedstock product groups in 2018

For the 12 months of 2018 Lesresurs LLC purchases additional timber harvested in Nizhneilimsk, Ust-Kut and Kirensky districts of Irkutsk Region and Tungussko-Chunsky forest district of Krasnoyarsk Region. This wood is included in the audit programme of suppliers of controlled material within CoC FSC certification of Lesresurs LLC.

The Company purchased certified wood in 2018

m3

Primary feedstock Source	FSC standard		SBP standard	
	FSC certified	FSC Controlled Wood	SBP-compliant feedstock (primary)	SBP-controlled feedstock (primary)
from certification base	257 815,68	-	257 815,68	-
from no certified base		121 946,35		121 946,35
Sub-total	257 815,68	121 946,35	257 815,68	121 946,35
Total	379 762,03		379 762,03	

All primary production is transported to the plant for the production of sawnwood. Pellets from primary material are not produced. They are produced from residues of wood processing. Residues are a secondary raw material.

The ratio of raw materials: FSC certified raw material is 75% and the controlled raw material is 25%. In the reporting period the primary feedstock for sawmill was sourced from 3 FSC-certified forest management units and 6 forest management units included into verification program of controlled material sources.
Detailed information about the supply base is publicly available at the BP's homepage:

http://www.rusforest.com/downloads/Operations/LR_SBP_2019.pdf

http://www.rusforest.com/downloads/Operations/LR_SBP_2019_en.pdf

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	1 646 264,2 ha
Tenure by type (ha):	100% state owned
Forest by type (ha):	1 646 264,2 ha, boreal
Forest by management type (ha):	100% Natural
Certified forest by scheme (ha):	1 513 290,2 ha, FSC certified

5.4 Chain of Custody system

The BP is holding valid FSC Chain of Custody and FSC Controlled wood certificate
http://info.fsc.org/details.php?id=a0240000006uXxGAAU&type=certificate&return=certificate.php .

BP implements FSC credit system of FSC claims which is used for materials received as FSC certified, FSC Controlled Wood and feedstock verified according to the BP's own controlled material verification system. The controlled material system is covering Irkutsk region and Krasnoyarsk krai. Relevant supplier list is maintained.

After the reception, incoming primary feedstock (saw logs) is registered in BP's database and processed at sawmilling facilities. Relevant credit accounts are maintained for all FSC product groups (sawn material, wood chips, sawdust/shavings, pellets). Conversion factors are established and regularly revised based on actual production data. Pellets are produced of the secondary feedstock (sawdust, wood chips and shavings).

In case of the FSC and/ or SBP sales the volume of sold pellets is withdrawn from the credit account.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on January 23-24, 2020. Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	23/01/2020 09.00-09.15
Documents and procedures review. Inputs review, energy use calculations review	Office	23/01/2020 09:15-14.00
Chain of custody review (site tour); staff interview	Pellet production site	23/01/2020 14.00-17.00
Documents and procedures review.	Office	24/01/2020 09.00-12.30
Closing meeting*	Office	24/01/2020 12.30-13.00
End of the evaluation		24/01/2020 13.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	Role: Lead auditor Qualification: NEPCon SBP lead auditor. He successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia.

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 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 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.

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 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 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 and controlled biomass. During the process, overall responsible person for SBP system and other staff were interviewed.

6.3 Process for consultation with stakeholders

No stakeholder consultations conducted prior or during this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC credit system. All secondary feedstock in the reporting period was FSC certified (FSC Mix Credit or controlled material from BP's own program of controlled material suppliers verification according to FSC-STD-40-005 implemented at the level of sawmill supplying all feedstock to the pellet plant.

Weaknesses: there are no weaknesses during this audit.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

Energy use data for pellet production site (electricity; diesel consumption by loaders) is based on actual information. Responsible for collecting information is quality manager. The data taken from accounting records, invoices. As for feedstock and biomass transportation, BioGrace values are taken by BP.

7.4 Competency of involved personnel

All staff involved into SBP certification showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system. The responsible for SBP certification is Nadezhda Ovchinnikova. She is working in the organizations as the chief specialist of forest certification since 2012 (FSC COC and FM, SBP, EN plus). Other involve staff are: First Deputy General Director - Executive Director - general management of the organization;Production Director - the organization of the organization's production process management;Chief accountant - accounting, financial and commercial documents;The chief power engineer is the power supply of the organization, including the fuel granule workshop;the head of the workshop (quality manager) - general management, organization of production and economic activities of the workshop; Head of sales department - is responsible for the implementation, execution of supporting documents, declaring; Occupational safety engineer - monitoring compliance with safety requirements;

7.5 Stakeholder feedback

No feedback from stakeholders have been received.

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.*

None

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:	21/Apr/2020
Other comments:	*Click or tap here to enter text.*