

NEPCon Evaluation of Sawmill 25 JSC (Maimaksa 1 site) 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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Table of Contents

| | |
|-----------|--|
| 1 | Overview |
| 2 | Scope of the evaluation and SBP certificate |
| 3 | Specific objective |
| 4 | SBP Standards utilised |
| 4.1 | SBP Standards utilised |
| 4.2 | SBP-endorsed Regional Risk Assessment |
| 5 | Description of Company, Supply Base and Forest Management |
| 5.1 | Description of Company |
| 5.2 | Description of Company's Supply Base |
| 5.3 | Detailed description of Supply Base |
| 5.4 | Chain of Custody system |
| 6 | Evaluation process |
| 6.1 | Timing of evaluation activities |
| 6.2 | Description of evaluation activities |
| 6.3 | Process for consultation with stakeholders |
| 7 | Results |
| 7.1 | Main strengths and weaknesses |
| 7.2 | Rigour of Supply Base Evaluation |
| 7.3 | Compilation of data on Greenhouse Gas emissions |
| 7.4 | Competency of involved personnel |
| 7.5 | Stakeholder feedback |
| 7.6 | Preconditions |
| 8 | Review of Company's Risk Assessments |
| 9 | Review of Company's mitigation measures |
| 10 | Non-conformities and observations |
| 11 | Certification recommendation |

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: | 07/Apr/2020 |
| Report authors: : | Mikhail Rai |
| Name of the Company: | Sawmill 25 JSC (Maimaksa 1 site). Russian Federation, 163026, Arkhangelsk, 25 Rodionova st. |
| Company contact for SBP: | Viktorija Mitrofanova, deputy production manager. Mob.: +79626636833, email: mitrofanova.viktoriya@sawmill25.ru |
| Certified Supply Base: | Russia, Arkhangelsk, Vologda, Kirov, Kostroma, Yaroslavl regions and Komi republic. |
| SBP Certificate Code: | SBP-07-85 |
| Date of certificate issue: | 09/Apr/2020 |
| Date of certificate expiry: | 08/Apr/2025 |

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope of certificate includes production of wood pellets at Sawmill 25 Maimaksa 1 production site in Arkhangelsk, Arkhangelsk region, Russia for use in energy production and its transportation by different means of transport to different end points in Europe. 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

Maimaksa 1 is one of 3 sites of Sawmill 25 JSC. Sawmill 25 JSC is a primary processor (sawmilling) and a secondary processor (biomass producer) located in the Arkhangelsk region, Russia. The BP holds a valid FSC CoC certificate and uses FSC certified secondary feedstock (sawdust and woodchips) with FSC Mix Credit claim for FSC/SBP certified pellet production. In dryer BP uses bark and residues from sawmilling. All incoming roundwood is covered by the FSC CoC certificate. To produce wood pellets and for heating the BP uses only secondary feedstock, coming from its own primary production (sawmill). For all products, including wood pellets, the FSC credit system is implemented to control FSC claims. Pellets with an FSC Mix Credit claim could be sold as SBP-compliant biomass, with an FSC Controlled Wood claim – as SBP-controlled biomass. The final product may be transported by vessels to different endpoints in Europe, on CIF delivery conditions. Annual production capacity of wood pellets is 75 000 tons.

5.2 Description of Company's Supply Base

JSC Sawmill 25 (Maimaksa 1) is one of the three production sites of JSC Lesozavod 25, which is part of one of the largest timber industry holdings in the north-west of Russia – Titan group of companies. JSC Sawmill 25 is one of the five largest processors in the Arkhangelsk region. The main activity of JSC Sawmill 25 (Maimaksa 1) is the production of chamber-dried lumber for export and wood pellets.

JSC Sawmill 25 (Maimaksa 1) is located in the city of Arkhangelsk on the banks of the Severnaya Dvina River. The plant was founded in 1898, in 2009 a wood pellet production plant was commissioned at a site Maimaksa 1.

The territory has a Roundwood storage, a sawmill, woodworking plant and drying chamber, and pellet production.

Round timber is supplied from 1 supplier for sawing and processing. Residues from the primary processing of wood - sawdust from sawmill and wood chips shredded into sawdust, that is a residue from milling and chipping production - are used as feedstock for pellets production. All wood entering the plant is FSC certified or FSC controlled. According to the FSC product group, pellets are produced with the FSC Mix Credit and FSC Controlled Wood claims, which correspond to SBP-compliant biomass and SBP-controlled biomass. Feedstock for pellets production (sawdust) is classified as SBP-compliant secondary feedstock and SBP-controlled secondary feedstock.

JSC Sawmill 25 has a common supply base for all three sites and has identified the following regions of wood supply during the reporting period and for the coming year as a supply base: Arkhangelsk Region, Vologda Region, Kirov Region, Kostroma Region, Yaroslavl Region, Komi Republic.

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 supply base regions are located within the taiga forest and central belt of Russia.

| Region | Nature zone according to Russian classification | Nature zone according to western classification | Area of forest fund, mln. Ha |
|--------------------|---|---|------------------------------|
| Arkhangelsk Region | Northern taiga, middle taiga | Boreal forest | 29,2 |
| Komi republic | Northern Taiga, middle taiga | Boreal forest | 36,3 |
| Vologda Region | Middle taiga, southern taiga | Boreal forest | 11,5 |
| Kirov Region | Middle taiga, southern taiga | Boreal forest | 7,0 |
| | Mixed forests | Temperate forest | 1,1 |
| Kostroma Region | Southern taiga | Boreal forest | 4,6 |
| Yaroslavl region | Southern taiga | Boreal forest | 1,0 |
| | Mixed forests | Temperate forest | 0,8 |
| Total | | | 91,5 |

Northern and middle taiga form a wide boreal strip in the European part of Russia and Siberia. The main forest species of boreal (taiga) forests are two groups of species: dark coniferous and light coniferous.

In European Russia, dark coniferous forests are represented by Norway spruce (*Picea abies*) and Siberian spruce (*Picea obovata*). There could be met Siberian fir (*Abies sibirica*), less often Siberian pine cedar (*Pinus sibirica*).

Light coniferous forests are predominantly represented by pine forests from *Pinus sylvestris* and less commonly by larch forests from *Larix sibirica*. Light coniferous forests, as a rule, are formed after fires in the place of dark coniferous.

In the middle taiga, mixed forests of dark coniferous, light coniferous, and small-leaved trees in different combinations are often formed. After felling (and sometimes after fires), birch forests and aspen forests are formed in the boreal zone (the latter are more often in the middle taiga).

Norway spruce (*Picea abies*) and Scots pine (*Pinus sylvestris*) prevail as coniferous species in the southern taiga. In the southern taiga there is an admixture of hardwood in the second layer.

Within the regions of the supply base of the European part of Russia, there are such red-listed tree species as: Karelian birch (*Betula pendula* Roth var. *Carelica*), dwarf bog birch (*Betula humilis*), European white elm (*Ulmus laevis*), wych elm (*Ulmus glabra*), some species of willow (*Salix* spp.).

JSC Sawmill 25 processes only Scots pine (*Pinus sylvestris*) and Norway spruce (*Picea abies*). 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.

By the scale of wood processing, JSC Sawmill 25 is the leading enterprise in the Arkhangelsk region. However, not all waste is used for the production of pellets. Some of them are sold or burned in their own CHP.

JSC Sawmill 25 plays a large socio-economic role in the city and the region. The company provides many jobs to the local population. In its activities and determining development priorities, the enterprise complies with all ecological and environmental requirements of Russian legislation, builds partnerships with non-governmental environmental organizations such as Greenpeace and WWF. JSC Sawmill 25 is a member of the Association of Environmentally Responsible Forest Users of Russia.

5.3 Detailed description of Supply Base

| | |
|----------------------------------|--|
| Total Supply Base area (ha): | 91,5 mln. ha |
| Tenure by type (ha): | public 91,5 mln. ha |
| Forest by type (ha): | boreal 89,6 mln. ha; temperate 1,9 mln. ha |
| Forest by management type (ha): | managed natural 91,5 mln. ha |
| Certified forest by scheme (ha): | 15 322 310,6 ha FSC-certified forest |

Detailed information about BP's supply base may be found in their Supply Base Report available in Internet <http://www.sawmill25.ru/>.

Specifically, Russian version is available by link <http://www.sawmill25.ru/продукция/политика-в-области-устойчивого-лесоп/>

Specifically, English version is available by link <http://www.sawmill25.ru/en/продукция/политика-в-области-устойчивого-лесоп/>

5.4 Chain of Custody system

BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a0240000005sTvEAAU&type=certificate> covering the primary (sawmilling) and secondary (wood working, pellet production) wood processing. Only secondary feedstock (sawdust, woodchips, bark and sawmilling residues) with FSC Mix Credit and FSC Controlled Wood claims will be used for pellet production and FSC credit system of claims is implemented (all pellets will have FSC Mix Credit or FSC Controlled Wood claims respectively). To calculate a conversion factor prior to this assessment, BP used theoretical (engineering) calculation for the feedstock used for pelletizing and actual information for the feedstock used for drying. For the next reporting periods, conversion factor will be updated based on actual information on input and output volumes (measurement of the number of front loader buckets).

There is no invoicing inside the organisation. Instead, the economic and planning department prepares on a monthly basis the internal report on the secondary feedstock inputs to pellet production. It includes a description of the feedstock (sawdust, wood chips, bark, and dust) and the volume of physical input (based actual volume of feedstock used) and the certified status of the material.

The only supplier of roundwood is an affiliated company from Arkhangelsk – ICE Titan LLC (<https://info.fsc.org/details.php?id=a0240000005sUgQAAU&type=certificate>).

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on February 20-21, 2020 (app 1,5 working days). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

| Activity | Location | Date/time |
|--|-----------------------|---------------------------|
| Opening meeting | Office | 20/02/2020 09.00-09.30 |
| Documents and procedures review (SAR and energy use primary data); staff interview | Office | 20/02/2020 09.30-13.30 |
| Documents and procedures review (feedstock inputs, SBR, CoC control system and critical control points, compliance with legal requirements, H&S), staff interview. | Office | 20/02/2020 14.30-17.00 |
| Chain of custody review (site tour); staff interview | Production facilities | 21/02/2020 09.30-12.30 |
| Closing meeting | Office | 21/02/2020 12.30-13.00 |

6.2 Description of evaluation activities

Composition of audit team:

| Auditor(s), roles | Qualifications |
|--------------------------------|--|
| Mikhail Rai, audit team leader | NEPCon SBP lead auditor. He has successfully passed SBP auditor training in Berlin in September 2019; previous experience with several SBP assessments and annual audits in Russia. |

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 Handbook, 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 audit team leader 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 (see section 5.4 above).

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 January 20, 2020 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 credit system; only FSC Mix Credit and FSC Controlled Wood 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: theoretical (engineering) calculation of a conversion factor. However, in the next reporting period BP intends to establish conversion factor based on actual data of feedstock input for pellet production and heating.

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 transportation to customer. Diesel consumption value by loaders is based on actual refuelling data obtained in accountancy; electricity consumption by pellet plant (including office facilities and staffrooms) is based on readings obtained from installed electric meters. BP furthermore has actual data on diesel consumption by trucks delivering the secondary feedstock to production site, but this information is not required in SAR.

Also, electricity and heat generated at BP's biofuel CHP are used at the pellet mill.

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:

- BP's management (appointment of SBP responsible, anti-bribery policy and code of conduct, trade and tax legislation, EUTR requirements and DDS implementation);
- SBP responsible person/deputy production manager (SBP procedures and systems updates, SAR, SBR, SREG (if applicable), SDIs, complaints);
- Head of export department (credit account, distances, SREG (if applicable), DTS, sales);
- Head of pellet mill (moisture measurements);
- Boiler room manager (biofuel moisture measurements);
- Deputy chief engineer (registration of electricity and biofuel consumption, CHP data collection);
- Head of economic and planning department (registration of inputs and outputs, conversion factor updates, registration of diesel consumption);
- Head of forest products supply department (Chain of custody, SBR);

- Separate H&S responsible (H&S implementation).

Prior to and during SBP assessment, BP was supported by external consultant, who also has provided relevant training to BP staff.

7.5 Stakeholder feedback

No comments received from stakeholders prior, during or 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.*

No NCRs and Observations raised during this assessment.

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): | Ondrej Tarabus |
| Date of decision: | 07/Apr/2020 |
| Other comments: | <i>Click or tap here to enter text.</i> |