



NEPCon Evaluation of ULK Group LLC (Pestovo) 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

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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, +34 605 638 383

Current report completion date: 19/Jun/2020

Report authors: Nikolai Tochilov

Name of the Company: ULK Group LLC (Pestovo). Legal address: office 1, 17 Zavodskaya street, Oktyabrskiy settlement 165210, Ustyanskiy district, Arkhangelsk region, Russian Federation. Production site address: 2a, Naberezhnaya str., Pestovo 174510, Novgorod region, Russian Federation

Company contact for SBP: Ekaterina Krivosheeva, SBP responsible. Email: e.krivosheeva@ulkust.ru; phone: +79212949267

Certified Supply Base: Arkhangelsk, Vologda, Novgorod, Ivanovo, Yaroslavl, Nizhny Novgorod regions and the Komi Republic, Russia

SBP Certificate Code: SBP-08-08

Date of certificate issue: 23/Jun/2020

Date of certificate expiry: 22/Jun/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Pestovo, Novgorod region, 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

ULK Group LLC is one of the largest logging and timber processing enterprises in Russia. The group includes 4 sawmills (3 in the Arkhangelsk region and 1 in the Novgorod region) and 3 pellet plants (2 in the Arkhangelsk region and 1 in the Novgorod region).

The scope of this certification covers the pellet plant situated in Novgorod region, Pestovo.

Company runs both pellet and lumber production, which supplies secondary feedstock with FSC 100% claim to the pellet plant. Sawdust is used in pellet production; bark and wood chips are used in dryer.

The biomass is transported by railway to S.Peterburg and Ust-Luga harbours and then by vessels to different harbors all over the world (CFR, Incoterms).

Pellet plant was commissioned in May 2020. Total annual production capacity of pellet plant is 60 000 tones.

5.2 Description of Company's Supply Base

The supply base of BP is the area of forest fund in those regions where there are leased plots of own forest fund and leased plots of suppliers. Own leased plots are located in the Arkhangelsk, Vologda and Novgorod regions. Leased plots of suppliers are located in the Arkhangelsk, Vologda, Novgorod, Ivanovo, Yaroslavl, Nizhny Novgorod regions and the Komi Republic. All wood for processing is harvested in FSC certified forests.

The BP is located in the city of Pestovo, which is located on the Mologa River (Volga basin), 314 km east of Veliky Novgorod, 360 km southeast by rail from St. Petersburg and 54 km west from Ustyuzhny Vologda region. The temperate continental climate prevails.

The main activities are sawmilling and lumber production. The company processes about 600 thousand. m³ of roundwood per year at their sawmill. For the production of pellets, ULK Group LLC uses only SBP-compliant secondary feedstock (sawdust) with a FSC 100% claim.

The supply base is located in the North-West, Volga and Central Federal Districts of the Russian Federation. The adjacent territories of the Supply Base are mainly represented by forest areas of other tenants and agricultural land. Mostly in these areas, logging and agriculture are carried out, respectively.

Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Softwood species constitute 78%, hardwood - 22%.

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 in lease (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 project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

The share of mature and overmature forest stands is about 25-30% of the timber stock in the Supply base. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

The table shows the data on the Resource Base for the regions of the Russian Federation, from where the sawlog is supplied to the enterprise.

Variable	Northwestern Federal District				Central Federal District		Volga Federal District	Total by supply base regions
	Arkhangelsk region	Vologda region	Novgorod Region	Komi Republic	Ivanovo region	Yaroslavl region	Nizhny Novgorod Region	
Area of forest fund, mln. ha / %	28,4	11,5	3,9	36,3	1,0	1,7	3,8	86,6
	2,48	1,00	0,34	3,16	0,09	0,15	0,33	7,55

Stock of ripe and overripe forests, thousand ha	1800,5	1071,4	301,6	2202,1	54,6	116,4	146,6	5693,2
Actual volume of ripe and overripe forest stands (for 2019) harvesting, thousand cubic meters /%	10041,0	11911,3	1873,0	7189,9	652,2	701,3	2250,3	34619
	8,19	9,72	1,53	5,87	0,53	0,57	1,84	28,2
Forest tundra and light forest taiga, northern taiga, middle taiga, southern taiga / Boreal forests, million ha	29,2	11,5	1,9	36,3	0	1,0	1,2	81,1
Mixed coniferous-deciduous forests, forest-steppe / Temperate forests, million ha	0	0	2,2	0	1,0	0,8	2,6	6,6

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises observe a moratorium on timber harvesting in these forest areas. On the territory of the Supply Base there are intact forests and wetlands of international importance. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, Organisation uses wood only from FSC certified forests in the pellets production.

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. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings (about 10-15%) or the promotion of natural regeneration (85-90%).

When harvesting wood, according to the forest legislation, species listed in the Red Book, as well as their habitats, are subject to conservation. Harvesting of valuable, endangered and specially protected species of trees is prohibited. In biomass production BP processes only European spruce (*Picea abies*) and Scotch pine (*Pinus sylvestris*). The tree species listed in CITES and IUCN are not processed, since their areal is not met within the supply base.

Within the regions of the supply base, deep wood processing prevails over the export of round timber. The leading areas of processing are the production of lumber, plywood, fiberboard, chipboard, pulp, paper and cardboard production, wooden housing construction.

ULK Group LLC is of great socio-economic importance in the Ustyansky District and the Arkhangelsk Region, as it is a city-forming enterprise. The company provides financial and material support to social and cultural facilities and organizations, sports facilities and healthcare facilities, is engaged in repair and construction of roads in the district. The launched pellet plant in the Novgorod region will provide the city of Pestovo with new jobs.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 87,7 mln. ha
Tenure by type (ha): public 87,7 mln. ha

Forest by type (ha):	boreal 81,1 mln. ha / temperate 6,6 mln. ha
Forest by management type (ha):	managed natural 87,7 mln. ha
Certified forest by scheme (ha):	21,9 mln. ha FSC-certified forest

For more details please see the Supply Base Report available in Internet at BP's homepage: <http://ulkust.ru/info/public/>.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a0240000008nKWsAAM&type=certificate> and implements FSC transfer system of claims. Pellets are produced of the FSC 100% secondary feedstock (sawdust) only, originating from own sawmill included into scope of the same FSC CoC certificate. Conversion factors are established and regularly revised based on actual production data.

Some share of roundwood is purchased by Organisation's sawmill as non-certified. Sawmilling wastes in such case are not accepted by pellet production, neither used by boiler, but sold at local market.

6 Evaluation process

6.1 Timing of evaluation activities

Audit was conducted on June 15-16, 2020 (total 8 hours). Audit activities included documents review (desk based and at BP's office), virtual inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Organisation's head office in Oktyabrskiy, Arkhangelsk region	15/06/2020 13.30-14.00
SBP-related documents review (SBP Procedure, SBR, CoC control system and critical points); interview with SBP responsible	Organisation's head office in Oktyabrskiy, Arkhangelsk region	15/06/2020 14.00-18.00
Documents and procedures review (SAR and energy use primary data, compliance with legal requirements, H&S), staff phone interviews.	Organisation's head office in Oktyabrskiy, Arkhangelsk region	16/06/2020 09.00-12.00
Closing meeting	Organisation's head office in Oktyabrskiy, Arkhangelsk region	16/06/2020 12.00-12.30

NOTE: onsite part of the assessment at production site in Pestovo is scheduled for October-November, 2020.

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov, audit team leader	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.

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:

Due to Covid-19 limitations, onsite assessment could not be conducted in June, 2020. The assessment was conducted at Organisation's head office in Oktyabrskiy, Arkhangelsk region and started with the opening meeting with SBP responsible (deputy director on certification).

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 was interviewed face to face, and other staff were interviewed by phone.

Virtual roundtrip around BP's pellet production was undertaken (pictures from pellet plant were provided by BP).

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.

According to SBP COVID-19 Normative Requirements, an on-site surveillance audit which is additional to the annual surveillance audit requirements will be conducted within 6 months of the last date of the current remote assessment (scheduled for October-November 2020).

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 March 31, 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 FSC transfer system. Robust recordkeeping system. Good awareness of certification requirements by involved staff.

Weaknesses: no weaknesses identified during this assessment.

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; biofuel for drying the feedstock; diesel for feedstock delivery and handling; diesel for biomass handling, shipping and transportation to customer. Most of the data is based on engineering calculations, because the pellet plant was commissioned in May 2020.

7.4 Competency of involved personnel

Interviewed staff was well familiar with their responsibilities. Generally, SBP manager takes responsibility for implementation of almost all requirement related to SBP certification. The rest staff members involved to SBP certification are: chief power engineer (collection of data on electricity consumption), transport department chief (diesel consumption by vehicles), deputy director on production (records of input and output volumes; moisture measurements), sales manager (entering the deals into DTS, information on new routes and delivery distances for shipped biomass, preparation of SREG document) and H&S engineer (H&S responsible). BP is continuously supported by external consultant Tatiana Savelyeva (Biomass Consult).

7.5 Stakeholder feedback

No feedback 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

No NCRs identified 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):	Olesja Puiso
Date of decision:	19/Jun/2020
Other comments:	An on-site surveillance audit which is additional to the annual surveillance audit requirements is required within 6 months of the last date of the remote audit or by 15.12.2020.