



NEPCon Evaluation of ULK Group LLC Compliance with the SBP Framework: Public Summary Report

Second Surveillance 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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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:	22/Jun/2020
Report authors:	Nikolai Tochilov
Name of the Company:	ULK Group LLC. Legal address: office 1, 17 Zavodskaya street, Oktyabrskiy settlement 165210, Ustyanskiy district, Arkhangelsk region, Russian Federation. Production site address: 33, village Tarasonavolotskaya, 165210 Ustyanskiy district, Arkhangelsk region, Russian Federation
Company contact for SBP:	Ekaterina Krivosheeva, SBP responsible. Email: e.krivosheeva@ulkust.ru; phone: +79212949267
Certified Supply Base:	Arkhangelsk and Vologda regions, Russia
SBP Certificate Code:	SBP-01-99
Date of certificate issue:	18/Jun/2018
Date of certificate expiry:	17/Jun/2023

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Tarasonavolotskaya, Arkhangelsk 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 one of the pellet plants situated in Arkhangelsk region, village Tarasonavolotskaya.

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 boiler for feedstock drying.

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 July 2018. Total annual production capacity of pellet plant is 162 000 tones.

5.2 Description of Company's Supply Base

The Supply base of ULK Group LLC is the forest fund area of the Arkhangelsk and Vologda regions. ULK Group LLC processes its own feedstock and from six FSC certified suppliers, who is located in the Arkhangelsk and Vologda regions. The company ULK GROUP LLC has an FSC forest management certificates (NC-FM/COC-014108; NC-FM/COC-014179; NC-FM/COC-054054; NC-FM/COC-055555; NC-FM/COC-054018).

The SBP-certified biomass producer is located in the south of the Arkhangelsk region in the middle taiga zone, in close proximity to Oktyabrsky and the Northern Railway. The main activities are sawmilling and lumber production. The company processes about 1,510 thousand m³ of roundwood per year. For the production of pellets, ULK Group LLC uses only SBP-compliant secondary feedstock (sawdust, waste of its own sawn timber production).

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. Adjacent areas mostly are represented by forest management units 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 Arkhangelsk and Vologda regions are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 25-30% of the timber stock. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and ULK Group LLC, 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. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, ULK Group LLC 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 ULK Group LLC 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. Pellet production accounts for approximately 2% of the total wood processing within the supply base.

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.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 40,7 mln. ha

Tenure by type (ha):	public 40,7 mln. ha
Forest by type (ha):	boreal 40,7 mln. ha
Forest by management type (ha):	managed natural 40,7 mln. ha
Certified forest by scheme (ha):	13,0 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 April 30, 2020 and June 15, 2020 (total 10 hours). Audit activities included documents review (desk based and at BP's office), inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Desk-based	30/04/2020 10.00-10.15
SBP-related documents review (SBP Procedure, SBR, SAR, primary calculations of GHG data); interview with SBP responsible	Desk-based	30/04/2020 10.15-16.00
Documents and procedures review (SAR and energy use primary data, feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	15/06/2020 09.00-12.00
Chain of custody review (site tour); staff interview	Production facilities	15/06/2020 12.00-13.00
Closing meeting	Office	15/06/2020 13.00-13.30

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 audit could not be conducted in April, 2020. BP provided all documentation related to SBP annual audit, by April 30, 2020. At that day, formal opening meeting was held with SBP responsible by phone, and desk-based review of the documents was undertaken.

Onsite part of the audit was conducted on June 15, 2020. It included onsite inspection of the pellet plant, documents review and staff interviews. 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 stakeholders consultations conduction prior to, during or after this audit.

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 audit.

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 and shipping ; diesel and electricity for biomass transportation to customer. Diesel consumption value by vehicles (truck, front-end loaders, reach stacker) is based on actual measurements. Electricity consumption by pellet plant and boiler is based on readings obtained from installed electric meters and engineering calculations.

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 and energy production by boiler), transport engineer (diesel consumption by vehicles), chief of pellet 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 audit.

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 audit.

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:	22/Jun/2020
Other comments:	<i>Click or tap here to enter text.</i>