



NEPCon Evaluation of Luzales 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

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1 Overview

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Current report completion date: 21/Sep/2020

Report authors: Nikolai Tochilov

Name of the Company: Luzales LLC. Legal address Luzales LLC, 8, 1-ya Promyshlennaya str., Syktyvkar, Komi Republic, 167981 Russian Federation. Production site address: 1a Lesnaya str., 168132, stlm. Kyzzyavidz', Priluzskij district, Komi Republic, Russian Federation

Company contact for SBP: Elena Shumilova , PR-director, SBP manager. Tel.: +79128641643, email: eshumilova@luzales.ru; Valentin Rozhok, Director General. Email: luzales@mail.ru

Certified Supply Base: Arkhangelsk region and Komi Republic, Russia

SBP Certificate Code: SBP-01-98

Date of certificate issue: 05/Jun/2018

Date of certificate expiry: 04/Jun/2023

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of biomass, for use in energy production, at Luzales LLC (Kyddyavidz settlement, Republic of Komi, Russia), and biomass transportation to different end points all over the world. The scope of the certificate does not include Supply Base Evaluation. The scope 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

BP is a wood processing (primary and secondary) company located in Komi Republic, Russia. Total annual production capacity of pellet plant is 25 000 tones.

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 for heating in boiler. No feedstock is sourced from external suppliers.

The round wood used at lumber production line (logs for primary production) originates from the Arkhangelsk region and Komi Republic and has FSC 100% claim.

The BP has implemented FSC transfer system and all amount of produced biomass is sold with FSC 100% (SBP-compliant biomass) claim.

The biomass leaving the pellet plant may be transported to customer by different routes and different means of transport.

Pellet plant was commissioned in January 2018.

5.2 Description of Company's Supply Base

The Supply Base of Luzales LLC is the forest fund area of its own leased area in the Komi Republic and two suppliers: from the Komi Republic and the Arkhangelsk region. In the own leased area of Luzales LLC the area of the forest fund is 1035138 ha, the area of the forest fund of suppliers is 2582837 ha. The company and its suppliers have FSC forest management certificates and are responsible forest users.

LLC Luzales is a logging and wood-processing enterprise of a closed cycle. Sawmill residues (sawdust) is processed into pellets, thus the production is waste-free. Luzales LLC is one of the largest wood logging and processing companies in the Komi Republic. The annual volume of incoming raw materials (sawn timber) at the plant of Luzales LLC is 551,626 thousand m³.

Luzales LLC produces only SBP-certified biomass from 69% of Scots pine (*Pinus sylvestris*), 28% of Norway spruce (*Picea abies*) and 3% of Silver birch (*Betula pendula*).

Luzales LLC is located in the south of the Komi Republic, in the middle taiga zone, in close proximity to the village of Kyzzyavidz.

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forest regions of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Coniferous 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 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 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 Komi Republic and the Arkhangelsk Region are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 3/4 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 Luzales 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, Luzales 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 or the promotion of natural regeneration.

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. Luzales LLC does not purchase or process tree species listed in the Red Book or CITES and IUCN lists, as their habitat is outside the Supply Base.

The woodworking industry of the Supply Base is pulp and paper production, sawmill, plywood, fiberboard, particle board and medium density MDF, wooden building structures, including joinery and wooden containers. The main consumers of wood products are outside the Supply Base.

Luzales LLC has a great socio-economic importance in the Priluzsky region of the Komi Republic. Annually agreements on social and economic partnership are concluded, within the framework of which there is financial aid to the district administration. In public settlements, stakeholder consultation are held with local residents, according to the results of which, decisions are taken to provide financial assistance in carrying out various public events, both regional and local, providing construction material for repair of socially significant facilities, allocation of places for picking mushrooms and berries, hunting grounds and other important forest areas for the local population. Individual assistance is also provided to local residents on applications received, public

organizations (community organizations, charities, veterans' societies, etc.). The local population has priority when applying for a job in Luzales LLC.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	3617975 mln. ha
Tenure by type (ha):	public 3617975 mln. ha
Forest by type (ha):	boreal 3617975 mln. ha
Forest by management type (ha):	managed natural 3617975 mln. ha
Certified forest by scheme (ha):	3617975 mln. ha FSC-certified forest

Since the BP's homepage is expected to be transformed soon, it was agreed that the english version of SBR is available to stakeholders for more details in Organisation's profile at SBP website (certificate holders section): <https://sbp-cert.org/accreditations-and-certifications/certificate-holders/>. Russian version of SBR will be sent to any stakeholder by BP on request.

5.4 Chain of Custody system

BP is a pellet producer situated in Kyddyavidz, Republic of Komi, Russia. BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a0240000005sTseAAE&type=certificate> covering both sawmill and pellet production. Only secondary feedstock (sawdust) with FSC 100% claim from Organisation's sawmill located at the same production site is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim). Non-certified feedstock is not accepted.

6 Evaluation process

6.1 Timing of evaluation activities

Audit was conducted on April 29, 2020 and June 23, 2020 (total 10 hours). Audit activities included documents review (desk based and at BP's pellet plant), inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Desk-based	29/04/2020 10.00-10.15
SBP-related documents review (SBP Procedure, SBR, SAR, primary calculations of GHG data); interview with SBP responsible	Desk-based	29/04/2020 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.	Pellet plant	23/06/2020 13.00-16.00
Chain of custody review (site tour); staff interview	Pellet plant	23/06/2020 16.00-17.00
Closing meeting	Pellet plant	23/06/2020 17.00-17.15

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 activities were 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 29, 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 23, 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: see minor NCRs raised in Section 10 below in this report.

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 (front-end loader, forklift loader) is based on combination of actual measurements and engineering calculations. Electricity consumption by pellet plant is based on readings obtained from installed electric meters.

7.4 Competency of involved personnel

Interviewed staff was well familiar with their responsibilities. The following staff members are involved in SBP certification: SBP responsible (SAR, complaints resolution, inputs and outputs volume control, moisture measurements, diesel consumption); electrician (electricity consumption); PR director (supply base report); accountant (invoices, DTS, legal compliance); H&S engineer (H&S). Prior to, and during the audit, BP was supported by independent 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

NC number 01/20	NC Grading: minor / незначительное
Standard & Requirement:	<p>SBP Standard 4 Chain of Custody V.1-0, p. 5.3.1</p> <p>All requirements of the relevant chain of custody control system specified in the SBP-approved CoC system shall be implemented to calculate outputs.</p>
Description of Non-conformance and Related Evidence:	
<p>Until this audit, BP did not undertake any actual measurements of the amount of feedstock inputs for pellet production. BP from time to time updates the conversion factor based on reverse calculation. I.e., knowing the amount of produced biomass and its average moisture, as well as the average moisture of the feedstock inputs used in pellet production, BP calculates the amount of feedstock which would be needed to produce that amount of biomass. This approach is theoretical (engineering) and does not allow to evaluate effectively the mass balance (inputs and outputs). Considering the fact that all feedstock comes from own sawmill (no external supplies are accepted) and the conversion factor is regularly updated, this non-conformity considered as minor.</p> <p>Организация до настоящего времени не делала никаких актуальных измерений количества сырья, подаваемого в пеллетное производство. Организация периодически обновляет коэффициент выхода продукции на основании обратного расчета – то есть, зная количество произведенных пеллет и их влажность, а также среднюю влажность исходного сырья, поданного в производство, Организация рассчитывает количество сырья, которое потребовалось бы для произведенного количества пеллет. Этот метод расчета является теоретическим и не позволяет эффективно оценить корректность массового баланса (вход-выход).</p>	
Timeline for Conformance:	<p>By the next surveillance audit, but no later than 12 months from report finalisation date / До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета</p>
Evidence Provided by Company to close NC:	<p>Pending / На рассмотрении</p>
Findings for Evaluation of Evidence:	<p>Pending / На рассмотрении</p>
NC Status:	<p>Open / Открыто</p>

NC number 02/20	NC Grading: minor / незначительное
Standard & Requirement:	<p>SBP Instruction Document 5E, p. 6.9.4</p> <p>If a conventional boiler is used then the following data must be recorded in Table 3.3.c and validated by the CB:</p> <ul style="list-style-type: none"> - Share of fossil fuel used; - Total heat output that is effectively recuperated and used in an application during reporting period; - Total heat output that is used in drying during reporting period; and - How has this data been calculated (e.g. metered data, theoretical calculation based on specific consumption of installed machinery).

Description of Non-conformance and Related Evidence:	
<p>Conventional boiler provides heat to the pellet plant, as well as to Organisation's sawmilling facilities. Total heat output that is effectively recuperated and used in an application during reporting period is not reported in SAR.</p> <p>Котельная обеспечивает теплом как пеллетный завод, так и лесопильное производство Организации. Информация о полной тепловой мощности, которая была эффективно рекуперирована и использована в отчетном периоде, не включена в SAR.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date / До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета
Evidence Provided by Company to close NC:	Pending / На рассмотрении
Findings for Evaluation of Evidence:	Pending / На рассмотрении
NC Status:	Open / Открыто

NC number 03/20	NC Grading: minor / незначительное
Standard & Requirement:	SBP Instruction Document 5E, p. 6.8.3 In all cases, the BP shall provide full information on power generation and use to the CB, and this shall be reported in the SAR. The metered values used for reporting shall cover not only the biomass production process but also non-biomass related process lines (for example, sawmill or other production facilities).
Description of Non-conformance and Related Evidence:	
<p>Organisation included in SAR the electricity consumption value by pellet plant (there are 3 separate electric meters installed). Conventional boiler provides heat to the pellet plant, as well as to Organisation's sawmilling facilities, but the relevant share of electricity consumed by conventional boiler is not included into calculation of total electricity consumption value in SAR.</p> <p>Организация включила в документ SAR данные о расходе электроэнергии пеллетным производством (установлены три отдельных электросчетчика). Котельная обеспечивает теплом как пеллетный завод, так и лесопильное производство Организации, однако соответствующая часть электроэнергии, потребленной котельной, не включена в расчет значения общего расхода электроэнергии в SAR.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date / До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета
Evidence Provided by Company to close NC:	Pending / На рассмотрении
Findings for Evaluation of Evidence:	Pending / На рассмотрении
NC Status:	Open / Открыто

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