



Supply Base Report: Luzales LLC

Second Surveillance Audit

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Completed in accordance with the Supply Base Report Template Version 1.3

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

Producer name: Luzales LLC

Producer location: Lesnaya str., 1a, 168132, stlm. Kyzdyavidz', Priluzskij district, Komi republic, Russia

Geographic position: 60.497409 'N, 49.589759 'E

Primary contact: Elena Shumilova , 1-ya Promyshlennaya str., 8, 167981, city Syktyvkar, Komi Republic, Russia, tel.: +79128641643, eshumilova@luzales.ru

Company website: <http://www.luzales.ru>

Date report finalised: 10/Apr/2020

Close of last CB audit: 23/Jun/2019, Kyddzyavidz

Name of CB: NEPCon

Translations from English: Yes

SBP Standard(s) used: Standard 2 version 1.0, Standard 4 version 1.0, Standard 5 version 1.0

Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>

SBP Endorsed Regional Risk Assessment: Not applicable

Weblink to SBE on Company website: Not applicable

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	V	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

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.

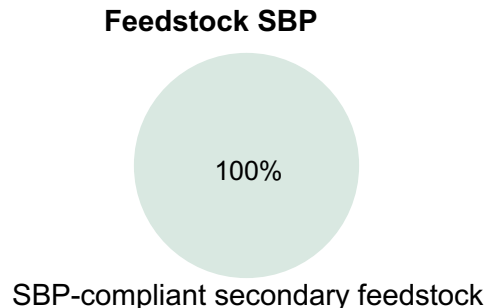
2.2 Actions taken to promote certification amongst feedstock supplier

For the pellets production, the company uses only FSC certified feedstock from certified logging companies, so the company does not take actions to certify its suppliers.

2.3 Final harvest sampling programme

Not applicable because certified secondary feedstock is used for the pellets production.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]



2.5 Quantification of the Supply Base

Provide metrics for the Supply Base including the following. Where estimates are provided these shall be justified.

Supply Base

- | | |
|-------------------------------------|---|
| a. Total Supply Base area (ha): | 3617975 ha |
| b. Tenure by type (ha): | 3617975 ha public |
| c. Forest by type (ha): | 3617975 ha boreal |
| d. Forest by management type (ha): | 3617975 ha managed natural |
| e. Certified forest by scheme (ha): | 3617975 ha of FSC-certified forest and PEFC-certified forests |

Feedstock

- | | |
|--|--|
| f. Total volume of Feedstock: | 28926,5 tons; |
| g. Volume of primary feedstock: | 0 tons; |
| h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes: | |
| - Certified to an SBP-approved Forest Management Scheme - | 0 %. |
| - Not certified to an SBP-approved Forest Management Scheme - | 0 %. |
| i. List all species in primary feedstock, including scientific name - | not applicable; |
| j. Volume of primary feedstock from primary forest - | 0 tons; |
| k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: | |
| - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme - | 0%; |
| - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme - | 0%; |
| l. Volume of secondary feedstock: | 28926,5 tons of sawdust, sawmill residue; |
| m. Volume of tertiary feedstock: | 0 tons. |

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

In the production of SBP pellets, secondary feedstock with FSC 100% claim is used.

Supply base evaluation is not required.

4 Supply Base Evaluation

4.1 Scope

Not applicable.

4.2 Justification

Not applicable.

4.3 Results of Risk Assessment

Not applicable.

4.4 Results of Supplier Verification Programme

Not applicable.

4.5 Conclusion

Not applicable.

5 Supply Base Evaluation Process

Not applicable.

6 Stakeholder Consultation

Not applicable.

6.1 Response to stakeholder comments

Not applicable.

7 Overview of Initial Assessment of Risk

Not applicable.

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not applicable.

8.2 Site visits

Not applicable.

8.3 Conclusions from the Supplier Verification Programme

Not applicable.

9 Mitigation Measures

9.1 Mitigation measures

Not applicable.

9.2 Monitoring and outcomes

Not applicable.

10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

11.1 Peer review

An expert evaluation of the Supply Base Report was not carried out.

11.2 Public or additional reviews

Supply base report of Luzales LLC will be posted at SBP website. Questions and comments can be sent to e-mail eshumilova@luzales.ru, PR- director Elena Shumilova.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Elena Shumilova	PR- director, SBP manager	10.04.2020
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation’s senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	Valentin Rozhok	General director	10.04.2020
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Supply Base was increased for 1 forest leased area of Luzales LLC, located in the same region (Komi Republic).

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

28926,5 tons of sawdust, sawmill residue.

13.5 Projected figures for feedstock over the next 12 months

35000 tons of sawdust, sawmill residue.