



NEPCon Evaluation of Joint-Stock Company “Sokol Timber Company” Compliance with the SBP Framework: Public Summary Report

First 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: 14/Oct/2020

Report authors: Nikolai Tochilov

Name of the Company: Joint-Stock Company “Sokol Timber Company”. Legal and production site address: 1 Lugovaya street, Sokol, Vologda region 162132 Russian Federation.

Company contact for SBP: Tatiana Generalova, chief technologist/SBP responsible. Mob.: +79212304719; Email: Generalova_TN@segezha-group.com

Certified Supply Base: Russia, Arkhangelsk, Vologda, Ivanovo, Kirov, Kostroma, Leningrad, Nizhniy Novgorod, Novgorod, Pskov, Tver, Yaroslavl, Irkutsk regions, Karelia Republic and Krasnoyarsk krai

SBP Certificate Code: SBP-07-36

Date of certificate issue: 15/Nov/2019

Date of certificate expiry: 14/Nov/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Sokol, Vologda 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, DTS, 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

Organisation is a wood processing company (primary and secondary) located in Vologda region, Russia.

The round wood used at sawmilling (logs for primary production) originates from European Russia (Arkhangelsk, Vologda, Ivanovo, Kirov, Kostroma, Leningrad, Nizhniy Novgorod, Novgorod, Pskov, Tver, Yaroslavl regions and Karelia Republic) and has FSC 100% and FSC Controlled Wood claims, or included into Organisation's own program of FSC controlled material sources verification according to FSC-STD-40-005 (3-1).

Organisation furthermore sources sawn wood from FSC-certified suppliers in Siberia (Irkutsk region and Krasnoyarsk krai) with FSC 100%, FSC Mix Credit and FSC Controlled Wood claims.

Most of the sawn material (produced or purchased) is then processed at Organisation's woodworking plant which produces wooden houses (house components), glued laminated timber (GLULAM) and planks. Dry wood residues (sawdust and shavings) from woodworking plant are used for pellet production.

Total annual production capacity of pellet plant is 10000 tones.

Until this SBP annual audit, the Organisation implemented FSC credit system of claims and all amount of produced biomass was sold with FSC Mix Credit claim. Since October 1, 2020, BP switches to transfer system of FSC claims for pellet production – please see more details in Section 10 of this report, NCR 01/20.

Pellet plant was commissioned in August 2018.

5.2 Description of Company's Supply Base

JSC "Sokol Timber Company" (JSC S-DOK), is a member of one of the largest timber industry holdings in Russia LLC GK Segezha Group. The plant produces glued wooden structures for housing construction, including sets of houses from glued wood, and is the largest woodworking production in the European part of Russia.

JSC S-DOK is located in the city of Sokol, 35 km from Vologda on the bank of the Sukhonariver. The plant was founded on April 15, 1942, since then the plant has come a long way from a military plant to a modern world-class enterprise engaged in deep processing of wood.

There is a timber yard located on the territory, sawnwood production, the production of glued wooden constructions and pellet production.

Roundwood, as well as boards produced by suppliers, are supplied from 58 suppliers both for sawing and processing. Waste from the process of secondary processing of wood, that is produced after planing dried wood billets - shavings and sawdust - are used as feedstock for the production of pellets. All wood entering the factory is FSC certified or FSC controlled. According to the FSC product group, pellets are produced only with the FSC Mix Credit claim, which corresponds to the SBP-compliant biomass claim. Feedstock for the

production of pellets (dry shavings and sawdust) are classified as SBP-compliant pre-consumer tertiary feedstock.

JSC S-DOK determined the following regions of wood supplies during the reporting period and for the coming year: Arkhangelsk Region, Vologda Region, Ivanovo Region, Kirov Region, Kostroma Region, Leningrad Region, Nizhny Novgorod Region, Novgorod Region, Pskov Region, Republic of Karelia, Tver Region, Yaroslavl region, Irkutsk region, Krasnoyarsk Territory.

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 1173,9 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.

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.), Siberian fir (*Abies sibirica*).

Protected species of western and central Siberia: small-leaved birch (*Betula microphylla*), dwarf black juniper (*Juniperus pseudosabina*), Siberian blue spruce (*Picea obovata* var. *Coerulea*), Siberian crab apple (*Malus baccata*).

JSC S-DOK processes only Scots pine (*Pinus sylvestris*), Norway spruce (*Picea abies*) and Siberian larch (*Larix sibirica*) and does not harvest or purchase tree species listed in the Red Book or CITES.

Almost all regions of the supply base are the so-called "forest" regions of Russia. They are characterized by the most developed timber processing industry among the regions of Russia, which has a pronounced export orientation. Within the supply base, deep wood processing prevails over the export of wood raw materials. The capacities of closed-cycle enterprises - residues-free industries - are increasing.

Less than 1% of harvested wood is processed into a biofuel in Vologda Region results from reports for the calendar year 2019.

By the scale of wood processing, JSC S-DOK is the leading enterprise in the Vologda region. However, not all waste is used for the production of pellets. Some of them are sold or burned in their own boiler.

JSC S-DOK plays a large socio-economic role in the city and the region. The company is a city-forming enterprise. JSC S-DOK actively participates in events held in the city and the region, interacts with Sokolsky forestry technical school, one of the oldest educational institutions in its industry, with the aim of training future personnel. The local population has priority when hiring for work at JSC S-DOK.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	325,4 mln. ha
Tenure by type (ha):	public 325,4 mln. ha
Forest by type (ha):	boreal 284,4 mln. ha / temperate 41,0 mln. ha
Forest by management type (ha):	managed natural 325,4 mln. ha
Certified forest by scheme (ha):	28,3 mln. ha FSC-certified forest

For more details please see the Supply Base Report available in Internet at BP's homepage: <https://sokoldok.ru/proizvodstvo/>.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a0240000005sRBGAA2&type=certificate>

Till this annual audit Organisation implemented FSC credit system of claims using the dry shavings and sawdust (residues from Organisation's woodworking plan) with FSC Mix Credit claim to produce pellets. FSC credit account was maintained, and biomass sold with FSC Mix claim was withdrawn from account on a monthly basis. Non-certified feedstock is not accepted by Organisation.

Since October 1, 2020, BP switches to transfer system of FSC claims for pellet production – please see major NCR 01/20 (related to credit system and credit account maintaining), and corrective actions immediately implemented by BP prior to completion of this audit in Section 10 below in this report.

6 Evaluation process

6.1 Timing of evaluation activities

Audit was conducted on September 14-15, 2020 (total app.12 hours). Audit activities included documents review, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Sokol, BP's office	14/09/2020 09.00-09.15
SBP-related documents review (SBP Procedure, SBR); interview with SBP and FSC CoC responsible	Sokol, BP's office	14/09/2020 09.15-12.00
Break		14/09/2020 12.00-12.30
Interview with H&S specialist, H&S documents review	Sokol, BP's office	14/09/2020 12.30-13.00
Evaluation of critical control points in FSC CoC system (specifically, credit account maintaining, conversion factor and verification of sources of controlled material according to FSC-STD-40-005)	Sokol, BP's office	14/09/2020 13.00-15.00
Inspection of the production facilities (chain of custody review), documents review and staff interview onsite	Sokol, pellet plant	14/09/2020 15.00-16.00
Information in Radix – staff interview and documents review	Sokol, BP's office	14/09/2020 16.00-16.30
SBP-related documents review (SAR, primary calculations of GHG data); interview with SBP responsible	Sokol, BP's office	14/09/2020 16.30-17.15
SBP-related documents review (SAR, primary calculations of GHG data); interview with SBP responsible	Sokol, BP's office	15/09/2020 08.30-12.00

Closing meeting	Sokol, BP's office	15/09/2020 12.00-12.30
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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 50 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:

Annual audit started the opening meeting in with the staff responsible for FSC CoC and SBP 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 accreditation 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 and SBP-controlled biomass. During the process, overall responsible person for SBP system and other staff members were interviewed. Furthermore, the audit activities included roundtrip at the pellet plant and staff interviews, mostly focusing on verification of energy use data included in SAR.

Finally, at the end of the audit, findings were summarised and conclusions based on use of 3 angle evaluation method were provided to SBP responsible person, during the closing meeting.

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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: Robust recordkeeping system. Good awareness of certification requirements by involved staff. All feedstock inputs have FSC Mix Credit claim.

Weaknesses: see major NCR 01/20 in Section 10 below.

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 handling and shipping ; diesel and electricity for biomass transportation to customer. Relevant energy use results included in SAR are mostly based on actual measurements.

7.4 Competency of involved personnel

Interviewed staff was well familiar with their responsibilities. There are few staff members involved in SBP certification: SBP responsible (development and updating of SBP Procedure and related documentation; management and monitoring; review of complaints related to SBP certification; SBP trademark use), FSC responsible (Supply Base Report updates; FSC CoC procedures development and updates; gathering the information about feedstock suppliers and supply base), technologist (updating of SAR, preparation of SREG if applicable), foreman at the pellet plant (registration of the production volumes), expert from quality department (moisture measurements), chief of transport department (reporting on diesel consumption at pellet plant), chief power engineer (reporting on electricity consumption at pellet plant), shipping and sales specialist (invoices and DTS) and few more staff members. Furthermore, 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

NC number 01/20	NC Grading: Major
Standard & Requirement:	SBP Standard 4: Chain of Custody. p.5.1.2 The legal owner shall implement all aspects of the SBP approved CoC system requirements for the SBP feedstock or biomass. Where there is a conflict between the requirements in the SBP-approved CoC system requirements and those specified in the SBP standards, the SBP standards shall have precedence.
Description of Non-conformance and Related Evidence:	
<p>Review of the credit account maintained for pellets showed, that in the reporting period Organisation updated the credit account with the feedstock inputs amount based on consideration that all dry shavings generated during wood-working is supplied to the pellet plant and processed there. However, in fact, only some part of generated shavings is supplied to the pellet plant, and Organisation has actual data on amount of supplied feedstock and amount of produced biomass. As a result, to the moment of this SBP annual audit, Organisation has app. 9000 tones of unused credit for pellets, whereas during the reporting period (12 months) actual pellet production was app. 6200 tones. Since the very beginning of the pellet plant operation, non-certified feedstock has never been delivered and processed at the plant. The volume of certified pellet production and sales has always been physically limited with that part of certified feedstock which was really delivered to the pellet production from wood-working facilities. I.e. – overexpenditure of the real volumes of credits has never occurred. Nevertheless, the non-conformity is classified as major.</p> <p>Проверка кредитного счета для пеллет показала, что в отчетном периоде Организация вносила на него входящие объемы исходя из того, что вся образующаяся сухая стружка поступает на пеллетный завод и перерабатывается. На самом деле, в пеллетное производство поступала только часть стружки, и у Организации есть актуальные данные о фактически поданных объемах стружки и фактическом объеме производства пеллет. В итоге, к моменту ежегодного аудита SBP на кредитном счете накопилось около 9000 тонн неиспользованного кредита (пеллет), в то время, как за отчетный период было произведено около 6200 тонн пеллет. С самого начала работы пеллетного завода не сертифицированное сырье никогда не принималось и не перерабатывалось им в пеллеты. Объем производства и продажи сертифицированных пеллет всегда был физически ограничен только той частью сертифицированного сырья, которая реально доставлялась на пеллетный завод с деревообрабатывающего производства – то есть, фактически перерасхода реального объема кредита на кредитном счете никогда не происходило. Тем не менее, несоответствие классифицировано как значительное.</p>	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	<ul style="list-style-type: none"> - Updated FSC CoC procedure / Обновленная процедура цепи поставки FSC - Order of the Director General / Приказ генерального директора - Explanations of FSC CoC responsible / Пояснения ответственного за FSC сертификацию цепи поставки
Findings for Evaluation of Evidence:	<p>BP has updated their FSC CoC procedure with description of the transfer system for pellet plant production. The amount of feedstock inputs will be registered based on actual feedstock delivery amounts. Input and output claims will stay the same – FSC Mix Credit. Transfer system comes into force since October 1, 2020.</p> <p>Организация предоставила обновленную процедуру (руководство) цепи поставки FSC с описанием переводной системы заявлений</p>

	для пеллетного производства. Объемы входящего сырья будут регистрироваться на основании фактически доставленных объемов. Заявления FSC на входе и выходе остаются прежними – FSC Mix Credit. Переход на переводную систему заявлений будет произведен 1 октября 2020 г.
NC Status:	Closed / Закрыто

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