NEPCon Evaluation of Ksilotek-Siberia LLC Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

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The promise of good biomass

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

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
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Current report completion date:	27/Oct/2020
Report authors:	Nikolai Tochilov, Natalia Burova
Name of the Company:	Ksilotek-Siberia LLC. Address: 16A, Belinskogo str., Lesosibirsk, Krasnoyarkiy Kray 662543 Russian Federation
Company contact for SBP:	Natalya Bulgakova, Certification manager. Tel.: +7(39145)61791, e-mail: Bulgakova_NS@segezha-group.com
Certified Supply Base:	Russia, Krasnoyarskiy kray
SBP Certificate Code:	SBP-07-11
Date of certificate issue:	09/Jan/2019
Date of certificate expiry:	08/Jan/2024

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

Certificate scope: Production of wood pellets in Lesosibirsk, Krasnoyarsk region, Russia, for use in energy production. Post production end point is FCA pellet plant (Incoterms). 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;
- Assess compliance against Instruction Document 5E Version 1.1.

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 Krasnoyarsk region, Russia. Total annual production capacity of pellet plant is 105 000 tonnes.
Only secondary feedstock (sawdust for pellet production and wood chips for heating the dryer) with FSC 100% claim is used for FSC/SBP certified pellet production.
The BP has implemented FSC transfer system and all amount of produced biomass can be sold with FSC 100% (SBP-compliant biomass) claim.
Pellet plant was commissioned in November 2018.

5.2 Description of Company's Supply Base

The Supply Base of LLC "Ksilotek-Siberia" is 13 FMUs of the FSC certified concessions of JSC "Lesosibirskiy LDK №1" and one FMU of the FSC certified leased concession of LLC "Ksilotek-Siberia" in Krasnoyarskiy Krai.

Forest resources of Krasnoyarskiy Krai are one of the largest among the regions of Russia. The territory of the forest fund of the region is 158,7 million hectares. The total standing stock is 11,7 billion cubic meters - about 1/3 of Siberian Federal District regions and 1/7 of the total Russian forest stock. Coniferous plantations dominate in the structure of Krasnoyarskiy Krai forest and their share is about 76%. Forest concessions, where does wood for production of pellets come from, are located within the Angarsk South-Taiga Ecoregion. According to the forest inventory, the composition of the exploitation forests of the Supply Base is: pine - 43%, larch - 19%, siberian pine - 8%, spruce 7%, fir - 4,8%, birch – 14,5%, aspen – 3,7 %, a single willow tree is found. The total area of the Supply Base (that is, the certified concessions of "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1") is 1.100.547 hectares. Forest lands is 92% of the total forest fund within the Supply Base and non-forest lands - 8%. The exploitation forests make up 89,3% of the Supply Base area, protective forests – 9,6%, reserve forests – 1,1%.

In accordance with the legislation of the Russian Federation, the Russian forest fund is state ownership. Legal entities can acquire forest concessions for a period of 10 to 49 years (with the right to prolong the 'lease' contract). Long-term concessions of 49 years are the prevailing basis for obtaining the right to harvest wood on stem. These lease contracts or contracts for the purchase of individual forest stands become available by means of auctions. Leased forest concessions must undergo a cadastral registration procedure.

The Russian Forest Code obliges each forest leaser to develop a forest management plan for 10 years (on base of a general forest inventory and forestry plan), implement measures to protect, preserve and reproduce forests and every year provide an annual forest declaration where the carried-out measures and harvested volumes are reported.

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, if relevant, the principles of FSC forest certification. The rotation period is 60-120 years. Harvesting is carried out by clear cutting in the stage of maturity with subsequent reforestation. Sanitary cuttings can also be used. The maximum area of

clear cuts is limited by 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. For this purpose, the Forest Management plan is being developed, the activities in which are aimed at improving the silvicultural characteristics of the forest area, the implementation of continuous and sustainable forest management.

High conservation value forests (HCVF) are allocated within the Supply base. LLC "Ksilotek-Siberia" and JSC " Lesosibirskiy LDK №1" signed an agreement with the NGO "Prozrachniy Mir" to impose a moratorium on harvesting in HCVF.

According to forest legislation, Red listed species as well as their habitats, must be preserved when timber is harvested. It is prohibited to cut protected tree species. On the territory of the Krasnoyarskiy Krai there are such types of red-listed trees as the small-leaved Birch (Betula microphylla Bunge), the Turkestan Juniper (Juniperus pseudosabina Fisch. & C.A. Mey.). Cutting of plantations with a predominance of Siberian pine (Pinus sibirica Du Tour.) in the forest stand is prohibited. LLC "Ksilotek-Siberia" and JSC "Lesosibirsky LDK №1" do not harvest them and do not use protected species of trees for processing and do not cut down Siberian pine forests.

LLC "Ksilotek-Siberia" and JSC " Lesosibirskiy LDK №1" use only the following species in production:
- Siberian spruce (Pícea obovata);
- Scots pine (Pinus sylvestris);
- Siberian larch (Larix sibirica);
- Siberian fir (Abies sibirica);
- Silver birch (Betula pendula);
- Alder (Populus tremula);
- Siberian pine (Pinus sibirica) – if occasionally harvested as a mix of species.

The tree species used to make pellets are not protected under the Convention CITES and are not included in the list of the International Union for Conservation of Nature (IUCN).

By socio-economic conditions, the Krasnoyarskiy Krai is steadily entering the top ten regions in terms of gross regional product. Half of the GRP is provided by the industrial complex of the region. Wood processing in the region predominates over the export of round wood out of the region. LLC "Ksilotek-Siberia" and JSC " Lesosibirskiy LDK №1" are city-forming enterprises in Lesosibirsk. Among the woodworking enterprises, LLC "UK" Segezha Group" ranks first in the Krasnoyarskiy Krai.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	1 100 546,9 ha
Tenure by type (ha):	1 100 546,9 ha public
Forest by type (ha):	1 100 546,9 ha boreal
Forest by management type (ha):	1 100 546,9 ha managed natural
Certified forest by scheme (ha):	1 100 546,9 ha of FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at http://segezha-group.com/sustainable-development/certificates/?company=886

5.4 Chain of Custody system

The BP holds valid FSC CoC certificate (NC-COC-031973) https://info.fsc.org/details.php?id=a02f300000gKObNAAW&type=certificate and implements transfer system of FSC claims. Secondary feedstock with FSC 100% claim (sawdust for pellet production and wood chips for heating) originates from the neighbouring FSC-certified sawmill. All pellets have FSC 100% claim. Non-certified feedstock is not sourced.

6 Evaluation process

6.1 Timing of evaluation activities

Annual audit was conducted on October 05, 08-10, 2020 (total app. 12 hours). Evaluation activities included documents review, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Lesosibirsk, BP's office	05/10/2020 10.00-10.30
Documents and procedures review (FSC CoC control system and critical points), staff interview Documents and procedures review (SBP Procedure, SBR), staff interview.	Lesosibirsk, BP's office	08/10/2020 13.00-17.00
Inspection of the production facilities (chain of custody review), documents review and staff interview onsite	Lesosibirsk, pellet plant	09/10/2020 09.00-12.00
Documents and procedures review (SAR and energy use primary data); staff interview	Lesosibirsk, BP's office	09/10/2020 13.00-17.00
Closing meeting	Lesosibirsk, BP's office	10/10/2020 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 50 SBP assessments and annual audits in Russia, Belarus, Portugal, Netherlands, Belgium, Germany, Latvia, Lithuania and Vietnam.
Natalia Burova, trainee auditor	NEPCon FSC CoC lead auditor. She has successfully passed online SBP auditor training organised by SBP in August 2020. No previous experience in SBP auditing.

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:

The SBP audit was joint with FSC CoC audit of the Organization. The scope of FSC CoC audit covered both sawmilling and pellet production, and was conducted in 6 days, therefore SBP audit was split in time and took several hours during these 6 days.

All SBP related documentation connected to the SBP as well as FSC CoC system of the Organization, including SBP Procedure, SAR and GHG data calculations, Supply Base Report and FSC system description was provided by the company in the beginning of the audit. Audit started with an opening meeting attended by Organization's senior management and staff.

Audit team leader introduced audit team, provided information about audit plan, methodology, auditors' qualifications, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the auditor explained CB's approval related issues.

The next days audit team made review of documented FSC CoC control system and critical points, SBP documented procedure and responsible staff interviews. Furthermore, audit team 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 and other staff were interviewed.

Also a roundtrip around BP's pellet production was undertaken. During the site tour, applicable records were reviewed, staff was interviewed and FSC system critical control points were analysed.

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: https://preferredbynature.org/impartiality-policy

6.3 Process for consultation with stakeholders

No stakeholder consultations conducted prior, during or after this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: All feedstock used in biomass production and drying (as biofuel) is FSC 100%-certified. Use of the FSC transfer system. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: please see minor NCR 01/20 in section 10 below.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

All steps where energy use occurs are included in the management system. The following energy sources are used by BP: electricity for pellet production and feedstock preparation with re-chipper, diesel for feedstock delivery and handling, diesel for biomass shipping, biofuel (wood chips) for dryer. All energy use data (except engineering calculations of electricity consumption by re-chipper) is based on actual consumption values registered by BP.

7.4 Competency of involved personnel

Interviewed staff was well familiar with their responsibilities. During the audit overall responsible person described the role of each involved staff member in detail. There are few staff members involved in SBP certification:

- SBP responsible (development, implementation and update of SBP documented procedure and other SBP-related documents; compiling of SBR and SAR; registration of deals in DTS; overall FSC CoC responsibility);
- chief of export department (recording of the feedstock input volumes);
- laboratory expert (moisture measurements);
- accountant (registering of diesel consumption);
- chief power engineer (electricity consumption);
- chief accountant (issuing invoices);
- H&S department chief (H&S requirements);
- Director of administration and public relations (use of trademarks).

During the audit, BP staff was also supported by external consultant.

7.5 Stakeholder feedback

No stakeholder consultations conducted prior, during and 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

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- *applicable requirement(s)*
- *grading of the non-conformity (major or minor) or observation with supporting rationale*
- *timeframe for resolution of the non-conformity*
- *a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

NC number 01/21	**NC Grading:** Minor
Standard & Requirement:	SBP Instruction Document 5E, p. 4.1.6. Each Production Batch shall be allocated a unique Production Batch ID.
Description of Non-conformance and Related Evidence:	
Although SBP does not require including information on SBP certification in outcoming documents (invoices, transport documents), Organisation specifies SBP certificate code, claim and PBID there. Random verification of the outcoming documents (for example, invoices #39 dated of 11/04/2020, #84 dated of 29/08/2020) showed that PBID specified there is related not to the current, but to the previous reporting period. Не смотря на то, что SBP не требует указывать информацию о сертификате SBP в исходящих документах (счета-фактуры, транспортные документы), Организация включает код сертификата SBP, заявление SBP и PBID в эту документацию. Выборочная проверка документов (например, счета-фактуры №39 от 11/04/2020, №84 от 29/08/2020) показала, что в них указывается PBID, относящийся к предыдущему, а не к текущему отчетному периоду.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 monhts 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):	Christian Rahbek
Date of decision:	27/Oct/2020
Other comments:	Not applicable