



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

Main (Initial) 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:	19/Nov/2020
Report authors:	Natalia Zaladinova, Roman Kurakin
Name of the Company:	Fanprom LLC, legal address: Pushkina street, 56, Zavolzhie, Nizhniy Novgorod oblast, 606524, +79159520356, n.melnikova@starwoodnn.com, Russia; address of the biomass production Mekhanizatorov str., 45/1, Uern, Nizhny Novgorod region, 606803, Russia
Company contact for SBP:	Natalya Melnikova, Mekhanizatorov str., 45/1, Uern, Nizhny Novgorod region, 606803, Russia, +79159520356, n.melnikova@starwoodnn.com
Certified Supply Base:	n/a
SBP Certificate Code:	SBP-08-26
Date of certificate issue:	19/Nov/2020
Date of certificate expiry:	18/Nov/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Uren, Nizhny Novgorod 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 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

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

LLC Fanprom is a plywood producer located in Tonshaevo of Nizhniy Novgorod Region. LLC Fanprom launches a separate subdivision for pellets production - LLC Fanprom OP Urenskoe, which is located 95 km from LLC Fanprom in the city of Uren. Fanprom LLC launches a production line of SBP certified biomass produced from FSC-certified primary feedstock - low-grade round wood, and secondary feedstock - chipped residues from its own plywood production only. In addition, Fanprom LLC produces non-certified biomass, the production of which is physically and in time separated from the production of certified biomass.

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

Pellet plant will be launched in October 2020. Annual pellet production capacity of 24 000 metric tones.

5.2 Description of Company's Supply Base

LLC Fanprom is a plywood producer located in Tonshaevo of Nizhniy Novgorod Region. LLC Fanprom launches a separate subdivision for pellets production - LLC Fanprom OP Urenskoe, which is located 95 km from LLC Fanprom in the city of Uren. In a separate subdivision it is planned to produce SBP-compliant biomass from FSC® (license code FSC-C131144) certified primary feedstock - low-grade round wood, and FSC certified secondary feedstock - chipped plywood production residues of LLC Fanprom.

The first reporting period of LLC Fanprom OP Urenskoe is theoretical and it based on project data, since production has not yet started. Round timber with an FSC 100% claim will be delivered to Fanprom LLC from 5 suppliers, from where the sorted low-grade roundwood will be delivered to LLC Fanprom OP Urenskoe. Species composition of incoming feedstock is: Silver birch (*Betula pendula*), Downy birch (*Betula pubescens*) - 100%.

The Supply Base of LLC Fanprom OP Urenskoe is the area of the forest fund of the Nizhniy Novgorod region. 'Forest Fund lands' are one of the official, cadastrally recorded land-use categories in Russia, related to forestry and land-use legislation.

Federal district	Federal regions	Russian category of biomes	Western category of biomes	Forest Fund (mln. ha)	FSC certified (mln. ha)	Volum of annual allowable cut (mln m³)	Volume of wood harvested in 2019 (mln m³)
Privolzhskiy federal district	Nizhniy Novgorod	Southern taiga	Boreal forest	1,2	0,3	6,5	3,7
		Mixed forests	Temperate forest	2,6			
Total				3,8	0,3	6,5	3,7

In accordance with the legislation of the Russian Federation forest areas are in federal ownership. Suppliers manage forest land on the basis of long-term lease agreements from 10 to 49 years with the possibility of its prolongation. Long-term rental relations are the dominant legal form for obtaining the right to harvest standing stock. 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.

Nizhniy Novgorod region has mostly forest fund land in it's structure that is a bit les then 50%. The share of mature and overmature forest stands is about 25% of the timber stock in the supply base. Within the Supply Base, the annual allowable cut is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

The adjacent lands of the supply base are mainly represented by forest areas of other tenants and agricultural land. Mostly logging activities and agriculture are carried out in these territories, respectively. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict management regime is applied.

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. Harvesting is carried out by clearcutting at the stage of maturity, followed by reforestation. It is also possible to carry out sanitary cuttings. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings (about 55%), the promotion of natural regeneration (38%) or combined regeneration (7%). 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.

Forests in the supply base are represented by both coniferous and deciduous stands. The most common wood species in the supply base are Scots pine (*Pinus sylvestris*) and Norway spruce (*Picea abies*), Silver birch (*Betula pendula*), Downy birch (*Betula pubescens*), aspen (*Populus tremula*) and gray alder (*Alnus incana*).

The Federal Service for Supervision of Natural Resources of Russia (Rosprirodnadzor) approved the list of animal and plant species that fall under the Convention on International Trade in Endangered Species of wild fauna and flora (CITES). The CITES list became effective from June 12, 2013. In Russia there are four CITES listed timber species: Japanese yew (*Taxus cuspidate*), Manchurian ash (*Fraxinus mandshurica*), Korean pine (*Pinus koraiensis*), and Mongolian oak (*Quercus mongolica*). These tree species, however, are only found in the Asian part of Russia and are not found in the supply base of LLC Fanprom OP Urenskoe.

In addition to the protected flora and fauna of CITES, there are national Red Book lists with protected animals and plants. Some of these species are present in the supply base. As for the red-listed tree species, the supply base contains, for example, Siberian larch (*Larix sibirica*) and squat birch (*Betula humilis*).

Within the regions of the supply base, deep wood processing prevails over the export of round timber. The leading directions of processing are the production of sawn timber, plywood, wooden housing construction.

The forest complex of the Russian Federation, which includes forestry and timber industries for the harvesting and processing of wood, occupies an important place in the country's economy. The development of the social sphere (health, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of settlements.

LLC Fanprom participates in the social life of the district by working with the charitable foundation "Ros". It provides support to veterans and widows of veterans of the Great Patriotic War, schools, kindergartens, cultural objects.

LLC Fanprom is one of the largest taxpayers. The company is included in the list of strategic enterprises that have a significant impact on the region's economy. When hiring the personnel, preference is given to the local population. An employee motivation system has been implemented in the company.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	3,8 mln. ha
Tenure by type (ha):	3,8 mln. ha public (lease of state owned forests)
Forest by type (ha):	1,2 mln. ha boreal / 2,6 mln. ha temperate
Forest by management type (ha):	3,8 mln. ha managed natural
Certified forest by scheme (ha): (e.g.	0,3 mln. ha FSC-certified

5.4 Chain of Custody system

BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a023300000azFJiAAM&type=certificate> and implements transfer system of FSC claims. The first reporting period of LLC Fanprom OP Urenskoe is theoretical and it based on project data, since production has not yet started. Round timber with an FSC 100% claim will be delivered to Fanprom LLC from 5 suppliers, from where the sorted low-grade roundwood will be delivered to LLC Fanprom OP Urenskoe. Species composition of incoming feedstock is: Silver birch (*Betula pendula*), Downy birch (*Betula pubescens*) - 100%.

6 Evaluation process

6.1 Timing of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Natalia Zaladinova, audit team leader	Qualification: NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia..
Roman Kurakin, auditor	Qualification: NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia

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 Organisation. The scope of FSC CoC audit covered sawmilling and pellet production, and was conducted in 3 days, therefore SBP audit was split in time and took several hours during these 4 days.

All SBP related documentation connected to the SBP as well as FSC CoC system of the organisation, 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 the Organisation'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 documents 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. In nepcon office prior to the closing meeting auditor review document for closing major NCR for FSC control system.

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>

6.2 Description of evaluation activities

Onsite audit was conducted on 12-13.08.2020; 24.08.2020. Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting with certification responsible by phone*	NEPCon office	12/08/2020 09.00-09.15
Documents and procedures review. Inputs review, energy use calculations review Chain of custody review (site tour); staff interview	NEPCon office	12/08/2020-
Opening meeting with all staff	Office	13/08/2020 08.00-08.15
Chain of custody review (site tour); staff interview	Pellet production site	18/08/2020 08.15-11.00
Documents and procedures review	Office	18/08/2020 11:00-16.30
Documents and procedures review	NEPCon office	24.08.2020
Closing meeting*	NEPCon office	24/08/2020 16.30-17.00

6.3 Process for consultation with stakeholders

27/05/2020 the information letter (e-mail) was sent to the stakeholders. More than 100 stakeholders was informed about the assessment. No feedback has been received from them. A list of FSC Russia stakeholders has been used.

7 Results

7.1 Main strengths and weaknesses

Strength: The organization is FSC certified. All raw materials for the production of pellets at the time of the audit come as FSC 100%.

Weaknesses: Not certified material is processed at the site too. Theoretic calculations in SAR.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

Since pellet production was not commissioned at the moment of assessment, most of the energy use data is based on engineering calculations. The organization is an active plywood manufacturer and has all the necessary permits for activities, incl. for the production of pellets.

7.4 Competency of involved personnel

All staff involved into SBP certification and interviewed during assessment showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system.

7.5 Stakeholder feedback

No feedback from stakeholders have been received

7.6 Preconditions

None

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

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.*

During the FSC CoC annual audit (conducted by auditors simultaneously with this SBP audit) 1 Major and 2 Minor non-conformities have been identified, and Major have been closed by Organisation shortly after completion of the audit. The rest two minor NCRs are kept open and shall be addressed by Organisation within 12 months. All issued NCRs are not related to pellet production, and therefore are not repeated in this report. During the SBP assessment there are no NCRs identified.

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