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

First Surveillance Audit

www.sbp-cert.org

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

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

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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:	21/Dec/2020
Report authors:	Nikolai Tochilov
Name of the Company:	INCOM LLC. Legal address: Energetik zhiloy rayon, P 18 17 02 01, Bratsk 665709, Irkutsk region, Russian Federation; Production site address: 665618, stlm Komsomolskiy, 18, industrial site BLPK, Bratsk, Irkutsk region, Russian Federation.
Company contact for SBP:	Svetlana Usova, certification responsible. Mob.: +79086419419; Email: br-trln@mail.ru
Certified Supply Base:	Russia, Irkutsk region
SBP Certificate Code:	SBP-07-27
Date of certificate issue:	01/Oct/2019
Date of certificate expiry:	30/Sep/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Bratsk, Irkutsk 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, calculations and conversion coefficients;

- GHG data collection analysis and assessment of compliance with ID 5E ver. 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 Bratsk, Irkutsk region, Russia. Total annual production capacity of pellet plant is 15000 tones.

BP runs both pellet and lumber production, which supplies dry and wet secondary feedstock (sawdust) with FSC 100% claim to the pellet plant. Some amount of FSC 100% certified dry sawdust for pellet production is also purchased from one external supplier.

All roundwood used for lumber production (logs for primary production) originates from Irkutsk region and has FSC 100% claim.

The BP implements FSC transfer system of claims, and all amount of produced biomass is sold with FSC 100% (equal to SBP-compliant biomass) claim. Non-certified feedstock is not accepted by BP.

The biomass is transported in big bags by railway to S.Peterburg and Ust-Luga harbours (FCA, Incoterms). Potentially it may be transported to any other end point all over the world.

Pellet plant was commissioned in August 2017.

5.2 Description of Company's Supply Base

INCOM LLC is a biomass producer located in Bratsk, Irkutsk Region. The pellet plant was launched in 2017 to process residues from wood processing industries. Feedstock (sawdust) is supplied to the plant both from own sawmill production and from the supplier's wood processing industry. Biomass is produced only from SBP-compliant secondary feedstock with a FSC statement of 100%. Species mix is 70% of Siberian larch (Larix sibirica) and 30 of Scots pine (Pinus sylvestris).

The Supply base of INCOM LLC is the area of the forest fund of the Irkutsk region. The total area of the Supply base is 69,4 million ha. Forest lands comprise 64,7 million ha and non-forest land 4,7 million ha. Production forests make up 50% of the Supply base area, buffer forests - 23%, reserve forests - 27%. According to the information contained in the regional Forest Plan, 12% of the country's forest reserves are concentrated in the region. But not all forest area is covered with forests. Some of them have been cut down and not yet replanted; part damaged by fires; about 1,6 million hectares are occupied by glades, ravines, roads, buildings, etc. The total standing stock is 8,8 billion m^3, including the stock of coniferous stands – 7,5 billion m^3.

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.

The composition of the forests of the Irkutsk region is Scots pine (Pinus sylvestris), Siberian larch (Larix sibirica), Siberian cedar pine (Pinus sibirica), Siberian spruce (Picea obovata), Siberian fir (Abies sibirica), Silver birch (Betula pendula), aspen (Populus tremula), a tree-shaped willow (Salix spp.) is found.

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. On the territory of the Irkutsk region there are such types of trees listed in the Red Book as Blue siberian spruce (Picea obovata Var. Coerulea), Berry apple Tree (Malus baccata). Areas with a predominance of Siberian cedar pine (Pinus sibirica) are prohibited for cutting in the Irkutsk region. INCOM LLC processes only Scotch pine (Pinus sylvestris) and Siberian larch (Larix sibirica). The tree species listed in CITES and IUCN are not procured or processed.

The company INCOM LLC is located in Bratsk, Irkutsk region. Bratsk serves as an important support base for the development of the northern regions of Eastern Siberia and the Far East. The company provides jobs for residents of the Irkutsk region.

The main enterprises of the forest industry in the Irkutsk region, which are also the largest tenants and loggers: JSC Ilim Group, JSC Bratsk Timber Industry Complex (BLPK) - manufacturers of pulp and cardboard; Omfal LLC, Ind-Timber LLC, Lesresurs LLC, PromLesTrade LLC, IP Zarechny, Madera CJSC, LLC DeCom - manufacturers of lumber and pellets; LLC TM Baikal, CJSC KATA, LLC Orion, LLC Lesobalt - manufacturers of lumber; Usolsky Plywood Plant LLC, Ilim Timber LLC - plywood manufacturers. In terms of timber processing, INCOM LLC is included in the first half of enterprises in the region and in the top ten enterprises in the city of Bratsk.

In the framework of socio-economic cooperation, INCOM LLC provides charitable assistance to Center for New Opportunities LLC, which is engaged in the rehabilitation of children with cerebral palsy and musculoskeletal problems, and also helps to cope with disorders resulting from the disease.

Less than 1% of raw materials are used in the production of wood pellets and fuel briquettes from the total volume of procurement in the Irkutsk region.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	69,4 mln. ha
Tenure by type (ha):	public 69,4 mln. ha
Forest by type (ha):	boreal 69,4 mln. ha
Forest by management type (ha):	managed natural 69,4 mln. ha
Certified forest by scheme (ha):	9,89 mln. ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at company's homepage http://www.wwpl.ru/index.html.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

https://info.fsc.org/details.php?id=a024000000F8S9HAAV&type=certificate

BP implements FSC transfer system and runs both pellet and lumber production (two sawmills/sites), which supplies secondary feedstock (sawdust) with FSC 100% claim to the pellet plant. Some amount of FSC 100% certified sawdust for pellet production is also purchased from one external supplier. Non-certified inputs are not accepted.

FSC CoC certificate scope covers production of wood pellets both with FSC 100% and FSC MIX claims. However, in the reporting period all feedstock was sourced with FSC 100% claim, therefore, FSC MIX claim has not been used by BP for their pellets.

6 Evaluation process

6.1 Timing of evaluation activities

Audit was conducted on September 29-30, 2020 (total app.11 hours). Audit activities included documents review, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Bratsk, BP's office	29/09/2020 14.00-14.15
Onsite tour (inspection of the pellet plant	Bratsk, pellet plan	29/09/2020 14.15-15.00
SBP-related documents review (SBP Procedure, SBR); interview with SBP/FSC CoC responsible	Bratsk, BP's office	29/09/2020 15.00-17.00
Evaluation of critical control points in FSC CoC system (specifically, conversion factor)	Bratsk, BP's office	30/09/2020 09.00-10.00
Information in Radix – staff interview and documents review	Bratsk, BP's office	30/09/2020 10.00-10.30
SBP-related documents review (SAR, primary calculations of GHG data); interview with SBP responsible and other involved staff	Bratsk, BP's office	30/09/2020 10.30-16.30
Closing meeting	Bratsk, BP's office	30/09/2020 16.30-17.00

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.

Aleksandra Paikacheva, trainee auditor	SBP auditor in training. She has successfully passed online SBP auditor training in September 2020 and participated in one SBP annual audit as trainee auditor.

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 the audit team, 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.

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: Robust recordkeeping system. Good awareness of certification requirements by involved staff. All feedstock inputs have FSC 100% claim.

Weaknesses: none.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The following energy sources are used by BP: diesel for feedstock delivery and handling; biofuel for feedstock drying; electricity for biomass production; diesel for biomass handling and shipping; diesel and electricity for biomass transportation to customer. Relevant energy use results included in SAR are based on actual measurements.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. The following key staff members are involved to SBP certification: SBP responsible (development and updating of SBP Procedure and related documents; preparation of SAR; monitoring of the amount of feedstock used for pellet production; monitoring of the amount of produced biomass; feedstock and biomass moisture measurement; diesel consumption by loaders; electricity consumption); FSC CoC responsible (Supply Base Report; implementation of FSC CoC requirements; performance of invoices); chief engineer (H&S requirements); accountant (registration of deals in DTS); lawyer (compliance with trade and customs legislation).

7.5 Stakeholder feedback

No stakeholder consultations conducted by NEPCon prior to, 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

Evaluation of NCRs raised during the SBP assessment 2019:

NC number 01/19	**NC Grading:** Minor
Standard & Requirement:	SBP Standard #4 Chain of Custody, ver. 1-0, p. 5.3.1. All requirements of the relevant chain of custody control system specified in the SBP-approved CoC system shall be implemented to calculate outputs.
Description of Non-conformance and Related Evidence:	
Prior to SBP certification, Organisation did not establish the conversion factors for pellet production, because all feedstock for pellet production is wastes generated from sawmilling and woodworking operations, and the main purpose to construct the pellet plant was wood wastes utilization. During preparation to SBP certification, to establish conversion factor for pellet production, Organisation conducted 3 testing measurements (3 working shifts x 12 hours = totally 36 hours) of amount of the secondary feedstock used in pelletizing and in dryer, and calculated the average result: 1,35 tone of sawdust for pelletizing and 0,19 tone of sawdust for dryer is needed to produce 1 tone of biomass. In the new reporting period Organisation intends implementing the regular (every 10 days) measurements of the amount of feedstock used in pelletizing and in dryer. Conversion factor values, established by Organisation based on 3 measurements are close to conversion factors established by other biomass producers, having the same size and equipment. Nevertheless, auditor come to conclusion that 3 measurements are not enough for reliable establishing of conversion factor values. Ранее Организация не определяла для себя коэффициенты выхода (нормы расхода сырья), поскольку все сырье для производства пеллет является отходами лесопильно-деревообрабатывающего производства, и основной целью организации пеллетного производства была утилизация образующихся древесных отходов. В рамках подготовки к сертификации SBP, для определения коэффициента выхода продукции (норм расхода сырья) Организация произвела три измерения (в течение 3 рабочих смен, каждая по 12 часов = итого 36 часов) расхода сырья (опилок) для производства пеллет и для теплогенерации. Определено среднее значение – для производства 1 тонны пеллет требуется подать 1,35 тонны сырья в производство и 0,19 тонн сырья сжечь для генерации тепла. В новом отчетном периоде Организация планирует осуществлять регулярные замеры расхода сырья для производства пеллет и теплогенерации. Замеры будут производиться каждые 10 дней. Установленные на основании трех измерений нормы расхода сырья близки к нормам расхода сырья, расчитанным другими производителями пеллет, которые имеют подобный размер, и используют подобное оборудование. Тем не менее, аудитор считает, что трех проведенных измерений недостаточно для надежного определения значений норм расхода.	
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:	Updated SBP procedure and explanations from staff
Findings for Evaluation of Evidence:	The feedstock is delivered to the pellet plant from 3 different sawmills and mixed at the open yard. The feedstock then is supplied to the pellet production by front-end loader. BP counts the number of shovels with the feedstock supplied to the pellet production. The capacity of the shovel in bulk m3 is know. Bulk m3 are then converted to solid m3 and furthermore to metric tones.

	To determine the amount of biofuels used for heating, in the reporting period, once per each 10 days BP recorded the total amount of shovels of the feedstock supplied by the same front-end loader to the burner during the 12 hours, and the amount of biomass produced during the same time. Totally, BP did 36 such measurements (each of 12 hours length, including summer and winter seasons). Then the final result was extrapolated to the whole working time of the pellet plant during the reporting period. The final result reported and approved in SAR is: Pellet production: 1,56 tone feedstock / 1 tone biomass Burner: 0,34 tone feedstock / 1 tone biomass. The determined conversion factor is reasonable, considering the initial weighted average moisture of the feedstock (39,66% d.b.).
NC Status:	CLOSED

NC number 02/19	**NC Grading:** Minor
Standard & Requirement:	SBP Instruction Document 5B V.1.1 p. 5.4.2 Either option 1 or option 2 must be used for the drying process, where applicable. Option 1 – Specify moisture content of feedstock - Data on the mass share of feedstock to be dried as well as both maximum and weighted average moisture content of Input Groups entering the drying process shall be recorded. A single representative value may be calculated for the average and maximum moisture content for each Input Group entering the production process. The CB should validate the methodology used. - When measurement of moisture of incoming feedstock is not determined on receipt of feedstock, the moisture content shall be measured and recorded as soon as possible in the production process. For example, in the case of the receipt of logs, moisture should be measured after debarking and processing to chips. - In the absence of moisture monitoring as specified above, the methodology used and the values recorded shall be justified to the CB, and the justification shall be recorded in the SAR. Option 2 – Specify energy use of dryer, when applicable - If a heat meter is installed, calculate how much heat energy from the boiler is provided to the dryer and provide details of the calculation; - Specify heat consumption in kWh/tonne dried feedstock and the corresponding period for this evaluation.
Description of Non-conformance and Related Evidence:	
For feedstock after drying Organisation did not measure the moisture content and specified target moisture in SAR, Organisation explained that target moisture anyway shall be app. 10%, otherwise they	

will have difficulties with pelletizing. For the feedstock prior to dryer, moisture content was calculated and specified in SAR based on 10 measurements done prior to SBP assessment. Furthermore, after SBP assessment Organisation has implemented the regular (at least once per shift) measurement of the feedstock moisture prior to dryer (relevant data was provided to auditor after SBP assessment by email). Nevertheless, auditor come to conclusion that 10 moisture measurements conducted prior to SBP assessment are not enough for reliable establishing of the average moisture value for the feedstock prior to dryer. Considering that the BP has established the measurement procedure, this NCR is considered as minor. Для сырья после сушки Оганизация не измеряла влажность, указав ее целевой показатель в SAR. Организация пояснила, что целевой показатель влажности в любом случае должен быть около 10%, иначе возникнут затруднения с гранулированием. Значение влажности сырья до сушки было расчитано и указано в SAR на основании 10 измерений, сделанных перед оценкой SBP. Кроме того, сразу после оценки SBP Организация внедрила регулярный (по крайней мере, раз в смену) замер влажности сырья до сушки (соответствующие данные были предоставлены аудитору после оценки по электронной почте). Тем не менее, аудитор считает, что 10 проведенных перед оценкой SBP измерений недостаточно для надежного определения среднего значения влажности сырья до сушки; однако с учетом того, что Организация внедрила процедуру проведения измерений, несоответствие классифицировано как незначительное.	
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:	Records on moisture measurements prior to drying
Findings for Evaluation of Evidence:	In the reporting period, the measurement of moisture value of the feedstock (each of 3 types) was undertaken usually once per 2 days. The average moisture values reported for the feedstock (each of 3 types) in SAR were calculated based on app. 450 measurements (app. 150 measurements for each of 3 types of the feedstock).
NC Status:	CLOSED

No non-conformities identified during this annual audit.

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:	21/Dec/2020
Other comments:	*Click or tap here to enter text.*