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

Second Surveillance Audit

www.sbp-cert.org

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
Primary contact for SBP:	Ondrej Tarabus otarabus@preferredbynature.org, +34 605 638 383
Current report completion date:	21/Dec/2020
Report authors:	Nikolai Tochilov
Name of the Company:	Harovsklesprom LLC. Address: 25, Krasnoye Znamya street, Harovsk, Vologda region 162251 Russia
Company contact for SBP:	Mrs. Natalia Khoroshun, SBP responsible. Email: n.khoroshun@volwood.ru; Phone: +7 8172 597720
Certified Supply Base:	Russia, Arkhangelsk, Vologda, Nizny Novgorod, Kostroma regions and Komi Republic
SBP Certificate Code:	SBP-07-12
Date of certificate issue:	29/Jan/2019
Date of certificate expiry:	28/Jan/2024

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Harovsk, 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 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, DTS;

- GHG data collection analysis and assessment of compliance with ID 5E ver. 1.3.

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 pellet producer located in Vologda region with annual production capacity of 36 000 tonnes of wood pellets. The pellet plant was commissioned in March 2019. Incoming feedstock is sawdust (for pellet production) and mixture of wood chips and barks (for dryer). All secondary feedstock is supplied exclusively from company's own sawmilling facilities located at the same production site. Wood pellets are usually delivered to customer at FCA (harbor) delivery conditions of Incoterms.

5.2 Description of Company's Supply Base

The supply base of Harosklesprom LLC is the forest fund area of the Vologda region, the Komi Republic, the Arkhangelsk region, the Nizhegorod region, and the Kostroma region. In practice, round wood for processing into lumber and production of SBP-certified pellets from sawing residues originates from 6 certified suppliers belonging to the same group of companies as Harovsklesprom LLC, Company Group Vologodskiye Lesopromishlenniki JSC, and 6 certified third-party suppliers, as well as 22 suppliers supplying controlled material wood.

FSC certified suppliers supply wood from 52 FSC-certified forest fond leased areas (lease agreements with the regional forest authorities), including 58 FSC-certified forest management units.

22 suppliers supply controlled wood from 60 forest fond leased areas, which include 60 controlled forest management units. Since supply contracts change over time, the supply base is defined as the entire forest fund of the specified regions.

About 73% of the wood processed by the company is FSC-certified. For the production of SBP pellets, SBP-compliant secondary feedstock and SBP-controlled secondary feedstock (sawdust) is used, as well as FSC-certified and FSC-controlled bark and dry chips as wood processing residue, are used for heat production.

Harovsklesprom LLC is located in the city of Harovsk, in the Vologda region, in the north-west of the Russian Federation. The main activities are lumbering and lumber production. The company processes about 500 thousand m3 of roundwood per year. For the production of pellets Harovsklesprom LLC uses only sawdust (residue of its own production of lumber).

Harovsklesprom LLC is one of the largest wood processing enterprises in the Vologda region. The company employs over 322 people. However, in comparison with large pulp and paper mills located within the Resource Base, Harovsklesprom LLC is a much smaller woodworking enterprise.

The supply base is partially located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. The rest of the supply Base is located in the central region of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of wood on stem. The distribution of the main tree species in Russian forests has remained stable over the past decades.

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.
The Vologda Oblast, the Komi Republic, the Arkhangelsk Oblast, the Nizhegorod Oblast, the Yaroslavl Oblast and the Kostroma Oblast are among the leading forest regions of Russia. The total forest area of the supply Base is 94.2 million hectares. In protective forests located along lakes, marshes and other environmentally sensitive objects, a more strict control regime is applied. The share of mature and overmature forest stands is about 3/4 of the wood stock. Conifers make up more than 80%. Within the supply Base, the annual allowable cut is not fully harvested. Underdeveloped infrastructure does not allow full use of available timber reserves.
Within the supply base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. Harovsklesprom LLC, comply with moratorium on logging in these forest areas.
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.
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.
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. Prohibited cutting of valuable, endangered and specially protected species of trees. The cedar (Siberian) pine (Pinus sibirica), two species of willow (Salix arbuscula and Salix recurvigemmis), Siberian fir (Abies sibirica), Siberian larch (Larix Sibirica), black oak (Quercus robur), the mountain elm (Ulmus glabra) are listed in the Red Book of the Supply Base regions. These tree species are not allowed to be harvested, nor have companies downstream the right to purchase them.
Harovsklesprom LLC uses only the following tree species for the production of pellets:
- Norway spruce (Picea abies) - about 76%,
- Scotch pine (Pinus sylvestris) - about 23%.
These species used for pellets production are not subject to the CITES Convention and are not included in the lists of the International Union for Conservation of Nature (IUCN).
The forest industry is one of the leading sectors of the economy in the regions of the supply base. The development of the social sphere (health care, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of a whole village or city. The socio-economic importance of the forest industry in the Northwest is also high. Industry provides employment in rural areas and is important for its well-being.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	79,08 mln. ha
Tenure by type (ha):	public 79,08 mln. ha
Forest by type (ha):	boreal 79,08 mln ha
Forest by management type (ha):	managed natural 79,08 mln. ha
Certified forest by scheme (ha):	19,07 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.volwood.ru/o-gruppe-kompanij/sertifikatsiya

5.4 Chain of Custody system

BP holds valid FSC CoC certificate https://info.fsc.org/details.php?id=a0240000005tYy8AAE&type=certificate

Incoming feedstock is sawdust (for pellet production) and mixture of wood chips and barks (for dryer). All secondary feedstock is supplied exclusively from company's own sawmilling located at the same production site. BP implements credit system of FSC claims. In the reporting period, the share of the feedstock with FSC 100% claim was about 73% of the total incoming volume, and the rest 27% of supplies were non-certified and included into BP's own program of field verification of controlled material sources under FSC certification. There are no non-controlled inputs of the feedstock.

Non-certified feedstock is not processed by pellet plant, neither used in dryer.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite annual audit was conducted on 17.12.2020 (7 h)*. Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	17/12/2020 10.00-10.15
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), RADIX (DTS), staff interview.	Office	17/12/2020 10.15-12.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	17/12/2020 12.00-15.45
Chain of custody review (site tour); staff interview	Production facilities	17/12/2020 15.45-16.45
Closing meeting	Office	17/12/2020 16.45-17.00

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, Portugal, Germany, Netherlands, Belgium, Latvia, Belarus and Vietnam.

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:

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 at the beginning of the audit, which started with an opening meeting attended by the representatives from Organisation's management and staff.

During the opening meeting, 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 biomass. During the process, overall responsible person for SBP system and other staff were interviewed.

After 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 consultations conducted with stakeholders prior to, during or after this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members..

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: electricity for biomass production, shipping and transportation; diesel for feedstock handling, and biomass shipping and transportation; biofuels for the feedstock drying. All energy use data (except biomass transportation by railway) is based on actual consumption values registered by BP.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: SBP/FSC responsible person, H&S engineer, chief of pellet production, chief of transport department, chief power engineer. Interviewed staff was well familiar with their responsibilities.

7.5 Stakeholder feedback

No consultations conducted with stakeholders prior to, during or after this annual 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 non-conformity report raised during the previous annual audit.

NC number 01/20	**NC Grading:** Незначительное / Minor
Standard & Requirement:	SBP Instruction Document 5E V.1.1. 6.10.3: To determine the effective load in metric tonnes per vehicle: in the case of trucks, the weight should be measured by a weighbridge, or equivalent, and recorded in a control system. Note: For transport by truck, train or flatboat the most important parameters are the distance and the capacity of the vehicle. It is usually enough to make a good estimate of the transport energy, based on proposed references by JRC and BioGrace. There is the option to record fuel use for transport, but this is not mandatory. For (long distance) sea transport fuel usage data must be provided.
Description of Non-conformance and Related Evidence:	
Since September 2019, BP uses new SREG template developed by SBP. In section 2 (Inland Transport) BP has specified the diesel consumption by locomotive (30 litres), but could not provide to auditor any documented evidence on that reported value. It should be noted that the option to record fuel use for transport is not mandatory. С сентября 2019 года Организация использует новый шаблон документа SREG, разработанный SBP. В разделе 2 (Inland Transport) Организация указала расход дизельного топлива локомотивом (30 литров), однако никаких документальных подтверждений этому Организация не предоставила. Необходимо отметить, что включение в SREG данных о топливе, расходуемом при транспортировке, не является обязательным.	
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:	SAR document
Findings for Evaluation of Evidence:	BP has submitted the new SAR document. Transport section includes four SDIs. Since BP does not know the actual diesel consumption by locomotive, relevant field was left blank.
NC Status:	Closed

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No NCRs and Observations raised based on the results of 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.*