



# Preferred by Nature Evaluation of Alavia 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](http://www.sbp-cert.org)*

## *Document history*

*Version 1.0: published 26 March 2015*

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# 1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@preferredbynature.org, +34 605 638 383
Current report completion date:	22/Mar/2021
Report authors:	Mikhail Rai
Name of the Company:	Alavia LLC. Production site address: Russia, 182303, Pskov region, Pustochkinskiy district, vil. Zarechye, 1. Legal address: Russia, 119331, Moscow, pr-t Vernadskogo, 29, fl. 2, room 5
Company contact for SBP:	Andrei Nerezko, chief engineer. Mob.: +79118940303, email: diverr@mail.ru
Certified Supply Base:	Russia, Pskov region. Republic of Belarus
SBP Certificate Code:	SBP-08-35
Date of certificate issue:	24/Mar/2021
Date of certificate expiry:	23/Mar/2026

This report relates to the Main (Initial) Audit

## 2 Scope of the evaluation and SBP certificate

Scope of certificate includes production of wood pellets in Zarechye, Pskov region, Russia for use in energy production and its transportation by road to different end points in Russia and Europe. 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. 1.3.

## 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

Alavia LLC is a primary processor (sawmilling) and a secondary processor (biomass producer) located in Pskov region, Russia. The production has been commissioned in 2018. The total annual production capacity of the pellet mill is 15000 tones.

To produce wood pellets and for heating the BP uses low-grade roundwood from its own non-certified FMU as a primary feedstock. Also, residues from in-house sawmilling and procured wood chips from a certified supplier in the Republic of Belarus are used at the production as a secondary feedstock.

To produce SBP-compliant biomass the BP intends to purchase roundwood and wood chips from certified suppliers and residues from in-house sawmilling of certified sawlogs.

## 5.2 Description of Company's Supply Base

LLC Alavia is a logging and wood processing enterprise in the south of the Pskov region of the Russian Federation. For the production of SBP-compliant biomass, LLC Alavia currently plans to use SBP-compliant secondary raw materials, sawmill residues from suppliers (sawdust with FSC 100% claim). Species composition - Norway spruce (*Picea abies*), Scots pine (*Pinus sylvestris*). In the past reporting period, Alavia LLC procured uncertified timber in the Pskov region of the Russian Federation.

The supply base of Alavia LLC is the area of the forest fund of the Pskov region and the Republic of Belarus.

The adjacent territories of the supply base are mainly represented by forest plots of other tenants and agricultural land. Mostly in these areas, logging and agriculture are carried out, respectively.

### Republic of Belarus

In the Republic of Belarus, forests are one of the main renewable natural resources and the most important national wealth. The total land area of the forest fund is 9.582 million hectares. Forest covered lands occupy 9.582 million hectares. The total standing stock of wood stands at 1,796 million cubic meters, including 296 million cubic meters of ripe and mature plantings. As a result of focused work on the reproduction of forests, the area covered by forests is increasing. So, over the past 60 years, the forest cover of the republic has almost doubled and reached its maximum values for more than a century. The increase is occurring both naturally and due to afforestation of badlands unsuitable for agriculture. In Belarus, along with an increase in the total area of the forest fund, a steady growth in the areas of maturing, mature and overmature stands is observed. The share component of ripe and mature forests is 14.7%. The average age of stands is 56 years.

In the forests of Belarus there are 28 species of trees and about 70 species of shrubs. The most common tree species are: Scots pine - 50.3%, Silver birch - 23.2%, Norway spruce - 9.2%, Black alder - 8.5%, oak - 3.4%, aspen - 2.1%. Coniferous forest predominate in the forest fund of the forest fund of GLHU Pruzhanski Leshoz, which account for 74.2% of the land covered by forests, soft-wooded broadleaved species make up 24.8%, hard-wooded broadleaved species 1.0%. The dominant forest formations are: pine forests 70.4%, birch forests 12.7%. At all clearcuts, natural or artificial forest regeneration is ensured. All established stands are annually taken care of.



Depending on the functions performed, the lands of the forest fund are divided into forests of the first and second groups. The first group includes specially protected natural territories, the share of which is 52%, the second group includes production forests intended for timber harvesting (48%).

In accordance with the legislation of the Republic of Belarus, all the lands of the forest fund are in state ownership and transferred to the use and management of state forestry institutions. Forest management in Belarus is carried out according to the principle continuity and inexhaustibility. The average annual wood harvest is about 18 million cubic meters per year, of which:

- main cutting (in ripe stands) 40%;
- thinning and sanitary felling (in young, middle-aged and ripening stands 48%);
- other felling 12%.

In Belarus there are two republican reserves - the Berezinsky Biosphere Reserve (85.2 thousand ha) and the Polesky State Radiation and Ecological Reserve (216.1 thousand ha), and four national parks - Belovezhskaya Pushcha (152.962 thousand ha), Braslav Lakes (69.115 thousand hectares), Narochansky (93.3 thousand hectares) and Pripyatsky (85.841 thousand hectares), 334 reserves of republican and local significance and 874 natural monuments.

The structure of the timber industry complex is represented by the following sectors: logging (13.5% of the total output), woodworking (69.5%), pulp and paper (16.4%) and the chemical industry (0.6%). The woodworking industry is one of the largest in Belarus. Woodworking accounts for approximately 2% of the total number of processing industries in the Republic of Belarus. The share of the forest industry in the country's GDP is approximately 1.1%. Timber is exported to approximately 30 countries. Thus, wood processing prevails over the export of raw materials from the Republic of Belarus. LLC Alavia utilizes woodworking residues from state enterprises.

Russian Federation, Pskov region

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.

In Russia 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 (21%) or the promotion of natural regeneration (77%) as well as combined method (2%). 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.

In the Pskov region, forests located on the lands of the forest fund make up 2384.5 thousand hectares. Birch is the predominant species. Plantations of soft-leaved species occupy 60% of the region's forests, and plantations with a predominance of conifers account for 40%. Birch plantations account for 38% of all forests. The average composition of forests is typical for coniferous-deciduous forests of the European part of Russia and does not change over the years.

The annual allowable cut is 5.4 million m<sup>3</sup> per year, of which about 35% is actually utilized, mainly at the expense of persons leasing forest plots for timber harvesting. The forestry sector in the region is poorly developed, as the forest is mainly represented by pulpwood and low-grade roundwood. The volume of exports abroad, to other regions of Russia and timber not delivered from the forest (about 1.1 million m<sup>3</sup> in total) prevails over the internal processing of round timber (about 0.5 million m<sup>3</sup>). However, for the first time in recent years, regional budget revenues for 2019 exceeded forestry costs by 21 million rubles. The main directions of wood processing are sawn timber production, house building, furniture production.

#### CITES and IUCN

When harvesting wood, in accordance with the forest legislation of the Republic of Belarus and the Russian Federation, the species listed in the Red Book and their habitats must be preserved. Cutting down valuable, endangered and specially protected tree species is prohibited. However, the harvesting of woody species included in the IUCN and CITES lists is excluded, since the distribution area of these tree species is outside the resource base of Alavia LLC.

## 5.3 Detailed description of Supply Base

Total Supply Base area (ha):	11,9665 mln. ha
Tenure by type (ha):	public 11,9665 mln. ha
Forest by type (ha):	temperate 11,9665 mln.ha
Forest by management type (ha):	managed natural 11,9665 mln. ha
Certified forest by scheme (ha):	9 ,172 ha FSC-certified forest

Detailed information about the BP's supply base may be found in the Supply Base Report available on Internet <http://oooalavia.com/>.

## 5.4 Chain of Custody system

The BP holds valid FSC CoC certificate covering the primary and secondary processing (<https://info.fsc.org/details.php?id=a02f300000jmQG6AAM&type=certificate>), which includes sawmilling, chipping, and pellet production. Both primary feedstock (roundwood) and secondary feedstock (wood chips) with an FSC 100% claim will be used for pellet production and FSC transfer system of claims is implemented (all pellets will have FSC 100% claim). Non-certified feedstock can be purchased as well.

To prevent mixing the BP uses physical segregation for certified and non-certified roundwood is implemented. The BP has separate stacks for certified and non-certified roundwood. Storages of certified and non-certified bulk materials are located remotely from each other and there is no mixing. For pellets the

BP intends to implement temporal segregation. Changes between certified and non-certified feedstock will be made after relevant orders throughout the entire process. Relevant date and time will be registered in logs. The production will be completely cleaned out in such cases.

To calculate a conversion factor prior to this assessment, BP used theoretical (engineering) calculation. For the next reporting periods, conversion factor will be updated based on actual information on input and output volumes.

## 6 Evaluation process

### 6.1 Timing of evaluation activities

Onsite assessment was conducted on May 15, 21, on July 12 and on December 31, 2020 (app 31,5 working hours). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Desk part opening meeting	NEPCon Office	15/05/2020 09.00-09.30
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	NEPCon Office	15/05/2020 09.30-14.00
Documents and procedures review (SAR and energy use primary data); staff interview	NEPCon Office	15/05/2020 14.00-17.00
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	NEPCon Office	21/05/2020 10.00-14.00
Documents and procedures review (SAR and energy use primary data); staff interview	NEPCon Office	21/05/2020 14.00-17.00
Field part opening meeting	Office	12/07/2020 10.00-10.30
Chain of custody review (site tour); staff interview	Production facilities	12/07/2020 09.30-15.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	12/07/2020 15.00-17.00
Documents and procedures review (SAR and energy use primary data); staff interview	NEPCon Office	31/12/2020 09.00-17.00

Closing meeting	NEPCon Office	31/12/2020 17.00-18.00
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## 6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Mikhail Rai, audit team leader	Preferred by Nature SBP lead auditor. He has successfully passed SBP auditor training in Berlin in September 2019; previous experience with several SBP assessments and annual audits in Russia and Belarus.

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 assessment was started in May 2020 on a desk basis due to the COVID restrictions. Documents and procedures review as well as staff interview showed that the Organisation was completely not ready for the assessment. Incomplete and incorrect procedures were provided. The most important problem was the almost total lack of knowledge among staff members.

Based on the above, risks were assessed by Preferred by Nature and a decision of imperative on-site visit was made.

A second phase of the assessment was conducted on site by the auditor in July:

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 assessment, which started with an opening meeting attended by the representatives from Organisation's management and staff.

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 audit team leader explained CB's approval 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. Chain of Custody implementation was reviewed focusing in the Critical Control Points, in particular it was verified reception of the material and it's classification, identification of feedstock origin, production process with the conversion factors associated, mass balance, final product storage and sales.

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.

Later in December a desk-based review was conducted and 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.

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## 6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on August 24, 2019 by sending direct email to different stakeholder categories. No comments from the stakeholders have been received. List of informed stakeholders is the same which is used for FSC FM/COC assessments notification in Russia. This list was compiled by FSC Russia; it is available at FSC Russia homepage <https://ru.fsc.org/ru-ru> and includes such groups of stakeholders as FSC National Initiative, environmental and social NGOs, FSC-certified companies in the region, scientific and educational entities, indigenous peoples' communities (where applicable), state forestry authorities, trade unions etc.

# 7 Results

## 7.1 Main strengths and weaknesses

Strengths: use of the FSC transfer system; small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: FSC 100% and non-certified secondary feedstock will be sourced; theoretical (engineering) calculation of all the consumption data. However, in the next reporting period BP intends to collect all required data using actual processing measurements.

## 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, and for chipping; diesel for biomass handling and shipping; electricity and diesel for biomass transportation to customer. Diesel consumption value by loaders and trucks is based on actual refuelling data obtained in accountancy; electricity consumption by pellet plant and office facilities is based invoices from the energy supplier.

## 7.4 Competency of involved personnel

SBP related staff responsibilities are presented in Section 5 of the SBP Procedure. Overall, the BP's staff showed a good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved in SBP certification:

- General director (appointment of SBP responsible);
- SBP responsible person/certification manager (chain of custody, SBP procedures and systems updates, SAR, SBR and feedstock origin, SREG (if applicable), complaints, anti-bribery policy and code of conduct, trade and tax legislation, EUTR requirements and DDS implementation, registration of inputs and outputs, conversion factor updates, registration of diesel consumption, SDIs, distances, DTS, sales, H&S implementation);
- Head of the pellet mill (moisture measurements, registration of biofuel and feedstock consumption).

Additionally, the SBP responsible could be substituted by the Head of the pellet mill in case of vacations, sick leave, etc. Also, BP shared responsibilities between staff intimately involved in pellet production. Their responsibilities are described in the internal staff manuals.

Prior to and during SBP assessment, BP was supported by an external consultant, who also has provided relevant training to BP staff.

## 7.5 Stakeholder feedback

No comments received from stakeholders prior, during or after this assessment.

## 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.

NC number 01/20	NC Grading: Major
<b>Standard &amp; Requirement:</b>	<p>Instruction Document 5E V1.3. 6.2.1 The SAR Reporting Period shall meet the following criteria:</p> <ul style="list-style-type: none"> <li>- the period should be 12 consecutive months; and</li> <li>- the start date shall not exceed 18 months before the audit onsite closing meeting date as indicated in the SAR.</li> </ul> <p>The BP may select a convenient Reporting Period, for example, fiscal year, civil/calendar year or any other 12-month period if it fits those requirements.</p>
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The BP has provided SAR with the reporting period of 2019 calendar year. On-site closing meeting date was planned on the July 12, 2020. Thus, the requirement is not met. Due to the above, major NCR has been raised.</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	Comments from the SBP responsible. Training records as of 15.12.2020; Updated SAR
<b>Findings for Evaluation of Evidence:</b>	<p>The BP has explained the reason of non-conformity as not correct interpretation of the requirement. The BP considered the requirement in the way that the start date shall not exceed 18 months before audit starting date.</p> <p>The BP has contracted an external consultant who provided additional training in December 2020.</p> <p>In December 2020, the BP has provided an updated SAR with the reporting period of 01.08.2019 – 31.07.2020.</p> <p>Actions undertaken by the BP is considered to be sufficient to close the NCR.</p>
<b>NC Status:</b>	<b>Closed</b>

# 11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:

<b>Certification decision:</b>	Certification approved
<b>Certification decision by (name of the person):</b>	Pilar Gorría
<b>Date of decision:</b>	22/Mar/2021
<b>Other comments:</b>	<i>Click or tap here to enter text.</i>