



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

Re-assessment

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1 Overview

Certification Body (CB) Name:	NEPCon OÜ
Primary CB contact for SBP:	Ondrej Tarabus
Primary CB contact email:	otarabus@preferredbynature.org
Audit team leader:	Mikhail Rai
Audit team members:	Mikhail Rai
Name of the Company:	Lesresurs LLC
Company legal address:	Kozhova str., 11/1, of.4-1, 664022 Irkutsk, Russia
Company contact for SBP:	Nadezhda Ovchinnikova
Company contact email:	onn@lesresurs.com
Company website:	N/A
SBP Certificate Code:	SBP-01-28
Date of certificate issue:	15 Aug 2016
Date of certificate expiry:	14 Aug 2021
Audit closing meeting date:	05 Feb 2021
Audit cycle:	Re-assessment

2 Scope of the evaluation and SBP certificate

Scope Item	Check all that apply to the Certificate Scope	Change in scope (N/A for Assessments)
Primary Activity:	Biomass Producer	<input type="checkbox"/>
Approved Standards:	SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; SBP Standard 5: Collection and Communication of Data Instruction; Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3	<input type="checkbox"/>
Includes Supply Base Evaluation (SBE):	No	<input type="checkbox"/>
Includes communication of Dynamic Batch Sustainability Data (DBSD)	Yes	<input type="checkbox"/>
Includes Group Scheme	No	<input type="checkbox"/>
Products	Pellets	<input type="checkbox"/>

Feedstock types:	Secondary	<input type="checkbox"/>
Feedstock origin (countries):	Russia	<input type="checkbox"/>
SBP-endorsed Regional Risk Assessments used:	Not applicable	<input type="checkbox"/>
Public link: https://sbp-cert.org/documents/standards-documents/risk-assessments/		<input type="checkbox"/>
Chain of custody system implemented:	FSC: FC-COC-643053, FC-CW-643053	<input type="checkbox"/>
	Credit	<input type="checkbox"/>

2.1 Description of the company

Lesresurs LLC is a primary processor (sawmilling) and a secondary processor (biomass producer) located in Novaya Igirma, Irkutsk region. The BP holds a valid FSC CoC certificate and uses only FSC-certified secondary feedstock (sawdust, wood chips, and shavings) for pellet production. In dryer, the BP uses bark and sawdust which are also residues from in-house sawmilling. The BP's supply base is defined as the Irkutsk Region of Russia. Only conifer species are used for pellet production. Pellets could be sold with FSC Mix Credit claims and accordingly with an SBP-compliant biomass claim. The final product may be transported by rail to different endpoints in Russia (mainly to Saint-Petersburg), on DAP delivery conditions. The annual production capacity of wood pellets is 56 000 tons.

2.2 Detailed description of the Chain of Custody system

The BP holds valid FSC CoC certificate covering the primary (sawmilling) and secondary (pellet production) processing <https://info.fsc.org/details.php?id=a024000006uXxGAU&type=certificate>. Primary feedstock (roundwood) could be purchased with different claims: FSC 100%, FSC Mix Credit, FSC Controlled Wood. Also, roundwood from non-certified suppliers, controlled under the BP's DDS is purchased (controlled material). Non-certified feedstock is not accepted. The BP implements an FSC credit system of claims. All pellets are made from in-house sawmilling residues (wood chips, shavings, and sawdust) and have an FSC Mix Credit claim. For heating the BP uses bark and sawdust also residues from in-house sawmilling. Implemented conversion factor is calculated monthly based on actual measurement of the number of front loader buckets and weight of wood pellets. The only exception is shavings. The BP uses back theoretical calculation to estimate a mass of shavings used for pellets. See also NCR 01/21, 02/21. For the credit account the BP uses a conversion factor established every year based on the results of a previous year. There is no invoicing inside the BP. Instead, economist prepares internal reports on a monthly basis. It includes a description of the feedstock (sawdust, wood chips, bark, shavings), the volume of physical input, production results and other relevant information.

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 Evaluation process

4.1 Timing of evaluation activities

<i>Audit Level of Effort (LoE)</i>		
Activity	Auditors	Auditor hours
1. Preparation	Mikhail Rai	1,5
2. On-site (excl. travel time)	Mikhail Rai	17,0
3. Report writing	Mikhail Rai	9,5
4. Other	N/A	N/A

Audit Schedule			
Activity	Location	Auditor name	Date/time
<i>Opening meeting</i>	Office	Mikhail Rai	25 Jan 2021/11:00
<i>Supply base, SBR</i>	Office	Mikhail Rai	25 Jan 2021/11:30
<i>DTS, trade and transport documents</i>	Office	Mikhail Rai	25 Jan 2021/13:30
<i>Management system, SBP and FSC procedures</i>	Office	Mikhail Rai	25 Jan 2021/15:00

<i>H&S briefing, interview with the responsible</i>	Office	Mikhail Rai	26 Jan 2021/09:30
<i>Site tour, staff interview</i>	Production site	Mikhail Rai	26 Jan 2021/10:00
<i>SBR</i>	Office	Mikhail Rai	26 Jan 2021/12:30
<i>SAR, GHG Data, staff interview</i>	Office	Mikhail Rai	26 Jan 2021/13:00
<i>Credit account, FSC CCP</i>	Office	Mikhail Rai	26 Jan 2021/15:30
<i>On-site part closing meeting</i>	Office	Mikhail Rai	26 Jan 2021/16:30
<i>SAR, GHG Data, staff interview</i>	Remotely via Skype	Mikhail Rai	05 Feb 2021/08:00
<i>Evidence to close major NCRs</i>	Remotely via Skype	Mikhail Rai	05 Feb 2021/09:30
<i>Closing meeting</i>	Remotely via Skype	Mikhail Rai	05 Feb 2021/11:30

Auditor qualification		
Auditor name	Role	Qualification
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.

4.2 Description of evaluation activities

The evaluation 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 and during it, which started with an opening meeting attended by the SBP responsible.

During the opening meeting the audit team leader introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. The audit team leader 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, COC Critical Control Points (feedstock entrance, inputs identification and claims, control system, conversion factors and sales) management system, 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.

At the end of the audit, findings were summarised, and preliminary audit conclusions based on use of 3 angle evaluation method were provided to the management and SBP responsible person.

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4.3 Sampling methodology

When preparing to the reassessment and during on-site work a sampling has been implemented, based on the following criteria:

- A review of documentation related to energy and carbon data is implemented for the chosen periods to compare summary data per month, collected for SAR, and correctness of its calculation based on data per each day or per each shift.
- For evaluation of DTS, input and output trade and transport documentation, and the correctness of claims a sampling of different kinds of documents for the reporting period is implemented (e.g. waybills, invoices, bills of landing, etc.).
- Sampling is based on a risk approach, taking into account the following:
 - o Changes in a management system;
 - o Standards requirements update;
 - o Staff changes;
 - Market development;
 - o Most and less productive periods; etc.
- In case when data is collected once per month (e.g. invoices from external supplier of services), 100% sampling of documents is implemented.
- Production facilities inspection, as well as interviews with staff, are mandatorily conducted during every audit. The focus is a key staff responsible for the management of processes at a particular department or site. Nevertheless, interviews with staff intimately conducting a certain activity are conducted, since credibility and relevance of the collected data or physical segregation (if applicable) depends on their knowledge.

4.4 CB stakeholder engagement

The stakeholder consultation was carried out on December 10, 2020 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.

4.5 Stakeholder feedback

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

5 Results

5.1 Main strengths and weaknesses

Strengths:

- Use of the FSC credit system; only FSC Mix Credit and FSC Controlled Wood secondary feedstock is sourced; non-certified feedstock is not accepted.
- Small number of the management staff and clearly designated responsibilities within the staff members.
- Separate certification department

Weaknesses:

- Gaps in recordkeeping system.
- Theoretical outdated calculation of the CF for shavings.

See also NCR 01/21 - 03/21

5.2 Rigour of Supply Base Evaluation

Not applicable.

5.3 Collection and communication of data

The following energy sources are used by the BP:

- electricity for pellet production;
- diesel for feedstock delivery and handling;
- diesel and electricity for biomass transportation to customer;
- biofuel for heating.

Diesel consumption value by loaders and is based on actual refueling data obtained in accountancy. Electricity consumption by pellet plant (including lighting) is based on readings obtained from installed electric meters and on a theoretical calculation (share between facilities). Biofuel consumption is based the on actual measurement of shovels.

See also NCR 03/21.

5.4 Competency of involved personnel

Overall, the BP staff showed a good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved in SBP certification:

- First Deputy General Director (Executive Director) (appointment of SBP responsible, overall responsibility);
- SBP responsible or Head of Certification Department (EUTR requirements and DDS implementation, chain of custody, SBP procedures and systems updates, SAR, SBR and feedstock origin, SREG (if applicable), SDIs, distances, DTS, complaints, trademark);
- Chief Technologist (pellet production, conversion factor);
- Chief Accountant (overall accounting, invoices, FSC and SBP claims);
- Chief Electrician (registration of electricity);
- Head of the Pellet Mill or chief supervisor (Quality Manager) (pellet production process, quality review, feedstock and pellets registration);
- Head of Sales Department (trade and tax legislation, delivery documentation, sales);
- Head of resource protection department (anti-bribery policy and code of conduct);
- Economist (energy and carbon data consolidation);

Also, the BP shared responsibilities between staff intimately involved in pellet production. Their responsibilities are described in the internal instructions and in staff manuals.

6 Review of company's risk assessments

6.1 Overview of company's risk assessments and mitigation measures

Not applicable.

6.2 Specified risk indicators and mitigation measures

Country/Area	Indicator	Specified risk description	Mitigation measure
N/A	N/A	N/A	N/A

7 Non-conformities and observations

NC number NC-000274	NC Grading: Minor
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3
Requirement:	3.3.2 The characteristics of biomass shall be able to be traced back to the characteristics and quantities of incoming feedstock, taking into account the applicable conversion factors
Description of Non-conformance and Related Evidence:	
<p>Procedures implemented in the BP are not sufficient to trace the characteristics of biomass back to the characteristics and quantities of incoming feedstock. Based on an engineering calculation using the relative moisture formula with the data provided by the BP (mass and moisture of feedstock and pellets) the conversion factor equals 1,74 tons of feedstock per ton of pellets (ton/ton). The CF established in the BP based on actual measurements equals 1,57 ton/ton. Therefore, the real production is higher than the theoretical one on 11,2%. The BP has provided the following justification for the possible reasons for the discrepancy: • Wrong volume of shovels and chip trucks due to the lack of remeasurements; • Wrong density due to the species composition and incorrect tabular data used; • Theoretical calculation of shavings consumption (see also NCR 02/21); • Insufficient methods of recording feedstock at the input. The BP has scheduled corrective actions to reveal the root cause of the discrepancy and to improve the system. Taking into account the above, a minor NCR has been raised. Процедуры, применяемые в Организации, недостаточны, чтобы проследить характеристики биомассы до характеристик и количества поступающего сырья. На основании расчётов с применением формулы относительной влажности с использованием данных, представленных Организацией (масса и влажность сырья и пеллет) переводной коэффициент составляет 1,74 тонны сырья на тонну пеллет (т/т). Переводной коэффициент, принятый в Организации, основанный на данных фактического замера сырья и пеллет составляет 1,57 т/т. Таким образом, фактическое производство пеллет выше, чем теоретическое на 11,2%. Организация представила следующие пояснения по возможным причинам расхождения: • Неверный объём ковшей и щеповозов из-за отсутствия повторных измерений; • Неверные данные по плотности, связанные с сочетанием пород деревьев и неточными табличными данными; • теоретический учет стружки исходя из объемов производства готовой продукции в предыдущем отчетном периоде (см. NCR 02/21); • Неэффективность действующей схема учета движения сырья на входе в производство. Организация запланировала корректирующие мероприятия для устранения корневой причины в расхождении и для улучшения системы. С учётом изложенного выше, несоответствие классифицировано как незначительное.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	N/A
Findings for Evaluation of Evidence:	N/A
NC Status:	Open

NC number NC-000275	NC Grading: Minor
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3
Requirement:	6.2.7 The Legal Owner shall record the most operationally specific and detailed data that is practically available. Variable data shall never be older than 18 months. The methodology used and the justification for the data selection shall be recorded in the SAR. All mass and energy flows must be evaluated for the complete Reporting Period. Any derogation must be justified and recorded in the SAR.
Description of Non-conformance and Related Evidence:	
<p>A conversion factor for shavings was estimated based on back calculation. In 2019 the BP estimated a weighted average consumption of feedstock and biofuel and established a proportion for each type of feedstock or biofuel. The weighted average consumption was established as 1,37 ton/ton. It is different with the actual consumption (measured for sawdust and wood chips) in the BP at the date of audit (1,57 tons of feedstock + 0,28 tons of biofuel) . Then the proportion for shavings was established as 0.27 tons of shavings per ton of pellets (considering the CF in 1,37). Thus, the following gaps are identified: • The BP used an old data and not relevant for the real production data; • The BP used a back engineering calculation to estimate a consumption of shavings with inconsistent results. Based on the above, a minor NCR has been raised.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date
Evidence Provided by Company to close NC:	Updated methodology of the CF calculation; Comments from the SBP responsible.
Findings for Evaluation of Evidence:	The BP has analysed the reasons for non-conformance. As per BP, a major reason is outdated methodologies of the CF calculation and lack of equipment to measure shavings. The BP has developed a new methodology of estimation of shavings. The methodology is based on actual measurements of volumes of dry sawlogs delivered to the planning mill and outputs from the planning mill. The methodology considers drying loss and trimming, thus a volume received as a result of deducting the values described above is the most accurate. The BP has started implementing a new approach. Actions undertaken by the BP is sufficient to close the non-conformity.
NC Status:	Closed

NC number NC-000273	NC Grading: Major
Standard:	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3

Requirement:	6.5.1 The BP shall operate a management system including logbooks or electronic code/card systems to allocate the use of fossil fuel to processing or transport.
Description of Non-conformance and Related Evidence:	
<p>The BP did not considered part of activities of vehicles used at the pellet mill. The BP has a dispatch service. The main activity of the dispatch service is control of input and handling of feedstock and fuel at the production site. The dispatch service registers a type of vehicle and a type of operation and based on that the following calculation of biofuel is carried out. However, it was revealed, that the BP did not record time of front loaders involved at the pellet mill when delivering feedstock or biofuel from piles to bunkers close to the mill. Evaluation based on video recordings showed that front loaders may spend about 20 minutes each hour to carry out the activity. Further estimation based on theoretical calculation of diesel consumption and overall diesel consumption for the reporting period showed, that the discrepancy is about 15%. Based on the above, a major NCR has been raised.</p>	
Timeline for Conformance:	Prior to (re)certification
Evidence Provided by Company to close NC:	Act of measurement of time spent on the certain operations by diesel front loaders; Updated methodology of the registering of the time and volumes; Updated SAR; Comments from the SBP responsible.
Findings for Evaluation of Evidence:	<p>The BP has analysed the reasons for non-conformance. As per BP, a major reason is outdated methodologies and wrong estimation of allocation of time of the front loaders. The BP has measured a time of the front loaders involved at the pellet mill. Using an updated approach implemented by the dispatch service and video recordings the BP has established a new proportions of time allocation of each vehicle. Based on the updated data, corrections in the SAR were made. Furthermore, the BP has updated methodologies of registering a time of vehicles used at the mill. The BP has started implementing a new approach. Actions undertaken by the BP is sufficient to close the non-conformity.</p>
NC Status:	Closed

8 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):	Pilar Gorriá
Date of decision:	21 Apr 2021
Other comments:	N/A