

NEPCon Evaluation of Ksilotek-Siberia 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 1.3

*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 ot@nepcon.org, +420 606 730 382

Current report completion date: 31/Dec/2018

Report authors: : Natalia Zaladinova

Name of the Company: Ksilotek-Siberia LLC

Company contact for SBP: Vladimir Mamatov (tel. +7-391-459-24-69; email: Mamatov_VO@segezha-group.com, 662543, Belinsky str., 16A, Lesosibirsk, Russia)

Certified Supply Base: Russia, Krasnoyarsk region

SBP Certificate Code: SBP-07-11

Date of certificate issue: 09/Jan/2019

Date of certificate expiry: 08/Jan/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Lesosibirsk, Krasnoyarsk region, Russia, for use in energy production. Post production end point is next organization located in the same production site. The scope of the certificate does not include Supply Base Evaluation.

The Organisation holds valid FSC FM/Chain of Custody certificate with FSC transfer system in the scope. The input material used by the Organisation for biomass production contains only secondary feedstock with FSC 100% claim and FSC-certified bark and chips for heat generation, processing residues from the sawmill production of JSC "Lesosibirsk LDK 1". Both companies are located on the same production site and belong to one group of companies - LLC "UK" Segezha Group".

All sales are done to a client based in the same facilities, thus the end point is the company own gate.

Scope of the evaluation is indicated in the table below:

Scope Item	Check all that apply to the Certificate Scope				Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0 http://www.sustainablebiomasspartnership.org/documents				☐
Primary Activity:	Pellet producer				☐
Input Material Categories:	☐ SBP-Compliant Primary Feedstock (Only for drier)		☒ SBP-Compliant Secondary Feedstock		☐
	☐ Controlled Feedstock		☐ SBP non-Compliant Feedstock		
	☐ SBP-Compliant Tertiary biomass	☐ Post-consumer Tertiary Feedstock			
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	☒ FSC	☐ PEFC	☐ SFI	☐ GGL	☐
	☒ Transfer	☐ Percentage		☐ Credit	☐

Points of sales	☐ Harbour – Permanent storage (Storage site)	☐ Harbour – Temporally storage (Logistic site)	☒ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	☐
Provide name of all points of sales	- - -	- - -	-Same production site	
Use of SBP claim:	☒ Yes		☐ No	☐
SBE Verification Program:	☐ Low risk sources only		☐ Sources with unspecified/ specified risk	☐
	New districts approved for SBP-Compliant inputs:			
Sub-scopes				☐
Specify SBP Product Groups added or removed:				
Comments:				

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

BP is a wood processing company located in Krasnoyarsk kray region, Russia. Total annual production capacity of pellet plant is 70 000 tones (the project).

The round wood used at lumber production line (logs for primary production) originates from the Krasnoyarsk region and has FSC 100% claim. Only secondary feedstock with FSC 100% claim is used for FSC/SBP certified pellet production.

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

Pellets will be sold to a parent company located at the same production site.

5.2 Description of Company's Supply Base

"Ksilotek-Siberia" LLC is a biomass producer located in Krasnoyarsk Krai, Lesosibirsk. The plant will be launched in November 2018. The plant uses SBP-compliant secondary feedstock (sawdust) for biomass production and FSC-certified bark and chips for heat generation, processing residues from the sawmill production of JSC "Lesosibirsk LDK 1". Both companies are located on the same production site and belong to one group of companies - LLC "UK" Segezha Group". The Supply Base of "Ksilotek-Siberia" LLC is 13 FMUs of the FSC certified concessions of JSC "Lesosibirsk LDK 1" and one FMU of the FSC certified leased concession of "Ksilotek-Siberia" LLC. "Ksilotek-Siberia" LLC also has three non-certified concessions, but the wood therefrom does not enter any FSC certified chain of custody.

Forest resources of Krasnoyarskiy Krai are one of the largest among the regions of Russia. The territory of the forest fund of the region is 158,7 million hectares. The total standing stock is 11,7 billion cubic meters - about 1/3 of Siberian Federal District regions and 1/7 of the total Russian forest stock. Coniferous plantations dominate in the structure of Krasnoyarskiy Krai forest and their share is about 76%. Forest concessions, where does wood for production of pellets come from, are located within the Angarsk South-Taiga Ecoregion. According to the forest inventory, the composition of the exploitation forests of the Supply Base is: pine - 43%, larch - 19%, siberian pine - 8%, spruce 7%, fir - 4,8%, birch – 14,5%, aspen – 3,7 %, a single willow tree is found. The total area of the Supply Base (that is, the certified concessions of LLC "Ksilotek-Siberia" and JSC "Lesosibirsk LDK 1") is 1.100.547 hectares. Forest lands is 92% of the total forest fund within the Supply Base and non-forest lands - 8%. The exploitation forests make up 89,3% of the Supply Base area, protective forests – 9,6%, reserve forests – 1,1%.

In accordance with the legislation of the Russian Federation, the Russian forest fund is state ownership. Legal entities can acquire forest concessions for a period of 10 to 49 years (with the right to prolong the 'lease' contract). Long-term concessions of 49 years are the prevailing basis for obtaining the right to harvest wood on stem. These lease contracts or contracts for the purchase of individual forest stands become available by means of auctions. Leased forest concessions must undergo a cadastral registration procedure.

The Russian Forest Code obliges each forest leaser to develop a forest management plan for 10 years (on base of a general forest inventory and forestry plan), implement measures to protect, preserve and reproduce forests and every year provide an annual forest declaration where the carried-out measures and harvested volumes are reported.

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, if relevant, the principles of FSC forest certification. The rotation period is 60-120 years. Harvesting is carried out by clear cutting in the stage of maturity with subsequent reforestation. Sanitary cuttings can also be used. 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.

High conservation value forests (HCVF) are allocated within the Supply base. "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1" signed an agreement with the NGO "Prozrachniy Mir" to impose a moratorium on harvesting in HCVF.

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. On the territory of the Krasnoyarskiy Krai there are such types of red-listed trees as the small-leaved Birch (*Betula microphylla* Bunge), the Turkestan Juniper (*Juniperus pseudosabina* Fisch. & C.A. Mey.), Siberian Pine (*Pinus sibirica* Du Tour.). However, "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1" do not harvest and not use them in processing. "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1" use only the following species in production:

- Siberian spruce (*Picea obovata*);
- Scots pine (*Pinus sylvestris*);
- Siberian larch (*Larix sibirica*);
- Siberian fir (*Abies sibirica*).

The tree species used to make pellets are not protected under the Convention CITES and are not included in the list of the International Union for Conservation of Nature (IUCN).

By socio-economic conditions, the Krasnoyarskiy Krai is steadily entering the top ten regions in terms of gross regional product. Half of the GRP is provided by the industrial complex of the region. "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1" are city-forming enterprises in Lesosibirsk. Among the woodworking enterprises, LLC "UK" Segezha Group" ranks first in the Krasnoyarskiy Krai. However, in comparison with the pulp and paper companies in the region, "Ksilotek-Siberia" LLC and JSC "Lesosibirsk LDK 1" are much smaller wood processing enterprises.

Detailed information about the supply base (general description of the forest resources and forest management practices within the Supply Base) is publicly available at the BP's homepage: <https://segezha-group.com/upload/iblock/08d/08df2f5d1309b44c4fa8ba2773ed965d.pdf> .

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 1 100 546,9 ha

Tenure by type (ha): 1 100 546,9 ha public

Forest by type (ha): 1 100 546,9 ha boreal

Forest by management type (ha): 1 100 546,9 ha managed natural/natural

Certified forest by scheme (ha): 1 100 546,9 ha of FSC-certified forest

5.4 Chain of Custody system

BP is a pellet producer situated in Lesosibirsk, Krasnoyarsk region, Russia. BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a02f300000gKObNAAW&type=certificate> . Only secondary feedstock with FSC 100% claim from FSC certified sawmill located at the same production site is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim). Non-certified feedstock is not accepted.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on October 25-26, 2018 (12.5 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting onsite	Office	25/10/2018 09.00-09.15
Documents and procedures review. Inputs review, energy use calculations review	Office	25/10/2018 09:15-13.00
Chain of custody review (site tour); staff interview	Pellet production site	25/10/2018 13.00-17.00
Documents and procedures review. Inputs review, energy use calculations review	Office	26/10/2018 09.00-13.00
Closing meeting*	Office	26/10/2018 13.00-13.30
End of the evaluation		26/10/2018 13.30

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Natalia Zaladinova	Lead auditor 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 audit 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 assessment evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC system of the organisation, including SBP Procedure, SAR, SBP Profiling data and Supply Base Report and FSC system description was provided by the company at the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person and the management of the organization.

Audit team was introduced, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting, the lead auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a, 5b, 5c and 5d 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 controlled 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: <http://www.nepcon.org/impartiality-policy>

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on September 25, 2018 by sending direct email to different stakeholder categories. Furthermore, during onsite evaluation, stakeholder interview has been carried out by phone with the representative of the local communities.

No comments from the stakeholders were received.

7 Results

7.1 Main strengths and weaknesses

Strength: use of the FSC transfer system and production of biomass with FSC 100% claim. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: Since pellet production was not commissioned at the moment of assessment, most of the energy use data is based on engineering calculations.

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.

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

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.

OBS: 01/18	Standard & Requirement:	SBP Standard # 2 requirement 19.3
	Report Section	
Description of findings leading to observation:	SBR was not sent to independent and competent peer reviewer. Отчет о ресурсной базе на независимое и компетентное рецензирование не передавался.	
Observation:	BP is recommended to submit SBR to independent and competent peer reviewer. Организации рекомендуется передавать отчет о ресурсной базе на независимое рецензирование компетентному эксперту.	

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):	Pilar Gorría Serrano
Date of decision:	11/Dec/2018
Other comments:	<i>Click or tap here to enter text.</i>