



Forest Certification LLC Evaluation of BEPA LTD Compliance with the SBP Framework: Public Sum- mary 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*

Document history

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Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Compilation of data on Greenhouse Gas emissions
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification recommendation

1 Overview

CB Name and contact: Forest Certification LLC, 121096, Russia, Moscow, Vasilisy Kozhinoy, bld. 1, office 17.

Primary contact for SBP: Director of certification programs Savulidi Alexey. Phone/fax+78123846988. Mobile phone +7 (911) 921-74-65. E-mail: Alexey.Savulidi@fcert.ru

Current report completion date: 07/Jul/2020

Report authors: Stashkevich Nikolai

Name of the Company: BEPA LTD. Address: 3A, Stantsionnaya st., Gvardeisk, Grardeisk District, Kaliningrad region, Russia, 238210

Company contact for SBP: Khizhnyak Alexey, e-mail: aleksei.lg@mail.ru, tel: +79097777088

Certified Supply Base: Russian Federation (all regions)

SBP Certificate Code: SBP-09-01

Date of certificate issue: 09/Oct/2020

Date of certificate expiry: 08/Oct/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office and production site in Gvardeisk, the Kaliningrad region, Russia.

Scope description: Production of wood pellets in Gvardeisk, Kaliningrad region, Russia, for use in energy production. Post production end point - Kaliningrad sea harbor (FOB). 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;
- GHG data collection analysis
- Assess compliance against Instruction Document 5E: Collection and Communication of Energy and Carbon Data (Version 1.1 November 2019)

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

BEPA LTD began its activity in October 2015. The company produces wood pellets of the ENplus standard, which has been operating in the European Union since January 1, 2010.

The production base of BEPA LTD is located in the Kaliningrad region - the westernmost region of Russia, which creates unique opportunities for reducing production costs. The proximity of the EU countries and the presence of a well-organized transport network can significantly simplify logistics procedures compared to manufacturers from other regions of Russia, and, of course, makes products cheaper and more affordable for European consumers.

Currently, production capacities allow producing up to 35,000 tons of wood pellets per year. The company is actively investing in production, and soon BEPA LTD plans to increase productivity to 70,000 tons of wood pellets per year.

Company has a valid FSC- certificate from 31-05-2016 (NC-COC-025858 / NC-CW-025858).

BEPA LTD buy secondary feedstock with FSC 100% and FSC Controlled Wood from a single FSC-certified supplier (Lesobalt LTD, FC-COC-643029 / FC-CW-643029). FSC Mix Credit input is also possible according to List of supplies. Primary feedstock is also mentioned in the List of suppliers, but it is not used for FSC-certified production (just for non-certified). BP implements FSC credit system – all FSC-certified inputs mix in the separate place and segregate with non-certified inputs from other suppliers. All pellets have FSC Mix Credit or FSC Controlled Wood claim (according to credit account).

The biomass is transported by trucks to Kaliningrad seaport (KSCP JSC is a contractor) for storage and shipment to customers by ships (FOB condition).

5.2 Description of Company's Supply Base

BEPA LTD is located in Gvardeisk, the Kaliningrad Region, the Russian Federation.

As feedstock for pellet producing BEPA LTD uses wood chips and sawdust of coniferous species.

BEPA LTD resource base includes Russia as a whole (all regions) because at the moment BEPA LTD purchases raw materials from the one supplier (100% of input is secondary feedstock), a primary processor with FSC certificate. The supplier in its turn purchases raw materials (both certified and controlled) from the different regions of the Russian Federation.

The total area of forest land on the territory of the Russian Federation is 764 million hectares, accounting for about 21% of world reserves of standing timber. Forests are mainly boreal and they cover 46.6% of the area of the Russian Federation. The main wood species are pine, spruce, birch, aspen. Areas occupied by the main wood species remain rather stable within last decades. Hardwood (deciduous) species comprise 68.4%, softwood (coniferous) – 21,7% (2,4% - hard-leaved and 19,3% - hardwood broadleaved). Other wood species comprise less than 1% of forests. The cutting area in the RF comprises about 660 mln.m3, incl. softwood (coniferous) – 370 mln.m3. The area of certified forests in the Russian Federation is more than 53.46 million hectares.

The total reserve of the wood in the forests located on forest fund land is 80 billion m3 which is sufficient to provide with feedstock the developed added-value wood processing industry in Russia.

In accordance with Russian legislation all forest fund lands are state property. Legal entities can use forest areas in lease and short-term use. Lease relations are the dominant legal form of forest use. The lease term may continue up to 49 years. Entrance into a lease agreement or sale contract on forest plantations is carried out at the auction for sale of the right to enter into such agreements. Forest areas for a lease are subject to state expertise and cadastral registration. According to the Forest Code of the Russian Federation each forest user taking a lease forest land obliges:

- to carry out the activities on protection and reproduction of forests;
- to submit annual forest declaration;
- to issue a project of forest assimilation;
- to provide a report on the use of forests, their protection and reproduction.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 764 mln (Cumulative area of Boreal forest types of Russia)

Tenure by type (ha): state owned 764 mln

Forest by type (ha): boreal 764 mln

Forest by management type (ha): managed natural 764 mln

Certified forest by scheme (ha): 53,46 mln of FSC certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at BP's homepage: <https://www.bepatrade.com/sertifikaty>

5.4 Chain of Custody system

The BP holds valid FSC Chain of Custody certificate NC-COC-025858 / NC-CW-025858

<https://info.fsc.org/details.php?id=a023300000aymfdAAA&type=certificate>

FSC-certified input materials (secondary feedstock: chips and sawdust) are received from a single FSC-certified supplier (Lesobalt LTD, FC-COC-643029 / FC-CW-643029). The categories of input materials are FSC 100%, FSC Mix Credit (this category is mentioned in the List of supplies, but it is not used now) and FSC Controlled Wood. BP implements FSC credit system – all FSC-certified inputs mix in the separate place and segregate with non-certified inputs from other suppliers. Incoming volumes are registered in Organisation's database (excel form and 1C). Production records, balances and shipments are kept in a specially designed accounting program. The credit account is updated monthly, taking into account the receipts of FSC-certified raw materials. It includes also the categories of incoming raw materials, conversion factors, possible and actual write-offs of a FSC-credit.

All pellets have FSC Mix Credit or FSC Controlled Wood claim (according to used credit system as FSC control system), but they are realized as non-certified in the absence of demand.

Non-certified wood material is also used by Organisation, with physical segregation of certified and non-certified materials.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite main assessment was conducted on 26-27.06.2020 (12 h). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

<i>Date / time</i>	<i>Activities*</i>	<i>Location</i>
26.06.2020 / 8 hours	• Opening meeting. • Interviews with management and leading specialists of the enterprise. • Analysis of the resource base report.	Office, production site, Port of Kaliningrad
27.06.2020/ 4 hours	• Analysis of the internal documentation of the enterprise developed as part of the SBP certification. • Visit to the production site of the enterprise, places of acceptance, storage, processing of incoming raw materials and manufactured products. • Validation of an SBP enterprise supply chain system. • Interviews with employees. • Work with enterprise documentation. Fill out a checklist for applicable SBP certification standards. • Validation of the collection of SBP data on GHG, energy, carbon and stability characteristics. • Preparation of preliminary audit findings. • Closing meeting. Summing up the preliminary results of the audit.	

*Prior to onsite visit, detailed desk verification of documents has been implemented (8 h).

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), role	Qualifications
Stashkevich Nikolai, audit team leader	Forest Certification SBP lead auditor. He has successfully passed SBP auditor training in Berlin on 3-4 September 2019. Auditor had more than 100 audit-days in each of last years (2016-2019) on FSC and PEFC as a lead auditor or as an auditor (without desk-audits). No previous experience of SBP assessments and annual audits.

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 prior to the assessment and lead auditor had enough time to review it and get well prepared for onsite visit. Assessment started with an opening meeting attended by the representatives from Organisation's management and staff.

Auditor 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 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 and SBP-controlled biomass. And also auditor visited the post production end point in port Kaliningrad. 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 assessment findings were summarised and assessment were provided to the management and SBP responsible person.

Impartiality commitment: Please see Forest certification LLC impartiality commitment here: https://en.fcrt.ru/about/conflict_of_interests/

6.3 Process for consultation with stakeholders

23/04/2020 the information letter (e-mail) was sent to the stakeholders. More than 9 stakeholders was informed about the assessment. No comments from stakeholders have been received. List of informed stakeholders includes such groups of stakeholders as office of FSC Russia, FSC-certified companies in the region, scientific and educational entity, state forestry authorities, trade unions etc.

7 Results

7.1 Main strengths and weaknesses

Strength: All certified raw materials for the production of pellets SBP at the time of the assessment come from a single supplier. The credit system allows to mix raw materials with different FSC claims. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: single inaccuracies in SAR calculations.

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, handling and pellet transportation to the seaport; biomass fuel (saw mill residues) for burner (for drying); diesel and electricity for biomass loading-unloading in the seaport. Diesel consumption is a theoretical calculation based on specific consumption of installed machinery (diesel oil consumption is determined by the actual loading of track-loaders used for pellet production). Electricity consumption is based on actual electricity bills. The volume of burnt saw mill residues – it is a theoretical calculation based on specific consumption of installed machinery.

7.4 Competency of involved personnel

BP staff showed good understanding of knowledge of all applicable SBP requirements. The following key staff members are involved to SBP certification:

- SBP responsible (head of the transport and logistics department). He is responsible for collection of information from suppliers of raw materials, regular staff training, reporting SBR and SAR, as well as the general collection and transmission of raw data on greenhouse gases (hereinafter - GHGs), updating of SBP procedure (at least in case of changes in regulatory requirements of SBP and the working conditions of the organization), consideration of complaints related to SBP certification, storage of documentation concerning SBP certification.
- production director and shift managers (verification of supplier compliance with SBP standards, accounting and control of incoming wood raw materials, data collection for calculating energy and carbon costs; organization and control of the production process for the production of pellets, control of production indicators, accounting of finished products).
- accountant (preparation of financial and shipping documentation for pellets with an SBP-claim, as well as accounting in the 1C program).

The overall responsibility for ensuring compliance of the organization with the requirements of FSC standards lies with the general director of the organization.

According to the corresponding Protocol, SBP-training (on the content of the SBP-Procedure and relevant standards) was provided of the general director, production director, technical director, shift supervisors, tractor drivers, operators, forklift drivers and accountants of the enterprise.

All interviewed personnel was competent except the representative of KSCP JSC (the organization that renders work under the contract, the operator of the sea terminal (transshipment, storage of goods)) – see NC-01.

7.5 Stakeholder feedback

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

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.

NC number 01	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 2: Verification of SBP-compliant Feedstock, V.1.0, March 2015; p.15.7. Relevant personnel shall be informed promptly of any changes to management systems
Description of Non-conformance and Related Evidence:	
The applicant for the certificate introduced a system within the enterprise that provides for the production of SBP-compliant and SBP-controlled biomass - the SBP Certification Procedure of BEPA LTD Version 1-0 was approved, which regulates the training of personnel in SBP certification requirements. Protocols of training of responsible employees to the requirements of this Procedure, relevant SBP standards 2, 4, 5 and instructions 5E are provided. In interviews with responsible persons indicated in the Protocols (their responsibilities are taken into account in the relevant sections of the Procedure), their sufficient competence and knowledge of SBP certification requirements and relevant changes in the management system were confirmed. At the same time, in assessing the certification area, it was confirmed that it includes a seaport where pellets are stored and loaded onto ships for shipment to suppliers (according to an agreement between BEPA LTD and Kaliningrad Sea Commercial Port JSC (KSCP JSC)). The interviewed specialist responsible for certification (head of the transport and logistics department) confirmed that control of the supply chain in this section is carried out by the warehouse manager (employee of KSCP JSC). The interviewed warehouse manager confirmed the separation of incoming pellet years into categories A1 and A2 (within the framework of the current ENplus certification), but could not confirm his participation in training on SBP requirements and answer questions asked about SBP certification; the signature of the employee is missing in the minutes. As far as the requirement of the standard is partially fulfilled, due to a temporary omission, it was decided to issue a minor non-conformity.	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>

Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 02	NC Grading: Observation
Standard & Requirement:	SBP Framework Standard 4: Chain of Custody, V.1.0, March 2015; 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:	
The applicant for the certificate has a valid FSC certificate (NC-COC-025858). During the verification of the report on the results of the previous FSC audit, it was confirmed that BEPA LTD didn't have open non-conformities according to this scheme. In checking the company's materials (Guidance on managing the FSC COC system, the List of suppliers, materials on health and safety, trade and transport documents for the purchase of raw materials and sales of products, approved output CF, etc.), the organization confirmed compliance with FSC requirements FSC-STD-40-004 v.3-0 relating to the scope of the FSC certificate. The provided credit account contains data on the purchased volumes of certified raw materials (dry chips, wet chips, wet sawdust), on the corresponding loan proceeds to the credit account, on writing off the loan (there is no sale of certified products; credit excesses are being written off in accordance with clause 10.6 FSC- STD-40-004 v.3-0). At the same time, the receipts of certified FSC Controlled Wood category raw materials are not reflected in the credit account to assess the possible sales of certified products with the corresponding FSC claim. This may lead to the sale of certified products with the FSC Controlled Wood claim in excess of the available volumes (sale of non-certified as FSC Controlled Wood); The indicated volumes are taken into account in other company accounting materials.	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 03	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 5: Collection and Communication of Data, V.1.0, March 2015; p. 5.1. All data submissions must be supported by appropriate evidence
Description of Non-conformance and Related Evidence:	

The applicant for the certificate has developed the Supply Base Report: BEPA LTD and SBP Audit Report (SAR) on Energy and Carbon Data for Pellets; at the request of the auditor, the certification manager (head of the transport and logistics department) demonstrated relevant evidence confirming the correctness of the data specified in these documents, except for 2 points: - inaccuracy in the total consumption of diesel fuel for the reporting period was revealed (correct the value is greater by 1019 l; see section 3.4 SAR); - in section 13.4 SBR the following inputs for the reporting period (01.04.2019-31.03.2020) were indicated: 1300 m3 FSC 100% and 59079 m3 FSC Controlled Wood, they are differ other than calculated when checking the data for the following values: 2850 m3 FSC 100% and 37255 m3 FSC Controlled Wood. As far as the requirement of the standard is partially fulfilled, due to a temporary omission, it was decided to issue a minor non-conformity .	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 04	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 5: Collection and Communication of Data, V.1.0, March 2015; p. 6.2. The BP is not responsible for calculating the energy and carbon balance of the supply chain. All legal owners shall provide all necessary data to the accuracy necessary to enable those calculations
Description of Non-conformance and Related Evidence:	
The applicant for the certificate has developed the Supply Base Report: BEPA LTD and SBP Audit Report (SAR) on Energy and Carbon Data for Pellets; at the request of the auditor, the certification manager (head of the transport and logistics department) demonstrated relevant evidence confirming the correctness of the data specified in these documents, except for 2 points: - inaccuracy in the total consumption of diesel fuel for the reporting period was revealed (correct the value is greater by 1019 l; see section 3.4 SAR); - in section 13.4 SBR the following inputs for the reporting period (01.04.2019-31.03.2020) were indicated: 1300 m3 FSC 100% and 59079 m3 FSC Controlled Wood, they are differ other than calculated when checking the data for the following values: 2850 m3 FSC 100% and 37255 m3 FSC Controlled Wood. As far as the requirement of the standard is partially fulfilled, due to a temporary omission, it was decided to issue a minor non-conformity .	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>

Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

NC number 05	NC Grading: Minor
Standard & Requirement:	SBP Instruction Document 5E: Collection and Communication of Energy and Carbon Data, V1.1, November 2019; p. 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:	
The applicant for the certificate has developed the Supply Base Report: BEPA LTD and SBP Audit Report (SAR) on Energy and Carbon Data for Pellets; at the request of the auditor, the certification manager (head of the transport and logistics department) demonstrated relevant evidence confirming the correctness of the data specified in these documents, except for 2 points: - inaccuracy in the total diesel fuel consumption for the reporting period was revealed (correct the value is greater by 1019 l; see section 3.4 SAR); - in section 13.4 SBR the following inputs for the reporting period (01.04.2019-31.03.2020) were indicated: 1300 m3 FSC 100% and 59079 m3 FSC Controlled Wood, they are different other than calculated when checking the data of the following values: 2850 m3 FSC 100% and 37255 m3 FSC Controlled Wood. During the SAR assessment, it was found that in the Appendix 1 Photo-graphs / illustrations section of the document there are no photos of biomass storage in the seaport where pellets are stored and loaded onto vessels for dispatch to suppliers (according to an agreement between BEPA LTD and KSCP JSC); the pellets at the warehouse in the seaport are owned by the applicant for the certificate in accordance with the appendices to the contract No. 04/2018 of 04.04.2018). As far as the requirement of the standard is partially fulfilled, due to a temporary omission, it was decided to issue a minor non-conformity .	
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:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	<i>Click or tap here to enter findings for evaluation of evidence by the auditor.</i>
NC Status:	Open

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):	Artem Kornilov
Date of decision:	10/Jul/2020
Other comments:	None