

NEPCon Evaluation of PIK-BIO 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*

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 otarabus@nepcon.org, +420 606 730 382

Current report completion date: 31/Mar/2020

Report authors: : Nikolai Tochilov

Name of the Company: PIK-BIO LLC, Legal address: bld. 94-53, Druzhby Narodov av., Ust-Ilimsk 666687 Irkutsk region, Russia. Production site address: territory PIK-BIO LLC, Prompleshchyadka UI LPK, Ust-Ilimsk 666684, Irkutsk region, Russia

Company contact for SBP: Viktor Feoktistov, deputy director. Mob.: +79246360369; Email: Feoktistov1967@inbox.ru

Certified Supply Base: Russia, Irkutsk and Krasnoyarsk regions

SBP Certificate Code: SBP-07-77

Date of certificate issue: 31/Mar/2020

Date of certificate expiry: 30/Mar/2025

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope of certificate includes production of wood pellets for use in energy production and its transportation by different means of transport to different end points all over the world. The scope of the certificate does not include Supply Base Evaluation. The scope 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. 1.0.

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

PIK-BIO LLC is a secondary processor (biomass producer) with production capacity of 27000 tone pellets/year, located in Ust-Ilimsk, Irkutsk region of Russia. The pellet plant was commissioned in the beginning of 2019 and has 38 employees. The BP holds valid FSC CoC certificate covering biomass production and uses only FSC 100% and FSC Controlled Wood secondary feedstock for pellet production (sawdust, and since the beginning of 2020 – wood chips) and heating (barks and wood chips). All feedstock is purchased from a single external supplier – a sawmill located next to a pellet plant. Feedstock is delivered to production site by conveyor belt, or in exceptional cases by front-end loader.

5.2 Description of Company's Supply Base

PIK-BIO LLC is a biomass producer located in Ust-Ilimsk, Irkutsk Region. The pellet production was launched in 2019 for the processing of wood processing residues (sawdust and wood chips) from a single supplier, which receives wood from 1 FSC-certified FMU and 21 FMUs controlled according FSC-STD-40-005. PIK-BIO LLC uses SBP-compliant secondary feedstock (FSC 100% claim) to produce SBP-compliant biomass, and SBP-controlled secondary feedstock (FSC Controlled Wood claim) to produce SBP-controlled biomass. The tree species are Scots pine (*Pinus sylvestris*), Siberian larch (*Larix sibirica*), a small percentage of Siberian spruce (*Picea obovata*), Siberian fir (*Abies sibirica*), and Siberian cedar pine (*Pinus sibirica*).

The supply base of PIK-BIO LLC is the forest fund of the Irkutsk region and the Krasnoyarsk Krai. The total area of the supply base is 228,1 million ha.

Krasnoyarsk Krai has one of the largest forest resources among Russian regions. The territory of the forest fund of the region is 158,7 million hectares. The total stock of forests amounts to 11,7 billion m³ - this is about 1/3 of the Siberian Federal District reserves and 1/7 of the total Russian forest stock. In the structure of forest stands of the Krasnoyarsk Krai coniferous stands prevail, the share of which is about 76%.

The forest fund of the Irkutsk region is 69,4 million hectares. According to the information contained in the regional Forest Plan, 12% of the country's forest reserves are concentrated in the region. But not all forest area is covered with forests. Some of them have been cut down and not yet replanted; part damaged by fires; about 1,6 million hectares are occupied by glades, ravines, roads, buildings, etc. The total standing stock is 8,8 billion m³, including the stock of coniferous stands – 7,5 billion m³.

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.

Within the Supply Base, forest management practices are based on the achievement of renewable sustainable forest management in accordance with the requirements of forest legislation and the principles of forest certification. The rotation period is 60-120 years. Only clear cuts are used as a method of wood harvesting 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 or the promotion of natural regeneration. 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.

When harvesting wood, according to the forest legislation species listed in the Red Book, as well as their habitats, are subject to conservation. Harvesting of valuable, endangered and specially protected species of trees is prohibited. On the territory of the Krasnoyarsk Krai there are such types of trees listed in the Red Book as Small-leaved Birch (*Betula microphylla* Bunge), Pseudocossack Juniper (*Juniperus pseudosabina* Fisch. & C.A. Mey.). In the Irkutsk Region, Siberian Blue Spruce (*Picea obovata* Ledeb. Var. *Coerulea* Malysch) and Berry Apple Tree (*Malus baccata* (L.) Borkn.) are subject to conservation. Areas with a predominance of Siberian cedar pine (*Pinus sibirica*) are prohibited for cutting in the Irkutsk region.

PIK-BIO LLC does not procure and does not purchase tree species listed in the IUCN or CITES list, as their habitat is outside the Supply Base.

The main enterprises of the forest industry in the Irkutsk region, which are also the largest tenants and loggers: JSC Ilim Group - manufacturer of pulp and cardboard; Omfal LLC, Ind-Timber LLC, Lesresurs LLC, PromLesTrade LLC, IP Zarechny, Madera CJSC - manufacturers of lumber and pellets; LLC TM Baikal, CJSC KATA, LLC Orion, LLC Lesobalt - manufacturers of lumber; Usolsky Plywood Plant LLC, Ilim Timber LLC - plywood manufacturers. The company PIK-BIO LLC is located in Ust-Ilimsk, Irkutsk Region and is a small enterprise compared to mentioned above. The company provides jobs for local people and pays taxes in the local budget.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	228,1 mln ha
Tenure by type (ha):	228,1 mln ha
Forest by type (ha):	boreal 228,1 mln ha
Forest by management type (ha):	managed natural 228,1 mln ha
Certified forest by scheme (ha):	10,7 mln ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available in company's profile at SBP homepage <https://sbp-cert.org/accreditations-and-certifications/certificate-holders/> (SBR will be uploaded there after certificate issue).

5.4 Chain of Custody system

BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a02f300000k62rLAAQ&type=certificate> covering the pellet production. Only secondary feedstock with FSC 100% and FSC Controlled Wood claims is used for pellet production and FSC transfer system of claims is implemented. Physical segregation (production in different batches) is ensured to produce pellets with FSC 100% claim and FSC Controlled Wood claim. BP ensures that production line is completely cleaned out when switching from production of FSC Controlled Wood biomass to FSC 100% biomass. The feedstock goes by conveyor belt directly to the production, there is no storage of feedstock at the BP site. The physical separation is assured by the responsible personnel (who is working both for the only supplier and the BP) and is done based on shifts – for each shift is defined if they run certified or controlled pellet production. Records are kept about the certification status of both input and output material. Certified and non-certified biomass is kept separately in big bags. Non-certified feedstock is not used neither in pellet production, nor in burner.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on March 24, 2020 (app. 7 working hours). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	24/03/2020 09.00-09.15
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	24/03/2020 09.15-12.00
Chain of custody review (site tour); staff interview	Production facilities	24/03/2020 12.00-13.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	24/03/2020 13.00-17.00
Closing meeting	Office	24/03/2020 17.00-17.15

* Note: app. 3 hours was spent for documents (SBP Procedure, SBR, SAR) review submitted by BP to auditor prior to onsite assessment.

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov, audit team leader	NEPCon SBP lead auditor. He has successfully passed SBP auditor training in Tallinn in January 2015; previous experience with more than 40 SBP assessments and annual audits in Russia and Europe.

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:

Key documents related to SBP certification (SBP Procedure, SBR and SAR) have been submitted to auditor prior to assessment. The rest documents, including GHG data calculations, FSC CoC documented procedure etc. have been provided by the BP in the beginning of the assessment.

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 accreditation related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction document 5e covering input clarification, existing chain of custody system, management and monitoring review system, recordkeeping/mass balance requirements, emission and energy data, classification of input material. 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 (see section 5.4. above).

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

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<http://www.nepcon.org/impartiality-policy>

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on December 23, 2019 by sending direct email to different stakeholder categories (more than 120 recipients). No comments from the stakeholders have been received. List of informed stakeholders 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; FSC 100% and FSC Controlled Wood secondary feedstock is sourced and processed separately. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: no weaknesses identified during this assessment.

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 handling; diesel for biomass handling and shipping; diesel and electricity for biomass transportation to customer. Diesel consumption value by vehicles used at pellet plant is based on actual refuelling data obtained in accountancy; electricity consumption value by pellet plant is based on invoices issued by electricity supplier on a monthly basis.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: most of the responsibilities related to maintaining of SBP certification are shared between only three staff members – SBP responsible/deputy director (SBP procedure, SBR, SAR, staff training, complaints management, trademark use, DTS); production chief (collection of primary data on energy use for SAR); and director (overall management, H&S). SBP responsible person is authorized to make changes in BP's procedures and management system when it is needed (for example, when SBP approves the new versions of standards and instruction documents, or when changes occur in production processes). Upon the decisions are done, the SBP responsible person prepares the plan of staff training and conducts the training within the established deadline, which depends on the timeline established by SBP. By default, staff training shall be conducted within 2 weeks after changes in SBP-related documents and in the management system. Newly employed staff involved in SBP certification shall also be trained within 2 weeks after employment. Prior to and during SBP assessment, BP was supported by 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

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.*

No NCRs identified during assessment.

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):	Ondrej Tarabus
Date of decision:	31/Mar/2020
Other comments:	N/A