



Supply Base Report: ULK Group LLC

Second Surveillance Audit

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Completed in accordance with the Supply Base 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

Producer name: ULK Group LLC

Producer location: 165210, Russia, Arkhangelsk region, Ustianskiy district, vil. Tarasonavolotskaya, 33

Geographic position: 61.079120'N, 43.278808'E

Primary contact: Ekaterina Krivosheeva, 165210, Russia, Arkhangelsk region, Ustianskiy district, vil. Tarasonavolotskaya, 33, tel.: +79212949267, e.krivosheeva@ulkust.ru

Company website: <http://ulkust.ru>

Date report finalised: 28/Apr/2020

Close of last CB audit: 15/Jun/2020, Kostylevo

Name of CB: NEPCon

Translations from English: Yes

SBP Standard(s) used: Standard 2 version 1.0, Standard 4 version 1.0, Standard 5 version 1.0

Weblink to Standard(s) used: <http://www.sbp-cert.org/documents>

SBP Endorsed Regional Risk Assessment: Not applicable

Weblink to SBE on Company website: Not applicable

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
☐	☐	X	☐	☐

2 Description of the Supply Base

2.1 General description

ULK GROUP LLC is one of the largest logging and timber processing enterprises in the Arkhangelsk region. The group includes 4 sawmills (3 in the Arkhangelsk region and 1 in the Novgorod region) and two pellet plants in the Arkhangelsk region, the village of Oktyabrsky and the city of Velsk.

The Supply base of ULK Group LLC is the forest fund area of the Arkhangelsk and Vologda regions. ULK Group LLC processes its own feedstock and from six FSC certified suppliers, who is located in the Arkhangelsk and Vologda regions. The company ULK GROUP LLC has an FSC forest management certificates (NC-FM/COC-014108; NC-FM/COC-014179; NC-FM/COC-054054; NC-FM/COC-055555; NC-FM/COC-054018).

The SBP-certified biomass producer is located in the south of the Arkhangelsk region in the middle taiga zone, in close proximity to Oktyabrsky and the Northern Railway. The main activities are lumbering and lumber production. The company processes about 1,400 thousand m³ of roundwood per year. For the production of pellets, ULK GROUP LLC uses only SBP-compliant secondary feedstock (sawdust, waste of its own sawn timber production).

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. Adjacent areas mostly are represented by forest management units of other tenants and agricultural land. Mostly in these areas logging and agriculture are carried out, respectively.

Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Softwood species constitute 78%, hardwood - 22%.

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 in lease (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 project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

The Arkhangelsk and Vologda regions are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 25-30% of the timber stock. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and ULK GROUP LLC, observe a moratorium on timber harvesting in these forest areas. On the territory of the Supply Base there are intact forests and wetlands of international importance. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, ULK GROUP LLC uses wood only from FSC certified forests in the pellets production.

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. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings (about 10-15%) or the promotion of natural regeneration (85-90%).

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. In biomass production ULK GROUP LLC processes only European spruce (*Picea abies*) and Scotch pine (*Pinus sylvestris*). The tree species listed in CITES and IUCN are not processed, since their areal is not met within the supply base.

Within the regions of the supply base, deep wood processing prevails over the export of round timber. The leading areas of processing are the production of lumber, plywood, fiberboard, chipboard, pulp, paper and cardboard production, wooden housing construction. Pellet production accounts for approximately 2% of the total wood processing within the supply base.

ULK GROUP LLC is of great socio-economic importance in the Ustyansky District and the Arkhangelsk Region, as it is a city-forming enterprise. The company provides financial and material support to social and cultural facilities and organizations, sports facilities and healthcare facilities, is engaged in repair and construction of roads in the district.

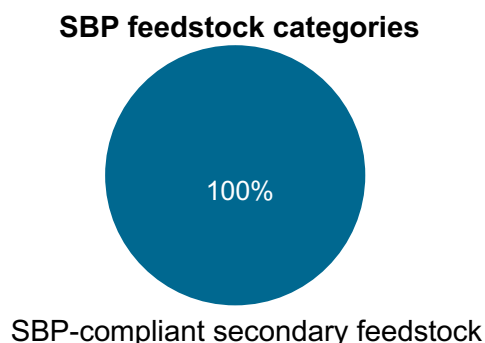
2.2 Actions taken to promote certification amongst feedstock supplier

For the pellets production, ULK GROUP LLC uses only FSC-certified feedstock of its own procurement from an FSC-certified lease area and from FSC-certified suppliers, therefore no additional steps are required to promote FSC certification.

2.3 Final harvest sampling programme

Not applicable because for the pellets production only used FSC-certified secondary feedstock is used.

2.4 Flow diagram of feedstock inputs showing feedstock type



2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|---|
| a. Total Supply Base area (ha): | 40,7 mln. ha |
| b. Tenure by type (ha): | 40,7 mln. ha public |
| c. Forest by type (ha): | 40,7 mln. ha boreal |
| d. Forest by management type (ha): | 40,7 mln. ha managed natural |
| e. Certified forest by scheme (ha): | 13,0 mln. ha of FSC-certified forest |

Feedstock

- | | |
|--|--|
| f. Total volume of Feedstock: | 175541,89 tons; |
| g. Volume of primary feedstock: | 0 tons; |
| h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes: | |
| - Certified to an SBP-approved Forest Management Scheme - 0%; | |
| - Not certified to an SBP-approved Forest Management Scheme – 0%; | |
| i. List all species in primary feedstock, including scientific name – not applicable; | |
| j. Volume of primary feedstock from primary forest – not applicable; | |
| k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: | |
| - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme – 0%; | |
| - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme – 0%; | |
| l. Volume of secondary feedstock: | 175541,89 tons of sawdust – wood processing residues; |
| m. Volume of tertiary feedstock: | – 0%. |

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☒

In the production of SBP pellets, FSC 100% secondary feedstock is used. Supply Base evaluation is not required.

4 Supply Base Evaluation

4.1 Scope

Not applicable.

4.2 Justification

Not applicable.

4.3 Results of Risk Assessment

Not applicable.

4.4 Results of Supplier Verification Programme

Not applicable.

4.5 Conclusion

Not applicable.

5 Supply Base Evaluation Process

Not applicable.

6 Stakeholder Consultation

Not applicable.

6.1 Response to stakeholder comments

Not applicable.

7 Overview of Initial Assessment of Risk

Not applicable.

8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Not applicable.

8.2 Site visits

Not applicable.

8.3 Conclusions from the Supplier Verification Programme

Not applicable.

9 Mitigation Measures

9.1 Mitigation measures

Not applicable.

9.2 Monitoring and outcomes

Not applicable.

10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

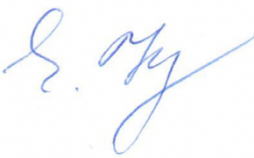
11.1 Peer review

This year, the Supply Base Report was not reviewed by an expert.

11.2 Public or additional reviews

The Supply Base report of ULK GROUP LLC is posted on the site <http://ulkust.ru/>. Questions and comments can be sent to the SBP certification manager by e-mail to e.krivosheeva@ulkust.ru.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Ekaterina Krivosheeva 	SBP manager	24/04/2020
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	Malkov Dmitry Alexandrovich 	Director	24/04/2020
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

The structure of suppliers within the Arkhangelsk and Vologda regions has changed. Currently, there are 6 suppliers with whom LLC "GK" ULK "has worked or plans to work in the coming year.

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

175541,89 tons of sawdust – wood processing residues.

13.5 Projected figures for feedstock over the next 12 months

200 000 tons of sawdust – wood processing residues.