

NEPCon Evaluation of GSK Resurs Ltd 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

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Primary contact for SBP:	Ondrej Tarabus otarabus@nepcon.org, +420 606 730 382
Current report completion date:	20/Apr/2020
Report authors: :	Mikhail Rai
Name of the Company:	GSK Resurs Ltd., Production site address: 8 1-ya Promishlennaya str. , Velikiy Ustug 162390, Vologda region, Russia. Legal address: 93A, 219 naberezhnaya Obvodnogo kanala, Saint-Petersburg, 191119, Russia
Company contact for SBP:	Maxim Uglov, SBP certification manager. Mob.: +79117053370, email: uma@gskresurs.ru
Certified Supply Base:	Russia, Arkhangelsk and Vologda regions
SBP Certificate Code:	SBP-07-91
Date of certificate issue:	22/Apr/2020
Date of certificate expiry:	21/Apr/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 at Velikiy Ustug, Vologda region, Russia for use in energy production and its transportation by different means of transport to different end points in Russia. 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

GSK Resurs LLC is a secondary processor (biomass producer) established in 2018 and located in the Vologda region, Russia. The annual production capacity of wood pellets is 50 000 tons. The BP holds a valid FSC CoC certificate and uses only FSC-certified secondary feedstock (offcuts, woodchips, sawdust) with FSC 100% claim for FSC/SBP certified pellet production. FSC transfer system is implemented to control FSC claims. The BP also purchases non-certified secondary feedstock to produce non-certified wood pellets. To avoid mixing the BP implements segregation procedures throughout the whole production process. The final product may be transported by different means of transport to different endpoints in Russia, on different Incoterms delivery conditions.

5.2 Description of Company's Supply Base

GSK Resource LLC produces SBP-compliant biomass from SBP-compliant secondary feedstock. Feedstock (sawdust, slab, wood chips) for the production of SBP-compliant biomass are purchased from several FSC certified suppliers. However, in the reporting period, uncertified feedstock from 19 suppliers was purchased, since the FSC certificate was received only at the end of 2019. The species composition of the feedstock is Norway Spruce (*Picea abies*) - 50%, Scots pine (*Pinus sylvestris*) - 45%, Silver birch (*Betula pendula*) - 5%.

The Supply base is the place of origin of wood that provides feedstock for the production of wood pellets, it is limited to the Arkhangelsk and Vologda regions.

In accordance with the legislation of the Russian Federation forest areas are in federal ownership. Suppliers manage forest land on the basis of long-term lease agreements (up to 49 years). 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.

Forest areas are represented by both coniferous and deciduous stands. The main forest-forming species: Norway spruce (*Picea abies*), Scots pine (*Pinus sylvestris*), Silver birch (*Betula pendula*), Downy birch (*Betula*

pubescens), aspen (*Populus tremula*). The share of mature and over mature forest stands is about 3/4 of the timber stock.

The adjacent lands of the supply base are mainly represented by forest areas of other tenants and agricultural land. Mostly logging activities and agriculture are carried out in these territories, respectively. In protective forests located along lakes, swamps and other environmentally sensitive objects, a stricter control regime is applied.

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. GSK Resurs LLC does not process tree species listed in CITES and IUCN and their area is not met within the supply base.

GSK Resurs LLC is not a logging company, but a company that utilizes waste from sawmills and woodworking industries. In terms of processing volumes, the enterprise belongs to medium-sized enterprises.

Logging companies, being FSC certified forest users, and GSK Resurs LLC as an FSC-certified processor, provide social support to the local population through various social programs (for example, the supply of fuel wood to the local population, preferential employment rights for local residents, participation in the organization of local events as sponsors, assistance in the construction and repair of local infrastructure facilities, etc.).

5.3 Detailed description of Supply Base

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

Detailed information about BP's supply base may be found in their Supply Base Report available in Internet <http://gskresurs.ru/production/>

5.4 Chain of Custody system

BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a02f300000k47q3AAA&type=certificate> covering the pellet production. At the moment of the assessment, the BP purchases secondary feedstock from non-certified neighbouring sawmills and now BP is working towards signing several contracts with FSC certified suppliers, located nearby as well. The BP intends to use both certified and non-certified feedstock and implements physical segregation for all types of incoming secondary feedstock (offcuts, wood chips, and sawdust). The BP has separate stacks for certified and non-certified offcuts. Storages of certified and non-certified bulk materials are located remotely from each other and there is no mixing. Also, temporal segregation applied for the production process to prevent the mixing of certified and non-certified materials. When changing from non-certified to certified feedstock, first ten tons of pellets would be considered as non-certified. Implemented FSC transfer system assumes that all pellets produced from the certified feedstock, purchased with an FSC 100% claim will have a similar claim at the output.

BP uses only natural gas for heating.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on March 23-24, 2020 (app 13 working hours). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	23/03/2020 09.00-09.30
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	23/03/2020 09.30-12.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	23/03/2020 13.00-16.30
Chain of custody review (site tour); staff interview	Production facilities	24/03/2020 09.00-12.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	24/03/2020 13.00-16.00
Closing meeting	Office	24/03/2020 16.00-16.30

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Mikhail Rai, audit team leader	NEPCon 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.

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 in the beginning of the assessment, which started with an opening meeting attended by the representatives from Organisation's management and staff.

Audit team leader introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the audit team leader 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 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 December 08, 2019 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.

7 Results

7.1 Main strengths and weaknesses

Strengths: use of the FSC transfer system; small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: gaps in recordkeeping system (see also OBS 01/20); FSC 100% and non-certified secondary feedstock will be sourced.

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; gas for heating; diesel and electricity for feedstock handling; diesel or and electricity for biomass transportation to customer. Diesel consumption value by loaders is based on actual refuelling data obtained in accountancy; electricity consumption by pellet plant (including office facilities and staffrooms) is based on readings obtained from installed electric meters. Gas consumption for heating is based on readings obtained from installed gas meters.

7.4 Competency of involved personnel

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

- BP's management (appointment of SBP responsible, anti-bribery policy and code of conduct, trade and tax legislation, EUTR requirements and DDS implementation);
- SBP responsible person/certification manager (chain of custody, SBP procedures and systems updates, SAR, SBR and feedstock origin, SREG (if applicable), complaints);
- Head of economic and finance department (registration of inputs and outputs, conversion factor updates, registration of diesel consumption, SDIs, distances, SAR, SREG (if applicable), DTS, sales);
- Deputy production CEO (moisture measurements, registration of electricity and gas consumption);
- Separate H&S responsible (H&S implementation).

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

Prior to and during SBP assessment, BP was supported by an 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.

NC number 01/20	NC Grading: Minor / Незначительное
Standard & Requirement:	SBP Standard 2: Verification of SBP-compliant Feedstock V1-0, Instruction Note 2C, 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest versions of the SBR Template for Biomass Producers downloaded from the SBP website.
Description of Non-conformance and Related Evidence:	
Provided SBR does not include a comparison of the scale of harvesting compared to other forest based industries in the region as required by the SBR template. Представленный отчёт о ресурсной базе не содержит сравнение масштабов лесозаготовки с другими предприятиями лесной отрасли, как того требуют указания для заполнения в шаблоне отчёта.	
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 SBR. See also http://gskresurs.ru/production/
Findings for Evaluation of Evidence:	The BP provided updated SBR. Updated reports (in Russian and English) include all relevant information as required by the SBR template. Actions undertaken by the BP is sufficient to close the NC. Организация представила обновлённый отчёт о ресурсной базе. В отчётах (на русском и английском языках) включена вся информация, требуемая шаблоном. Действия, предпринятые организацией, признаны достаточными для закрытия несоответствия.
NC Status:	Closed

NC number 02/20	NC Grading: Observation / Наблюдение
Standard & Requirement:	SBP Framework Standard 4: Chain of Custody V1-0, 5.2.5 For all feedstock inputs the BP will keep input records. In addition to meeting the requirements specified in the SBP-approved CoC system being implemented, the input records will contain at least: a) Invoice reference(s) or other transaction number b) A description of the physical properties of the feedstock c) The volume of physical input d) The supplier e) Transaction date f) The certificate numbers of any certified suppliers
Description of Non-conformance and Related Evidence:	
The BP declared that it purchases only secondary feedstock (offcuts, wood chips, sawdust) of the following species: Norway spruce (<i>Picea abies</i>), Scots pine (<i>Pinus sylvestris</i>), Silver birch (<i>Betula pendula</i>). During documentation review it was mentioned that the BP received Aspen (<i>Populus tremula</i>) firewood as a feedstock in the middle of 2019. The BP's representatives and management clarified that it was a mistake made by the supplier in transport documents. Also, head of pellet mill explained, that the BP does not use aspen in pellet production, due to the physical characteristics of wood pellets. Furthermore, no aspen firewood has been identified during on-site inspection. Организация закупает вторичное сырьё (горбыль, щепа, опилки) следующих пород: Ель европейская (<i>Picea abies</i>), сосна обыкновенная (<i>Pinus sylvestris</i>), берёза повислая (<i>Betula pendula</i>). При проверке документации было установлено, что Организация принимала осиновые (<i>Populus tremula</i>) дрова в качестве сырья в середине 2019 года. Представители и руководство Организации пояснили, что поставщиком была допущена ошибка в транспортных документах. Также начальник производства уточнил, что Организация не использует осину для производства пеллет в связи с техническими требованиями к пеллетам. Более того, в ходе инспекции производства не было выявлено использования осиновых дров.	
Timeline for Conformance:	Other
Evidence Provided by Company to close NC:	-
Findings for Evaluation of Evidence:	-
NC Status:	-

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):	Nikolai Tochilov
Date of decision:	20/Apr/2020
Other comments:	<i>Click or tap here to enter text.</i>