

NEPCon Evaluation of “Sokol Timber Company” Joint-Stock Company 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*

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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: 11/Nov/2019

Report authors: : Nikolai Tochilov

Name of the Company: Joint-Stock Company “Sokol Timber Company”. Legal and production site address: 1 Lugovaya street, Sokol, Vologda region 162132 Russian Federation

Company contact for SBP: Tatiana Generalova, chief technologist/SBP responsible. Mob.: +79212304719; Email: Generalova_TN@segezha-group.com

Certified Supply Base: Russia, Arkhangelsk, Vologda, Kirov, Kostroma, Leningrad, Nizhniy Novgorod, Novgorod, Pskov, Tver, Yaroslavl, Irkutsk regions, Karelia Republic and Krasnoyarsk krai

SBP Certificate Code: SBP-07-36

Date of certificate issue: 15/Nov/2019

Date of certificate expiry: 14/Nov/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Sokol, Vologda region, Russia, for use in energy production and its transportation by truck to Terminal Aurora, St. Petersburg (FCA); Terminal Voskhod, St. Petersburg (FCA); 1-st Biofuel Terminal, St. Petersburg (FCA); Terminal Morskoy Port, St. Petersburg (FCA); Terminal Factor, Ust-Luga (FCA), and by train to Train station Noviy Port, St. Petersburg (FCA); Train Station Ust-Luga, Leningrad region (FCA), or to any other harbor or railway station in Russia. 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 5D: Dynamic Batch Sustainability Data v1.1

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

Organisation is a wood processing company (primary and secondary) located in Vologda region, Russia.

The round wood used at sawmilling (logs for primary production) originates from European Russia (Arkhangelsk, Vologda, Kirov, Kostroma, Leningrad, Nizhniy Novgorod, Novgorod, Pskov, Tver, Yaroslavl regions and Karelia Republic) and has FSC 100% and FSC Controlled Wood claims, or included into Organisation's own program of FSC controlled material sources verification according to FSC-STD-40-005 (3-1).

Organisation furthermore sources sawn wood from FSC-certified suppliers in Siberia (Irkutsk region and Krasnoyarsk krai) with FSC 100%, FSC Mix Credit and FSC Controlled Wood claims.

Most of the sawn material (produced or purchased) is then processed at Organisation's woodworking plant which produces wooden houses (house components), glued laminated timber (GLULAM) and planks. Dry wood residues (sawdust and shavings) from woodworking plant are used for pellet production.

Total annual production capacity of pellet plant is 10000 tones.

The Organisation implements FSC credit system of claims and all amount of produced biomass is sold with FSC Mix Credit claim.

Pellet plant was commissioned in August 2018.

5.2 Description of Company's Supply Base

JSC "Sokol Timber Company" (JSC S-DOK), is a member of one of the largest timber industry holdings in Russia LLC GK Segezha Group. The plant produces glued wooden structures for housing construction, including sets of houses from glued wood, and is the largest woodworking production in the European part of Russia.

JSC S-DOK is located in the city of Sokol, 35 km from Vologda on the bank of the Sukhona river. The plant was founded on April 15, 1942, since then the plant has come a long way from a military plant to a modern world-class enterprise engaged in deep processing of wood.

There is a timber yard located on the territory, sawnwood production, the production of glued wooden constructions and pellet production.

Roundwood, as well as boards produced by suppliers, is supplied from 39 suppliers both for sawing and processing. Waste from the process of secondary processing of wood, that is produced after planing dried wood billets - shavings and sawdust - are used as feedstock for the production of pellets. All wood entering the factory is FSC certified or FSC controlled. According to the FSC product group, pellets are produced only

with the FSC Mix Credit claim, which corresponds to the SBP-compliant biomass claim. Feedstock for the production of pellets (dry shavings and sawdust) are classified as SBP-compliant pre-consumer tertiary feedstock.

JSC S-DOK determined the following regions of wood supplies during the reporting period and for the coming year: Arkhangelsk Region, Vologda Region, Kirov Region, Kostroma Region, Leningrad Region, Nizhny Novgorod Region, Novgorod Region, Pskov Region, Republic of Karelia, Tver Region, Yaroslavl region, Irkutsk region, Krasnoyarsk Territory.

Officially, the forest territory of the Russian Federation (forest fund) accounts for 254,7 billion m³ of the global standing stock of wood, that is, about 21%. The forest fund of Russia is 1 173,9 million ha.

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.

Within the regions of the supply base of the European part of Russia, there are such red-listed tree species as: Karelian birch (*Betula pendula* Roth var. *Carelica*), dwarf bog birch (*Betula humilis*), European white elm (*Ulmus laevis*), wych elm (*Ulmus glabra*), some species of willow (*Salix* spp.).

Protected species of western and central Siberia: small-leaved birch (*Betula microphylla*), dwarf black juniper (*Juniperus pseudosabina*), Siberian blue spruce (*Picea obovate* var. *Coerulea*), Siberian crab apple (*Malus baccata*).

JSC S-DOK processes only Scots pine (*Pinus sylvestris*), Norway spruce (*Picea abies*) and Siberian larch (*Larix sibirica*) and does not harvest or purchase tree species listed in the Red Book or CITES.

By the scale of wood processing, JSC S-DOK is the leading enterprise in the Vologda region. However, not all waste is used for the production of pellets. Some of them are sold or burned in their own boiler.

JSC S-DOK plays a large socio-economic role in the city and the region. The company is a city-forming enterprise. JSC S-DOK actively participates in events held in the city and the region, interacts with Sokolsky forestry technical school, one of the oldest educational institutions in its industry, with the aim of training future personnel. The local population has priority when hiring for work at JSC S-DOK.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 324,4 mln. ha
Tenure by type (ha): public 324,4 mln. ha
Forest by type (ha): boreal 284,4 mln. ha; temperate 40,0 mln. ha
Forest by management type (ha): managed natural 324,4 mln. ha
Certified forest by scheme (ha): 6,6 mln. ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at company's homepage <http://www.sokoldok.ru/proizvodstvo/>, specifically:

http://www.sokoldok.ru/proizvodstvo/#reziume_SDD_S-DOK-1 – Russian version, and

http://www.sokoldok.ru/proizvodstvo/#reziume_SDD_S-DOK-2 – English version.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a0240000005sRBGAA2&type=certificate>

Organisation implements FSC credit system of claims using the dry sawdust and shavings (residues from Organisation's woodworking plan) with FSC Mix Credit claim to produce pellets. Non-certified feedstock is not accepted by Organisation. FSC credit account is maintained, and biomass sold with FSC Mix claim is withdrawn from account on monthly basis.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on 26-27.09.2019 (11 h). Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	26/09/2019 10.00-10.15
Documents and procedures review (SBP Procedure, CoC/CW control system and critical points, feedstock inputs, SBR, SAR), staff interview.	Office	26/09/2019 10.15-12.00
Break		26/09/2019 12.00-12.30
Documents and procedures review (SBP Procedure, CoC/CW control system and critical points, feedstock inputs, SBR, SAR), staff interview.	Office	26/09/2019 12.30-17.00
H&S staff interview. Chain of Custody review (site tour) and staff interview.	Office and production site	27/09/2019 10.00-12.00
Break		27/09/2019 12.00-12.30
Documents and procedures review (SBP Procedure, SAR), staff interview.		27/09/2019 12.30-15.45
Closing meeting	Office	27/09/2019 15.45-16.00

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:

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 at the beginning of 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 approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction documents 5a-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 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 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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6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on July 12, 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: Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: No significant weaknesses identified by auditor.

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 shipping; diesel and electricity for biomass transportation to customer. Electricity and diesel consumption value by loaders is based on actual refuelling data obtained in accountancy. For biomass transportation by railway BP expects that customer will be using reference consumption values for trains from ID 5B.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. The following key staff members are involved to SBP certification: SBP responsible (development and updating of SBP Procedure and related documentation; review of complaints related to SBP certification), FSC responsible (Supply Base Report updating), technologist (updating of SAR, preparation of SREG if applicable), foreman (registration of the production volumes), expert from quality department (moisture measurements), chief of transport department (reporting on diesel consumption at pellet plant), chief power engineer (reporting on electricity consumption at pellet plant) and few more staff members. 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 feedback from stakeholders have been received prior, during and 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

No non-conformities and observations identified during the 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/Oct/2019
Other comments:	N/A