

Supply Base Report: LPK North LLC

First Surveillance Audit

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Completed in accordance with the Supply Base Report Template Version 1.2

*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: LPK North LLC

Producer location: Zavodskaya str., 25-10, Velsk, 165151, RUSSIA

Geographic position: 61.045714 ° 'N, 42.150316 ° 'E

Primary contact: Evgeny Vladimirovich Mitinev, Zavodskaya str., 25-10, Velsk, 165151, RUSSIA e.mitinev@velskiyles.ru

Company website: <http://sever-lpk.ru/>

Date report finalised: 05/Dec/2017

Close of last CB audit: 05/Dec/2017, Velsk

Name of CB: NEPCon

Translations from English: Yes English and Russian

SBP Standard(s) used: SBP Standard 2: Verification of SBP-compliant Feedstock (Version 1.0: published 26 March 2015); SBP Standard 4: Chain of Custody (Version 1.0: published 26 March 2015); SBP Standard 5: Collection and Communication of Data (Version 1.0: published 26 March 2015)

Weblink to Standard(s) used: <https://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
☐	☒	☐	☐	☐

2 Description of the Supply Base

2.1 General description

General description of the supply base

LPK North LLC buys feedstock of suppliers from Republic of Komi, Arkhangelsk, Vologda regions and other regions of Russia, so the description of the supply base is given nationwide.

The total area of forest lands in Russia is 764 mln. ha. accounting for about 21% of the world standing timber. Coniferous species makes up 68,4%, hard-wooded broadleaved species - 2,4%, soft-wooded broadleaved species - 19,3%. Other tree species makes up less than 1%.

In accordance with Russian legislation all forest lands are state owned. 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 from 10 to 49 years.

Entering into the lease agreement of forest lands or sale contracts of forest plantations is carried out at the auction for selling the right to enter into such agreements. Forest areas for a lease must pass a state cadastral registration. According to the Forestry Code of the Russian Federation every forest user taking a lease forest land is obliged:

- to implement measures on forest conservation, protection and regeneration,
- to provide annual forest declaration,
- to issue a forest exploitation project.
- to provide a report on the forests use, their conservation, protection and regeneration.

High quality reproduction of forest resources and protective forestation is a prerequisite for use of forests. All reforestation activities in leased forest areas are planned and carried out by forest users at their own expense in accordance with the forest management projects.

The forest complex of the Russian Federation, including forestry as well as wood harvesting and wood processing industries, plays an important role in Russian economy. About 60 000 of large-scale, medium-sized and small enterprises in all regions of the country are involved in Russian forest complex. The total number of employees in the forest complex of Russia is about 1 mln. people.

Forest certification is an effective tool for combating illegal wood harvesting and wood trade. The system of FSC (Forest Stewardship Council) certification is widely used in Russia. Certified forests area in Russia is over 43 mln. ha. or 30% of the total number of forest under lease. The dynamics of forest certification in Russia shows the ever-increasing activity of wood companies, which indicates to the responsibility to ensure the legality of wood harvested and compliance with environmental and other requirements.

The supply base of LPK North LLC

The supply base of LPK North LLC is the total area of forest land of Russia on the whole. The total area of the supply base is 764 mln. ha.

Company use wood species in pellet production (pine and spruce) which not belong to species listed to CITES and IUCN.

Forest management is based on achievement of inexhaustible sustainable use of forest resources according to the requirements of forest laws and forest certification principles, if applicable. Rotation period is 60-120 years. One or two thinnings and clearcut of mature forest with forest regeneration are made during rotation period. Seedlings planting or natural forest regeneration can be used for forest regeneration. Inexhaustible use of forest resources is also implemented. Inexhaustible use of forest resources is based on 15 – 20-year cycle of harvesting with selective harvesting and viable young growth retaining.

Intact forests and wetlands of international importance are located at the territory of Russia. Small-numbered indigenous nations live here. So in order to minimize the risk of wood of unknown origin, LPK North LLC with

the purchase, verifies its suppliers under the procedures of the chain of Custody FSC.

LPK North LLC is one of the largest wood processors in the Arkhangelsk region.

LPK North LLC is harvesting timber under lease agreements for forest areas and is purchasing round timber by suppliers of certified and controlled wood. LPK North LLC has FSC certificate to check suppliers according to the program as controlled ones. Also LPK North LLC works with one supplier of FSC-certified 100% sawdust. The annual volume of incoming raw material (logs) to the plant is about 323600 m³.

Raw materials used for the production of pellets refers to the SBP-compliant secondary feedstock – 31,4% of the total volume of secondary feedstock (8 suppliers), Controlled feedstock – 42.2% of the total volume of secondary feedstock (15 controlled suppliers on their own inspection of controlled system supplier) and SBP-non-compliant feedstock – 26,4% of the total number of secondary feedstock. SBP-uncertified feedstock and products are separated at time of production and physically from certified and controlled feedstock and pellets are not mixed with them and not sold as SBP-certified.

The amount received FSC 100% sawdust amounted to 35,2 k m³.

Species composition in terms of incoming sawlogs during the period December 2016-October 2017. amounted to: FSC 100% pine logs – 42,5 k m³, FSC 100% spruce logs – 59,2 k m³, FSC Controlled wood logs pine – 62,7 k m³, FSC Controlled spruce logs – 73,7 m³).

LPK North LLC is of a great socio-economic importance in Arkhangelsk region. The company is involved in charity events, provides financial support for sociocultural objects and organisations, sport organisations (rural settlements, schools, museums, veterans' communities).

Forest industry in Russia is one of the leading industries speaking from the perspective of working population involved and the volume of tax deductions to all budget levels.

2.2 Actions taken to promote certification amongst feedstock supplier

LPK North LLC in 2014 is FSC certificate holder. The company has 8 FSC-certified suppliers (FSC 100%) and 15 suppliers of controlled material verified on the program of own verification of suppliers within the framework of FSC-STD-40-005 (V.3-1).

LPK North LLC is committed to the sustainable management of forests and everywhere encourages its suppliers to be certified. certified material volumes are increased annually.

We hope that the mutually beneficial cooperation with certified suppliers of our company will be an incentive for other companies to certification.

2.3 Final harvest sampling programme

Not applicable.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): **764 mln ha**

- b. Tenure by type (ha): state owned
The Russian Federation **764 mln ha**
- c. Forest by type (ha): boreal **764 mln. ha**
- d. Forest by management type (ha): managed natural **764 mln. ha**
- e. Certified forest by scheme (ha): **43.5 mln. ha** FSC-certified forest

Feedstock

- f. Total volume of Feedstock: 280 969 m³. For the accounting period 01.12.2016-31.10.2017.
- g. Volume of primary feedstock: **0 m³**
- h. List percentage of primary feedstock (g), by the following categories.
 - Certified to an SBP-approved Forest Management Scheme **0 m³**
 - Not certified to an SBP-approved Forest Management Scheme **0 m³**
- i. List all species in primary feedstock, including scientific name
Not applicable.
- j. Volume of primary feedstock from primary forest: **Not applicable 0 m³**
- 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 m³**
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme - **0 m³**
- l. Volume of secondary feedstock: specify origin and type – **280969 m³** (sawdust and woodchips) from the territory of the Russian Federation regions.
- m. Volume of tertiary feedstock: specify origin and composition - **Not applicable 0 m³**

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☒

In the production of SBP pellets used secondary feedstock FSC mix credit, FSC controlled wood. In addition, the company produces pellets of non-certified (uncontrolled) feedstock, dividing production in time to prevent of their mixing.

Pellets of non-certified (uncontrolled) feedstock will not be sold under SBP statement, that is guaranteed by the company embedded FSC chain of custody procedures, assessed by the auditors during annual certification audits.

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.

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10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

11.1 Peer review

Peer review of report has not been carried out in 2017.

11.2 Public or additional reviews

LPK North LLC supply base report available on the website <http://sever-lpk.ru/>. Questions and comments can be sent by e-mail e.mitinev@velskiyles.ru.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Evgeny Vladimirovich Mitinev	Forest Certification Engineer	05.12.2017
			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:	Sergei Aleksandrovich Zarubin	General director	05.12.2017
			Date

13 Updates

13.1 Significant changes in the Supply Base

In 2017, there have been changes in the supply base of LPK North LLC. The company in addition to the waste own production began to buy FSC 100% certified sawdust. In connection with the difficulty of pinpointing the exact area of the supply base, it was decided to specify as a supply base for the entire territory of forests of the Russian Federation.

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

Pellet plant started at the end of November 2016. For the period 01.12.2016-31.10.2017 (11 months) was used in the production of 280 969 cubic meters of feedstock.

13.5 Projected figures for feedstock over the next 12 months

The estimated volume of incoming feedstock will be approximately 300 000 m3.