

NEPCon Evaluation of DeCom LLC Compliance with the SBP Framework: Public Summary Report

Main (Initial) Audit

www.sbp-cert.org



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

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

© Copyright The Sustainable Biomass Program Limited 2018

Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Compilation of data on Greenhouse Gas emissions
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification recommendation

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: 01/Oct/2019

Report authors: : Nikolai Tochilov

Name of the Company: DeCom LLC. Legal and production site address: 66 proezd Stroitel street, Tsentralny zhiloy rayon, Bratsk, Irkutsk region 665718 Russian Federation

Company contact for SBP: Anatoliy Antipin, pellet production chief. Mob.: +79140081232; Email: as.antipin@mail.ru; Igor Denisov, vice director general. Mob.: +79245493949; email: den-igor@bk.ru

Certified Supply Base: Russia, Irkutsk region and Krasnoyarsk krai

SBP Certificate Code: SBP-07-28

Date of certificate issue: 02/Oct/2019

Date of certificate expiry: 01/Oct/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office and production site in Bratsk, Irkutsk region, Russia.

Scope description: Production of wood pellets in Bratsk, Irkutsk region, Russia, for use in energy production and its transportation by railway to St. Petersburg harbor, Ust-Luga harbor and Posin railway station, or 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

BP is a wood processing (primary and secondary) company located in Irkutsk region, Russia. Total annual production capacity of pellet plant was increased in June 2019 from 16000 to 36000 tones.

Company runs both pellet and lumber production, which supplies secondary feedstock with FSC 100% and FSC Mix Credit claims to the pellet plant. Sawdust, shavings and wood offcuts are used in pellet production.

The round wood used at lumber production line (logs for primary production) originates from Irkutsk region and Krasnoyarsk krai and has mostly FSC 100% claim; one supplier delivers the round wood with FSC Mix Credit claim.

The BP has implemented FSC transfer system and all amount of produced biomass is sold with FSC Mix Credit claim – i.e after mixing the secondary feedstock with FSC 100% and FSC Mix Credit claim, BP downgrades the claim for pellets to FSC Mix Credit.

The biomass is transported by railway to Ust-Luga harbour, but potentially may be transported to any other harbour or railway station in Russia on FCA Incoterms delivery conditions.

Pellet plant was commissioned in October 2017.

5.2 Description of Company's Supply Base

The Supply base of DeCom LLC is the forest fund of the Irkutsk region and the Krasnoyarsk Krai. DeCom LLC has its own forest-management unit in the Krasnoyarsk Krai, from where the FSC-certified sawlogs come from. From suppliers, roundwood comes from different parts of the Irkutsk region with FSC 100% and FSC Mix Credit claim. 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.

The composition of the forests of the Krasnoyarsk Krai and the Irkutsk Region includes Scots pine (*Pinus sylvestris*), Siberian larch (*Larix sibirica*), Siberian cedar pine (*Pinus sibirica*), Siberian spruce (*Picea obovata*), Siberian fir (*Abies sibirica*), and Silver birch (*Betula*), aspen (*Populus tremula*), a tree-shaped willow (*Salix* spp.) is found.

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 obovate* 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.

DeCom LLC does not procure and does not purchase tree species listed in the Red Book or CITES list.

The company is located in Bratsk, Irkutsk Region. Bratsk serves as an important support base for the development of the northern regions of Eastern Siberia and the Far East. The company provides jobs for residents of the Krasnoyarsk Krai and the Irkutsk Region.

The main enterprises of the forest industry in the Irkutsk region, which are also the largest tenants and loggers: JSC Ilim Group, JSC Bratsk Timber Industry Complex (BLPK) - manufacturers 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.

DeCom LLC is one of the 20 largest enterprises in the Irkutsk region in terms of timber processing, although it does not independently harvest timber in the region.

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 228,1 mln. ha
Tenure by type (ha): public 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 at company's homepage <http://www.ooodekom.ru/pellets>, specifically:

http://danrost.ru/docs/sbp_eng.pdf - in English and

http://danrost.ru/docs/sbp_rus.pdf - in Russian.

5.4 Chain of Custody system

The BP holds valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a0240000008ph3aAAA&type=certificate>

BP implements FSC transfer system of claims – most of the round wood for primary processing (sawmilling) is sourced with FSC 100% claim, and one supplier delivers the round wood with FSC Mix Credit claim.

After the reception, incoming volume of the primary feedstock (saw logs) is registered in Organisation's database and processed at sawmilling facilities. Conversion factors are established based on actual production data. Pellets are produced of the FSC 100% and FSC Mix Credit secondary feedstock (sawdust, shavings and wood offcuts), originating from own sawmill. All pellets then have FSC Mix Credit claim (downgrading). Non-certified wood material is also used by Organisation, and physical segregation of certified and non-certified wood material is ensured at all production stages (both for primary and secondary manufacturing).

6 Evaluation process

6.1 Timing of evaluation activities

Onsite assessment was conducted on 10.09.2019 (7,5 h*). Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	10/09/2019 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	10/09/2019 09.15-12.00
Break		10/09/2019 12.00-12.30
Chain of custody review (site tour); staff interview	Production facilities	10/09/2019 12.30-13.15
Documents and procedures review (SAR and energy use primary data); staff interview		10/09/2019 13.15-16.45
Closing meeting	Office	10/09/2019 16.45-17.00
End of the evaluation	Office	10/09/2019 17.00

**Note – additionally app. 4 hours was spent for review of SBP-related documentation provided to audit team leader 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:

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 prior to the assessment and audit team leader had enough time to review it and get well prepared for onsite visit. 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.

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 July 23, 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. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: No significant weaknesses identified by auditor. Please also see minor NCR 01/19.

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. 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. Electricity consumption value is based on engineering calculations – please see minor NCR 01/19 in section 10 below.

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/chief of the pellet plant (development and updating of SBP Procedure and related documents; preparation of SAR and SREG (if applicable); monitoring of the amount of feedstock used for pellet production; monitoring of the amount of produced biomass); FSC CoC responsible (Supply Base Report and Static Biomass Profiling Data update; implementation of FSC CoC requirements); chief technologist and foreman (moisture measurements), accountant (monitoring of diesel consumption by loaders), declarant (performance of invoices and registration of deals in DTS), chief power engineer (monitoring of electricity consumption), H&S engineer (H&S requirements); vice director general (compliance with trade and customs legislation, anticorruption policy implementation). Prior and during SBP assessment, BP was supported by external consultant, who also have 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

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 01/19	NC Grading: Minor
Standard & Requirement:	SBP Instruction Document 5B V.1.1 p. 5.5.4 Where data is not available (such as during the commissioning of plants), estimates from design parameters can be used. The BP shall justify the use of any nominal values to the CB, and this shall be recorded in the SAR.
Description of Non-conformance and Related Evidence:	
Pellet plant is not equipped with separate electric meter(s). Therefore, engineering calculations have been implemented. Installed power of all electric machinery at pellet plant (including wood chipper and lighting) was counted and multiplied on coefficient of machinery loading (0,6). BP staff could not justify to auditor why they took the coefficient of machinery loading as 0,6. In opinion of different staff members, the coefficient could vary from 0,5 to 0,8. Considering that the final result of electricity consumption is above the average value of electricity consumption of the other pellet plants of such size, auditor raised minor NCR. Пеллетное производство не оборудовано отдельным электросчетчиком. Поэтому был использован теоретический расчет. Установленная мощность используемого на пеллетном производстве оборудования (включая рубительную машину и освещение) была умножена на коэффициент загрузки оборудования (0,6). Представители Организации не смогли пояснить аудитору, почему был использован именно такой коэффициент загрузки. По мнению разных сотрудников Организации, коэффициент загрузки может варьировать от 0,5 до 0,8. С учетом того, что финальный результат расчета потребления электроэнергии выше средних показателей электропотребления у других пеллетных заводов подобного размера, аудитор посчитал несоответствие незначительным.	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date До следующего ежегодного аудита, но не позднее 12 месяцев с даты утверждения отчета
Evidence Provided by Company to close NC:	Pending / Находится на рассмотрении

Findings for Evaluation of Evidence:	Pending / Находится на рассмотрении
NC Status:	Open / Открыто

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):	Pilar Gorría Serrano
Date of decision:	01/Oct/2019
Other comments:	<i>Click or tap here to enter text.</i>