

NEPCon Evaluation of GRANTOP-EXPORT LLC Compliance with the SBP Framework: Public Summary Report

Scope Change Audit

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Completed in accordance with the CB Public Summary 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

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	25/Apr/2019
Report authors: :	Nikolai Tochilov, Natalia Zaladinova
Name of the Company:	GRANTOP-EXPORT LLX. Office address: office 515a, 52 Maltseva street, Vologda 160009 Russia. Production site address: Urochische Altay, 2, 162107, Kadnikov, Vologda region, Russia
Company contact for SBP:	Alexey Zenkov, commercial director. Email: zenkoval-2007@yandex.ru; mobile: +79218240008
Certified Supply Base:	Sourcing from Russia
SBP Certificate Code:	SBP-01-87
Date of certificate issue:	02/Nov/2017
Date of certificate expiry:	01/Nov/2022

This report relates to the Scope Change Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Kadnikov settlement, Vologda region, Russia, for use in energy production and also purchase and sales of SBP-certified biomass from other SBP-certified biomass producers (as a trader without physical possession of certified material). Post production end point is Saint Petersburg harbour (truck FCA, Incoterms). 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 for this evaluation.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

GRANTOP-EXPORT LLC (hereafter referred as Biomass Producer, or BP) is a pellet producer situated in Vologda region, Russia. Only secondary feedstock with FSC Mix Credit and FSC 100% claims is sourced and mixed at the entrance to pellet production. FSC transfer system of claims is used for pellet production (all pellets have FSC FSC Mix claim). The final product is transported by truck to S.Petersburg sea port on FCA conditions of Incoterms.

Total annual production capacity of pellet plant is 40000 tones.

5.2 Description of Company's Supply Base

In the reporting period, BP purchased secondary feedstock from 3 sawmills, all holding valid FSC certificates. The suppliers in their turn buy the primary feedstock/sawlogs from Republic of Komi, Arkhangelsk, Vologda, Kirov, Yaroslavl 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 forest management. All reforestation activities within leased forest areas are planned and carried out by forest users at their own expense in accordance with the forest exploitation 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 about 40 mln. ha, or 30% of the total number of leased forests. The dynamics of forest certification in Russia shows the ever-increasing activity of wood companies which indicates the responsibility to ensure the legality of wood harvested and compliance with environmental and other requirements.

The supply base of “GRANTOP-EXPORT” LLC

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

Coniferous forests (pine, spruce), which are not included in CITES and international agreements on environment protection, form the most part of the supply base.

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 in FSC Chain of Custody, BP buys only FSC certified feedstock from FSC certified suppliers.

In the reporting period BP worked with 3 sawmills supplying secondary feedstock, of which 2 suppliers supplied feedstock with FSC Mix Credit claim, and 1 supplier - with FSC 100% claim. This feedstock refers to the category - SBP-compliant feedstock.

Under current conditions BP has an opportunity to produce pellets with SBP-compliant biomass claim. All supplied resources belong to the category of “SBP-compliant secondary feedstock”. Sawdust, wood chips and bark for production and heat generation are used as feedstock.

Proportion of the species of supplied resources is 30 % - pine (*Pinus sylvestris*), 70% - spruce (*Picea abies*). “GRANTOP-EXPORT” LLC is of a great socio-economic importance in Vologda region. The company is involved in charity events, provides financial support for sociocultural objects and organizations, sport organizations (rural settlements, schools, museums, churches, 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.

Detailed information about the supply base region (general description of the forest resources and forest management practices within the Supply Base) is publicly available at the BP’s homepage:

<http://bio-teplo.com/en/about/> and <http://bio-teplo.com/about/>

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	464 mln. ha
Tenure by type (ha):	public 764 mln. ha
Forest by type (ha):	boreal 764 mln. ha
Forest by management type (ha):	managed natural 764 mln. ha
Certified forest by scheme (ha):	43,5 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.

5.4 Chain of Custody system

BP holds valid FSC CoC certificate, using FSC transfer system of claims. Incoming secondary feedstock may have the claims FSC 100% and FSC Mix Credit. Incoming material is mixed, and therefore all pellets are produced with FSC MIX claim. In case of production of pellets from non-certified feedstock, production line is completely cleaned out before switching to certified pellet production. Certified and non-certified secondary feedstock is stored physically separately from each other.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on September 4 and 21, 2018 (11 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting by phone with SBP responsible (commercial director), communication by email, desk review of SBP-related documents and NCRs issued at the last annual audit.	Desk-based	04/09/2018 09.00-12.00
Opening meeting* onsite	Office	21/09/2018 08.30-08.45
Documents and procedures review. Inputs review, GHG calculation review,	Office	21/09/2018 08.45-12.00
Lunch		21/09/2018 12.00-12.30
Chain of custody review (site tour); interview with the chief of pellet production and other involved staff	Production facilities	21/09/2018 13.30-14.30
Documents and procedures review; staff interview.	Office	21/09/2018 14.30-18.00
Closing meeting*	Office	21/09/2018 18.15-18.30
End of the evaluation		21/09/2018 18.30

Review of procedures, SAR and interview with responsible by phone (instruction 5D)	NEPCon office	24/04/2019 10.00-11.00
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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 30 SBP assessments and annual audits in Russia and Europe.
Natalia Zaladinova	Audit team leader (scope change audit). NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia.

The audit 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, efforts to meet issued NCRs.

Description of the audit:

Audit started with an opening meeting attended by the SBP responsible person and the Director General of the organization.

Auditor introduced the audit team, provided information about audit plan, methodology, auditors qualification, confidentiality issues, and assessment methodology and clarified certification scope.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a, 5b, 5c 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 staff involved into SBP certification were interviewed.

After a roundtrip around BP's pellet production was undertaken. During the site tour, reception process was observed, applicable records were reviewed, pellet production chief 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 SBP responsible person and staff.

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>

On April 24, 2019 auditor conducted desk scope change audit regarding implementation of the requirements of ID 5D. Auditor reviewed relevant documented procedure and interviewed responsible staff.

6.3 Process for consultation with stakeholders

No stakeholder consultations conducted prior, during or after this annual audit.

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: see NCR 01/18 raised in this report below.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

Energy use data for pellet production site (electricity; diesel consumption by loaders) is based on actual information. As for feedstock and biomass transportation, BioGrace values are taken by BP.

7.4 Competency of involved personnel

The SBP responsible person as well as all staff representatives involved into SBP certification and interviewed by auditor, showed good understanding of the requirements in relation to SBP certification and FSC CoC system. The key staff members in supporting SBP certification are: commercial director (SBP responsible), manager, accountant and pellet production chief.

7.5 Stakeholder feedback

No stakeholder consultations conducted prior, during or after this annual audit.

7.6 Preconditions

None.

8 Review of Company's Risk Assessments

Not applicable for this evaluation.

9 Review of Company's mitigation measures

Not applicable for this evaluation.

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.*

NCRs raised during this audit:

NC number 01/19	NC Grading: Major
Standard & Requirement:	SBP Framework Standard 2: Verification of SBP-compliant Feedstock (ver. 1.0, March 2015), Section 2 Scope: Woody fuel used during the drying process of biomass shall meet the SBP requirements for SBP-compliant feedstock or Controlled feedstock.
Description of Non-conformance and Related Evidence:	
During the audit it was discovered that in the reporting period, for SBP-certified biomass production, BP used non-certified secondary feedstock in dryer for heating purposes. Non-conformity was qualified as major. / В ходе аудита было выявлено, что в отчетном периоде при производстве SBP-сертифицированной биомассы Организация использовала не сертифицированное сырье для теплогенерации.	
Timeline for Conformance:	3 months from the report finalisation
Evidence Provided by Company to close NC:	Exhibit 5. Order of director regarding type of biofuel used in dryer.
Findings for Evaluation of Evidence:	BP explained that they did not understand clearly the requirement that during SBP-certified pellet production, non-certified feedstock can not be burnt in dryer – because it is not included into standard 2 indicators, but mentioned in Section 2 (Scope). Prior to audit completion, BP's director issued order, which requires that only FSC-certified feedstock shall be burnt in dryer during SBP-certified pellet production. Interviews with staff involved into SBP certification (SBP responsible, chief of pellet production) confirmed that they clearly understand this requirement now. / Организация пояснила, что им не было понятно абсолютно четко требование SBP о том, что не сертифицированное сырье нельзя использовать для теплогенерации при производстве SBP-сертифицированных

	пеллет – потому что это требование не указано в индикаторах Стандарта 2, а упомянуто в Разделе 2 Стандарта (Область действия). До завершения аудита директор Организации издал приказ, требующий, что только FSC-сертифицированное древесное сырье может сжигаться для теплогенерации при производстве SBP-сертифицированного биотоплива. Опрос персонала (ответственный за сертификацию, начальник пеллетного производства) показал, что теперь они четко понимают данное требование.
NC Status:	Closed

Evaluation of NCRs raised during initial evaluation in 2017.

NCR: 01/17	NC Classification: minor / незначительное
Standard & Requirement:	SBP Standard # 4 requirement 6.3.1
Description of Non-conformance and Related Evidence:	
According to legal requirements, BP has to pass special attestation of the working places, where the quality of working conditions is evaluated. At the moment of this SBP evaluation, attestation of the working places has not been yet completed. Согласно действующему законодательству, производитель пеллет должен провести Специальную Оценку Условий Труда. На момент основной оценки SBP, СОУТ не проведена.	
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.
Timeline for Conformance:	By the next annual surveillance audit, but not later than 12 months from report finalisation date / К следующему ежегодному аудиту, но не позднее 12 месяцев с момента финализации отчета
Evidence Provided by Organisation:	Signed service agreement on completion of special attestation of the working places between GRANTOP-EXPORT LLC and RATSIO LLC (Exhibit 7).
Findings for Evaluation of Evidence:	BP submitted the signed service agreement with accredited company on completion of special attestation of the working place. The attestation shall be completed by December 31, 2018.
NCR Status:	CLOSED / ЗАКРЫТО

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:	25/Oct/2018
Other comments:	N/A