

Supply Base Report: BioLesProm LLC

First Surveillance Audit

www.sustainablebiomasspartnership.org



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.sustainablebiomasspartnership.org

Document history

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

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1 Overview

Producer name: Limited liability company "BioLesProm"
 Producer location: Russia, Vologda region, Verhovazhie village, Parkovaya st., 24
 Geographic position: 60° 43' 49.54"N, 42° 03' 08.96E
 Primary contact: Zenkov Alexey Gennadievich, first deputy director general of LLC "BioLesPom"
 Company website: www.biolesprom.com
 Date report finalised: 08/Dec/2016
 Close of last CB audit: 24/Jan/2017, Verhovazhje village
 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: <http://www.sustainablebiomasspartnership.org/documents>
 SBP Endorsed Regional Risk Assessment: not applicable
 Weblink to SBE on Company website: www.biolesprom.com

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.

Supply base of wood feedstock is situated in the territory of 13 forestries and administrative districts of Vologda and Arkhangelsk regions in Northwest federal district of the Russian Federation. Future supply base expansion is possible within the said regions of Russia. In the future, possible expansion of the resource supply base within the specified regions of the Russian Federation.

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

Our supply base is the total area of forest fund of administrative districts (and forestries) listed below. The total area of supply base is 7 498 000 ha.

Vologda region

Verkhovazhskiy

Babushkinskiy

Tarnogskiy

Totemskiy

Nuksenskiy

Syamzhenskiy

Arkhangelsk region

Velskiy

Shenkurskiy

Nyandomskiy

Konoshskiy

Ustyanskoe

Krasnoborskiy

Kotlasskiy

The supply base is situated in central taiga in the European part of Russia. Our forest area has favourable environment for natural regeneration of coniferous species (pine and spruce). The lay of the land is a hilly plain. Vologda and Arkhangelsk regions have intact forests and wetlands of international importance. The territory of Arkhangelsk region is among the global ecoregions of WWF Global 200 Ecoregions. Small-numbered indigenous peoples vepsi live in Vologda region. Pomori and nentsi live in Arkhangelsk region. However high conservation values listed above are situated outside our supply base and small-numbered indigenous peoples do not live there. We make conclusions basing on Atlas of Russia's Intact Forest Landscapes given in Annex E to Russian National FCS Standard, Annex 6 of National Risk Evaluation and Russian Federation Government Decree № 631-p of 8 of May 2009.

Allowable wood-cutting area of LLC "BioLesProm" is 128 000 cubic metres. Long-term lease is for 49 years. In 2014 we certified both areas of the lease base and received FCS certificate. Site quality of forest in both areas can range from the I to the V. On average site quality of forest is II-III. Our wood harvesting is sustainable. Clear cutting is 75,8%. Mainly matured and overmatured plantations are harvested. The company provides responsible forest regeneration. All protected wood species in Russian are not harvested. Our forests do not have species, which fall within the scope of CITES and IUCN. Naturally regenerated stands prevail during regeneration process. Artificial stands are planted on the limited plots of land of 10-15% of regeneration area. Maximum area of clear cutting is 50 ha.

Own sawmill residue is 19% of total feedstock volume. 81% of it we take at the nearest FSC-certified sawmill plant. Our supplier has three certified forest plantations. Currently the supplier is working on certification of the two more areas. Our supplier of sawmill residue has about 10 suppliers of roundwood. Our supplier unloads sawmill residue with FSCMIX claim. If production volume expands, our company will use only FSC-certified sawmill residue.

Under current conditions our company has an opportunity to produce pellets with SBP-complaint biomass claim. All own and acquired resources fall under the category of "SBP-compliant Secondary Feedstock". In both cases sawdust and slabwood of coniferous species are used. In our own feedstock the proportion of species is about 70% of pine and 30% of spruce. Our supplier's proportion is vice versa about 30% of spruce and 70% of pine. In this case this proportion is the same for sawdust and slabwood.

LLC "BioLesProm" is of a great socio-economic importance in Verkhovazhskiy district. 141 employee works there. The company is one of the biggest sawmill and logging companies in the district. It has the leading position in volume of pellet production in Vologda region. The company is engaged in charity events, provides financial support to sociocultural objects and organisations, sport organisations (rural areas,

schools, museums, churches, veterans' communities) and just those in need. All of these is witnessed by numerous diplomas and letters of gratitude.

Forest industry in Vologda and Arkhangelsk regions is one of the leading industries speaking from the perspective of working population involved and the volume of tax deductions to all budget levels. These regions are Russian leaders in terms of development level of wood sawing, woodworking and pulp and paper production.

2.2 Actions taken to promote certification amongst feedstock supplier

In 2015-16 we did a great work on personnel training, organisation of logging process, forest management according to FSC criteria and we received international FSC certificate. We manufacture our products with FSC 100% claim. The company actively involved its suppliers to the process of forest lands certification. A great work on clarification of practical benefit of FSC certification was conducted with suppliers taking a lease forest land.

Since the beginning of preparation to FSC certification we have stopped receiving sawmill residue from the suppliers without FSC certificates. We cooperate effectively with our main certified supplier of wood residue, who receives certified lumber logs for lumbering. We also send our lumber to LLC "Stailing" that started to use FSC certified products.

We hope that this mutually beneficial and long-term cooperation will become a good example of product promotion and sustainable forest use according to FSC principles for other companies.

2.3 Final harvest sampling programme

According to our supply base clear cutting is 84%, selective cutting - 16%. LLC "BioLesProm" and its certified contractors do not harvest wood specially for pellet production. Our company uses only wood residue of sawmill plants. All feedstock is originated from FSC-certified forests. Forests are thinned, regenerated and harvested according to long-term projects. Lumber logs are used for sawmilling. Pulpwood is sent to pulp and paper mills.

We claim that our feedstock is not originated from:

- Wood, harvested in forests being converted to plantations or non-forest use;
- Genetically modified trees;
- Forests of high conservation values, including intact forests;
- Territories where rights of indigenous peoples are violated;
- Illegally harvested wood;
- Wood of dubious origin;
- tree stumps

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

81% of feedstock (slabwood) will be delivered by our business partner (FSCMIX). 19% of feedstock (sawdust and slabwood) will be our own sawmill residue (FSC 100%). As a result 100% of all pellet production will have a claim of FSCMIX и SBP-compliant biomass.

2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|--------------------------------------|
| a. Total Supply Base area (ha): | 7 498 000 ha |
| b. Tenure by type (ha): | 100% state owned |
| | The Russian Federation 7 498 000 ha |
| c. Forest by type (ha): | Boreal 7 498 000 ha |
| d. Forest by management type (ha): | Managed Natural |
| e. Certified forest by scheme (ha): | 505 000 ha FSC-certified forest |
| | (We consider only FSC in SBP system) |

Feedstock

- | | |
|---|--|
| f. Total volume of Feedstock: | 49877,34m ³ (sawdust and slabwood with moisture content of 44,2%) |
| g. Volume of primary feedstock: | 0 m ³ |
| h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes | |
| - Large forest holdings certified to an SBP-approved Forest Management Schemes – | 505 000 ha |
| - Large forest holdings not certified to an SBP-approved Forest Management Schemes – | 0 |
| - Small forest holdings certified to an SBP-approved Forest Management Schemes – | 0 |
| - Small forest holdings not certified to an SBP-approved Forest Management Schemes – | 0 |

Not applicable. Only sawdust and slabwood are used (with FSC Mix и FSC 100% claim).

- | | |
|---|------------------------|
| i. List all species in primary feedstock, including scientific name: | |
| Not applicable. | |
| Only sawdust and slabwood are used. | |
| These sawmill residues are received from coniferous species: | |
| • Scotch pine (<i>Pinussilvestris</i> , L.); | |
| • European spruce (<i>Piceaabies</i> , L.). | |
| j. Volume of primary feedstock from primary forest: | Not applicable (0 m3). |
| k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes | |
| - Primary feedstock from primary forest certified to an SBP-approved Forest Management Schemes – | 0% |

- Primary feedstock from primary forest not certified to an SBP-approved Forest Management Schemes - 0%

Not applicable (0 m³). Primary feedstock from primary forest is not used.

- l. Volume of secondary feedstock:: 49877, 34m³ (sawdust and slabwood with moisture content of 44,2%)

They include:

- 40721.36 m³ sawdust
- 9155,98 m³ slabwood in the form of wood chips (after chipping machine)

In this regard, 22,21% of the feedstock of the total volume goes for drying to heat generator as a fuel, total – 11077,76 m³

- m. Volume of tertiary feedstock: 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.

Thus, the assessment of the supply base is not included in the scope of this certificate.

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.

10 Detailed Findings for Indicators

Not applicable.

11 Review of Report

11.1 Peer review

LLC “BioLesProm” supply base report was sent for expert evaluation to Efimova N.M., an expert of forest certification in Kirov centre.

11.2 Public or additional reviews

LLC “BioLesProm” supply base report will be available on the website www.biolesprom.ru. All requests, if any, can be left at the site section “Ask a question”.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by::	<i>Zenkov A.G.</i>	<i>First Deputy Director General, SBP responsible</i>	<i>08/12/2016</i>
	Name	Title	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:	<i>Levashov A.V.</i>	<i>Director General</i>	<i>08/12/2016</i>
	Name	Title	Date

13 Updates

Not applicable.

13.1 Significant changes in the Supply Base

Not applicable.

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual values of feedstock over the previous 12 months

49877,34m³

13.5 Projected values of feedstock over the next 12 months

50000 m³