

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

First Surveillance Audit

www.sbp-cert.org



Completed in accordance with the CB Public Summary Report Template Version 1.0

*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

Report completion date: 28/Feb/2018

Report authors: Nikolai Tochilov

Certificate Holder: LPK North LLC

Legal and office address: 25-10 Zavodskaya str., Velsk, 165150, RUSSIA

Production site address: 48b Klimovskogo str., Velsk, 165151, RUSSIA

Producer contact for SBP: Evgeny Vladimirovich Mitinev, tel.:+79210884558, email: e.mitinev@velskiyles.ru

Certified Supply Base: Sourcing from Russia

SBP Certificate Code: SBP-01-62

Date of certificate issue: 28/Mar/2017

Date of certificate expiry: 27/Mar/2022

Indicate where the current audit fits within the certification cycle				
Main (Initial) Audit	First Surveillance Audit	Second Surveillance Audit	Third Surveillance Audit	Fourth Surveillance Audit
☐	☒	☐	☐	☐

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site in Velsk, Arkhangelsk region, Russia.

The BP holds valid FSC Chain of Custody, covering sawmilling and pellet production and implements credit system of FSC claims.

Organisation primary production is sawn material. Wood residues from this production are used in secondary production (wood pellets). The feedstock is both FSC Mix Credit and FSC Controlled Wood certified. BP also purchases secondary feedstock (sawdust with FSC 100% claim) from one FSC certified supplier. Origin of the feedstock is different regions of Russia. Produced pellets are transported to be transported then to different harbours in Europe (CFR, Incoterms 2010), and for each delivered batch BP creates a separate SREG.

Scope description: Production of wood pellets in Velsk town, Arkhangelsk region, Russia, for use in energy production. Post production end point is at the gate of the production (Ex Works incoterms) or transported to different harbours in Europe (CFR, Incoterms). The scope of the certificate does not include Supply Base Evaluation.

Scope of the evaluation is indicated in the table below:

Scope Item	Check all that apply to the Certificate Scope		Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #2 V1.0; SBP Standard #4 V1.0; SBP Standard #5 V1.0 https://sbp-cert.org/documents		☐
Primary Activity:	Pellet producer		☐
Input Material Categories:	☐ SBP-Compliant Primary Feedstock	☒ SBP-Compliant Secondary Feedstock	☐
	☒ Controlled Feedstock	☐ SBP non-Compliant Feedstock	
	☐ SBP-Compliant Tertiary biomass	☐ Post-consumer Tertiary Feedstock	
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock	

Chain of custody system implemented:	☒ FSC	☐ PEFC	☐ SFI	☐ GGL	☐
	☐ Transfer	☐ Percentage	☒ Credit		☐
Points of sales	☐ Harbour – Permanent storage (Storage site)	☐ Harbour – Temporally storage (Logistic site)	☒ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)		☐
Provide name of all points of sales	-	-	Gate of BP (Ex Works)		
Use of SBP claim:	☒ Yes		☐ No		☐
SBE Verification Program:	☐ Low risk sources only		☐ Sources with unspecified/ specified risk		☐
	New districts approved for SBP-Compliant inputs:				
Sub-scopes					☐
Specify SBP Product Groups added or removed:					
Comments:					

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.

4 SBP Standards utilised

4.1 SBP Standards utilised

Verification of SBP-compliant Feedstock, SBP Standard 2, Version 1.0, March 2015

Chain of Custody, SBP Standard 4, Version 1.0, March 2015

Collection and Communication of Data, SBP Standard 5, Version 1.0, March 2015, accompanied by Instructions 5A, 5B, 5C, Version 1.1 October 2016

Standards and instructions are available at SBP homepage: <https://sbp-cert.org/documents>

4.2 SBP-endorsed Regional Risk Assessment

Not applicable

5 Description of Biomass Producer, Supply Base and Forest Management

5.1 Description of Biomass Producer

BP is a large primary and secondary manufacturer situated in the southern part of Arkhangelsk region, Russia. Company runs sawn material production, which supplies secondary feedstock with FSC Mix Credit and FSC Controlled Wood claims to the pellet plant located at the same site. BP also has one supplier of secondary feedstock (sawdust) with FSC 100% claim. The feedstock may originate from different regions of Russia. Total annual production capacity of pellet plant is 70000 tones.

The BP has implemented FSC credit system. In the reporting period all amount of produced biomass was sold with FSC Mix Credit claim (SBP-compliant biomass).

In the reporting period pellets have been delivered to customer on CFR conditions of Incoterms 2010 in different harbours of Europe.

BP has been commissioned in November 2016.

5.2 Description of Biomass Producer's 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.

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.

More details about BP's supply base can be found in Supply Base Report at BP's homepage:

<http://sever-lpk.ru/data/uploads/sbp-llc-lpk-north-rus-v1.1.pdf>

<http://sever-lpk.ru/data/uploads/sbp-llc-lpk-north-eng-v1.1.pdf>

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	764 mln. ha
Tenure by type (ha):	764 mln. ha, State Owned
Forest by type (ha):	764 mln ha, Boreal
Forest by management type (ha):	764 mln. ha, Managed Natural
Certified forest by scheme (ha):	43,5 mln. ha FSC-certified forest

Quantitative description of the Supply Base can be found in the Biomass Producer's Supply Base Report.

5.4 Chain of Custody system

BP holds valid FSC CoC certificate

<http://info.fsc.org/details.php?id=a024000000OsEYpAAN&type=certificate&return=certificate.php>, using FSC credit system of claims. Incoming primary feedstock for sawmilling may have the following claims: FSC 100%, FSC Controlled Wood and controlled material included into company's own program of controlled material verification against FSC-STD-40-005. Incoming secondary feedstock originates from Organisation's own sawmill located at the same production site, and has FSC Mix Credit and FSC Controlled Wood claim. There is one FSC-certified supplier of the secondary feedstock (sawdust) with FSC 100% claim. BP uses credit account for certified pellet production and sales. In case of the FSC and/ or SBP sales the volume of sold pellets is withdrawn from the credit account.

Some share of the feedstock originates from non-certified and non-controlled sources. Non-certified material is handled separately from certified material at all stages. This is ensured by processing of certified and non-certified wood material in different batches and different time. When BP processes non-certified wood, prior to switching to certified production, processing lines are shut down, and cleaned out completely from non-certified wood material. After that production lines are enabled again.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on December 04-05, 2017 (15 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	04/12/2017 09.00-09.15
Documents and procedures review. Inputs review, energy use calculations review	Office	04/12/2017 09:15-12.00
Lunch		04/12/2017 12:00-12:30
Documents and procedures review. Inputs review, energy use calculations review	Office	04/12/2017 12:30-17.00
Chain of custody review (site tour); staff interview	Pellet production site	05/12/2017 09.00-11.30
Documents and procedures review, staff interview	Office	05/12/2017 11:30-12.00
Lunch		05/12/2017 12:00-12:30
Documents and procedures review, staff interview	Office	05/12/2017 12:30-16.40
Closing meeting*	Office	05/12/2017 16.40-17.00

End of the evaluation		05/12/2017
		17.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov	Audit team leader. NEPCon SBP audit team leader. He has successfully passed SBP auditor training in Tallinn in January 2015; previous experience with more than 20 SBP assessments and annual audits in Russia.
Victoria Zablotskaya	Auditor in training. NEPCon FSC CoC auditor. She passed SBP auditor training in Jurmala, Latvia in October 2017.

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.

Description of the audit:

All SBP related documentation connected to the SBP as well as FSC CoC system of the organisation, including SBP Procedure, SAR, SBP Profiling data and Supply Base Report and FSC system description was provided by the company at the beginning of the assessment. Audit started with an opening meeting attended by the SBP responsible person and the management of the organization.

Audit team was introduced, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the lead 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, 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 and controlled 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 audit findings were summarised and audit 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

No stakeholder consultations conducted prior or during this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC credit system. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: See NCRs below in this report.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Compilation of data on Greenhouse Gas emissions

Company is able to provide all necessary data for GHG calculations and emissions as well as is able to collect such information from its suppliers which was verified during audit onsite. Energy use data are based on actual production results.

7.4 Competency of involved personnel

All staff involved into SBP certification showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system. Please see also major NCR 02/18 regarding performance of SREG documents.

7.5 Stakeholder feedback

No feedback from stakeholders have been received.

7.6 Preconditions

None

8 Review of Biomass Producer's Risk Assessments

Not applicable.

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9 Review of Biomass Producer's mitigation measures

Not applicable.

10 Non-conformities and observations

NCR: 01/18	NC Classification: minor / незначительное
Standard & Requirement:	SBP Standard 4, Instruction Note 4B, 2.3 SBP Trademark License Agreement, section 7.2
Description of Non-conformance and Related Evidence:	
In the reporting period BP mentioned at their website http://sever-lpk.ru/cert/ that they are in the process of SBP certification; use of SBP abbreviation at homepage is considered as SBP trademark use off-product. В отчетном периоде Организация разместила на своем веб-сайте http://sever-lpk.ru/cert/ информацию о том, что она находится в процессе SBP сертификации; использование аббревиатуры SBP на веб-сайте считается использованием товарного знака SBP вне продукции.	
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 / К следующему ежегодному аудиту, но не позднее 12 месяцев
Evidence Provided by Organisation:	BP's updated homepage http://sever-lpk.ru/cert/
Findings for Evaluation of Evidence:	Организация убрала со своей домашней страницы информацию о сертификации SBP, за исключением того, что предложения и комментарии по вопросам, относящимся к сертификации SBP, могут быть отправлены на сайт Организации. BP removed from their webpage information about SBP certification, except the proposal to send to their website the questions and comments related to SBP certification.
NCR Status:	CLOSED / ЗАКРЫТО

NCR: 02/18	NC Classification: MAJOR / ЗНАЧИТЕЛЬНОЕ
Standard & Requirement:	SBP Instruction # 5B requirement 3.3.1
Description of Non-conformance and Related Evidence:	
In the reporting period BP sold pellets with SBP claim. SAR approved by SBP after the SBP assessment, included only one option of Incoterms delivery conditions of pellets to customer (Ex Works). Therefore, BP prepared SREG for each batch shipped to customer (totally 6 documents). During SREG review the following mistakes have been identified: BP used the same PBID (01-62-15-00) for all six deliveries, whereas SAR includes PBID in the form of 01-62-11; in section 'Reference Biomass Transported' the name of vessel was specified; in section 'Backhaul' it was specified that backhaul was always applied – but there is no confirmation for that; in section 'Total energy consumption for the sea transport' – light diesel specified as type of fuel used by vessel, but there is no confirmation for that; during pellets transportation by railway BP did not consider that the	

part of the railway (railway stations Konosha - Ust-Luga) is electrified, and the fossil diesel oil was specified for the whole delivery distance.

В отчетном периоде Организация осуществляла продажу пеллет с заявлением SBP. Поскольку документ SAR, утвержденный после основной оценки SBP, включал в себя только вариант продажи пеллет на условиях Ex Works, Организация готовила документ SREG на каждую отгружаемую партию. Всего было подготовлено 6 документов SREG. Их проверка выявила ошибки: Организация использовала один и тот же PBID (01-62-**15**-00) для всех шести партий, в то время, как в SAR указан PBID в форме 01-62-**11**; в пункте Reference Biomass Transported указывали название судна; в разделе Backhaul указывали, что обратный путь всегда учитывается (чему нет подтверждения); тип используемого топлива – указывали light diesel (чему нет подтверждения); при транспортировке пеллет железной дорогой не учитывали, что часть дороги (Коноша-Усть-Луга) электрифицирована, и указывали, что по всей дистанции использовалось дизельное топливо.

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:	3 months / 3 месяца
Evidence Provided by Organisation:	Example of updated SREG. Пример обновленной формы SREG.
Findings for Evaluation of Evidence:	BP has submitted updated versions of SREG. The information included into SREG is accurate and actual. Auditor closed major NCR. Организация предоставила пример обновленной версии SREG. Информация, представленная в документе, актуальная и точная. Аудитор закрыл NCR.
NCR Status:	CLOSED / ЗАКРЫТО

NCR: 03/18	NC Classification: minor / незначительное
Standard & Requirement:	SBP Standard 4, Instruction Note 4B, 2.3 SBP Trademark License Agreement, section 7.2
Description of Non-conformance and Related Evidence:	
The previous reporting period was November 21 – December 01, 2016 (pellet plant has been commissioned in November 2016). The next reporting period in SAR is specified as December 01, 2016 – October 31, 2017 (11 months). BP was not able to collect the required information on energy use in November 2017, because the current audit was conducted in the very beginning of December 2017. However no justification about that included in SAR. Предыдущий отчетный период был определен как 21.11-01.12.2016 (поскольку пеллетный завод был запущен в ноябре 2016 г.). Следующий отчетные период указан в SAR как 01.12.2016 – 31.10.2017 (11 месяцев). Организация не успела собрать требуемую информацию о расходе энергии за ноябрь 2017 г, поскольку текущий аудит проводился в самом начале декабря 2017 г. Однако, соответствующее разъяснение не было включено в SAR.	
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 / К следующему ежегодному аудиту, но не позднее 12 месяцев
Evidence Provided by Organisation:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN / ОТКРЫТО

Please list of the non-conformities which are likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?

See major NCR 02/18.

11 Certification decision

Based on Organisation's conformance with SBP requirements, the auditor makes the following recommendation:	
☒	Certification approved: Upon acceptance of NCR(s) issued above
☐	Certification not approved:
Based on auditor's recommendation and NEPCon quality review following certification decision is taken:	
NEPCon certification decision: Certification is maintained upon acceptance of NCRs raised in this report.	
Certification decision by: Ondrej Tarabus	
Date of decision: 28.02.2018	
Next surveillance audit should take place:	☒ within 12 months ☐ more frequently (please specify)