



NEPCon Evaluation of Region-les LLC Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

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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

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1 Overview

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Primary contact for SBP:	Ondrej Tarabus otarabus@preferredbynature.org, +34 605 638 383
Current report completion date:	22/Feb/2021
Report authors:	Nikolai Tochilov
Name of the Company:	Region-les LLC. Legal address: 163015, Russia, Arkhangelsk, Leningradskiy ave, 163, office 20. Production site address: 165195, Russia, Arkhangelsk region, Shenkursk district, village Chaschinskaya, 27A, bld 2
Company contact for SBP:	Anton Studentsov, +79212946946, studencov_a@regionlesm.ru
Certified Supply Base:	Russia, Arkhangelsk region
SBP Certificate Code:	SBP-07-40
Date of certificate issue:	16/Dec/2019
Date of certificate expiry:	15/Dec/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Chashchinskaya, Shenkursk district of Arkhangelsk region, Russia, for use in energy production, and its transportation by different means of transport to different end points all over the world. 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 and assessment of compliance with ID 5E ver. 1.3.

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

Region-les LLC is one of the largest companies in the timber industry of Arkhangelsk region, with the central office in Arkhangelsk, Russia. Organisation includes the sawmilling and pellet production facilities in Shenkursk district of Arkhangelsk region, and the new pellet production in Arkhangelsk (commissioned in November 2020 and covered by separate SBP certificate).

Organisation furthermore has created the group association, with the aim of promoting and assisting logging organizations (suppliers) in meeting the requirements of national and international FSC standards. This group association currently includes four timber harvesting companies located in the middle and southern parts of Arkhangelsk region.

The scope of this evaluation covers the pellet production in Chashinskaya village, Shenkursk districts of Arkhangelsk, with the total annual production capacity of 12 000 tones pellets.

Only secondary feedstock (sawdust and wood chips) with FSC 100% claim is used for FSC/SBP certified pellet production. Wood chips and barks are used for heating the biomass dryer. Company runs both pellet and lumber production which supplies secondary feedstock with FSC 100% claim to the pellet plant.

FSC transfer system of claims is implemented for pellet production (all pellets have FSC 100% claim).

The final product may be transported by different means of transport to different end points all over the world, on different Incoterms delivery conditions. In the reporting period, SBP-certified biomass was transported to the customers on CIF Incoterms conditions through one of the harbours in S.Petersburg, Russia.

5.2 Description of Company's Supply Base

Region-Les LLC is a biomass producer located in Chaschinskaya village, Shenkursk district, Arkhangelsk Region, Russia. Region-Les LLC produces SBP-compliant biomass from SBP-compliant secondary feedstock that is a residue from own sawmill (sawdust, wood chips). Roundwood for sawing comes from 4 primary wood suppliers. The species composition of the feedstock is Norway spruce (*Picea abies*) - 76%, Scots pine (*Pinus sylvestris*) - 23%, Birch (*Betula pendula*, *Betula pubescens*) – 1%.

The supply base, which is the place of origin of wood that is used as feedstock and biofuel for biomass production, is limited to the leased forest areas of 4 logging companies. Leased forest plots of logging companies - wood suppliers, are located exclusively in the Arkhangelsk region (Russia). All forest areas are managed in accordance with the Russian national FSC standard (license code FSC-C128360), which is confirmed by the availability of valid forest management certificates from all suppliers. The total volume of harvest in the Arkhangelsk region for 2019 (Report "State and Protection of the Environment of the Arkhangelsk Region for 2019") amounted to 14,3 million m³ per year. The total procurement volume of the organization's suppliers amounted to 724,8 thousand m³ during the same period, which is only 5,1% of the total wood procurement in the Arkhangelsk region. Annual allowable cut (AAC) is fulfilled by suppliers for 99%

for 2019. Actual harvest volume for 2019 in the Arkhangelsk Region was 55% of the current AAC. According to the Report, in 2019 the timber industry complex of the Arkhangelsk region produced the following volumes of woodworking production: 2,354.8 thousand m³ lumber, 457.4 thousand tons fuel pellets, 135 thousand m³ plywood. Also, in 2019, pulp and paper mills shipped products (cardboard, paper, cellulose) worth 84.6 billion rubles. In terms of the volume of goods shipped in 2019, the timber industry complex accounted for 46.2% of the total volume of goods shipped for all types of industrial production. Of these, 14.5% are woodworking products and 31.7% are paper and paper products. At the same time, in 2019, woodworking industries showed an increase of 3.5% compared to 2018, while a decline in production by 3.1% is observed in the pulp and paper industry.

In 2019, an increase in the average monthly wage is observed: in logging, growth was 2.4%, in pulp and paper production - 8%, in woodworking industries - 42.4%.

The population of the Arkhangelsk Region as of January 1, 2020 amounted to 1,092.4 thousand people. The demographic situation in the region is characterized by complex and ambiguous processes. In 2019, the number of residents of the region decreased by 7.9 thousand people (in 2018 - by 10.7 thousand people) or by 0.7%, which is lower than the level of demographic losses in previous years. The main reason for the decline in population is natural loss.

In accordance with the legislation of the Russian Federation forest areas are in federal ownership. Suppliers manage forest land on the basis of long-term lease agreements (up to 49 years). 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 project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

Forest areas are represented by both coniferous and deciduous stands. The main forest-forming species: Norway spruce (*Picea abies*) – 42%, Scots pine (*Pinus sylvestris*) – 22%, Silver birch (*Betula pendula*), Downy birch (*Betula pubescens*) – 31%, Aspen (*Populus tremula*) - 5%. The average age of the forest stand is 113.2 years.

The adjacent lands of the supply base are mainly represented by forest areas of other tenants and agricultural land. Mostly logging activities and agriculture are carried out in these territories, respectively. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied.

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. Selective cutting and clear cuts are used as a methods of wood harvesting. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings (about 10-15%) or the promotion of natural regeneration (85-90%).

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. Region-Les LLC processes only Norway spruce (*Picea abies*), Scots pine (*Pinus sylvestris*), Silver birch (*Betula pendula*), Downy birch (*Betula pubescens*), Aspen (*Populus tremula*). The tree species listed in CITES and IUCN are not met within the supply base.

Logging companies, being FSC certified forest users, provide social support to the local population through various social programs (for example, the supply of fuel wood to the local population, preferential employment rights for local residents, participation in the organization of local events as sponsors, assistance in the construction and repair of local infrastructure facilities, etc.).

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	667156 ha
Tenure by type (ha):	public 667156 ha
Forest by type (ha):	boreal 667156 ha
Forest by management type (ha):	managed natural 667156 ha
Certified forest by scheme (ha):	667156 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://rl-group.net/certificate-en> (English version) and <https://www.rl-group.net/certificate> (Russian version).

5.4 Chain of Custody system

BP holds valid FSC CoC certificate

<https://info.fsc.org/details.php?id=a023300000YLYgnAAH&type=certificate> covering both sawmill and pellet production. Only secondary feedstock (sawdust + wood chips for pellets and wood chips + barks for the dryer) with FSC 100% claim from Organisation's sawmill located at the same production site in Chashinskaya village is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim).

Non-certified feedstock is not processed by pellet plant, neither used in dryer.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on November 15, 16, 24 and 27, 2020 (app. 14 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Production office in Chashinskaya village (Shenkursk district of Arkhangelsk region)	15/11/2020 10.30-10.45
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Production office in Chashinskaya village (Shenkursk district of Arkhangelsk region)	15/11/2020 10.45-13.00
Break		15/11/2020 13.00-14.00
Documents and procedures review (SAR and energy use primary data); staff interview	Production office in Chashinskaya village (Shenkursk district of Arkhangelsk region)	15/11/2020 14.00-16.00
Chain of custody review (site tour); staff interview	Production facilities in Chashinskaya village (Shenkursk district of Arkhangelsk region)	15/11/2020 16.00-17.00
SAR and energy use primary data review; staff interview	Production office in Chashinskaya village (Shenkursk district of Arkhangelsk region)	16/11/2020 08.30-13.00
SBP-certified biomass transportation and sales – documents review and staff interview	Central office in Arkhangelsk	24/11/2020 10.00-11.00
Onsite inspection of the storage in harbour	S.Petersburg	27/11/2020 12.00-13.00
Closing meeting	S.Petersburg	27/11/2020 13.00-13.30

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 50 SBP assessments and annual audits in Russia, Portugal, Germany, Netherlands, Belgium, Latvia, Belarus and Vietnam.

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 at the beginning of the audit, which started on November 15, 2020 with an opening meeting attended by the representatives from Organisation's management and staff at production site in Chashinskaya village.

During the opening meeting, audit team leader 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 accreditation related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction document 5E covering input clarification, existing chain of custody system, management system, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP-compliant biomass. Chain of Custody implementation was reviewed focusing in the Critical Control Points, in particular it was verified reception of the material and it's classification, identification of feedstock origin, production process with the conversion factors associated, mass balance, final product storage and sales. 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.

On November 24, 2020, documents review and interviews were conducted at central office in Arkhangelsk with the staff representatives responsible for performance of transport and sales documents.

On November 27, 2020, the logistic site in harbour (S.Petersburg) was inspected by auditor. After that, findings were summarised and audit conclusions based on use of 3 angle evaluation method were provided to SBP responsible person.

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6.3 Process for consultation with stakeholders

No consultations conducted with stakeholders prior to, during or after this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: use of the FSC transfer system; only FSC 100% secondary feedstock is sourced by pellet plant; non-certified feedstock is not accepted. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: none.

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 handling at pellet production site; diesel for biomass handling and transportation to customer; biofuels for the dryer. Energy use values are based on actual consumption records maintained by BP.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: SBP/FSC responsible person (SBP procedures and systems updates, SAR, SBR, DTS, comments/complaints resolution), chief and foreman of pellet production (registration of the inputs and outputs volume, moisture measurements, performance of transport documents in case of selling at internal market), mechanic (diesel consumption), power engineer (electricity consumption), H&S engineer, export manager (registration of shipped volumes, invoices performance).

7.5 Stakeholder feedback

No consultations conducted with stakeholders prior to, during or after this annual audit.

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

No non-conformities and/or observations raised during this audit. There are no open NCRs since the initial assessment 2019.

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:	22/Feb/2021
Other comments:	<i>Click or tap here to enter text.</i>