



Supply Base Report: ULK Group LLC (Velsk)

First Surveillance Audit

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Completed in accordance with the Supply Base 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

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Version 1.3 published 14 January 2019; re-published 3 April 2020

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1 Overview

Producer name: ULK Group LLC (Velsk)

Producer location: 165151, Klimovskogo str., 48B, Velsk, Velsk district, Arkhangelsk region, Russia

Geographic position: 61.046885 'N, 42.149548 'E

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Company website: <http://ulkust.ru>

Date report finalised: 29/07/2020

Close of last CB audit: 31/07/2020, Velsk

Name of CB: NEPCon

Translations from English: Yes

SBP Standard(s) used: Standard 2 version 1.0, Standard 4 version 1.0, Standard 5 version 1.0

Weblink to Standard(s) used: <http://www.sbp-cert.org/documents>

SBP Endorsed Regional Risk Assessment: Not applicable

Weblink to SBE on Company website: Not applicable

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

ULK Group LLC is one of the largest logging and timber processing enterprises in the Arkhangelsk and Novgorod regions. The group includes 4 sawmills (3 in the Arkhangelsk region and 1 in the Novgorod region) and 3 pellet plants: 2 of which are located in the Arkhangelsk region in the village of Oktyabrsky and in the city of Velsk and one in the city of Pestovo, Novgorod region. ULC Group of Companies LLC has FSC forest management certificates (NC-FM / COC-014108; NC-FM / COC-014179; NC-FM / COC-054054; NC-FM / COC-055555; NC-FM / COC-054018).

The supply base of LLC GK ULK (Velsk) is the forest fund area of LLC ULK Group in the Arkhangelsk and Vologda regions and the leased base of seven FSC certified suppliers in the Arkhangelsk, Vologda regions and the Komi Republic.

The SBP-certified biomass producer is located in the south of the Arkhangelsk region in the middle taiga zone, in Velsk town. The main activities are lumbering and sawn timber production. The company processes about 500 thousand m³ of roundwood per year. For the production of pellets, ULK GROUP LLC (Velsk) uses only SBP-compliant secondary feedstock (sawdust and wood chips, the residue of its own sawn timber production). For the production of SBP-certified pellets, only FSC-certified residues are used, which are physically separated from non-certified residues.

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Softwood species constitute 78%, hardwood - 22%.

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 standing stock. 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.

The Arkhangelsk, Vologda regions and Komi Republic are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 25-30% of the timber stock. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

The table shows data on the supply base for the regions of the Russian Federation, from where sawlogs are supplied to the enterprise.

Variable	Northwestern Federal District		
	Arkhangelsk region	Vologda region	Komi Republic
Area of forest fund, mln. ha	28,4	11,5	36,3
Stock of ripe and overripe forests, thousand ha	1800,5	1071,4	2862,2
Actual volume of ripe and overripe forest stands (for 2019) harvesting, mln. cubic meters	14,3	16,9	9,9
Forest tundra and light forest taiga, northern taiga, middle taiga, southern taiga / Boreal forests, million ha	29,3	11,7	38,9

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and ULK GROUP LLC (Velsk), observe a moratorium on timber harvesting in these forest areas. On the territory of the Supply Base there are intact forests and wetlands of international importance. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, ULK GROUP LLC (Velsk) uses wood only from FSC certified forests in the pellets production.

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. 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 (about 85-90%).

The most common wood species in the supply base are Scots pine (*Pinus sylvestris*) and Norway spruce (*Picea abies*). It is also the only two wood species that ULK GROUP LLC buys and processes. Other common tree species in the region are birch (*Betula pendula* and *Betula pubescens*), aspen (*Populus tremula*) and gray alder (*Alnus incana*).

The Federal Service for Supervision of Natural Resources of Russia (Rosprirodnadzor) approved the list of animal and plant species that fall under the Convention on International Trade in Endangered Species of wild fauna and flora (CITES). The CITES list became effective from June 12, 2013. In Russia there are four CITES listed timber species: Japanese yew (*Taxus cuspidate*), Manchurian ash (*Fraxinus mandshurica*), Korean pine (*Pinus koraiensis*), and Mongolian oak (*Quercus mongolica*). These tree species, however, are only found in the Asian part of Russia and are not found in the supply base of ULK Group LLC (Velsk).

In addition to the protected flora and fauna of CITES, there are national Red Book lists with protected animals and plants. Some of these species are present in the supply base. As for the red-listed tree species, the supply base contains, for example, Karelian birch (*Betula pendula* var. *Carelica*), smooth elm (*Ulmus laevis*), rough elm (*Ulmus glabra*), Russian larch (*Larix archangelica*), Russian willow (*Salix rossica*), blueberry willow (*Salix myrtilloides*); Lappish willow (*Salix lapponum*), three-stalked willow (*Salix triandra*), and squat birch (*Betula humilis*).

Within the regions of the resource base, deep wood processing prevails over the export of round timber. The leading directions of processing are the production of sawn timber, plywood, fiberboard, chipboard, pulp cooking, paper and cardboard production, wooden housing construction. Pellet production accounts for approximately 2% of the total wood processing within the supply base.

The forest complex of the Russian Federation, which includes forestry and timber industries for the harvesting and processing of wood, occupies an important place in the country's economy. The development of the social sphere (health, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of settlements.

ULK GROUP LLC (Velsk) is of great socio-economic importance in the Ustyansky District and the Arkhangelsk Region. The company provides financial and material support to social and cultural facilities and organizations, sports facilities and healthcare facilities, is engaged in repair and construction of roads in the district.

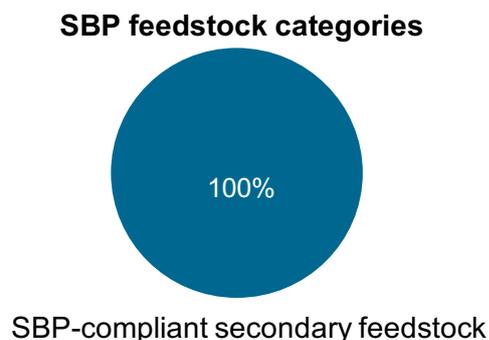
2.2 Actions taken to promote certification amongst feedstock supplier

For the pellets production, ULK GROUP LLC uses only FSC-certified feedstock of its own procurement from an FSC-certified lease area and purchased from FSC-certified suppliers, therefore no additional steps are required to promote FSC certification.

2.3 Final harvest sampling programme

Not applicable because for the pellets production only used FSC-certified secondary feedstock is used.

2.4 Flow diagram of feedstock inputs showing feedstock type



2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|---|
| a. Total Supply Base area (ha): | 76,2 mln. ha |
| b. Tenure by type (ha): | 76,2 mln. ha public |
| c. Forest by type (ha): | 76,2 mln. ha boreal |
| d. Forest by management type (ha): | 76,2 mln. ha managed natural |
| e. Certified forest by scheme (ha): | 20,3 mln. ha of FSC-certified forest |

Feedstock

- f. Total volume of Feedstock: **98295 tons;**
- g. Volume of primary feedstock: **0 tons;**
- h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme - **0%**;
 - Not certified to an SBP-approved Forest Management Scheme – **0%**;
- i. List all species in primary feedstock, including scientific name – **not applicable;**
- j. Volume of primary feedstock from primary forest – **not applicable;**
- k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme – **0%**;
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme – **0%**;
- l. Volume of secondary feedstock: **98295 tons of sawdust and wood chips – wood processing residues;**
- m. Volume of tertiary feedstock: – **0%.**

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

In the production of SBP pellets, FSC 100% secondary feedstock is used. Supply Base evaluation is not required.

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

This year, the Supply Base Report was not reviewed by an expert.

11.2 Public or additional reviews

The Supply Base report of ULK GROUP LLC is posted on the site <http://ulkust.ru/>. Questions and comments can be sent to the SBP certification manager by e-mail to e.krivosheeva@ulkust.ru.

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Ekaterina Krivosheeva</i> 	<i>SBP manager</i>	<i>29/07/2020</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>Malkov Dmitry Alexandrovich</i> 	<i>Director</i>	<i>29/07/2020</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

The structure of suppliers has changed. Currently, there are 7 suppliers with whom LLC “GK“ ULK” (Velsk) has worked or plans to work in the coming year. The supply base has increased with one region: Komi Republic.

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual figures for feedstock over the previous 12 months

98295 tons of sawdust and wood chips – wood processing residues.

13.5 Projected figures for feedstock over the next 12 months

200 000 tons of sawdust and wood chips – wood processing residues.