



Supply Base Report: ULK Group LLC (Velsk)

Second Surveillance Audit

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Completed in accordance with the Supply Base 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

Document history

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1 Overview

Producer name: ULK Group LLC (Velsk)

Producer address: Klimovskogo str., 48b, Arkhangelsk region, 165151 Velsk, Russia

SBP Certificate Code: SBP-07-35

Geographic position: 61.046885, 42.149548

Primary contact: Ekaterina Krivosheeva, +7 921 294 9267, e.krivosheeva@ulkust.ru

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

Date report finalised: 04 Jun 2021

Close of last CB audit: N/A

Name of CB: NEPCon OÜ

SBP Standard(s) used: SBP Standard 2: Verification of SBP-compliant Feedstock, SBP Standard 4: Chain of Custody, SBP Standard 5: Collection and Communication of Data Instruction, Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4

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

SBP Endorsed Regional Risk Assessment: N/A

Weblink to SBR on Company website: N/A

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations

Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance	Re-assessment
<input type="checkbox"/>	<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

Feedstock types: Secondary

Includes Supply Base evaluation (SBE): No

Feedstock origin (countries): Russia

2.2 Description of countries included in the Supply Base

Country:Russia

Area/Region: Arkhangelsk region, Vologda region, Komi Republic

Exclusions: Yes

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 stlm. Oktyabrsky and in the city of Velsk and one in the city of Pestovo, Novgorod region. ULC Group LLC has FSC forest management certificates (NC-FM/COC-014108; NC-FM/COC-054054; NC-FM/COC-055555; NC-FM/COC-054018).

The supply base of ULK GROUP LLC (Velsk) is the forest fund area of Arkhangelsk and Vologda regions and 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) with FSC 100% claim. Besides Roundwood from own leased areas, ULK GROUP LLC (Velsk) also sawns FSC 100% roundwood from 8 suppliers from Arkhangelsk, Vologda regions and Komi Republic. For the production of SBP-certified pellets, only FSC-certified residues are used. Overall species composition: 23% Scots Pine (*Pinus sylvestris*), 73% Norway spruce (*Picea abies*).

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 annual allowable cut 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	Arkhangelsk	Vologda	Komi Republic
	region	region	
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. 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 illegal wood input 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 81-120 years. Clear cuts are used as a main method of wood harvesting. The maximum area of clear cuts is limited by 50 ha. Thinnings can be done in a rare case with the maximum thinning area of 100 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 milling, paper and cardboard production, wooden housing construction. Pellet production accounts less than 5% 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.

2.3 Actions taken to promote certification amongst feedstock supplier

ULK Group LLC favors FSC-certified timber supply and informs suppliers of its benefits.

2.4 Quantification of the Supply Base

Supply Base

- a. **Total Supply Base area (million ha):** 76,20
- b. **Tenure by type (million ha):**76.20 (Public)
- c. **Forest by type (million ha):**76.20 (Boreal)
- d. **Forest by management type (million ha):**76.20 (Managed natural)
- e. **Certified forest by scheme (million ha):**22.85 (FSC)

Describe the harvesting type which best describes how your material is sourced: Clearcutting

Explanation: Mostly clear-cutting is used as a method of harvesting, with the maximum scale of harvesting of 50 ha. Thinnings could be used in a very rare case, with the maximum area of 100 ha. Cut-to-length method with forwarders and harvesters is a predominant method.

Was the forest in the Supply Base managed for a purpose other than for energy markets? Yes - Majority

Explanation: The leading directions of wood harvesting and processing are the production of sawn timber, plywood, fiberboard, chipboard, pulp cooking, paper and cardboard production, wooden housing construction.

For the forests in the Supply Base, is there an intention to retain, restock or encourage natural regeneration within 5 years of felling? Yes - Majority

Explanation: Reforestation is done by forest users with planting seedlings (about 10-15%) or the promotion of natural regeneration (about 85-90%).

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? Yes - Minority

Explanation: Very small extent of sanitary harvesting was used with the purpose to remove windfallen trees.

Feedstock

Reporting period from: 01 May 2020

Reporting period to: 30 Apr 2021

- a. **Total volume of Feedstock:** 1-200,000 tonnes
- b. **Volume of primary feedstock:** 0 N/A
- c. **List percentage of primary feedstock, by the following categories.**
 - Certified to an SBP-approved Forest Management Scheme: N/A
 - Not certified to an SBP-approved Forest Management Scheme: N/A
- d. **List of all the species in primary feedstock, including scientific name:** N/A
- e. **Is any of the feedstock used likely to have come from protected or threatened species?** N/A
 - Name of species: N/A
 - Biomass proportion, by weight, that is likely to be composed of that species (%): N/A
- f. **Hardwood (i.e. broadleaf trees): specify proportion of biomass from (%):** N/A
- g. **Softwood (i.e. coniferous trees): specify proportion of biomass from (%):** N/A
- h. **Proportion of biomass composed of or derived from saw logs (%):** N/A
- i. **Specify the local regulations or industry standards that define saw logs:** N/A
- j. **Roundwood from final fellings from forests with > 40 yr rotation times - Average % volume of fellings delivered to BP (%):** N/A
- k. **Volume of primary feedstock from primary forest:** N/A N/A
- l. **List percentage of primary feedstock from primary forest, by the following categories. Subdivide by SBP-approved Forest Management Schemes:**
 - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme: N/A
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme: N/A
- m. **Volume of secondary feedstock:** 1-200,000 tonnes

- Physical form of the feedstock: Chips, Sawdust

n. Volume of tertiary feedstock: 0 N/A

- Physical form of the feedstock: N/A

Proportion of feedstock sourced per type of claim during the reporting period				
Feedstock type	Sourced by using Supply Base Evaluation (SBE) %	FSC %	PEFC %	SFI %
Primary	0,00	0,00	0,00	0,00
Secondary	0,00	100,00	0,00	0,00
Tertiary	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00

3 Requirement for a Supply Base Evaluation

Is Supply Base Evaluation (SBE) is completed? No

N/A

4 Supply Base Evaluation

4.1 Scope

Feedstock types included in SBE: N/A

SBP-endorsed Regional Risk Assessments used: N/A

List of countries and regions included in the SBE:

Country: N/A

Indicator with specified risk in the risk assessment used:
N/A

Specific risk description:

4.2 Justification

N/A

4.3 Results of risk assessment and Supplier Verification Programme

N/A

4.4 Conclusion

N/A

5 Supply Base Evaluation process

N/A

6 Stakeholder consultation

N/A

6.1 Response to stakeholder comments

N/A

7 Mitigation measures

7.1 Mitigation measures

N/A

7.2 Monitoring and outcomes

N/A

8 Detailed findings for indicators

Detailed findings for each Indicator are given in Annex 1 in case the Regional Risk Assessment (RRA) is not used.

Is RRA used? N/A

9 Review of report

9.1 Peer review

N/A

9.2 Public or additional reviews

N/A

10 Approval of report

Approval of Supply Base Report by senior management			
Report Prepared by:	Ekaterina Krivosheeva	Deputy director on certification	04 Jun 2021
	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:	Sergey Alexeevich Fedorov	Director	04 Jun 2021
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A