



Supply Base Report: ULK Group LLC (Pestovo)

First 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 (Pestovo)

Producer address: 2a Naberegnaya str., 174510 Pestovo, Novgorod region, Russia

SBP Certificate Code: SBP-08-08

Geographic position: 58.607000, 35.812472

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

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

Date report finalised: 07 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 checked="" type="checkbox"/>	<input 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, Novgorod region, Komi republic, Ivanovo region, Nizhegorodkiy region, Yaroslavl region

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. ULK Group LLC has FSC forest management certificates (NC-FM / COC-014108; NC-FM / COC-054054; NC-FM / COC-055555; NC-FM / COC-054018).

A separate division of Pestovsky Timber Industry Complex ULK Group LLC (Pestovo) processes its own raw materials and can purchase raw materials from 10 FSC certified suppliers. The supply base of ULK Group LLC (Pestovo) is the area of those regions where there are leased plots of own forest fund and leased plots of suppliers are located. Own leased plots are located in the Arkhangelsk, Vologda and Novgorod regions. Leased plots of suppliers are located in the Arkhangelsk, Vologda, Novgorod, Ivanovo, Yaroslavl, Nizhny Novgorod regions and the Komi Republic.

The biomass producer is located in the city of Pestovo, which is located on the Mologa River (Volga basin), 314 km east of Veliky Novgorod, 360 km southeast by rail from St. Petersburg and 54 km west from Ustyuzhna Vologda region. The temperate continental climate prevails.

The main activities are sawmilling and lumber production. The sawmill in Pestovo processes about 600 thousand m³ of roundwood per year. For the production of pellets, ULK Group LLC (Pestovo) uses only SBP-compliant secondary feedstock (sawdust and wood chips, waste from its own lumber production) with a FSC 100% claim.

The supply base is located in the North-West, Volga and Central Federal Districts of the Russian Federation. The adjacent territories of the Supply Base are mainly represented by forest areas of other tenants and agricultural land. Mostly in these areas, logging and agriculture are carried out, respectively.

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 in lease (with the possibility of their prolongation). 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.

The share of mature and overmature forest stands is about 25-30% of the timber stock in the Supply base. Within the Supply Base, the annual allowable cut is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

The table shows the data on the Resource Base for the regions of the Russian Federation, from where the sawlog is supplied to the enterprise.

Variable	Arkhangelsk region	Vologda region	Novgorod region	Komi Republic	Ivanovo region	Yaroslavl region	Nizhny Novgorod Region	Total by supply base regions
Area of forest fund,	28,4	11,5	3,9	36,3	1,0	1,7	3,8	86,6

mln. ha

Area of forest fund, %	2,48	1,00	0,34	3,16	0,09	0,15	0,33	7,55
Stock of ripe and overripe forests, thousand ha	1800,5	1071,4	301,6	2202,1	54,6	116,4	146,6	5693,2
Actual volume of ripe and overripe forest stands (for 2019) harvesting, thousand cubic meters	10041,0	11911,3	1873,0	7189,9	652,2	701,3	2250,3	34619
Actual volume of ripe and overripe forest stands (for 2019) harvesting, %	8,19	9,72	1,53	5,87	0,53	0,57	1,84	28,2
Forest tundra and light forest taiga, northern taiga,	29,2	11,5	1,9	36,3	0	1,0	1,2	81,1

middle taiga, southern taiga / Boreal forests, million ha									
Mixed conifero us- deciduo us forests, forest- steppe / Temper ate forests, million ha	0	0	2,2	0	1,0	0,8	2,6	6,6	

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. ULK Group LLC (Pestovo), 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 (Pestovo) 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 in taiga regions and to 20 ha in coniferous-deciduous region of the European part of the Russian Federation. Some harvesting can be done with thinnings. The maximum area of thinnings is limited to 100 ha. Reforestation can be done with planting seedlings (16%), promotion of natural regeneration (82%) and combined method (2%).

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. In biomass production ULK Group LLC (Pestovo) processes only European spruce (Picea abies) and Scotch pine (Pinus sylvestris). The tree species listed in CITES and IUCN are not processed, since their areal is not met within the supply base.

Within the regions of the supply base, deep wood processing prevails over the export of round timber. The leading areas of processing are the production of lumber, plywood, fiberboard, chipboard, pulp, paper and cardboard production, wooden housing construction. Pellet production accounts not more than 5% of the total wood processing within the supply base.

ULK Group LLC (Pestovo) is of great socio-economic importance in Pestovo town of Novgorod 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. The plant provides new jobs to local population

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):** 87,70
- b. **Tenure by type (million ha):**87.70 (Public)
- c. **Forest by type (million ha):**81.10 (Boreal), 6.60 (Temperate)
- d. **Forest by management type (million ha):**87.70 (Managed natural)
- e. **Certified forest by scheme (million ha):**23.77 (FSC)

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

Explanation: Clearcuts are used as a main type of harvesting with the maximum cutting area of 50 ha.

Thinnings are done very rare at the cutting area of 100 ha. Harvesters and forwarders are used for a cut-to-length method of harvesting.

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

Explanation: The leading areas of processing are the production of lumber, plywood, fiberboard, chipboard, pulp, 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: Forest regeneration is done by forest users according to the legislation within 5 years after harvesting. In the supply base reforestation is done with planting seedlings (16%), promotion of natural regeneration (82%) and combined method (2%).

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: A minor extent of sanitary harvestings were done due to windthrow.

Feedstock

Reporting period from: 01 May 2020

Reporting period to: 30 Apr 2021

- a. **Total volume of Feedstock:** 1-200,000 m³
- 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 m³
 - 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	07 Jun 2021
	Name	Title	Date
<p>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.</p>			
Report approved by:	Nikolay Sergeevich Gromov	Director	07 Jun 2021
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A