



# LegalSource™ Audit Report for JSC Ilim Group Koryazhma Branch

Annual audit 2021

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## Organisation Contact

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## A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by **JSC Ilim Group Koryazhma Branch** hereafter referred to as "Organisation". The report presents findings of LegalSource auditors, who have evaluated the Organisation's systems and performance against the applicable requirements. The sections below provide the audit conclusions and follow-up actions required by the Organisation.

**Dispute resolution:** If stakeholders have concerns or comments about the LegalSource standard or the auditing body, they are encouraged to contact their closest NEPCon regional office. Formal concerns and complaints should be sent in writing.

## B. Scope

The LegalSource audit, report and certificate covers the following scope:

Report Type	
Report type:	Confidential

Organisation Details	
Primary contact:	Iraida Shabanova, Head of management systems and certification department
Address:	42 Dybtsina street, Koryazhma, Arkhangelsk region, 165561, Russia
Tel/Web/Email:	Tel.: +7(921)246-15-69 <a href="https://www.ilimgroup.ru/">https://www.ilimgroup.ru/</a> <a href="mailto:iraida.shabanova@krm.ilimgroup.ru">iraida.shabanova@krm.ilimgroup.ru</a>
Jurisdiction of primary legal entity:	Russian Federation
Primary Activity	Primary Manufacturer
Description of Organisation:	The Organisation is the largest pulp and paper producer in Russia. The head office is located in Saint Petersburg and production branches are in Koryazhma, Bratsk and Ust-Ilimsk. Only the Head Office and the Koryazhma Branch are included in the scope.

Certificate Scope	
Certificate Type	<input type="checkbox"/> Single site certificate <input checked="" type="checkbox"/> Group/ Multi-site certificate
Standards Evaluated:	<input checked="" type="checkbox"/> LegalSource Standard (LS-02) v2 <input checked="" type="checkbox"/> NEPCon Generic Chain of Custody Standard (NC-STD-01) <input type="checkbox"/> NEPCon Generic Group & Multi-Site Standard (NC-STD-02)
Product scope:	Product types: Pulp, Paper and Cardboard.

	Full list of product species: Pinus sylvestris, Picea abies, Betula pubescens, Betula pendula, Populus tremula. Origin: Russia
Changes to certificate scope since last audit:	No changes
<b>Certificate Sites or Group members</b>	
<input type="checkbox"/> In place of below table, details are found in Exhibit	
<b>Site 1:</b>	
Site name:	JSC Ilim Group, Head Office in Saint Petersburg
Site Address/ Tel/Web/Email:	17 Marata street, Saint Petersburg, 191025, Russia Tel.: +7(812)718-54-02 <a href="https://www.ilimgroup.ru/">https://www.ilimgroup.ru/</a> <a href="mailto:ilya.verveyko@ilimgroup.ru">ilya.verveyko@ilimgroup.ru</a>
Site Activity:	Administration activities
Product Scope:	Same as in Certificate Scope table above. Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products.
Site visited during audit:	<input type="checkbox"/>
<b>Site 2</b>	
Site name:	JSC Ilim Group, Koryazhma Branch
Site Address/ Tel/Web/Email:	42 Dybtsina street, Koryazhma, Arkhangelsk region, 165651, Russia Tel.: +7(921)246-15-69 <a href="https://www.ilimgroup.ru/o-gruppe-ilim/filialy/koryazma/">https://www.ilimgroup.ru/o-gruppe-ilim/filialy/koryazma/</a> <a href="mailto:iraida.shabanova@krm.ilimgroup.ru">iraida.shabanova@krm.ilimgroup.ru</a>
Site Activity:	Primary Manufacturer
Product Scope	Same as in Certificate Scope table above. Pulp and paper of Chapters 47 and 48 of the Combined Nomenclature, with the exception of bamboo-based and recovered (waste and scrap) products.
Site visited during audit:	<input type="checkbox"/>

Evaluation Process	
Audit team:	<p><b>Mikhail Rai</b></p> <p>NEPCon Auditor. He successfully completed the LegalSource lead auditor training course and has participated in a number of LegalSource risk assessments in Russia.</p>
Description of Audit Process:	<p>Due to the COVID-19 reason the audit was carried out remotely using ICT (Zoom).</p> <p>The audit started on 08 February 2021 with the opening meeting attended by the Organization's responsible staff and management. During the opening meeting, the audit team leader introduced himself, provided information about the audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology, and clarified the certification scope.</p> <p>During the working week (08–12 February 2021) documented evidence and systems developed and implemented by the Organization were evaluated. Staff interviews were conducted. The evaluation was focused on the LegalSource management system evaluation: division of the responsibilities, documents verification, due diligence system maintenance, and implementation of the FSC CoC and controlled wood requirements, to which the Organisation is also certified and uses as a basis for its LegalSource system.</p> <p>The final meeting took place remotely on 12 February 2021. The findings were summarized, and preliminary audit conclusions based on the use of the triangulation method were provided to the Organization's management and responsible staff.</p>
Actions taken by Organisation prior to report finalisation:	Not applicable.
Notes for the next audit:	No additional notes.

## C. Audit Findings

Audit Conclusion:	
Organisation approved: No non-conformances issued	<input checked="" type="checkbox"/>
Organisation not approved:	<input type="checkbox"/>
Additional comments:	

### Non-Conformances

Non-conformance reports (NCRs) describe the non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR non-conformances issued during assessments/reassessments shall be closed prior to issuance of the certificate. MAJOR non-conformances issued during annual audits shall be closed within the timeline specified in the NCR, or result in certificate suspension. Where applicable, all non-conformances against standard requirements are shown below:

No non-conformities have been issued.

### Observations

Observations (Obs) are issued for the early stages of a problem which does not in and of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the Organisation or where general improvements may be made. Where applicable, all observations are shown below:

No observations have been made.

## D. Closed Non-Conformances

### Closed Non-Conformances

This section indicates where the Organisation has adequately addressed non-conformances issued during or since the last audit.

Any non-conformances which cannot be closed remain open and appear in Section C (above). Failure to comply with a minor non-conformance results in the NCR being upgraded to major; the specified follow-up action is required by the Organisation or involuntary suspension will take place.

<b>Non-Conformance #:</b>	01/19	
<b>Non-Conformance Grading:</b>	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
<b>Standard &amp; Requirement:</b>	<p>LegalSource Standard (LS-02) v2, Requirement 6.3</p> <p>The Organisation shall ensure that all information listed under requirement 6.1 of this standard is kept up to date.</p> <p>6.3.1 The Organisation shall ensure that suppliers notify the Organisation of changes to supply chains prior to these changes being made.</p>	
<b>Description of Non-conformance:</b>		
<p>Field inspection showed that not all the suppliers notify the Organisation of changes to supply chains prior to these changes being made. The Organisation has concluded the supplementary agreement dated 01.07.2019 with one of the suppliers (K-2 LLC), to purchase wood chips. The supplier has declared all the supply chains they had at the moment of the supplementary agreement had been signed. Later in September of 2019 during scheduled verifications of the suppliers the Organisation has identified that K-2 LLC has 2 more supply chains, but the supplier has not provided the information about these supply chains prior to changes been made. Thus, the procedures the Organisation implements related to the notification of changes in the supplier's supply chains are not sufficient.</p> <p>Since the Organisation has identified this case during scheduled verifications, and at the moment of the assessment necessary control measures have been implemented, the NEPCon team consider the non-conformity as minor.</p>		
<b>Corrective action request:</b>	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>	
<b>Timeline for Conformance:</b>	12 months from report finalisation date (21.01.2021)	
<b>Evidence Provided by Organisation:</b>	<p>Declarations of suppliers;</p> <p>Supply contracts;</p> <p>List of Suppliers;</p> <p>Summary of Evaluation of Suppliers;</p> <p>Extracts from Unified State Automated Information System of roundwood deals (EGAIS);</p> <p>Waybills confirming physical route of timber covered and not covered by the scope;</p> <p>Comments of responsible staff.</p>	
<b>Findings for Evaluation of Evidence:</b>	<p>The Organization analyzed a root cause of the non-conformance. As per the Organization, the supplier control mechanism for the notification of supply chain changes implemented at the moment of assessment was not sufficient.</p>	



	<p>The Organization decided to implement additional control to ensure the suppliers provide the most recent data about their supply chains. Additional requirements have been included in the DDS related to improvement of the system of the control of suppliers regarding the notification of changes in supply chains, in particular:</p> <ol style="list-style-type: none"> <li>1. Conducting consultations with authorities of forest departments at least every six months about the existing process of the termination of the forest concession agreement with a certain supplier (forest manager).</li> <li>2. Checking the supply chain of wood chips suppliers at the Unified State Automated Information System of roundwood deals (EGAIS) for the presence of new forest areas where timber could originate from.</li> </ol> <p>Relevant staff and management have been assigned to carry out the control measures and monitor the procedures' implementation.</p> <p>Interview with the staff confirmed that they are introduced to the procedures. Sample verification of supply chains, documented evidence collected by the Organization for the supply chains (please see above), and evaluation of EGAIS confirmed, that the Organization keeps up-to-date information about the supply chains.</p> <p>Actions, undertaken by the Organization, are sufficient to close the non-conformance.</p>
<b>NCR Status:</b>	<b>CLOSED</b>
<b>Comments (optional):</b>	N/A