

Supply Base Report Template for Biomass Producers

www.sustainablebiomasspartnership.org



Version 1.2 June 2016

NOTE:

This template, v1.2, is effective as of the date of publication, that is, 23 June 2016. Template v1.1 may still be used for those audits undertaken prior to 23 June 2016 and where the certificate is issued to Certificate Holders before 1 October 2016.

For further information on the SBP Framework and to view the full set of documentation see www.sustainablebiomasspartnership.org

Document history

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1 Overview

On the first page include the following information:

Producer name: IND Timber (previous “Trans-Siberian Forest Company” Ltd)
Producer location: 27, Rozy Luksemburg street, Irkutsk-Kut 664013, Russian Federation
Produce site: Tolsty Cape area, Ust-Kut town, Irkutsk region 666780, Russian Federation.
Geographic position: N 56,818940 E 106,009923
Primary contact: Minaev Mikhail (ph. +7 950 115 27 33), minaev@rusles.ru
Company website: www.tslk.ru
Date report finalised: 22/01/2018
Close of last CB audit: 26/01/2018, production site in Ust-Kut.
Name of CB: NEPCon
Translations from English: Yes, in Russian and English
SBP Standard(s) used: Standard 2, version 1.0; Standard 4, version 1.0; Standard 5, version 1.0; instruction documents 5A-5C Version 1.1
Weblink to Standard(s) used: <https://sbp-cert.org>
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 type="checkbox"/> | X | <input type="checkbox"/> | <input type="checkbox"/> |

2 Description of the Supply Base

2.1 General description

The feedstock supply base is located within the territory of 2 forestry sections, 3 administrative divisions of Irkutsk region in Siberian federal district of the Russian Federation.

The total area of the wooded lands in the RF territory is 764 million hectares, which constitutes approximately 21% of the world stumpage stocks. The areas occupied with the main forest forming species have remained quite stable over the last decades. The softwood species are 68,4%, hardwood species - 2,4%, soft-wooded broadleaved species - 19,3%. Other wood species are less than 1 % of the forests.

Irkutsk region is the largest region of Russia without access to the sea. The Irkutsk region is also a major subject of the Russian Federation, occupying an area of 774,846 km² (4.52% of the territory of Russia), slightly less than Turkey (780,580 km²), and also larger than the largest state of Europe - Ukraine.

The distance from Irkutsk to Moscow by rail is 5192 km, to Vladivostok - 4106 km. The time difference between the region and Moscow is 5 hours.

In accordance with the RF legislation, all of the forest area lands are the property of the state. Legal entities are provided with the forested land parcels on a leasehold and short-term exploitation basis. The lease relationship is the dominant legal form of the forests exploitation. The lease period can last from 10 to 49 years.

The forested land parcels leasing contracts or the forest stand purchase-and-sale contracts are concluded at public sales of the right to conclude such contracts. The parcels being leased are subject to the mandatory state cadastral registration. In accordance with Forestry Code of the RF, every forest user who has leased a forested land parcel shall be obliged to:

- Support the forest conservation, protection and reproduction practices,
- Present the forestry declaration annually,
- Make the forest resources development project,
- Present a report on the forests exploitation, its conservation, protection and reproduction.

Countrywide, the exploitation of the allowable cut area does not exceed 35%. According to the Russian Federal Forestry Agency data, the total reserve for the cut volumes increase to support the wood harvesting countrywide is about 400 million m³ per year. However, a percentage of the forests difficult to access is high in the country and the infrastructure is underdeveloped almost everywhere.

Ensuring the proper reproduction of the forest resources and the protective forestation are the mandatory conditions of the forests exploitation. All reforestation works in the forested land parcels leased out are planned and performed by the forest users at their own expense in accordance with the forest resources development projects.

When harvesting the wood, Red Book animal units as well as their habitat are subject to preservation according to the forestry legislation of the RF. Cutting the valuable, endangered and specially protected wood species is prohibited.

The RF timber complex, including the forestry and the timber harvesting and processing branches, plays a critical part in the economy of the country. There are about 60 thousand large, medium and small companies involved in the timber complex of the RF. About 1 million people are employed in the timber complex.

The forest surveying is the fundamental factor of the forestry keeping in the Russian Federation.

The forest surveying is a specialized type of the forestry activity which provides the performance of the forest condition assessment as well as the planning of steps aimed at the reasonable exploitation, reproduction, conservation and protection of the forests and its higher productivity and stability.

The forest surveying data are the basis for developing the primary documentation on the forestry keeping. The information received from the forest surveying allows for getting the correct and actual data on the forest stock quality, its taxation characteristics, species composition. In total, these data let planning of the forestry activity in the forestry branch.

The forestry certification is an effective tool to oppose illegal wood harvests and illegal wood trade. Forest Stewardship Council (FSC) certification system is widely used in the RF. The area of the certified forests in the RF is about 40 million hectares or 30% from the total amount of the forests being leased. This is the second largest country in the world for the FSC certified forests area after Canada. The number of the forestry management certificates is 121 and the number of CoC chain of custody certificates is 320 (in October of 2015). Also, the number of certificates for the controlled wood is growing continuously. The dynamics of the forestry certification development in the RF demonstrates a reliable approach to providing the legality of the wood harvested and observing the common environmental and social requirements of the stable forestry management.

Supply base of IND Timber

The supply base IND Timber – is the overall forest stock area of the forestry sections listed below. The total area of the supply base, including the one planned for exploitation - **7506807 ha**.

Irkutsk region

Ust-Kutskoe – 3 248 455 ha

Kirenskoe – 4 258 352 ha

The supply base of IND Timber is located in the Middle Siberian upland taiga forest district – forests of Angara Region.

Irkutsk region territory embraces the south of the Middle Siberian upland and the upstream basins of Angara, Lena and Nizhnaya Tunguska rivers. In the southwest, its borders are wedged by the Eastern Sayan mountain masses, Primorskiy and Baikalskiy mountain ranges in the east, Stanovoye and Patomskoye plateaus. The major part of the territory has a plain relief with a slight slope to the north and the northwest.

That is confirmed by the rivers flowing in this direction. Heights of 500-600 m above sea level prevail on the plain ground with the absolute elevations decreasing to 300-400m to the northwest, although, there are separate elevations of up to 1000m and higher, namely, the Leno-Angarskoe plateau and Angarskiy mountain ridge; the land relief shapes include mountains, plains, hollows and valleys.

As a whole, the climate within the supply base territory is acutely continental. The maximum temperature in the summer can rise up to +30 °C; in winter, the thermometers can show the temperature below -50°C in some of the northern districts. There are old-growth forests and High Conservation Value Forests of different types outlined in the supply base territory.

CITES or IUNC species are not used in production.

The main supplier of raw materials for the production of pellets in the city of Ust-Kut is SSB LLC «TSFC» «LDK Ust-Kut» sawmill certified by the chain of custody FSC system. In its turn, the round timber is delivered to the sawmill from the forested parcels leased out to ZAO «LDK Igirma» for the period of 49 years, the total area being 690 063,8 ha, with the annual allowable cut volume of 1390,2 thds.m³, LLC «SEF group» for the period of 25 years, the area being 318 057,0 ha, with the annual allowable cut volume of 590,8 thds.m³, LLC «TSFC» for the period of 49 years, the area being 1 096 613 ha, with the annual allowable cut volume of 2017,5 thds.m³, given that the entire area of the forested parcels is certified by FSC forestry management system and also the round timber is delivered by the third-party suppliers included in the own FSC inspection system for the controlled wood from non-certified suppliers.

In average, the 3rd -4th class of quality (bonitet) prevails in the forested parcels given into the lease. The most rational approach is applied to organizing the clear-cutting process when harvesting the wood in the forested parcels of ZAO «LDK Igirma», LLC «SEF group», LLC «TSFC», i.e. small-scale cuts are applied in 90% of the cases (small – scale cut areas are areas exploited by companies and do not exceed 30 ha), followed by the reforestation activities conducted by all means available.

Based on the analysis results, ZAO «LDK Igirma», LLC «SEF group», LLC «TSFC» has drawn up a plan of shifting from the large-scale clear cuts with the area of more than 30 ha to the small-scale cuts for the period of 2014-2019, for the purpose of meeting the requirements of the Russian national FSC standard. Also, the companies are actively performing selective cuts, cleaning cuts in all of the forested parcels in accordance with the forest resources development projects.

Primary feedstock is supplied from 8 FSC-certified forest management units and 5 non-certified forest management units (controlled material).

In the reporting period 70% of the primary feedstock for sawmill was delivered as FSC-certified and 30% - as FSC-controlled.

All residual sawmills and sawdust for the production of fuel pellets come with the claim of FSC Mix and are secondary feedstock.

An overview of the proportions of SBP feedstock product groups:

Controlled Feedstock – 0%

SBP-compliant Primary Feedstock – 0%

SBP-compliant Secondary Feedstock – 100%

SBP-compliant Tertiary Feedstock – 0%

SBP non-compliant Feedstock – 0%

The main forest forming wood species are common Pine (*Pinus sylvestris*), Siberian Larch (*Larix sibirica*), Siberian Cedar (*Pinus sibirica*), Siberian Spruce (*Picea obovata*), Siberian Fir (*Abies sibirica*).

Share of tree species at the entrance to production in the reporting period was *Pinus sylvestris* - 82%, *Larix sibirica* – 12%, *Picea obovate* and *Abies sibirica* – 6%.

The fuel pellets of «IND Timber» Ltd. are used as an environmentally friendly and safe bio-fuel that will allow to:

- Increase the power efficiency of the plants utilizing the pellets;
- Decrease the greenhouse gas emissions.

The wood fuel pellets production capacity: 70 000 tons per year.

2.2 Actions taken to promote certification amongst feedstock supplier

The supplier of raw materials for the production of pellets in the city of Ust-Kut is the sawmill plant IND Timber. In its turn, the round timber is supplied to the sawmill of SSB LLC «TSFC» «LDK Ust-Kut» from the forested land parcels leased out to ZAO «LDK Igirma», LLC «SEF group», LLC «TSFC» certified by FSC forestry management system. The feedstock delivered from FSC certified suppliers is used for SBP fuel pellets production. Also, the controlled suppliers (about 10 organizations) supply the round timber to SSB LLC «TSFC» «LDK Ust-Kut» mill. The names of the controlled suppliers can change; therefore, the main certified suppliers are given in the report.

When concluding the contracts for supplies from the controlled suppliers, they are required to provide the list of applicable legislative acts, regulations, requested international contracts nationally ratified, conventions, agreements and documents (to be verified) when inspecting a non-certified supplier of the controlled wood, application of the inclusion into the FSC controlled wood inspection program, the feedstock supplier declaration of the wood origin observing the FSC-STD-40-005 Manual requirements to the controlled wood. IND Timber carries out an inspection of the controlled suppliers` forested land parcels where the round timber is delivered from.

Thus, keeping the forestry activity and meeting all of FSC criteria excludes a probability of delivering the feedstock harvested by a mala fide supplier. IND Timber carries out the inspection of the controlled suppliers` forested land parcels with respect to the compliance with the FSC-STD-40-005 Manual

requirements to the controlled wood, including the legality, HCVF endangerment, respect of the local population interests employees rights; the work is underway to explain the volunteer certification requirements, its use and practices to the suppliers.

Keeping the bona fide forestry and complying with the national FSC standard, FSC-STD-40-005 Manual requirements to the controlled wood are the fundamental operation factors of the company and its suppliers.

Also, IND Timber does a big job to detect the legality of the wood harvested (wood cutting accompanied with the right stating documents). At the timber delivery to the sawmill by the controlled suppliers, IND Timber, first of all, verifies the legality of the harvested wood, harvesting in the old-growth forest territories.

To explain the volunteer FSC certification requirements, its use and practices to the suppliers and society, IND Timber organizes round tables with presentation of FSC materials, the forested land parcels development maps, old-growth forest territory (OGFT) maps, actual OGFT disturbance data, monitoring and the company Risk Assessment, the list of the product groups, forest management Plan, environmental impact Assessment, a procedure of considering claims to the controlled suppliers of the company, the company policy. All documents justifying the requirements and necessity of the volunteer FSC forestry certification are published at the company's <http://tslk.ru/documentation/>, <http://www.rusles.ru/eco/docs/> websites for society and suppliers. When concluding a supplies contract, the national FSC standard requirements are included in its conditions.

IND Timber hopes that this mutually beneficial and long-term cooperation will be cited as an example for other companies to promote their products in the market and for the sustained yield forest management in accordance with FSC principles.

2.3 Final harvest sampling programme

Not applicable.

2.4 Flow diagram of feedstock inputs showing feedstock type

Not applicable

2.5 Quantification of the Supply Base

Supply Base

- a. Total Supply Base area (ha): 7 506 807 ha.
- b. Tenure by type (ha): 100% owned by State of the Russian Federation

- c. Forest by type (ha): 100% Boreal
- d. Forest by management type (ha): Natural managed
- e. Certified forest by scheme (ha): 2 104 733 ha. of FSC certified forest
- Feedstock**
- f. Total volume of Feedstock: 114020,174 m³ for pellet production, 25084,438 m³ as biofuel for dryer in the reporting period.
- g. Volume of primary feedstock: Not applicable (0 m³)
- h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes
- Large forest holdings certified to an SBP-approved Forest Management Schemes
 - Large forest holdings not certified to an SBP-approved Forest Management Schemes
 - Small forest holdings certified to an SBP-approved Forest Management Schemes
 - Small forest holdings not certified to an SBP-approved Forest Management Schemes
- Not applicable.
- i. List all species in primary feedstock, including scientific name
Not applicable.
- j. Volume of primary feedstock from primary forest: Not applicable (0 m³)
- k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes
- Primary feedstock from primary forest certified to an SBP-approved Forest Management Schemes
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Schemes
- Not applicable (0 m³).
- l. Volume of secondary feedstock: 114020,174 m³ for pellet production, 25084,438 m³ as biofuel for dryer in the reporting period
- m. Volume of tertiary feedstock: Not applicable (0 m³)

3 Requirement for a Supply Base Evaluation

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

The supply base evaluation was not required because the FSC certified wood is used for SBP fuel pellets production, which means that 100% of the pellets production will have FSC Mix applications as approximately 100% ratio, respectively.

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

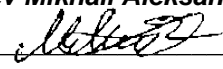
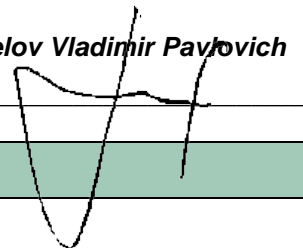
Not conducted.

11.2 Public or additional reviews

The English version of the report is published at www.tslk.ru web site of IND Timber for public review by all stakeholders.

After the review, all of the stakeholders can forward their feedbacks, if there any, to the e-mail address: minaev@rusles.ru

12 Approval of Report

| Approval of Supply Base Report by senior management | | | |
|--|---|----------------------------------|-------------------|
| Report Prepared by: | <i>Minaev Mikhail Aleksandrovich</i>  | <i>Quality assurance manager</i> | <i>22/01/2018</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>Markelov Vladimir Pavlovich</i>  | <i>Director</i> | <i>22/01/2018</i> |
| | Name | Title | Date |

13 Updates

Company has changed the name since January 1, 2018.

13.1 Significant changes in the Supply Base

No significant changes in supply base.

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

114020,174 m³ for pellet production, 25084,438 m³ as biofuel for dryer in the reporting period

13.5 Projected figures for feedstock over the next 12 months

450 000 m³