

Supply Base Report: Omfal LLC

Third Surveillance Audit

www.sbp-cert.org



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

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1 Overview

Producer name: Omfal LLC
Producer location: Russian Federation, Irkutsk region, Novaya Igirma settlement, Zheleznodorozhnyy proezd, 3
Geographic position: Lat N 57, 116638, Long E 103, 894622
Primary contact: Valiakhmetov Airat (665 684, Russian Federation, Irkutsk region, Novaya Igirma settlement proezd, Vostochnaya magistral, 2/9; telephone: +7 9086650512; E-mail: aratigirma@mail.ru)
Company website: www.omfal.org
Date report finalised: 22/Jan/2019
Close of last CB audit: 24/Jan/2018, Novaya Igirma settlement
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; 5A, 5B, 5C, 5D instruction documents Version 1.1
Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>
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"/>	<input type="checkbox"/>	X	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

The feedstock supply base is located within the territory of 6 forestry sections, 6 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.

The Irkutsk region is located in Eastern Siberia. The extreme southern point of the region is located at 51 ° north latitude, the northern extremity almost reaches the 65th parallel. From north to south the region stretches for almost 1450 km, from west to east for 1318 km.

The south-eastern border of the region runs along Lake Baikal.

The region occupies the southeastern part of the Central Siberian plateau, the plateaus and ridges of which have heights from 500 to 1000 m [11], [12].

The territory of the Irkutsk region is included in the Mongol-Baikal belt of active manifestation of earthquakes [13].

The climate of the Irkutsk region is sharply continental, with long cold winters and short, but hot and droughty summer periods. But even in the summer months, during the breakthrough of the cold Arctic fronts, night frosts are possible up to -1 -3 degrees. Frosts do not happen only in July.

In the winter, strong cooling can occur from October to March. The winter period in Eastern Siberia is marked by pronounced oxygen starvation, in some areas the oxygen content in the atmosphere is 15-20% below normal.

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 enterprises 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 47,35 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 235 and the number of CoC chain of custody certificates is 729 (in November of 2018). 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 Omfal LLC

The supply base of Omfal LLC – 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 – **13 949 858 ha**.

Irkutsk region

Nizhneilimskoe – 2 336 108 ha

Ust-Kutskoe – 3 248 455 ha

Kirenskoe – 4 258 352 ha

Bratskoe – 1 190 977 ha

Padunskoe – 1 287 009 ha

Severnoe – 1 628 957 ha

The supply base of Omfal LLC 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. Low-numbered aboriginal peoples exist in the districts and forestry sections included in the supply base of Omfal LLC. A part of the supply base, in the territory of Ust-Kutskoe forestry, is neighbouring to the territory of «Tokma» community which is supported socio-economically.

Omfal LLC is not a leaseholder of the forested land parcels. All forest management issues are regulated in suppliers' certification agreements

Harvested wood species are not included in the lists of CITES or IUNC.

Omfal LLC itself does not have any allowable cut area and thus no any forested land parcels leased. In its turn, the round timber is delivered to the sawmill from the forested parcels leased out to «Igirma-Forest group» LLC for the period of 49 years, the total area being 1 080 931,8 ha, with the annual allowable cut volume of 1854,6 thds.m³, «West-Siberian forest group» LLC for the period of 25 years, the area being 318 057,0 ha, with the annual allowable cut volume of 590,8 thds.m³, «Trans-Siberian forest group» LLC for the period of 49 years, the area being 1 096 613,08 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 Igirma-Forest group LLC, «West-Siberian forest group» LLC, «TRANS-SIBERIAN FOREST GROUP» LLC, 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, Igirma-Forest group LLC, «West-Siberian forest group» LLC, «TRANS-SIBERIAN FOREST GROUP» LLC 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.

Raw materials are supplied from 18 FSC certified sites and from 3 sites of non-certified inspections included in the program.

Raw materials for the sawmill are supplied in a ratio of 67% FSC certified and 33% FSC controlled.

All of the sawmilling wood waste and sawdust for the fuel pellets production are supplied by sawmill in the volume of 100%. Sawmill dispatches the sawmilling wood waste and the sawdust with FSC Mix credit claim.

Proportions of SBP feedstock product groups:

- Controlled Feedstock (контролируемое сырье) – 0%
- SBP-compliant Primary Feedstock (основное сырье, соответствующее требованиям SBP) – 0%
- SBP-compliant Secondary Feedstock (вторичное сырье, соответствующее SBP) – 100 %
- SBP-compliant Tertiary Feedstock (третичное сырье, соответствующее SBP) – 0 %
- SBP-compliant Tertiary Feedstock (несовместимое с SBP сырье) – 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*).

In average, the wood species ratio is 62% of the common Pine (*Pinus sylvestris*), 32% of the Siberian Larch (*Larix sibirica*), not more than 6% of the Siberian Spruce (*Picea obovata*) and the Siberian Fir (*Abies sibirica*).

The fuel pellets of Omfal LLC 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: 100 000 tons per year.

2.2 Actions taken to promote certification amongst feedstock supplier

Omfal LLC sawmill is the supplier of the feedstock for the fuel pellets production at Omfal LLC mill site of Novaya Igirma w.s. In its turn, the round timber will be supplied to Itself sawmill from the forested land parcels leased out to Igirma-Forest group LLC, «West-Siberian forest group» LLC, «TRANS-SIBERIAN FOREST GROUP» LLC certified by FSC forestry management system. Also, the controlled suppliers (about 10 organizations) supplies the round timber to Omfal LLC sawmill. The names of the controlled suppliers can change; therefore, the main certified suppliers are given in the report and also this report does not require specifying the supplier names since such information is confidential.

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. Igirma-Forest group LLC carries out an inspection of the controlled suppliers` forested land parcels where the round timber is delivered from. So, the feedstock is already inspected prior to being delivered to Omfal LLC.

The feedstock delivered from FSC certified suppliers is used for SBP fuel pellets production. Omfal LLC sawmill is certified by the chain of custody FSC system, and the forest feedstock bases of Igirma-Forest group LLC, «West-Siberian forest group» LLC, «TRANS-SIBERIAN FOREST GROUP» LLC are certified by FSC forestry management system.

Thus, keeping the forestry activity and meeting all of FSC criteria excludes a probability of delivering the feedstock harvested by a mala fide supplier. Igirma-Forest group LLC 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.

To explain the volunteer FSC certification requirements, its use and practices to the suppliers and society, Igirma-Forest group LLC 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 <http://omfal.org> website for society and suppliers. When concluding contracts of supplies, the national FSC standard requirements are included in its conditions.

Omfal LLC does not purchase the sawdust and the sawmilling wood waste from non-certified and non-controlled suppliers. Also, a big job is performed by our company 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, Omfal LLC first of all, verifies the legality of the harvested wood, harvesting in the old-growth forest territories.

Omfal LLC 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

The sawmilling wood waste and the sawdust processed from the following softwood species and supplied by the Omfal LLC sawmill with FSC Mix application are utilized to produce the fuel pellets:

- 62% common pine (*Pinus silvestris*);
- 32% Siberian larch (*Larix sibirica*);
- 6 % Siberian spruce (*Picea obovata*) and Siberian fir (*Abies sibirica*) (possible to use).

SBP certification system is based on FSC certification system, i.e. the feedstock with FSC MIX and FSC Controlled Wood claims is equal to SBP – complaint feedstock and SBP – controlled feedstock, respectively.

2.5 Quantification of the Supply Base

Supply Base

- | | |
|-------------------------------------|---|
| a. Total Supply Base area (ha): | 13 949 858 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): | 2 178 544,88 ha. of FSC certified forest |

Feedstock

- | | |
|-------------------------------|-----------------------|
| f. Total volume of Feedstock: | 196 919,5 m3 per year |
|-------------------------------|-----------------------|

- g. Volume of primary feedstock: Not applicable (0 tonn)
- 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 %)
- 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 %).
- l. Volume of secondary feedstock: 196 919,5m3 per year
- m. Volume of tertiary feedstock: Not applicable (0 tonn)

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 or FSC Controlled Wood claims as approximately 67% and 33% 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 applicable.

11.2 Public or additional reviews

The English version of the report is published at <http://omfal.org> web site of Omfal LLC 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: office@omfal.org

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	<i>Valiakhmetov Airat Radikovich</i>	<i>Quality assurance manager</i>	<i>22/01/2019</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>Mukorez Victor Aleksandrovich</i>	<i>Director General</i>	<i>22/01/2019</i>
	Name	Title	Date

13 Updates

13.1 Significant changes in the Supply Base

Not applicable. There are no significant changes in the 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

196 919,5 m3.

13.5 Projected figures for feedstock over the next 12 months

207 400 m3.