Sustainable Biomass Partnership

Supply Base Report: Rettemeier Industry Latvia SIA

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Completed in accordance with the Supply Base Report Template Version 1.0

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

Document history

Version 1.0: published 26 March 2015

Contents

1 Overview

Producer name:	Rettenmeier Industry Latvia SIA (formerly IKEA Industry Latvia SIA)
Producer location:	Plānupes 22, Incukalns, Incukalns parish, LV-2141, Latvia
Geographic position:	57.091542, 24.677932
Primary contact:	Sigita Pivina, phone +37167147629, e-mail sigita.pivina@ikea.com
Company website:	http://www.ikea.com
Date report finalised:	22/Jul/2015
Close of last CB audit:	
Name of CB:	NEPCon SIA
Translations from English:	n/a
SBP Standard(s) used:	Standard 2 version 1.0; Standard 4 version 1.0; Standard 5 version 1.0; Standard 6 version 1.0;
Weblink to Standard(s) used:	http://www.sustainablebiomasspartnership.org/documents
SBP Endorsed Regional Risk Assessment:	n/a
Weblink to SBE 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
X	☐	☐	☐	☐

2 Description of the Supply Base

2.1 General description

Forest resources in Latvia

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), woodenness amounts to 51.8 % (ratio of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), while the other 1 560 961 ha (51.68 % of the total forest area) belong to other owners. Private forest owners in Latvia amount to approximately 144 thousand.

5% of Latvian inhabitants are employed in forestry, wood-working industry, furniture production Industries.
Forest industry employs appr. 20 000 people, wood industry 25 000, furniture production 5 000 According to statistics from y.2012. Wood industry input into IKP is 5-6%.
The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.
Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic metres (source: vmd.gov.lv, 2015).

Forest land consists of:

- forests 3 056 578 ha (91.3%);
- marshes 175 111.8 ha (5.3%);
- open areas 35 446.7 ha (1.1%);
- flooded areas 18 453.2 ha (0,5%);
- objects of infrastructure 61 813.4 ha (1.8%).

Source: vmd.gov.lv, 2015.

Distribution of forests by the dominant species:

- pine 34.3 %;
- spruce 18.0 %;
- birch 30.8 %;
- black alder 3.0 %;
- grey alder 7.4 %:
- aspen 5.4 %;
- oak 0.3 %;
- ash 0.5 %:
- other species 0.3 %.

Source: vmd.gov.lv, 2015.

Share of species used in reforestation, by planting area (2014):

- pine 20 %;
- spruce 17 %;
- birch 28 %;
- grey alder 12 %;
- aspen 20 %;
- other species 3 %.

Source: vmd.gov.lv, 2015.

Timber production by types of cuts, by volume produced (2014):

- final cuts 81.00 %;
- thinning 12.57 %;
- sanitary clear-cuts 3.63 %;
- sanitary selective cuts 1.43 %;
- deforestation cuts 0.76 %;
- other types of cuts 0.06 %.

Source: vmd.gov.lv, 2015.

The field of forestry

In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting (www.zm.gov.lv).
Implementation of requirements of the national law and regulations issued by the Cabinet of Ministers notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (www.vmd.gov.lv).
Management of the state-owned forests is performed by the public limited company *Latvijas Valsts Meži*, established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy (www.lvm.lv).
The share of forestry, wood-working industry and furniture production amounted to 6 % GDP in 2012, while export yielded 1.7 billion euro (17 % of the total amount).

Biological diversity

Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia.
For the sake of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas have been included in the European network of protected areas *Natura 2000*. Most of the protected areas are state-owned.
In order to protect highly endangered species and biotopes located without the designated protected areas, if a functional zone does not provide that, microreserves are established. According to data of the State Forest Service (2015), the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions are to be preserved, thus providing habitat for many organisms.
Latvia has been a signatory of the CITES Convention since 1997. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Latvia.

Forest and community
Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Certification
All forest area of "Latvijas valsts meži" as well as some part of forests in private and other ownership are FSC and PEFC certified. From all totally forest area 3 056 578 ha is approximately 1,4milj. ha of Latvian forest are certified according to FSC and PEFC certification scheme. Both the FSC and PEFC systems have found their way into Latvia.

Lithuania, forest resources
Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with l.8 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The southeastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under the state Forest Enterprises is divided into forest and non-forest land. Forest land is divided into forested and non-forested land. The total value added in the forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012.
Forest land is divided into four protection classes: reserves (2 %); ecological (5.8 %): protected (14.9 %); and commercial (77.3 %). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well. In commercial forests, there are almost no restrictions as to harvesting methods.
Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests - especially spruce and birch - often grow in mixed stands. Pine forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about l2 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent.

The growing stock given as standing volume per hectare is on the average of l80 m^3 in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m^3 per hectare. Total annual growth comes to 11 900 000 m^3 and the mean timber increment has reached 6.3 m^3 per year and per hectare.

Current harvest has reached some 3.0 million m^3 u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m^3. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result.
The potential future annual cut is calculated at 5.2 million m^3, of which 2.4 million m^3 is made up of sawn timber and the remaining 2.8 million m^3 of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.
(Resources: http://www.fao.org/docrep/w3722e/w3722e22.htm)

Belorussia

In Belorussia forests cover area of 9,5 milj hectares. According to the data of the State Forest Ministry

Woodenness amounts to 39,3 %

Country area 20760 (1000 Ha);

Agricultural area 8796 (1000 Ha);

Land area20291 (1000 Ha);

Forest area8707.6 (1000 Ha);

Forest industry input into IKP is 1,1%;

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.

Within the last decade, the timber production in Belorussia has fluctuated aprox., 11 million cubic metres (http://www.mlh.by , 2015.)

Forest land consists of:

	Area (1000 hectares)
Forest	7,894
Other wooded land	914
Forest and other wooded land	8,808
Other land	11,94
Total land area	20,748
Inland water bodies	12
Total area of country	20,76

Source: http://www.mlh.by , 2015.

Distribution of forests by the dominant species:

- pine 50,4%;

- spruce 9,2%;
- birch 23,1%;
- black alder 3,3%;
- grey alder 3,3 %:
- aspen 2,1%;
- other species 3,3%.

Source: http://www.mlh.by , 2015.

Timber production by types of cuts, by volume produced (2013):

- final cuts 34,5 %;
- thinning 45,79 %;
- other types of cuts 19,62 %.

Source: http://www.mlh.by,

The field of forestry

Management of the state-owned forests is performed by different types of state organisations.

Biological diversity

Belorussia has been a signatory of the CITES Convention since 1995. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Belorussia.
Forest regeneration is carried out annually over an area of 32,000 ha, including 81% of the forest planting planting and seeding and 19% by natural regeneration. http://belstat.gov.by/ (2015.y.)
There are 2 strictly protected Nation reserves and 4 National parks present in Belarus at the moment. Area of National reserves accounts 2,98 milj ha and area of National parks is 3,98 milj ha.

Forest and community

In 2014 in all kinds of felling there were harvested 12,5 million m3 marketable timber.
Foreign trade surplus made USD 104 million. 1.9 million cubic meter round timber and 191.8 thousand cubic meter sawn timber were sold abroad.
Forest products and services were exported to 25 states, including 95,3% to the near abroad and 4,7% to the remote countries. Among the main forest export directions are Poland (47,9% of the total export volume in value terms), Germany (11,4%), Lithuania (10%), Latvia (8,62%), the Netherlands (3,3%), Belgium (3,46%), Sweden (3,25%).

Certification

All forest area is certified by PEFC certification scheme. 7,7 milj. ha (83 forestries) are certified according to PEFC. 5milj. ha (61 forestries) are certified according to FSC FM standards.
Both the FSC and PEFC systems have found their way into Belorusia.

Norway, forest resources

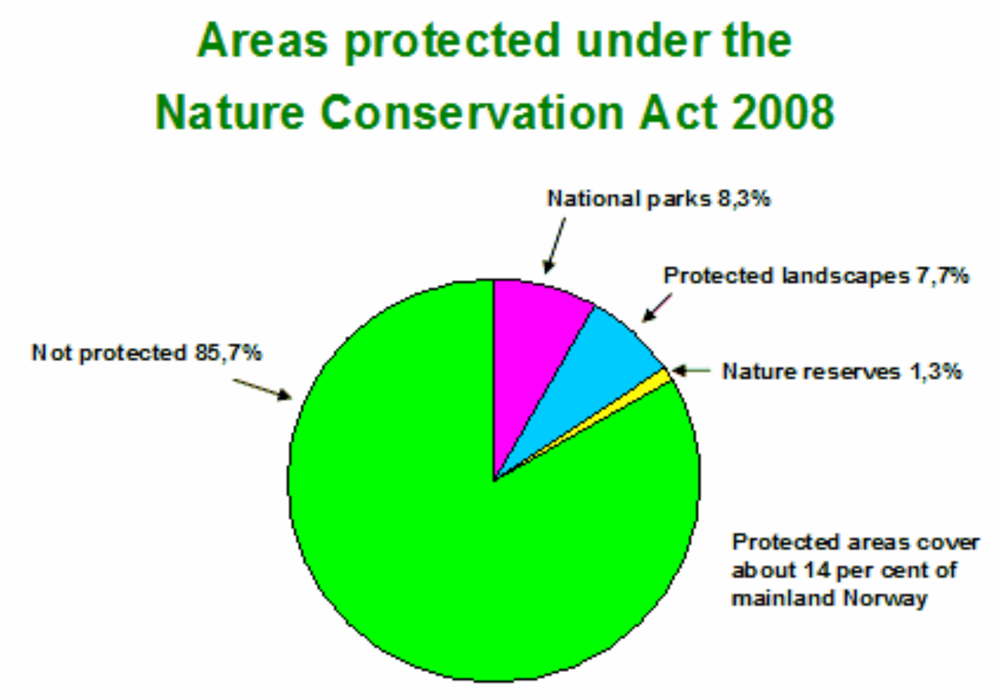
Forest facts

About 38% of the surface area in Norway is covered by forest. The total forested area amounts to 12 million hectares, including more than 7 million hectares of productive forest. 15% of the productive forest has been estimated as non-economic operational areas due to difficult terrain and long-distance transport, which means that economical forestry may only be operated in about 50% of the forested area. The most important species are Norway spruce (47%), Scots pine (33%) and birch (18%).

From the forest area: Privately owned forests 80 %; State and municipalities 12 %
Industrial private 4 %; Local common land 4 %

Forest certification
All productive forests in Norway are certified, i.e. 7.397.000 hectares. The number of certified forest owners is approximately 43.000 (private, municipalities, state).

Forest protection

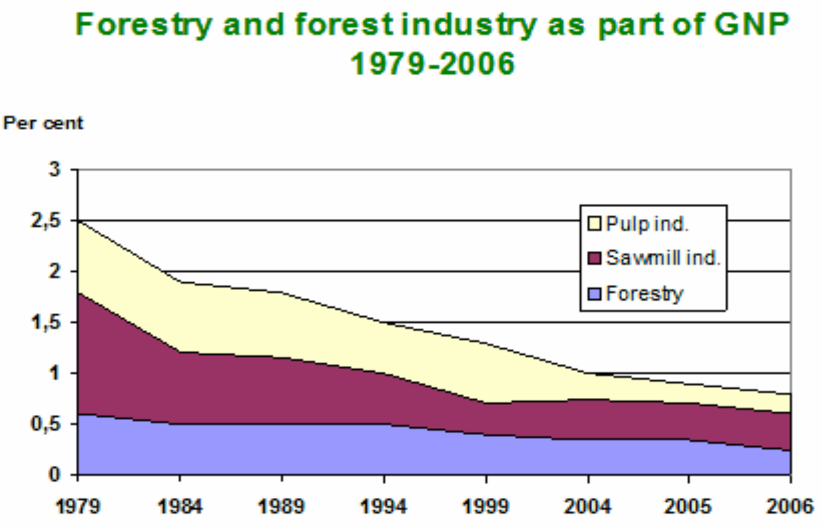


Areas protected under the Nature Conservation Act 2008

Biodiversity
Approximately 6.4% of mainland Norway has protected area status. In addition, 15,000 square km of Spitsbergen is designated as conservation area - national parks, nature reserves or other kinds of protected area cover 10-12% of the area of the remote islands.
The total number of species in Norway is estimated to be 45,000, of which approximately 33,000 are known and described. It exists information enough to estimate wether a species is threatened or not for only 10,000 species. Of these, 150 are threatened by extinction, 279 are deemed vulnerable, 800 are categorized as rare (the last number also includes species which are rare of natural causes, and not only because of human intervention). 359 are deemed species of special concern, 36 species are indeterminate, while 169 species are classified as insufficiently known.
Species "Red lists" can be used to point out the habitats containing an especially rich variety of endangered species. Red list species have often proved to be the red warning lights of nature to tell us that a biotope is threatened or something else is wrong in nature. The red lists also give us a picture of the condition of our

flora and fauna, and may contribute to the efforts of securing and improve the ecosystem for these species. http://www.borealforest.org/world/world_norway.htm
In the country there are areas of endangered high conservation value forests. More specifically there are Global200 and IFL areas in the northern mountain regions.
Norway has been a signatory of the CITES Convention since 1976. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Norway.
Those regions identified by Conservation International as a Biodiversity Hotspot http://www.biodiversityhotspots.org/xp/hotspots/Pages/default.aspx Those forest, woodland, or mangrove ecoregions identified by World Wildlife Fund as a Global 200 Ecoregion and assessed by WWF as having a conservation status of endangered or critical. Those regions identified by the World Resources Institute as a Frontier Forest Intact Forests Landscapes, as identified by Greenpeace (www.intactforests.org).

Forest sector in Norway's national economy
In 2006 forestry and the forest industries accounted for about 0.8% of the Gross National Product in Norway. Of the total employment of 2.443.000 persons in Norway approximately 40.000 people receive their income from forestry and from the forest industry. 6.700 persons (0.3%) are directly employed in forestry.
About 50 percent of the Norwegian round wood harvested is used by sawmills. There are 225 sawmills in Norway operating on an industrial scale



Forestry and forest industry as part of the GNP 1979-2006

A lot of people use the forest for recreational activities, both traditional and modern, including walking, picking berries and mushrooms, hunting and fishing

2.2 Actions taken to promote certification amongst feedstock supplier

IKEA Industry Latvia Ltd is developing long term co-operation with companies confirmed their participation or supporting FSC chain of custody certification. The objective of chain of custody's system is to provide information about the origin of wood raw materials starting with the delivery place. IKEA INDUSTRY Sustainability plan till 2020 expects that all production sites belonging to IKEA INDUSTRY should ensure till 2020 that to IKEA will be supplied 100% FSC Mix credit wood products. Correspondingly IKEA Industry Latvia Ltd logs purchasing policy put as priority purchase of FSC certified logs, what already now allows to ensure that 100% FSC Mix credit sawn timber is delivered to IKEA Industry production sites as well as 100% FSC Mix credit wood raw material for the production of SBP pellets. Raw material for pellet production is received only from IKEA Industry Latvia Ltd internal wood processing units as FSC Mix credit wet sawdust and dry sawdust.

In the period July 2014 – June 2015 IKEA Industry Latvia Ltd has promoted and correspondingly increased purchase of FSC certified logs by 7700m3 or by 5% in comparison with the previous respective annual period and currently it is 57% from totally purchased logs.

IKEA Industry Latvia Ltd management's decision is to continue to increase the share of purchased FSC Mix credit logs also in the next period by reviewing conditions and agreements of logs supply, and till December 2016 to achieve target: at least 75% FSC certified logs from the totally purchased logs volume. We consider that in this way we will rouse interest amongst forest owners, managers and forest harvesters to implement sustainable forest management methods and to attest them. Furthermore IKEA Industry Latvia has clearly defined the demand that for all purchased logs should be known information about origin and documentation confirming its origin are available. In case of purchase logs from Lithuania, Norway and Belorussia, logs should be FSC certified or FSC controlled.

2.3 Final harvest sampling programme

Not applicable.

2.4 Flow diagram of feedstock inputs showing feedstock type [optional]

Sawdust, Pinus sylvestris after roundwood processing -100%,

Wood species:

Pinus sylvestris (L.);

2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area 21,71 milj (ha): Cumulative area of all forest types within SB(LT;LV;NO,BLR)

b. Tenure by type (ha): Government 17,68 milj.,ha; Privately owned 2,2 milj., ha;/ other 0,6 milj., ha

c. Forest by type (ha): Boreal 14,71 milj,. ha /Temperate 7mil., ha

d. Forest by management type (ha): Managed Natural 21,71, milj., ha

e. Certified forest by scheme (ha): 14,6 milj. ha FSC and PEFC 17,3 milj, ha-certified forest

Feedstock

f. Total volume of Feedstock: 82070 ber/ m^3 or 56719.4 t

g. Volume of primary feedstock: 0 m3

h. Volume of primary feedstock: Not applicable

i. List all species in primary feedstock: Not applicable

j. Volume of primary feedstock from primary forest: Not applicable

k. List percentage of primary feedstock from primary forest: Not applicable

l. Volume of secondary feedstock Not applicable

m. Volume of tertiary feedstock: Not applicable

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	X

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

The final version of the report was submitted to the Forestry and forest-environment processes to engage professionals.

The report was reviewed and returned with comments were received from:

WWF International Director Jānis Rozītis- experience in sustainable forestry practice, assessment

Sigita Girdziušas- Lithuanian Agricultural University, Master of Forestry, forestry specialists.

11.2 Public or additional reviews

The public report, examination is not carried out, except in paragraph in the 11.1.

12 Approval of Report

<table>
<tr><th colspan="4">Approval of Supply Base Report by senior management</th></tr>
<tr><td rowspan="2">Report Prepared by:</td><td>Sigita Pivina</td><td>Sales and logistic manager</td><td>02.09.15.</td></tr>
<tr><td>Name</td><td>Title</td><td>Date</td></tr>
<tr><td colspan="4">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.</td></tr>
<tr><td rowspan="2">Report approved by:</td><td>Emils Akmentins</td><td>Managing director</td><td>02.09.15.</td></tr>
<tr><td>Name</td><td>Title</td><td>Date</td></tr>
<tr><td rowspan="2">Report approved by:</td><td>Zane Berze</td><td>Financial director</td><td>02.09.15.</td></tr>
<tr><td>Name</td><td>Title</td><td>Date</td></tr>
<tr><td rowspan="2">Report approved by:</td><td>Maris Sulcs</td><td>Log purchasing manager</td><td>02.09.15.</td></tr>
<tr><td>Name</td><td>Title</td><td>Date</td></tr>
</table>

13 Updates

Not applicable.

13.1 Significant changes in the Supply Base

Not applicable.

13.2 Effectiveness of previous mitigation measures

Not applicable.

13.3 New risk ratings and mitigation measures

Not applicable.

13.4 Actual values of feedstock over the previous 12 months

Not applicable.

13.5 Projected values of feedstock over the next 12 months

Not applicable.