



Supply Base Report: IKEA Industry Tikhvin LLC

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: IKEA Industry Tikhvin LLC

Producer address: 15 Shvedskiy proezd, 187550 Tikhvin, Leningrad region, Russia

SBP Certificate Code: SBP-08-18

Geographic position: 59.629700, 33.544200

Primary contact: Maksim Klementiev, +7 812 331 1020 or +7 921 935 0331,maxim.klementiev@inter.ikea.com

Company website: <http://www.ikea.com/>

Date report finalised: 25 Jun 2021

Close of last CB audit: 29 Jun 2021

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: Not applicable

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
☐	☒	☐	☐	☐	☐

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: Vologda region, Novgorod region, Leningrad region, Tver region

Exclusions: Yes

"IKEA industry Tikhvin LLC " (IKEA Industry Tikhvin) is an enterprise in the Leningrad region, a few hours drive from St. Petersburg, producing wood furniture for IKEA. The main activity started in 2001. IKEA Industry Tikhvin is also engaged in forest management and logging operations.

The Supply Base

IKEA Industry Tikhvin purchases its roundwood in the following Russian Federal Subjects (regions):

- Leningrad;
- Vologda;
- Novgorod;
- Tver.

These regions are all located in the European part of Russia. Practically all roundwood is sourced from boreal forests (the taiga). The Supply Base is the 'Forest Fund' in these four regions. 'Forest Fund lands' are one of the official, cadastrally recorded land-use categories in Russia, related to forestry and land-use legislation.

The most common tree species in the Supply base are Scots pine (*Pinus sylvestris*) and Norway spruce (*Picea abies*). These are also the only two tree species IKEA Industry Tikhvin procures and processes. Other frequent coniferous tree species in the region are: Siberian spruce (*Picea obovata*), Siberian larch (*Larix siberica*) and Siberian fir (*Abies siberica*). The most common deciduous tree species are birch (*Betula pendula* and *Betula pubescens*), aspen (*Populus tremula*) and grey alder (*Alnus incana*).

Table 1: Federal regions, forests biomes, and Forest Fund area in the Supply Base

Federal district	Federal regions	Russian category of biomes	Western category of biomes	Forest Fund (mln. ha)	FSC certified (mln. ha)
Northwest Russia		Middle taiga			
(in Europe)	Leningrad		Boreal forest	5.7	2.79
		Southern taiga			
	Middle taiga				
Vologda		Boreal forest	11.5	4.63	
	Southern taiga				
Novgorod	Southern taiga	Boreal forest	1.9	0.61	
Mixed forests	Temperate forest	2.2			
Central Russia					
(in Europe)	Tver	Southern taiga	Boreal forest	0.4	1.59
Mixed forests	Temperate forest	4.5			
Total (mln. ha)	26.2	9.62			

Sustainable Forest Management

The purpose of business activities of IKEA Industry Tikhvin is sustainable development of the company in the long term, in accordance with Russian forestry legislation and based on the principles of sustainable forest management. IKEA Industry Tikhvin implements the requirements the FSC® (License Code FSC-C017166) for the Russian Federation.

The main goals of IKEA Industry Tikhvin are:

- Ensuring the sustainability of the company's operations in the long term, which allows not only to preserve, but also to increase the productivity of forests, including its regeneration, and to improve the species composition of the forests and quality of the timber;
- Providing customers with high-quality, FSC (Forest Stewardship Council®) certified wood products.

IKEA Industry Tikhvin expresses a long term commitment to the principles and criteria of FSC. It is, for example, actively monitoring and conserving biodiversity at plots where forestry operations are to be conducted. The specialists of IKEA Industry Tikhvin visit the harvesting sites and communicate with interested parties and business entities. All logging and forestry operations must be carried out in ways that prevent soil erosion, exclude or limit a negative impact of the use of forest resources on the condition and regeneration of forests, as well as on the quality of water bodies. IKEA Industry Tikhvin conducts logging operations using Scandinavian technology, including modern harvesters and forwarders.

The company strives to conduct multi-purpose, sustainable forest management, what meets the needs of the market and local residents in wood and other forest products, taking into account a rational use of all

forest areas. To continuously improve, IKEA Industry Tikhvin evaluates the opinions and wishes of local communities, and conserves areas of particular ecological, cultural and/or religious importance.

IKEA Industry Tikhvin constantly improves its environmental performance. The specialists working at IKEA Industry Tikhvin aim at achieving the best results on environmental protection and sustainable forest management, and regularly participate in environmental courses and seminars.

Protected areas and species

For wood suppliers in the Northwest of Russia, the environmental aspects of their activities are becoming ever more important; they need up-to-date and reliable information regarding restrictions on logging. There are different kinds of protected areas, which have various types of harvesting restrictions.

There are several categories of protected areas in Russia. Although in hectares much land falls under one or the other category of protected area, in percentages the figure is only around 6% for the Supply Base. In practise, many HCVFs fall outside the protected areas. Moreover, only the most strict categories of protection areas can sufficiently guarantee forest conservation.

Public organizations are actively promoting initiatives to establish restrictions on logging in High Conservation Value Forests (HCVFs). Environmentally responsible timber producers refrain from logging in such areas, for instance, in intact forest landscapes.

IKEA Industry Tikhvin monitors wood supply chains and takes into account the borders of intact forest landscapes. In the Leningrad region it accounts for 4.9% of the Forest Fund area; in the Vologda region for 3.1%. It also investigated and established the locations of virgin forests. Most of these HCVFs are located in the Vologda region (around 95 thousand ha).

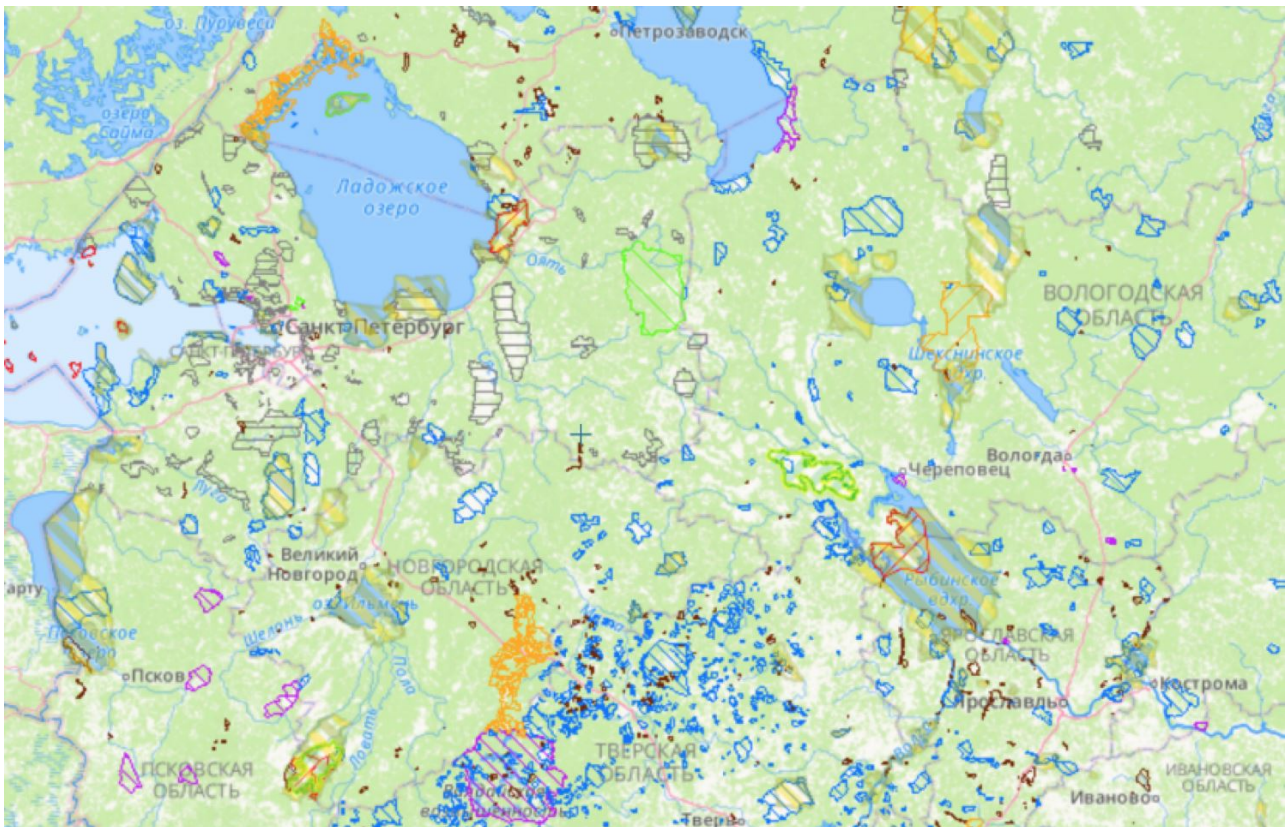


Illustration 1: Forests of High Conservation Value (as determined by IKEA Industry Tikhvin)

The Federal Service for Supervision of Natural Resources of Russia (Rosprirodnadzor) approved the list of animal and plant species that fall under the Convention on International Trade in Endangered Species of wild fauna and flora (CITES). The CITES list became effective from June 12, 2013. In Russia there are four CITES listed timber species: *Taxus cuspidata*, *Fraxinus mandshurica*, *Pinus koraiensis*, and *Quercus mongolica*. These tree species, however, are only found in the Asian part of Russia (not in the Supply Base of IKEA Industry Tikhvin).

Next to the CITES protected flora and fauna there are national red lists with protected animals and plants. Some of these species are present in the Supply Base. Considering the red-listed tree species, one can find in the Supply Base for example Karelian birch (*Betula pendula* var. *carelica*), European white elm (*Ulmus laevis*), Wych elm (*Ulmus glabra*), Russian larch (*Larix archangelica*); Russian willow (*Salix rossica*); Swamp willow (*S. myrtilioides*); downy willow (*S. lapponum*); almond willow (*S. triandra*); and the shrub Dwarf bog birch (*Betula humilis*).

The forest sector

IKEA Industry Tikhvin consumes a volume of roundwood that is comparable to many other companies in the Northwest of Russia. Regarding the forest sector of Russia in total, there are many companies harvesting and processing much larger quantities of wood.

IKEA chose to start furniture production in Russia, and specifically in Tikhvin, because, at that time, there were no large woodworking enterprises in the Tikhvin and Boksitogorsk districts and at the same time the districts had significant reserves of forest resources. Tikhvin was a town that needed more jobs also. Today, IKEA Industry Tikhvin contributes to the local economy as one of the largest taxpayers in the region and contributes to the development of local logging companies.

IKEA strives to contribute to the sustainable development of the Russian Forest sector, it has been the initiator and sponsor of a series of environmental projects within the framework of a WWF-IKEA cooperation agreement.

The Forest Fund of Russia is owned by the federal government. Legal entities can obtain the right to lease forest areas for a period of 10 to 49 years (with the possibility to prolong the lease agreement afterwards). Regarding wood harvesting in Russia, long-term lease contracts are the most common arrangement. The concessions are distributed by means of auctions. The leased areas are recorded in the cadastral register.

The Russian Forest Code obliges each concession holder to develop a forest plan for 10 years (based on the state forest inventory data) and to implement measures on forest conservation, protection and regeneration. Once a yearly quarter, concession holders are required to submit a report on harvested areas and volumes, and on the implementation of planned forest management measures.

Russian forestry sector, in general, has been plagued by many problems the last 30 years, including illegal harvesting and outdated irrational forestry laws and norms, but much has improved over the last 5 to 10 years. Particularly in the last years, several new, improved laws and norms came in force. The new laws give structural development to the system of forest harvesting and regeneration. For example, the Order of the Ministry of Natural Resources and Ecology of the Russian Federation of March 25, 2019 №188 'On approving the Rules of reforestation, the arrangement of the reforestation projects, and the procedure for developing a reforestation project and amending it' (amended on August 14, 2019).

Besides, an obligatory digital data processing system, the 'Uniform State Automated Information System' (EGAIS) was launched January 1, 2015. Every legal entity trading roundwood (and several timber related

products) has to register its trade flows in this system. The imported data become publicly available online. The system is a useful tool in fighting illegal wood.

Over the last decades, FSC certification has proven to be an effective and important risk mitigation measure on sustainable forest management in Russia. Although in Russia it does take much effort to certify forest management to the standards of FSC, Russia has recently become the country with the most FSC certified forests in the world. Russia is also one of the few countries in the world where there still is a considerable growth in FSC certified forest area. These developments are of great importance to guarantee sustainability in Russia; the country with the most forests in the world.

What has not changed is that forest use in Russia is characterized by a negative ratio of forest income and costs of forest management for the owner of the forests, the government. The government budget spent on forest management is around 170% the income the government obtains from the exploitation of forests (IOP Conference Series, 2019).

Wood residues for pellet production

As feedstock for wood pellet production, IKEA Industry Tikhvin uses wood residues only. Around 70% of the wood residues are SBP-compliant Secondary Feedstock (on basis FSC certification), around 30% is SBP-controlled Secondary Feedstock (on basis of FSC Controlled Wood).

IKEA Industry Tikhvin cooperates with around 50 roundwood suppliers. Around half of the roundwood (for furniture production) originates from the Leningrad region, a third from the Vologda region, and the remainder from the other regions in the Supply Base.

Around 6% of roundwood supply originates from eight long-term forest concessions of IKEA Tikhvin itself. These concessions cover 177.7 thousand hectares of forests and represent an annual allowable cut of around 254 thousand m³. These are FSC certified concessions located around Tikhvin, in the Leningrad region.

2.3 Actions taken to promote certification amongst feedstock supplier

The IKEA Way on Purchasing Products, Materials and Services (IWAY) is the IKEA Group Supplier Code of Conduct. It comprises of the IKEA requirements relating to the Environment and to Social & Working conditions. The values of trust, integrity and honesty are at the foundation of IWAY and are key to the implementation of sustainable development.

IKEA Tikhvin has implemented the internal IWAY standard, which also regulates cooperation with roundwood suppliers. Compliance with the requirements in this standard is a prerequisite for every roundwood supplier.

The IWAY standard stipulates that from September 1, 2021, all suppliers of round wood must be FSC certified. To achieve the goal of 100% FSC certified raw material, IKEA assists its suppliers on FSC Forest Management certification in accordance to the national FSC standard. Over the past 12 months, five IKEA Tikhvin suppliers have successfully passed the initial FSC Forest Management audit and received their FSC certificate.

IKEA Tikhvin is member of an association of ecologically responsible timber companies, that was established by WWF-Russia in 1999 (GFTN-Russia). At that time, it united 13 companies which agreed to support the development of ecologically and socially responsible business and voluntary forest certification in Russia. At present the association represents 15 members, which account for 67% of the pulp and paper products, 21% of fiberboards, 15% of lumber, and 8% of moulded timber exports from Russia.

2.4 Quantification of the Supply Base

Supply Base

- a. **Total Supply Base area (million ha):** 26,20
- b. **Tenure by type (million ha):**26.20 (Public)
- c. **Forest by type (million ha):**19.50 (Boreal), 6.70 (Temperate)
- d. **Forest by management type (million ha):**26.20 (Managed natural)
- e. **Certified forest by scheme (million ha):**9.62 (FSC)

Describe the harvesting type which best describes how your material is sourced: Mix of the above

Explanation: For pellet production, IKEA Tikhvin uses only wood residues originating from the woodworking processes. Harvesting type do not apply to secondary feedstock. Regarding the primary feedstock used for furniture production, semi-natural forests are cut after a long rotation period. Sometimes the wood originates from maintenance operations or selective fellings, but mostly from clearcutting. Maximum clear-cutting area is 50 ha and 100 ha for thinnings. Cut-to-length method is used by harvesters and forwarders. The forest plots are regenerated.

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

Explanation: IKEA Tikhvin uses roundwood for furniture production. For the production of wood pellets it utilizes wood residues (sawdust), which originate at different steps in the furniture production process.

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 users are required by law to provide reforestation within 5 years. 66% in the supply base is natural regeneration, 31% - is artificial regeneration and 3% is combined regeneration.

Was the feedstock used in the biomass removed from a forest as part of a pest/disease control measure or a salvage operation? No

Explanation: According internal decision IKEA Industry Tikhvin does not use in production wood from a forest as part of a pest/disease control measure or a salvage operation and any sanitary harvestings.

Feedstock

Reporting period from: 01 Jan 2020

Reporting period to: 31 Dec 2020

- 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: 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: Not applicable

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:	Maxim Klementiev	Certification coordinator	25 Jun 2021
	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:	Vadim Scherbakov	General Director	25 Jun 2021
	Name	Title	Date

Annex 1: Detailed findings for Supply Base Evaluation indicators

N/A