SBP

Sustainable Biomass Program

Supply Base Report:
IKEA Industry Tikhvin LLC

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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

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Version 1.3 published 14 January 2019

Contents

1 Overview

Producer name:	IKEA Industry Tikhvin LLC
Producer location:	Shvedskiy proezd №15, Tikhvin, Leningrad Region, 187555, Russia
Geographic position:	59°37'43.2"N, 33°32'23.8"E
Primary contact:	Maxim Klementiev Shvedskiy proezd №15, Tikhvin, Leningrad Region, 187550, Russia +7 8123311020; maxim.klementiev@inter.ikea.com
Company website:	www.inter.IKEA.com (corporate website)
Date report finalised:	29/05/2020
Close of last CB audit:	26/06/2020
Name of CB:	NEPCon
Translations from English:	Yes
SBP Standard(s) used:	Standard 2 version 1.0 Standard 4 version 1.0 Standard 5 version 1.0
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:	no SBE conducted

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	**First Surveillance**	**Second Surveillance**	**Third Surveillance**	**Fourth Surveillance**
☒	☐	☐	☐	☐

2 Description of the Supply Base

2.1 General description

"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;
- Republic of Karelia.

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*). This are also the only two tree species IKEA Industry TIkhvin procures and processes. Other frequent coniferoius tree species in the region are: Siberian spruce (*Picea obovata*), Siberian larch (*Larix siberica*) and Siberian fir (*Abies siberica*). The most commen 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 (in Europe)	*Leningrad*	*Middle taiga Southern taiga*	*Boreal forest*	*5.7*	*2.6*
	Vologda	*Middle taiga Southern taiga*	*Boreal forest*	*11.5*	*4.1*
	Novgorod	*Southern taiga*	*Boreal forest*	*1.9*	*0.5*
		Mixed forests	*Temperate forest*	*2.2*	
	Republic of Karelia	*Northen taiga, Middle taiga*	*Boreal forest*	*14.9*	*5.6*
Central Russia (in Europe)	*Tver*	*Southern taiga*	*Boreal forest*	*0.4*	*1.6*
		Mixed forests	*Temperate forest*	*4.5*	
			Total (mln. ha)	***41.1***	***14.4***

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 CodeFSC-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 specisalists 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 achiving 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 procentages 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 Republic of Karelia (around 1 million ha) and in the Vologda region (around 95 thousand ha).

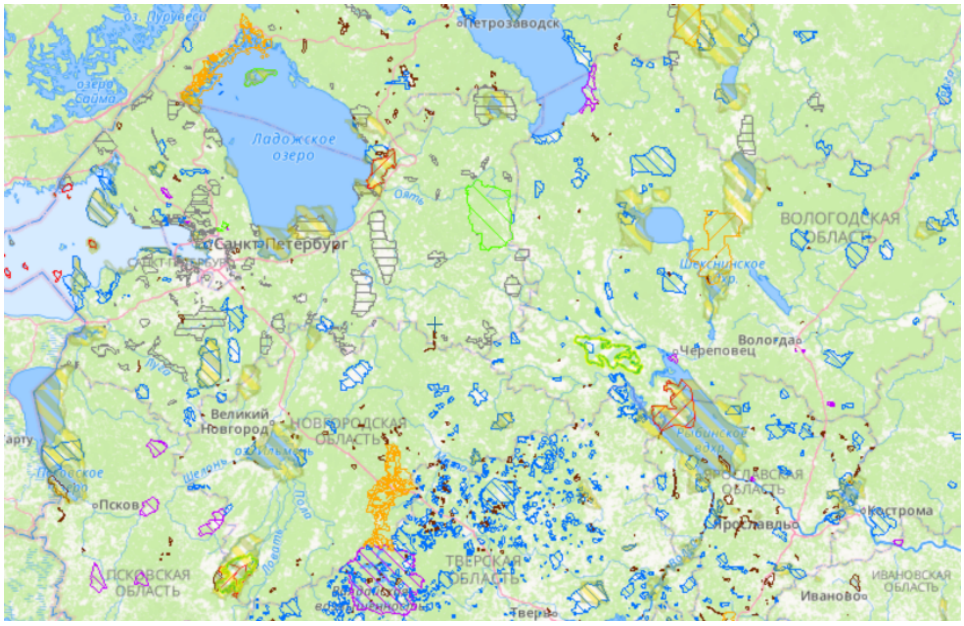


Illustration 1: Forests of High Conservation Value (as determined by IKEA Industry TIkhvin)

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 Suply 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 consession 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 copperates 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 Tikvin itself. These concessions cover 177.7 thousand hectares of forests and represent an annual allowable cut of around 254 thousand m^3. This are FSC certified conssessions located around Tikhvin, in the Leningrad region.

2.2 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 Tikvin 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, 2020, 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 Industry TIkhvin suppliers have successfully passed the initial FSC Forest Management audit and received their FSC certificate.

IKEA Industry 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.

2.3 Final harvest sampling programme

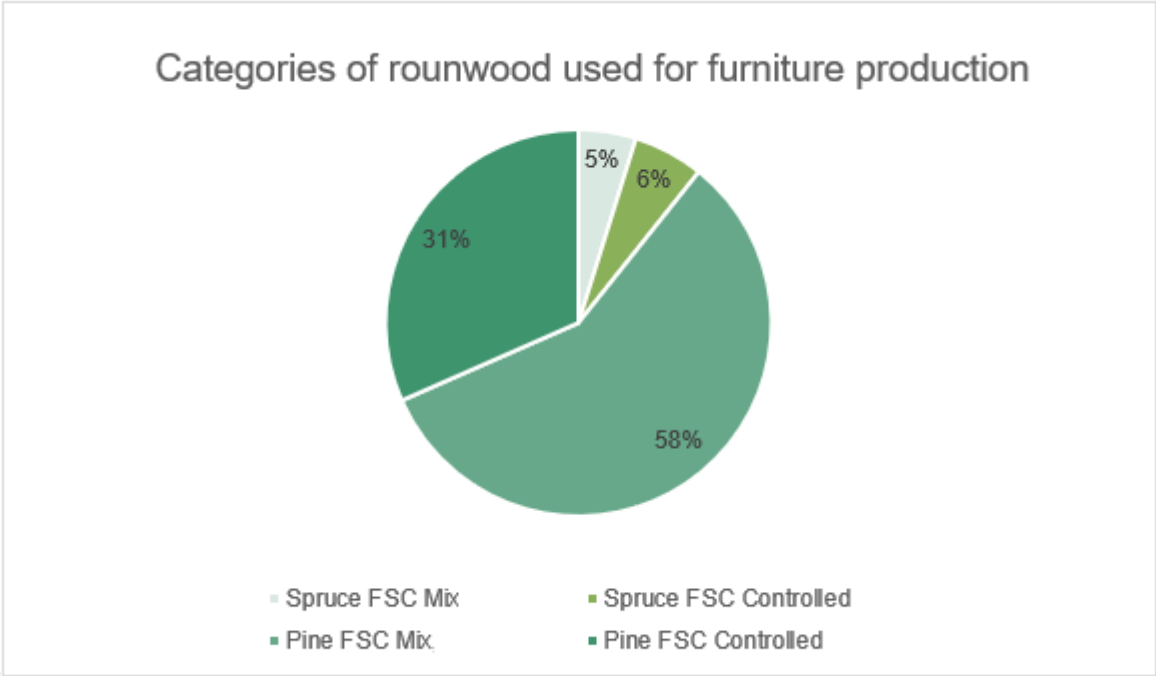
For pellet production, IKEA Industry TIkhvin uses only wood residues originating from the woodworking processes. Final harvesting methods do not apply to secondary feedstock.

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 clear cuts. The forest plots are regenerated.

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

IKEA Industry 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. The accumulated sawdust has different moisture contents. These are stored separately and mixed during pellet production.

The pellets are made of Scots pine (*Pinus sylvestris*) and Norway spuce (*Picea Abies*).



2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): **41.1 million ha.**
b. Tenure by type (ha): **41.1 million ha. public property**
c. Forest by type (ha): **34.4 million ha. boreal; 6.7 million ha. temperate**
d. Forest by management type (ha): **41.1 million ha. managed natural**
e. Certified forest by scheme (ha): **14.4 million ha. FSC certified** (2020 data)
(other schemes are not considered at this plant)

Feedstock

f. Total volume of Feedstock: **68126 tonnes**
g. Volume of primary feedstock: **Not applicable**
h. List percentage of primary feedstock (g), by the following categories: **Not applicable**
   - Certified to an SBP-approved Forest Management Scheme
   - Not certified to an SBP-approved Forest Management Scheme
i. List all species in primary feedstock, including scientific name **Not applicable**
   No primary feedstock is used. The pellets are made of:
   - **Scots pine (*Pinus sylvestris*);**
   - **Norway spuce (*Picea abies*).**
j. Volume of primary feedstock from primary forest: **Not applicable**
k. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes: **Not applicable**
   - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme
   - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
l. Volume of secondary feedstock: specify origin and type **100% sawdust**
m. Volume of tertiary feedstock: specify origin and composition **0%**

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☒

IKEA Industry TIkhvin uses wood residues for pellet production; roundwood is used for the production of furniture. Developing and implementing an SBP Supply Base Evaluation would be inefficient, as it would apply to wood pellet production only. IKEA Industry TIkhvin is FSC certified and focusses on assisting its suppliers with achieving FSC certification also.

3.1 Scope

Not applicable

3.2 Justification

Not applicable

3.3 Results of Risk Assessment

Not applicable

3.4 Results of Supplier Verification Programme

Not applicable

3.5 Conclusion

Not applicable

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

Not applicable

9.1 Mitigation measures

Not applicable

9.2 Monitoring and outcomes

Not applicable

10 Detailed Findings for Indicators

Not applicable

11 Review of Report

The SBR was prepared together with a consultant: Rens Hartkamp. He passed the SBP auditor exams in 2015, and assisted over 40 companies on achieving SBP.

11.1 Peer review

Not applicable

11.2 Public or additional reviews

Not applicable

12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	***Maxim Klementiev***	***IKEA Industry Russia forest certification coordinator***	***28/05/2020***
	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 Sherbakov***	***General director***	***28/05/2020***
	Name	**Title**	**Date**
Report approved by:	***[name]***	***[title]***	***[date]***
	Name	**Title**	**Date**
Report approved by:	***[name]***	***[title]***	***[date]***
	Name	**Title**	**Date**

13 Updates

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 figures for feedstock over the previous 12 months

In 2019, IKEA Tihkvin utilised 68126 tonnes of sawdust to produce wood pellets.

13.5 Projected figures for feedstock over the next 12 months

IKEA Industry TIkhvin expects to use a similar amount of sawdust in the future (around 70 thousand tonnes of feedstock a year).