“Making everyday life of the many people better does not mean selling more book cases tomorrow, it is rather improving forest management that impacts the life of the many people and communities dependent on forests what helps us realize the IKEA business idea”.

Peter Agnefjäll
September 2014
Wood is part of the IKEA identity

More than half of all products in our range are wood based
18,6 million m³ RWE/year
Let’s estimate:

18.6 million m³ RWE

= 465,000 Timber Trucks
  (24 meter long)
= 11,160 Kilometers
  (distance Älmhult – Surabaya)
= 1 % world industrial wood consumption
IKEA FY14 Forestry Key Figures
Solid wood and board materials

Total volume of wood in IKEA: 15.5 million m³ RWE

Solidwood 42.3%
Board material 57.3%
Bamboo 0.4%

360 suppliers, 3031 sub-suppliers
25 wood types (genus level)
48 countries of origin.
Forestry is important for IKEA

- Wood is part of our identity
- Brand perception – responsible company
- Raw material availability
- Legislation

We can have a considerable positive impact in our supply chains
Laws on Legality of Wood

- EU Timber Regulation
- US Lacey Act
- Australia
- Switzerland
- Japan

90% of IKEA sales!
IKEA Forestry requirements since 1998
# Plant materials – traceability requirements

## Contents
This specification describes the IKEA traceability requirements for legal harvesting and origin of plant materials used in all IKEA products. The requirements are based on the IKEA demands for forestry tracing and legal demands.
**Scope:** all plant materials used in IKEA products;

**Requirements:** due care to avoid illegally harvested plant materials;

**Collection of information and documents:**
material supplier, type, species, country of harvest, etc.

**Connect database:**

*information quality is crucial!*
• Integration of **ALL** legal requirements
• IKEA’s due diligence system
• Third Party Assessed by NEPCon
IKEA requirements on wood

**I** Minimum requirements

**II** Wood from more sustainable sources
Development FY10-14
wood from more sustainable sources

Forestry Barcelona 140415
IWAY MUST

Approved Species

Known Origin

Minimum requirements
Start-up of new IKEA supplier

Initial IWAY assessment
IWAY MUST approval

First delivery

Approved:
 a) Wood Procurement Plan
 or
 b) FSC chain of Custody

Within **90 days** to comply with applicable IWAY Forestry Standard procedures
## IKEA Approved Species List

<table>
<thead>
<tr>
<th>Trade name</th>
<th>Latin name</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siberian Fir</td>
<td><em>Abies sibirica</em></td>
<td></td>
</tr>
<tr>
<td>European silver fir</td>
<td><em>Abies alba</em></td>
<td></td>
</tr>
<tr>
<td>Needle Fir</td>
<td><em>Abies holophylla</em></td>
<td>Protected in RU</td>
</tr>
</tbody>
</table>

20 IKEA Foresters
### IKEA Forestry Tools (1)

**Forest Tracing Survey (FTS) – regular report from suppliers on wood material that could have been used in IKEA articles**

| Supplier: | HFD/ LINDA INDUSTRI AB(11174) |
| Supplier Trading Area: | NORTH EUROPE |
| Material Area: | TANE PINE/SPRUCE |
| Category: | PINE/SPRUCE |
| FSC CoC Code: | SG5-COC-002913 |

**Report from:** 01-09-2011 to 31-08-2012  
**Total RWE Volume (m3):** 100491,6  
**Total Certified RWE Volume (m3):** 89387,4

**Contact Name:** Mats Reigh / Bengt-Ake Lunberg  
**Contact Information:** 0950-576644 / 576656

#### Wood Source

<table>
<thead>
<tr>
<th>Item</th>
<th>Subsupplier Name</th>
<th>FSC CoC Code</th>
<th>Subsupplier Type</th>
<th>Material Type</th>
<th>Species Trade Name</th>
<th>Country</th>
<th>Region</th>
<th>Subregion</th>
<th>RWE Factor</th>
<th>Volume (m3)</th>
<th>Volume (m3 RWE)</th>
<th>Certified FSC Volume (m3 RWE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Setra</td>
<td>SGS-COC-002085</td>
<td>Logging company</td>
<td>Sawngoods</td>
<td>Pine</td>
<td>Sweden</td>
<td>Vasterbottens</td>
<td></td>
<td>2,20</td>
<td>6250</td>
<td>13750,0</td>
<td>13750,0</td>
</tr>
<tr>
<td>2</td>
<td>SCA</td>
<td>DNV-COC-000039</td>
<td>Logging company</td>
<td>Sawngoods</td>
<td>Pine</td>
<td>Sweden</td>
<td>Vasterbottens</td>
<td></td>
<td>2,20</td>
<td>10220</td>
<td>22484,0</td>
<td>22484,0</td>
</tr>
</tbody>
</table>
Wood Procurement Plan (WPP) – report from new and ongoing suppliers on planned wood material sourcing for IKEA

Hereby we confirm that the below sources of applicable raw material are planned to supply IKEA production during the period from 01.09.2012 to 31.08.2013. The total planned volume is 14,040.00 m³ RWE contracted, certified volume is 6,132.00 m³ RWE.

<table>
<thead>
<tr>
<th>Source/sub-supplier name</th>
<th>Business type</th>
<th>Material type</th>
<th>Board producer</th>
<th>Species</th>
<th>Wood Origin</th>
<th>Sub-region(s) Only for wood from Russia, China, USA, Canada, Indonesia, and eastern Malaysia</th>
<th>Planned volume, m³</th>
<th>RWE conv. factor</th>
<th>Planned volume in round wood, m³ RWE</th>
<th>Already purchased or contracted committed volume, % of planned</th>
<th>Contract valid to (date)</th>
<th>Meets minimum forestry demand of IWAY (FSC)</th>
<th>FSC certified</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

**Report from new and ongoing suppliers on planned wood material sourcing for IKEA**

**Contact details:** 00 370 687 21583

**Name/Position of the Wood Procurement Responsible at IKEA Supplier:** Dangiras Samalnis/Director

**IKEA Supplier FSC Chain of Custody (CoC) Certificate Code:** TT-COC-003403

**If no FSC CoC yet, an Agreed Implementation Date:** dd-mm-yyyy

**Supplier Number:** 22300

**Supplier Name:** AB AKMENA
IKEA Forestry Tools (3)

Wood Tracing System (WTS) – web based system for managing, visualizing, analyzing data from suppliers and storing data from audits.
**IKEA Risk List** — for identifying high risk wood sources that may be present in IKEA wood supply chains

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Illegal logging</th>
<th>HCVF/INF</th>
<th>Forest related social conflict</th>
<th>Conversion to plantations</th>
<th>GMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>Brcko District</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>Federation of Bosnia and Herzegovina</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>Serb Republic</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Dolj</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Gorj</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Mehedinti</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Bucuresti</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Dimbovita</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Romania</td>
<td>Giurgiu</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
</tbody>
</table>
Auditing – IWAY Forestry (5)
Auditing – Wood Supply Chain Audits

IKEA

IKEA Supplier

IKEA Sub-supplier

...

Logging site
Supply Chain Beech

Beech

- 105,000 m³ RWE
- 23,000 m³ RWE sawn goods
- 56,000 m³ RWE components
- 26,000 m³ RWE FSC Mixed sawn goods

46 sub-suppliers

- 37 sub-suppliers
  - 18% 7
  - Forest BN, MM, 10 Forest districts
  - Number of sawmills

- 8 sub-suppliers
  - 53% 5
  - Logging companies
  - 3 Regions, MM, BN, SM
  - 5 Regions (25 forest district)

1 sub-supplier (FSC Mixed + Controlled Wood)

Long supply chain
Role of certification

- IKEA considers the legal due diligence systems in certification best practice
- Control points are in the right place. In the forest or where the wood leaves the forest
- IKEA due diligence integrates both FSC and PEFC approaches to ensuring of legality
FSC and traceability

- FSC Chain of Custody does not mean traceability through the supply chain.
- One up – one down.
0.015 m³ Solid Pine: Pinus primus, SE
0.0155 m³ Solid Pine layered: Pinus primus, SE, Pinus primus, FI, Pinus secundus, PL
0.013 m³ Solid beach: Fagus primus, SE, Fagus primus, DK, Fagus secundus, PL

Declarations according by material supplier (IWAY and IOS-MAT-0087)

Lacey Act Declaration

Forestry Barcelona 140415
Self declaration for legal harvesting of Plant material according to IOS-MAT-0087

This form shall be used to certify compliance with requirements according to IOS-MAT-0087 concerning:

Materials used in production

<table>
<thead>
<tr>
<th>Solid pine board, pine glueboard</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Statement of legal harvesting

All plant materials defined in IOS-MAT-0087 (AA-432233-5) and used in production for IKEA, are to our best knowledge legally harvested based on the following documentation available at IKEA supplier.

Tick one or several items from below list:

<table>
<thead>
<tr>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land titles</td>
</tr>
<tr>
<td>Lease/concession agreements</td>
</tr>
<tr>
<td>Forest declarations</td>
</tr>
<tr>
<td>Harvesting authorization/cutting license</td>
</tr>
<tr>
<td>Approved harvesting plans</td>
</tr>
<tr>
<td>National wood tracking system records</td>
</tr>
<tr>
<td>Contracts</td>
</tr>
<tr>
<td>Official receipts</td>
</tr>
<tr>
<td>Log invoices</td>
</tr>
<tr>
<td>Transport licenses</td>
</tr>
<tr>
<td>Import/export licenses</td>
</tr>
<tr>
<td>Harvesting permit</td>
</tr>
<tr>
<td>Harvesting certificate</td>
</tr>
<tr>
<td>Harvesting plan</td>
</tr>
<tr>
<td>Harvesting authorization (cutting license)</td>
</tr>
<tr>
<td>Harvesting plan</td>
</tr>
<tr>
<td>Harvesting permit</td>
</tr>
<tr>
<td>Harvesting certificate</td>
</tr>
<tr>
<td>Harvesting plan</td>
</tr>
</tbody>
</table>
It is not normally possible to trace individual product back to the forest
Materials of wood origin in a modern simple chest of drawers

Board, 3 types
Paper core foil, 3 types*
Paper core edge band*

7 composite wood based materials
Adaptive production

Orla cooperation
Wood qualities and cutting patterns

<table>
<thead>
<tr>
<th>Quality</th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>O/S</td>
<td>V</td>
<td>V</td>
</tr>
<tr>
<td></td>
<td>3000 sek</td>
<td>2000 sek</td>
<td>1500 sek</td>
</tr>
</tbody>
</table>

Cross cut

Ripping & crosscutting
Risks and DD vary

- **Type of product**
  - Solid wood
    - Solid components
    - Layerglued
    - Glueboard
  - Board
    - Particleboard
    - MDF - HDF
  - Bamboo
  - Paper
- **Species used**
  - Poplar
  - Oak
  - Bamboo
  - Eucalyptus
  - Imported wood
Challenges!

- Availability of certified wood
- Integration in the business agenda
- High staff turnover
- Administrative challenges
- Paper
Backward Integration with FSC

- Shandong province
- Hard wood and layer glued
- Turn over 36M USD
- Capacity commitment
- 16 years with IKEA
Forest in Russia (Siberia)

- 8,000 ha leased forest
- Forest lease contract till 2060
- Sawmill investment
- LOG output 40K m³ /Y current
FSC IKEA Support

• Training to company’s staff
• HCVF Identification
• Forest management plan
• IKEA budget – 20,000 USD
Benefits & Future

• Better forest management

• All solid wood FSC from FY14

• FSC dowels for ICOMP

• Wood component from RU
IKEA approach

- Integrate in the business agenda
- Work with your suppliers
- System approach with sampling is the basis
  - Mitigation has to take place as close as possible to the forest to bring the risk down to low before placing on the market
  - Certification provides the most robust due diligence system.
  - Physical tracking of wood is not an efficient approach
  - Isotopes and DNA can be means to validate the system but are in most cases not useful for operational tracing
- IKEA Supply AG is the operator
- IKEA of Sweden operates the Due Diligence on behalf of ISAG

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