

Earthsight | Ikea's House of Horrors | Recommendations | July 2021

For authorities in Russia:

The Federal Forestry Agency, Department of Forestry for Siberian Federal District must:

1. Block any further sanitary felling in Irkutsk Oblast until the systemic causes of violations in their prescription and implementation are eliminated.
2. Develop a comprehensive public database of forest pathological survey reports in open data format, thereby enabling third party monitoring, and ensure through regulation that this is complete and kept up-to-date.
3. Oblige regional governments to also publish on their websites for public access all reports of inspections of sanitary felling areas.
4. Ensure the cost recovery from the offenders and liable companies for damage caused by the illegal (permitted by unjustified) sanitary felling which were revealed during the audit of the Ministry of Forest Complex of Irkutsk Oblast by the Federal Forestry Agency in 2019.
5. Conduct an intra-departmental audit to identify and prosecute the employees of the territorial forest management bodies responsible for drawing up reports of inspection of felling areas after sanitary felling in the lease areas of the Bakurov group companies.
6. Allocate additional funding for Irkutsk Oblast for the implementation of the delegated powers in the field of forest management and the maintenance of the organizations necessary for this, thereby eliminating the need to depend upon funds received from the sale of wood from sanitary felling (OGAU "Leskhov of the Irkutsk Oblast").

Russian law enforcement agencies must:

1. Initiate criminal investigations of the companies of the Bakurov group, their owners and managers, and officials collaborating with them, including under a) Section 3, clause 260 of the Criminal Code of the Russian Federation (large scale illegal logging) and b) Section 3, clause 286 of the Criminal Code of the Russian Federation (abuse of office causing serious consequences).
2. Make publicly available the results of the earlier criminal review of the actions of officials of the Ministry of Forest Complex of the Irkutsk Oblast relating to the signing of illegal amendments to forest lease agreements issued to the companies of the Bakurov group.

The regional government of Irkutsk Oblast must:

1. Calculate the damage caused to the environment by activities of the companies of the Bakurov group as a result of violations of forest, environmental and water legislation.
2. Provide public access to the results of calculations of the damage caused.
3. Pursue cost recovery for damage caused, as required by law.

For forest certification schemes and their affiliates:

The Forest Stewardship Council (FSC International) must:

1. Publish a full explanation of the termination of the Vilis/Kalinov Most FSC FM certificate which occurred after our draft findings were sent.
2. Commission an urgent special audit of the concessions concerned and of the Vilis FSC Chain-of-Custody (which remains valid) by ASI, and publish the results.
3. Request that ASI carry out a Transaction Verification Audit of all FSC certified companies in Russia, with priority given to those in eastern Russia.
4. Set up an independent review panel to consider this and other FSC scandals, and make recommendations for changes to core systems and procedures including both immediate and longer-term changes requiring approval of FSC members, including the following:

- a. IMMEDIATE CHANGES (to be implemented within 1 year, with priority given to high-risk countries):
 - i. Routine use of satellite imagery in conducting audits.
 - ii. Routine review of relevant publicly available court documents during audits.
 - iii. Routine searches of relevant media articles about a company, its owners and related corporate entities during audits.
 - iv. Requiring auditors to assess the legality of amendments to forest lease/concession agreements.
 - v. Requiring auditors to proactively identify companies in the same corporate group as the entity under assessment and carry out due diligence on their operations in advance of issuing certificates to ensure they do not breach policies of association.
 - vi. Amend partial certification rules such that cases where a certified company is linked to uncertified companies via individual ownership in common are captured.
- b. LONGER TERM CHANGES (to be implemented within 2-3 years):
 - i. Removing the conflict of interest whereby auditors are paid directly by the firms they audit.
 - ii. Compulsory transaction verification, using a publicly accessible database.
 - iii. Increasing transparency by requiring the publication of summaries of Chain of Custody (CoC) audits and 'headquarters' audits of accredited certifiers, as well as FM/COC audits
 - iv. Amending the burden of proof with regard to serious illegalities, with a precautionary approach taken to such risks in keeping with the EU Timber Regulation.

FSC Russia must:

1. Prohibit all sanitary felling inside FSC certified concessions or by FSC certified companies, until such time as better controls are in place to ensure the legality of such logging.
2. Ban the use of wood from FSC 'Controlled Wood' forests without full FSC Forest Management certification where sanitary logging is being conducted from being used in FSC Mixed products either.
3. Review national-level FSC criteria and indicators in light of this case, including considering the 'immediate changes' referred to in the section above regarding FSC International.
4. Call on FSC International to address wider systemic flaws in FSC systems and procedures which are undermining FSC Russia's efforts and credibility.

FSC subsidiary Assurance Services International (ASI) must:

1. Carry out an urgent special inspection audit of the Vilis/Kalinov Most concession and the Vilis FSC Chain of Custody certification.
2. Carry out an urgent certifier audit of Forest Certification LLC in Russia.
3. Carry out inspection audits of all other FSC certified forest management units in Russia, starting with those known to have been carrying out extensive sanitary felling.
4. Make use of remote sensing/satellite imagery during those audits, rather than relying solely on field visits to sample sites.
5. Conduct a broad-based Transaction Verification Audit of all FSC certified companies in Russia, and if the results so warrant, make Transaction Verification compulsory in the country.
6. Make public the full results of all the above investigations.

Programme for the Endorsement of Forest Certification (PEFC) must:

1. Terminate the certification of Kalinov Most.
2. Carry out equivalent improvements to its systems and procedures in Russia as are outlined for FSC above.

For Ikea and other importers and retailers:

Ikea must:

1. Conduct an in-depth investigation into the circumstances behind the individual case outlined in this report and publish the results.
2. Commission an independent audit of Ikea's wider purchasing in Russia, to include inspections of FSC certified supplier forests, with a particular focus on compliance with sanitary felling rules. To be truly independent, it is essential that any such audit is not conducted by an FSC certifying body. To be credible, as with FSC Policy of Association investigations, such an audit should include representatives of NGOs or NGO experts, including those who have shown themselves willing to be critical of FSC in the past.
3. Expand its recently announced ban on the use of sanitary-felled timber from the RFE and Siberia to all of Russia.
4. Amend its own audit procedures of suppliers to ensure they address the current flaws in FSC assessments (see IMMEDIATE CHANGES in FSC section above), and publish these revised audit procedures.
5. Publicly acknowledge the serious failure of policy implementation by both Ikea and FSC that this case represents.
6. Acknowledge that the repeated failings by FSC are symptomatic of deep-seated structural problems and commit to work to ensure that FSC addresses these problems as a matter of urgency.
7. Demand that FSC make these changes within a given timeframe if it is to retain Ikea's support.
8. Publicly withdraw its recommendation to the EU that FSC timber be given a green lane in the EUTR.
9. Publicly acknowledge that ensuring that its use of wood is not environmentally harmful will require Ikea to go beyond FSC certification.
10. Commit to a timebound plan to first eliminate all sourcing of wood from relatively intact natural forests, then eliminate all wood from any natural forests, and ultimately source all wood from recycled sources. Prioritise high-risk countries like Russia in this process.

Other importers and retailers must:

1. Interrogate supply chains and immediately cease sourcing of wood originating from Bakurov-controlled leases in Irkutsk Oblast, Russia, or wood at risk of originating from those concessions.
2. Conduct a wider review of all use or purchase of wood from Russia and cease the use of such wood until such time as more reliable checks than FSC are available for ensuring its legality.
3. Publicly call on FSC to address the systematic flaws in its systems which are undermining its goals.
4. Until such time as those flaws are addressed, no longer consider FSC certification alone as proof of legality, sustainability or compliance with laws such as EUTR/UKTR and the US Lacey Act.

For governments in countries which import wood from Russia:

The European Commission must:

Urgently develop new EU Timber Regulation (EUTR) guidance on Russia, acknowledging that third-party certification schemes like FSC and PEFC cannot reduce the risk of illegality from imports of Russian wood to the required “negligible” level, that neither can Russian government-issued paperwork, and that businesses which import wood from Russia must prove they have consulted materials other than those listed above in their due diligence systems to comply with EUTR.

EUTR/UKTR Competent Authorities must:

1. Urge the European Commission to develop the guidance referred to above and approve that guidance as a matter of urgency.
2. In the meantime, take account of the evidence in this report and our prior report of December 2020 about illegally sourced PEFC-certified Russian wood when assessing due diligence systems of operators, and consider issuing own national guidance on Russia in line with the European-level guidance recommended above.

US Lacey Act Authorities (Department of Justice / APHIS) must:

Investigate the case documented here as a possible breach of the US Lacey Act.