



IKEA - social
and environmental
responsibility
Report 2003

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Report on social and environmental responsibility

This is the first report on the IKEA Group's work in the area of social and environmental responsibility. It covers the financial year 2003, from 1 September 2002 until 31 August 2003.

IKEA has worked with these issues for many years. Now, as we have accomplished a little more, it seems right to also start reporting about it. Taking social and environmental responsibility is an on-going work and many things remain to be done. IKEA can always improve, including the way we report on social and environmental responsibility.

In this first report we try to describe our work with social and environmental issues from product development until the product ends up at the store. IKEA's ambition is that this work becomes an integrated and natural part of the daily business operation. Also, the report includes information about our co-operation and dialogues with stakeholders. Finally, at the end of each section, there is a description of our focus in this area for the coming years.

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The image shows the exterior of an IKEA store. The word "IKEA" is written in large, yellow, 3D block letters on a dark blue facade. Below the letters is a curved glass entrance with a yellow frame. A large blue circle is overlaid on the center of the image, containing the text "This is the IKEA Group".

IKEA

This is the
IKEA Group

The IKEA Group has 76,000 co-workers and business operations in 43 countries.

On 31 August 2003, the IKEA Group had a total of 165 stores in 22 countries. In addition, there were a further 21 stores outside the IKEA Group, operated by franchisees in 14 countries/territories. During the financial year 2003, 310 million customers visited the IKEA stores.

The product development is done by IKEA of Sweden in Älmhult, Sweden. The range consists of around 10,000 products.

IKEA purchases products from approximately 1,600 suppliers in 55 countries. IKEA's own industrial group, Swedwood, operates 32 production plants in nine countries.

IKEA has 43 trading service offices in 33 countries. Co-workers in each office monitor production on site, negotiate prices and help suppliers develop to comply with IKEA demands relating to quality, the environment and social conditions.

IKEA has 27 distribution centres in 16 countries that supply goods to IKEA stores.

A woman with dark hair in a purple long-sleeved shirt is focused on weaving a large, round basket from natural fibers. She is sitting on a wooden stool in a workshop. In the background, other people are working at similar stations, and the floor is covered with raw materials and partially finished baskets. A large, bright pink circle is overlaid on the center of the image, containing the text.

Social
and environmental
responsibility
at IKEA

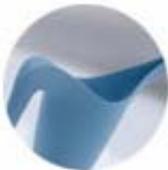
IKEA wants its products to have the minimum possible impact on the environment. And for these products to be manufactured in a socially responsible manner.

All suppliers, wherever they are in the world, must follow the IKEA code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY). Child labour is not tolerated, working conditions must be acceptable, and suppliers must adopt a responsible attitude towards the environment.

IKEA's work with social & environmental issues is a continuous on-going work that will never end. Many things remain to be done and we take one small step forward after the other.

A natural part of the daily business

IKEA's ambition is for the work with social and environmental issues to become an integrated and natural part of the daily business operations.



Product development:
safe and healthy products, efficient use of raw materials, restricted and limited substances, efficient packaging



Purchasing from suppliers:
The IKEA code of conduct, social and working conditions, child labour, forestry and outside environment



Transportation:
CO2 emissions, demands on transport suppliers, alternative transports



Warehousing:
waste management, energy consumption, renewable energy



Stores:
recycling, energy consumption, renewable energy, repairs and recovery, customer transports, safe and healthy food

The IKEA vision and business idea encourage social and environmental responsibility

"To create a better everyday life for the many people."

The IKEA vision was first formulated back in 1976. It is now natural to us to refer "the many people" to, not only our customers, but also IKEA co-workers and the employees who work for IKEA suppliers.

"To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford to buy them."

The IKEA business idea is about economical use of resources. Cost-consciousness is essential in order to be able to sell home furnishings at low prices and reduce environmental impact at the same time. It means ensuring raw materials will be used efficiently, waste minimised and resources reused. Packing products in flat-packs helps to keep costs and the environmental impact of transportation as low as possible.

The IKEA culture supports the work

The IKEA culture is based on a clear and distinctive set of values which support our work with social and environmental issues.

Doing more with less

Ever since IKEA was founded in 1943, the company has tried hard to avoid wasting resources - everything from natural resources to other resources such as time and money.

Daring to be different

Being different isn't an end in itself, but the tradition that IKEA has cultivated of always questioning how and why things are the way they are often opens up new avenues of approach for reaching our goal. One example is the pioneering way in which IKEA approached manufacturers in Central and Eastern Europe and Asia to find good quality products at a low price. Close cooperation with suppliers, together with IKEA's own distribution chains, has resulted in cost-effective production and distribution.

Humility and criticism

Humility is about respect: respect for co-workers and their opinions, and respect for suppliers and their skills. Being humble is about being able to learn from our own mistakes as well as those of others. It is about admitting mistakes and putting them right - and being able to accept constructive criticism.

IKEA learns by listening

A willingness to listen to what other people know and have learned through experience has paved the way for years of co-operation and partnership between IKEA and various non-governmental organisations. These include Greenpeace, WWF, Save the Children and United Nations Children's Fund UNICEF. The purpose behind these relationships is to increase knowledge within IKEA, and, in some cases, to work together with them on selected projects.

Honesty is the best policy

The concept "honest IKEA" that is implicit in our communication with our customers should also apply to our relationships with suppliers. Honesty is essential when IKEA wants to enjoy long-lasting, close relationships with its customers and suppliers.

Organisation

Employed specialists

IKEA employs a large number of specialists who work with issues related to social and environmental issues. These specialists work in areas such as product development, purchasing, distribution and retail.

Operational responsibility for social and environmental issues lies with the people who are responsible for each of the various IKEA countries and business units. They are supported by environmental coordinators and environmental managers.

SECO co ordinates the work

A group known as SECO - the Social and Environmental Co-ordination Group - is responsible for co-ordinating work in this area. This group includes the group manager for Social & Environmental Affairs and the environmental managers from each of the operational areas within IKEA.

IWAY Council

IKEA has a special forum for issues relating to its code of conduct "The IKEA Way on Purchasing Home Furnishing Products" (IWAY). The IWAY Council consists of a number of senior IKEA co-workers and is headed by the Group President.

It is the people who work for IKEA who can turn the IKEA vision and business idea into reality. This is reflected in our **human resource idea**:

"To give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that together we're strongly committed to creating a better everyday life for ourselves and our customers."

A young girl with her hair in a ponytail is captured in mid-air, jumping over a modern wooden chair with a light-colored cushion. She is wearing a dark blue dress over a white shirt and white socks. The background is plain white. A purple circle is overlaid on the image, containing the text 'Co-operation and dialogue with stakeholders'.

Co-operation
and dialogue
with stakeholders

For a number of years IKEA has been in contact with and working together with other organisations on social and environmental issues. The purpose behind these relationships is to increase knowledge within IKEA, and, in some cases, to work together with them on selected projects.

BLICC - Business Leaders' Initiative on Climate Change

One of the most difficult and complex environmental problems facing the world today is the change in climate caused by increased emissions of carbon dioxide and other greenhouse gases. In 2000 IKEA initiated, together with The Body Shop, the BLICC programme (Business Leaders' Initiative on Climate Change). The aim of the BLICC programme is to teach member companies to measure, report and reduce emissions of carbon dioxide. Companies in the BLICC programme have committed to actively take on the task of reducing carbon dioxide emissions. It is hoped that this initiative will inspire more companies to take action.

[Read more about BLICC at www.respecteurope.com](http://www.respecteurope.com)

Business for Social Responsibility, BSR

IKEA is a member of Business for Social Responsibility, BSR. BSR is an international non-profit organisation which, since 1992, has been working to support companies in developing their work on issues related to ethical values, human rights and the environment.

[Read more about BSR at www.bsr.org](http://www.bsr.org)

Greenpeace

Greenpeace and IKEA do not collaborate directly on any projects, but the two organisations do engage in a dialogue, mainly on the subject of forestry issues.

[Read more about Greenpeace at www.greenpeace.org](http://www.greenpeace.org)

International Federation of Building and Wood Workers, IFBWW

In May 1998 IKEA signed an agreement with the International Federation of Building and Wood Workers (IFBWW), which is a Global Union Federation (GUF). In December 2001 the parties entered a new agreement based on the IKEA code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY) .

IKEA and IFBWW meet twice a year to exchange experiences on working conditions and social responsibility.

[Read more about IFBWW at www.ifbww.org](http://www.ifbww.org)

Networks on transport and the environment

The impact exerted on the environment as a result of transport requirements related to IKEA operations is considerable. IKEA has invested in acquiring a greater insight into this relationship, not least to enable IKEA to stipulate environmental criteria when negotiating the future provision of transport and goods forwarding services. IKEA is a member of several international networks. These are working on, among other things, developing methods to calculate the impact of transport on the environment, as well as on strategies that will enable them to influence the worldwide development of environmentally adapted transport solutions.

Save the Children

Save the Children and IKEA have been working together for several years, mainly on issues relating to child labour. Save the Children helped IKEA to formulate a special IKEA code of conduct to address the problem of child labour.

Another example of the co-operation is a research study that took place in the south of Vietnam. The purpose was to learn more about child participation in the family-based production of hand-made IKEA products in certain areas in the south of the country.

IKEA has contributed to projects in Kosovo, where International Save the Children has helped to rebuild nursery schools, repair classrooms and support teacher training.

[Read more about Save the Children at www.savethechildren.net](http://www.savethechildren.net)

UNICEF

Co operation with the United Nations Children's Fund, UNICEF, has, among other things, resulted in a project in India to help prevent child labour. The project contributes to improved living conditions through initiatives such as self-help groups for women and alternative learning centres that provide basic education for children who would otherwise not be able to attend school. The three-year project covers 500 villages in northern India with a population of around 1.3 million people.

Together with UNICEF and the World Health Organisation (WHO), IKEA has initiated an immunisation project. Over a five-year period 140,000 children and 150,000 pregnant women in 3,000 villages will be immunised to provide them with protection against a number of common, serious illnesses.

IKEA has also contributed to a UNICEF project in Kosovo to provide new equipment and teaching materials and improve sanitary conditions in a number of schools.

[Read more about UNICEF projects in India on page 21](#)

[Read more about UNICEF at www.unicef.org](http://www.unicef.org)

WWF, the global conservation organisation

Cooperation with WWF, the global conservation organisation, focuses mainly on forestry issues. This extends over three main areas: the spread of information, education, and supporting the certification of responsible forest management.

[Read more about the work IKEA is doing with WWF on page 24](#)

[Read more about WWF at www.panda.org](http://www.panda.org)



Product development

Environmental thinking at every stage

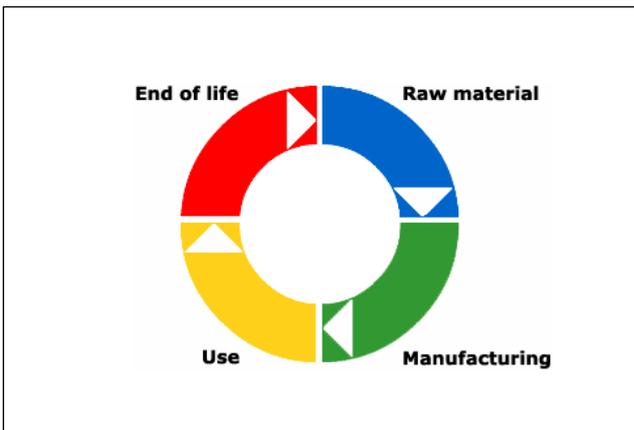
The maximum benefit from the minimum of resources. This maxim is at the heart of IKEA product development. Economising on resources makes an important contribution to the work of keeping IKEA prices low, at the same time as it reduces the environmental impact of products.

IKEA of Sweden develops the IKEA products

The product development is done by IKEA of Sweden in Ålmhult, Sweden. Each business area (for example, Kitchen & Dining or Textiles) has an environmental co-ordinator and the business area is responsible for ensuring that its products fulfil requirements relating to the environment, health and safety.

The eWheel method

When IKEA develops new products, the spotlight is placed on the environmental consequences of those new products throughout their entire life cycle. This is done with the help of the "eWheel" - an analytical tool providing a systematic approach for compiling the relevant environmental information for the product.



Raw material

Around 70 percent of IKEA's 10,000 products are made from wood or wood fibres. Wood is an excellent material from an environmental perspective. It can be recycled and is a renewable resource. Other important raw materials are metal, plastic, rattan and textiles.

- As little raw material as possible should be used and IKEA strives to increase the proportion of renewable and recycled raw materials.
- Smart solutions minimise the use of materials without affecting the function or appearance of a product. Some examples are hollow legs, particleboard cores instead of solid wood, and multi-functional furniture.

Manufacturing

- Waste should be avoided. When possible, production waste is used in the manufacture of other products.
- Suppliers must follow the IKEA code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY). This includes, among other things, rules governing factory emissions to air and water, and instructions about how to handle waste and chemicals.

[Read about the IKEA code of conduct on page 15](#)

- Products must not include or exceed substances that are prohibited by law or forbidden or restricted in the IKEA list of "Chemical Compounds and Substances".

Examples of substances which should not be used in IKEA products:

- Wood preservatives as PCP, Lindan and CCA
- Tinorganics
- Lead and its compounds
- Azodyes capable of releasing carcinogenic arylamines
- Following flame retardants:
 - Organic brominated compounds
 - Antimony compounds
 - Chlorinated paraffin's (alkanes)
- Organic solvents in printing paste
- Nonylphenolethoxylates
- Cadmium and its compounds
- PVC (exception: electric cables)
- CFC and HCFCs
- In general cancerogenic substances (Category I & II in EU)

Examples of restricted substances in IKEA products:

- Formaldehyde shall be below E1 level in wood based products, and even stricter concerning textiles.
- Isocyanates
- Arylamines
- Chemicals at surface treatment have separate specifications.
- Special chemical restrictions exist for Latex materials, Flexible - PUR foam, products in contact with foodstuff.
- Restrictions exist regards the use of Chrome in IKEA products. Especially regards Chrome VI.
- Strict limits for use of mercury exists.
- Special restrictions exists for products that might come into contact with children as plasticisers, etc

Transportation

Smart packaging is the most effective weapon IKEA has to reduce the environmental impact of transport. Clever design and flatter packaging help IKEA to squeeze more products into every load-carrying unit. This reduces both emissions and transport costs.

Use

The environmental impact of a product in the customer's home is also taken into account.

- The products must be free from substances that cause allergies or that have other harmful effects on people's health or the environment.
- Certain products consume energy during use, and this energy consumption can be made more efficient through product development.

End of life

Once products have reached the end of their useful life, IKEA strives to reclaim the materials of which they are made and recycle them, so that they can be re-used as new raw materials. However, possibilities to recycle varies from country to country.

Web-based training using the eWheel

IKEA has developed a training package based on the eWheel, which is made available to co-workers via our intranet and in the form of workshops. This training material examines a selection of IKEA products and focuses on certain specific aspects such as different types of finishes, choice of materials, packaging, and efficient use of resources.

At the end of financial year 2003:

- All key product development staff had taken part in the interactive training.
- All business areas had started to make use of the eWheel in their day-to-day operations.

Testing of IKEA products

IKEA uses external laboratories to test products to assess, for example, emissions of volatile substances. If a product exceeds the limits for a particular emission, production is stopped and the product concerned is withdrawn from sale.

IKEA of Sweden is responsible for sale stopping products regarded as a risk for the customer, because of safety or quality reasons.

Product communication

We want the IKEA brand itself to stand as a guarantee of genuine concern for the environment and social responsibility. Therefore, IKEA does not mark its products with any external environmental labels.

The only exception to this, is that IKEA has an ambition to FSC-label outdoor furniture in dark tropical hardwoods.

During financial year 2003 IKEA started to produce environmental information about its products to be displayed on price tags. A list has been produced containing around 35 key words relating to the environment, and the intention is to use this list as a basis for describing the environmental properties of products.

IKEA has decided to focus on:

- Developing more IKEA products based on the eWheel principles.
- Improving the product communication about health and the environment to customers. The aim is to develop communication that is easy to understand.
- Continuing to look for recycled materials that fulfil IKEA demands regarding function and quality.



The IKEA code
of conduct, IWAY

IKEA products must be manufactured in a responsible way

IKEA believes that good working conditions and the protection of the outside environment at our suppliers is a prerequisite for doing good business. Our code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY), was introduced in 2000.

IKEA purchases from approximately 1,600 suppliers in 55 countries. IKEA's own industrial group, Swedwood, operates 32 production plants in nine countries.

IKEA's code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY), consists of three documents:

- "The IKEA Way on Purchasing Home Furnishing Products" (IWAY)
- "The IKEA Way on Preventing Child Labour"
- "The IWAY Standard" (specification of the demands in the code of conduct)

IWAY is based on international conventions and declarations

The IKEA code of conduct includes provisions mainly based on the UN Declaration of Human Rights, 1948, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work (the eight core conventions), 1998, and the Rio Declaration on Sustainable Development, 1992.

The specification of all the international conventions and declarations on which IKEA's code of conduct is based, is available in the IWAY standard.

The IKEA code of conduct

"The IKEA Way on Purchasing Home Furnishing Products" (IWAY) defines what suppliers can expect from IKEA and what IKEA requires from its suppliers in terms of legal requirements, working conditions, child labour, environment and forestry management.

Suppliers can expect from IKEA:

- to be reliable,
- to adapt our products to production,
- to contribute to efficient production,
- to care for the environment,
- to support material- and energy saving techniques,
- to take a clear standpoint on working conditions,
- to respect different cultures,
- to have clear and mutually agreed commercial terms.

IKEA requires from its suppliers to comply with national laws and regulations and with international conventions concerning the protection of the environment, working conditions and regarding child labour.

Working Conditions

IKEA expects its suppliers to respect fundamental human rights, to treat their worker fairly and with respect.

Suppliers must:

- provide a healthy and safe working environment,
- pay the legal minimum wage or the local industry standard and compensate for overtime,
- if housing facilities are provided, ensure reasonable privacy, quietness and personal hygiene.

Suppliers must not:

- make use of child labour,
- make use of forced or bonded labour, discriminate,
- use illegal overtime,
- prevent workers from associating freely with any worker's association or group of their choosing or collective bargaining,
- accept any form of mental or physical disciplinary action, including harassment.

Environment and Forestry

At IKEA, we shall always strive to minimise any possible damaging effects to the environment, which may result as a consequence of our activities. Therefore, IKEA and its suppliers shall continuously reduce the environmental impacts of operations.

Suppliers must:

- work to reduce waste and emissions to air, ground and water,
- handle chemicals in an environmentally safe way, handle, store and dispose of hazardous waste in an environmentally safe manner,
- contribute to the recycling and reuse of materials and used products,
- use wood from known areas and, if possible, from sources that are well managed and preferably independently certified as such.

Suppliers must not:

- use or exceed the use of substances forbidden or restricted in the IKEA list of "Chemical Compounds and Substances",
- use wood originating from natural parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

Start-up requirements

Potential IKEA suppliers - prior to starting up a business relationship with IKEA - must fulfill the start-up requirements:

- no forced or bonded labour
- no child labour
- no wood from intact natural forests or high conservation value forests
- suppliers delivering IKEA products containing solid

- wood, veneer, plywood and layer glued wood must ensure a Forest Tracing System document is completed.

In addition, IKEA requires the supplier to make an action-plan including timeline for fulfilling the rest of the criterias of IWAY.

IWAY compliance

IKEA's 43 trading service offices around the world have the responsibility for the support and the auditing of the suppliers. This is to ensure that social and environmental issues are a natural part of normal business.

In total IKEA has around 80 full or part time auditors at the trading service offices. The auditor's task is to support and agree upon and follow up action plans for improvements at the suppliers as well as to explain the requirements, perform monitoring visits and to offer and execute training.

Improving supplier standards

IKEA believes in long-term relationships and does not break off relations due to non-compliance only, as long as there is a willingness to improve with an agreed plan of action within an acceptable time frame.

IKEA has a business strategy to continuously reduce the number of suppliers. The suppliers ability to fulfill IWAY is one factor that is considered.

- Since IKEA's code of conduct was introduced 2000, a total of 354 number of contracts has been terminated. Of these were 21 (6%) terminated because IWAY was the main reason 38 (11%) terminated because IWAY was a part of the reason
- During financial year 2003, a total of 162 number of contracts has been terminated. Of these were 14 (9%) terminated because IWAY was the main reason 22 (14%) terminated because IWAY was a part of the reason

IWAY compliance

IKEA's 43 trading service offices around the world have the responsibility for the support and the auditing of the suppliers. This is to ensure that social and environmental issues are a natural part of normal business.

In total IKEA has around 80 full or part time auditors at the trading service offices. The auditor's task is to support and agree upon and follow up action plans for improvements at the suppliers as well as to explain the requirements, perform monitoring visits and to offer and execute training.

The "Compliance and Monitoring Group"

IKEA is concerned that the same standards are followed throughout the organisation. The "Compliance and Monitoring Group", a part of IKEA group staff Social and Environmental Affairs, is responsible for internal auditing of the compliance work worldwide. The group consists of 3 persons and will be extended with 2 more persons.

The "Compliance and Monitoring Group" trains and supports the auditors at the trading service offices as well as conducts their own compliance audits. This is always done together with the trading service offices.

- Since IKEA's code of conduct was introduced 2000, a total of 180 audits have been performed by the "Compliance and Monitoring Group": 112 in Asia and 68 in Europe.
- The results showed that IKEA's trading service offices in some countries had been using a too low judgement level. This led to a complete re-auditing of 600 suppliers in 9 countries: Indonesia, India, Bangladesh, Pakistan, Mainland China, Thailand, Portugal, Spain, France.

Third party auditing

In order to ensure objectivity, IKEA uses external auditing companies to make actual audits at suppliers. These are KPMG, PwC (Pricewaterhousecoopers) and ITS (Intertek Testing Services).

In addition, in Bangladesh, India and Pakistan, IKEA has assigned KPMG to monitor the situation with special emphasis on child labour by carrying out unannounced checks of suppliers and their sub-contractors.

[Click here to read more about how IKEA works to prevent child labour on page 20](#)

IWAY Council

IKEA has a special forum for issues relating to its code of conduct. The IWAY Council consists of a number of senior IKEA co-workers and is headed by the Group President. The IWAY council meet 3-4 times/year.

Auditing

The IWAY auditor informs the supplier of a forthcoming visit and prepares the inspection, which takes one to two days to carry out on site.

The auditor has a checklist covering approximately 90 detailed criterias on social and working conditions, including child labour, the environment and wooden merchandise.



Corrective actions

In the event of non-compliance, IKEA requires - in writing - an action plan from the supplier detailing how the non-compliance will be rectified. An action plan must be sent to IKEA within one month following the audit. The action plan includes a description of the corrective action, responsible person and timelines for each non-compliance to be rectified.

Approval of IWAY

IKEA trading service offices follow up that the supplier has completed the necessary corrective actions according to the approved action plan and timelines. When all deviations have been verified and approved by IKEA, the supplier is IWAY approved.

IKEA performs re-audits - as a minimum - every two years to ensure the IKEA supplier maintains his IWAY approved status. However, in some countries, the trading service offices have decided to do it more frequently, once a year or every six month.

Per 2004-03-31:

(we've chosen to report per 2004-03-31, since no accurate data were available per the end of financial year 2003)

- 32 % of the IKEA suppliers* are IWAY approved - Europe 51%, North America and Mexico 45%, Asia 11 %. They have all fulfilled the 90 criterias.
* including IKEA's own industrial group Swedwood (69%)
- 68 % of the IKEA suppliers* are still not IWAY approved. They fulfill in average, around 80% of the 90 criterias. The remaining criterias are often related to social and working conditions and handling of hazardous waste and chemicals.
* including IKEA's own industrial group Swedwood (31%)

Violations that are relatively easy to correct:

to equip workers with protection gear
to unlock emergency exits and to clear blocked escape-ways
This can often be done within days or even within hours

Violations that are more difficult to correct:

Working hours
Wages - piece rate workers compensation, overtime compensation
Workers rights; employment contracts, pension funds, right to form unions
Hazardous waste
Handling of chemicals
These violations are most likely to be found in countries where the industry standards in general are lower. These issues will sometimes take a long time to correct (months or even years), because it's about fundamental changes to society that need to take place .

Training

Training is an important part of IKEA's IWAY work. Depending on the target groups there are different type of training and information:

Internal

- Training for new auditors (responsible "Compliance and Monitoring Group").
- Training for experienced auditors (responsible "Compliance and Monitoring Group").
- Training for the management at the trading service offices (responsible "Compliance and Monitoring Group").
- Training for co-workers at the trading service offices. (responsible the trading service offices)
- Information about IWAY for new staff at the trading services offices (responsible the trading services offices).
- Information about IWAY to IKEA co-workers working in other areas than the trading service offices, e.g product development and retail. (responsible the staff group Social & Environmental Affairs).

External (responsible the trading service offices).

- Training and workshops for existing suppliers

IKEA has decided to focus on:

- Improving it's role as a supporter to the supplier, instead of just auditing. Therefore, IKEA will focus on training and education of its own co-workers in this role.
- Improving it's methods of interviewing workers in connection with IWAY inspections.
- Starting up some monitoring also of sub-contractors. However, this will be done in a limited scale only; when sub-contractors have a substantial part of the production of an IKEA product.

Project regarding working hours in China

Impactt, a UK based organisation specialising in improving labour standards, has together with IKEA, initiated a project in China focusing on maximum working hours.

Measures taken in six factories in different regions of China will demonstrate that it is possible to reduce the number of working hours without reducing the productivity, and that it is possible to reduce employees' working hours without needing to reduce their wages.

The project started in 2003 and is planned to be ready by the end of 2004.



Child Labour

IKEA does not accept child labour

IKEA does not accept child labour among its suppliers or their sub-contractors. Children must be protected from child labour. That means protecting children from any work that interferes generally with a child's right to healthy growth and development, and especially from work that denies a child the right to quality education.

Child labour is an unacceptable reality in certain countries. IKEA is aware of this and also of the complexity of the problem. For many years, IKEA has taken an active role to combat child labour. The goal is to prevent the use of child labour in the manufacture of any IKEA product.

IKEA initiatives to prevent child labour

IKEA supports the United Nations Convention on the Rights of the Child (1989), which defines the basic principle as the need always to put the best interests of the child in focus. The work IKEA does in this regard is also based on the International Labour Organisation (ILO) Convention number 138 (1973) concerning minimum working ages, and the ILO Convention number 182 (1999) concerning the worst forms of child labour.

IKEA Children's Ombudsman

The "Children's Ombudsman" at IKEA is responsible for ensuring that IKEA maintains a clear focus on the best interests of the child, and that its work complies with the UN Convention on the Rights of the Child (1989).

IKEA employs one person in India, whose specific task is to work with child labour issues and social projects in South Asia, with particular emphasis on children's rights.

Co-operation with various partners

The complexity of the child labour issue requires input and influence from many different parties in order to achieve a sustainable solution. A consistent approach and long-term efforts are essential to tackle the root causes of child labour, as these are the only way to create the broad-based support that is necessary for enduring improvements.

IKEA has experienced the importance of close co-operation with international organisations like UNICEF and Save the Children. More important, however, is close co-operation with IKEA suppliers, by constantly raising the issue of child labour and encouraging suppliers to interact with local non-governmental organisations (NGOs).

IKEA code of conduct on child labour

The IKEA code of conduct, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY) introduced in 2000, addresses the issue of child labour.

[Read more about the IKEA code of conduct on page 15](#)

"The IKEA Way on Preventing Child Labour" specifically addresses this issue and includes the following criteria:

- Suppliers must accept IKEA demands to take the appropriate measures to ensure that no child labour occurs on their own production premises or those of their sub-contractors.
- Each supplier must agree to provide lists of all places of production (including those at the supplier's sub-contractors) and allow IKEA co-workers and representatives of an independent third party, as and when commissioned to do so by IKEA, to carry out unannounced visits at any time.

Monitoring

Auditing of child labour is made within the monitoring of IKEA's code of conduct, "The IKEA Way on Purchasing Home Furnishing Products".

[Read more about how IKEA ensure IWAY compliance on page 16](#)

If child labour is encountered on any production premises, IKEA requires the supplier to implement a corrective action plan, taking the child's best interests into consideration. Care must be taken not merely to move child labour from one supplier's workplace to another, but to provide more viable and sustainable alternatives for children, such as educational opportunities. Corrective actions are monitored by IKEA, for example through visits to the school the child attends.

If corrective action is not implemented within an agreed timeframe, or if repeated violations occur, IKEA will terminate all business with the supplier concerned.

South Asia

Child labour is encountered most frequently in South Asia. The widespread production apparatus that is typical for the home-based industry in these countries makes it impossible for IKEA to provide a watertight guarantee that no child at any time is involved in the production of an IKEA product.

Over the past two years IKEA has encountered child labour at a total of nine suppliers in India, involving thirteen children in all.

China

In China child labour presents a different kind of concern. In China it's compulsory with 9 years of schooling. Children are allowed to start school at the age of 6, and some will thus finalise school already at the age of 15. Despite the fact that Chinese law states that children are not allowed to work until they are sixteen years old, some parents send their children to work in factories directly after finishing school.

When IKEA discovers a fifteen-year old working in one of its suppliers' factories, the child is taken out of work, but the supplier must agree to continue to pay the wages due to the child and also to offer him/her the opportunity to return to the workplace when he/she has turned sixteen.

Child rights project in India together with UNICEF

In August 2000 IKEA and UNICEF initiated a joint child rights project in the Indian state of Uttar Pradesh. The aim is to prevent and eliminate child labour in "the carpet belt", by addressing the root causes, such as debt, poverty, the lack of access to education, disability and ill health.

The project started with 200 villages with a population of more than 400,000 and is expanding with more villages in 2004. This means that a total of 500 villages with a population of about 1.3 million people will benefit from the project. IKEA is the sole financial backer for the project.

Alternative learning centres

The focus is on creating awareness and mobilising these rural communities around strategies designed to prevent child labour. School enrolment drives are conducted and alternative learning centres (ALCs) are established as a transitional measure to formal primary schooling. Quality educational opportunities for children are essential to prevent child labour, and thus the IKEA initiative complements the government's efforts to enrol all six to twelve year olds in the project area into primary school.

As a result, over 80 per cent of the 24,000 children previously out-of-school in the 200 villages are now attending primary school. The remaining 20 percent are covered through 99 alternative learning centres (ALCs), which are promoted as a bridge strategy to coax children into mainstream education. Moreover, innovative approaches to retaining children in school are being tested.

Self-help groups for women

The burden of debt, often accrued over generations, is a root cause of the need that resource-poor families feel to put their children to work. Thanks to 429 thrift-credit self-help groups, this project has so far enabled nearly 6,000 women and their families to break out of the vicious circle of debt, liberating them from the exploitative interest rates of local money-lenders.

By December 2003 the members of these self-help groups had saved the equivalent of around euro 65, 000. More importantly, this strategy has boosted the women's status, self-confidence and decision-making abilities, both within their families and in the local community. A simple economic intervention has engendered significant social impact on the quality of life of children and women, enhancing their economic status and improving their access to income-generating opportunities.

Women also learn to read and write, are informed about children's rights and receive basic information on health and nutrition.

Immunisation project in India together with UNICEF and WHO

Within the same geographical area IKEA, together with UNICEF and United Nations World Health Organisation (WHO), has initiated a five-year immunisation programme. There are obvious links between immunisation, child health and child labour. Helping to prevent disability and ill health by initiatives such as this immunisation programme provides one route towards the eradication of child labour.

The objective of the project, which started in 2002, is to provide protection for infants up to twelve months old against the six most common childhood diseases. Vaccination is also given to all pregnant women. Extra emphasis is put on getting local communities to accept immunisation and on creating a demand for this simple form of health protection.

IKEA is the sole financial backer for the project, which covers more than 3,000 villages and aims to immunise around 140,000 children and 150,000 women.

Read more about UNICEF at www.unicef.org



Forestry

Timber for IKEA must come from responsibly managed forests

IKEA recognises wood as an excellent material from both a functional as well as an environmental point of view. Wood has the right properties for being the principal material in the majority of IKEA products (70 percent). In addition, wood is renewable and recyclable. However, for wood to be the good environmental choice, it should originate from responsible managed forests.

Certified forests are the long-term goal

IKEA does not accept timber, veneer, plywood or layer-glued wood from intact natural forests or from forests with a clearly defined high conservation value. The timber used to manufacture solid wood products sold by IKEA comes from 45 countries.

IKEA imposes strict rules governing the use of high-value tropical tree species. At present these must be certified in accordance with a standard for responsible forest management. The only current standard that meets the long-term aims of IKEA is that of the Forest Stewardship Council (FSC). The FSC is an international organisation that promotes the environmentally appropriate, socially beneficial and economically viable use of the world's forests. For FSC certification, forestry must, among other things, respect the rights of indigenous peoples and manage high conservation value forests in a way that preserves the natural values of the area.

[Read more about FSC at www.fscoax.org](http://www.fscoax.org)

For timber products such as paper, cardboard and particleboard, IKEA has not yet any demands to put on the producers of these products. It has been difficult to trace the origins of the timber that is been used as raw materials for paper, cardboard and particleboard. As a general rule, the producers of these products have many different sub-contractors, and many of them use large quantities of recycled material, so tracing the large number of different fibres is a complicated task.

IKEA criteria for timber suppliers - step by step

IKEA places demands on its suppliers in the form of a staircase model. The different steps provide a clear way of progressively increasing demands on the timber that IKEA uses. The demands apply to all suppliers of products that contain solid wood, plywood, veneer and layer-glued wood.

Level One - entry level

In order to be allowed to supply IKEA at all, suppliers must comply with the following requirements:

- Suppliers must be able to verify the country of origin of the timber and the region in the country where the timber was felled.

- The wood must not originate from intact natural forests or nationally/regionally recognised and geographically identified (forests with a), high conservation value forests, unless felling has been certified in accordance with a recognised standard for responsible forest management.
- High value tropical tree species must be certified according the Forest Stewardship Council (FSC) or other recognised equivalent standard for the responsible management of forests.

Level Two - "The IKEA Way on Purchasing Home Furnishing Products" (IWAY)

These requirements form part of the IKEA code of conduct for suppliers, "The IKEA Way on Purchasing Home Furnishing Products" (IWAY). If these requirements are not already fulfilled before the supplier begins to collaborate with IKEA, the supplier must establish a plan of action to ensure that the requirements are met within three months.

- Timber must be felled in accordance with national and regional forestry protection laws or their equivalents.
- No timber may originate from any protected areas such as national parks or nature reserves, unless this has been endorsed by an FSC (or equivalent) certificate, or unless some other proof of special felling permission in accordance with the forest management plan for the protected area can be produced.
- Timber must not originate from plantations in tropical or sub-tropical regions that have been planted to replace intact natural forests after November 1994.

[Read more about IKEA's code of conduct on page 15](#)

Level Three

Level Three, "4Wood", is a standard developed by IKEA with the aim of making it easier for suppliers to make the transition from the minimum requirements (Level Two) to verified well managed forests according to a Level Four standard. The standard includes wood procurement requirements for timber suppliers as well as a number of indicators for forest management in different regions. The "4Wood" programme is currently being revised.

Level Four - certified responsibly managed forests

Level Four corresponds to the criteria for responsibly managed forests that are certified in accordance with an official standard. This standard must comprise approved performance levels that have been developed in co-operation with organisations that represent environmental, economic and social interests, and it must be verified by an independent third party. At present the Forest Stewardship Council (FSC) is the only certification system corresponding to the requirements of Level Four that is accepted by IKEA.

Monitoring

The suppliers are checked within the IWAY audits that are performed by IKEA's trading services offices.

[Read about how IKEA ensure IWAY compliance on page 16](#)

The trading service offices carries out an annual survey to trace the origins of timber, by a system called the Forest Tracing System (FTS). Suppliers complete a questionnaire about the origins of the wood (solid wood, plywood, veneer and layer-glued wood) that is used to manufacture IKEA products. This enables IKEA to identify which "level" on the staircase the various sources of timber raw materials for its products have reached.

The amount of timber used by IKEA during the 2003 financial year to make solid wood products was equivalent to 5.5 million cubic metres of logs. According to the Forest Tracing System (FTS), more than 97 percent of this total met the IKEA code of conduct (IWAY) criterias

In addition, suppliers must also accept random testing as part of the so-called "wood supply chain audit". This inspection gives the opportunity to find out where the timber comes from and trace its origin all the way back to where it was felled.

The target for financial year 2003 was to carry out wood supply chain audits on 80 percent of the total volume from new suppliers and 40 percent of the total volume from existing suppliers.

- Only just over half of the respective volumes were checked. (The work proved to be more time-consuming than initial estimates had suggested).
- Most of the audits showed that the information given by the suppliers was correct. In a few cases the information from the suppliers was not possible to verify and these suppliers had to take corrective actions. This was not quantified and documented during financial year 2003.

IKEA forest managers

IKEA has 18 forest managers. Their task is to support IKEA's trading service offices around the world when tracing the origin of the wood back to where it was felled. They also help suppliers to find timber that has been harvested in responsibly managed forests.

IKEA has decided to focus on:

- Developing a strategy for timber products such as paper, cardboard and particleboard.

IKEA supports mapping of intact natural forests

The non-profit organisation Global Forest Watch has mapped intact natural forests in various parts of the world, compiling the results in special atlases for the respective countries. These atlases have become invaluable tools for IKEA forest managers. IKEA has supported this work in Russia, Lithuania, Latvia, Estonia, Romania, Indonesia, Canada, south east Venezuela and Chile. IKEA has also partly supported mapping in Brazil. The data produced by Global Forest Watch enables IKEA forest managers and suppliers to identify areas from which IKEA can not accept timber.

"Sow a seed" rehabilitates rainforests in Borneo

In 1998 IKEA set up the "Sow a seed" project with the aim of rehabilitating rainforests that had been devastated by logging and forest fires in the Malaysian state of Sabah on the island of Borneo. Since then more than 1 million trees have been planted. The plants will be carefully nurtured for the first ten years of their life, and after that the new forests will then be protected for a further 50 years. IKEA has pledged to continue the planting work until 2008, and in the intervening years the area planted will double in size.

IKEA works with WWF, the global conservation organization

IKEA and WWF are working together to support the responsible management of the world's forests. Co-operation with WWF extends over three main areas: the spread of information, education, and supporting the certification of responsible forest management. Several joint projects are under way, for example supporting the establishment of "producer groups" in which the manufacturers of timber products work together to facilitate FSC certification of raw materials. Projects are currently under way in Russia, China, Estonia, Latvia, Lithuania, Romania and Bulgaria.

Scholarship to study responsible forest management

Since 2001 IKEA has been funding a one-year course on sustainable forest management in the Baltic region. Every year 20 students from the Baltic states, Poland and Russia, receive scholarships enabling them to take part in the course, which is taught at the Swedish University of Agricultural Science in Alnarp, in the south of Sweden. The course aims to increase knowledge about responsible forest management in areas from which IKEA purchases large quantities of timber.

[Read more about Global Forest Watch at www.global-forestwatch.org](http://www.global-forestwatch.org)

[Read more about "Sow a seed" at www.sowaseed.org](http://www.sowaseed.org)

[Read more about the WWF-IKEA project on www.panda.org/forests4life](http://www.panda.org/forests4life)



Transport

Emissions must be reduced

IKEA has decided to reduce carbon dioxide emissions caused by the transportation of products and people to and from the stores. A typical product's route from supplier to store is a long one, and 28 percent of the total amount of carbon dioxide emissions generated by activities associated with IKEA comes from the transportation of goods.

The long-term goal is to reduce IKEA's carbon dioxide emissions by the end of financial year 2008 to 9 percent per transported cubic metre per kilometre. This is a high target, but IKEA is working step by step towards more environmentally adapted transport solutions.

- During its 2003 financial year IKEA reduced carbon dioxide emissions by 1 percent per cubic metre per kilometre. (in Europe)

Flat-packs help reduce emissions

Smart packaging is an effective weapon to reduce the environmental impact of transport. Clever design and flatter packaging help IKEA to squeeze more products into every load-carrying unit. This reduces both emissions and transport costs.

IKEA can never utilise 100 percent of the load capacity in a trailer as the filling rate is limited by various factors such as the weight of goods. What is more important is to make optimum use of the available space.

Filling rate - supplier to warehouse:
Goal: at least 65% 2005: 55% 2002 / 57% 2003

Filling rate - warehouse to store:
Goal: at least 60% 2005: 52% 2002 / 54% 2003

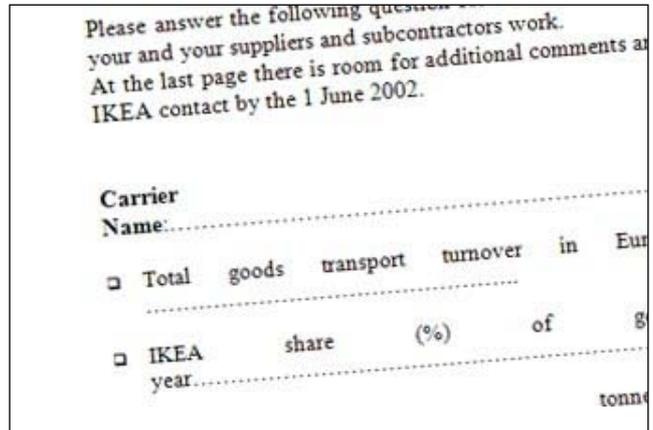
Environmental demands on transport suppliers

IKEA uses 170 freight forwarding companies all over the world. In Europe IKEA has required its freight forwarders to meet certain environmental targets since 2001, and all now comply with at least the minimum level of these demands. More modern vehicles and cleaner fuels, drivers tutored in fuel-efficient driving techniques, environmental training, environmental policies and action plans are all examples of measures that can lead to less transport pollution.

[Read about customer journeys on page 32](#)

Environmental Performance Sheet

All the road freight companies that IKEA works with in Europe produce an annual summary of the impact they have on the environment by providing answers to an IKEA questionnaire known as the Environmental Performance Sheet (EPS).



In 2003 there was a 100 percent response to the EPS. From the answers they give, IKEA freight carriers in Europe are then categorised in different environmental classes. In order to reduce environmental impact, freight carriers are encouraged to work continuously towards qualifying for a higher environmental classification.

Tougher demands stage by stage

One of the conditions when IKEA negotiates the provision of new transport services is that the supplier has an environmental policy and an action plan and can account for the company's environmental performance. In addition, every new supplier must fulfil certain criteria. These have been formulated in the form of a staircase model with four steps or levels. Each year IKEA raises the basic demands by one level on the staircase.



CO2 emissions from transport and other operations
The transportation of products and people to and from IKEA impacts on the environment most significantly in the form of carbon dioxide emissions that can lead to climate

- 54% Customer journeys.
- 3% Fuel use.
- 28% Freight transport.
- 15% Electricity consumption.



Modes of transport (in Europe)
This diagram shows a breakdown of the different types of transport currently used for IKEA products. IKEA is working on ways of increasing the proportion of goods transported by rail and sea.

- 78% by road.
- 3% by short sea
- 10% by rail.
- 9% combined transport.

In financial year 2003 "Level One" was the basic requirement. Next year "Level One " will be scrapped and "Level Two" on the staircase will become the basic requirement for existing as well as new suppliers.

In financial year 2003, all road transport companies complied with at least the minimum level of these demands.

Rail transport

The amount of IKEA freight transported by rail in Europe was around 10 percent in 2003. IKEA is working to increase this figure, even though finding rail solutions that work effectively over national borders has so far been problematical. In 2002 IKEA established its own rail company operating scheduled freight services between Älmhult in Sweden and Duisburg in Germany. The five journeys a week replaced 300 road vehicles. In 2004 this service was taken over by an external operator, but it continues to carry IKEA freight.

Environmental demands regarding rail transport are also set to become successively more stringent. In 2003 IKEA formulated a set of environmental criteria for rail transport companies in Europe that will be implemented during the coming financial year. IKEA checks, among other things, that engine drivers have been trained in fuel-efficient driving techniques, issues requirements for other types of environmental training and specifies the type of energy that may be used in business operations. Rail freight companies are also audited using a points system that adopts a similar approach to the road hauliers' EPS ratings.

Sea transport

The amount of IKEA freight transported by sea in Europe was around 3 percent in 2003. IKEA is working to increase the amount of freight that is transported by sea. During 2003 information days and training days were organised for all shipping operators. In conjunction with this IKEA also produced a series of environmental demands for all shipping operators that will be implemented during the course of future financial years.

IKEA has decided to focus on:

- Continuing to impose tougher environmental demands on its freight carriers in order to achieve its targets for reduced carbon dioxide emissions. This makes it essential to include demands for reduced carbon dioxide emissions whenever new transport contracts are negotiated.
- Increasing the filling rate from supplier to warehouse by create more efficient packaging solutions and improve transport logistics.
- Developing environmental demands on road transport in Asia and North America, as well as on rail transport in North America. Work with environmental demands has so far focused on transport within Europe.
- Increasing the amount of direct distribution from suppliers to IKEA stores.
- Requiring that transport companies ensure that sub-contractors also work according to a systematic programme of environmental improvements, including environmental training for drivers. Many suppliers of IKEA road transport services do not own their own load carriers but work with sub-contractors. As a first step IKEA has focused on its suppliers.

International co-operation for reducing climate change
 Since 2000, IKEA has been involved in the international co-operative forum BLICC (The Business Leaders' Initiative on Climate Change). BLICC is a voluntary forum for a number of companies who have chosen to pool their knowledge and experience in order to co-operate on reducing carbon dioxide emissions. The companies that take part in BLICC produce a standard report on the carbon dioxide emissions related to their business activities.

Read more about BLICC at www.respecteurope.com



Warehousing

Distribution centres create efficient goods flows

IKEA has 27 distribution centres in 16 countries, some operated by IKEA itself and others by external parties.

Environmental co-ordinators at the distribution centres

IKEA works to adapt its warehousing activities and distribution logistics to environmental criteria. Each distribution centre has one co-worker who is supporting business management in environmental issues.

Distribution centre unit review

The performance of all IKEA distribution centres is regularly reviewed with regard to environmental targets and energy consumption figures. The distribution centres are required to introduce and meet progressively tougher demands within areas such as environmental management, energy consumption and waste management, and to demonstrate that they have effective and reliable methods for monitoring their progress and following up the results.

Waste shall be reduced

Waste can be reduced by, for example, re-using transport packaging and reducing the damage done to products during internal goods handling and transport operations.

Waste is currently sorted into paper, cardboard, wood, metal, plastic, and hazardous waste. In some instances where the infrastructure exists to support this, additional fractions of waste, such as glass and ceramic materials, are sorted at local level.

The target is to, by the end of financial year 2005, to have at least 80 percent of the waste that is generated, recycled, reclaimed or used in energy production.

- Of the total volume of waste (19,099 tonnes), 75.8 percent (14,464 tonnes) was sorted for recycling or recovery in 2003. *Eleven distribution centres have already met the target, and the remaining ones must do so by the end of 2005 financial year at the latest.*

Reducing energy consumption

In 2003 IKEA distribution centres used a total of almost 163 million kWh of energy.

The target between financial year 2000 to financial year 2003, was to reduce energy consumption by 10 percent in proportion to the total amount of goods handled.

- In financial year 2003 the overall energy consumption at the distribution centres actually rose by 8 percent.

Renewable energy

Most of the renewable energy used by IKEA during the 2003 financial year came from the geothermal plant at Torsvik (Sweden), which generated a total of 1,037,100 kWh of heating and cooling energy, which corresponds to approximately 60 percent of the facility's total heating requirements. It also came from "green" electricity purchased for the distribution centre in Wels (Austria).

The target is that, by the end of financial year 2005, 10 percent of the energy used by IKEA warehouses for heat and electricity must come from renewable energy resources.

- The total of renewable energy used by the distribution centres in the 2003 financial year (both energy produced on site and "green" electricity purchased from outside suppliers) amounted to 1.9 percent of the centres' total energy requirements.

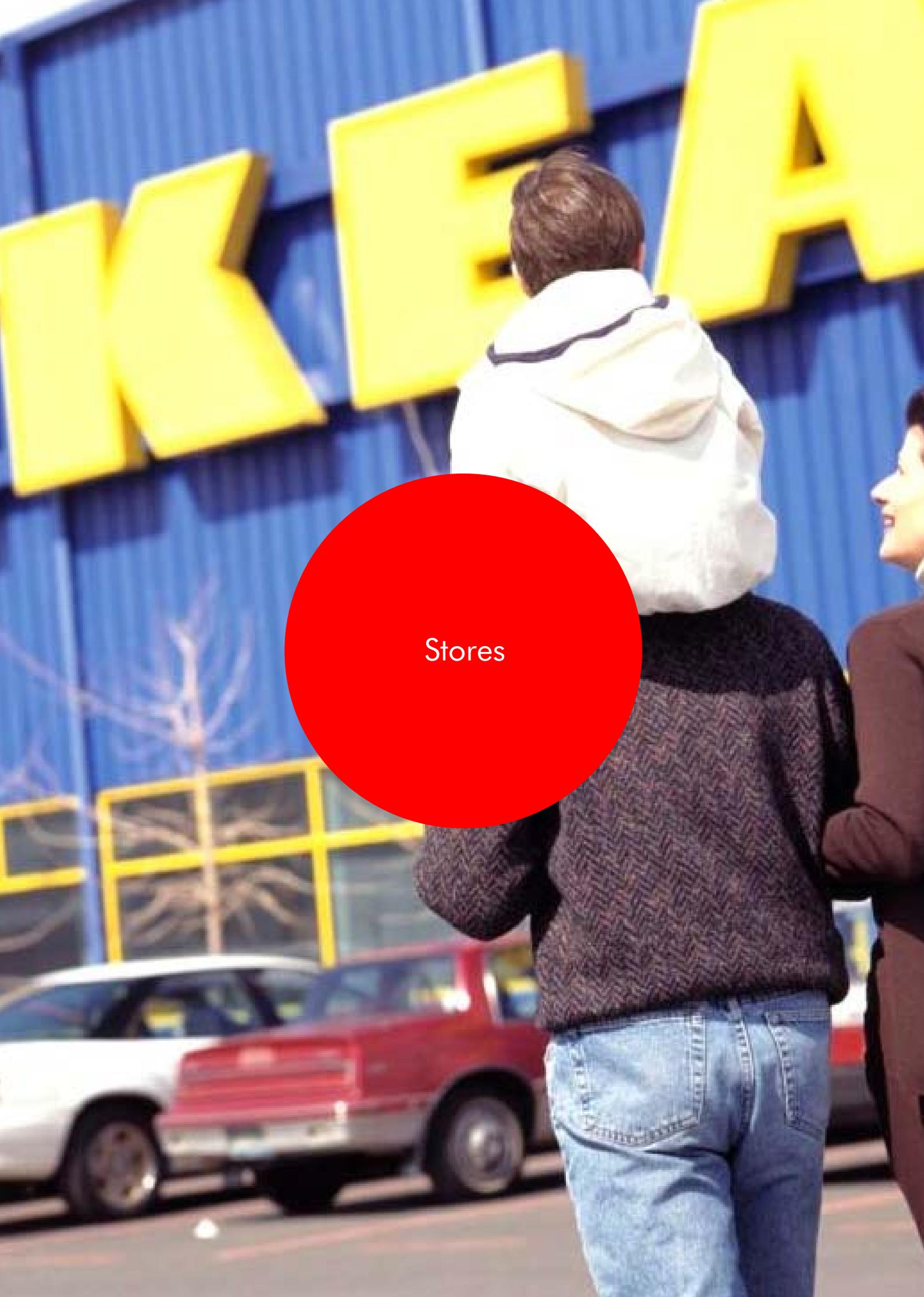
CO2 emissions

CO2 emissions

- The total of carbon dioxide (CO2) emissions from IKEA distribution centres - including emissions from both internal transport and energy use - has been estimated at 41,293 tonnes for the 2003 financial year.
- This represents a rise of 21.7 percent over the figure for the preceding year.
- In terms of CO2 emissions per cubic metre of freight the rise was considerably less, at just 2 percent, or a total of 1.97 kg of CO2 per cubic metre.

IKEA has decided to focus on:

- Continuing to work towards reducing the amount of waste.
- Working to reduce energy consumption and CO2 emissions.
- Continuing to invest in renewable energy, not only by installing increasing numbers of solar panels, solar collectors and geothermal systems, but also by purchasing "green" electricity produced from other energy sources than fossil fuels, such as wind farms and hydro electric stations.



Stores

Meeting the customer

It is in the stores that customers encounter everything that IKEA stands for. The result of the combined efforts of all the designers, purchasers, suppliers, carriers and everyone else involved comes together here on the final stage of its journey before it reaches the customers' homes.

Environmental co-ordinators in all stores

Environmental co-ordinators plan and implement measures to ensure that stores take their environmental responsibilities. Each store must have its own action plan detailing the work to be done towards achieving the goals that IKEA has set for environmental training, recycling, sorting waste, saving energy and adapting transport to reduce its impact on the environment.

Each store must have a full-time or part-time environmental co-ordinator.

- In the 2003 financial year this amounted to the equivalent of 60 full-time co-workers dealing with social and environmental issues (an increase from 51 the year before).

Commercial Review

The performance of the IKEA stores are reviewed by a method called "Commercial Review". It reviews both commercial considerations (customer flow, service offers, price labelling, etc.) and issues relating to the working environment and environmental protection.

New employees given training

About 75 percent of all IKEA employees work in the stores. All new employees are given a basic orientation in these important issues and attend training courses dealing with them in greater depth. The aim is for all employees to take part in further training on a regular basis.

During the 2003 financial year some 9,650 IKEA co-workers (or approximately 20 percent of the total number of store employees) received training.

Recycling saves money at the stores

IKEA has made reducing the amount of waste its number one priority in the stores. After that, IKEA must ensure that as much waste as possible is recycled or used for energy production. Recycling large quantities of material can also result in considerable savings. Charges for dumping waste can be minimised and in some cases it is possible to sell materials that can be reclaimed or recycled.

Stores are responsible for ensuring that waste is dealt with in the correct way, for example, by recycling or destruction. Many stores sort waste into many different fractions, separating different kinds of plastic, wood, metals, glass, etc. Customers can bring back certain types of waste - for example, discarded packaging, spent batteries and low-energy lamp bulbs - to most IKEA stores. Transport packaging generates waste as do other typical aspects of store work. In fact, IKEA stores generated a total of 143,000 tonnes of waste during the financial year - equivalent to 350 fully-laden, fully-fuelled jumbo jets.

The target is that, by the financial year 2005, at least 90 percent of waste should be recycled, reclaimed or used in energy production.

- During financial year 2003, in average 73 percent of waste was either recycled, reclaimed or used in energy production.

Waste sorting is most successful in countries where there is an infrastructure to deal with the materials. Some stores have managed to recycle or use for energy production almost 90 percent of the waste they generate. In Europe the average for material recycling or energy production is 77 percent. In North America the average is 57 percent, and in Russia and Asia it is 59 percent.

Energy consumption

IKEA has set itself the goal of reducing energy consumption in relation to the quantity of goods sold, and energy use is continuously monitored at each store. Action plans based on these results are drawn up in order to reduce consumption. Measures include internal communication to raise the level of awareness among co-workers, replacing conventional light sources with low-energy bulbs, adjusting technical installations and installing more energy-efficient lighting.

- During the financial year 2003, IKEA stores used a total of approximately 550 million kWh of electricity and 211 million kWh for heating.
- Electricity consumption fell from 57 kWh to 55 kWh per cubic metre of goods sold. At the same time energy use for heating fell from 23 kWh to 21 kWh per cubic metre of goods sold.

Renewable energy

Investment in renewable energy is primarily in the form of "green" electricity, the term used to describe electricity that is generated by energy sources other than fossil fuels, such as hydro-electric power and wind power. Some investment has also been made in geothermal energy and solar panels.

The target is to, by the end of financial year 2005, be able to re-use at least 75 percent of the damaged products.

- In Europe the recovery rate for financial year 2003 was on an average level of 58 percent.

Repairs and recovery

IKEA endeavours to adopt various preventive measures to minimise damage to products. When damage does occur, however, IKEA attempts to repair products rather than simply scrap them. The products are then sold in special "bargain corners" in the store, or are used as spare parts.

Traffic to and from the stores

Most IKEA customers travel to and from the stores in their own cars. IKEA studies show that only about 10 percent of visitors use public transport.

[Read about other IKEA transports on page 26](#)

Public transport

Several stores are carrying out trials to encourage co-workers to use public transport, to share cars to and from work, or to cycle in order to reduce journeys by car to the store.

Some IKEA stores have their own shuttle buses linking them with the city centre. As a general rule IKEA endeavours to locate its stores in areas served by efficient public transport. IKEA has formulated its own list of requirements for what constitutes "efficient public transport":

- public transport, preferably rail transport or equivalent, linking the store to the city centre or to a regional transport hub
- there must be an embarkation/disembarkation point within 150 metres of the store exit
- timetables must be clearly displayed at the exit to the store
- there must be at least one trip in each direction every hour during store opening hours

The target is, by the end of financial year 2005, 75 percent of IKEA stores should have efficient public transports.

- For financial year 2003, 77 percent of IKEA stores had efficient public transport links.

IKEA are currently on the target set up and are investigating on how to improve the situation further for new and existing stores. This includes to define a new target.

Home delivery

IKEA customers can use the home delivery service for goods. In most stores this service is provided by an independent company, and in most instances IKEA has started to put environmental demands on these contractors as well.

Of the 88 stores whose environmental performance was audited in the 2003 Commercial Review, only slightly more than half were able to report satisfactory results. The remaining stores have subsequently produced action plans in order to remedy their shortcomings and are facing follow up visits to ensure the development.

IKEA has decided to focus on:

- Investments in renewable energy.
- Further actions to reduce the amount of waste and increase the amount of reclaimed/recycled materials.
- Continuing with projects to contribute to reducing the environmental impact of co-worker and customer traffic to and from the stores. For example, public transport needs to be more readily available, and customers should be offered more help with home delivery of their purchases at a reasonable price.



IKEA Food Services

Safe, healthy food in IKEA stores

Every year millions of portions of food are sold in IKEA restaurants, and sales of typical Swedish groceries via the in-store Swedish Food Markets have risen sharply over recent years. Food production has an impact on the environment, animals and people. Many consumers are concerned about the health risks posed by the food they eat.

IKEA aims to ensure that all its customers feel confidence in the food they buy in the store, safe in the knowledge that it has been produced with respect for animals and in a manner designed to have the minimum impact on the environment.

Good animal welfare and organic food are the goal

In 2001 IKEA formulated a series of demands for food suppliers in its code of conduct "**IWAY on Food**" (The IKEA Way on Purchasing Food).

Food for sale at IKEA is purchased both locally and centrally. The centrally purchased range is the same for all IKEA stores all over the world. The local range is decided in each country.

IKEA is in the very beginning of this work and has just started to put demands on the suppliers by its code of conduct "The IKEA Way on Food". This was formulated in 2001 and since then the following actions have taken place:

- All suppliers are informed about IKEA's ambitions regarding food products and the environment.
- All IKEA food managers in the retail countries and food purchasers in the IKEA organisation have received training in the IKEA Group's demands on food suppliers.
- All central suppliers have received a questionnaire with a series of questions based on the demands laid down by IKEA

"IWAY on Food" include the following criteria:

Complying with legislation

All IKEA suppliers must comply with national and international legislation and agreements relating to food and food production in the countries where they operate.

Organic food

All agricultural products must be produced with due consideration for the environment and the welfare of animals and people. The long-term goal is to ensure that as much as possible of the food sold by IKEA is organic. No chemical pesticides or artificial fertilisers may be used in the production of organic food, and organic farming also allows animals greater freedom to express their natural behaviour patterns.

All organic products that IKEA buys must be certified in accordance with an official standard. This should be based on the standard issued by the International Federation of Organic Agriculture Movements (IFOAM).

Read more about the international standard for organic produce at www.ifoam.org

Animal welfare

Good animal husbandry in the food industry is not just a question of quality. To IKEA it is, above all, an important ethical issue. That is why measures that ensure the well-being of animals are an essential requirement in the production of all IKEA food, from rearing to slaughter. This includes the following requirements:

- No difficult or unnecessarily long journeys
- No regular use of antibiotics
- No use of hormones to boost animal growth
- No use of meat or bone-meal in animal fodder.

Genetically modified food (GMO) is prohibited

No genetically modified ingredients or products containing genetically modified organisms are permitted in the IKEA food range.

IKEA has decided to focus on:

- Intensifying the follow-up and checking of suppliers. IKEA will check food suppliers by carrying out on-site inspections. As a first step IKEA auditors will carry out audits on the premises of the central suppliers who supply the largest volumes of products. The long-term goal is to extend this monitoring procedure to local suppliers as well.
- Continuing the internal training.
- Gradually replacing conventional products with organic alternatives, as the range of organic food available increases and prices begin to fall. The aim is to include three organic products in the central range that is common to all stores, and five organic products in each local range during the 2004 financial year.



Questions and
answers with
IKEA Group
President
Anders Dahlvig

Anders Dahlvig, IKEA Group President, does not see any conflict of interests in the ambition IKEA has to adopt a responsible attitude to people and the environment at the same time as it strives to maintain its low prices.

"Many things remain to be done"

Offering low prices at the same time as you demonstrate a sense of social responsibility and show due concern for the environment is a tough challenge. But it is essential to achieve the vision IKEA has "to create a better everyday life for the many people".

"We're moving in the right direction, but we must remain humble," says Group President Anders Dahlvig.

Is it possible for IKEA to be the good company that shows respect for people and the environment at the same time as IKEA sells products at low prices?

"Yes! It isn't always easy. There aren't always quick-fix solutions. But there's no conflict between good business and good companies. By making demands on suppliers with regard to environmental and social responsibility and by helping them meet these demands, our business relationship contributes to a better everyday life for the people manufacturing IKEA products. Better working conditions lead to more efficient production and better productivity. In this way suppliers can produce at a lower cost and IKEA can sell at lower prices in its stores."

Isn't it exploitation to use suppliers in low-cost countries and then sell the products they make in rich ones?

"I understand people who believe that big companies can change or even harm local cultures. At the same time we mustn't forget that people in poor countries also have a right to work and to a better standard of living. When IKEA cooperates with suppliers in, for example, China, India, Vietnam or Romania, it is important for us that they use modern production methods. Suppliers must follow the IKEA code of conduct and take far-reaching responsibility for working hours, wages, environmental protection, preventing child labour, etc. When a company makes the right kind of investments in so called 'low-cost countries', it helps to build a foundation for welfare and prosperity in regions that are in desperate need of social and economic development. And that is one of our ambitions at IKEA."

Can you guarantee that IKEA products are manufactured in an environmentally appropriate way under socially acceptable working conditions?

"I wish I could - but the fact is, I can't. Many aspects in the struggle to eradicate poverty, poor health and ignorance are highly complex. We can not change the world on our own. All we can do is to take small steps in the right direction. On the other hand I can guarantee that we will work hard to create good conditions for our suppliers' employees, take an active role in environmental work and reduce our production costs so that ordinary people can afford to shop at IKEA."

IKEA often talks of taking "many small steps forward"? Isn't this merely another way of saying that the work is proceeding too slowly?

"No, I don't think it is. One of the strengths in the IKEA culture is that we are very focused. We don't try to do everything at once. That is the way IKEA has been built up over the years, and we adopt the same approach when it comes to issues concerning our social and environmental responsibilities. We know how difficult it is to change minds and break habits - both in trade and industry and in society at large - but we believe that progress can be made and goals can be reached by moving forward stage by stage and concentrating our efforts on one thing at a time."

Why has IKEA said so little up to now about its work with social and environmental issues?

"I suppose it's because that's the way we work at IKEA. We have been eager to start working seriously with these issues and have progressed step by step, but it is only now, when we have accomplished a little more, that it seems right to start telling the rest of the world about it. Even so, we should remain humble about what has been accomplished so far, because there is so much more that still remains to be done."

Why has IKEA cultivated contacts with organisations such as Greenpeace, WWF, UNICEF and Save the Children?

"As IKEA needed to learn more about environmental and social issues it seemed natural to contact organisations that work seriously with these matters. Cooperating with them has taught us an enormous amount. I hope that IKEA, in turn, has contributed to their search for workable solutions for how to prevent child labour and protect certain areas of forest and the environment."

What are the biggest challenges for IKEA as far as increased social responsibility and environmental protection are concerned?

The environmental impact of our transport requirements is a huge challenge. We're doing all we can to pack more products into every shipment and to increase our use of rail transport. IKEA customers drive to our stores, so we need to be better at creating the right conditions for more of them to use public transport when they visit us. On the social side, the top priority is to create good conditions for our suppliers' employees in countries where human rights are still in their infancy. One thing is clear. We still have a great deal to do."