

IKEA Group Sustainability Report FY12



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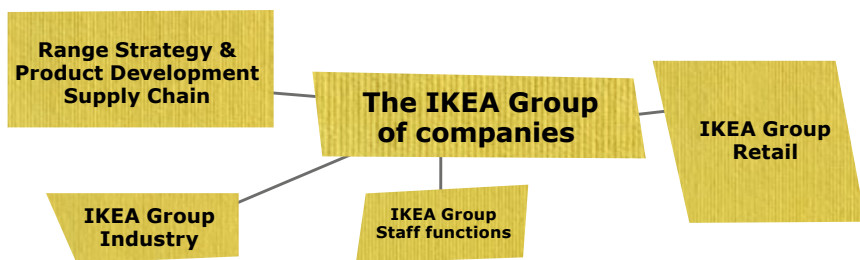
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THE IKEA GROUP

As of August 31, 2012, the IKEA Group had operations in 44 countries, including 30 service trading offices in 25 countries. We also had 33 distribution centres and 11 customer distribution centres. The IKEA Group had a total of 298 stores in 26 countries.

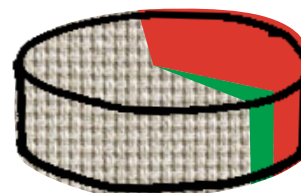


CO-WORKERS PER FUNCTION

Retail: 106,500
 Purchasing, distribution, wholesale, range and other: 14,500
 Industry group: 18,000
 Total IKEA Group co-workers in FY12: 139,000

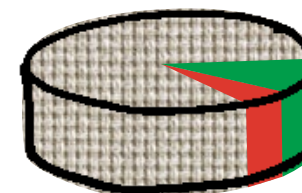
CO-WORKERS PER REGION

Europe: 99,000
 North America: 18,000
 Asia & Australia: 11,000
 Russia: 11,000



PURCHASING PER REGION

Europe: 63%
 Russia, Asia & Australia: 33%
 North America: 4%



SALES PER REGION

Europe: 79%
 North America: 14%
 Russia, Asia & Australia: 7%

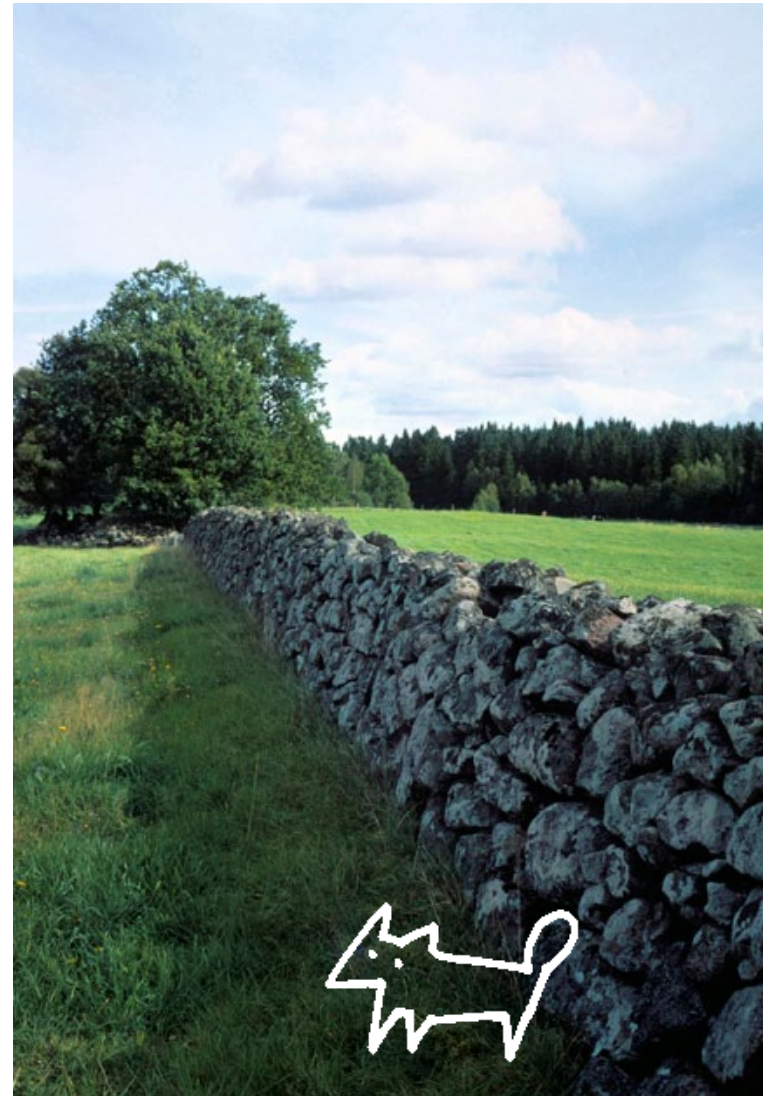


*Our vision is to
create a better
everyday life for
the many people*

Our Swedish roots

Sweden has a long tradition of combining beauty and function in home furnishing. But when we started our business, design was not something very many people could afford. So our mission has always been to give people with thin wallets a chance to furnish their homes in a beautiful and functional way. We call it “democratic design”.

We started out in Småland, a region in southern Sweden known for its stony landscape, expansive forests and hard-working people. Here, practical solutions to everyday life challenges are as important as economising with resources. Our common sense values such as simplicity, cost-consciousness, humbleness and will-power have been the basis for everything we do – and still are. We’ve made a lot out of very little for more than 60 years now.



The stone wall is a symbol of IKEA, representing simplicity and hard work.



Mikael Ohlsson is the President and Chief Executive Officer of the IKEA Group.

Message from Mikael



Sustainability is a great driver of innovation at IKEA – from how we design our products, to how we produce, package and transport them.

It goes very well with our business model to offer good quality products at affordable prices, meaning we have to be a low cost company which includes being careful with earth's limited resources.

We want to create a better everyday life for the many people. While our business is home furnishing, our vision gives us the opportunity, and responsibility, to act beyond the home and apply our vision to everything we do. We have set out to grow and develop IKEA in harmony with people and the planet.

Our new sustainability strategy, "People and Planet Positive", aims at inspiring millions of customers to live a more sustainable life at home, making IKEA energy and resource independent as well as creating a better life for people and communities. We will continue to publicly share our efforts and results on our way forward.

Over the years, our co-workers and suppliers have taken big steps. Many products that save energy and money have been developed. We continue to increase our share of renewable materials that come from preferred sources. We are increasing our direct deliveries to minimise transport and traditional wooden pallets have been changed to paper pallets – developments that save money and are better for the environment. And I am very proud that all our home furnishing suppliers, after 12 years of hard work, are approved according to our supplier code of conduct (IWAY).

Our co-workers' commitment is fantastic. We recruit based on our values and expect everyone to take responsibility and learn on the job. We are not perfect, and sometimes we make mistakes. Then we openly admit them, correct and move on with new learnings and insights. We believe that it is possible to combine successful business with responsible behaviour. Our new code of conduct provides a good foundation for our business ethics – ethics that we will never compromise.

A better life at home for the many people will not happen by itself. Together with our co-workers, customers, suppliers and other partners, we will continue to invest in renewable energy, new technologies and new materials, and thereby create an even better IKEA.

And we will continue to support children – the most important people in the world - through the IKEA Foundation. We've decided to use our strength to create something good – and what is good for people is also good for us in the long run.”

A handwritten signature in black ink, appearing to read 'Mikael Ohlsson', with a long horizontal line extending from the end of the signature.

*Mikael Ohlsson, President and Chief
Executive Officer of the IKEA Group*



Steve Howard is the Chief Sustainability Officer for the IKEA Group and a member of the Executive Management team.

Message from Steve



Since joining a couple of years ago I've learnt that IKEA is made up of enthusiasts who like to get things done. And we've done a lot.

Through products that save energy and water or reduce waste, we are enabling more and more people to save time and money – things that are becoming more important than ever before.

We have also taken a stand on the energy we consume in our operations – we want to use less and for the energy we use, we want it to come from renewable sources, mostly the sun, wind and biomass. This will help stabilise costs, protecting us from fluctuating energy prices. In the past year we produced renewable energy equivalent to 34% of our total energy use and at the end of FY12, we had 250,000 solar panels on our buildings and 83 wind turbines in operation.

It's also important that we have a long-term sustainable supply of wood and cotton, two of our most important raw materials. To increase the amount of wood and cotton available that meets our preferred sources requirements, which include Forest Stewardship Council (FSC) certified wood or cotton that is produced in line with the Better Cotton Initiative, we go right back to the source and support projects to train farmers and improve forest management.

All our wood is sourced from suppliers that meet our forestry standards and in FY12, 22.6% of our wood was from forests certified by the FSC. More than a third of our cotton came from preferred sources.

We want to help create a better everyday life for the people working in the factories we source from and having all our home furnishing suppliers approved against our supplier code of conduct (IWAY) is a major milestone. We want to continue in this direction as it not only benefits workers, but also suppliers and our own business.

We also have to look to the future. In 2020 many more customers will visit our stores using convenient public transport or perhaps by a friendly IKEA car share. If we can make it happen, they'll be able to use a solar powered electric vehicle for home delivery or rent an electric van from the car park. They'll know that all our raw materials are sustainably sourced or recycled, and that the company is 100% renewably powered.

They'll be able to buy from a bigger range of simple and affordable products that enable them to manage and produce energy in the home, sort and reduce waste, or use just the right amount of water.

We'll still be selling sofas to sit on but I hope they'll come from a solar powered factory, delivered by electric vehicles, using recycled materials and sustainably certified cotton. There will be a solution to reuse or recycle your old sofa if you are finished with it after 10 or 20 years.

It's our dedicated co-workers, together with our suppliers and other partners, who will make this a reality. And in fact, we are already well on the way today!"



*Steve Howard, Chief Sustainability
Officer for the IKEA Group*

FY12 highlights

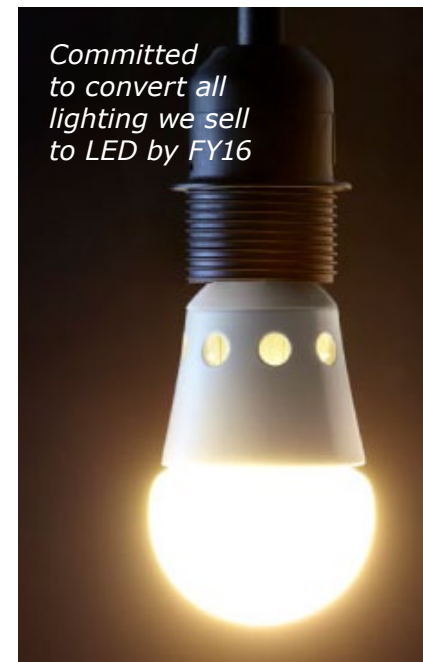
Increased volume of wood coming from FSC certified forests to **22.6%**, up from 16.2%

86% of waste recycled across our operations



Sourced **34%** of our cotton from preferred sources

Committed to convert all lighting we sell to LED by FY16



€82 million donated in calendar year 2012 by the IKEA Foundation to support children living in poverty

47% of managers are women, up from 40% in FY11



Completed more than **1,000** IWAY audits



Dishwashers **22–51%** more efficient compared with 2008

100% of home furnishing suppliers IWAY approved or being phased out

Reduced CO₂ emissions from IKEA buildings by **17%**, compared with FY11

Energy consuming products **32%** more efficient compared with 2008



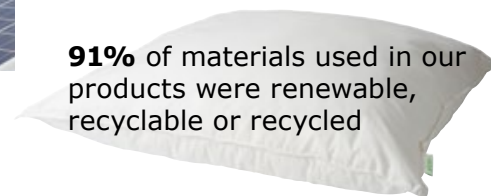
83% of co-workers are proud of the way IKEA works with sustainability



Produced renewable energy equivalent to **34%** of our total energy consumption

€1.5 billion committed for renewable energy investments up to 2015

91% of materials used in our products were renewable, recyclable or recycled



Improved energy efficiency by **3%** in our stores, compared with FY11

Launched **People & Planet Positive** sustainability strategy for 2020...

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People & Planet Positive: IKEA Group Sustainability Strategy

One of the biggest challenges in the 21st century is how to tackle the expected shortage of resources and climate change, while providing a good quality of life for people around the world. Our new sustainability strategy, People & Planet Positive, builds on our many years of working with environmental and social issues and explains how we will play our part in meeting those challenges.

To meet future customer needs and address the higher price of raw materials and energy, while driving down emissions and maintaining our low prices, we need to transform our business. Simply working towards being less bad will not get us where we need to be – we need transformational change – which means changing old ways and embracing the new, being bold, innovative and committed to taking action. Our strong values of togetherness and enthusiasm, a constant desire for renewal and our commitment to make our goals a reality will support us in taking the many steps, both large and small. Our plans are described in People & Planet Positive.

We list some of our key commitments for FY20 on the next page. As People & Planet Positive was released at the end of FY12, we will start to report progress next year. This report explains our progress against our previous targets in our strategy for 2015.

Sustainability is one of the four cornerstones of the Growing IKEA Together business direction. People & Planet Positive will help us to grow within the limits of one planet.

See [People & Planet Positive – IKEA Group Sustainability Strategy 2020](#)

People & Planet Positive commitment highlights

Ensure sustainability is part of our everyday work.

- By the end of FY15, 95% of IKEA co-workers state that "sustainability is a natural part of the everyday work".
- Ensure sustainability is included in all personal development and incentive schemes.
- Ensure improved knowledge, training and best practice sharing to enable all co-workers to contribute to and actively challenge IKEA to become more sustainable.

1 A more sustainable life at home

Take the lead in developing and promoting products and solutions that enable customers to live a more sustainable life at home.

- By the end of FY20, achieve more than a fourfold increase in sales from products and solutions, inspiring and enabling customers to live a more sustainable life at home.

Engage and involve people and communities around our stores, our suppliers and co-workers through impactful, relevant and unique communication.

- By the end of FY15, at least 95% of co-workers, 95% of our suppliers and 70% of consumers view IKEA as a company that takes social and environmental responsibility.

2 Resource and energy independence

Strive for resource independence by using resources within the limits of the planet and by encouraging all waste to be turned into resources.

- By FY17, 50% of projected wood volume will come from preferred sources.
- By end of FY15, all cotton used will be produced in line with the Better Cotton Initiative.
- By the end of FY15, all main home furnishing materials, including packaging, will be either made from renewable, recyclable or recycled materials.
- By the end of FY15, 90% of our home furnishing products will be more sustainable with documented environmental improvements, covering both resource use and product functionality according to our sustainability product score card.

Develop our business through investing in renewable energy sources, energy efficiency, store expansion and refurbishment, low carbon transportation and range development.

- We will maintain or exceed current investment levels and publicly report on progress.
- All stores will have been included in "IKEA Goes Renewable" ([page 51](#)) by the end of FY15.
- Every new IKEA store, distribution centre, or industrial group factory will be located, designed, equipped and operated to be the most sustainable IKEA facility at that point in time.

Strive towards energy independence through being a leader in renewable energy, and becoming more energy efficient throughout our operations and supply chain.

- By the end of FY15, we will produce renewable energy equivalent to at least 70% of our energy consumption.
- By the end of FY20, the IKEA Group will produce as much renewable energy as we consume in our operations.

3 A better life for people and communities

Take a lead in contributing to a better life for people and communities impacted by our business.

- By the end of FY15, all IKEA suppliers (within the IWAY scope) comply with our supplier code of conduct, IWAY. IWAY will be continuously assessed and strengthened.
- Ensure that the requirements we place on our own operations, with regards to environmental, social and working conditions, meet or exceed those we require of our suppliers using our people strategy.
- Support the realisation of human rights and have a positive impact on people's daily lives, with the UN Guiding Principles on Business and Human Rights as our base.
- Building on our belief that our actions should always have the best interests of the child in mind, we will use the Children's Rights and Business Principles to strengthen the work we do throughout our business to protect the rights of children.



Jim Leape

Director General, WWF International

“The base of WWF’s partnership with IKEA is to transform markets. We find many ambitious targets in IKEA’s People & Planet Positive that will help

transform the markets of timber and cotton as well as reducing emissions in society and help many people live a more sustainable life at home. IKEA has come far, but still has hard work in front of it to reach all of its tough goals. WWF warmly welcome these commitments and hope that they inspire other companies to similar action.”



Harish Jakhar

Product Engineer, IKEA Group

“We only have one Earth for us all to share. We need to use our resources carefully, and replace and replenish them. Sustainability can be complex, but if we

approach it in the right way, it will make us more competitive. I believe this is what Growing IKEA Together is all about.”



Sara Nordquist

Sales team, Kitchens, Malmö store, Sweden

“Part of my job is to talk to customers about the sustainability benefits of our kitchen products and show them how much electricity and water they can

save. Knowing that we are really investing in sustainability makes my job easier.”

John Sauven

Executive Director, Greenpeace UK

“People & Planet Positive puts IKEA at the forefront of leading companies looking at the fundamentals of how to transform their business model in the face of environmental threats ranging from food and energy security issues through to water shortages and loss of biodiversity. On renewable energy, the IKEA vision of getting 100% renewable energy in their own operations by 2020 is the kind of ambition that if other companies followed would provide a huge boost to clean technology globally.”

*A more
sustainable
life at home*

A more sustainable life at home

Many people want to live more sustainably – to recycle more, to use less energy and water and to cut down on waste. But customers often need advice on what steps to take and can't afford to spend more time or money.

We can inspire and support our customers to live more sustainably – and save money too – by using less energy and water, and reducing waste. By offering products and solutions that are affordable and simple to use, we can make it easier to live a more sustainable life at home.

This has been a priority for IKEA for a long time. Now with the launch of our new sustainability strategy, we plan to go further in developing and promoting products that enable customers to live more sustainably. By the end of FY20, our goal is to have achieved more than a fourfold increase in sales from these products and solutions.

Around a quarter of our carbon footprint comes from customers using IKEA products in their homes.

So enabling our customers to live more sustainably will make a significant difference, and with 690 million visitors to IKEA Group stores worldwide, even small changes will add up to a big impact.

FY12 at a glance

- Committed to convert all the lighting we sell to LED by FY16
- Launched new products and solutions that support our customers to live a more sustainable life at home
- Our energy consuming products were 32% more efficient than those installed on the market in 2008

People & Planet Positive – new targets

- By the end of FY20, achieve more than a fourfold increase in sales from products and solutions, inspiring and enabling customers to live a more sustainable life at home
- Our energy consuming products will be, on average, at least 50% more efficient than our range was in 2008
- By the end of FY16, all our electric hobs will be energy efficient induction hobs¹
- By the end of FY16, our entire lighting range will switch to LED offered at the lowest prices
- By FY17, offer the most energy efficient home appliances at the lowest price

¹ Exceptions may occur due to local conditions

Products for a more sustainable life at home

We have already launched many products and solutions that enable customers to live more sustainably, and many more are in development. To achieve our goals, we will communicate clearly with our customers and measure our progress.

In FY12, we defined what we mean by a sustainable life at home product. It must enable our customers to either:

- Save or generate energy;
- Reduce waste;
- Recycle more; or
- Save water.

During FY13, we will set up a process for measuring progress in product development and sales, and establish baseline data so we can track our progress.

Energy

Our energy-consuming products include lighting, televisions and appliances such as hobs, fridges, ovens and washing machines. Improving efficiency can bring big energy savings for our customers. And we can have a real impact by offering efficient products at a low price so that all our customers can afford them. In FY12, our energy consuming products were 32% more efficient than those installed on the market in 2008.



FOLKLIG induction hob.

IKEA induction hobs use magnetic field technology to heat the pan, not the rest of the hob or surrounding air. This reduces cooking time by up to 60% and energy use by up to 40%.

ENASTÅENDE dishwasher.

Our dishwasher range is currently between 22% and 51% more efficient than products on the market in 2008.



In Europe, all our fridges, freezers, ovens, dishwashers and washing machines now have an A, A+ or A++ energy rating. This means they are among the most efficient products according to the EU energy rating system, which rates products from A+++ to D. Lighting uses 20% of energy in the home. All our lighting will be LED, the most efficient lighting technology, by FY16. (Lighting a brighter future, [page 18](#)).



ISANDE fridge/freezer, launched in FY12, has a A++ rating for energy efficiency. All our fridges and freezers are now between 23% and 54% more energy efficient than the average installed on the market in 2008, reducing customer energy bills. We've also improved insulation and storage features, making it easier for customers to keep food fresh for longer and reduce food waste.

Water

Domestic water use accounts for 10% of overall fresh-water consumption. Most of our taps use a pressure compensating aerator, which adds air to the flow, reducing water use without affecting pressure. This can reduce consumption by up to 40%, and reduce costs for customers where water use is metered.

We've also improved the water efficiency of many dishwashers and washing machines. Across our dishwasher range, we have improved water efficiency by 22–51% compared with products in our range in 2008.



RINGSKÄR tap reduces water use by 40%.



BOHOLMEN sink accessories enable customers without a dishwasher to reduce water used for washing up by up to 60%, compared with running water.

Waste

Recycling reduces waste to landfill and creates new sources of materials that can be used again. But waste can be bulky and sorting it in the home can be difficult when space is tight. Our solutions make recycling easier and more efficient for customers, and with our food storage and waste sorting products, customers can reduce food waste too.



RATIONELL recycling series fits into a kitchen cabinet or drawer and has lids that lock in odours.

IKEA 365+ food containers enable customers to store left-overs and reduce food waste. All containers can be used in the fridge, freezer and microwave. The smaller containers have a vent in the lid that makes heating in the microwave more efficient and the larger containers have a removable grid that helps keep vegetables stored in the container fresher for longer.



Lighting a brighter future

We're transforming lighting at IKEA, from the lamps and light bulbs we sell to the lighting we use in our own buildings and stores. By FY16, all the lighting we sell will be converted to LED, a more sustainable and cost-effective technology. We sold over 3.6 million LEDARE LED bulbs in FY12, supporting millions of people in saving money on their household energy bills, and we want to be market leader in this area.



LED consumes 85% less energy than traditional incandescent lighting and lasts 20 times longer (up to 20 years per bulb). It is even more efficient than conventional energy-saving bulbs and the bulbs last an average of 10 years longer. LED bulbs contain no mercury and can be fully recycled.

The cost of an LED bulb can be more expensive than other types of energy-saving bulbs, but because LEDs last such a long time they are significantly more cost effective over the lifetime of the bulb. We have reduced our prices, thanks to developments in technology and by working with our suppliers, and we are confident we can make further reductions so that more customers can benefit from LED.

LED also opens up new design opportunities as the flexible lights can be built in, allowing unique shapes and designs for LED lamps that were not possible with traditional incandescent bulbs. LED also produces colours more faithfully and can be more pleasing on the eye than many conventional energy-saving bulbs.

Our LED range will continue to evolve as we invest in product development and further improving affordability. For example, we hope to introduce dimmable LEDs and stronger bulbs with a light output equivalent to conventional 100W bulbs.

IKEA sells almost 80 million light bulbs each year. We expect our commitment to LED will have a significant impact on the overall lighting market, encouraging other companies to follow our lead.

Samantha Smith

WWF Global Climate and Energy Initiative

Climate change is a huge threat, and it's mostly caused by CO₂ emissions from fossil fuels. To fight it, we need to use less energy wherever we can. Almost 20% of global electricity consumption comes from lighting, so shifting lighting to LED technology is a cost-effective way to get change at scale. IKEA converting its lighting range to LED will have a real impact in reducing energy use in many households."

Investing in new ideas

IKEA GreenTech is investing in innovative technologies relating to energy, water, waste, advanced materials and future sustainable homes. Its goal: to support projects that will enable IKEA to offer innovative new products that contribute to a more sustainable life at home.

IKEA GreenTech started in 2008. It is an investment company, fully owned by the IKEA Group with SEK 500 million (approximately €60 million) of capital. It has already invested and committed €12 million in companies working with clean technology, energy management and vegetarian food as well as a clean technology venture capital fund.



IKEA GreenTech

Engaging customers

We aim to inspire and inform customers about sustainability and to get them involved in what we're doing.

Research projects are enabling us to better understand the reality of our customers' everyday lives and to find ways to support a more sustainable life at home. By knowing how they live day to day we can create the solutions they really need.

FY12 at a glance

- Concluded a study with WWF to identify how we can assist customers and co-workers in living a more sustainable life at home
- Updated our website to provide more sustainability information for our customers

People & Planet positive – new targets

- By the end of FY15, at least 95% of co-workers, 95% of our suppliers and 70% of consumers view IKEA as a company that takes social and environmental responsibility.

Research

During FY12, we completed our project with WWF in Sweden and China to test the best ways to support customers and co-workers to live more sustainably. The aim was to identify challenges and barriers and find relevant solutions that don't require people to spend extra time and money.

We will use the findings to support our efforts to engage and inspire customers, as well to shape our product development (Experiencing a more sustainable life at home, [page 21](#)).

We are also using findings from research we carried out among 10,000 consumers (including IKEA customers) and co-workers in China, Europe and the US. This study explored people's attitudes and perceptions of IKEA and sustainability and the best way for IKEA to engage customers and consumers.

Communications

We use many methods to share what we're doing and communicate the benefits. As well as information in-store, we launched an updated section on our website with examples of products and tips to tackle issues like food waste and CO₂ emissions.

IKEA FAMILY is our club for regular customers, with more than 55 million members worldwide. Members receive frequent communications from IKEA and special prices on the IKEA FAMILY and general IKEA range of products. We plan to introduce new products into the IKEA FAMILY range that will inspire and support our customers to live more sustainably, including products to manage and monitor home energy use.

Consumer views on sustainability

- Over 70% of consumers surveyed care about sustainability. They want to live sustainably and would welcome IKEA playing an active role to support them
- The majority of co-workers consider sustainability important and welcome IKEA making it a priority
- A significant proportion of consumers (35%) feel they could do more to live sustainably but cost is seen as a barrier for some (20%)
- Customers would like IKEA to prioritise sustainability issues such as renewable energy, product durability and sustainable wood

Experiencing a more sustainable life at home

To make a sustainable life at home a reality for our customers, we need to understand how they live and which solutions best fit their needs. Our project with IKEA customers in Sweden and co-workers and their families in Shanghai, China, has shown us that we should:

Offer “real” solutions. To change behaviour it’s important to find approaches that are relevant to how people actually live. Solutions need to be simple and straightforward, not complicated, time-consuming or expensive. They may differ in each country or even region because of the way people live and the differences in local infrastructure and services such as recycling.

Focus on the benefits. When communicating with customers and co-workers, we should explain the practical benefits of a sustainable life at home, like how it can save money and time, as well as being good for the planet.

Measure progress. People changed their behaviour when they could see the difference it made. For example, using

an energy monitor motivated people because they could see the difference that turning down the heating or switching off a light actually made.

Promote interaction and sharing.

Participants felt more motivated when they could see other people going through the same experience and share ideas with each other via the website and blog that were created for the project. This made it easier to see that the small actions each family was taking added up to a big impact. Hearing about the project directly from those involved was inspiring and motivating for other customers and co-workers too.

Change inspires change. Many families found that focusing on reducing energy, water and waste inspired them to take action in other areas too. For example, several families reported eating less meat and changing their shopping habits to reduce food waste.

About the project. The project ran from FY11 to FY12 and was developed with WWF. Over the course of six months

we supported nine families in Sweden to test out different home furnishing solutions, focusing on water, energy and waste. They included LED lights, waste sorting and recycling bins, kitchen equipment, such as pressure cookers and food storage systems, and rugs, blankets and blinds to improve insulation.

We measured their feedback and the environmental impact of their actions. The families shared their experiences with us through meetings and interviews. They also posted updates to a special website and blog that could be viewed by participants and other customers.

The results were impressive, with families reducing non-recyclable waste by an average of 45% and energy used for lighting by 10–30%.

In China, we supported ten co-workers and their families to develop individual improvement plans focusing on energy. A display, profiling IKEA solutions for a sustainable life at home, was developed in the store to inspire customers and co-workers.





Calle Löfgren

IKEA customer and participant in our research project with WWF



We achieved much more than

I expected and some of the results were pretty amazing. We dramatically reduced the amount of rubbish we throw away – almost everything is now recycled or composted and our electricity bill is lower than it used to be.

The products from IKEA were generally very useful. I was even able to carry the bins on my bicycle to the recycling facility, which makes recycling much more practical. The hardest thing was trying to cut water use – with three daughters the shower is often in demand. I'm still working on this!

Being involved in the project has inspired me to keep making changes. My philosophy now is, if you can make a change for the better or choose a more sustainable product, why not do it?"



Anfei You

Sales team, Kitchens, IKEA Shanghai Beicai store



We switched all our lighting to LED, bought an induc-

tion hob, upgraded our refrigerator, started reusing water and sorting our waste. We also stopped leaving appliances on stand-by. I was impressed with what a difference it made.

Before the project, I used to think that the environment was a topic for governments and had nothing to do with me. Now I know that you can do something to change the world, little by little every day. I want to tell others about my experience and share it with customers in-store."





Resource and energy independence



Resource and energy independence

Not being wasteful and making more from less goes back to our roots. We want to economise with resources and this influences us every day.

We have decided to become resource and energy independent which means that we can continue to create the products our customers want at a low price. By using resources more sustainably, we can be part of global efforts to protect the environment and tackle climate change.

We are becoming more energy efficient and generating our own renewable energy. And we are working with our suppliers to inspire them to do the same.

Thanks to the size of our business and our longstanding commitments, we can have a significant impact – for example, by playing our part in making materials such as more sustainable cotton and wood common materials and influencing behaviours in whole markets in areas such as energy-efficient lighting.

Responsible sourcing

By sourcing our raw materials responsibly, using them carefully and seeking out more sustainable supplies, we are able to contribute to continued availability at low prices.

We focus on raw materials that are most important to our business and those that have the highest potential environmental or social impact: wood, cotton, palm oil, leather and food.

Forests

Wood is one of our most important materials, used in many of our products. We continually look for ways to get the most out of the wood we use by designing our products to minimise the amount of material needed and increasing the efficiency of manufacturing.

For many years we have worked with others to increase the supply of wood from responsibly managed forests. We are one of the founding members of the Forest Stewardship Council and we now have 19 foresters working to ensure that all wood is sourced in compliance with our forestry standards and to increase the share of certified wood in our supply chain.

FY12 at a glance

- In addition to suppliers meeting our IWAY Forestry Standard, the volume of wood from forests certified by the Forest Stewardship Council increased to 22.6% from 16.2%
- Supported 13 WWF projects that aim for more responsible forest management through, for example, FSC certification
- Sourced a third of cotton for our products from preferred sources
- Purchased GreenPalm certificates to cover all of the palm oil used in our products during FY12
- Worked with external organisations to improve sustainability standards in the leather industry
- Introduced two new organic food products in our Swedish Food Markets

People & Planet Positive – new targets

- By FY17, quadruple the volumes of wood material coming from preferred sources, to 50% of total projected volume of wood, compared with FY11
- By FY17, all leather to be fully traceable and produced to standards that help protect forests and respect animal welfare
- By FY15, all cotton to be produced in line with the Better Cotton Initiative

Our work with responsible forest management helps to safeguard wood supplies for the future of our business and to protect biodiversity, prevent deforestation and support the livelihoods of communities in forest regions. Well-managed forests can play an important role in mitigating climate change.

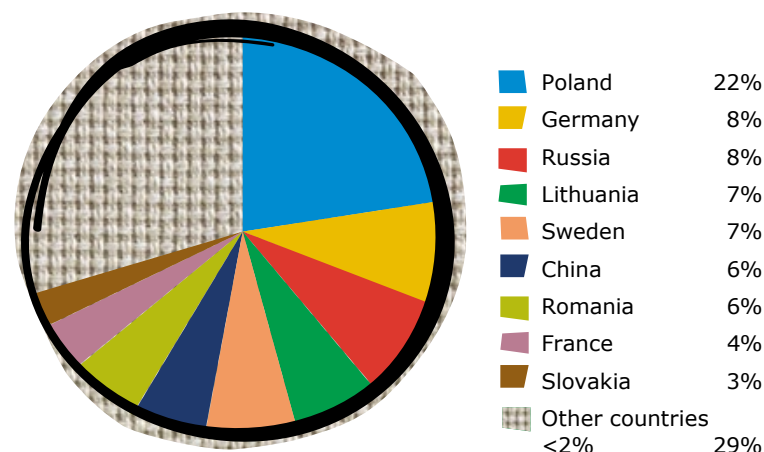
All wood used in our products is sourced from suppliers that meet our IWAY Forestry Standard, designed to ensure that wood is logged legally and does not have a negative impact on the environment. Wood makes up around 60% of all materials used in our products. In FY12, we used 13.56 million m³ of solid wood and wood-based board materials (not including paper and packaging). This is around 0.7% of the total wood used commercially around the world, making us one of the largest users of wood in the retail sector.

We secure a long-term supply of wood by:

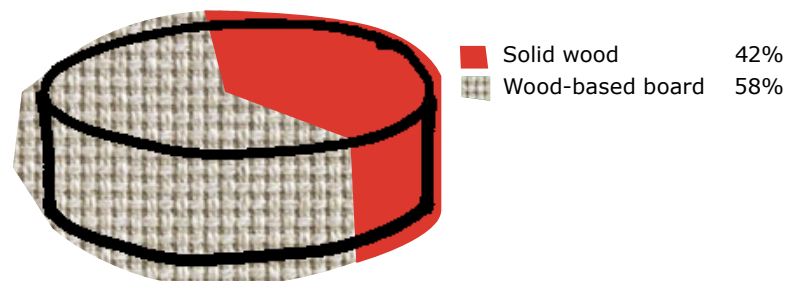
- Making sure the wood we use meets the IWAY Forestry Standard, part of IWAY, our supplier code of conduct. We use audits to check compliance
- Using more wood from preferred sources (recycled wood and wood from forests certified as responsibly managed by the Forest Stewardship Council). We aim to source 50% of our wood from preferred sources by FY17
- Using wood more efficiently – creating designs that minimise the use of wood or use recycled wood

- Working with other businesses, NGOs and governments to tackle illegal logging, support legislation that protects forests, promote biodiversity and increase the availability of wood from responsibly managed forests

Sourcing countries, types of wood used – % of wood sourced



Types of wood sourced – %



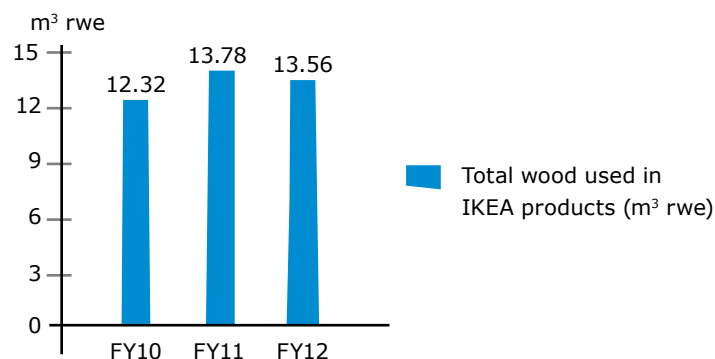
Progress in FY12

In FY12, we increased the proportion of total wood (solid and board) coming from preferred sources to 22.6% (16.2% in FY11). The proportion of solid wood coming from preferred sources increased to 23.5% from 22.9% but we did not reach our target of 35%. One of the main challenges is a shortage of FSC-certified wood, with only about 7% of the world's productive forest areas currently certified to FSC standards. This means many of the countries we source from are not able to supply a sufficient volume of certified wood. We are working with our partners to tackle this (see Working with others, [page 95](#)).

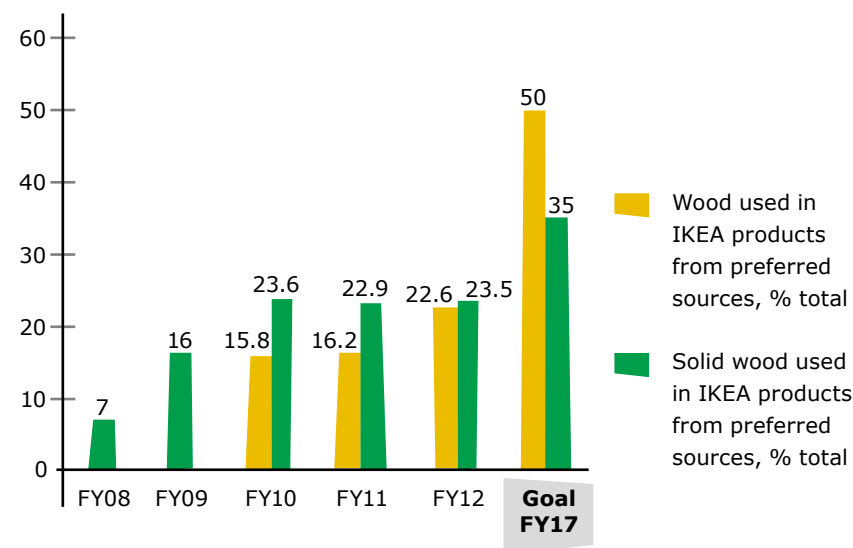
Preferred sources include FSC-certified and recycled wood. Currently our data is only for FSC-certified wood, but we expect to be able to report data for the percentage of recycled wood used from FY13. Round wood equivalent (rwe) is the volume of roundwood (logs) required to produce our products.

This data covers all wood used in IKEA products, including solid wood and wood-based board. Paper used in products, such as napkins, is not included. Wood used in packaging and printing, which makes up 5% of our total wood volume, is also not included. We estimate that approximately 85% of packaging is made from recycled materials. During FY13, we plan to implement a consistent approach for sourcing of paper and packaging across the IKEA Group.

Total wood used in IKEA products (m³ rwe)



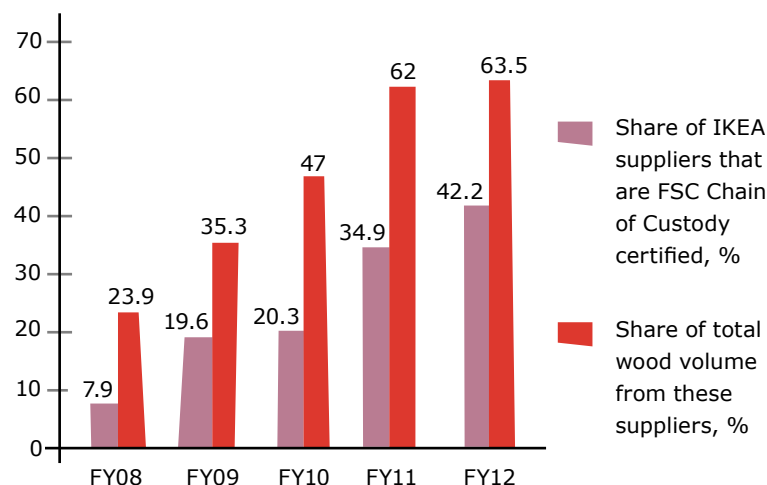
Wood from preferred sources (%)



We encourage all suppliers of products containing solid wood or wood-based board to achieve certification to the FSC Chain of Custody standard (CoC). The CoC standard is designed to prevent illegally logged wood and other types of unwanted wood from entering the supply chain. It requires suppliers to undergo regular third-party audits. The CoC is separate from the FSC responsible forestry standard, and suppliers can be CoC certified even if they are not sourcing wood from FSC-certified forests.

See www.fsc.org for more information.

FSC Chain of Custody certification (%)



In FY12, we carried out 111 wood supply chain audits to assess compliance with the IWAY Forestry Standard,

in addition to our IWAY audits of suppliers of products containing wood, and commissioned an additional five from third-party auditors. Wood supply chain audits can cover the entire supply chain back to the forest. Ten suppliers were not able to provide full documentation on the source of their wood, which means we cannot be sure that the wood they supply is from legal sources. We have discontinued working with these suppliers until they are able to meet our standards on traceability.

IWAY and wood supply chain audits

	FY08	FY09	FY10	FY11	FY12
Number of IWAY and wood supply chain audits	87	63	124	139	116
• Number of these performed by 3rd party auditors	3	3	7	5	5
Audited volumes (IKEA and 3rd party audits) (million m ³)	1.5	0.5	1.27	1.69	2.34
• Audited volumes as share of total wood used in IKEA products, %	-	-	10.3	12.3	17.3
Audited wood volumes that comply with IKEA minimum forestry requirements, %	80	92	97	94	95.2

We regularly review and update the IWAY Forestry Standard. For example, during FY12 we included re-requirements for sourcing of bamboo and recycled wood.

During the year, we commissioned a third-party assessment to make sure our systems comply with the

requirements of the new EU Timber Directive and similar legislation in the USA. As a result, we have extended our full IWAY requirements to a number of suppliers who provide very small quantities of wood to IKEA.

Working with others

We work with WWF, the conservation organisation, and others to improve forest management practices and to increase the availability of FSC-certified wood. Since we began working with WWF in 2002, we have helped to increase FSC certified forest areas by around 30 million hectares, in the countries where we work together.

We support 13 WWF projects in 11 countries that aim for more responsible forest management through, for example, FSC certification and to identify and protect forests with High Conservation Value. This term was

developed by the FSC to make it easier to identify and protect forests that are particularly important because of their biodiversity and other local factors. The projects also promote responsible trade in forest products and focus on combatting illegal logging.

Wood-based board is made from many different materials, including sawdust, sawmill chips, logging residues, recovered wood, and waste wood from veneering processes. Tracing these sources can be challenging, and our standards require suppliers to only use wood from countries or regions where there is a low risk of unsustainable or illegally logged wood entering the board material supply chain. In China, IKEA is working with the Chinese Academy of Forestry to create more detailed risk maps for each Chinese state. This will enable us to identify and investigate higher-risk sources.

Working with WWF to protect virgin forests in Romania

Romania is one of our most important sourcing countries for beech wood. We've been working with WWF since 2002 to promote responsible forest management in Romania and source more certified wood for our products. This joint effort has contributed to 720,000 hectares of forest becoming FSC certified and a further 2 million hectares are due to be certified soon.

Together we have mapped areas of High Conservation Value Forest, which is an important first step in preserving these areas.

As part of the partnership, IKEA supported a WWF campaign to protect the country's 200,000 hectares of virgin forests. These virgin forests have great scientific, educational and

ecological value. The campaign in 2011 generated around 2,000 newspaper articles and more than 100,000 people signed a petition to the Ministry of Environment. A ministerial order was published that will guarantee the protection of the habitats of 13,000 species in virgin forests.

Forestry in Karelia

IKEA leases and manages forests in the Karelia region of Northwest Russia through Swedwood, a company in the IKEA Industry Group that operates sawmills and manufactures furniture. Karelia has significant areas of old forest that are rich in biodiversity compared with forests that have been intensively managed. Sourcing wood there brings added responsibilities, which we take very seriously.

During FY12, a number of NGOs raised concerns about IKEA forestry practices in Karelia, in particular, that areas of old-growth forest were being logged. We took the allegations seriously and conducted our own investigation. We also brought in certifiers who reconfirmed our compliance with the Forest Stewardship Council (FSC) standard. Swedwood Karelia passed the annual FSC audit in 2012 without any major non-compliances.

- Our operations in Karelia have been Forest Management certified by the FSC since 2006
- To protect water courses, wetlands and biodiversity, we leave trees and groups of trees standing in harvested areas
- We identify areas of forest with High Conservation Value or where there are endangered species. These areas are set aside. Currently, about 20% of the lease

area is excluded from logging to protect biodiversity and water courses. We expect to finalise the High Conservation Value forest inventories in 2014

- The forests are allowed to regenerate naturally after logging but we also plant trees in cases where natural regeneration is unlikely to be successful
- We work with a number of NGOs, authorities and local organisations to improve forestry management practices in the region and in Russia as a whole, and will continue to do so

We will keep engaging with NGOs and others in Karelia and provide our stakeholders with information about our actions.

Some NGOs have questioned whether FSC forestry standards are strict enough. We believe that the FSC has had a significant and positive impact on forest management practices in Russia and that it provides the best way forward for businesses, NGOs, governments and communities to work together to further improve practices around the world. FSC standards are developed and reviewed by a wide range of stakeholders. Expanding FSC certification to more Russian forests would be a significant step forward and we will continue to support this.

The IWAY Forestry Standard

The IWAY Forestry Standard, part of the IKEA supplier code of conduct, sets out the minimum criteria for all wood and board supplied to IKEA:

- Not from forests that have been illegally harvested
- Not from forestry operations engaged in forest-related social conflicts
- Not harvested in geographically identified Intact Natural Forests (INF) or High Conservation Value forests, unless they are certified as responsibly managed
- Not harvested from natural forests in the tropical and sub-tropical regions being converted to plantations or non-forest use
- Not from officially recognised and geographically identified commercial genetically modified (GM) tree plantations.

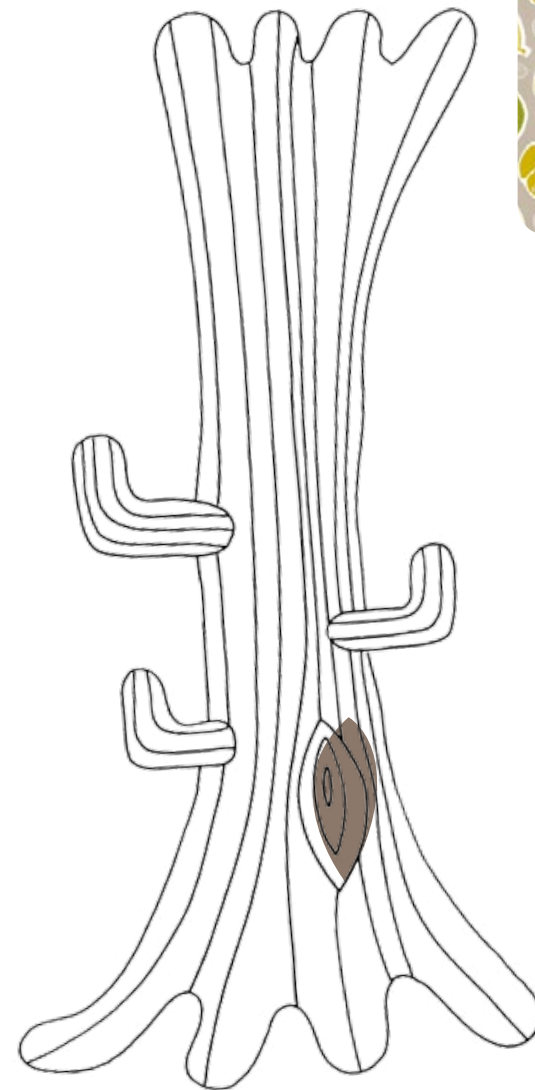
Suppliers must have procedures in place to implement these standards throughout their supply chain and be able to track and report the origin of their wood.

Forest Stewardship Council standards

FSC standards vary from country to country depending on the type of forest, local conditions and stakeholder interests, but are guided by a set of common principles and criteria determined by the FSC's members. Among other things, they aim to:

- Protect biodiversity
- Ensure forest regrowth
- Protect the rights and needs of people who work and live in the forest
- Stimulate economic development.

See www.fsc.org



Cotton

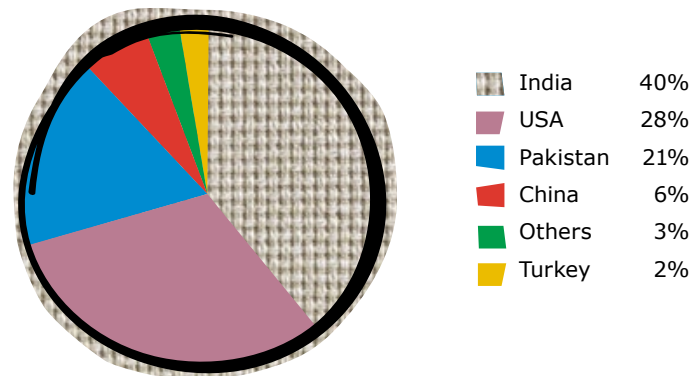
Around 0.8% of cotton grown in the world ends up in IKEA products. This soft, breathable and renewable material is a key input for our home furnishing range, from BIRGIT bed sheets to KAJSA curtains. As a big cotton buyer – we used 150,000 tonnes of cotton in FY12 – we are working to ensure better social and environmental standards in the supply chain.

Together with WWF and the Better Cotton Initiative, we want to help transform conventional cotton – making it more sustainable as well as affordable.

Cotton cultivation and processing must be managed carefully to avoid damaging the environment with chemical pesticides and intensive water use. The majority of cotton is grown on small farms in developing countries where crops are picked by hand. The industry is known for its many social challenges, including low incomes, child and forced labour, and health risks from chemical fertilisers and pesticides. This is why we work with farmers to raise standards, and strictly prohibit child labour in our supply chain. The IKEA Foundation also supports projects in cotton growing areas to address the root causes of child labour ([page 85](#)).

By FY15, our target is that all cotton used will be produced in line with the Better Cotton Initiative. We are also reducing the amount of cotton we use by improving efficiency, blending cotton with other textiles and replacing it with alternative materials such as viscose (see [More sustainable materials, page 42](#)).

Countries we source cotton from (% of cotton sourced)



Our preferred sources for cotton

- Cotton from farmers licensed to grow Better Cotton. Licensing is done by the Better Cotton Initiative (BCI), an independent organisation that sets social and environmental criteria for more sustainable cotton production. Applying BCI principles can bring significant reductions in chemical pesticide, fertiliser and water use. We are a BCI founding member. Read more at www.bettercotton.org
- Farmers working towards the BCI standards. Most of this cotton is supplied by farmers involved in IKEA-supported farm projects, run by WWF and other NGOs in countries like China, India, Turkey and Pakistan.
- Farmers in the USA and Australia using other sustainability standards.

Progress in FY12

In FY12 we sourced almost 51,000 tonnes of cotton from preferred sources. We bought around 15 times more Better Cotton than in FY11.

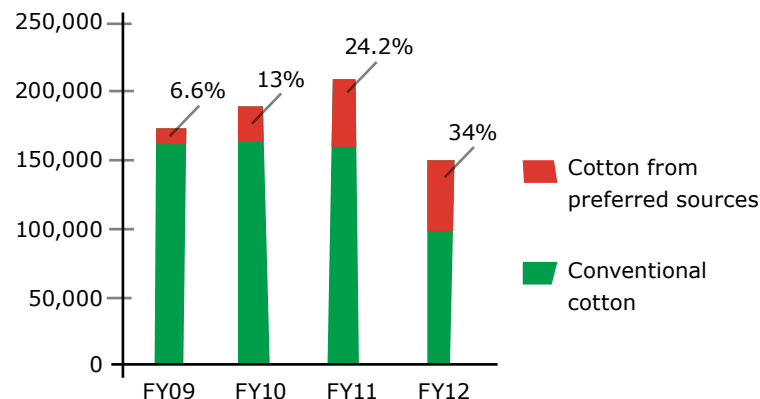
The overall volume of cotton reduced because suppliers bought 30% less cotton. This was due to lower product orders and having sufficient cotton in stock from the previous year. The share of cotton from preferred sources in our products increased from 24% in FY11 to 34% in FY12. This includes Better Cotton, cotton from farmers working towards the BCI standard or other sustainability standards.



For the first time, Better Cotton was used in almost every category of IKEA home furnishing products, including lamp shades, mattresses, carpets, textiles and chairs.

We think it's important that Better Cotton becomes a standard material rather than a marginal or premium-priced product. In FY12, IKEA suppliers purchased 11,000 tonnes of Better Cotton produced globally, leaving substantial quantities on the market to encourage wider take-up.

Cotton used in IKEA products (tonnes)



We invested €1.9 million in FY12 in sustainable cotton farming projects, reaching more than 100,000 farmers. We also started a project to use cotton more efficiently by standardising the way we construct fabric. This could save 10–15% of the cotton needed to make the same amount of fabric.

Making a difference to cotton farmers

The once lush Godavari river basin in central India now experiences regular droughts due to climate change and decades of poor water management. Farmers, like Swarupchand Maher, are finding it hard to make enough to support their families.

Swarupchand's 28 acre farm includes cotton and commercially grown vegetables and in the past his income barely supported his household of eleven people from five generations. Since getting involved in an IKEA and WWF project to promote more sustainable farming practices in his village, he and his family enjoy a better quality of life.

Swarupchand has adopted drip irrigation for 14 acres of cotton, saving water and making it possible to plant other crops between the cotton plants. He uses more organic fertiliser, improving the soil quality, and uses less pesticide. These changes have improved his income and partly thanks to this, he's been able to buy a tractor, a car and a gas cooking system. Other farmers in the village are following his lead and learning from his new farming techniques.



Palm oil

We use palm oil in our candles, some food products and for processing rattan which is used in some of our furniture. Palm plantations are often associated with deforestation and loss of biodiversity in tropical regions.

Our approach to palm oil includes:

- Reducing our use of palm oil by identifying alternatives
- Supporting production of more sustainable palm oil by buying GreenPalm certificates for all the palm oil we use
- Working with NGOs, businesses and multilateral organisations to tackle the problems associated with palm oil production and to encourage improvements.

Our goal is that by FY20 all the palm oil currently used will either come from verified sustainable sources or be replaced by more sustainable raw materials.

A not-for-profit organisation, the Roundtable on Sustainable Palm Oil (RSPO), sets standards for the production of sustainable palm oil. We are an active member of the RSPO and support its work to increase the availability of sustainable palm oil. This includes participating in the RSPO Trade and Traceability working group.

The GreenPalm programme – approved by the RSPO – is designed to support the production of sustainable palm oil and sells tradable GreenPalm certificates to users. We purchased 40,000 GreenPalm certificates to cover each tonne of palm oil used in our products during FY12. The amount of palm oil used in FY12 compared to FY11 remained stable, but we purchased 20,000 fewer certificates because we overestimated the number of certificates needed in FY11. Because of the complexity of the palm oil supply chain, most of the oil produced sustainably is intermingled with conventional palm oil. Our goal is for all our palm oil to come from segregated sources by 2020.

In addition, we are working with Johnson & Johnson, Kraft Foods and the Indonesian government to support a United Nations Development Programme (UNDP) sustainable palm oil project in Indonesia. The project, which is now in its second year, aims to encourage sustainable palm oil production among small-scale producers and improve their livelihoods.

We received a score of 8 out of 9 on the WWF Palm Oil Buyers' Scorecard 2011, which assesses the performance of retailers and consumer goods manufacturers.

Leather

Leather and sheepskin are used in a wide range of home furnishing products, from KIVIK sofas to LUDDE rugs. Brazil supplies around half of the six million square metres of leather and sheepskin we use annually.

In some countries, cattle farming and leather processing can be associated with deforestation, displacement of indigenous people and forced or child labour. The leather supply chain is complex and includes cattle farmers, slaughterhouses, tanneries and finishers. We set minimum social, environmental and animal welfare standards for our direct suppliers, including a requirement that leather does not come from suppliers linked with deforestation in the Amazon.

We are working towards a chain of custody for leather used in our products. Slaughterhouses in the supply chain sign a self-declaration that states that they will provide the names of the farms that leather is sourced from, if requested by IKEA. The next step is to work with suppliers and sub-suppliers to verify this chain of custody through audits. This is a challenge with so many sub-suppliers and small-scale cattle farmers in the supply chain.

We continue to work with external organisations to develop minimum social and environmental criteria for leather production that will apply to all levels of the supply chain, from the farm onwards.



Food

We serve and sell food to 261 million customers a year through our store restaurants and Swedish Food Markets.

Our approach includes:

- Using more sustainable ingredients, which includes purchasing ingredients that have been certified to recognised standards and applying animal welfare standards
- Reducing the carbon footprint of our food business
- Tackling food waste ([page 55](#))
- Working with food suppliers to implement our IWAY standards ([page 81](#)).

Coffee and tea

All coffee sold and served at IKEA has been UTZ Certified since 2008 – UTZ Certified is an independent organisation that recognises coffee, tea and chocolate that have been grown sustainably and is one of the leading sustainability standards for these commodities.

One out of our four chocolate tablets is UTZ certified. We aim for 100% UTZ Certified chocolate and tea by FY15. Packaging for UTZ Certified products includes a code that enables customers to trace the origins of a certified product back to the plantation on which it was grown.

Salmon

Salmon is an important product for IKEA. In FY12, we continued to participate in the WWF Salmon Aquaculture Dialogue to support development of sustainability

standards for the farmed salmon industry, and the final standard has now been published by the [Aquaculture Stewardship Council](#) (ASC). Our goal is for all salmon products to come from ASC-certified sources by 2015. We are currently assessing our suppliers against the new standards.

Animal welfare

We have worked with Compassion in World Farming (CIWF), an independent NGO, for many years to improve animal welfare standards. In FY12, we worked with CIWF to develop welfare standards for pigs and laying hens. During FY12, we also worked with the non-profit Global Animal Partnership to adapt standards developed for the US market for global use. However, this process is taking longer than we anticipated and is not currently a viable alternative to implementing our own welfare standards.

We approved our new global animal welfare policy in FY12. It sets out our commitment to the humane and respectful treatment of animals used in our food and other products. We are integrating the policy into our purchasing requirements. Currently it is a challenge to source some animal products in line with this policy. In these areas, we will continue to engage with suppliers and other stakeholders to improve standards so that all the animal products we buy meet the policy requirements.

The global animal welfare policy contains the following requirements:

Rearing

To ensure a good living environment and the freedom to express normal behaviour:

- Adequate space and shelter shall be provided to avoid unnecessary stress, injuries or discomfort
- Access to enough food and fresh water to ensure health and vigor
- Animals must have access to rapid diagnosis and treatment to avoid unnecessary suffering, injury or disease
- Animals must be respectfully and humanely treated. For example, procedures such as live-plucking or force feeding are not acceptable.

Transport and slaughter

The method of transport and slaughter must be performed in a way that minimises stress and suffering to the animals.

Organic

We always provide one organic menu option in our restaurants. We have 17 organic products in our Swedish Food Market range (out of a total of 120), of which two were introduced in FY12: GURKA INLAGD EKOLOGISK (organic pickled cucumbers) and GODIS FRUKT EKOLOGISK (organic fruit candy).

Reducing our food carbon footprint

We know that the production and sourcing of some ingredients is more carbon intensive than others. For example, meat-based products have a higher carbon footprint. To tackle this and to improve customer choice in our restaurants, we are exploring lower-carbon alternatives for some popular menu items. One example is chicken meatballs, which have a lower carbon footprint than our traditional pork meatballs and have been tested in two stores.

We estimate the footprint for all food sold and served during FY12 was 520,000 tonnes of CO₂. We are developing our methodology so we can report more accurately in the future. We hope to use the findings to raise awareness among our product development teams, and inspire them to consider the carbon footprint of different food options when developing our range.

We also carried out research with WWF and Sheffield Hallam University in the UK to explore long-term trends in the food supply chain and the implications for our business. This showed us that health and environmental considerations relating to food are closely connected and should be considered together in our food strategy.

More sustainable products

FY12 at a glance:

- Evaluated 73% of products against our Sustainability Score Card, of which 35% were classified as “more sustainable”
- 91% of materials used were renewable, recyclable or recycled
- Concluded our project with WWF to explore how IKEA can contribute to a closed loop society

People & Planet Positive – new targets

- All main home furnishing materials and packaging will be made from renewable, recyclable or recycled materials by FY15
- 90% of total sales value will come from home furnishing products classified as more sustainable by FY15

We have always used resources carefully to reduce waste and to keep our prices down, which enables us to reach more customers. Our product developers and designers develop many products directly on the factory floor, where we have expertise of what is technically possible to produce with a minimum of resources.

Now we want to do even more. Across our range we are finding ways to further integrate sustainability into product design and development without compromising on safety, quality, style, function, durability or price. We are exploring how we can turn waste into new resources and use more sources of recycled materials in our products.

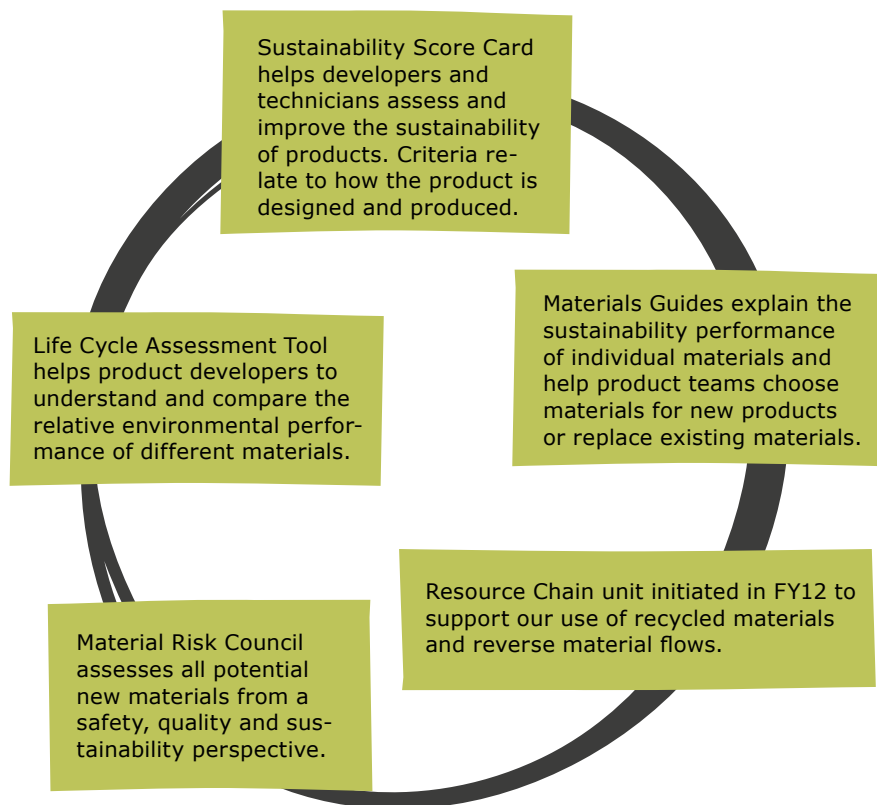
These changes are better for the environment and for our business, particularly in this era of rising costs and increased scarcity of raw materials. Because of our scale and influence with suppliers and customers, changes we make can have a significant impact.

Our approach includes:

- Creating tools to inspire product developers, technicians and supplier developers to integrate sustainability
- Selecting more sustainable materials, including those that are renewable, recyclable and recycled
- Using materials efficiently and exploring how we can be part of a society where all materials are reused or recycled
- Testing the safety, quality and durability of our products

Integrating sustainability in product development

We have a number of tools and management processes that enable us to improve product sustainability performance:



Sustainability Product Score Card

We have now evaluated 73% of products (by sales value) against our Sustainability Score Card, compared with 7% in FY11.

Products can score up to 400 points in total across 11 criteria. However, since the functionality of the product influences the criteria it can score points against, it's unusual for products to achieve a high score in all 11 areas. Currently products that achieve a score of over 120 out of 400 are considered "more sustainable". The maximum score to date is 253, and the average score across our range is 89. Thirty-five per cent of our sales value from the products we've evaluated comes from products identified as more sustainable. Our goal is 90% by FY15. In the future, if a product does not score over 120 points, we will put an action plan in place to improve its score within a year. Any exceptions will have to be approved by a senior manager.

During FY12, we trained around 200 product developers, sourcing developers and technicians to use the Score Card. We continue to review its effectiveness and to get feedback from co-workers who use it. We are reviewing how to make the Score Card easier to use and how to further integrate it into product development in a consistent way. Read about [IWAY](#), our code of conduct for suppliers.

Our Sustainability Product Score Card criteria

- ☒ More from less (using less material in the product)
- ☒ Renewable material
- ☒ Recycled material
- ☒ Environmentally better material (less impact on the environment than standard materials)
- ☒ Separable and recyclable
- ☒ Product quality
- ☒ Transport efficiency (number of products per container)
- ☒ Energy-efficient production
- ☒ Use of renewable energy in production
- ☒ Raw materials (how efficiently a supplier uses raw materials)
- ☒ Product use (less use of energy and water; less waste in customers' homes)

Our sustainability Score Card in practice

A score of 253 makes the MÅLA easel the highest-scoring product on our Sustainability Score Card.

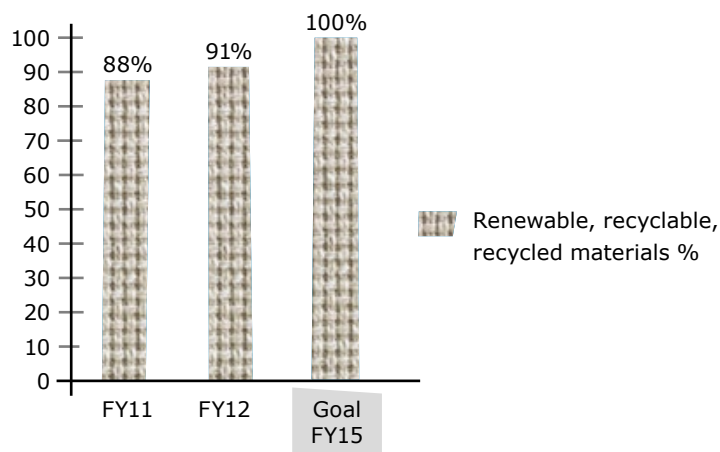


"The high score is thanks to a new construction," explains Sharon Wilts Jansen, Project Leader, "that saves on material, the use of renewable material from sustainable forestry and its recyclability. The supplier for MÅLA also uses energy from renewable sources, and the whole product scores highly on our quality criteria."

More sustainable materials

Our goal is that all main materials in our home furnishing products will be renewable, recyclable or recycled by FY15. "Main materials" are defined as all materials except additives, lacquering or other extra substances that would finish, glue or surface-treat the product.

Renewable, recyclable, recycled materials (%)



Recycling infrastructure varies widely from country to country. We define a material as recyclable if it can be recycled on an industrial scale in at least one IKEA market.

During FY12, we mapped all the materials we use and identified three significant materials that are currently not renewable, recyclable or recycled. These are polyurethane foam (mainly used in our mattresses and sofas), silicone (used in food storage products) and melamine (used in plastic table ware and food storage products). We are exploring ways to restrict their use, replace them with alternatives, or increase recyclability. Foam is our priority since we use it in high volumes.

We set a goal to source 50% of all non-renewable materials (including plastics) used in our products from recycled sources by the end of FY17. For plastics this will be a significant increase as less than 10% of plastic used in FY12 was recycled. We need to work hard to make sure that recycled plastic meets our high quality standards. We are making progress and introduced recycled plastic into a number of new and existing products during FY12. These are not niche products but sold to IKEA customers around the world.



GOSA SYREN pillows use a soft down-like polyester microfibre filling made from recycled PET bottles.



SKARPÖ – This new chair is made from 100% recycled plastic.

We are using materials with sustainability benefits, including some that reduce our use of cotton or wood. Examples include: hemp, lyocell and viscose to replace cotton; new types of plastics; and the use of bamboo to replace other wood species.



IKEA PS dining table uses bamboo, a fast-growing, renewable resource that is stronger than other types of wood.



MYSA quilts are made using 50% lyocell, derived from wood cellulose. Lyocell is comfortable and breathable, and using it means less cotton is needed.



SOARE is a placemat made from water hyacinth, a renewable material harvested from the wild. Water hyacinth is a weed that grows abundantly and can clog rivers and waterways. By removing water hyacinth, goods can be transported more easily by boat, rather than by road. These place mats are all unique since they are hand-made.

A new approach to foam

We use approximately 80,000 tonnes of polyurethane foam each year in mattresses, sofas, pillows and chairs. Foam is low cost, comfortable, durable and easy to roll and pack. But up until now the foam we use has not been renewable, recyclable or recycled. We are investigating alternative comfort materials that can replace or reduce the amount of foam we use. We are also investigating the use of renewable raw materials for foam production and recycling processes for foam.

Bright sustainability ideas lead to low prices

Make our popular lamp, TEXTUR, even more affordable and sustainable. That was IKEA technician Harish Jakhar's challenge, and he set about his task in a typical IKEA way: seeking simplicity, sustainability and a low price.

First he made the lamp easier to assemble by eliminating 24 of the 33 components, almost halving the lamp's weight. Then Harish reduced the packaging weight by 28% and, with less volume, managed to fit 128 lamps on a pallet (there were only 80 before).

Finally, he changed the fabric covering and used cotton blended with viscose (which comes from wood).

The new lamp, called VIDJA, went on sale in FY12 at a 34% saving on the original low price. We love that the most sustainable ideas are often also the simplest ones. Just imagine how much more we can save all around us.



Durability

We want our products to be functional and well made and give long-term enjoyment. This is better for the environment and for our customers. But we know there is more we can do to ensure our products have the durability that suits their purpose. Nearly all IKEA products are tested for durability before they go on sale and are regularly tested once they become part of our range. This includes mechanical tests for products like sofas and chairs, and, for textiles, tests that assess wear and colour fastness. We also assess quality as part of the Sustainability Score Card by reviewing the number of customer product returns.

Reflecting the quality of products in our range and customer expectations, we offer extended guarantees on a number of items, including 10, 15 and 25 year guarantees for some products (e.g., some of our mattresses, taps, knives and pans).

More from less

We use materials efficiently and always aim to make more from less. We also work with suppliers to improve efficiency in production. Reducing the volume of materials used can make products more efficient to transport and reduce emissions. Recent examples include:

- **VIDJA** lamp (see Bright sustainability ideas lead to low price, [page 43](#)).

- **KOTTEBO** basket made from coconut palm leaf. We adapted the product design and changed the way the material is cut during production. This has halved the amount of waste material generated and enabled us to reduce the purchase price by 3%.

- **COLIGHT** – A new type of lightweight particle board designed by Swedspan, a business within the IKEA Industry Group that manufactures particle boards mainly for IKEA. COLIGHT is 30% less dense than a standard particle board. This means less wood and resin is used and the product is lighter to transport so trucks can be filled up to 30% more efficiently.

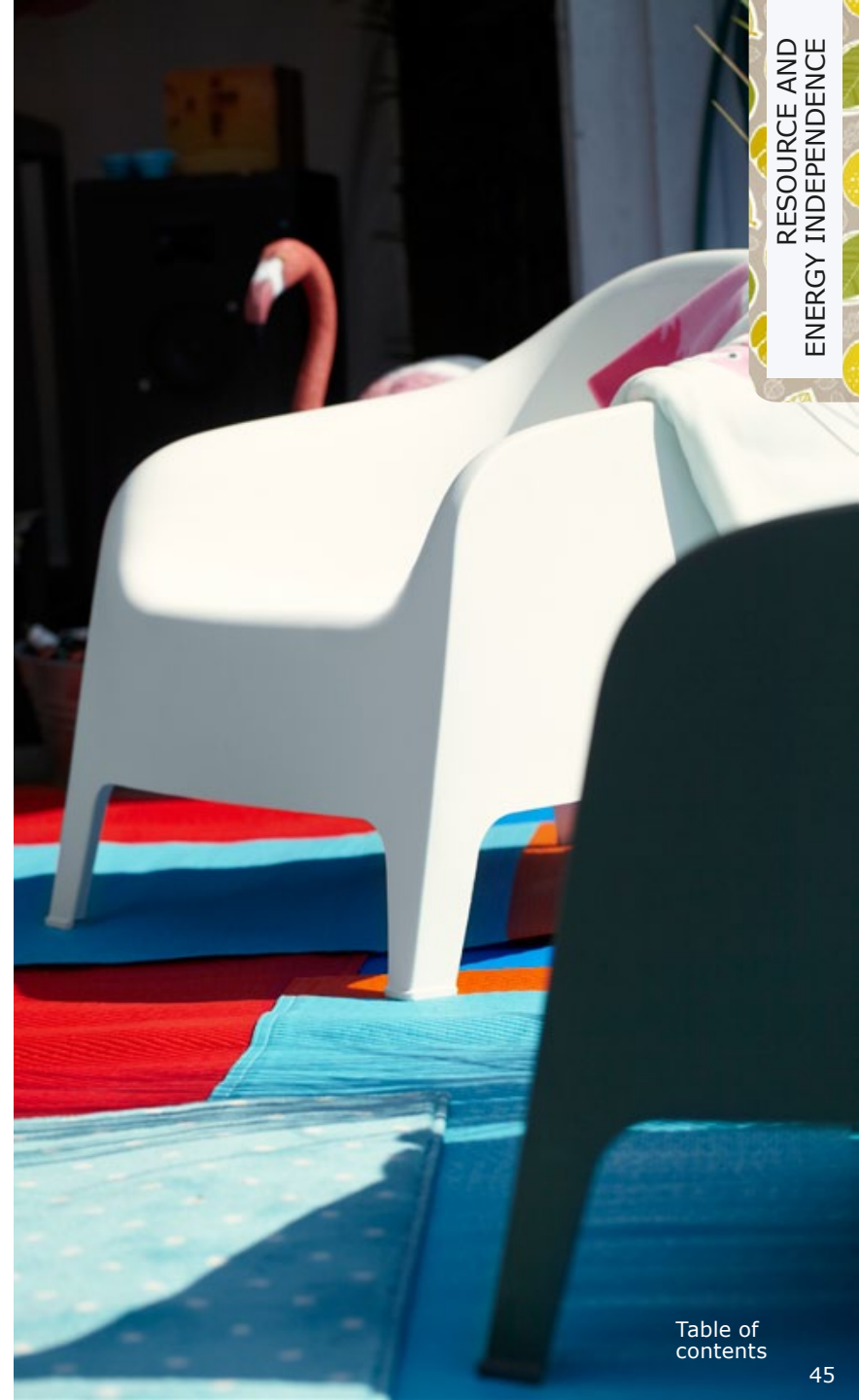
A **BILLY** bookcase made from COLIGHT weighs just 15kg, 30% less than one made with standard particle board, without sacrificing product quality. COLIGHT also uses a special glue that reduces emissions of formaldehyde.



Closing the loop

How can we begin the transition to a closed-loop society? Our Closing the Loop project with WWF, concluded during FY12, was set up to help answer this question. The project involved testing a number of recycled materials for use in our products and today we have several products with recycled content (for example SKARPÖ, see right). As part of the project, we also set up recycling points in pilot stores and offered a small incentive for customers to bring back old and unwanted products for recycling. We found the recycling points were useful as a way to raise customer awareness on sustainability issues. We also explored whether our own waste plastic packaging material could become a useful source of recycled plastic for our products. The early results were positive and we are continuing to explore this opportunity. The project also showed that:

- To get the maximum benefits from recycling we must also take social and economic factors into account.
- Recycling is often the better choice but this depends on where and how the material is recycled. For example, in some countries increased recycling of wood may result in more virgin wood being used in heat generation.
- Recycling of renewable resources such as wood and textiles can be just as important as the recycling of non-renewable materials.
- We should challenge assumptions about recycling because new technologies and opportunities are emerging all the time.



Product safety

We have a rigorous process to test and monitor the safety of all our products during development and production, and we get feedback when they are on sale. Tests are based on European and international safety standards and assess how customers might assemble and use products. All products in our children's range go through additional risk assessments and testing.

All co-workers have a duty to report safety-related incidents or concerns through our safety alarm system. A central team monitors and investigates all reports and can stop sales of a product immediately if needed. We set the threshold for reporting very low so that we do not miss any potential risks. We train co-workers in our stores on our safety alarm process. Our Product Safety and Compliance School combines classroom sessions and e-learning to enable different functions across IKEA to prevent, identify and investigate safety issues.

If a decision is made to recall a product for safety reasons, we communicate the recall widely through our stores, internet sites, the local press, our internal newsletter, social media sites and our IKEA FAMILY network. We work closely with suppliers to investigate the reasons for the recall and to prevent a similar situation from happening again. Any lessons learned from a safety alarm or product recall are integrated into our product risk assessment process and used to update relevant policies.

We have 9,500 products in our range. In FY12, the following products were recalled:

- ELGA FENSTAD and PAX AURLAND wardrobe mirror glass doors, where there were some cases of mirrors detaching themselves and breaking
- BUSA children's folding tent, recalled due to cases of the steel wire frame breaking and leading to sharp wire ends protruding through the tent fabric
- ANTILOP high chair safety belt, where there were incidents of the belt unexpectedly opening
- DÅTID, NUTID and FRAMTID ovens, which we recalled due to reports of internal wire shelves falling down during use
- SÅNDA lighting track, where there was a defect that could have presented the risk of a minor electric shock
- SNIGLAR cot, which we recalled due to screws that were too short to secure the mattress support in place.

Chemicals

We aim to avoid using chemicals that could potentially be harmful to people and the environment, and we always try to select materials, surface treatments and production techniques with the lowest possible emissions. Our range shall comply with the strictest laws and safety standards in all our markets, and we have detailed requirements on the use of chemicals in the manufacturing process. If one country tightens its rules, we introduce these new regulations in all IKEA markets whenever possible.

More sustainable buildings and transport

FY12 at a glance:

- Produced renewable energy equivalent to a third of our total energy consumption
- Improved energy efficiency by 3% in our stores, compared with FY11
- Reduced CO₂ emissions from IKEA buildings by 17% from FY11
- Reduced CO₂ emissions by 7.3% per cubic metre of products shipped, exceeding our 4% goal
- Held 40% more co-worker meetings by phone and web
- Used 8% more water in IKEA buildings compared with FY11
- Generated 6% more waste than in FY11 but waste recycling rates increased at stores, distribution centres and Swedwood

People & Planet Positive – new targets

- By the end of FY15, we will produce renewable energy equivalent to at least 70% of our energy consumption, and by the end of FY20 we, on Group level, will produce as much renewable energy as we consume
- Become 20% more energy efficient in our own operations by the end of FY15, compared to FY10
- By the end of FY15, reduce carbon emissions from our own operations by 50% compared to FY10 (in relative terms)
- By the end of FY16, reduce transport-related carbon emissions by 20%, compared to FY11
- Strive for zero waste to landfill wherever possible, with a minimum of 90% of the waste from our stores and other IKEA operations sorted for recycling by the end of FY15

We aim to drive environmental innovation and demonstrate a better way to do business through our operations. This is why we are continuously improving the energy efficiency of our buildings; using renewable energy; minimising waste and water use; and reducing our transportation emissions.

Using resources within the limits of the planet and protecting the environment is also good for business as it reduces our costs.



Carbon footprint

Operating IKEA buildings and employee commuting contribute by far the smallest part (2.5%) of our total carbon footprint. Most emissions come from raw material extraction, manufacturing and distribution, and this is why we work closely with our suppliers to support them with managing their impacts (see Energy and water in our supply chain, [page 58](#)). Customer transport is also a significant impact.

IKEA carbon footprint – from raw materials to product end-of-life

	FY12 - tonnes of CO ₂
Raw materials	16,821,000
Production and distribution	4,433,000
– Suppliers*	3,088,000
– Goods transport**	1,293,000
– Business travel***	52,000
IKEA	822,000
– Buildings****	714,000
– Employee commuting	108,000
Customers	9,443,000
– Transportation to stores	2,271,000
– Product use	7,172,000
Products' end-of-life	1,674,000
Total	33,193,000

* Direct suppliers of home furnishing products, food and the IKEA catalogue

** Excludes customer deliveries

*** Business travel includes flights and rental cars

**** Buildings include stores, distribution centres, Swedwood and Swedspan facilities and offices. Excludes IKEA Components' (IKEA C) two production facilities

IKEA carbon footprint (tonnes of CO₂)

GHG emissions	FY12
Scope 1 (IKEA owned energy generation from gas, biomass and oil boilers and diesel generators)	116,000
Scope 2 (purchased electricity and district heat)	598,000
Total scope 1 + 2 emissions	714,000
Scope 3* (raw material production, emissions from suppliers, goods transport, business travel, employee commuting, customer transportation, product use and product end-of-life)	32,479,000
Total scope 1, 2 and 3 emissions	33,193,000

* Scope 3 emissions estimated based on the draft GHG protocol corporate value chain accounting and reporting standard

In FY12, our scope 1 and 2 emissions (emissions from IKEA buildings) decreased by 17% from 859,616 tonnes to 714,126 tonnes compared with FY11. Much of this reduction was due to stores and distribution centres in Germany switching to a renewable energy tariff. We reduced CO₂ across all parts of our business, including the IKEA Industry Group, by buying more renewable energy and improving energy efficiency.

We are improving our methodology for calculating our scope 3 emissions and will apply a more accurate approach in FY13. Carbon intensity, measured as CO₂ emissions (scope 1 and 2) per cubic metre of products sold, decreased by 22% to 27 kg of CO₂/m³ in FY12. This was due to a reduction in CO₂ emissions from IKEA buildings, and increased sales.

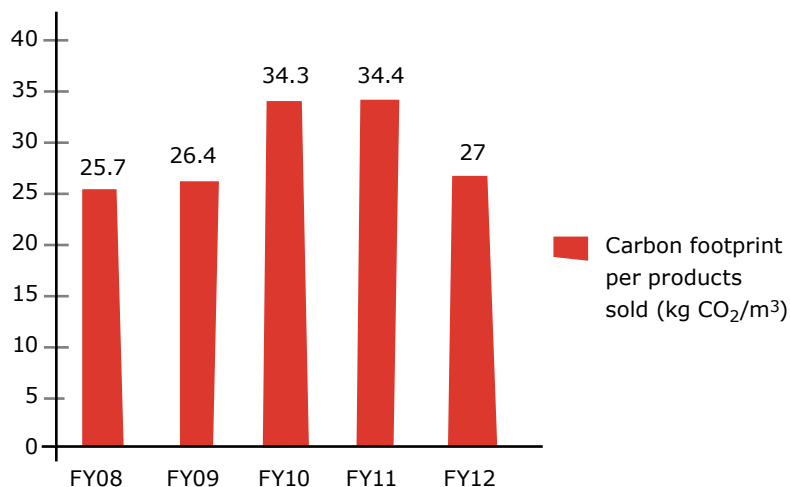
Scope 1 and 2 emissions – IKEA buildings (tonnes of CO₂)

	FY08	FY09	FY10	FY11	FY12
Stores	314,744	326,700	435,344	428,997	353,809
Distribution centres	41,604	39,963	47,999	45,151	31,451
Swedwood	230,000	239,620	246,277	287,907	245,688
Swedspan*	-	-	83,835	92,770	78,537
Offices	5,178	2,950	4,730	4,791	4,641
Total**	586,348	609,233	818,185	859,616	714,126

* FY10 was Swedspan's first year of operation.

** Excludes IKEA Components' (IKEA C's) two production facilities.

Carbon footprint per products sold (kg CO₂/m³)



Energy-efficient buildings

We're working to improve energy efficiency by integrating sustainability into new store design and upgrades to existing buildings.

Examples from FY12 include:

- Introducing more sustainable lighting solutions including LED and natural daylight (see [page 50](#))
- Upgrading ventilation systems so they only operate when needed
- Installing and upgrading building insulation and window glazing
- Increasing the technical skills and awareness of co-workers who operate buildings and machines
- Tackling energy consumption at Swedwood by reducing electricity used in dust extraction at its largest furniture factory and improving energy efficiency in drying kilns (ovens), the biggest energy consumers at Swedwood sawmills
- Installing a co-generation turbine at a Swedspan high-density fibreboard (HDF) factory that uses steam to generate electricity.

In FY12, energy efficiency continued to improve at stores, distribution centres and Swedwood, with the greatest improvement since FY05 at Swedwood. Swedspan's energy efficiency has declined since FY10 because it opened a new factory for manufacturing HDF boards, which is an energy-intensive process. It was in this factory, however, that Swedspan installed a co-generation turbine producing 5.6 MW electricity from the steam generated and used primarily for HDF production.

Energy efficiency

(% decrease against FY05 baseline)*

% decrease against FY05 baseline	FY08	FY09	FY10	FY11	FY12	Goal
Stores	7	5	7	10	13	25
Distribution centres	21	21	22	33	37	25
Swedwood	28	23	32	36	45	25
Swedspan**	-	-	-	-5	-2	25

* IKEA units measure energy efficiency differently: stores measure kWh/m³ sold goods; distribution centres measure kWh/m³ goods flow; Swedwood measures kWh/m² goods produced; Swedspan measures kWh of electricity/m³ particle board produced.

** Compared with FY10 which was Swedspan's first year of operations

Cutting energy use in lighting

Highly efficient LED lighting is a breakthrough technology and we're really excited about offering it to customers ([page 18](#)). We are installing commercial scale LED lighting, along with other energy-efficient lights in many IKEA buildings. Piloted at stores in the Netherlands, Spain and Sweden and at Swedspan's factory in Poland during FY12, energy-efficient commercial lighting including LED will be rolled out to more stores from FY13. On average, this saves 450,000 kilowatt hours and €97,000 per year per store. This includes maintenance costs, representing an 11% total saving on energy costs per year per store.

Designing stores for the future

Our store design tool, the IKEA Energy Model, simulates different heating, cooling, lighting and energy systems, and enables us to design stores that are energy efficient and use renewable energy.

In FY12, new stores with innovative energy solutions included:

- Fukuoka-Shingu, Japan: has the largest ground-source heat pump system in the Japanese retail sector. By 2013, the store will have a photovoltaic installation with a peak capacity to generate 750 kWh
- Valladolid, Spain: has a combined heat and power system, efficient LED lighting, solar panels, a heat-exchange ventilation system that recovers heat and a fan system that pushes hot air down from the ceiling to reduce heating needs.



IKEA Goes Renewable

We want to be a leader in the use of renewable energy and energy efficiency. What started as a special project, IKEA Goes Renewable, has become part of our everyday business. We're investing in our own projects to generate renewable energy from solar, wind and biomass. We generate some of our own renewable energy, and we buy some from the grid. More than 250,000 solar panels have already been installed on IKEA stores and buildings across the world, and IKEA has invested in, and is committed to own and operate, 126 wind turbines in six countries. New projects over the next three years will take total investments in renewable energy to up to €1.5 billion. Some of the renewable energy we produce off-site and on-site is sold to the grid.

Renewable energy produced by type

Type	GWh
Wind	290
Solar PV	29
Biomass	899
Pellets and briquettes sold	633
Total	1,851
Percentage of total energy consumption (%)	51%

In FY12, we produced renewable energy equivalent to 34% of our total energy consumption. In addition, energy generated from pellets and briquettes made from waste wood which are produced and sold by Swedwood means we produced renewable energy equivalent to 51% of our total energy consumption. We also purchased 1,073 GWh of renewable electricity from the grid.

On-site renewable energy projects in FY12 included:

- Continuing to install photovoltaic (PV) panels on stores and distribution centres, bringing the total number of PV installations to 75. On average, solar panels can supply between 10% and 15% of the electricity needs of a typical store and can meet up to 100% of electricity needs at distribution centres.
- Securing a partnership with a clean energy company in China to install solar panels on all IKEA stores and distribution centres in China. This will save around 6,000 tonnes of CO₂ each year.

We also invested in off-site renewable energy in FY12:

- We bought two operational wind farms in Poland with a total capacity of 28 megawatts and committed to buy another wind farm that will be operational in FY13, with a total capacity of 26 megawatts
- In Sweden we agreed to buy a wind farm that will make us energy independent in Sweden once it is completed in FY14. The wind farm will have 30 three-megawatt turbines and a 90-megawatt total capacity.

The share of renewable energy powering IKEA buildings (purchased electricity and on-site generation only) increased to 55% in FY12 from 51% in FY11. Our solar and wind installations provided 319 gigawatt hours of electricity to IKEA buildings and to the electricity grid in FY12, more than twice the amount generated in FY11.

Renewable energy (purchased electricity and on-site generation) as % of total consumption

	FY08	FY09	FY10	FY11	FY12
Stores	37	38	34	40	48
Distribution centres	37	41	34	39	51
Swedwood	60	63	59	61	59
Swedspan	-	-	62	62	67
Total	47	50	47	51	55

Transport

Around 11% of the IKEA total carbon footprint (from raw materials to product end-of-life) is associated with energy used for transport of products and people (co-workers and customers).

Transport of products

Transport suppliers move our products from product suppliers to distribution centres and into stores by road, rail and sea. We also offer customers a home delivery service, which is operated by our customer-delivery carriers.

How we reduce CO₂ from transport

- Optimising the use of equipment so that more products can fit into each load, and fewer shipments are needed
- Increasing the number of routes which combine rail, sea and road transport and can reduce emissions from road transport
- Co-operating with transport suppliers to increase the use of modern, fuel-efficient vehicles, and to explore the use of more sustainable fuels
- Delivering 56% of products directly from suppliers to stores, rather than via distribution centres, reducing the total distance products are transported
- Working with organisations like Green Freight Europe and Green Freight Asia, to standardise approaches to monitoring, reporting and reducing transport carbon emissions.

Progress in FY12

In FY12, our focus was on increasing volumes in each container and trailer. The volume of products per shipment increased by 2.5% compared with FY11. Our goal is to reduce CO₂ emissions per cubic metre of products transported by 20% by the end of FY16, from FY11 levels.² We have achieved a 7.3% reduction to date.

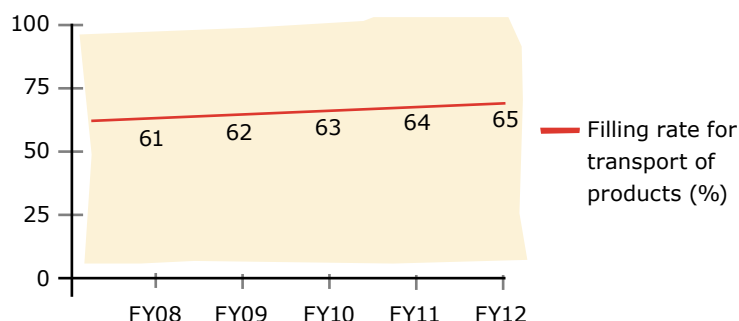
² Baseline for this goal restated from FY10 to FY11 to bring it into line with our new sustainability strategy.

Transport of products

	FY12	Goal FY16
Cubic metres of products per shipment (m ³ /shipment)	+ 2.5%	-
Reduction in CO ₂ per cubic metre of products transported (CO ₂ grams/m ³)	-7.3%	-20%

A higher filling rate means less space is wasted in each shipment. Our filling rate increased to 65% and our goal is to achieve 70% by FY13 for inbound transport (transport from suppliers to distribution centres).³

Filling rate for transport of products (%)



³ This goal was stated incorrectly in the 2011 IKEA Group Sustainability Report

Improvements to trucks, pallets and packaging enable us to transport more products in each shipment.

We are:

- Using bigger trucks and containers
- Switching from wooden to paper pallets or loading ledges. These are lower than wooden pallets, lighter and flexible in size. In FY12 we conducted a Life Cycle Assessment (LCA) study, comparing wooden pallets with paper pallets, which found that using paper pallets reduces the footprint of transporting IKEA products by 75,000 tonnes of CO₂ per year – a 6% saving.
- Working with suppliers to improve product packaging. For example, in South East Asia our supplier of children's SPARKA football toys doubled the number of toys per load-unit by changing the packaging.

Co-worker business travel

We encourage co-workers to reduce air travel to meetings and we promote the benefits of meeting by web, phone and video. As well as reducing the environmental impact of travel, virtual meetings enable co-workers to use their time efficiently, improve work-life balance and reduce travel costs. When business travel is needed, we inspire co-workers to choose lower carbon options through online booking tools and an intranet guide. In FY12, we introduced a "green meeting" guide for co-workers organising large meetings.

Travel suppliers such as airline, hotel and rental car companies have to provide us with information on their sustainability policies and programmes.

Co-workers held 40% more virtual meetings in FY12, with around 600 web and phone meetings held every day. We added video conferencing facilities at 40 new sites in FY12, bringing the total to 110. The increased use of web, phone and video meetings has limited the increase in travel costs while our business has grown. Our travel costs increased in FY12 but the index (travel costs in relation to sales) was still 28% below our base-line in FY07. We will continue to look for ways to increase the use of virtual meetings to reduce travel impacts.

Business travel

	FY09	FY10	FY11	FY12
Number of web & phone meetings*	52,000	82,434	104,920	146,015
Number of hours of video meetings	-	760	2,800	6,900
Business travel expenditure index (travel costs in relation to sales: FY07 - 100)	69	67	66	72

* In 2011 we incorrectly reported the number of web and phone meetings as the number of web and video meetings.

Customer travel

Millions of customers travel to and from IKEA stores around the world each year, which has a significant environmental impact. We want to make it as easy as possible for customers to visit stores using public or shared transport and this is top on our agenda when we design new stores. Customers can shop online and have their products delivered directly to their homes. To reduce the impact of home deliveries we're extending the use of electric vehicles and those powered by compressed natural gas in our customer delivery fleet.

Water

Water stress and scarcity around the world are making water an increasingly important business issue. In FY12, total water use in IKEA buildings increased by 8% compared with FY11, although our distribution centres slightly reduced water use. Swedspan's water use increased by 53% because it opened a new factory for manufacturing HDF boards in FY12. Swedwood's water use increased by 6%, and it is introducing water reduction strategies, which are in place at 80% of its sites so far.

Water use at IKEA units (m³)	FY10	FY11	FY12
Stores	3,927,551	4,438,075	4,608,175
Distribution centres	265,524	228,772	223,292
Swedwood	483,096	510,742	542,595
Swedspan*	283,277	503,861*	773,226
Total	4,959,448	5,681,450	6,147,288

* Data for water use at Swedspan in FY11 has been restated due to a mistake in reporting.

Wastewater recycling at Swedspan

Swedspan is targeting zero wastewater from production. Water is used in wood board production, mainly for making glue, cleaning the air from wood dust and making the steam used to break up wood chips into wood fibre for boards. Glue making is one of the most water-intensive of these processes. In FY12, Swedspan piloted a new approach at its factory in Lithuania, collecting wastewater from glue making, removing the waste glue, and treating and reusing the water. The new system reduced water use without affecting the quality of glue and is now also installed in Swedspan France. Other Swedspan units will follow.

Read about our work with suppliers to reduce water use on [page 58](#), and our efforts to enable customers to save water at home on [page 17](#).

Waste

We generate most waste at our stores from packaging and other materials.

Waste produced in FY12, %



All our units have high waste recycling and recovery rates, but we want to take the next step, and our goal is to send zero waste to landfill. By the end of FY15, at least 90% of the waste from our stores and other IKEA operations will be sorted for recycling.

By the end of FY12, a number of facilities had already achieved zero waste to landfill including one of the two IKEA Components factories that packs most of the fitting bags for our flat pack furniture, and over 30% of Swedwood factories.

All stores sort materials for recycling such as cardboard, glass, metal, paper, plastic and wood, and several stores also collect food waste from the customer restaurant and co-worker canteens. The waste is sent to a third party that turns it into biogas that can be used to fuel cars and buses or as animal feed.

Products returned by customers or damaged before being sold are repaired and displayed in a designated store area and sold for discounted prices. We are also introducing repackaging machines in many stores so that items can be repacked and sold. In many stores we provide public collection points for customers for items such as batteries, light bulbs and appliances, which are recycled or disposed of by specialist companies.

In FY12, we generated 6% more waste than in FY11 due to more waste being produced in stores. Both Swedwood and Swedspan generated less waste.

Our waste recycling rate in stores, distribution centres and Swedwood increased but the recycling rate at Swedspan decreased. The decrease at Swedspan was due to more construction waste being generated from two construction sites. Overall the average recycling rate for our operations was 86% in FY12, compared to 85% in FY11.

Waste recycling rate*

Waste recycled or used for energy, %	FY08	FY09	FY10	FY11	FY12
Stores	85	86	84	86	88
Distribution centres	90	90	91	90	94
Swedwood**	59	61	58	80	90
Swedspan	-	-	86	64	40
Total	84	84	82	85	86

* Excludes waste wood used for energy recovery or reused in products

** Numbers restated from previously reported data to exclude waste wood

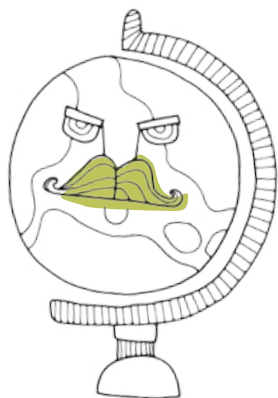
Waste produced, tonnes*

Waste produced, tonnes	FY08	FY09	FY10	FY11	FY12
Stores	276,173	285,156	279,778	307,877	335,167
Distribution centres	33,952	38,929	34,369	41,758	41,933
Swedwood	17,864	29,956	31,176	26,177	25,285
Swedspan	-	-	10,015	24,621	21,996
Total	327,989	354,041	355,338	400,433	424,381

* Excludes waste wood used for energy recovery or reused in products

Putting waste wood to good use at Swedspan and Swedwood

Manufacturing wood boards and furniture for IKEA at Swedwood and Swedspan creates a lot of waste wood. This is either reused as a raw material at Swedspan to produce new wood board or sold to other companies as a raw material. If the waste is not suitable to be used, it's burned in biomass boilers to generate heat or sold as a renewable fuel to other companies. 98% of heat needed by Swedwood and 90% of heat needed by Swedspan was provided by biomass boilers in FY12. All of existing Swedspan factories will use biomass boilers from October 2012 and new factories are designed to be powered entirely by biomass technology.



Controlling other environmental impacts

IKEA units have other impacts that they must carefully manage to protect the environment. These include:

- **Formaldehyde:** We have strict standards for the use of formaldehyde. Making wood boards at Swedspan involves binding together layers of wood with glue that contains formaldehyde. Swedspan carefully monitors formaldehyde emissions to the air and water and uses special equipment to control this. It also monitors formaldehyde levels in the air in communities near each factory, sharing results publicly in an annual report. Formaldehyde emissions from Swedspan boards are one third of "E1", the toughest European standard for these emissions. The goal is to produce boards that are "as wood", meaning that they have the same emissions that occur naturally in wood.
- **Hazardous waste:** Swedwood is reducing hazardous waste in its operations, producing 15% less hazardous waste in FY12 than in FY11. Hazardous waste at Swedspan increased in FY12 due to constructing a new factory in Poland.
- **Nitrogen oxide (NOx):** Swedspan and Swedwood closely monitor NOx emissions from boilers. All new boilers are installed with NOx monitors and older equipment is checked regularly and will be replaced by FY14.
- **Solvents:** Chemicals are used for cleaning in IKEA stores and in cleaning and production at Swedwood. Swedwood replaces harmful solvents in its production processes where possible. It has reduced solvents used for cleaning by 73% since FY10, but the amount of chemicals used in production increased by 21% in FY12 compared with FY10.

Energy and water in our supply chain

FY12 at a glance

- Developed plans with suppliers for energy-saving activities at 11 energy-intensive factories in China
- 23 home furnishing suppliers powered their operations with more than 90% renewable energy
- Increased our Supplier Sustainability Index score from 33 to 39
- Published data collected from our direct suppliers on water consumption for the first time
- Developed three-year goals to improve the sustainability performance of the IKEA catalogue.

People & Planet Positive – new targets

- By the end of FY15 – 20% reduction in supplier carbon emissions from 2011 levels
- By the end of FY17 – 20% improvement in supplier energy efficiency from 2011 levels
- By the end of FY20 – Home furnishing suppliers 30% more water efficient than in 2011.

We're working with our direct suppliers to significantly reduce their use of water and fossil fuels. This is better for the planet and can reduce costs for IKEA, our suppliers and our customers.

We do this by:

- Encouraging and enabling suppliers to improve energy efficiency, use alternative fuels, generate renewable energy, reduce water use and increase water recycling
- Measuring suppliers' sustainability performance through the Supplier Sustainability Index
- Working intensively together with selected suppliers to target reductions, through our Supplier Development Process and identifying best practices that can be shared with other suppliers

To get a better understanding of environmental impacts in the supply chain, we have started measuring the environmental performance of our direct home furnishing suppliers.⁴ We collected data from 81% of home furnishing suppliers for calendar year 2011 and estimated carbon dioxide emissions and water consumption for the remaining 19%. Our strategy for reducing energy, water and chemical use at our direct home furnishing suppliers was updated in FY12 to reflect our People & Planet Positive strategy.

⁴ The data in this section does not include Swedwood or Swedspan, but only external home furnishing suppliers.

Supply chain carbon footprint

Around 64% of our value chain carbon emissions come from suppliers working with raw material extraction, production and distribution. Of this 64%, the greatest part comes from raw material extraction.

The most energy- and carbon-intensive direct home furnishing suppliers are those producing glass and textile products in Bangladesh, China and India.

In FY12, we continued to support and encourage suppliers to be more energy efficient and to consider renewable energy options. For example:

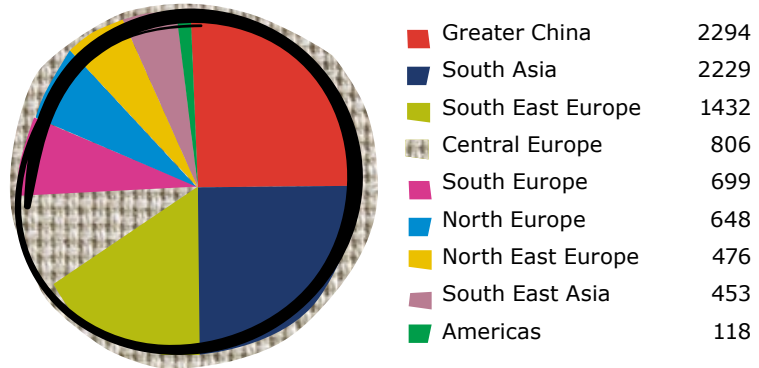
- In China we developed recommendations for energy-saving activities at 11 supplier factories producing energy-intensive ceramic, glass, metal, plastic and textile products. We estimate that factories could reduce energy intensity by 5–20%. We also invited 60 factory owners to learn more about installing solar panels. All suppliers in China have access to an energy efficiency checklist, launched in FY12. This simple tool supports suppliers with identifying small changes that could enable them to improve energy efficiency by up to 20%.
- We held an “Energy Day” for suppliers in Indonesia, Thailand and Vietnam to share their experiences of successful factory energy efficiency initiatives.

Supplier CO₂ footprint by trading area 11*

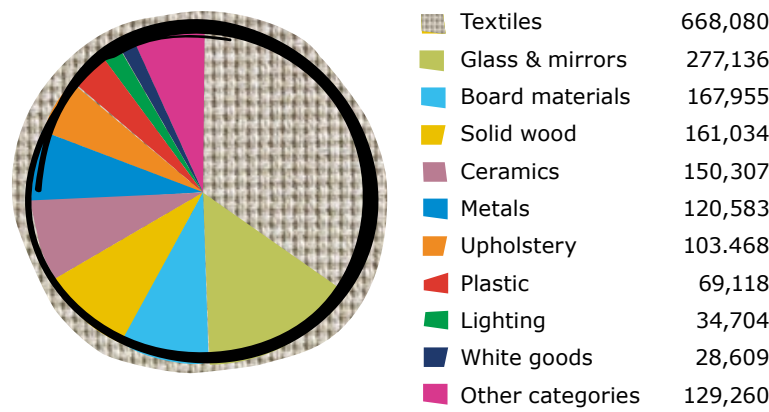
Trading area	Carbon footprint (CO ₂ equivalent – tonnes)
Greater China	946,863
South Asia	473,506
South East Europe	366,641
South Europe	155,848
Central Europe	152,336
South East Asia	150,541
North East Europe	100,192
North Europe	100,077
Americas	30,129
Total	2,476,131

* Supplier carbon footprint and energy use by trading area data is for 81% of suppliers that reported carbon emissions in calendar year 2011, and we have estimated carbon emissions for the remaining 19% of suppliers that did not report.

Supplier energy use by trading area – total energy consumption for IKEA (GWh)



Supplier CO₂ footprint by product category (CO₂ equivalent – tonnes)*



* The data in this chart is for 81% of suppliers that reported their carbon footprint in FY12.

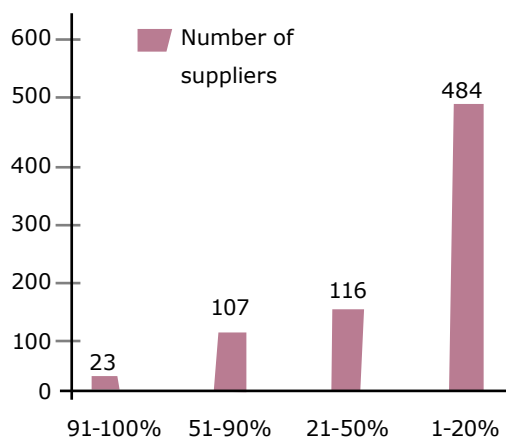


Suppliers Go Renewable

We encourage our suppliers to be leaders in the use of renewable energy. This is the focus of a new programme we are developing: Suppliers Go Renewable for launch with key suppliers in FY13.

Many of our direct suppliers use some renewable energy but for most it is only a small proportion of total consumption. In 2011, 23 of our direct home furnishing suppliers powered their operations with more than 90% renewable energy. Five home furnishing suppliers reported their operations were powered by 100% renewable energy. Three of them are in Sweden, one in Norway and one in Vietnam.

Number of home furnishing suppliers generating renewable energy (share of renewable energy – %)



Supplier Sustainability Index

In the same way that we use the Sustainability Product Score Card to measure the sustainability of products (page 40), we use a Supplier Sustainability Index to measure the environmental performance of home furnishing suppliers. Results from the Supplier Index are used in the Product Score Card.

Points from three areas make up an index score out of 100 for each supplier. The higher the score, the better the rating. We are working with suppliers to target improvements and improve the index results. We weight the scores to reflect production volumes for each supplier and then combine them to create an overall index score.

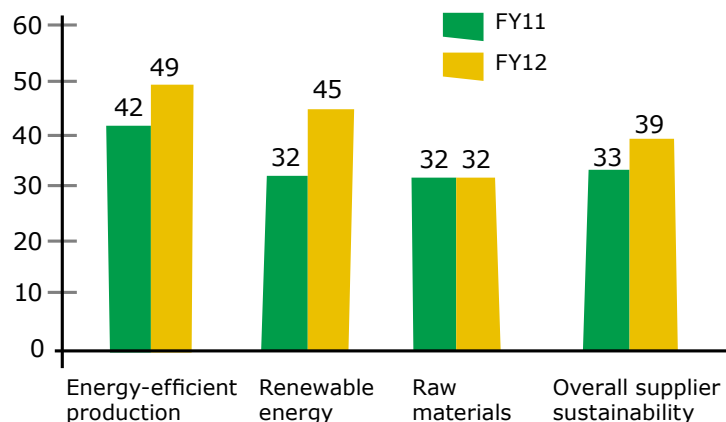
Supplier Sustainability Index results

In FY12, 766 suppliers were evaluated. The overall weighted Index increased from 33 in FY11 to 39 in FY12. Suppliers scored highest for energy efficiency and the area where they improved the most was renewable energy.





Supplier Sustainability Index (Index score, weighted by production volumes – out of 100)



Water in our supply chain

In calendar year 2011, we collected data on water consumption from our direct suppliers and we are publishing this for the first time. This included data on wet process water (among textile suppliers), wastewater treatment and water use. In total, home furnishing suppliers used 39.1 million m³ of water, equivalent to filling more than 15,000 Olympic-size swimming pools. In 2011, suppliers in Greater China used 32% of all the water consumed in our direct supply chain, followed by suppliers in South Asia (26%). We set a goal around water efficiency in our strategy for direct home furnishing suppliers. We also collected data on water efficiency for home furnishing suppliers for the first time.

This showed that direct suppliers used 1,113 litres of water per m³ of goods in 2011.

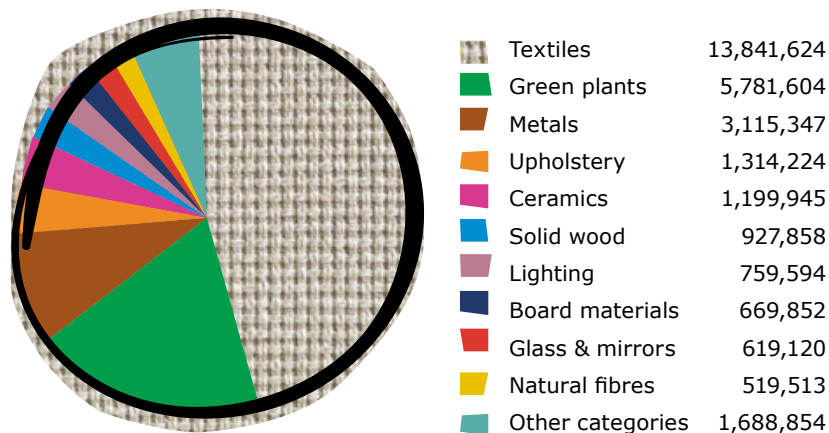
The most water-intensive products to produce are textiles. Of the suppliers that reported water use in 2011, suppliers making textile carpets and other textile products accounted for 45%. Metal and the plants that we sell in-store also use significant amounts of water. Beyond our direct suppliers, the most significant water footprint is cotton cultivation (see Cutting water in cotton farming, [page 64](#)).

Direct supplier water use by trading area (m³)*

Trading area	Water consumption IKEA (m ³)
Greater China	12,589,708
South Asia	10,150,972
South East Asia	8,473,248
South East Europe	5,003,505
South Europe	1,053,013
North East Europe	687,539
North Europe	496,577
Central Europe	357,413
America	266,415

* This data is for 81% of suppliers that reported water use in calendar year 2011, and we have estimated water use for the remaining 19% of suppliers that did not report.

Direct supplier water use by product category (m³)*



* The data in this chart is for 81% of suppliers that reported water use in FY12.

In water-stressed regions such as Bangladesh, China, India and Pakistan, we have water specialists tasked with supporting suppliers to reduce water use and recycle water. In FY12, they formed a new regional network, meeting twice a year to share best practices. Water stress varies from country to country and can vary locally within each country. In FY13, we will continue to collect data from suppliers on water management and map local water availability.

Our IWAY supplier code of conduct requires suppliers to have fully functioning effluent treatment plants to protect water quality. In FY12, we developed additional

guidelines for textile suppliers on how to improve water recycling, which affects both water consumption and wastewater quality. The guidelines will be rolled out in FY13.

Our goal is that by FY20, our home furnishing suppliers will be 30% more water efficient compared with FY11. We will make progress towards this goal through major water projects as part of our Supplier Development Process.

Saving water in Bangladesh

One of our major textile suppliers, based in Bangladesh, uses a significant amount of water for IKEA production, around 1.7 million m³ a year. In FY12, as part of our Supplier Development Process, we launched a project together to cut water consumption by at least 20% and to test our water recycling guidelines for textiles.

The supplier installed 30 water metres around the plant to understand which sub-processes use most water. We are monitoring water consumption in each sub-process. Reduction targets will be set across the textile production process from bleaching to printing and dyeing. Together we've identified several points where wastewater could be recycled and used elsewhere in the plant and will run pilot projects to test potential solutions and savings. We are also exploring opportunities to capture and use rainwater.

Cutting water use in cotton farming

Cotton farming is highly water intensive. With half of the world's textiles containing cotton, most of which is grown in developing countries such as India and Pakistan where water can be scarce, improving water efficiency is a priority.

We've been partnering with WWF and many other NGOs since 2005 to promote sustainable practices among mainstream cotton farmers. Together we have reached over 100,000 farmers,

supporting them to reduce the use of water and pesticides, and to save money. We invested €1.9 million in these projects in FY12. Projects include hands-on training and involve farmers who have adopted new practices as advocates to inspire others to do the same. WWF research suggests that farmers involved in the projects can reduce water and chemical pesticide use significantly, contributing to cost reductions and better earnings. Read about our work with cotton on [page 32](#).

Environmental impacts of the IKEA catalogue

In FY12, we printed 212 million copies of the IKEA catalogue in 29 languages, using more than 32 paper and printing suppliers. We also publish an online version of the catalogue and a catalogue app for mobile. We measure the environmental impact of producing the catalogue and work with suppliers to reduce energy use, water use, waste and carbon emissions, to increase the share of renewable energy and source more sustainable paper.

In FY12 we changed the design of the catalogue, making it wider and improving the paper quality. In some areas, such as water use and carbon emissions per copy, sustainability performance remained stable or improved.

However, in other areas sustainability performance decreased. Less of the paper had recycled fibre content or came from forests certified as responsibly managed by organisations such as the Forest Stewardship Council (FSC). Using a different type of paper in the production process caused emissions to wastewater per copy to increase by 24%.

We have set clear and challenging goals for the coming three years to improve the overall sustainability performance of the IKEA catalogue. For example, our ambition is to reduce energy use by 10% and CO₂ emissions by 20% for the 2016 catalogue, compared with the 2012 catalogue, and 60% of the energy used

should come from renewable sources. Our ambition is also to have all the non-recycled fibre used in the 2016 catalogue to be FSC certified.

Information on suppliers' sustainability performance is requested before we negotiate contracts with catalogue suppliers. Our purchasers use this information to select suppliers that support our ambitious goals. Learning from our experiences this year, we have organised workshops with our suppliers to find ways to improve performance for the next IKEA catalogue.

Environmental key performance indicators, catalogue totals

	FY08	FY09	FY10	FY11	FY12
Printed number of catalogues (millions)	198	198	197	208	212
ISO 14001 certified paper suppliers (%)	61	94	89	100	94
Catalogue paper (tonnes)	113,099	103,784	102,476	108,450	107,373
FSC-certified Chain of Custody fibre (%)	5	19	21	30	23
Recycled fibre content (%)	6	6	11	4	2
Share of renewable energy (%)	40	51	50	48	42

Environmental data per catalogue copy

	FY08	FY09	FY10	FY11	FY12
Water consumption (litres/copy)	17.92	14.96	14.26	13.55	13.39
Energy consumption (kWh/copy)	3.11	3.04	2.96	2.72	2.69
Fossil carbon dioxide (kg CO ₂ /copy)	0.69	0.61	0.49	0.43	0.43
Emissions to air (gr VOC/copy, volatile organic compounds)	1.01	0.75	1.12	1.15	1.12
Emissions to wastewater (gr COD/copy, Chemical Oxygen Demand)	3.88	3.83	3.49	3.47	4.29





*Better life for
people and
communities*



Better life for people and communities

We want to play our part in creating a better life for the people and communities touched by our business. This has always been part of our approach, and it is even more important today as our business continues to grow around the world.

We focus on creating the best places to work for our co-workers and those of our suppliers. We support vulnerable communities and children, and we are committed to upholding human rights in everything we do.

A great place to work

FY12 at a glance

- Women made up 47% of managers
- 72,000 co-workers participated in our VOICE survey
- 83% of co-workers are proud of the way IKEA works with sustainability

People & Planet Positive - new targets

- Ensure that the requirements we place on our own operations, with regards to environmental, social and working conditions, meet or exceed those we require of our suppliers using our people strategy.

Our co-workers are our most valuable resource and make IKEA a unique company. We always recruit based on our values to find engaged, diverse and straightforward people with a passion for home furnishings. Our co-workers come from all over the world but share the fundamental humanistic values that our culture is based on: togetherness, humbleness, simplicity, cost-consciousness and common sense.

There are endless career and learning possibilities at IKEA. We offer co-workers expertise, development opportunities and support but the values must be there from the start.

It's part of our culture to give co-workers big responsibilities. Learning in the business is what makes people grow, and when our people grow, IKEA grows too. We encourage our co-workers to try different roles – and to gain experience outside their usual work area and home country. This increases understanding and knowledge within the organisation, and benefits us all in our professional roles and not least as human beings. By growing together we can create a better everyday life for ourselves and our customers.

We are dedicated to making IKEA a great place to work and to keep improving. Our new people strategy, which will be launched in FY13, builds on our values, clearly explains our priorities and introduces new goals and key performance indicators (KPIs). The strategy will support our different businesses and locations to achieve our goals.

In FY12, there were 139,000 IKEA co-workers in 44 countries around the world.

Co-workers per region



Co-worker turnover (%)

	FY08	FY09	FY10	FY11	FY12
Part-time	32	22.4	20.5	22.3	24.9
Full-time	16	11.9	10.6	11.5	14.5
All	24	16.4	14.8	16.1	18.9

In FY12, employee turnover increased from 16.1% to 18.9%. The reasons for this increase varied across markets. Work to calibrate our database across companies and markets may also have contributed. Despite the increase, our turnover rate in FY12 was acceptable in comparison with the retail industry where higher turnover rates are not unusual.

Diversity and inclusion

The way our customers live is different in every country, region and even from family to family. The more we can reflect this diversity in our workforce, the better we can meet our customers' needs. An inclusive workplace where people can be themselves makes for a more creative and enterprising business.

During FY12 we developed plans to further integrate diversity and inclusion across our business. Each business unit will set diversity goals that reflect global priorities and local circumstances, and measure performance including recruitment, retention and engagement of a diverse workforce. We will launch a toolkit for managers that explains the business benefits of diversity and our priorities.

Diversity isn't just about gender, ethnicity, physical ability, age and nationality, although these are very important. We also consider factors such as educational background, parental status, and work experience to be part of diversity.

Gender diversity (% of women)

	FY10	FY11	FY12	Goal FY15
All employees	52	55	52	-
All managers	39	40	47	50

We are pleased that gender diversity in management increased from 40% to 47% in FY12. This increase was due to focused succession planning and targeted work with presenting female candidates for management positions, for example in our Supply Chain function. We hope our planned focus on diversity from FY13 will move us the rest of the way to our goal of 50% by FY15.

Training and development

We encourage co-workers to challenge accepted solutions, test new ideas and see mistakes as opportunities to grow and develop. We offer regular training to co-workers to develop their skills and engage them in their work. Co-workers can also complete e-learning courses relevant to their function via the online IKEA Learning Centre.

IKEA backpackers

We want our co-workers and IKEA to grow together. Through our Backpacker Journey programme, we give co-workers at the beginning of their careers the opportunity to develop through international placements.

The backpackers get to work within different fields in two different countries over a year. Returning with new knowledge and experience, and a global outlook, we hope they will move into leadership roles and expand our pool of highly skilled, international IKEA managers. There were 88 backpackers in FY12 from 25 countries. In all, 203 co-workers have taken part since the programme began.

Health and safety

Providing a healthy and safe environment for our co-workers and customers is an absolute priority and we never compromise in this area.

Managing health and safety issues is integrated into our daily work, and we take a proactive and preventative approach. For example, every day, the duty manager walks through the store before opening to check compliance with our internal safety standards.

All co-workers have responsibility for creating and maintaining healthy and safe working conditions and

must comply with relevant regulations as well as our own health and safety rules. Managers are accountable for ensuring a healthy and safe working environment, providing visible leadership and inspiring others as role models.

Our approach at all IKEA units includes:

- Mandatory safety training for all co-workers
- Safety committees, made up of co-worker representatives and managers
- Safety co-ordinators who conduct risk assessments and review safety risks
- Tracking near-miss incidents and other leading indicators to create a safety culture and prevent future accidents.

We deeply regret the death of a co-worker in a workplace accident in the board on frame division of Swedwood during FY12. The incident happened when a worker in one of our factories in Poland was crushed by a moving machine. Safety procedures had not been followed. Following the accident we have upgraded the software for a number of machines to improve safety. All co-workers at the factory are attending additional safety training. We are fully cooperating with the public prosecution proceedings relating to the accident.

Health and safety data

Health and safety data is collected and monitored by each unit. We don't aggregate data for the lost-time accident rate at group level.

We are pleased that we reduced the lost-time accident (LTA) rate at Swedwood by 37% in FY12 from 15.07 LTAs per million hours worked to 9.49. LTAs are accidents requiring more than 24 hours away from work. Measuring the number of reported incidents (near-misses) enables us to take action before an accident happens. The number of reported incidents per LTA is currently 25, and Swedwood aims to significantly improve incident reporting.

At Swedspan, performance improved by 23% (from 16.61 LTAs per million hours worked to 12.71). To further improve performance, a detailed risk assessment process is underway involving Environmental, Health and Safety (EHS) specialists, managers and co-workers. This will identify and address safety risks including those associated with specific tasks. Swedwood and Swedspan both have EHS management systems and/or EHS audits in place.

Communication and engagement

With 139,000 co-workers in 44 countries, we need to communicate creatively and consistently. Well-functioning internal communication is a foundation for

our co-workers' ability to perform their tasks, learn and develop, and gives them a sense of value and belonging so they are engaged in their workplace. Managers must make sure their teams are kept up to date and receive the information they need to do their jobs. We provide communications training and tools to support them.

Our intranet site, IKEA Inside, is complemented by other channels including our quarterly co-worker magazine, *ReadMe*, which is written from a co-worker perspective. The magazine is translated into 19 languages, with articles on company and product news, and many areas of the organisation have national and local magazines as well. In our stores we use regular meetings, video screens, closed-circuit radio and notice boards to keep co-workers updated. For co-workers with limited computer access at work and better access outside work, they can access news and information on IKEA activities as well as documents relating to wages and benefits through an online system.

In FY12, we formalised principles for co-worker relations and association, and we respect their rights to join co-worker associations of their choice. The policy outlines our commitment to open dialogue with co-workers and their representatives, and we expect managers to be proactively involved in co-worker relations.

Our VOICE survey, which is conducted by an independent organisation, enables us to better understand co-worker views, assess how engaged they feel with their work, and identify areas where we can do better. The survey is completed by different parts of the business each year, and every unit participates at least once every two years. In FY12, the survey was completed by 72,000 co-workers, and the results are shared with unit managers and action plans created to address lower scoring areas.

We use the results to create an overall Index score and a Leadership Index result, which is used to assess the performance of IKEA leaders. In FY12, the overall result was 712 out of 1,000 (716 in FY11) and the leadership score was 74 (74 in FY11). A result of 700 or above is defined as “excellent” by the organisation that conducts the survey.

VOICE result

	FY08	FY09	FY10	FY11	FY12	Goal FY15
Overall VOICE result	646	663	659	716	712	700
Leadership Index result	72	73	73	74	74	75



Human rights at IKEA

Our vision “to create a better everyday life for the many people” extends beyond our co-workers and customers to the co-workers of our suppliers and the communities where they live.

We want to have a positive effect on people’s daily lives, and we are committed to support and respect human rights where we have influence through our business. This can be challenging because we operate in and source from countries where practices and values can differ.

Today, for the first time, there is a global standard to help businesses understand human rights and how to uphold them. Launched in 2011, we welcome the United Nations Guiding Principles on Business and Human Rights, and we will promote the principles across our value chain.

Human rights are embedded in our supplier code of conduct, called IWAY, which applies globally ([page 75](#)) and in our values and human resources policies. But there is still more to do.

During FY13, we will set up a human rights working group that includes people from different parts of IKEA. The group will review our policies, training

and due diligence processes, looking for ways we can improve and ensure we have the systems in place to achieve our goals. We will take a holistic approach, working with external partners to protect and promote human rights along our value chain.

Children and human rights

We believe that children are the most important people in the world. All our actions should always have the best interests of the child in mind.

Our approach to children’s rights goes across our business. We want our products and stores to be safe and good for children. And we design our Children’s IKEA range to inspire them and to support their development.

Since 1994, IKEA has been working to tackle the issue of child labour and promote the rights of children. We have partnered with Save the Children and UNICEF on these issues, and both organisations contributed to the development of our IWAY child labour standard, The IKEA Way on Preventing Child Labour (2000). Much of our work with UNICEF and Save the Children has focused on creating industry-wide approaches to preventing and eliminating child labour, for example in the cotton-producing sector. We have also funded (directly and now via the IKEA Foundation) programmes that go beyond the supply chain and promote the education and well-being of children and a better quality of life for families.

We support the Children's Rights and Business Principles, launched in March 2012 by UNICEF, the UN Global Compact and Save the Children. We contributed to their development by sharing our insights into the practical aspects of promoting the rights of children. The principles provide a comprehensive framework that will support us to better understand our impact on children's well-being and improve our efforts to promote the well-being of children and prevent any negative impacts that our business could have on them.

People & Planet Positive – new targets

- Using the UN Guiding Principles on Business and Human Rights as our base, we will work to promote its implementation across our value chain
- We will use the Children's Rights and Business Principles to strengthen the work we do throughout our business to protect the rights of children – from supply chain and product development to advocating on behalf of children, enabling their voices to be heard



The best places to work – suppliers

FY12 at a glance

- At year end FY12, 100% of home furnishing, components, goods transport and global food suppliers were approved against IWAY (our supplier code of conduct) or being phased out within five months⁵
- Completed more than 1,000 IWAY audits, of which 700 were unannounced
- Began to track approval against “IWAY Musts” among sub-suppliers

People & Planet Positive – new targets

- By the end of FY15, all IKEA suppliers (within the IWAY scope) will comply with our supplier code of conduct, IWAY. IWAY will be continuously assessed and strengthened.

Running our business involves thousands of suppliers in more than 50 countries, and around 600,000 people work for companies that directly supply IKEA. We want them to work under good social and environmental conditions.

That’s why we have IWAY – the IKEA Way on Purchasing Products, Materials and Services. It’s the IKEA supplier code of conduct, and it applies to all home furnishing suppliers. First launched in the year 2000 for home furnishing suppliers, we’ve updated and strengthened IWAY over time, and we continue to expand it to cover other categories of suppliers. By building long-term relationships with suppliers, we can have a positive influence on people’s lives across our value chain. We’ve worked with more than 50% of our suppliers for more than five years. Our work with suppliers so far has led to thousands of audited improvements in working conditions in our supply chain.

This section explains our approach to ensuring a better life for people in our supply chain, how we influence conditions at sub-suppliers and how we audit and verify compliance with our standards. We also work with suppliers to reduce environmental impacts in the supply chain ([page 58](#)).

⁵ In China we are working with suppliers to reduce working hours to a 49-hour limit. As an interim step, suppliers can become IWAY approved if working hours do not exceed 60-hours a week including overtime.

Suppliers by category (number of suppliers)

Home furnishing	1084
IKEA Food (global suppliers)	70
IKEA Food (national suppliers)	600
IKEA catalogue	32
Indirect Material Services	769
Transport service providers - Land and ocean	230
Transport service providers - Customer delivery	120

Top 5 home furnishing purchasing countries (%)

Country	% of total
China	22
Poland	18
Italy	8
Sweden	5
Lithuania	4

IWAY – The IKEA way for suppliers

- Applies to all direct suppliers for home furnishing products, some other categories of suppliers and selected sub-suppliers. Direct suppliers are required to communicate IWAY to their sub-suppliers
- Requires suppliers to respect human rights, protect workers' rights, not exceed legal requirements for working hours, pay workers in accordance with legal requirements, protect the environment and comply with local laws and regulations
- Contains further specific requirements relevant to different types of suppliers including catalogue, food, transport and wood suppliers
- Includes "IWAY Musts", a set of basic requirements any new supplier must meet before we do business with them. This includes requirements to prevent child and forced labour, prevent severe environmental pollution and safety hazards, keep records of working hours and wages and have social insurance
- Requires that workers do not work more than 60 hours, including overtime, or more than the legal limit in their country, whichever is lowest. There is one exception to this in China where far longer hours are widespread. For now, IKEA requires that Chinese suppliers do not exceed a 60-hour working week, including overtime. This is an interim step towards our goal that Chinese suppliers meet a 49-hour working week, including overtime. We are also unable to fully apply the IWAY requirement for freedom of association in China and Vietnam because of legal restrictions in these countries.

The full text of the IWAY standard can be found at www.ikea.com

IWAY governance

The IWAY requirements are decided by our IWAY Council, and are based on UN and ILO conventions. Communicating our requirements to suppliers, supporting them to meet IWAY and following up to ensure compliance with audits involve several different functions within and outside IKEA.

Function	Role
IWAY Council	• Overall ownership of IWAY • Discuss and decide actions on high-risk supply chain issues • Final approval of IWAY documents • Members include the IKEA Chief Executive Officer and three other members of executive management (Chief Sustainability Officer, Supply Chain Manager and Corporate Communications Manager)
IWAY Council Working Committee	• Operational responsibility for IWAY • Develop IWAY Code of Conduct and guidelines • Review audit results • Provide clarity on IWAY standards and resolve disagreements on audit results • Overall responsibility for training IWAY auditors
IKEA auditors	• Conduct announced and unannounced audits at suppliers • Review action plans submitted by suppliers in cases of non-compliance • Conduct follow-up audits
Regional trading offices (products and services locally)	• Co-workers in regional trading offices have regular contact with suppliers in their region and are regularly on-site at factories • Support suppliers with understanding and meeting requirements
Compliance and Monitoring Group (CMG)	• Independent from IKEA auditors and business units • Ensure IKEA co-workers follow IWAY policies and processes in dealings with suppliers • Perform audits to ensure that judgements by IKEA auditors are consistent globally and results are accurate • Support training and development of IKEA auditors • Report audit results to IWAY Council
Third-party auditors	• Independent from IKEA • Verify IKEA audit results • Conduct unannounced audits and calibration audits • Report results to Compliance and Monitoring Group (CMG)

We work with suppliers to ensure compliance with IWAY through a number of steps:

The home furnishing supplier journey with IKEA

Step 1	• A potential new supplier is identified • Suppliers must meet basic requirements on working conditions and environmental protection, called "IWAY Musts", before we start business with them • New supplier joins IKEA supply chain
Step 2	• Within a maximum of 12 months, new suppliers must meet the full requirements of the IWAY supplier code of conduct • IWAY compliance is verified through an on-site audit • Supplier is approved when all requirements are met
Step 3	• Follow-up audits are conducted at least once every two years. These can be announced or unannounced • Suppliers based in some higher-risk locations including South and South East Asia are audited once every year • Audits are conducted by internal IKEA auditors. Verification activities are performed by the Compliance Monitoring Group and third-party auditors
Step 4	• If areas of non-compliance are identified in follow-up audits at an IWAY-approved supplier, an action plan is agreed with the supplier • If a supplier does not comply with "IWAY Musts" at any time, deliveries are immediately stopped and corrective actions put in place • If a supplier does not comply with any other IWAY requirements during the follow-up audit, they have 90 days to correct any issues. If a supplier fails to correct all deviations within given timeframes, the supplier is discontinued

Progress in FY12

At year end FY12, all home furnishing, IKEA Components (IKEA C), land and ocean transport suppliers and global food suppliers were IWAY approved or being phased out within five months. This excludes 117 new suppliers that have up to 12 months to be approved. Suppliers in China are approved with a maximum 60-hour working week. Suppliers being phased out at year end FY12 represented 4% of home furnishing, global food and transport suppliers.

Gaining IWAY approval is a significant step forward, and we worked with suppliers through the process, communicating IWAY requirements clearly and supporting their efforts to improve social and environmental standards. The most common areas of IWAY non-compliance identified during audits were: working hours and overtime; safety instructions; storage, transport and handling of waste; wages; escape routes and emergency exits. Suppliers worked hard to correct these issues and meet the IWAY requirements. Unfortunately, not all suppliers chose to meet the IWAY requirements by the end of FY12 and, as a result, we stopped working with around 70 suppliers. Areas of IWAY non-compliance were working hours, one day off in seven and social insurance.

The challenge now is to maintain compliance to IWAY. Our ambition is that suppliers share our commitment to sustainable business and continue to take responsibility for providing good places to work.

We also audit selected parts of our business for compliance with IWAY, including distribution centres, IKEA C, Swedspan and Swedwood. In FY12, there was 100% IWAY approval at distribution centres, IKEA C and Swedwood. Four out of five Swedspan units were IWAY approved. One facility did not comply with IWAY requirements on lighting, and we will upgrade the lighting system to more efficient commercial LED lighting.

IKEA C supplies components and materials to IKEA suppliers and sub-suppliers that end up in IKEA home furnishing products. All IKEA C suppliers are IWAY approved, which means a greater level of approval is

Non-home furnishing suppliers that will reach IWAY approval by the end of FY15:

- Customer delivery suppliers
- Higher-risk IKEA Indirect Material and Services (IKEA IMS) providers (those who supply materials and services not used for IKEA products)
- Higher-risk local store services suppliers (security, cleaning and waste service providers)
- National and local food suppliers
- Catalogue suppliers.

being achieved at suppliers that would otherwise be sub-suppliers to IKEA home furnishing suppliers and outside the current scope of IWAY.

We are working towards IWAY approval for other types of suppliers. By the end of FY15, suppliers in China will be required to meet a 49-hour work week, including overtime, instead of a 60-hour working week.

Home furnishing suppliers

IWAY-approved home furnishing suppliers*, %

	FY08	FY09	FY10	FY11	FY12
Europe	80	79	89	90	100
Americas	91	83	85	94	100
Asia, total	21	22	26	41	92
China	7	7	7	30**	90**
South Asia	34	41	62	65	93
South East Asia	63	65	68	65	97
All regions	54	52	57	67**	96***

* Data for home furnishing suppliers includes Swedwood factories.

** Approved with maximum 60-hour working week.

*** Excludes 117 new suppliers that have up to 12 months to be approved. Includes suppliers where a non-compliance has been identified and are within the 90-day period allowed to correct the non-compliance.

Other figures

	FY08	FY09	FY10	FY11	FY12
Number of IWAY audits/of which were unannounced					
Europe	480/21	375/70	365/29	341/144	348/198
Americas	31/0	29/2	29/1	26/12	31/15
Asia	693/359	646/451	645/501	626/55	607/517
Total	1,204/380	1,049/523	1,039/531	993/711	986/730
Number of IKEA Compliance and Monitoring Group calibration audits					
Europe	20	19	21	24	19
Americas	2	2	2	3	2
Asia	24	22	32	25	29
Total	46	43	55	52	50
Number of third-party audits (unannounced)					
Europe	17	15	12	12	9
Americas	0	0	0	0	2
Asia	29	30	35	32	45
Total	46*	45	47	47	56
Terminated businesses, number of suppliers					
Due to IWAY non-compliance	20	10	10	8	47
Due to non-compliance and other reasons	28	43	17	11	25
Number of third-party child labour audits					
Total	435	365	365	370	365

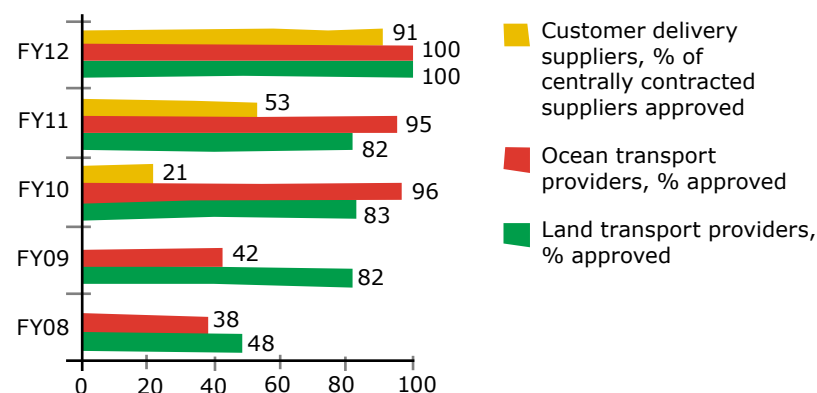
*In FY08, 31 of 46 third-party audits were unannounced.

Transport suppliers

Around 230 suppliers transport our products by land and ocean. In FY12, we met our goal of 100% IWAY approval for these suppliers. We stopped working with 8% of our suppliers – those that chose not to meet the IWAY requirements. One of the most challenging areas was ensuring transport suppliers use modern, fuel-efficient trucks with lower emissions.

We made significant progress with IWAY approval for suppliers that deliver products directly to customers' homes. The IWAY approval rate increased to 91% in FY12, exceeding our target of 75%. This applies to customer delivery companies contracted centrally by IKEA, around half of the total.

IWAY approval at transport suppliers

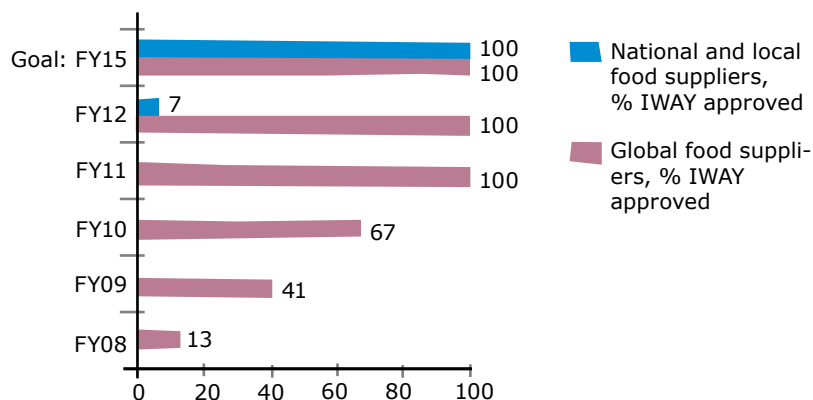


Food suppliers

Companies that provide the ingredients for the Swedish menu options in our restaurants and the food range available in the Swedish Food Market shops in-store (global food suppliers) continued to show high levels of compliance with our IWAY supplier standards.

In FY10, we extended our IWAY food standards to national and local suppliers – those providing the local food choices in our restaurants. We began auditing these suppliers in FY12. These audits showed a high level of compliance. We did not complete as many audits during the year as we had planned. To correct this, during FY13 we will provide more training and support to enable our national food purchasers to extend audits to more national food suppliers.

IWAY approval at food suppliers



Some countries also source food indirectly via wholesalers. We plan to extend the IWAY scope to cover these suppliers over time.

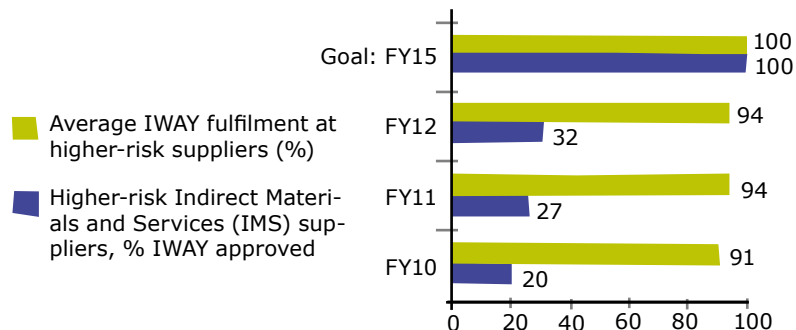
IKEA Indirect Material and Services

IKEA Indirect Material and Services (IKEA IMS) is responsible for purchasing and supplying the non-home furnishing products and services needed to run our business. For example, it purchases store equipment such as forklifts, co-worker uniforms, shopping trolleys, racking and lighting as well as security, waste and cleaning services and IT solutions.

We focus IKEA IMS IWAY audits on suppliers that pose a higher risk for IWAY non-compliance, such as providers of store lighting equipment, cleaning and waste management services.

In FY12, the number of IWAY-approved IKEA IMS suppliers increased slightly. The average IWAY fulfilment rate among these suppliers was 94%. The main challenges for IWAY compliance were insufficient documentation, breaching fire safety standards and working hours in China. More audits are needed, along with other activities to support suppliers' development, and we are increasing our capacity to achieve this.

IWAY approval at IKEA Indirect Material and Services suppliers



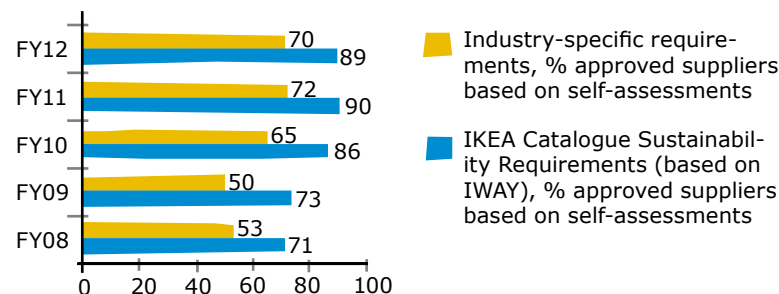
Our stores also contract local and national suppliers directly for a variety of services. In FY12 we began to audit higher-risk local store suppliers of security, cleaning and waste services. We conducted 35 audits in FY12 and we're aiming for 100% IWAY approval by FY15.

Catalogue suppliers

IKEA catalogue suppliers are not assessed against IWAY because the catalogue is produced by Inter IKEA Systems, the owner of the IKEA Concept and the worldwide IKEA franchisor. Instead, catalogue suppliers must meet the IKEA Catalogue Sustainability Requirements that are based on IWAY, as well as industry-specific requirements for paper, artwork and printing. Inter IKEA Systems checks compliance with the requirements through supplier self-assessment surveys. On-site audits are also conducted, if needed.

The results are then used by our purchasers in the supplier selection process. In FY14, catalogue suppliers will be included in the IKEA Group audit programme and audited against IWAY. For information on the environmental performance of catalogue suppliers, see [page 64](#).

Approval at catalogue suppliers



Swedwood and Swedspan

Two wholly-owned companies in the IKEA Industry Group – Swedwood and Swedspan – supply wooden boards and furniture to other areas of IKEA. Both units are beginning to implement IWAY in their supply chains.

In FY12, Swedwood conducted 24 supplier audits in nine countries, and 18 suppliers were IWAY approved. Swedwood has agreed action plans with suppliers where areas of non-compliance were found. Swedspan requires direct suppliers to complete a self-declaration

that they will comply with IWAY before Swedspan will work with them. Swedspan is identifying the most critical suppliers that will be audited against the IWAY requirements.

Investigation into purchasing practices in the former GDR

During FY12, allegations were made about the use of political prisoners in IKEA suppliers' production in the former GDR in the 70s and 80s. We asked Ernst & Young to conduct an independent investigation. It indicated that political prisoners were involved in parts of production units that supplied IKEA and that steps taken to secure that no such labour was used were insufficient. This was and is unacceptable to IKEA. We have made a summary of the findings public and have agreed to work with the Victims Organisation in Germany. IWAY and our current working methods effectively reduce the risk of anything similar happening today.

Working with sub-suppliers

We estimate that there are more than 2 million people connected with IKEA across our value chain, mostly involved in the production of raw materials. Some of the more challenging issues in our value chain are found among sub-suppliers and around extraction or production of raw materials rather than direct suppliers to IKEA. Our direct suppliers are responsible for communicating the IWAY code of conduct to sub-suppliers and we support them to do this.

We are beginning the substantial task of systematically tracking sub-suppliers in our supply chain, collecting data on IWAY compliance, understanding the challenges they face and following up with audits. We focus on sub-suppliers we consider "critical", because they are operating higher-risk processes or are based in higher-risk locations. We estimate there are several thousand critical sub-suppliers. Our goal is for direct suppliers to secure compliance with the "IWAY Musts" at their critical sub-suppliers by the end of FY13, except in China where we aim to meet this goal in FY14.

In FY12 we rolled out a global online Sub-Supplier Tracking System, where our suppliers must register sub-suppliers. We provide guidance on which of their sub-suppliers are critical for "IWAY Musts" compliance and training to enable them to implement "IWAY Musts" with sub-suppliers.

Going beyond compliance

Achieving IWAY approval for home furnishing, global food and transport suppliers doesn't mean our work is done. The challenge now is to continue supporting suppliers to maintain compliance and improve practices even further. We have already begun to work with suppliers beyond IWAY compliance, to support economic, environmental and social development more widely. For example, we are working with suppliers in South Asia to introduce better child-care facilities and more nutritious canteen food for workers. In FY12, we also continued a project to increase the number of workers paid salaries through bank accounts, instead of cash, which improves transparency over wages and enables workers to keep their money safe, manage family finances, build up savings and, over time, escape poverty. Currently, nearly 40% of workers in our supply chain in South Asia are paid through bank accounts.



Strong communities

We want to take a lead in creating a better life for the people and communities touched by our business. This is part of our vision to create “a better everyday life for the many people”.

At a local level, IKEA stores strive to be good neighbours, working with charities and community groups and engaging co-workers and customers.

At a global level, the IKEA Foundation creates opportunities for children living in poverty in the developing world.

FY12 at a glance

- Celebrated more than 10 years of partnership with UNICEF India reaching 74 million children
- €82 million donated, a 26% increase from 2011
- Co-workers and customers raised €12.4 million through the Soft Toys for Education campaign

The IKEA Foundation, a charity registered in the Netherlands, donates tens of millions of euros to charity each year through funds set aside from IKEA profits. The IKEA Foundation also provides IKEA product donations, and holds workshops with UN agencies and non-profit organisations to share the knowledge and skills of IKEA co-workers.

The IKEA Foundation

No matter what the circumstances, every child deserves a place to call home, a healthy start in life, a quality education, and a sustainable family income. To reach millions of children, the IKEA Foundation supports programmes that can bring about large-scale change, by working with partners such as Save the Children, UNHCR and UNICEF. These organisations have the knowledge, capacity and resources to reach out globally, so together the IKEA Foundation and its partners can create opportunities for millions of children worldwide.

The IKEA Foundation focuses on:

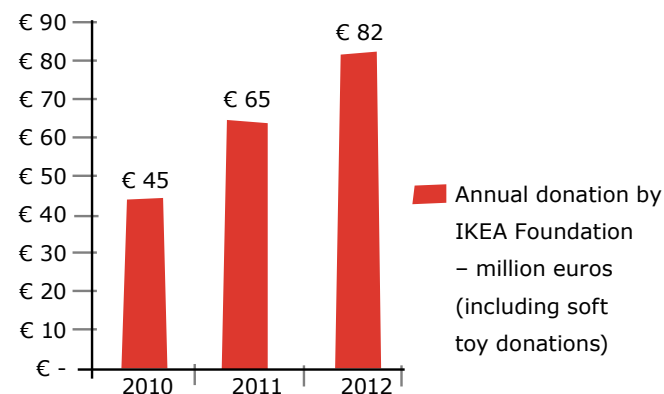
- Protecting children from child labour
- Providing a place to call home for refugee children
- Empowering girls and women

Progress in 2012

Charitable giving by the IKEA Foundation is growing, as our business grows. In 2012, the IKEA Foundation donated €82 million⁶, a 26% increase from 2011. This was used to support 21 programme partners. The IKEA Foundation also extended its grant-giving to charities based in the USA and UK, such as the Clinton Health Access Initiative, for the first time, confirming €31 million for these charities to use on programmes in the developing world.

⁶ Estimated figure based on 11 month data.

IKEA Foundation total donation (million euros)*



*This data does not include the money, volunteer hours and products donated by IKEA stores and other business units. Data on the IKEA Foundation is provided for the calendar year, not financial year.

Celebrating more than 10 years in India with UNICEF

For over 10 years the IKEA Foundation has supported UNICEF's work in India to end child labour and create a better future for children living in poverty. By the end of 2012, the IKEA Foundation had donated more than €100 million to UNICEF India and reached 74 million children.

Children in cotton and cotton-seed farming areas are at particular risk of being denied fundamental rights like the right to education. An estimated 400,000 children are working in India's cotton

industry. Around half are under 14 years old and almost 90% don't attend school.

The long-term partnership between the IKEA Foundation and UNICEF (together with our partnership with Save the Children) addresses the root causes of child labour, raising awareness of the importance of education so families can keep their children in school.

With support from the IKEA Foundation, UNICEF has improved children's health, hygiene and education in India:

- 3.6 million children are receiving quality education in more than 18,000 schools across six states
- 4.9 million mothers have started breastfeeding their newborn babies within one hour of birth
- 32 million homes now have toilets
- 8,000 community groups came together to collectively protect children's rights
- 1.1 million schools now have toilets, hand-washing facilities and safe drinking water.

Sharing IKEA knowledge

IKEA co-workers have skills and knowledge that can be of real benefit to partners of the IKEA Foundation. As well as giving money, the IKEA Foundation hosts “knowledge-sharing workshops” where IKEA co-workers put their heads together with charity partners and develop new ways of working. In 2012, this included co-workers sharing their skills in building design, IT, quality, packaging, product design, procurement and transport through workshops with UNHCR, the UN Refugee Agency.

Partnering for innovation

Some of the most exciting opportunities to create better lives for children come from identifying synergies between large and small partners. One clever idea

from a small innovative organisation can be the seed for big changes when implemented by a large organisation with a global reach and impact.

For example, in 2012 the IKEA Foundation supported Refugee Housing, a Swedish project to design next-generation shelter tents for refugee camps. The IKEA Foundation also supported Refugees United, a Danish non-profit developing innovative database and mobile phone technology to reunite refugees with their families if they’ve become separated. Already more than 165,000 refugees have registered so they can begin the search for their loved ones. The IKEA Foundation has connected both these groups with the UNHCR to explore opportunities for implementing their approaches on a large scale.

Supporting refugee children who don’t have a home

Every year UNHCR supports millions of children and their families to flee the danger of war, famine or persecution for the safety of a refugee camp. As well as donating cash to support their work, the IKEA Foundation is using its skills to enable UNHCR to deliver aid more efficiently to where it’s needed most.

IKEA co-workers showed UNHCR how IKEA designs products, sources materials, packs products and transports them. Co-workers shared their core skills for making low-cost, simple and efficient packaging, and stackable and easy-to-use products. Together the IKEA Foundation and its partners designed better kitchen utensils for refugees

in camps in the Middle East and North Africa, and shared ideas on how emergency tents can be flat-packed to make them easier to ship.

In this way the IKEA Foundation is making life a bit better for refugee children who don’t have a home at all.

Customer and co-worker campaigns

The IKEA Foundation involves customers and co-workers in campaigns for a good cause through IKEA stores.

Soft toys for education

During the holiday season at the end of each year, the IKEA Foundation donates one euro for every soft toy sold in IKEA stores worldwide. The money goes to Save the Children and UNICEF projects aimed at improving the education for children in Africa, Asia and Central and Eastern Europe.

In 2011, the efforts of co-workers and customers raised €12.4 million, and since 2003 more than €47.5 million has been raised, supporting over eight million children to get a better education. The IKEA Foundation [IWitness Global Citizens](#) programme takes small groups of co-workers to visit developing countries to see first hand the impact of donations.

In FY12, more than 12 teams of co-workers from around the world participated. Returning from the trip, co-workers often raise awareness among colleagues. Speaking about his upcoming trip, Mike Martinez, a co-worker from the IKEA Draper store, in Utah, USA, said, "I want to bring back the story not only to my co-workers, but my community as well. I want them to see how their generosity did more than just give a child they know a soft toy – it went worldwide and supported children all around the world."



SUNNAN lamps

Between 2009 and 2012, every time a customer bought a SUNNAN solar lamp, the IKEA Foundation donated another lamp to a child living in the developing world without easy access to electricity. This three-year programme created a greater sense of security after sunset and enabled thousands of children around the world to continue to read, write and draw at night.

Over the course of the programme, the IKEA Foundation donated nearly 950,000 SUNNAN lamps to children in Afghanistan, Bangladesh, China, Ethiopia, India, Jordan, Kenya, Pakistan, Tajikistan and Yemen.



Governance and ethics

Governance and ethics

We're a values-driven company on a never-ending journey to be the leader in life at home. We see home as the most important place in the world. We look to grow our business by focusing on our customers, our co-workers and their needs. Because we are not a listed company, we don't have the stock market pressures and can take a long-term perspective.

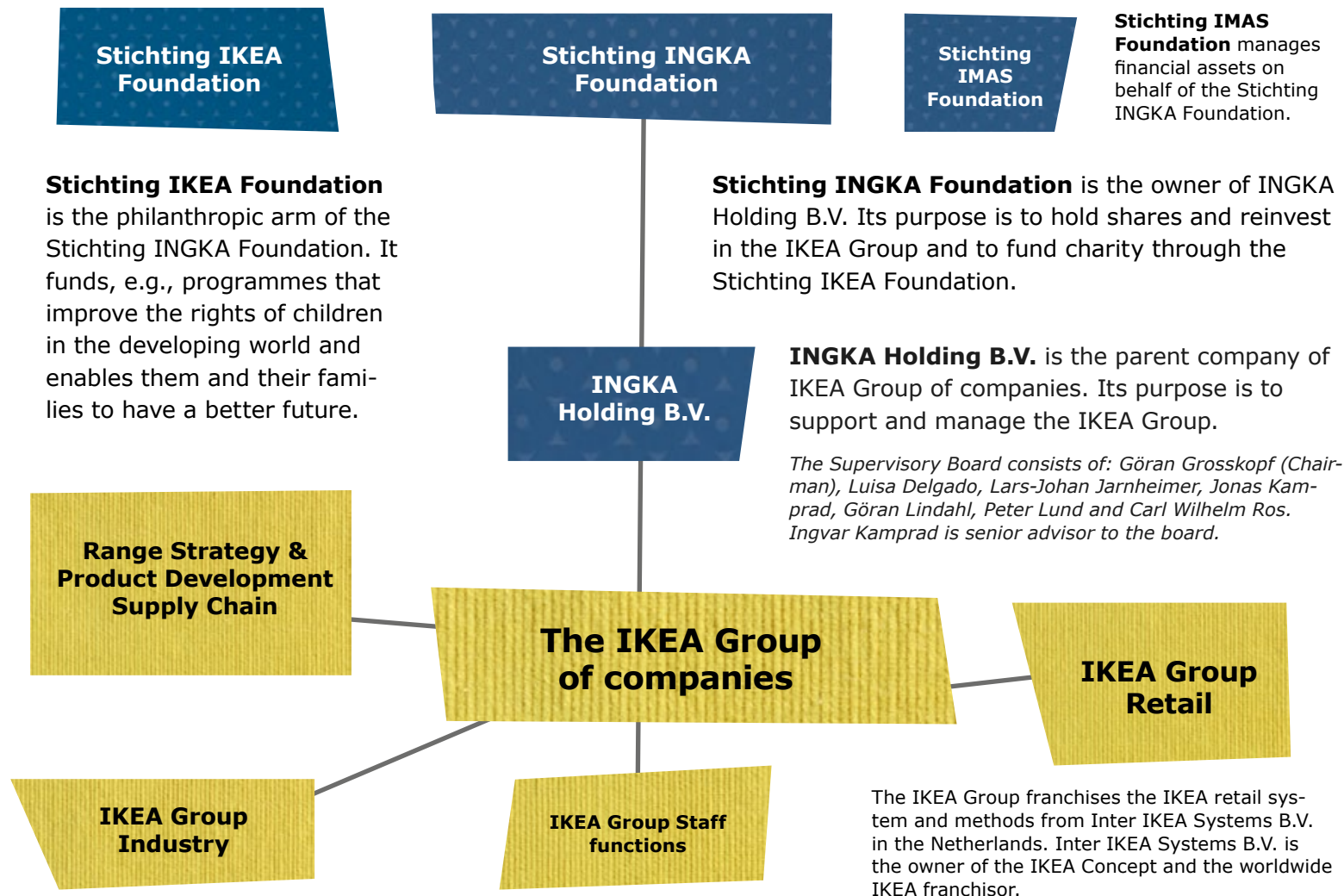
Our values, such as togetherness, humbleness, simplicity, cost-consciousness and common sense, guide us in our everyday work. They help us to deliver on our promise to create well-designed, functional and sustainable products at the lowest possible price. We expect our managers to lead by example and to explain and bring the IKEA values to life.

Sustainability is a cornerstone in our strategic direction, is highly prioritised and serves as a catalyst for further innovation and development within IKEA. To economise with resources and constantly renew and develop is an important part of our business idea and heritage. If we are to continue to offer good home

furnishings to present and future generations, we have to make sustainability attractive and affordable for our customers. We are integrating sustainability into the way we manage and govern IKEA.



How we work



Sustainability governance and management

Sustainability is integrated into our management structure and with the launch of our People & Planet Positive strategy ([page 11](#)) we are further embedding sustainability principles into our everyday work and in everything we do.

Our Chief Sustainability Officer, Steve Howard, is a member of the Executive Management Team and reports directly to the Group President and CEO.

Sustainability is part of our values and a strong incentive for innovation and renewal throughout IKEA. As one of the cornerstones of Growing IKEA Together (our long-term business direction), sustainability is included in the annual business plans of every part of the business. Executive Management and the Board of Directors receive regular reports on progress against our key sustainability objectives.

Every co-worker at IKEA is responsible for making sustainability happen in their everyday work. By working together and always looking for better and more sustainable solutions at every step, it's our co-workers that are the big change-makers. Their efforts are

supported by sustainability professionals working across the business – from food to retail, product development and the industry group – as well as issue experts (such as forestry specialists and IWAY auditors).

About our reporting

We are very conscious that our customers, co-workers and many business partners are interested in the progress we are making in fulfilling our commitments to a more sustainable IKEA. We share our views, progress and setbacks through our reporting, and we welcome feedback on how we can improve.

The data in this report is for the financial year 2012 (FY12), which ran from 1 September 2011 to 31 August 2012, except where stated. It covers all wholly owned companies in the IKEA Group, unless otherwise stated. In some cases, data has been estimated and this has been indicated in the text. Data covers wholly owned operations in the IKEA Group. Data for IKEA stores operated by franchisees outside the IKEA Group is not reported.

We were unable to include data for IKEA Components production facilities because one of the two facilities was relocated during FY12.

Swedwood and Swedspan are wholly owned businesses and environmental data is included in the overall environmental data for the IKEA Group.

Data for Swedspan includes a new high-density fibre-board factory opened in FY12.

During FY12 we opened 11 new stores, and they are included in the scope of the report data.

Where relevant, we report progress against the targets in our previous sustainability strategy. Our new People & Planet Positive strategy was launched at the end of FY12 and we will begin reporting progress against its targets next year.

GRI and Global Compact

Our reporting focuses on the social, environmental and economic sustainability issues we have identified as most material for IKEA. We have used the [Global Reporting Initiative](#) (GRI) guidelines on sustainability reporting as a guide when compiling this report.

We are signatories to the [United Nations Global Compact](#), a set of 10 principles in the areas of human rights, labour, environment and anti-corruption.

IKEA is committed to the ten principles of the UN Global Compact. As a signatory to the initiative, we communicate how our work in the areas of human rights, labour standards, environment and anti-corruption is progressing. The table on the next page shows where our performance related to the respective principles can be found in this report.



UN Global Compact reference table

		Location in IKEA Sustainability Report FY12
Human Rights		
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	Human rights p73-74
Principle 2:	make sure that they are not complicit in human rights abuses.	Human rights p73-74 The best places to work - suppliers p75-84
Labour Standards		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	A great place to work p71 Human rights p73-74 The best places to work - suppliers p76
Principle 4:	the elimination of all forms of forced and compulsory labour;	Human rights p73-74 The best places to work - suppliers p76
Principle 5:	the effective abolition of child labour; and	Responsible sourcing p32-33 Human rights p73-74 The best places to work - suppliers p80 Strong communities p85-86
Principle 6:	the elimination of discrimination in respect of employment and occupation.	A great place to work p68-69 Human rights p73-74 The best places to work - suppliers p76
Environment		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	Resources and energy p23-65
Principle 8:	undertake initiatives to promote greater environmental responsibility; and	A more sustainable life at home p14-22 Resources and energy p23-65
Principle 9:	encourage the development and diffusion of environmentally friendly technologies.	A more sustainable life at home p14-22 Resources and energy p23-65
Anti-corruption		
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics p96

Working with others

IKEA engages with customers, companies, trade unions, NGOs, governments and industry organisations to develop and strengthen the impact of our work within the sustainability field. By sharing experiences and learning from others, we can accomplish more than we could on our own.

As we work towards the long-term goals in our sustainability strategy, it will be more important than ever for us to take part in the debate on sustainability issues, to share our experiences and to listen and learn from our stakeholders.

We have long-term partnerships to increase the supply of wood from responsibly managed forests, to raise standards in cotton farming and to create opportunities for children living in the developing world. Our key partners include FSC, WWF, Better Cotton Initiative, UNICEF, UNHCR and Save the Children.

Engaging customers and employees

To collect structured feedback from customers, IKEA conducts market research through the “Brand Capital” survey, a tool to monitor and improve the implementation of the IKEA concept and to measure customer satisfaction in each market. The survey is conducted once a year. In addition, we monitor how satisfied customers are with their local IKEA store through the annual “Customer Satisfaction Index” (CSI) survey. The

survey provides an international benchmark for our stores, and ensures that customer satisfaction issues are regularly addressed.

IKEA customers are encouraged to contribute to positive developments through campaigns and activities run by IKEA and our partners (see Customer and co-worker campaigns, [page 88](#)).

In addition to the continuous dialogue within our co-worker teams, we keep in touch with employee views through our regular VOICE survey ([page 72](#)).



Business ethics

IKEA has always had a zero tolerance policy towards bribes, the use of illegal drugs in the workplace, harassment of co-workers and any actions that are against our values. Our culture is built on values such as simplicity, honesty and leadership by example – values that guide us in everything we do.

Our culture is the inner strength of IKEA, the foundation for how we do business. This is why we always recruit based on our values. Our vision to create a better everyday life for the many people gives us endless opportunities as well as responsibility for the way we affect the world around us.

In FY12, we launched “Good Business with Common Sense”, our code of conduct. It reflects earlier documents, including IKEA founder Ingvar Kamprad’s “Testament of a Furniture Dealer” and “IKEA Values”.

Every co-worker will be trained on it through workshops where they are able to discuss potential dilemmas, how we should all behave every day and how the code should be applied. The code will be available in 26 languages via our intranet site.

We promote a culture of inclusiveness and co-workers are encouraged to raise concerns they might have,

without fear of reprisals or retaliation. Co-workers can speak to their manager, senior management, representatives from the human resources department or co-worker representatives. In FY13 we will launch the IKEA trust line, which co-workers will be able to use to raise concerns that can’t be dealt with through the normal process.

Anti-corruption

IKEA does not tolerate corruption in any form, whether direct or indirect, and works proactively to prevent it.

Our anti-corruption policy and our code of conduct describe how to act if fraud, corruption, theft or other misconduct is suspected. All suppliers must sign an acceptance of this policy.

Clear policies and an internal ethics programme with training and workshops are central to minimising the risk of unwanted behaviour in the IKEA organisation. We make regular risk assessments in countries around the world and handle any deviations to our policy and guidelines with systematic urgency.

Public policy

We engage with government officials and policy makers internationally, nationally and locally, seeking to contribute to the legislative process in areas relevant to our business and our customers. We take a proactive approach to advocacy on sustainability issues, working with regulators and others to move the debate forward.

Our approach to public policy is in line with the general principle of honesty as established in our code of conduct. We also adhere to rules and guidelines established by national and regional authorities including the European Transparency Registry.

Examples of trade association memberships

- We participate in the Retail Environmental Action Programme (REAP), an initiative co-chaired by the European Commission, and the Timber Retail Coalition, which supports measures to curb illegal logging
- Eurocommerce, the organisation that represents the retail, wholesale and international trade sectors in Europe
- Green Freight Europe and Green Freight Asia, through which we are supporting development of a standardised approach to monitoring and reporting carbon emissions from transport
- European Retail Round Table (ERRT) represents Europe's largest retailers and works on issues related to sustainable consumption, health and nutrition, and consumer information

We do not make political donations.

We participate in the work of trade associations who represent their members in negotiations with legislators and regulators in different countries (see box).

During FY12 our public policy priorities related to sustainability were eco-design, sustainable consumption, illegal logging, food labelling, waste management and recycling.

Our other public policy activity included engaging with the European Commission, European Parliament and national authorities to address barriers to investment and expansion that affect our business in some EU member states.



Get in touch

We welcome your feedback. Send comments
and questions about this report to:

sustainability.report.se@ikea.com

