



SUSTAINABILITY REPORT

08

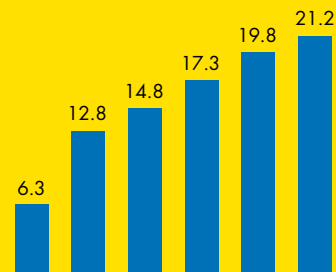
IKEA AT A GLANCE

THE IKEA STORES

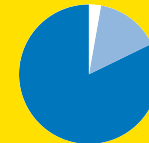
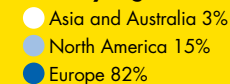
The IKEA Group opened 21 new stores during the year. In August 2008 there were 253 IKEA stores, which welcomed a total of 565 million visitors during the year. A further 32 stores are owned and run by franchisees outside the IKEA Group.

For an up-to-date list of all IKEA Group stores, please visit: www.IKEA.com

Sales 1998-2008 (in billions of euros)



Sales by region



Top five sales countries

Germany 15%
USA 10%
France 10%
UK 7%
Sweden 6%

THE IKEA RANGE

comprises 9,500 products that are largely the same in all IKEA stores.

THE IKEA CATALOGUE

was printed in 27 languages and 52 editions. A total of 198 million catalogues were published.

IKEA FOOD SERVICES

reported sales of 957 million euros.

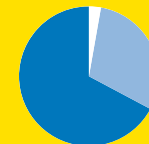
IKEA WEBSITES

attracted around 450 million visits.

IKEA GROUP SALES

totalled 21.2 billion euros.

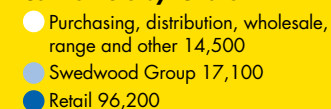
Purchasing by region



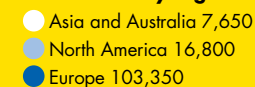
Top five purchasing countries

China 21%
Poland 17%
Italy 8%
Sweden 6%
Germany 6%

Co-workers by function



Co-workers by region



IKEA GROUP STORES

THE IKEA GROUP had – in August 2008 – 253 stores in 24 countries, 41 trading service offices in 30 countries, and 27 distribution centres and 11 customer distribution centres in 16 countries.

IKEA SUPPLIERS numbered 1,380 in 54 countries.

IKEA FAMILY had 21 million members in 18 countries

THE SWEDWOOD GROUP, is the IKEA industrial group with 17,100 co-workers and 49 factories and sawmills in 11 countries.

IKEA GROUP CO-WORKERS totalled 127,800 in 39 countries.

CONTENT

ABOUT THIS REPORT

This report describes the sustainability work carried out on a global level by the IKEA Group during financial year 2008, from 01 September 2007 to 31 August 2008 (FY08).

HOW TO READ THE REPORT

The structure of this report reflects the environmental and social responsibility approach to our stakeholders, and how we work to address the environmental impacts of our operations.

Each chapter provides a description of our guiding principles and systematic work in the different areas. Progress during FY08 is highlighted in each chapter, and we use key performance indicators (KPIs) to show results against our targets.

In the final chapter we have gathered the metrics presented throughout this report. A cross reference shows how we implement the ten principles of the UN Global Compact in our operations.

WOULD YOU LIKE TO KNOW MORE?

You can find more information and download documents at our website. Please visit "About IKEA/our responsibility" at www.ikea.com

WE WELCOME YOUR INPUT

Please feel free to send your feedback about this report or any other topic to IKEA at www.ikea.com

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INTRODUCTION

INTRODUCTION

LETTER FROM THE CEO

Every year when the time comes to put together this report, I like to take a step back and take some time to reflect on our social and environmental work.

So much has happened in the past decade. Ten years ago we had no real comprehensive plan for how to approach sustainability. Not all of us even agreed that this was important to our business. Today, nobody debates this. Now our wealth of dedicated co-workers takes initiatives and contributes every day to a common agenda. Social and environmental responsibility has become a truly integrated part of our everyday work.

I'm proud of what IKEA has achieved. We've seen tremendous development over the years.

At the same time, I feel a bit frustrated because we still have so much work to do before we can say that IKEA is a truly sustainable company.

We have taken important steps in the areas that we focused on first, such as the prevention of child labour, deforestation and working conditions. These areas are still important to IKEA, but our focus has shifted over the past few years, just like it has in society at large. Concerns about climate change and diminishing natural resources have led us to expand our environmental agenda.

This means that we need to involve ourselves even more. We must look at how every part of operations and every IKEA product can be improved in every step – from raw material extraction to the end of its life cycle.

The biggest potential lies ahead of us. I am convinced that we are on the right track, and that we will make a difference.



Anders Dahlvig
President and CEO, IKEA Group

INTRODUCTION

LETTER FROM THE SUSTAINABILITY MANAGER

DEAR READER,

This report highlights some of the progress IKEA has made during FY08 in the area of sustainability.

I'm delighted to see that our efforts with "IKEA Goes Renewable" are moving forward. We have identified many potential energy efficiency improvements in existing buildings, and during the year we authorised construction of around 20 new stores. All of them will include new energy efficient features and most will use renewable energy for heating.

We have estimated IKEA's entire carbon footprint to identify the full extent of our climate impact – from the extraction of raw materials to customer transportation and the use of products. This will help us in our continued efforts to reduce emissions.

Another important step forward is the update of *IWAY*, the IKEA code of conduct. Improved routines enable us to focus more on supporting suppliers to take responsibility and ownership themselves while we continue to build long-term relations with suppliers who share the IKEA values. New suppliers will be selected based on start-up requirements, with a special focus on working conditions.

I'm also happy that our global partnerships with WWF, UNICEF and Save the Children have been renewed and enhanced. Cooperation with these organisations helps us

achieve more than we could do by working on our own. One good example is the joint project with WWF in the cotton producing areas in India and Pakistan. The project proves that it is possible to substantially reduce the use of chemicals, pesticides and water. In addition, IKEA Social Initiative is expanding its fight for children's rights in the same areas together with UNICEF and Save the Children.

The strategic update for FY10–12 has begun with a workshop. We learned a lot from listening and discussing with our internal and external stakeholders. We mapped areas of growing importance, of which water conservation is one. Already, IKEA has taken some steps to engage in water-conservation projects and raise the awareness of our suppliers. A more systematic approach will be adopted over the years to come.

Thank you for taking the time to read about IKEA's work with sustainability.

Thomas Bergmark
Sustainability Manager, IKEA Group

Highlights 2008

- "IKEA Goes Renewable" moves forward
- Estimation of IKEA's entire carbon footprint
- Update of the IKEA code of conduct – *IWAY*
- Significant results from cotton projects
- Enhanced partnership with WWF, UNICEF and Save the Children



LOW PRICE, BUT NOT AT ANY PRICE

Keeping prices low is a cornerstone of the IKEA business idea, yet our low prices must not be at the expense of people or the environment. That is a prerequisite for doing good business.

Our business idea is to offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. Economising on resources is one important way to keep costs down and to minimise our impact on the environment.

GLOBAL COMPACT'S GUIDING PRINCIPLES

IKEA is a signatory to the United Nation's Global Compact. We acknowledge the Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption, in the course of our operations.



INTEGRATED PART IN THE DAILY WORK

To take responsibility is an integrated part of the way IKEA is doing business. We believe in doing more with less, being humble by listening to and learning from others, being fair and honest. Our values are togetherness, humbleness, simplicity and cost consciousness. The IKEA culture is key to how we integrate a responsible conduct throughout our organisation.

All IKEA managers are responsible for including sustainability issues in the daily work. To support business, there are a number of social and environmental specialists covering a wide range of areas, such as chemical experts, forestry specialists, energy experts, code of conduct developers and auditors.

All IKEA stores and distribution centres have social and environmental co-ordinators who work in the areas of training, working conditions, safety, waste management, water and energy conservation.

WORKING TOGETHER

IKEA co-operates with companies, trade unions, NGOs and organisations to develop and strengthen the impact on our work within the social and environmental field. By doing this, we are able to learn and share experiences and accomplish more than we could have done by working on our own.

IKEA works in partnership with UNICEF and Save the Children to improve children's rights and with the global conservation organisation WWF on forestry, cotton and climate change projects.

STAKEHOLDER DIALOGUE

The IKEA vision is to create a better everyday life for the many people. The many people include our suppliers and their workers, co-workers, customers and other stakeholders affected by IKEA operations.

IKEA SUPPLIERS AND THEIR WORKERS

IKEA strives to build long-term relationships with suppliers that share our values and who want to grow and develop together with IKEA. Our focus is to motivate and support suppliers to take more responsibility and ownership themselves, so that developments become sustainable and independent of IKEA presence.

Every three years IKEA conducts a supplier survey to collect feedback on the relationship with IKEA from our suppliers. The suppliers fill in the survey anonymously.

IKEA CO-WORKERS

Our co-workers are our most valuable resource – when they grow, IKEA grows. IKEA is committed to being a good employer that offers a safe and healthy work environment together with development opportunities for each individual.

IKEA has an annual company-wide survey to collect feedback from our co-workers. We want to learn what motivates them and what they are dissatisfied with. The survey is completed anonymously.

IKEA CUSTOMERS

Customers should always feel confident that products bought at IKEA are safe to use. In our stores and through our partnerships with international organisations we try to give our customers the opportunity to engage and contribute to a positive development.

To collect feedback from customers, IKEA carries out market research in the form of “Brand Capital” – a tool to monitor and follow up the implementation of the IKEA concept and to measure customers’ confidence in each market. The survey is carried out once every three years.

In addition, we investigate customers’ satisfaction with their local IKEA store in the “Customer Satisfaction Index” (CSI). This is done twice a year. It provides an international benchmark for the stores, and ensures that customer satisfaction issues are regularly addressed.

COMMUNITIES

IKEA is active in the communities in countries where we do business. We participate in a wide range of activities globally, nationally and locally. Through our partnerships with carefully selected organisations that are generally regarded as specialists in their fields, we are able to support projects that are designed to best match the needs of the communities where they take place.

THE ENVIRONMENT

Efficient use of resources is key to keeping prices low. This also helps us in our environmental work. We strive to use as much renewable and recyclable materials as possible and we work actively to reduce our impact on the climate.

INTRODUCTION STAKEHOLDERS

DIALOGUE WITH STAKEHOLDERS

We gain knowledge through dialogue with our stakeholders and partners. By co-operating with companies, trade unions and organisations, we are able to learn, share experiences and accomplish more than we could have done by working on our own.

The list below describes our main stakeholders on a global level and explains how IKEA co-operates with each organisation.

Better Cotton Initiative (BCI) aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide. The BCI is a collaborative, multi-stakeholder effort initiated by WWF, the global conservation organisation, and the International Finance Corporation. Leading participants are international companies, NGOs and the United Nations Environment Programme. IKEA is one of the founding members in the BCI.

Read more at www.bettercotton.org

Building and Wood Workers' International (BWI) the Global Union Federation of democratic and free trade unions around the world in the building, building materials, wood, forestry and allied industries. BWI and IKEA have, since 1998, a long-term co-operation and an agreement based on the IKEA code of conduct, IWAY. IKEA and BWI meet regularly to exchange experiences, discuss working conditions and address topics of social responsibility.

Read more at www.ifbww.org

Business for Social Responsibility (BSR) is a global, non-profit organisation that helps member companies achieve business success while respecting ethical values, people, communities and the environment. IKEA is member of BSR.

Read more at www.bsr.org

Clean Cargo Working Group (CCWG) is administered by BSR, and is working to promote sustainable product transportation. CCWG develops voluntary environmental management guidelines and measures to help evaluate and improve the performance of freight transport. The aim of CCWG is to integrate product transport into corporate supply chain management. IKEA is a member of the CCWG.

Read more at www.bsr.org/CSRResources/WGO/CC-GF/index.cfm

European Retailers Round Table (ERRT) is a network organisation for retail companies in Europe. The group liaises with policy makers in the European Union on issues related to the retail industry, to help companies stay informed on the development. It also provides opportunity to promote the interests of the industry. Focus for activities include consumer protection, food safety, environmental issues, corporate social responsibility and trade issues. IKEA is a member of the organisation.

Read more on www.errt.org

Forest Stewardship Council (FSC) is an international network promoting responsible management of the world's forests. Through consultative processes, FSC sets international standards for responsible forest management and accredits independent third party organisations which certify forest managers and forest product producers to FSC standards. IKEA supports the Forest Stewardship Council, and was one of the first members of FSC when it was founded in 1993.

Read more at www.fsc.org

Global Compact is a network founded by the United Nations. It promotes responsible corporate citizenship, provides policy dialogues, training, and networks to ensure that business is involved in solving the challenges of globalisation. The organisation's activities are based on ten universal principles which promote human rights, labour rights, environmentally sustainable business practices and anti-corruption. Global Compact encourages companies to work with UN agencies, labour and civil society to support universal environmental and social principles. IKEA is a member of the Global Compact.

Read more at www.unglobalcompact.org

Greenpeace is an international non-profit organisation focusing on biodiversity and the environment. Greenpeace campaigns, amongst other things, to stop climate change, protect ancient forests, and encourage sustainable trade. IKEA discusses environmentally related issues with Greenpeace.

Read more at www.greenpeace.org

Green Power Market Development Group is run by the World Resource Institute, and is a partnership dedicated to building commercial and industrial markets for renewable energy. Green Power Market Development Group seeks to define the business case for the corporate purchase of green energy products to reduce market barriers faced by green power suppliers and buyers by providing independent information. Work is also focused on developing strategies that reduce the cost of green power by devising innovative purchasing options. IKEA is a member of the organisation in Europe.

Read more at www.thegreenpowergroup.org

International Labour Organization (ILO) is a specialized agency of the United Nations, and is committed to social justice and developing internationally recognised human and labour rights. The ILO is a tripartite agency bringing together representatives from governments, employers and workers. One of its main responsibilities is to shape and oversee international labour standards. IKEA engages in dialogue with the ILO on working conditions and labour standards.

Read more at www.ilo.org

The Network for Transport and Environment (NTM) is a non-profit organisation, which works for a common base of values to calculate the environmental impact of various modes of transport. IKEA is a member of the organisation.

Read more at www.ntm.a.se

Rainforest Alliance is a non-profit organisation that works to conserve biodiversity and promote sustainable agricultural and forestry practices. The organisation is present in approximately 60 countries around the world, helping communities, businesses and governments to change their land-use practices. Rainforest Alliance provides input to IKEA's wood procurement practices, and Rainforest Alliance's SmartWood Program is used for audits in certain regions.

Read more at www.Rainforest-alliance.org

Refrigerance Naturally acts as a catalyst, advocate, educator and facilitator globally to promote sustainable development of the environment. Refrigerance Naturally is an initiative from the United Nations. IKEA is a member of the organisation.

Read more at www.refrigerantsnaturally.com

Save the Children is the world's largest independent organisation for children, and works to secure and protect children's rights to food, shelter, health care, education and freedom from violence, abuse and exploitation. Save the Children and IKEA Social Initiative work together on both an international and local level, and have a long-term relationship.

Read more at www.savethechildren.net

UNICEF, the United Nations Children's Fund is the world's leading organisation for children. UNICEF is on the ground in over 150 countries and territories to help children survive and thrive. UNICEF supports child health and nutrition, good water and sanitation, quality basic education and gender equity for boys and girls, the protection of children from violence, exploitation and AIDS. IKEA and UNICEF are long term partners working together on both a global and local level.

Read more about IKEA and UNICEF joint projects at www.unicef.org/corporate_partners/index_25092.html

UTZ Certified, is an independent, not-for-profit organisation that operates the world's largest and fastest growing certification programme for responsible coffee production. All coffee served and sold at IKEA are UTZ certified.

Read more at www.utzcertified.org

WWF, the global conservation organisation, is one of the world's largest and most experienced conservation organisations with a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring the sustainable use of renewable natural resources and promoting the reduction of pollution and wasteful consumption. WWF and IKEA co-operate on projects which focus on sustainable forestry, sustainable cotton production and climate change.

Read more on WWF and IKEA joint projects at www.panda.org/forests/ikea

SUPPLIERS

CLOSE AND LONG-TERM RELATIONS

IKEA strives to build long-term relationships with suppliers that share our values and who want to grow and develop together with IKEA. Our focus is to motivate and support suppliers to take more responsibility and ownership themselves, so that developments become sustainable and independent of IKEA presence.

IWAY – THE IKEA CODE OF CONDUCT

IKEA products, materials and services shall be manufactured and carried out under acceptable working conditions at suppliers and service providers who care for the environment. This is why IKEA requires suppliers and service providers to comply with our code of conduct, *IWAY*.

IWAY specifies the requirements that we place on suppliers and details what they can expect in return from IKEA. Furthermore, suppliers are responsible for communicating the content of the IKEA code of conduct to their workers and sub-suppliers.

The IKEA code of conduct
Read more on page 12

DIALOGUE WITH BWI

The Building and Wood Workers' International (BWI) and IKEA meet on a regular basis to exchange experiences, discuss working conditions and address topics of social responsibility. BWI is the Global Union Federation of democratic and free trade unions around the world in the building, building materials, wood, forestry and allied industries. BWI and IKEA have, since 1998, a long-term co-operation and an agreement based on the IKEA code of conduct, *IWAY*.

IKEA AGAINST CORRUPTION

IKEA does not accept corruption in any form, whether direct or indirect, and work proactively to prevent it. IKEA believes that corruption is contradictory to the goal of achieving low prices and being a good corporate citizen, and all business shall be based on responsible business practices. We clarify our position to our suppliers by a vendor letter, which is to be signed by the supplier and an IKEA representative.

We have a corruption policy, *Rules of Prevention of Corruption*, and an investigation policy which describes how co-workers should proceed when fraud, corruption, theft and other illegal behaviour is suspected. Firm policies and continuous training together with our culture, can help minimize the risk of corrupt behaviour in the organisation.

PROGRESS IN 2008

Updated code of conduct

During FY08 IKEA updated *IWAY*. The new *IWAY* is in line with our work to motivate and support suppliers to take responsibility and ownership themselves. IKEA wants to shift focus from an audit-driven process, and work together with suppliers beyond monitoring. Rather than detailing how suppliers are going to comply with *IWAY*, we focus on increasing understanding for what they need to comply with.

New suppliers will be selected based on start-up requirements, with a special focus on working conditions. The new requirements will help us select suppliers that share our values and who want to grow and develop together with us. This in turn will strengthen our long term relations with our suppliers further.

Number of IKEA suppliers

IKEA Home Furnishing suppliers	1,380
IKEA FOOD suppliers	76
IKEA Catalogue suppliers	50
IKEA Transport service providers	263

THE IKEA CODE OF CONDUCT – IWAY

Legal compliance

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

Start-up requirements

The following criteria need to be fulfilled before starting up a business relationship with IKEA:

- no child labour,
- no forced or bonded labour,
- no severe environmental pollution,
- no severe safety hazards,
- obligatory records of working hours and wages,
- obligatory accident insurances for workers.

Social and working conditions

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

Suppliers must agree to:

- provide healthy and safe working environment,
- ensure safe buildings, reasonable privacy, quietness and personal hygiene, in those instances where housing facilities are provided,
- pay at least the minimum legal wage and compensate for overtime.

Suppliers may not:

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

Environmental standards

IKEA and its suppliers shall continuously reduce the environmental impacts of our operations.

Suppliers must agree to:

- work to reduce energy consumption,
- work to reduce waste and emissions to air, ground and water,
- handle, store and dispose of hazardous waste in an environmentally safe manner,
- contribute to the recycling and reuse of materials and used products.

Suppliers can expect IKEA to:

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

This new revision has been updated during 2008 and the implementation starts in January 2009.

HOME FURNISHING SUPPLIERS

The IKEA home furnishing products are purchased from 1,380 suppliers in 54 countries. The largest individual purchasing market is China, and the largest purchasing region is Europe.

SUPPORT AND MONITORING

IKEA co-workers at IKEA Trading Service Offices are often onsite at suppliers' factories. They support and motivate suppliers to implement and maintain *IWAY* requirements. Their active presence contributes to suppliers' development.

IKEA auditors regularly visit suppliers to ensure that *IWAY* criteria are met. These visits can be both announced and unannounced and each supplier is audited at least every year. In some countries, the audit frequency is higher. The IKEA auditors help to set up action plans when there is non-compliance and conduct follow-up visits to review progress.

The Compliance and Monitoring group (CMG) is responsible for ensuring that the same audit criteria are followed worldwide. CMG works to fine-tune and calibrate audits by training and supporting IKEA auditors in order to create a common standard of auditing.

Third party auditors such as KPMG, Intertek Testing Services and PricewaterhouseCoopers participate to verify IKEA working methods and audit results. These third party auditors also carry out their own audits at IKEA suppliers.

PROGRESS IN 2008

Enhanced support to suppliers in China

In China and some other countries, IKEA has introduced specially appointed *IWAY* developers. They support suppliers and offer various types of advice and training to improve conditions.

Unannounced audits by CMG and third party auditors

During FY08 IKEA increased the number of unannounced audits conducted by CMG and third party auditors. This procedure helps to get a more accurate picture of suppliers' factories, as well as a means to focus our support on specific areas where there have been previous *IWAY* violations.

Pilot project: *IWAY* compliance responsibility

This project aims to transfer *IWAY* compliance and monitoring from IKEA to selected suppliers in Europe. It will help IKEA to increase focus and resources on regions that are more challenging. Preliminary results are positive, and figures are expected in 2009.

IKEA and Business for Social Responsibility Project: "One Voice – Beyond Monitoring"

IKEA participates in the Business for Social Responsibility (BSR) project "One Voice – Beyond Monitoring", to address topics related to corporate social responsibility. BSR is a non-

profit business association that provides socially responsible business solutions to many of the world's leading corporations. The aim of the project is for IKEA to build relationships with other multinational companies doing business in China, to work jointly to find solutions to corporate social responsibility challenges. During FY08 there has been an active dialogue with Chinese authorities and academia to promote issues on both a national and local level.

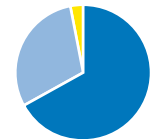
Read more about Business for Social Responsibility at www.bsr.org

Top 5 purchasing countries

China	21%
Poland	17%
Italy	8%
Sweden	6%
Germany	6%

Purchasing per region

Europe	67%
Asia	30%
North America	3%



SUPPLIERS HOME FURNISHING SUPPLIERS

COMMENTS ON KPIS AND FIGURES 2008

In FY08, the number of *IWAY*-approved suppliers continued to increase in Europe and the Americas in particular. Progress can be detected in Asia, though the development towards *IWAY*-approval in China continues to be slow. Only a few Chinese suppliers are fully approved.

Since the introduction of *IWAY* in 2000, we can see positive development amongst our Chinese suppliers. During FY08, the *IWAY* fulfilment rate for China improved significantly.

There are major challenges with regard to the social and environmental conditions in China. The most difficult labour-related challenges are related to wages, working hours, over-time compensation, lack of unions and social insurance. One factor contributing to the difficulty in implementing change is the high presence and mobility of migrant workers.

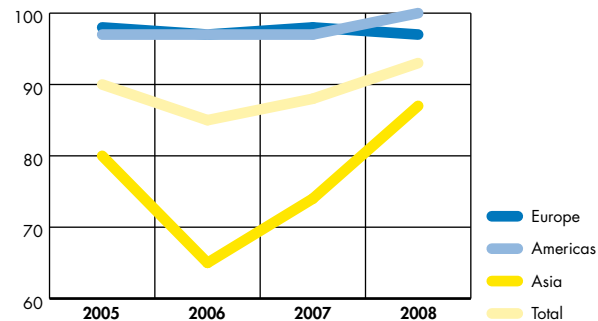
IKEA audits suppliers at least every year. In China, the audit frequency is higher; all suppliers there are audited at least once a year, and in FY08 the majority of these audits were unannounced.

Furthermore, in China and some other countries, specially appointed *IWAY*-developers offer support and training to actively contribute to improvements among suppliers.

SUPPLIERS / HOME FURNISHING SUPPLIERS

	2005	2006	2007	2008	Direction
IWAY approved home furnishing suppliers					
Europe	71%	74%	78%	80%	100%
Americas	58%	62%	67%	91%	100%
China			4%	7%	100%
South Asia			32%	34%	100%
South East Asia			52%	63%	100%
Asia, total	16%	13%	17%	21%	100%
Total	47%	47%	50%	54%	100%

SUPPLIERS / IWAY FULFILMENT RATES



FIGURES 2008

	2005	2006	2007	2008
Number of TSO audits/of which were unannounced				
Europe	436	472	492/7	480/21
Americas	36	34	42/0	31/0
Asia	540	528	785/207	693/359
Total	1,012	1,034	1,319/214	1,204/380

Number of CMG audits

	2005	2006	2007	2008
Europe	27	25	22	20
Americas	3	3	2	2
Asia	23	24	20	24
Total	53	52	44	46

Number of third party audits

	2005	2006	2007	2008
Europe	16	3	14	17
Americas	0	0	0	0
Asia	10	24	34	29
Total	26	27	48	46

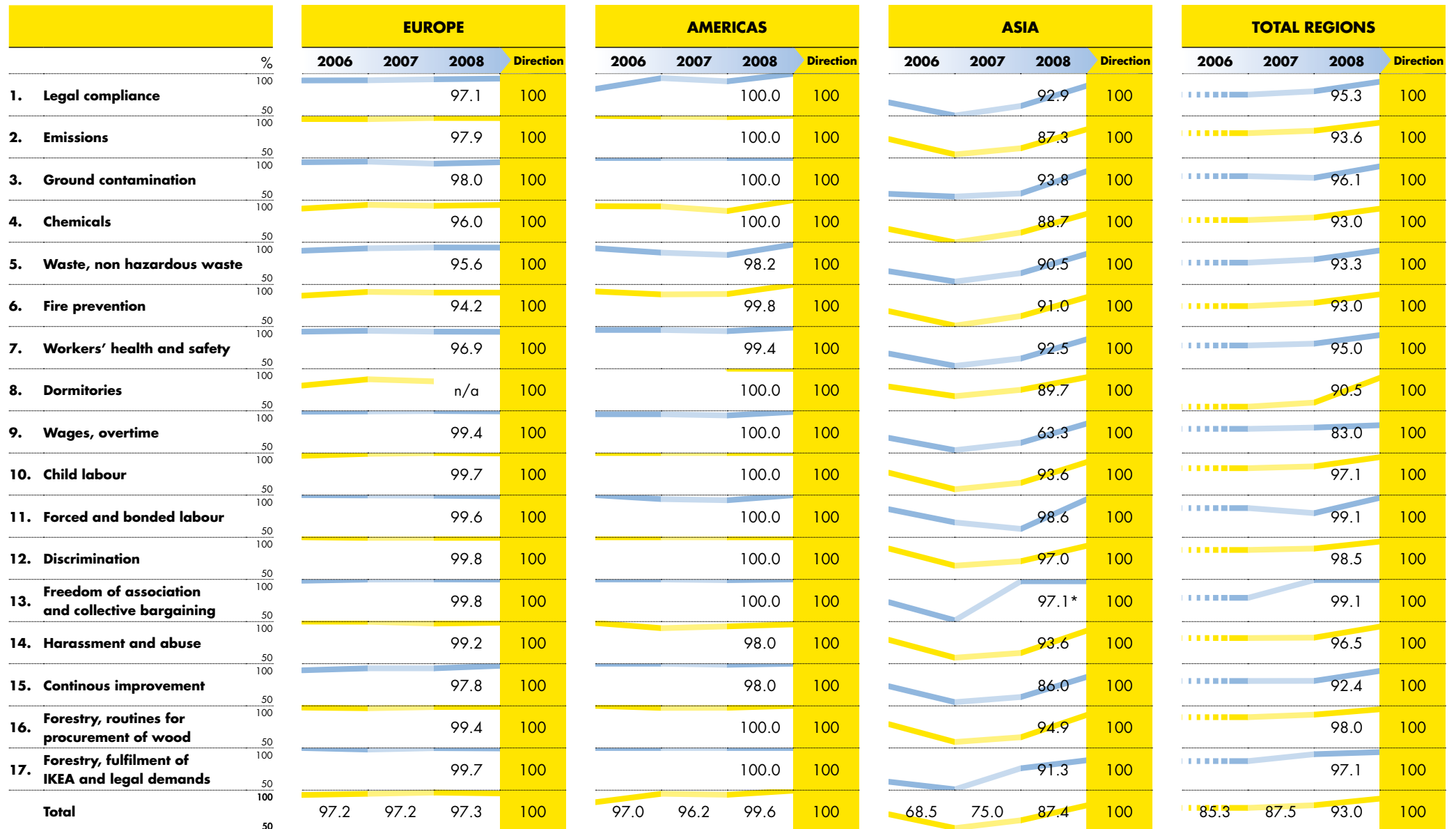
Terminated business with X number of suppliers

	2005	2006	2007	2008
IWAY non-compliance only	8	6	24	20
IWAY non-compliance one of several reasons	24	21	32	28

SUPPLIERS

HOME FURNISHING SUPPLIERS

Average IWAY fulfilment rates 2008 – Regions

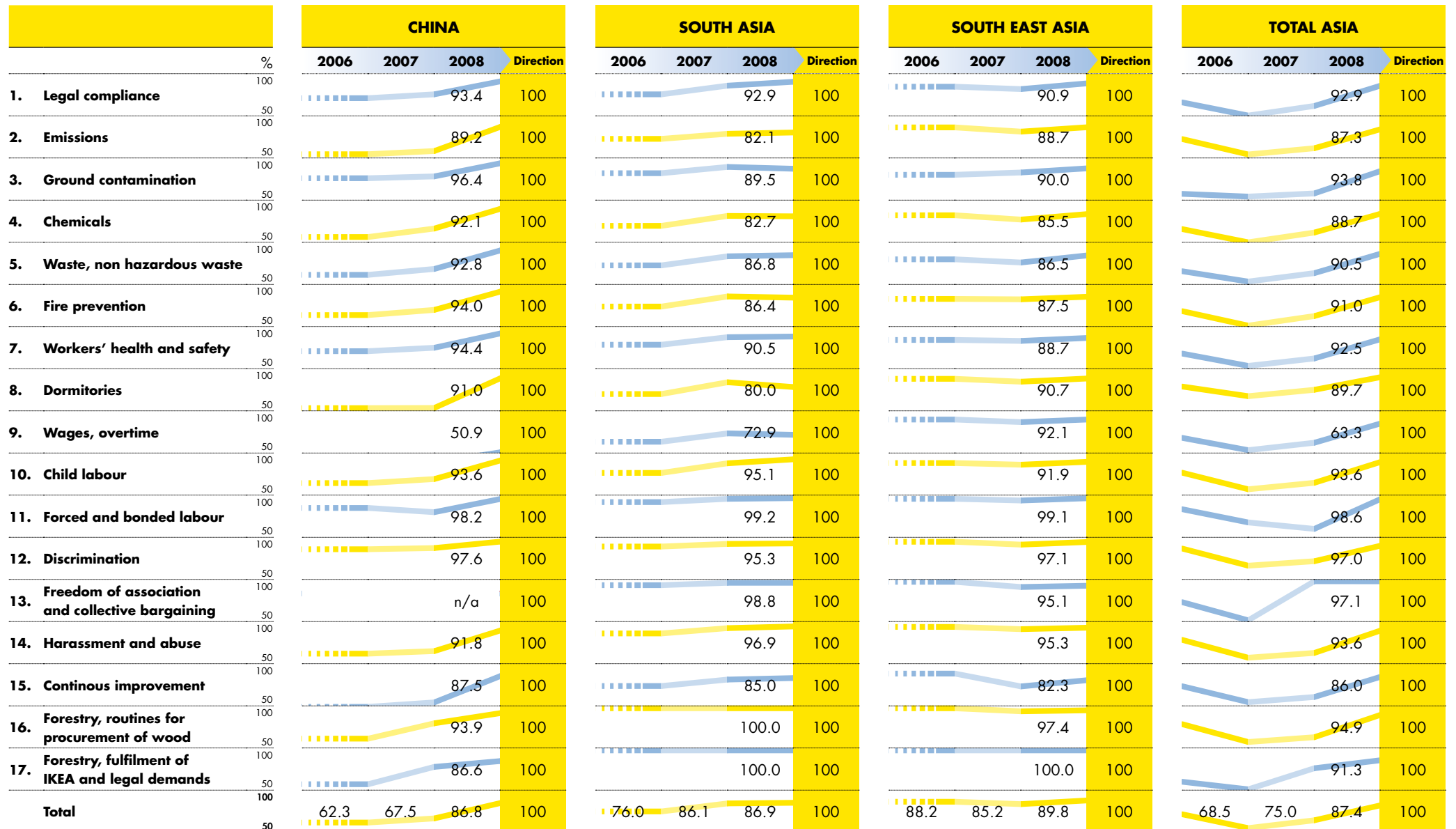


* Not applicable for China

SUPPLIERS

HOME FURNISHING SUPPLIERS

Average IWAY fulfilment rates 2008 – Regions



IKEA WORKS TO PREVENT CHILD LABOUR

IKEA does not accept child labour and works actively to prevent it.

SUPPORT AND MONITORING

All IKEA suppliers and sub-contractors must comply with a special code of conduct on child labour, *The IKEA Way on Preventing Child Labour*.

IKEA IWAY auditors conduct regular audits to ensure and verify that there are no child labourers working on supplier's premises.

IKEA has assigned KPMG, a third party auditor, to conduct unannounced random checks at suppliers and their sub-contractors in India, Pakistan and Bangladesh with special emphasis on child labour. In FY08, 435 audits were conducted.

IKEA holds workshops at suppliers to raise awareness among their workers and sub-contractors and to make them understand why children should not be at work.

WHAT HAPPENS IF A CHILD IS FOUND?

Despite preventative measures, rules and inspections, children are sometimes found working at facilities where IKEA products are produced. In such instances, the supplier is responsible for implementing a corrective action plan including measures to ensure that children are offered educational opportunities rather than working, as well as improving their own routines to ensure compliance at both own premises and their sub-contractors. All actions shall be in the best interests of the child.

IKEA follows up by visiting the child in school and by making unannounced visits to the supplier and its sub-contractor. If a supplier fails to implement the agreed measures, or if further instances of child labour occur, IKEA terminates the business relationship.

THE IKEA WAY ON PREVENTING CHILD LABOUR

The IKEA Way on Preventing Child Labour is our code of conduct on child labour. It has been established in order to make the IKEA position on child labour clear to suppliers and their sub-contractors and their co-workers, as well as any other parties. It is part of the main IKEA code of conduct document; IWAY.

The IKEA Way on Preventing Child Labour details IKEA's position on child labour and specifies mandatory requirements for IKEA suppliers and their sub-contractors.

1. General principle

IKEA does not accept child labour. IKEA supports the United Nations (UN) Convention on the Rights of the Child (1989). Our position is also based on the International Labour Organisation (ILO) Minimum Age Convention no. 138 and the Worst Forms of Child Labour convention no.182.

2. Implementation

IKEA requires that all suppliers shall recognise the UN Convention on the Rights of the Child, and take actions to prevent child labour.

Suppliers must comply with all relevant national and international laws, regulations and provisions applicable in the country of production.

If child labour is found in any place of production, IKEA requires the supplier to implement a corrective action plan. The corrective action plan shall take the child's best interests into consideration and enable more viable and sustainable alternatives for the child's development.

3. Young workers

IKEA supports the legal employment of young workers. Young workers of legal working age have, until the age of 18, the right to be protected.

IKEA requires all its suppliers to ensure that young workers are treated according to the law, including measures to avoid hazardous jobs, night shifts and ensure minimum wages. Limits for working hours and overtime should be set with special consideration to the worker's young age.

4. Labour force register

Suppliers shall maintain documentation for every worker verifying the worker's date of birth.

5. Monitoring

All suppliers are obliged to keep IKEA informed at all times about all places of production (including their sub-contractors). IKEA has reserved the right to make unannounced visits at any time to all places of production (including their sub-contractors) of IKEA products.

FOOD SUPPLIERS

IKEA purchases fresh and packaged food for IKEA restaurants and the Swedish Food Market – a speciality shop which features products based on Swedish recipes and Swedish culinary traditions – both globally and locally.

The globally purchased range, bought from some 80 suppliers, is the same at all IKEA stores worldwide. All IKEA food suppliers must comply with national and international legislation and agreements relating to food and food production in the countries where they operate. Furthermore, they must also comply with the *IKEA code of conduct, IWAY*.

The IKEA code of conduct
Read more on page 12.

QUALITY AND ENVIRONMENTAL REQUIREMENTS

IKEA Food Quality and Environmental Requirements is a supplement to *IWAY* which consists of specific requirements on food quality and environmental issues which are not covered by *IWAY*. For instance, all suppliers of salmon products must participate in the Salmon Dialogue, a multi-stakeholder initiative managed by WWF, to develop criteria for sustainable salmon farming. Other examples included in the document are requirements that prohibit the use of fish

from endangered stocks (e.g. cod from the Baltic Sea); and restrictions on levels of industrially produced trans fatty acids in the total fat content of food products (below 2 percent). Additionally, IKEA does not accept ingredients that come from force-fed animals.

COMMENTS ON KPIS AND FIGURES 2008

FY08 was the first year IKEA food suppliers were audited according to *IWAY*. Currently 13 percent of our central food suppliers are *IWAY* approved. We believe that the goal of 100 percent *IWAY*-approved suppliers by FY09 is attainable.

Safe and organic food
Read more on page 26.

SUPPLIERS / FOOD SUPPLIERS					
	2005	2006	2007	2008	Goal FY09
IWAY approved food suppliers				13%	100%

CATALOGUE SUPPLIERS

More than 198 million copies of the 2008 IKEA catalogue were printed in 27 languages and 52 editions.

IWAY IMPLEMENTATION AND MONITORING

IKEA catalogue suppliers must adhere to the code of conduct, *IWAY*. In addition, there are industry specific requirements such as certification of fibres and paper. Since FY07, IKEA follows up on the suppliers' implementation of the *IWAY* requirements on an annual basis. The performance is collected via a questionnaire and some audits are made on site. In cases of non-compliance, suppliers are required to make corrective action plans to address the issue and IKEA offers support in improving their results.

*The IKEA code of conduct
Read more on page 12.*

PROGRESS IN 2008

Suppliers setting environmental targets

IKEA requires catalogue suppliers to set environmental targets. Focus is on reduction of energy consumption and CO₂ emissions. There are also specific requirements on improving the efficiency of transportation. Additionally, IKEA requires catalogue suppliers to document their water consumption.

New format of catalogue

A more compact format has been distributed in 19 countries. This is expected to cut relative costs, paper, energy use and CO₂ emissions. The impact and results of the change are expected during FY09.

COMMENTS ON KPIS AND FIGURES 2008

The fibres that come from certified forestry has increased to 74 percent.

The number of certified paper suppliers has decreased, and the development of emission rates for carbon dioxide has been less than expected. Partly this is explained by an increased consistency in requirements on how data is collected. It can also be explained by a shift in production to countries with a different energy-mix.

FIGURES 2008		
IWAY fulfilment rates	2007	2008
General requirements	68%	71%
Legal and sustainable management	75%	75%
Ground contamination	100%	96%
Chemicals	85%	87%
Hazardous and non-hazardous waste	96%	95%
Continuous improvements	96%	93%
Fire prevention	100%	96%
Workers safety	94%	96%
Provided Housing Facilities	100%	96%
Wages and working hours	96%	95%
Child labour	100%	100%
Forced and bonded labour	100%	100%
Discrimination	100%	100%
Freedom of association	100%	100%
Harassment, abuse and disciplinary practices	100%	100%
Industry specific requirements	77%	53%
Environmental management system	43%	40%

FIGURES 2008				
	2005	2006	2007	2008
Specification of industry specific requirements				
Certified paper suppliers	92%	n/a	81%	61%
Certified artwork/repro, gravure and offset suppliers	28%	n/a	38%	30%
Volume of paper (tonnes)	83,000	n/a	100,000	113,000
Printed catalogue copies (millions)	146	n/a	172	198
Fibres from Certified forestry (FSC, PEFC, CSA, SFI)	70%	n/a	71%	74%
Fibres from FSC Certified forests	14%	n/a	18%	4,4%
Recycled Fibres	5.20%	n/a	3.40%	5.20%
fossil carbon dioxide per catalogue	0.55 kg	n/a	0.67kg	0.69kg
VOC (Volatile Organic Compounds) per catalogue	0.7 g	n/a	1.1g	1.1g
COD (Chemical Oxygen Demand) per catalogue	3.3 g	n/a	3.9g	4.5g

TRANSPORT SERVICE PROVIDERS

IKEA products are transported by road, rail and sea between suppliers, distribution centres and IKEA stores.

IWAY IMPLEMENTATION AND MONITORING

IWAY applies to the transport and distribution of IKEA products, as well as IKEA distribution centres. Transport service providers are audited for their compliance to the *IWAY* requirements. IKEA transport coordinators engage in dialogue with transport service providers on a regular basis, and support best-practice sharing between suppliers.

The IKEA code of conduct
Read more on page 12.

MINIMUM ENVIRONMENTAL REQUIREMENTS

In addition to the requirements in *IWAY*, transport service providers must fulfil a number of minimum environmental requirements. All transport service providers must measure their carbon dioxide emissions and set a three year target to reduce these emissions. They must also fill in and annually update an "Environmental Performance Survey". In addition, transport service providers must use trucks that are no more than 10 years old.

Smarter transport of products
Read more on page 42.

PROGRESS IN 2008

Setting new goals

IKEA has formulated a goal of 100 percent *IWAY* approved transport service suppliers for FY12.

COMMENTS ON KPIS AND FIGURES 2008:

There has been a significant increase of the number of *IWAY* approved suppliers during FY08 and progress is expected to continue.

Since the new minimum environmental requirements were introduced in 2007, the fulfilment rate has steadily increased. IKEA expects a continued positive development according to plan.

SUPPLIERS / TRANSPORT SERVICE PROVIDERS

	2005	2006	2007	2008	Goal FY12
IWAY approved transport service providers					
			5%	42%	60%
IWAY approved IKEA distribution centres					
		71%	80%		100%
Fulfilment of minimum environmental requirements by transport service providers					
Ocean	93%	100%	69%	87%	100%
Land (new category)			99%	99%	
Road	83%	93%	see land	see land	100%
Rail	82%	86%	see land	see land	100%

FIGURES 2008

	2005	2006	2007	2008
Modes of transport (goods volume)				
Road	67%	70%	69%	69%
Ocean	17%	15%	17%	18%
Rail	6%	6%	5%	4%
Combined transport	10%	9%	8%	9%

CO-WORKERS

GIVING PEOPLE THE POSSIBILITY TO GROW

The IKEA vision to create a better everyday life for the many people also includes our co-workers – when they grow, IKEA grows. They are our most valuable resource, being the IKEA ambassadors, and the ones that turn our vision into reality.

IKEA is a rapidly expanding company. Over the past five years, we have opened around 100 new stores. At the same time IKEA operates in a constantly evolving and competitive retail environment with high staff turnover. Over the next five years, we expect 150,000 new recruits will join the company while 100,000 co-workers will leave IKEA.

We need to develop the co-workers we already have, and attract new co-workers who have a genuine interest in home furnishing and who want to stay and grow with us. Consequently, IKEA is committed to being a good employer that offers a safe and healthy work environment together with development opportunities for each individual.

OUR VALUES SHOW US THE WAY

IKEA embraces human rights and respect for the individual, and the way we work is based on a strong and living company culture. The foundation is a set of shared values that guide us in our everyday work.

We value togetherness, humbleness, simplicity, cost-consciousness and common sense. We share a strong desire to learn and improve. We encourage co-workers to question accepted solutions and test new ideas, and see mistakes as a way to grow and develop. We expect our managers to lead by example, to live and explain the IKEA values.

We want to recruit co-workers who share our values. In FY08, we started developing new recruitment tools for the IKEA website, including a set of cultural sift questions that will help candidates determine if they would be comfortable being part of our team.

A DIVERSE WORK FORCE

Our ambition is to have a workforce that mirrors the diverse IKEA customer base. For instance, the IKEA store in Brent Park, UK, has co-workers of 20 different nationalities.

IKEA managers around the world represent 50 different nationalities. We are convinced that IKEA becomes more creative and dynamic with a diverse work force, and strive to recruit co-workers of different backgrounds and experiences.

MEETING INDIVIDUAL NEEDS

When recruiting, IKEA must consider the growing focus on individualism in society today in order to remain an attractive employer in the future. This is especially important when it comes to recruiting young people. We need to meet the individual needs of many thousand co-workers in order to have them stay with IKEA.

At the same time, demographic changes also mean that IKEA will need to attract more experienced, senior co-workers with different needs and expectations on their work life.

Co-workers of different ages are at different stages of their lives, and have different professional needs and abilities. IKEA strives to offer flexible working conditions to support and adapt to co-workers' different life stages whether they are still students, recently graduated, new parents or soon-to-be retirees.

IKEA can meet each individual co-worker's needs for work-life balance in various ways – by offering flexible working hours, part- or full-time work, more or less responsibility, job sharing or telecommuting. It can also be in the form of childcare facilities in connection to IKEA premises or initiatives such as “meet more, travel less”. This FY08 initiative aims to reduce business travel, which will improve work-life balance for many co-workers at the same time as it reduces our costs and environmental impact.

A FULFILLING CAREER

We want our co-workers to have a fulfilling career. This is why we support their continuous competence development, both professionally and personally.

A co-worker that has mastered their current job is encouraged to seek new challenges. This could be in the form of more responsibility or through an alternative career route inside IKEA by changing location or work function. The annual development talk is one opportunity to discuss and outline career paths as well as training needs. Co-workers are expected to take charge of their own development, with support from IKEA.

Competence development in many forms is available to all, from the introduction of new co-workers to top management. On the job training and traditional classroom courses are complemented by a wide range of web-based training activities for all aspects of IKEA operations.

For instance, E-learning activities such as “Children School”, “Lighting School”, “Social & Environmental training” and “IKEA Food Safety” from IKEA Learning Centre help develop relevant and essential skills for various IKEA functions. More than 270 self-study activities are currently available and the e-learning entry point has around 45,000 co-worker visits per month.

CO-WORKERS

In FY08, a mass training via a web based tool was developed in the US. Over two days in FY09, hundreds of co-workers will improve their kitchen sales skills by learning more about the IKEA Home Planning tool.

DEVELOPING IKEA LEADERS

We want our top 500 IKEA managers to be recruited internally. This is an important incentive for co-workers to stay and grow with the company, and an important reason to build internal competence.

IKEA places high demands on our leaders. They are role models for the IKEA culture in their everyday work and we depend on them to coach our co-workers and to develop our business. Our leaders must be able to provide overall directions, explain expectations and give feedback to co-workers in an open and constructive way.

Therefore IKEA must provide opportunities to develop leadership skills and support managers in their work to encourage and facilitate the development of co-workers in their team.

COMMENTS TO KPIS AND FIGURES 2008

Listening to our co-workers

IKEA uses a company-wide survey "VOICE" to monitor progress. Each year, we ask our co-workers to fill in the survey anonymously to highlight what motivates them and what they are dissatisfied with. Results from the survey help define areas to develop at IKEA. As a complement, the "IKEA Leadership Index" quantifies how co-workers view their managers.

Results from these surveys show continuous improvement since the start in 2003. There is a clear connection between good leadership and good working climate, which in turn has a clear connection to business results.

Staff turnover

The average length of employment for an IKEA co-worker is around four years, but staff turnover is significantly lower among full-time co-workers. Today, more than half of the co-workers in IKEA stores work part-time, and many do not stay long enough to acquire the skills needed to meet the IKEA customer in a good way. The ambition is to increase the number of full-time co-workers, while still having enough part-time co-workers to allow for flexible staffing in the stores.

Equal opportunities

Equal opportunities are important to IKEA. There are more women than men working on the IKEA sales floors, but the share of female managers does not reflect that. The goal is to reach a 50–50 ratio.

FIGURES 2008

	2005	2006	2007	2008
Co-workers				
VOICE Average				
IKEA Total	565	612	629	646
Leadership Index				
IKEA Total	65	69	70	72
Staff turnover				
part-time				32%
full-time				16%
total				24%
Management male/female, %				
Stores				64/36
Retail				64/36
Distribution				67/33
Trading				64/36
Others				74/26

CUSTOMERS

SAFE HOME FURNISHING PRODUCTS

Customers should always feel confident that products bought at IKEA are safe and healthy to use.

CHEMICALS

Our aim is to refrain from the use of chemicals and substances that can be harmful to people and the environment and to use materials, surface treatments and production techniques with the lowest possible emissions.

The IKEA range complies with the strictest possible laws and safety standards, and we have detailed requirements on the use of chemicals and other substances in the manufacturing process. If one country tightens its rules, we introduce these new regulations on all IKEA markets, whenever possible. Examples of such legislation are the EU RoHS directive on hazardous substances in electrical and electronic components and the REACH legislation on restriction of chemicals.

IKEA performs comprehensive tests at our own laboratories and at third party test laboratories around the world. Furthermore, IKEA requires suppliers to order certified products tests by third party laboratories.

RISK ASSESSMENT AND PRODUCT TESTING

Risk assessment is used to ensure product safety by evaluating, detecting and eliminating potential hazards. Each year thousands of tests are carried out on IKEA products during product development and continuous tests are conducted during production.

FOCUS ON CHILDREN'S SAFETY

IKEA puts special focus on children's products, which must meet particularly high quality and safety requirements.

We test IKEA children's products to strict national and international safety standards and legislation at independent, third party test laboratories and institutes around the world.

PROGRESS IN 2008

Reduced formaldehyde emissions

IKEA has a vision that formaldehyde emission levels in wood based products shall be on the same levels as in natural wood. For instance, new techniques are tested in all areas where formaldehyde based glues are used to minimize emissions.

IKEA has earlier eliminated the use of formaldehyde based lacquers and has now also removed all formaldehyde in glue systems used to glue veneer surfaces on furniture.

A new standard has been set for wood based board, demanding reduced formaldehyde emission by 50 percent. This new demand equals half of the EU E1 level. All of this has been implemented during 2008.

Removal of solvent borne coatings

IKEA aims to phase out all solvent-borne wood coatings by the end of 2009. During FY08 focus has been to form phase out plans for each supplier, including setting timelines and identifying major challenges.

Our first priority is the IKEA children's range where almost all wood based products are coated with water-borne coatings.

Integrating EU REACH in our requirements

IKEA welcomes the EU REACH legislation on chemical substances which is in line with the IKEA precautionary

approach to chemicals. IKEA has decided not to allow any Substances of Very High Concern (SVHC) in our products, i.e. going further than REACH requirements. Furthermore, we will base the percentage on material rather than a complete product (exception phthalates in cables – phase out ongoing). REACH requirements are included in the IKEA material specifications to suppliers and require the supplier (or sub-supplier) to make a declaration that no SVHC is present in the products. New internal requirements for documentation have been developed in accordance with REACH and IKEA demands. IKEA also participates in formal and informal networks related to REACH.

Reducing chemicals in textile production

IKEA has helped selected IKEA textile suppliers to connect them with chemical suppliers in a scheme referred to as "chemical leasing". This is a method previously used in the car industry in order to reduce the use of chemicals.

The chemical supplier places a technical specialist at the textile supplier to oversee the processing and support more efficient chemical control, chemical and water reduction and waste water treatment. In FY08, five suppliers in India and Bangladesh reduced their use of chemicals significantly as well as water and energy use. Several suppliers even increased their capacity during the same period.

*Making more from less
Read more on page 34.*

*Products with less impact on the climate
Read more on page 41.*

SAFE AND ORGANIC FOOD

IKEA strives to ensure that food served in our restaurants and food products sold in our stores are safe and grown with consideration to the environment and the people that produce it. One of IKEA's ambitions is to provide affordable organic food products to our customers.

PROGRESS IN 2008

UTZ certified coffee in all IKEA stores worldwide

In FY08 we achieved our goal to serve and sell only UTZ certified coffee in all our stores worldwide. UTZ certification ensures that the coffee is traceable all the way back to the plantations and also proves that coffee is grown professionally and with care for local communities and the environment. UTZ works with capacity building of farmers to meet the sustainability requirements and at the same time make better business.

Read more about UTZ at www.utzcertified.org

Increased number of organic products

During FY08, IKEA introduced additional products to the organic range sold at the Swedish Food Market. Our ambition is that 15 percent of all products available in the Swedish Food Market shall be certified organic products. The products added this year are wholegrain pasta, UTZ coffee, raspberry and blueberry jam, pickled cucumbers, whole-grain mustard, blueberry tea and rhubarb and vanilla tea.

e-Learning Food Safety Program

To strengthen the food safety in our stores, we have developed a web based learning tool called the e-learning Food Safety Program. This is mandatory for all co-workers working with food, in our restaurants, kitchen and stores. By FY09 all concerned co-workers shall have taken part of the program.

External food safety audits in stores

During FY08, IKEA introduced two annual external food safety audits in all stores. This is a precautionary measure to meet increased concerns over food safety in society. The audit will include food handling, cleaning practices, storage rooms and garbage practices. If deviations from protocol are detected, the store must set up corrective measures and undergo a new audit.

IKEA Food Quality and Environmental requirements

Part of our quality and environmental requirements for food served or sold in IKEA stores are;

- no fish from endangered stocks,
- full traceability of all ingredients,
- restrictions on levels of industrially produced trans fatty acids in the total fat content of food products (below 2 percent),
- no ingredients that come from force-fed animals.

IKEA Food suppliers

Read more on page 18.

COMMENTS ON KPIS AND FIGURES IN 2008

The number of products in the organic range in the Swedish Food Market increased steadily during FY08. In FY08 at least one organic dish was offered in all IKEA restaurants.

CUSTOMERS / FOOD SAFETY

	2005	2006	2007	2008	Goal FY09
Organic products in the Swedish Food Market range					
	3%	4%	6%	8%	15%

FIGURES 2008

	2005	2006	2007	2008
Number of countries serving organic dishes in IKEA restaurants / Total number of countries				
				24 / 24

TOGETHER WE CAN MAKE A DIFFERENCE

In our stores and through our partnerships with international organisations we try to give our customers the opportunity to engage and contribute to a positive development.

IKEA SOFT TOYS CAMPAIGN

For a number of weeks in the autumn every year, IKEA stores worldwide run the IKEA soft toys campaign. IKEA Social Initiative donates 1 euro for every soft toy sold to UNICEF and Save the Children, to be used in projects aiming to improve children's education.

Since the start in 2003, 11.3 million euros have been raised to finance 40 projects in more than 20 countries, such as Albania, Bangladesh, Russia, Vietnam, Ivory Coast, Uganda and China.

Read more about UNICEF at www.unicef.org

Read more about Save the Children at www.savethechildren.net

*IKEA Social Initiative fights for children's rights
Read more on page 29–30.*

RETURN OF LOW ENERGY BULBS

IKEA customers can return their Compact Fluorescent light bulbs (CFL) at IKEA. CFL bulbs use 80 percent less energy and last 10 times longer than traditional bulbs. However, CFL bulbs contain a small amount of mercury, which means that the bulbs have to be recycled in a safe way.

THE IKEA BLUE BAG

IKEA is working to phase out the use of plastic bags in those stores which still have these types of bags. After an initiative in 2006, IKEA UK no longer sell plastic bags. In March 2007, IKEA US introduced the campaign "Bag the plastic bag". After one year more than 92 percent of customers said no to plastic bags. Starting in October 2008, IKEA US will no longer offer plastic or paper bags, but only reusable bags.

CHRISTMAS TREE CAMPAIGN

In some countries, IKEA offers customers the possibility to return their Christmas trees, bought at IKEA, for recycling. In return, they get a coupon to use in the IKEA store.

In France the return rate during Christmas 2007 was as high as 90 percent. IKEA France donated 1 Euro for every returned tree to the French organisation "Office National de Forêts", a national forest conservation organisation. In Italy, 40 percent of the Christmas trees were returned. IKEA Italy donated 3 Euro for every tree to a regional park.

CUSTOMER TRANSPORTS

IKEA wants to make it easier for our customers to leave their cars at home and instead use public transportation to travel to and from the store. Wherever possible, we are working to secure good connections between IKEA and public transport systems.

In some countries there are free shuttle buses for customers to travel to IKEA from surrounding urban areas. IKEA in some countries offers a reduced price for a home-delivery service for customers considering using public transport so that they can take their purchases home.

*IKEA and WWF co-operation on public transports
Read more on page 46.*

COMMUNITIES

IKEA SOCIAL INITIATIVE SIDES WITH CHILDREN

IKEA Social Initiative fights for children's rights to a healthy and secure childhood with access to quality education. The overall mission is to improve children's rights and opportunities.

IDENTIFYING SOURCES TO LASTING CHANGE

IKEA Social Initiative has adopted a holistic approach and engages in long-term projects to create lasting change. A special emphasis is put on the empowerment of women – an important catalyst for change in the communities where the potential to improve children's health and access to education are greatest.

CONCENTRATED ACTIVITIES

The task of IKEA Social Initiative is to handle all global donations for social projects. The current projects are concentrated in South Asia. In these countries the needs of children and their families are great. It is also countries where IKEA has a long business experience. IKEA Social Initiative strives to achieve a lasting change of the situation in areas where IKEA is doing and will continue to do business.

The interventions can be divided into three main areas:

- Holistic and long-term projects addressing children's needs to achieve lasting change. In addition, special emphasis is put on the empowerment of women, as they are an important catalyst for change in the community.
- Emergency aid – in-kind donations at first, as part of immediate relief actions, and, at a later stage, financial aid for long-term reconstruction projects.
- In-kind donations, originating from meeting special requests from co-operating organizations or meeting IKEA needs, e.g. overstock.

CO-OPERATION WITH ORGANISATIONS

IKEA Social Initiative has chosen UNICEF and Save the Children as its main partners. Both organisations are specialised in helping children and promoting their rights. The co-operation with these organisations builds on a partnership committed to long term projects designed to create lasting change in the communities.

A small number of additional co-operations has been and will be set up to meet specific needs. Today, IKEA Social Initiative supports the Research Foundation of Astrid Lindgren Children's Hospital in Sweden, the Research Foundation of Lund Vietnam Childhood Cancer Program and the Mentor Foundation.

A healthy start in life for millions of children in India

IKEA Social Initiative supports UNICEF's program in India within health, nutrition and water & sanitation. Over a four year period, the projects supported by IKEA Social Initiative, will directly benefit more than 80 million children and youth and 10 million women.

This UNICEF program targets three main areas which are key to a sustainable approach; maternal health and child survival, nutrition, and water and sanitation. Part of the efforts is to provide the most basic conditions for survival to children and women, such as access to immunization, vitamin supplements, oral rehydration salt (ORS) and zinc to treat diarrhoea of children, securing access to health or nutrition workers for pregnant women, new mothers, newborns and children while building awareness on low-cost, high-impact nutrition practices, household and school sanitation & hygiene promotion, and water safety and supply management.

Improve children's rights in the "carpet belt" in northern India

Between 2000-2007, IKEA Social Initiative supported a UNICEF project to prevent and eliminate child labour in the "carpet belt" in Uttar Pradesh, India, by addressing root causes such as debt, poverty and lack of access to education. During that period 500 villages with over one million inhabitants were included in the project. More than 80,000 children got an education they would otherwise have been denied. IKEA Social Initiative and UNICEF plan to expand the project to cover more than 6,000 villages by 2012.

The focus of the project is on creating awareness and mobilizing rural communities around activities to help prevent child labour and strengthen child rights. These activities include establishing women's self help groups, starting alternative learning centres that help children to be mainstreamed into regular schools and later initiating enrolment campaigns for children who have never attended school.

Prevent child labour in cotton seed farming in southern India

Since 2006, IKEA Social Initiative supports UNICEF projects aimed at preventing girls from working on cotton-seed farms in Andhra Pradesh, India. The projects help children to gain access to quality education and support and empower girls' collectives to influence their communities. Another important aspect of this collaboration is to raise awareness of child labour amongst NGOs, employers, buyers and local government.

IKEA Social Initiative has identified cotton-seed farming and cotton cultivation as areas where there is a great need to improve the rights and lives of children. Therefore we will expand these projects with both UNICEF and Save the Children.

IKEA customers help contribute to improved education through the IKEA Soft Toys campaign

For a number of weeks in the autumn every year, IKEA stores worldwide run the IKEA soft toys campaign. IKEA Social Initiative donates 1 euro for every soft toy sold to UNICEF and Save the Children, to be used in projects aiming to improve children's education.

Since the start in 2003, 11.3 million euros have been donated to finance 40 projects in more than 20 countries, such as Albania, Bangladesh, Russia, Vietnam, Ivory Coast, Uganda and China.

Emergency relief aid

In addition to long-term strategic projects, IKEA Social Initiative supports in situations of emergency.

In spring 2008 IKEA Social Initiative supported Save the Children's emergency relief following the cyclone in Burma. Initially we provided 200,000 soft toys through Save the Children's Child Friendly spaces and child protection groups in selected villages. IKEA Social Initiative is also supporting Save the Children's rebuilding work in the region, including providing school improvement grants to increase children's access to schools in their local communities.

IKEA Social Initiative has supported Save the Children's rebuilding efforts after the 2007 and 2008 flooding in Bihar, India.

Following the 2008 earthquake in China, IKEA Social Initiative provided 100,000 IKEA products for the immediate relief. This was followed by more long-term support to UNICEF to rebuilding of school facilities and investments in clean water and sanitation in some of the most devastated areas.

Read more about UNICEF at www.unicef.org

Read more about Save the Children at www.savethechildren.net

Read more about Astrid Lindgren Children's Hospital at www.karolinska.se

Read more about the Lund Vietnam Childhood Cancer Program at www.lu.se

Read more about the Mentor Foundation at www.mentorfoundation.org

NATIONAL AND LOCAL PROJECTS

There are numerous examples of national and local social projects carried out during 2008.

For more information on what IKEA is doing in your country, please visit "About IKEA/our responsibility/community involvement" at www.ikea.com

ENVIRONMENTAL PROJECTS

IKEA works to protect the environment in communities in the countries where we do business.

SOW A SEED IN BORNEO

IKEA supports Sow a Seed, a project to reforest and maintain 18,500 hectares of lowland forest in Sabah on the island of Borneo in Malaysia, and to protect the area from logging for a period of 50 years.

Sow a Seed has contributed to the building of homes, meeting places for social events, and field accommodations for the more than 150 workers and their families who work with the project. 8,400 hectares of forest have been replanted with native tree species.

The project is a partnership between IKEA, the Swedish University of Agricultural Sciences, the Yayasan Sabah Group and the Malaysian forestry company RBJ.

Read more at the section "About IKEA/our responsibility/forestry/sow a seed" at www.ikea.com

SCHOLARSHIPS TO STUDY RESPONSIBLE FOREST MANAGEMENT

IKEA wants to contribute to forestry knowledge in the countries where we source wood for our products. An international one-year programme in sustainable forestry established by IKEA and the Southern Swedish Forest Research Centre facilitates information exchange and relationship-building between countries near the Baltic Sea.

In 2008, 23 students from Latvia, Lithuania, Poland, Russia, Ukraine and Germany were sponsored by IKEA to attend the sustainable forestry course held at the Swedish University of Agricultural Sciences (SLU) in Sweden.

DEVELOPING FORESTRY EDUCATION IN RUSSIAN SCHOOLS

Together with World Resources Institute and Global Forest Watch, IKEA has been working to raise awareness and knowledge of sustainable forest management.

A project to generate local financing for planting activities has raised funds for the Novosibirsk Akademgorodok School. Additionally, new educational material on forest ecology and sustainable forest use has been developed. Part of the material has been distributed to more than 1,000 schools. Additional educational material, including two films on forestry in different regions, will be distributed during FY09.

This project also includes the Summer Forestry School 2008 for schoolchildren. The summer school was carried out at the campsite of the Milky Way ecotourism company, which is located in the Republic of Altai. The themes of Summer Forestry School 2008 include forestry and silviculture, geobotany, ecotourism and study of local lore, as well as teamwork planning and leadership.

NATIONAL AND LOCAL PROJECTS

There are numerous examples of national and local environmental projects carried out during 2008.

For more information on what IKEA is doing in your country, please visit "About IKEA/our responsibility/community involvement" at www.ikea.com

CO-OPERATION WITH WWF

WWF is our main partner in projects that focus on protecting the environment, with a special focus on sustainable forestry, sustainable cotton production and climate change.

*IKEA and WWF forestry projects
Read more on page 35–37.*

*IKEA and WWF cotton projects
Read more on page 38–39.*

*IKEA and WWF climate projects
Read more on page 40.*

ENVIRONMENT

COST-CONSCIOUSNESS LEADS OUR WORK

The IKEA business idea is to offer a wide range of well designed home furnishing products at prices so low that as many people as possible will be able to afford them. Cost-consciousness is essential to this idea of using methods for economical use of resources while reducing environmental impact.

MINIMIZING OUR ENVIRONMENTAL IMPACT

IKEA works actively to minimize the environmental impact of our operations. Currently, the focus areas are:

- Environmental design; consideration of safety, quality and environmental aspects from the initial design stage throughout the product's life cycle.
- Efficient use of resources; using the smallest amount of resources to make the best possible products.
- Sustainable sourcing of raw materials, focusing on wood and cotton.
- Climate change; development of products with less impact on the climate, transportation of products, "IKEA Goes Renewable" and co-operation with WWF on customer transportation and energy use at IKEA suppliers.

ON OUR WAY TO ADDRESS FUTURE CHALLENGES

IKEA has identified areas of increasing importance in terms of environmental challenges. These are areas where we will increase our focus in the near future.

One key area relates to raw materials where we need to focus even more to find ways to not only decrease the amount of raw materials but also to find alternative materials.

Water is a valuable natural resource that is subject to growing concern. Today, we monitor our water consumption in IKEA buildings. We also co-operate with WWF to reduce water use in cotton production. Our code of conduct *IWAY* includes requirement on water treatment and we support textile suppliers to reduce water use in the processing of textiles. Over the next few years we will work to adopt a more systematic and comprehensive approach to water.

IKEA works to identify our carbon footprint throughout the whole value chain; including the extraction of raw materials at source, the processing at suppliers and sub-contractors, customers transportation to IKEA stores, and customers' use of our products in their homes.

MAKING MORE FROM LESS

IKEA believes in using the least amount of resources to make the best possible products.

Using hollow legs on furniture and chipboard as filling instead of solid wood are some of the ways IKEA saves resources. In a similar approach we are investigating alternatives to cotton, or ways in which we can blend cotton with other materials to reduce cotton use. Throughout our supply chain we are promoting more efficient use of energy and water.

Products with less impact on the climate
Read more on page 41.

Safe home furnishing products
Read more on page 25.

Renewable and recycled materials

The main raw materials used in IKEA products are wood, cotton and glass. Wood and cotton are renewable materials, while glass is recyclable. While wood and cotton are renewable, the way they are grown has a large impact on how sustainable these materials are.

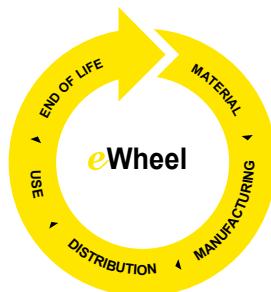
Responsible forestry
Read more on page 35–37.

Sustainable cotton production
Read more on page 38–39.

Minimising waste

IKEA has set clear goals to minimise the amount of waste generated in the manufacturing process, and if possible use it in the production of other products.

Designers, product developers and technicians must consider safety, quality and environmental aspects from the initial design stage throughout the product's life cycle.



IKEA uses the e-Wheel to understand and evaluate the environmental impact of our products. The e-Wheel has several check-points, divided into five phases: materials, manufacturing, distribution use and end of life.

All IKEA stores and distribution centres recycle large quantities of material. This helps us to save resources and can result in considerable savings. Waste collected and recycled include cardboard, paper, plastic, wood, metal and glass.

IKEA stores and distribution centres also work to minimise damage to products. However, when damage does occur, IKEA attempts to repair products rather than simply discard them.

COMMENTS ON KPIS AND FIGURES

The amount of renewable materials in our products reached 72 percent during the year. This is part of our ambition to increase the amount of renewable materials, including cotton and wood, in our products. We also strive to increase the amount of recyclable materials.

ENVIRONMENT / DESIGN AND USE OF MATERIALS

	2005	2006	2007	2008	Goal FY09
Renewable materials used in products					
	n/a*	72%	71%	72%	75%
Waste recycled, reclaimed or used in energy production					
Stores	80%	80%	84%	85%	90%
Distribution Centres	86%	86%	76%	90%	90%
Swedwood				72%	90%
Recovered or reused products					
Stores total	65%	64%	64%	61%	75%

RESPONSIBLE FORESTRY

Wood is one of the most important raw materials for IKEA. As wood is both renewable and recyclable, it is a sound environmental choice, provided it comes from responsibly managed forests.

IKEA does not accept illegally felled wood or wood from intact natural forests. To avoid sourcing wood from intact natural forests, IKEA uses risk maps developed by Global Forest Watch with support from IKEA.

IKEA has a long-term goal to source all wood used in IKEA products from forests certified as responsibly managed and we work actively to increase the availability of certified wood.

IKEA's forestry specialists spread knowledge about responsible forestry and trace wood all the way back to its origins, to verify that IKEA forestry requirements are met throughout the entire supply chain.

IMPLEMENTATION AND MONITORING OF IKEA FORESTRY REQUIREMENTS

Suppliers of wood used in IKEA products must be able to document the origin of their wood in an annual questionnaire, which is used as the basis for a wood supply chain audit. Information from the questionnaire and a risk assessment are used to choose a number of wood supply chain audits for closer evaluation. Rainforest Alliance Smart-Wood Program, a third party auditor, complements the IKEA auditing system by conducting a limited number of wood supply chain audits for IKEA.

IKEA WOOD PROCUREMENT GROUP

IKEA Wood Procurement Group works to secure future price reductions and access to wood from sustainable sources. The group supports selected suppliers and sub-suppliers to purchase raw materials and they initiate and handle IKEA investments in forestry sawmills and component production.

For instance, the Wood Procurement Group assists suppliers that are interested in purchasing raw material in Russia. They also support entrepreneurs that want to establish facilities including machines, warehouses, and production lines for use in logging, sawmilling and component production.

IKEA Wood Procurement Group has established co-operation with the pulp- and paper industry and has long-term agreements with governments, forest owners, and forestry-related associations.

JOINT FORESTRY PROJECTS WITH WWF

IKEA co-operates with WWF to support responsible forestry and to tackle problems such as illegal logging and the lack of third party certified raw materials. A number of projects are currently underway around the world.

Russia and China: This joint project works to curb illegal logging in the cross boarder trade between Russia and China. One important aspect is to increase awareness on and to promote FSC certification of forests.

During 2008, WWF developed two country guides called "Keep it Legal" for Russia and China respectively. These guides offers guidance on how to keep illegally sourced timber out of the supply chain, by proposing a range of tactics specific to the situations in the two countries. In both countries these efforts have been supported by public awareness campaigns involving governments, authorities and important industry representatives.

Top 5 tree species used in IKEA products

Pine, Birch, Spruce, Beech, Oak

Top 5 wood sourcing countries

Russia, Poland, China, Romania, Sweden

IKEA REQUIREMENTS FOR WOOD* USED IN IKEA PRODUCTS

* Solid wood, veneer, plywood or layer-glued wood.

Minimum requirements

Wood used in IKEA products must fulfil the following criteria:

- Not from forests that have been illegally harvested;
- Not from forestry operations engaged in forest related social conflicts;
- Not harvested in uncertified Intact Natural Forests (INF) or High Conservation Value Forests (HCVF);
- Not harvested from natural forests in the tropical and sub-tropical region being converted to plantations or non-forest use;
- Not from officially recognized and geographically identified commercial Genetically Modified (GM) tree plantations.

Certification by IKEA preferred sources

IKEA has a long-term goal to source all wood used in IKEA products from forests certified as responsibly managed. The wood must be certified according to a system recognized by IKEA.

Today, Forest Stewardship Council (FSC) including Forest Management (FM) and Chain of Custody (CoC) standards, is the only certification scheme recognised by IKEA.

These requirements have been updated during 2008 and will be valid from April 2009.

Another key activity to address the conditions enabling illegal trade today is to work with the control mechanisms of the Russian and Chinese customs in critical areas. Analysis of the current methods has resulted in recommendations of improved methods for control of trans-boundary timber shipments and compilation of customs statistics.

Laos and Cambodia: This project encourages a switch to sustainable rattan harvest and production in Laos and Cambodia. It includes working with the government, the private sector and the communities to involve the full participation of the people.

Lithuania: The project focuses on responsible forest management amongst privately owned forests in the Baltic, and promotes FSC certification.

Bulgaria, Romania and Ukraine: The project aims to implement responsible forestry practices by governments, companies and NGOs and to increase their commitment to FSC certification and the concept of High Conservation Value Forests.

Read more about the projects on www.panda.org/forests/ikea

TRAINING FOR BETTER FOREST MANAGEMENT

IKEA works in partnership with the Rainforest Alliance in China to increase awareness and experience of better forest management practices, including FSC. Over the three years the project has been running, more than 6,600 individuals from universities, industry, NGOs and the forestry sector have been trained in topics related to sustainable forest management and forest certification. The project has far exceeded the expectations, and led to an increase in the number of partnerships with for instance Inner-Mongolia forest bureaus, Southern China forest managers, and bamboo and plantation forest operations.

PROGRESS IN 2008

Development of forestry requirements

During FY08 we reviewed our way of working and further developed our forestry requirements. One significant change is that IKEA suppliers now must perform risk assessments of their wood supply chains.

IKEA owned forest

The IKEA Wood Procurement Group has established a new industrial group in Russia, ARBOR. During FY08, ARBOR has signed a 49-year lease on approximately 175,000 acres of Russian forest land. This is a way for IKEA to secure the supply of raw material and ensure that it is harvested sustainably.

IKEA forestry plan 2010-2012

In FY08, IKEA finalized a new strategic direction for forestry valid for 2010–2012. The plan contains stronger actions to increase certified wood volumes in IKEA products. All of IKEA's and Swedwood's forest leases will be certified during the period. Similar certification projects will be initiated with selected IKEA suppliers to increase access to sustainable wood supply.

Renewed co-operation with WWF

IKEA and WWF have renewed their forest co-operation agreement for another three years (2008–2011).

Carbon certification in forestry project with Rainforest Alliance

Together with Rainforest Alliance we are starting a project to explore the climate-forestry connection. The initiative takes place in Vietnam, Malaysia and Indonesia. It will investigate how to create positive carbon offset benefits in forestry projects. Also included in the project is training and other capacity building activities for FSC forest management.

COMMENTS ON KPI AND FIGURES:

During FY08 there was increased focus on securing compliance with our minimum forestry requirements in IKEA supply chains. Furthermore, the intensity of supply chain auditing on potentially high risk supply chains was increased, and suppliers working with cross-border wood supply were in focus to secure transparency in their wood sourcing.

This have resulted in a higher compliance rate overall and in particular in the high risk supply chains that were selected for wood supply chain audits.

IKEA will not reach the set target of 30 percent by the end of 2009 of solid wood from verified responsible managed forests. Although the growth in third party certified volumes is moving in the right direction, the pace of implementation of Chain of Custody certificates at IKEA suppliers is slow. The development of third party certified volumes in both Russia and China for domestic use continues to be slow. IKEA is engaged with several project partners in both countries in order to boost the availability of third party certified volumes in the next three years.

ENVIRONMENT / FORESTRY

	2005	2006	2007	2008	Goal FY09
Share of solid wood, veneer, plywood, layer glued wood used in IKEA products that meet IKEA minimum requirements					
	90%	91%	94%	96%	100%
Share of wood used in IKEA products coming from forests certified as responsibly managed					
	12%	7%	6%	7%	30%

FIGURES 2008

	2005	2006	2007	2008
Total wood used in IKEA products (cubic metres)				
	6,400,000	6,400,000	7,080,000	7,223,000
Number of wood supply chain audits				
	68	90	50	84
Audited volume (in wood supply chain audits), cubic metres / % of total wood used in IKEA products				
	1,600,000	2,100,000	900,000	1,500,000
	26%	33%	14%	20%
Approved audited volume (in wood supply chain audits) %				
	71%	66%	59%	80%
Number of third party audits				
	0	4	4	3

SUSTAINABLE COTTON PRODUCTION

Cotton is one of the most important raw materials for IKEA. We want the cotton used in our products to be produced in a sustainable manner, taking into consideration both people and the environment.

IKEA is actively involved in developing new environmentally adapted methods for cotton production and cultivation which use less water and chemicals.

IKEA is at the end of a long cotton production process. In many countries the supply chain for cotton is complex and has several tiers. Cooperation with many parties including other international companies, NGOs, governments and authorities, is necessary to achieve lasting change.

REDUCING OUR NEED FOR COTTON

There are alternative materials which can help to reduce the need for cotton in IKEA products. Lycocell which is produced from cellulose can be used as an environmentally friendly alternative to cotton. Lycocell is currently being used in a number of products in the IKEA range. IKEA is investigating the possibility to use a blend of linen and cotton to further reduce the need for cotton.

IKEA suppliers are adapting production to meet a new set of quality standards. This includes optimizing the use of material, which reduces the need for cotton and the weight of textiles whilst enhancing the overall quality.

IKEA AND WWF JOINT COTTON PROJECTS

Since 2005, IKEA and WWF have field projects underway at project sites in Pakistan and India, testing improved working methods for cotton cultivation and processing. The projects use Better Management Practises (BMP).

Better Management Practises (BMP) enable farmers to reduce their environmental impact, improve efficiency, maintain cotton crop yields and increase their gross margins. Some 2,000 farmers in Pakistan and 500 in India are participating through Farmer Field Schools.

BETTER COTTON INITIATIVE (BCI)

IKEA is one of the founding members of the Better Cotton Initiative (BCI). This global multi-stakeholder organisation aims to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BCI is also developing globally accepted criteria for "Better Cotton". Leading participants are international companies, NGOs and the United Nations Environment Programme.

Read more on www.bettercotton.org

LONG TERM GOAL

Our long-term goal is for all cotton used in IKEA products to be "Better Cotton". The availability of sufficient volumes of "Better Cotton" will affect how quickly we can reach this goal.

PREVENTING CHILD LABOUR IN COTTON SEED FARMING

Since 2006, IKEA Social Initiative supports UNICEF projects aimed at preventing children from working on cotton-seed farms in India. The projects help children gain access to quality education and empower girls' collectives to influence their communities. The projects also raise awareness of child labour amongst NGOs, employers and local government.

Read more on www.unicef.org

IKEA Social Initiative fights for children's rights

Read more on page 29–30.

PROGRESS IN 2008**New quality standards**

A new quality standard was taken into use at the end of FY08. IKEA has prioritized the product categories with large volumes, such as bed sheets, as this is where it can have a significant impact. Using the new quality standard, which will reduce the textile weight, will lead to a 24 per-cent reduction of cotton need, and improve water efficiency in the processing by 20 percent. The lower textile weight thereby means less environmental impact at the same time as the transportation costs will decrease.

Significant results from Pakistan

The IKEA and WWF cotton projects have generated some positive results. After running the project in Pakistan for three years, the average use of pesticides have gone down by 48 percent, use of fertilisers by 32 percent and water use by 40 percent. At the same time earnings have increased by 87 percent. These results prove that it is possible to cultivate and process cotton at a lower cost while also reducing the negative environmental impact.

Expanding IKEA and WWF joint cotton projects

IKEA and WWF are expanding their current projects in Pakistan. The focus for FY09 is to include 18,000 farmers, and by FY11 have 25,000 farmers implementing the Better Management Practises (BMP).

IKEA procuring “Better Cotton”

In addition to the cotton project in Pakistan and India, IKEA has supported a number of suppliers and helped them to grow. In return, the suppliers have committed to buy “Better Cotton” when available. This means that IKEA will be able to use “Better Cotton” in part of its production in the near future.

Expanding projects to prevent child labour

IKEA Social Initiative has expanded their work to prevent child labour in cotton-seed farming and will work with both UNICEF and Save the Children. One important challenge ahead is to tackle child labour in cotton cultivation, the next phase of the cotton chain.

FACING CLIMATE CHALLENGE

IKEA is concerned about climate change and is working actively to reduce carbon dioxide emissions from our operations.

IKEA focuses on the areas where we have the greatest possibility to reduce emissions. This includes developing energy and material efficient products, minimising transportation emissions of our products and meeting the long-term directions outlined in “IKEA Goes Renewable”.

Products with less impact on the climate
Read more on page 41.

Smarter transports of products
Read more on page 42.

“IKEA Goes Renewable”
Read more on page 43–44.

EXPANDING THE SCOPE

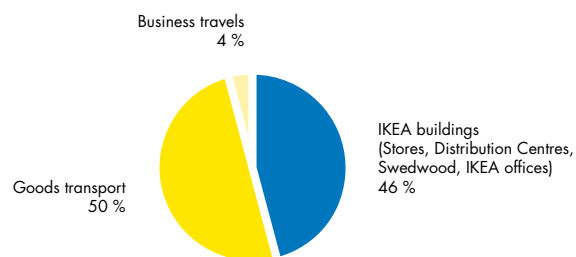
IKEA has started to identify the full extent of our impact. We are investigating the product’s entire cycle and impact during its lifetime, to include every aspect of the value chain. This means extraction of raw materials, manufacturing processes at suppliers and sub-contractors, customer transportation to IKEA stores and the use of our products.

This is a great challenge and IKEA is looking for new ways to make progress. One initiative is the climate projects we have started with WWF, focusing on customer transportation and energy use at IKEA suppliers.

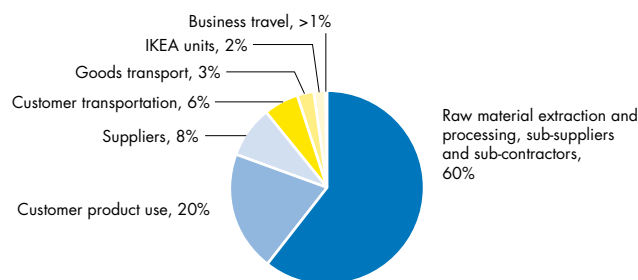
COMMENTS ON KPIS AND FIGURES

The total amount of carbon dioxide emissions directly related to IKEA operations increased in FY08. However, in relative terms, the development is positive. When one examines carbon dioxide emissions per total products sold, we see an overall positive improvement compared to FY05.

CO₂ EMISSIONS CAUSED BY IKEA OPERATIONS, %



CO₂ EMISSIONS, TOTAL CHART



There are still no established standards for measuring emissions throughout the entire process, but working together with academic institutions IKEA has started estimating these emissions. These calculations show that 95 percent of the carbon dioxide emissions related to IKEA and our products are attributed to material extraction, suppliers, customer transportation and the use of products.

FIGURES 2008

	2005	2006	2007	2008
<p>IKEA uses the Greenhouse Gas protocol (GHG) developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) as its reporting standards.</p> <p>For more information about the Green House Gas Protocol, please visit www.ghgprotocol.org</p>				

CO₂ emissions caused by IKEA operations, tonnes CO₂

Scope 1	85,443	103,936	84,070	92,464
Scope 2	440,097	455,690	514,656	498,350
Scope 3 (goods transport only)	501,633	525,019	590,000	695,565
Total	1,027,173	1,084,645	1,188,726	1,286,379

Scope 1 Direct emissions from sources owned or controlled by IKEA.

Scope 2 Emissions from the generation of purchased electricity consumed by IKEA buildings.

Scope 3 Indirect emissions from sources that are relevant to the IKEA business but that IKEA does not directly control.

CO₂ emissions caused by IKEA operations, tonnes CO₂

Stores	320,607	321,522	309,366	315,486
Distribution centres	56,943	63,306	42,616	42,824
Swedwood	173,287	169,672	196,001	227,326
Offices	1,271	5,127	5,178	5,178*
Total IKEA buildings	552,108	559,627	553,161	590,814
Goods transport	460,340	521,620	590,000	650,000
Business travels	9,319	11,887	45,565	45,565*
Total	1,021,767	1,093,134	1,188,726	1,286,379
Total kg CO₂/m³ produced for IKEA	66	59	56	56

* not available, assumed similar as 2007

PRODUCTS WITH LESS IMPACT ON THE CLIMATE

IKEA works to develop products that have less negative impact on the climate, focusing on lighting and kitchen products.

FUTURE LIGHTING

IKEA will gradually phase out inefficient incandescent lighting by 2010 and is working to find alternatives. Lighting accounts for almost 25 percent of the electricity consumption in the home. If IKEA customers use energy efficient light sources instead of regular incandescent light sources, CO₂ emissions from their light sources are estimated to be reduced by 16 percent in FY10.

Starting in FY08, IKEA is developing a range of more energy efficient light source solutions based on three main techniques; CFL (compact fluorescent lighting), halogen and LED (light-emitting-diode).

CFL in SPARSAM

CFL techniques in the SPARSAM range of lighting allow energy savings of up to 80 percent, and last up to 10 times longer than traditional light bulbs. These lightings are a bit more expensive, but because of the energy savings and extended lasting period they represent a more economic choice for customers in the long run. They contain small amounts of mercury and IKEA offers uniform recycling stations for customers to recycle their bulbs.

LED lightings last longer

IKEA uses LED light sources in a number of products, including the JANSJÖ lamps. LED has a very long lifetime. A lamp with LED which is being used for 10 hours every day, may last for as long as 14 years. It consumes very little energy, which makes it more environmentally friendly than traditional alternatives. In the SUNNAN solar cell lamp we use both LED and solar cell technique. The solar cells transform sunlight into electrical energy – and require no electrical connection.

REDUCING WATER CONSUMPTION

Today 15 percent of the world consumption of water is used in households. The amount of water used for rinsing, cleaning and personal hygiene can be reduced significantly without compromising with functionality by controlling the water flow. For instance, the tap RINGSKÄR uses cartridges as a flow control device to save water in the kitchen. All other taps contain pressure compensating aerator which also helps control the water flow.

Saving with dishwasher

Our range of class A dishwashers can save both water, energy, money and time compared to washing the dishes by hand. Based on a study made at the Bonn University in Germany, water consumption can be reduced by 85 percent and energy consumption by 58 percent if using a dishwasher from the IKEA range. This is equal to reductions of CO₂ emissions with 150 kg per year.

IKEA GreenTech

At the end of FY08 IKEA GreenTech was announced. IKEA GreenTech is an investment company, which aims to bring good and affordable environmental products to the many people so that they can reduce their CO₂ emissions and water usage while also reducing their energy and water costs. IKEA GreenTech plans to focus on five areas – solar panels, lighting, raw materials, energy efficiency and water saving. The objective is to invest in innovative companies that have the potential to develop products which can be sold by IKEA and/or used by IKEA and its suppliers.

SMARTER TRANSPORT OF PRODUCTS

IKEA wants to reduce carbon dioxide emissions from goods transport and is working in a number of ways to achieve this.

INNOVATIVE DESIGNS INCREASE FILL RATE

Smart packaging is the most effective way to reduce the environmental impact from goods transport. Our flat packages are part of our ambition to increase efficiency in all aspects, including transport.

IKEA continually innovates in other types of packaging to maximize the use of space. Already at the drawing table, designers and product developers include considerations to packaging solutions as part of their assignment.

*Environmental requirements on IKEA transport service providers
Read more on page 20.*

PROGRESS IN 2008

New targets for filling rates

IKEA has set a target to increase filling rates and achieve 70 percent by FY12. According to calculations based on current conditions, an increase of the filling rate from 63 percent to 70 percent can potentially reduce the carbon dioxide emissions from transportation with 6.3 percent.

Adapting to EURO standards increases efficiency

Product packaging is adapted to fit exactly onto Euro pallets or other standard IKEA pallets. Only furniture that can be flat packed and adapted to EURO pallet size will be taken into the product range.

Regional versus global production

IKEA is investigating the possibilities to move towards a more regional rather than global production. For a number of business reasons this is a strategic move, which will lead to shorter lead times, lowered transportation costs, less vulnerability to currency fluctuations and less incremental economy of scale advantages. To allocate production closer to the sales market also reduces the environmental impact from transportation.

COMMENTS ON FIGURES

In FY07 significant reduction of carbon dioxide emissions per transported cubic metre per kilometre was due to a shift in mode of transport, from road to ocean. During FY08 there were no major changes of mode of transport, or of filling rates, which resulted in the relative carbon dioxide emissions remaining stable.

CLIMATE / TRANSPORT OF PRODUCTS

	2006	2007	2008	Goal FY10
Carbon dioxide emissions reduction per transported m³/per kilometre (relative to 2006)				
	-5%	-12%	0%	-12%

FIGURES 2008

	2005	2006	2007	2008
Modes of transport (goods volume)				
Road	67%	70%	69%	69%
Ocean	17%	15%	17%	18%
Rail	6%	6%	5%	4%
Combined transport	10%	9%	8%	9%
Filling rate				
Inbound (supplier to warehouse)	58%	61%	62%	60%
Outbound (warehouse to store)	58%	59%	56%	58%

“IKEA GOES RENEWABLE”

IKEA’s long term direction is that all IKEA buildings shall be supplied with 100 percent renewable energy. We also want to improve our overall energy efficiency by 25 percent compared to FY05.

All IKEA stores, distribution centres, factories and offices will, in the long-term, run on renewable energy. IKEA defines renewable energy as energy derived from resources that are regenerated naturally or cannot be depleted.

STANDARDS FOR ENERGY MANAGEMENT

IKEA has standards for building components, and specifies a range of energy efficient measures for new IKEA buildings. Standards for renewable heating equipment are part of the evaluation process when existing buildings are reviewing their equipment. Newly built facilities use, where possible, bio fuels, geothermal heat, solar, wind or water power.

Energy consumption standards for new stores are set to 45 kilowatt hours per cubic metre sold, by year five after store opening.

Lighting standards for IKEA buildings were revised last year and spotlights are being changed from 50 and 35 watt light bulbs to 20 watt light bulbs. By the end of FY08, over 50 percent of stores complied with the new standards.

IKEA establishes and updates standards continuously in order to make better equipment and energy management choices. This translates into savings that improve energy efficiency considerably. A number of projects both global and local are being undertaken to encourage all IKEA buildings to continuously improve energy efficiency.

PROGRESS DURING 2008

Completed survey to evaluate energy needs

IKEA performed an extensive survey in FY08, including over 180 buildings. This provided a detailed map of the current situation for both our stores and the Swedwood factories, and helped to identify a number of good examples and opportunities for improvement. Preliminary results show that by making changes, 5-40 percent improvement in energy efficiency can be achieved. Heating and cooling represents two areas where improvements can result in significant energy- and cost savings.

For instance, the survey helped the Zaventem IKEA store in Belgium identify a potential improvement of energy efficiency of more than 30 percent. In addition, a number of IKEA stores have already been able to reduce the amount of energy used on site.

The focus for the next coming years is to support the units in developing and implementing action plans to address improvements.

New building designs

By the end of FY08, more than 40 designs for new or major rebuilds with consideration to energy efficiency and high shares of renewable heating were authorised for construction. This will result in many new stores with a high share of renewable energy which also meet the energy consumption standards established in FY07.

New techniques for future stores

IKEA works to identify new techniques for future stores, such as smart commercial lighting in parking areas. By using LED technique for the IKEA store signs, we can reduce energy consumption by an estimated 60 percent for each one. New techniques and standards can reduce both the environmental impact and energy costs.

Alternative energy sources introduced

The heating needs in new IKEA buildings are provided from ground source heat pumps, air heat pumps, biomass boilers and solar power when possible. For instance, IKEA Italy has built one of Europe’s largest ground source heat pumps in Corsico, Milan. The geothermal system is an innovative way of producing energy efficiently. It uses a technique that exploits the constant ground temperature in order to save use of electricity and gas for heating and cooling. This geothermal system will reduce both the environmental impact, and save heating and cooling costs. Less use of gas and electricity is estimated to lead to an energy cost savings of 30-50 percent.

During the past two years, IKEA learned more about how to use wind, biomass and sunshine to produce electricity. Four IKEA stores located in Belgium, Spain, Germany and the United States have purchased photovoltaic panels to turn sunshine into electricity. The first results from these projects are expected during FY09.

COMMENTS ON KPIS AND FIGURES

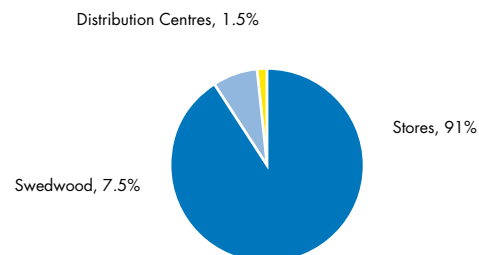
During FY08 the overall energy efficiency increased despite a colder winter than the previous year and higher rates of growth at our factories. The increase masks differences of performance in the different parts of IKEA. The improvement was concentrated in our Swedwood units. Furthermore, we have seen that it takes a few years for new units to reach design efficiency.

The share of renewable electricity increased in FY08 as we managed to purchase renewable electricity in more countries. The share of renewable heat also increased marginally as we started building more units with renewable heating systems and reduced our use of oil and gas at Swedwood.

CLIMATE / IKEA BUILDINGS

	2005	2006	2007	2008	Direction
Renewable energy					
* Stores	21%	25%	28%	36%	100%
* Distribution Centres	17%	26%	30%	35%	100%
Swedwood	61%	60%	59%	62%	100%
Total	38%	39%	42%	47%	100%
Improved energy efficiency compared to 2005/m³ goods sold					
* Stores	-	-6%	7%	9%	25%
* Distribution Centres	-	14%	29%	24%	25%
* Swedwood	-	8%	15%	28%	25%
Total		1%	9%	11%	25%

ACTUAL ENERGY CONSUMPTION, KWh



ENERGY USE AT SUPPLIERS

IKEA is working to cut carbon dioxide emissions at IKEA suppliers. Our focus is on how IKEA suppliers can work using energy targets similar to those in “IKEA Goes Renewable”.

Together with WWF, a pilot project has been developed and is running with ten suppliers in Poland, Sweden and China. This project aims to promote and create efficient production practices at IKEA suppliers, with a focus on energy efficiency and the use of renewable energy. Studies will also be made on the energy situation on a national level including infrastructure and laws and legislation which can affect the suppliers becoming CO₂ neutral.

SUSTAINABLE TRANSPORT OF PEOPLE

IKEA wants to make it easier for customers and co-workers to leave their cars at home and use public transportation to travel to and from the store.

IKEA AND WWF JOINT EMISSIONS PROJECTS

Togheter with WWF, pilot projects have been developed in the United Kingdom, China and the United States. These three markets have different conditions and challenges, in terms of public transportation and infrastructure, which can contribute to important findings.

In FY08, a number of interviews with customers and co-workers at a select number of pilot stores in the United Kingdom were conducted. The scope was to investigate future alternative means of transportation. Similar methods to clarify the current transportation situation are currently underway in the United States and China. In China a dialogue is also held with local authorities.

GREEN COMPANY CARS

IKEA has defined standards for “green” company cars. By 2010 all IKEA company cars shall meet the EU carbon dioxide emission targets of 120 grams carbon dioxide per kilometre driven.

MEET MORE – TRAVEL LESS

IKEA has launched a new initiative to reduce business travel. This will reduce costs, our environmental impact, and improve the work-life balance for IKEA co-workers.

For the last three years travel costs have increased with around 20 percent per year. In FY08, for the first time travel costs were reduced by 20 percent compared to the previous year.

There has been a substantial shift from travel to use of technical solutions for virtual meetings, including video-, web- and telephone conferences.

Consequently, the amount of CO₂ emissions have decreased and IKEA is looking into methods to measure the effects.

CLIMATE / TRANSPORT OF PEOPLE					
	2005	2006	2007	2008	Goal FY09
Customers travelling to IKEA stores by public transportation					
	8%	8%	9%	9%	15%

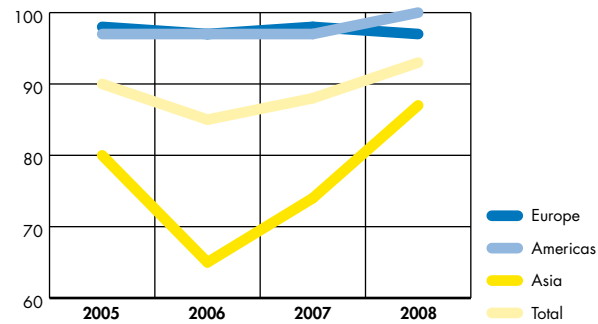
METRICS

KEY PERFORMANCE INDICATORS

SUPPLIERS / HOME FURNISHING SUPPLIERS

	2005	2006	2007	2008	Direction
IWAY approved home furnishing suppliers					
Europe	71%	74%	78%	80%	100%
Americas	58%	62%	67%	91%	100%
China			4%	7%	100%
South Asia			32%	34%	100%
South East Asia			52%	63%	100%
Asia, total	16%	13%	17%	21%	100%
Total	47%	47%	50%	54%	100%

SUPPLIERS / IWAY FULFILMENT RATES



SUPPLIERS / TRANSPORT SERVICE PROVIDERS

	2005	2006	2007	2008	Goal FY12
IWAY approved transport service providers					
			5%	42%	60%
IWAY approved IKEA distribution centres					
			71%	80%	100%
Fulfilment of minimum environmental requirements by transport service providers					
Ocean	93%	100%	69%	87%	100%
Land (new category)			99%	99%	
Road	83%	93%	see land	see land	100%
Rail	82%	86%	see land	see land	100%

SUPPLIERS / FOOD SUPPLIERS

	2005	2006	2007	2008	Goal FY09
IWAY approved food suppliers					
				13%	100%

METRICS

KEY PERFORMANCE INDICATORS

CUSTOMERS / FOOD SAFETY

	2005	2006	2007	2008	Goal FY09
Organic products in the Swedish Food Market range					
	3%	4%	6%	8%	15%

ENVIRONMENT / DESIGN AND USE OF MATERIALS

	2005	2006	2007	2008	Goal FY09
Renewable materials used in products					
	n/a*	72%	71%	72%	75%
Waste recycled, reclaimed or used in energy production					
Stores	80%	80%	84%	85%	90%
Distribution Centres	86%	86%	76%	90%	90%
Swedwood				72%	90%
Recovered or reused products					
Stores total	65%	64%	64%	61%	75%

ENVIRONMENT / FORESTRY

	2005	2006	2007	2008	Goal FY09
Share of solid wood, veneer, plywood, layer glued wood used in IKEA products that meet IKEA minimum requirements					
	90%	91%	94%	96%	100%
Share of wood used in IKEA products coming from forests certified as responsibly managed					
	12%	7%	6%	7%	30%

CLIMATE / TRANSPORT OF PRODUCTS

	2005	2006	2007	2008	Goal FY10
Carbon dioxide emissions reduction per transported m³/per kilometre (relative to 2006)					
	n/a*	-5%	-12%	0%	-12%

CLIMATE / IKEA BUILDINGS

	2005	2006	2007	2008	Direction
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Total		1%	9%	11%	25%

CLIMATE / TRANSPORT OF PEOPLE

	2005	2006	2007	2008	Goal FY09
Customers travelling to IKEA stores by public transportation					
	8%	8%	9%	9%	15%

COMMUNICATION ON PROGRESS

IKEA is committed to the ten principles of the UN Global Compact. As a signatory to the initiative we are communicating how our work in the areas of human rights, labour standards, environment and anti-corruption is progressing.

The cross references in the table below indicates where progress related to the respective principle can be found in the IKEA Sustainability Report 2008.

CROSS REFERENCE TABLE (GLOBAL COMPACT)

Global Compact	Page
Human Rights	
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	11–23, 29–30
Principle 2: make sure that they are not complicit in human rights abuses.	11–23, 29–30
Labour Standards	
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	11–20
Principle 4: the elimination of all forms of forced and compulsory labour;	11–20, 29–30
Principle 5: the effective abolition of child labour; and	11–23
Principle 6: the elimination of discrimination in respect of employment and occupation.	11–23
Environment	
Principle 7: Businesses should support a precautionary approach to environmental challenges;	33–47
Principle 8: undertake initiatives to promote greater environmental responsibility; and	33–47
Principle 9: encourage the development and diffusion of environmentally friendly technologies.	36, 38–39, 41, 43, 45–46
Anti-corruption	
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	11