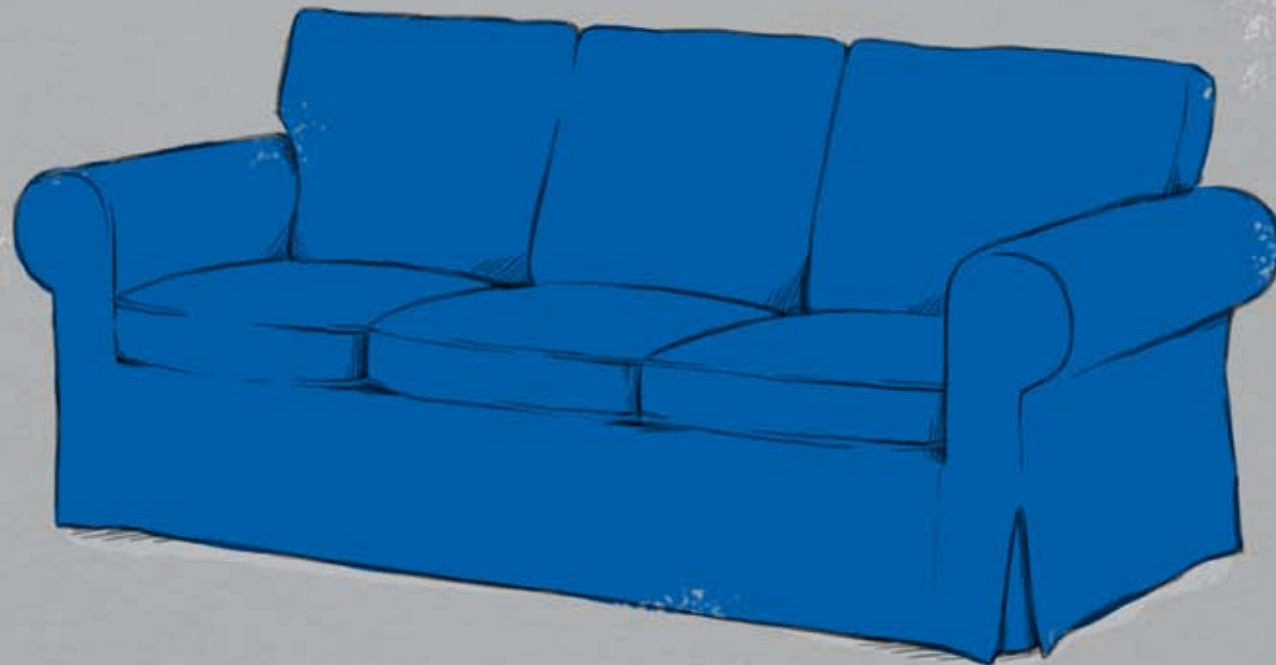


The IKEA Group approach to sustainability

How we manage sustainability in our business



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About this document

This document describes the overall IKEA approach to environmental and social responsibility and the systematic work we do in many areas.

For specific news about our progress in 2011, please read the IKEA Sustainability Report 2011.

Would you like to know more?

You can find more information and download documents on our website. Please visit "About IKEA/People and the Environment" at www.IKEA.com

If you have any questions or comments, please send an e-mail to sustainability.report.se@IKEA.com

The IKEA approach to sustainability

How we manage sustainability in our business

We meet our customers in the stores and through the range

IKEA stores offer everything for the home displayed in inspiring room settings. In 2011, 665 million customers visited 287 IKEA Group stores in 26 countries.

The IKEA range comprises some 9,500 home furnishing products. Materials and products are subject to extensive testing, and we work proactively to stay ahead of health and safety standards and regulations. We want customers to confidently and freely choose among all our products, knowing that IKEA is committed to sustainable practices and that they do not have to choose between sustainability, style, function or price.

PRODUCTS

A generous return policy and strict follow-up routines

IKEA has a generous return policy, and customers have at least 30 days to bring back purchased products for a full refund regardless of the reason for the return. Every return and complaint is systematically documented so that IKEA can analyse reasons for returns and take action throughout the value chain when needed.

Rigorous safety alarm procedures

Any indication of safety problems with IKEA home furnishing and food products immediately prompts measures determined by our safety alarm process to prevent injury and/or health risks.

The process helps us to secure and monitor product safety and safety standard compliance on all IKEA markets and to initiate corrective and preventive action if needed. All IKEA co-workers have a duty to report safety-related incidents or risks involving IKEA products. Our guidelines state that the threshold should be deliberately low for reporting to minimise the risk of missing an indication that something is amiss.

Alarms are directed to a central internal team, which monitors the system continually. In case of severe risk, an immediate sales stop or recall can be set in motion. Every alarm triggers an investigation, involving all necessary parts of the IKEA organisation as well as suppliers and authorities when needed. Safety alarms also provide important information for product developers and designers in their quest to develop safe and healthy products.

Every IKEA store and national Service Office has dedicated resources working with safety alarm procedures, and they receive regular training.

CUSTOMERS

Home furnishing products

Proactive risk assessment and extensive testing

IKEA uses proactive risk assessments to ensure product safety by evaluating, detecting and eliminating potential hazards. Each year, thousands of tests are carried out on home furnishing products during IKEA product development, and various tests are conducted continuously during production.

Tests are based on European and international safety and quality standards as well as IKEA unique criteria that look at how customers might assemble and use the products. The IKEA Test Laboratory in Älmhult, Sweden is also a competence centre working closely with IKEA designers, product developers and technicians during product development.

Suppliers are required to have product tests conducted at third-party laboratories approved by IKEA. We have our own third-party accredited test laboratories in Sweden and China, which are complemented by more than 100 external laboratories around the world.

Special focus on children's safety

IKEA pays particular attention to children's products, which must meet especially 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. Tests are made before we start production and thereafter on a regular basis.

Special risk assessment based on children's needs is a cornerstone of our quality work during product development and in the production stage. The purpose is to detect and eliminate potential hazards and to ensure the product is safe to use also in ways an adult may not normally anticipate.

Co-workers across IKEA who work with the Children's IKEA range go through regular training in the IKEA Children's School. Our teachers are experts in their field and teach about children's development and needs with focus on quality, safety and health. An e-learning module is followed by classroom activities during one to three days, depending on the work role, before a participant is licenced to work with the IKEA Children's range. Suppliers of children's products are also invited to take part on a voluntary basis.

Using the safest possible chemicals

IKEA aims to refrain from the use of chemicals and substances that could potentially be harmful to people and the environment. We strive to always use materials, surface treatments and production techniques with the lowest possible emissions.

The IKEA range shall comply with the strictest laws and safety standards in all our markets, 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 in all IKEA markets where and when possible.

Examples of such legislation are the EU RoHS directive on hazardous substances in electrical and electronic components and the REACH legislation on the restriction of chemicals. IKEA participates in formal and informal networks related to REACH. For instance, we monitor the updates of The International Chemical Secretariat's (ChemSec) initiative "Substitute it Now" (SIN), which lists substances that may be included in REACH.

The IKEA Sustainability Product Score Card

The IKEA Sustainability Product Score Card is an internal tool introduced in 2010 to help classify the IKEA home furnishing range and help us move towards more sustainable product development. It guides us to improve the product in relation to 11 criteria that have an impact on a product's sustainability profile throughout its life-cycle. By the end of 2015, 90 percent of the IKEA sales value shall come from home furnishing products classified as "more sustainable".

The Score Card is an internal tool and results will not be communicated to customers in the form of individual product labels.

For a product and its packaging to be classified as more sustainable, it must score a certain number of points in the IKEA Sustainability Product Score Card. It is a prerequisite that the product is produced by suppliers that meet the social and environmental requirements in the IKEA supplier code of conduct IWAY.

IKEA SUSTAINABILITY PRODUCT SCORE CARD CRITERIA IN BRIEF:

- More from less (using less material in the product)
- Renewable material
- Recycled material
- Environmentally better material
- Separable & recyclable material
- Product quality
- Transport efficiency (number of products per container)
- Energy efficient production
- Renewable energy in production
- Raw material utilisation at suppliers
- Product use (less use of energy and water, and less waste in customers' homes)

Dedicated resources to sustainable product development

IKEA of Sweden is responsible for developing the range of home furnishing products. Business areas have dedicated sustainability leaders, supported by a central group of sustainability specialists. They are responsible for leading and supporting the sustainability work within product development and supply chain.

Product developers, technicians and other key internal stakeholders are invited to take part in training modules on waste, energy and water issues. A separate training program is available on how to use the IKEA Sustainability Product Score Card.

Better energy efficiency, lower water consumption

By the end of 2015, the goal is that our energy consuming products, such as lights and white goods, are at least 50 percent more efficient than average installed products on the market. Our water consuming products, such as taps, dishwashers and washing machines shall be at least 50 percent more efficient than average installed products on the market in 2008. Comparisons for both water and energy consumption are based on estimated averages for the European market.

Renewable, recyclable and recycled materials

By the end of 2015, all product materials shall be renewable, recyclable or recycled. The main raw materials used in IKEA products are wood, cotton and glass. The latter is recyclable, while wood and cotton are renewable and recyclable materials.

Economising on resources – making more from less

We want as many people as possible to be able to afford IKEA products as part of our vision to create a better everyday life. Cost-consciousness is essential to this idea, inspiring us to make economical use of all resources and to seek innovative solutions. This in turn helps us to reduce our overall environmental impact.

IKEA always strives to use the least possible resources to make the best possible products – using hollow legs on furniture and chipboard as filling are classic IKEA ways of saving on wood resources, and we often blend cotton with other materials to reduce cotton use without any negative impact on the quality.

Sustainable sourcing of raw materials

Raw material extraction can be associated with environmental and social concerns. IKEA wants to support the development of sustainable practices for what are often long and complex supply chains.

We work actively with our partners to spread better management practices in cotton cultivation, and to increase the availability of certi-

fied wood from responsibly managed forests. IKEA also purchases Roundtable of Sustainable Palm Oil (RSPO) Certificates to cover the palm oil volume used by IKEA in order to help stimulate more sustainable palm oil production.

In the future, we want to focus even more on finding ways to not only decrease the amount of raw materials required for IKEA products, but also to find alternative materials to avoid the depletion of precious resources.

Labelling of IKEA home furnishing products

We label our home furnishing products exclusively with the IKEA logo, as we want our customers to know that this stands for products that are safe and produced with respect for people and the environment. As this applies to the entire IKEA range, we have chosen not to use any certification labels for home furnishing products.

Food products

Safe and healthy food products

Health is an important parameter when we develop the IKEA food range. We try to minimise the use of chemical additives, such as certain preservatives, and have prohibited monosodium glutamate (MSG) and AZO dyes.

We have banned all flavour enhancers in IKEA branded food products. Also, IKEA does not allow genetically modified organisms (GMO) in IKEA branded products. As it is almost impossible to source GMO-free food in the United States and Canada, an exception of the ban has been issued for those countries. However, our own packaged brand products are always GMO-free regardless of where they are sourced and sold.

IKEA has limits on artificially produced trans fats in the cooking oil, food products and dishes sold and used in our stores. A maximum of two percent of the total fat content may be trans fats, which is the smallest quantity that can be measured.

Full nutritional information is available on products in the Swedish Food Market range to help customers make informed choices.

Ensuring restaurant food safety

IKEA is determined to ensure that the food served in our restaurants and sold in our Swedish Food Markets is safe to eat. IKEA has a mandatory web-based learning program on food safety for all co-workers working with food in our restaurants, kitchens and stores.

Two annual food safety audits are performed by external parties in every IKEA store. The audit includes food handling, cleaning practices, storage rooms and garbage practices. If deviations from protocol are

Read more about Roundtable on Sustainable Palm Oil at www.rspo.org

Read our industry-specific requirements for IKEA food suppliers on page 14

Read more about our work with forestry on page 8

Read more about our work with cotton on page 10

detected, the store must immediately set up corrective measures and undergo a new audit. In addition, independent third-party auditors conduct compliance and calibration audits to ensure consistent audit judgement levels and follow-up procedures.

All coffee at IKEA is UTZ Certified

All coffee sold and served at IKEA is UTZ Certified. That means it has been produced with care for people and the environment, and that you can trace the beans all the way back to the plantations through a code on the packaging. UTZ Certified is an independent non-profit organisation that sets social and environmental standards for sustainable coffee growing and distribution, and now also cocoa and tea.

Organic food available in all stores

All stores must offer at least one food dish based on exclusively organic ingredients. In addition, many markets source organic food for their national menu in the restaurants.

Tackling concerns over fishing and animal welfare

IKEA wants to offer quality food products at low prices, while also giving our customers peace of mind knowing that we source food products in a responsible manner.

IKEA uses an animal welfare standard for broiler chicken, developed together with Compassion in World Farming (CIWF) and supports the development and use of globally accepted independent standards for other species from the Global Animal Partnership (GAP).

We have strict requirements on food products to prevent overfishing and therefore support the international MSC certification scheme. The herring sold by IKEA comes from responsible fisheries off the coast of Norway, and all of our salmon suppliers take part in the stakeholder process of Salmon Aquaculture Dialogue standards. When local restaurant dishes include fish caught in the wild, it must be ensured that it comes from sustainable fisheries - MSC is a credible indicator of this.

CUSTOMER ENGAGEMENT

Promoting a more sustainable life at home

We want to inspire IKEA customers to adopt more sustainable behaviours in their everyday life and thus reduce their environmental impact. IKEA aims to identify products and services that we could offer to help our customers live a more sustainable life at home and to create customer awareness of how they can help reduce climate impact. The focus is on reducing energy and water consumption, preventing food waste and minimising other household waste.

Encouraging and enabling recycling

IKEA wants to make it easy for customers to recycle our products at the end of their life cycle. Our Sustainability Direction states that IKEA must take responsibility to enable and encourage customers to recycle and reuse products when they are no longer wanted.

Today, many stores offer at least some opportunities for customers to return and sort waste for recycling. For example, customers can return batteries and compact fluorescent light (CFL) bulbs at most IKEA stores. IKEA has also started investigating the opportunities for full recyclability of different materials used in IKEA products, and how cyclic systems can save scarce natural resources and minimise CO₂ emissions.

IKEA FAMILY customer club

More than 45 million customers in 24 countries are members of IKEA FAMILY, the customer club that helps us care for and reward our most active customers. Several stores run IKEA FAMILY activities aimed at engaging customers to participate in our sustainability work and support a variety of projects in the local community. The "IKEA FAMILY live magazine" helps us reach six million households around the world with tips and ideas for a more sustainable life at home, as well as in-depth features on what we do to take responsibility for people and the environment.

Collecting feedback from customers

To collect structured feedback from customers, IKEA conducts market research through the "Brand Capital" survey, a tool to monitor and improve the implementation of the IKEA concept and to measure customer satisfaction in each market. The survey is conducted once a year. In addition, we monitor how satisfied customers are with their local IKEA store through the annual "Customer Satisfaction Index" (CSI) survey. The survey provides an international benchmark for our stores, and ensures that customer satisfaction issues are regularly addressed.

Engaging customers through campaigns and activities

IKEA customers are encouraged to contribute to positive developments through campaigns and activities run by IKEA and our partners.

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

And every time a customer buys a SUNNAN solar lamp, IKEA

Read more about
UTZ Certified at
www.utzcertified.org

Read the industry-
specific requirements
for IKEA Food suppliers on
[page 16](#)

Read more about Com-
passion In World Farming
at www.ciwf.org.uk

Read more about
the Global Animal
Partnership at
[www.globalanimal-
partnership.org](http://www.globalanimal-partnership.org)

Read about current
IKEA FAMILY activities
in your country at
www.IKEA.com

Read more about
the IKEA Foundation
on [page 19](#)

donates another one of these solar lamps to a child living in the developing world without easy access to electricity, helping thousands of children around the world draw, write and read after sunset.

ENVIRONMENT

We strive to minimise negative impact

IKEA strives to minimise negative impact on the environment by applying innovative thinking in every step of the long chain, from the very first idea for a product to when the customer no longer has use for it. Cost-consciousness is part of our culture, and it inspires us to try to make more from less resources and minimise waste in every form.

We believe that IKEA has the possibility to contribute to a better environment. For example, we can help reduce greenhouse gas emissions and minimise waste and water consumption in society by offering products that help our customers live a more sustainable life at home.

CLIMATE

Reducing emissions throughout the value chain

IKEA wants to reduce carbon dioxide emissions from all aspects of our operations, including raw material extraction, product manufacturing, transportation, energy usage in IKEA buildings, how people are transported to our stores, the use of our products in customers' homes, and finally at the end of a product's life-cycle. This is a great challenge, but IKEA is making progress.

Reducing emissions from our own buildings

Our long-term goal is that all IKEA buildings shall be powered using 100 percent renewable energy. We also work to improve our overall energy efficiency.

IKEA defines renewable energy as energy derived from resources that are regenerated naturally or cannot be depleted. IKEA has decided not to pay premium prices for grid electricity from renewable sources. This is one of the reasons why IKEA invests in alternative solutions, such as solar panel systems and wind turbines, to supply its buildings with renewable electricity. Investments in more sustainable energy solutions often represent significant cost savings and relatively short pay-back periods.

Each IKEA market is responsible for reducing carbon dioxide emissions from its buildings and for increasing its use of renewable energy. National management teams are supported by experts and facilitators, as well as coordinators at each local unit. Many markets also cooperate with WWF, and with retailers in the European Retail

Round Table (ERRT) to improve energy efficiency and reduce emissions.

IKEA has standards for the most important building components of stores, and specifies a range of energy efficient measures for new IKEA buildings. Space and water heating for new-builds come from more sustainable sources whenever possible. This is done using ground source heat pumps, air heat pumps, biomass boilers and solar panels.

Cooperating with suppliers to reduce energy use and emissions

All IKEA suppliers must have plans in place to reduce the environmental impacts from their production and operations. They must work to reduce their energy consumption and prevent pollution.

IKEA and key suppliers work together in energy projects with the goal of reducing consumption and carbon dioxide emissions, while also saving costs and increasing competitiveness.

Striving for more efficient goods transport

IKEA has strived for innovative and efficient transport solutions for our products ever since the early 1950s. Effective distribution in the entire goods flow from supplier to customer is an important aspect of achieving a low price, and to minimise the environmental impact from transport.

IKEA products are purchased both globally and regionally to secure low prices and high quality while also trying to avoid unnecessary transport. We use direct deliveries from suppliers to stores to a large extent, and try to minimise goods going into intermediate storage in distribution centres.

We choose rail transport where possible, and where this is the more environmentally adapted option. Truck and container loads are optimised to maximise fill rates and minimise the number of transports, and we work actively with transport service providers to reduce their environmental footprint.

Smart packaging is the most effective way to reduce the environmental impact from goods transport. Already at the drawing table, designers and product developers include considerations to packaging solutions as part of their assignment. Product packaging is optimised to increase filling rates.

IKEA works to increase the awareness along the value chain. Each IKEA trading area has a filling rate coordinator, and analysis tools and training packages are available for all.

Getting to and from IKEA with more sustainable transportation

IKEA wants to help customers and co-workers use more sustainable modes of transport to travel to and from IKEA easily.

Public transport solutions are an important consideration when planning new stores and upgrading others, and there are many local examples of initiatives aimed at promoting sustainable transport for customers and co-workers.

Stores often operate free shuttle buses to and from the city centre, and offer discounted home delivery of IKEA purchases.

IKEA has developed a "toolbox" together with WWF to spread ideas and solutions for more environmentally friendly people transport. It contains a checklist of opportunities for promoting sustainable transport, guidelines for how to work with municipalities and external partners on improving alternative transportation access to stores, as well as a model for how to calculate the effect of implemented measures.

Helping co-workers meet and travel with less emissions

There has been a substantial shift from business travel to virtual meetings via video, web and phone over the past few years. Regular training and information sessions are being held in all locations to encourage use and make sure participants get the best possible experience from virtual meetings.

When business travel is needed, IKEA co-workers can make informed choices of local travel alternatives to and from IKEA units. When searching for information on the IKEA Intranet on how to get to a specific location, the CO₂ footprint for the various alternatives such as cars, trains and buses are listed.

In close cooperation with our travel agencies, the work to improve the CO₂ reporting and information on air travel is on-going, both on a corporate and individual trip level.

Cooperating with WWF on climate change

IKEA has cooperated with WWF to tackle climate change since 2007. A majority of carbon dioxide emissions related to IKEA come from material extraction, suppliers, customer transportation, and the use and disposal of products – areas that IKEA can only indirectly influence. This is why we have several climate-related projects that aim to increase our ability to positively influence suppliers, customers, policy makers and others, while also developing our range to become more energy efficient. Below is a summary of our current joint climate projects with WWF.

Energy use at suppliers

This project focuses on Poland and China. The aim is to identify spe-

cific barriers and develop relevant strategies to remove barriers preventing us from proceeding faster to a low carbon supply chain as well as to develop and run specific actions. We explore what needs to happen at IKEA and what needs to happen externally, for example when it comes to infrastructure and legislation, and develop an innovation platform on how to improve energy efficiency.

Sustainable life at home

This project aims at identifying smart products and services that IKEA can offer to help our customers live a more sustainable life at home, and at increasing customer and co-worker awareness of how their behaviour can help to reduce climate impact.

Climate perspective on food products

This project aims at finding ways of adapting the IKEA food range to be more sustainable, with a special focus on the climate. The initial goal is to identify short-term greenhouse gas reduction potentials. The next step is to initiate and implement actions to reduce the climate impact from all food-related operations and outline a strategy for long-term adaptation of the IKEA food business. A research project has been commissioned, working with independent experts, to identify a potential food range for 2020 that has a more low carbon, sustainable focus.

Closing the loops

This project investigates the opportunities for full recyclability of different materials used in IKEA products, and how cyclic systems can save scarce natural resources and minimise CO₂ emissions. It explores how to close material loops, with specific focus on recyclable products and use of recycled materials in new products. We hope to find new and innovative ways to handle materials, and investigate aspects of full recyclability and how cyclic systems can save natural resources, minimise CO₂ emissions and optimally have a positive impact on the environment.

FORESTRY

IKEA forestry requirements

All IKEA solid wood and board product suppliers must live up to the IKEA supplier code of conduct IWAY as well as our forestry requirements.

Forest management in our wood sourcing areas must not threaten high conservation values. In sensitive areas we require forest managers to have a certified management plan that respects conservation values. IKEA suppliers are required to document the origin of their wood.

Suppliers must deliver a wood procurement plan and demonstrate

[Read our requirements for wood used in IKEA products on page 10](#)

that they have systems to ensure that IKEA minimum requirements are met before they are allowed to start delivering to IKEA. Our forestry specialists assess the wood procurement plan and the evidence provided. Compliance with the requirements is followed up through regular audits and reporting.

A strategic approach to forestry challenges

Wood is a valuable resource, and resource efficiency is of great importance not only from an environmental point of view but also from a cost perspective. We are constantly searching for new techniques to get the best possible return from every tree trunk.

We source wood also from regions that are troubled by illegal logging and other unsustainable forestry practises. Our suppliers in these areas struggle with low availability of certified wood volumes and traceability in complex supply chains. To be able to operate in these regions, it is part of our global sourcing approach to have systems in place to avoid controversial wood entering the supply chain, and we cooperate with forest managers and NGOs to increase the availability of wood from responsibly managed forests. We believe we best contribute to lasting positive change by conducting responsible business and actively supporting certification development in countries such as China and Russia.

Our long-term goal is that all wood used in IKEA products should be recycled or come from forests verified as responsibly managed, according to a system recognised 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 as a "preferred source".

The Wood Supply function of IKEA works to support selected wood suppliers in developing efficient and sustainable supply strategies. It aims to secure future price reductions and access to competitive wood raw material.

IKEA forestry specialists

IKEA forestry specialists spread knowledge about responsible forestry in the wood supply chain. They support our trading service offices with wood supply chain audits, when they trace the supply of wood all the way back to the forest to verify that IKEA requirements are met. The forestry specialist also help suppliers to improve the sustainability of their sourcing by mapping availability of certified wood and advising on how to secure IKEA requirements.

Monitoring focused on high-risk supply

IKEA suppliers must be able to report the origin of their wood every four months, which forms the basis for the risk assessment and plan-

ning of our wood supply chain audits. Suppliers are contractually obliged to report their wood sources within 48 hours upon request.

IKEA focuses its approach and resources for supplier monitoring and wood supply chain audits on high-risk suppliers and high-risk areas. This means that IKEA suppliers sourcing wood certified by acknowledged forest certification schemes, such as FSC, are mainly monitored through independent auditors. Our own audit resources focus on suppliers that are not yet forest management or chain-of-custody certified, e.g. suppliers operating in areas associated with risks of unacceptable forest management practises, including illegal logging, and suppliers that have failed earlier audits.

In addition, third-party auditors, such as NEPCo, conduct wood supply chain audits for IKEA. Wood supply chain audits by IKEA or third-party auditors are based on risk assessments using supplier data on wood origin. Any indication that unwanted wood could be entering the IKEA supply chain triggers a stop of deliveries and an audit.

As Swedwood is an industrial group owned by IKEA, audits in its supply chain are always conducted by third-party auditors to avoid conflicts of interest.

Welcoming legislation against handling of illegally logged wood

More and more governments are legislating against the handling and illegal trading of illegally logged wood – the US, EU, Switzerland and Australia have already implemented or are developing legislations. We anticipate that more than 80 percent of IKEA retail markets will be covered by these legislations by 2013.

IKEA welcomes this development. We also believe we can and will contribute valuable input on how to design efficient control systems as, for more than a decade, we have had systems in place to ensure the legality of the wood we use for more than a decade. We are members of the Timber Retail Coalition in the EU and the Forest Legality Alliance in the US. In Australia, IKEA and Greenpeace were two of the signatories of the Common Platform, requesting the Australian government to legislate against illegal logging.

Special focus on logging in Russia and China

IKEA is engaged in a number of projects together with WWF to address the challenges of illegal logging and unsustainable forest management in Russia and China, which are two of our most important wood sourcing countries. We have also chosen to concentrate most of our own resources here by dedicating two-thirds of our forestry specialists to the area. Some of these specialists focus entirely on cross-border trade as approximately one-third of the wood IKEA suppliers source in Russia is processed in China.

IKEA conducts seminars and training sessions in Russia and China together with representatives from forestry companies and authorities such as customs. IKEA also encourages suppliers to participate in the WWF initiative Global Forest & Trade Network (GFTN) to strengthen their commitment to eliminate illegal logging and promoting responsible forestry. In China, IKEA works with the Rainforest Alliance Trees Programme, WWF China and the Chinese Academy of Forestry, in addition to the Forest Stewardship Council (FSC), to improve the standards of forest management and availability of certified wood.

Outdoor furniture and acacia

IKEA outdoor furniture represents about six percent of the wood used for our home furnishing offer. IKEA does not use wood from high value tropical tree species, e.g. teak or mahogany. Most of our outdoor furniture is made of acacia, which is sturdy and hardwearing. Acacia is mostly grown in plantations to produce wood for the pulp and paper industry. IKEA sources acacia from plantations in Indonesia, Vietnam and Malaysia.

The acacia used for IKEA products must comply with our minimum forestry requirements, including that the origin must be known and it must comply with all legal requirements. Our long-term goal is to source all wood in the outdoor furniture range from forests that are independently verified by a third party as responsibly managed.

Cooperating with WWF

IKEA cooperates with WWF to support responsible forest management, and to increase the availability of certified wood. For example, we have joint WWF projects that aim to ensure responsible forest management practices and to curb illegal logging in the cross-border trade between China and Russia, as well as a number of projects in Bulgaria, Bosnia-Herzegovina, Cambodia, Indonesia, Laos, Lithuania, Romania, Ukraine and Vietnam.

IKEA is also a participant in the Global Forest & Trade Network (GFTN). The GFTN is a WWF initiative to eliminate illegal logging and drive improvements in forest management. Participants are committed to promoting responsible forestry and credible certification.

Requirements for wood used in IKEA products

The IKEA Forestry Standard is a material-specific supplement to the IKEA supplier code of conduct IWAY. It contains basic requirements for IKEA wood product suppliers.

1. Minimum criteria on wood for IKEA products

- Not from forests that have been illegally harvested

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

Suppliers must have procedures in place to secure this throughout their supply chain. They must know the origin of their wood and accept audits at every link in the chain. They regularly report the wood origin, volume and species used in IKEA products via the IKEA Forest Tracing System.

2. CRITERIA FOR IKEA PREFERRED WOOD SOURCES*

Wood certified according to Forest Stewardship Council (FSC) Forest Management (FM) and Chain of Custody (CoC) standards meets the IKEA requirements for preferred sources. In order to count towards the preferred wood objective, suppliers must have a valid FSC CoC, covering in its scope the production for IKEA.

*As of 2012, the definition of preferred wood sources will also include recycled wood.

COTTON

IKEA supports more sustainable cotton farming

IKEA has set out to create lasting and large-scale improvements in conventional cotton cultivation together with parties including other international companies, NGOs, governments and authorities. We want to take part in making more sustainable cotton a globally available commodity.

IKEA cooperates with WWF and other local partners to influence mainstream farmers to grow cotton in a more sustainable way – mainly in India and Pakistan but also in China and Turkey. It started as Farmer Field Schools with 20 weeks of training for 450 farmers in 2005. Today, IKEA supported projects reach an estimated 100,000 farmers.

The projects are based on hands-on training in the field, which allows farmers themselves to see and experience the benefits of changing the way they grow cotton. Successful farmers act as an inspiration to others, and better farming practices are being spread from farmer to farmer. As farmers start using less chemical pesticides and fertilisers, and less water, their environmental impact is reduced while cotton crop yields are maintained at a lower cost and farmers' earnings increase.

An increase in sustainable farming practices leads to significant improvements in mainstream cotton farming and drastically increases

Read more about the joint projects with WWF at www.panda.org

Read more about the GFTN at www.gftn.panda.org

available volumes of cotton grown in a more sustainable manner. We are increasing the share of this more sustainable cotton across the range, and the goal is that all cotton used for IKEA products shall be produced according to the Better Cotton Initiative's (BCI) social and environmental criteria by the end of 2015.

Part of the 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. Leading participants are international companies and NGOs, as well as an increasing number of ginners and textile producers.

BCI has developed criteria for Better Cotton. Criteria cover environmental aspects, such as the use of chemicals and water, as well as social aspects relating to child labour, working conditions and wages. Once these criteria have been fully evaluated, set and introduced, BCI will take on responsibility for verifying compliance at farm level within our supply chain.

IKEA, BCI, the Rabobank Foundation, the Dutch Sustainable Trade Initiative (IDH), WWF, Solidaridad and a number of international retailers have a joint strategy to speed up the implementation of Better Cotton as a tradable commodity. To support this strategy, the Better Cotton Fast Track Program (BCFTP) and its related fund have been established with the aim of reaching a production of one million tonnes of Better Cotton by 2015.

Addressing children's rights in Pakistan and India

We believe that children everywhere have the right to be protected from exploitation, abuse and neglect. All children should have access to quality education, and child labour is unacceptable. The IKEA Foundation has identified cotton and cotton-seed farming as areas where there is a great need to improve the rights and lives of children. Between 2009 and 2015, around 10 million children in more than 15,000 villages in cotton and cotton-seed growing areas in India and Pakistan will benefit from the programmes supported by the IKEA Foundation and managed by UNICEF and Save the Children. The aim is to create child-friendly communities, where the idea of every child attending and staying in school is fully-embraced and encouraged by society.

Connecting suppliers to more sustainable cotton

We support IKEA suppliers working with cotton textiles to connect with suitable raw material sources. IKEA has also facilitated access to a number of new cotton sources to enable suppliers to blend the right

quality. In return, the suppliers must commit to buying more sustainable cotton as it becomes available.

Functional traceability systems

Tracing the cotton used in IKEA products all the way back to farm-level is an important part of securing more sustainable cotton products. Today, IKEA uses a web-based traceability system initially introduced to be used in connection with our cotton projects in India and Pakistan. This system is being implemented throughout the IKEA cotton supply chain, but IKEA is also searching for alternative, innovative solutions that may be better suited for large-scale tracing.

Reducing our need for cotton

At the same time as IKEA works to use more sustainable cotton, we also try to reduce our reliance on cotton as a raw material for our products.

One way to reduce the need for cotton is to use blends, such as cotton and linen. Alternative materials play an important role, too. For example, Lyocell made from cellulose fibres is already used in a number of IKEA products that require similar characteristics as cotton. IKEA expects the range of Lyocell textile products to increase substantially in coming years, contributing to a decreased use of cotton.

In addition, IKEA suppliers are adapting production to meet new quality standards that reduce the amount of cotton needed and the weight of textiles, while the overall textile quality is enhanced.

WATER

Reducing water consumption at IKEA

All IKEA stores and distribution centres measure their water use, and several stores have implemented various measures to reduce consumption. For instance, new stores may install waterless urinals and existing stores can be retrofitted with grey water systems so that roof run-off water can be used for toilet flushing.

Design to minimise water use in manufacturing

Product design can, to some extent, determine the amount of water needed in manufacturing, and IKEA uses a number of techniques that reduce consumption. A printing technique called Soft Pigment Printing (SPP) reduces the water consumption by 60 percent compared to traditional printing techniques while also giving the textile a soft feel and excellent light-fastness. Today, a large portion of our printed textile products are produced with techniques that require less water.

Water treatment and water use at IKEA suppliers

The IKEA supplier code of conduct IWAY includes requirements on

Read more about the Better Cotton Initiative at www.bettercotton.org

Read more about Solidaridad at www.solidaridad-network.org

Read more about the IKEA Foundation on page 19

water treatment. IKEA supports suppliers to implement waste water treatment processes to ensure water quality in suppliers' local communities, and selected suppliers are eligible to take part in a Supplier Development Program to improve water practices.

All IKEA home furnishing suppliers must have action plans on how to reduce their environmental impact, and IKEA supports suppliers in regions with scarce water resources. All IKEA Catalogue suppliers are required to monitor and report water consumption as well as emissions to wastewater, and IKEA calculates and reports this data per Catalogue copy.

Sustainable water practices in cotton farming

The biggest water footprint in the IKEA value chain comes from raw material extraction. Cotton farming is particularly water intensive if appropriate irrigation methods are not used, and this is one of the reasons why we support projects for more sustainable cotton farming. Participating farmers' water consumption has been significantly reduced through the introduction of better management practices, and project results show that the water consumption can often be halved.

Helping customers save water at home

We develop the IKEA range to help IKEA customers live a more sustainable life at home by reducing their energy and water consumption. IKEA taps are fitted with a Pressure Compensating Aerator (PCA) that can reduce water use by 30 percent or more by limiting the water pressure and adding air to the water flow. Furthermore, we are constantly looking for other innovative techniques to support reduced household water usage.

WASTE

Minimising waste at IKEA stores and distribution centres

All IKEA stores and distribution centres recycle large quantities of material. The "Waste Management Manual" for the IKEA group was first established in 1999. The manual requires all stores to, at a minimum, sort the most common waste categories; cardboard, paper, plastic, wood, metal and glass.

In some stores, as many as 15 categories of waste are sorted. In practice, this ensures that nearly 90 percent of waste in IKEA stores is recycled or used for energy production. At some newer stores, food waste from restaurants, bistros and staff canteens goes to a special treatment centre, where it gets reused as biogas fuel for cars and buses. In addition, a number of countries sort food waste for composting and animal feed.

IKEA stores and distribution centres also work to minimise dam-

age to products. However, when damage does occur, IKEA attempts to repair products rather than simply discard them. The results of efforts made in the stores are measured in the Recovery Index.

Waste management at IKEA suppliers

IKEA wants to minimise the amount of waste generated in the manufacturing process, and if possible use it in the production of other home furnishing products. Our designers, product developers and technicians get great ideas by spending time in the factories and talking to suppliers.

Waste from production can still come to good use even if it is not suited for home furnishing products. For example, the production units at Swedwood and Swedspan often use their own wood waste to produce energy instead of relying on oil and gas.

IKEA products must be safe to use, but IKEA suppliers sometimes need to use production methods that generate hazardous waste. This is why our supplier code of conduct IWAY requires suppliers to handle, store and dispose of any such waste in an environmentally safe manner, and that workers must have the appropriate competence and protection.

Products and solutions to help customers minimise waste

IKEA wants to develop products and solutions that enable customers to conveniently sort and reduce household waste volumes, and our product developers receive special training on household waste issues.

IKEA has a climate-related project focused on reducing energy and water consumption when using IKEA products, preventing unnecessary food waste and minimising other household waste.

Turning waste into resources and minimising its environmental impact are serious challenges to society as a whole, and we want to make it easy for customers to recycle our products at the end of their life-cycle. This is why we also have a project investigating the opportunities for full recyclability of different materials used in IKEA products, and how cyclic systems can save scarce natural resources and minimise CO₂ emissions.

IKEA suppliers and their workers

IKEA suppliers and service providers cover a wide range of products and services required for global operations. In addition to the suppliers of home furnishing products in the IKEA range, food product suppliers, goods transport service providers and companies provide IKEA with indirect services and materials. In turn, most of these have a number of sub-suppliers.

IKEA is a production-oriented company. Many ideas for design and

[Read more about how
IKEA works with
cotton on page 10](#)

[Read more about how
we cooperate with WWF
on climate change on
page 22](#)

SUPPLIERS

product development are born on the factory floor when IKEA co-workers are on-site. This close relationship also opens up possibilities for frank and honest dialogue about topics related to environmental and social issues. We cooperate with suppliers to spread best practices in various areas to increase their ability to take on more social and environmental responsibility. For a supplier, investments in working conditions and the environment often lead to more orders, better productivity and improved profitability, thereby improving competitiveness.

Close and long-term relationships support development

The supply chain is often long with numerous sub-suppliers, and many IKEA home furnishing suppliers operate in developing countries facing social and environmental challenges. We believe IKEA contributes to positive developments in the supply chain by being on-site and conducting responsible business, and by cooperating with others – our suppliers, other companies, authorities and NGOs.

IKEA strives to build long-term relationships with suppliers who share our values and 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.

Prioritised home furnishing suppliers with particular potential to improve within a specific area are offered support through a Supplier Development Program (SDP) for a certain period of time. Support can be provided within six main categories: sustainability, purchasing (including raw materials), logistics, manufacturing, quality and product development. SDP Sustainability focuses on two sub-categories: energy and water. Forestry issues and several other environmental aspects of suppliers' activities, such as raw material utilisation, are sub-categories covered by other SDP categories.

The supplier code of conduct IWAY

IWAY is the IKEA supplier code of conduct, first introduced in 2000. It specifies the requirements that we place on suppliers of products and services. Our goal is that all home furnishing suppliers and transport service providers shall comply with the requirements in IWAY by the end of 2012.

To achieve full IWAY compliance by 2012 among suppliers in some Asian countries, we face challenges relating particularly to working hours. Although we have made progress, working hours continue to be above legal requirements and international norms in some regions. In China, there is a wide gap between the legislated working hours and the 80 hours per week that are common in regions with a high share of migrant workers. As an interim step, we will accept that

suppliers here secure a maximum 60-hour total work week by the end of 2012 as a step-wise approach to achieving the legal limit of 40 working hours per week plus a maximum of 36 overtime hours per month and three per day.

In China and Vietnam, legal restrictions regarding freedom of association prevent suppliers from meeting some IWAY requirements. In both of these cases we have given an exception to these questions in order to work with suppliers to solve issues that are complex and not always fully under their own control.

In IWAY, we focus on building the suppliers' understanding of what they need to comply with so that they can implement the most suitable measures more independently. IKEA suppliers are responsible for communicating the content of the IKEA supplier code of conduct to their workers and sub-suppliers.

New suppliers are selected based on a list of IWAY start-up requirements. This helps us select suppliers that share our values and who want to grow and develop together with us. Suppliers must comply with the start-up requirements before being allowed to deliver to IKEA, while being given a maximum implementation time of 12 months from the first delivery date for other IWAY requirements.

An important part of IWAY is the section about child labour. There are also several sector-specific supplements to IWAY, for example for our transport service providers.

IWAY support and monitoring

IKEA co-workers from our local and regional IKEA Trading Service Offices are often on-site at suppliers' factories to 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. Over the last few years, the number of unannounced audits has increased substantially. This gives us an accurate picture of suppliers' factories and helps us focus support to specific areas of non-compliance.

Each home furnishing supplier is audited at least every second year, and more frequently in some countries based on risk assessment. IKEA auditors help with action plans when there is non-compliance, and they conduct follow-up visits to review progress.

There are clear mandatory directions for how to conduct audits, what the consequences are in case of non-compliance, how to follow up, etc. Non-compliance with the IWAY start-up requirements leads to immediate stop of deliveries, while suppliers have up to 90 days to implement corrective actions in case of non-compliance with other requirements. Once non-compliance with start-up requirements is

resolved, suppliers are still on probation for six months with intensified monitoring. Non-compliance data are followed up on a monthly basis.

The IKEA Compliance and Monitoring group (CMG) is responsible for ensuring that the same audit judgement level and follow-up procedures are used worldwide. This is done through separate calibration activities and training as well as compliance audits to verify results. Together these ensure a common audit and implementation standard.

Third-party auditors verify IKEA working methods and audit results. These third-party auditors also conduct audits at IKEA suppliers, including unannounced random checks of suppliers and their sub-contractors with special emphasis on child labour.

Suppliers responsible for IWAY at sub-suppliers

A sub-supplier is defined as a company supplying services, raw material, components, and/or production capacity to an IKEA supplier. It is the responsibility of the IKEA suppliers to ensure that their sub-suppliers acknowledge, understand and accept the IWAY requirements.

The IKEA supply chain is often long, and ensuring IWAY compliance at many thousands of sub-suppliers represents a major challenge. Yet, IKEA is making progress and new global guidelines on how to better secure the requirements at sub-suppliers were introduced in 2010. The work with sub-suppliers is primarily focused on compliance with the IWAY start-up requirements among those sub-suppliers that are categorised as critical.

IKEA initiates wood supply chain audits at sub-suppliers of wood raw material for IKEA products. For other types of sub-suppliers outside of suppliers' premises, we conduct a limited number of IWAY audits. These audits primarily target sub-suppliers who produce a key part of an IKEA product and those who use processes recognised as potentially harmful to the environment or to the health or safety of workers. Audits also target sub-suppliers operating in an industry or supply setup that is prone to child labour and/or forced and bonded labour.

Collecting feedback from suppliers

Every three years, IKEA conducts a supplier survey to collect feedback on our relationship. The feedback is given anonymously to encourage frank and open input. We ask questions about, for instance, if IKEA is sensitive to suppliers' opinions, if discussions are respectful, and if IKEA handles complaints in a satisfactory manner. If the feedback indicates a need for improvement, an action plan is developed for the area concerned.

Collaborations help us improve our supply chain

IKEA believes that cooperation with others helps us achieve more

than we could on our own, not least when it comes to challenging areas and topics that are not unique for IKEA. For example, in South Asia, we collaborate with other retailers to support positive developments related to wages and compensation, as well as code of conduct implementation at sub-suppliers.

IKEA is a member of the Global Social Compliance Programme (GSCP), an industry-initiated programme working towards a sustainable approach for the improvement of working and environmental conditions in global supply chains. GSCP provides a platform for companies to build consensus on best practices and to work in partnership with suppliers on the continuous improvement of working and environmental conditions through training and capacity building activities.

IKEA transport service providers

IKEA products are transported by road, rail and sea between suppliers, distribution centres and IKEA stores, and from the stores to our customers. Our long-haul ocean and land transport service providers have been covered by the supplier code of conduct IWAY since 2005. In 2010, the scope was expanded to include customer delivery carriers that transport products from our customer distribution centres (CDC) directly to IKEA customers.

IKEA audits its transport service providers at least every 24 months to monitor IWAY compliance, including the transport industry-specific requirements. IKEA transport social and environmental developers engage in dialogue with transport service providers on a regular basis to support best-practice exchanges between suppliers and to make sure transport service providers conduct their own internal audits annually.

IKEA food suppliers

Food for the IKEA restaurants is purchased from both global and national suppliers. The global range, bought from 90 suppliers, is the same in all IKEA stores worldwide. The IKEA branded food products sold in the Swedish Food Market in-store are produced by some 40 suppliers. Each retail country also purchases food for part of its restaurant menu from a number of suppliers.

In addition to the requirements in IWAY, IKEA food suppliers must fulfil a number of industry-specific requirements. Global food suppliers' compliance of IWAY requirements is monitored by IKEA auditors, and audits are step-by-step being introduced also at national food suppliers.

Our global food suppliers must have an approved food safety management certification, such as the BRC Global Standard for Food Safety, and provide relevant documentation to prove this. National food suppliers must have a Hazard Analysis Critical Control Point (HACCP) system in place, and provide documentation upon request.

[Read the industry-specific requirements for IKEA transport service providers on page 16](#)

[Read the industry-specific requirements for IKEA Food suppliers on page 16](#)

IKEA Catalogue suppliers

All IKEA Catalogue suppliers must comply with industry-specific requirements and document data on fibre sourcing and use; water and energy consumption; as well as water and air pollution. Using this information, IKEA reports the catalogue's environmental impact per copy.

Catalogue suppliers have provided regular information on environmental performance and compliance towards the IKEA Catalogue Sustainability Requirements since 2002. In 2011, systematic sustainability audits were introduced.

Suppliers of indirect materials and services

IKEA Indirect Material & Services (IMS) is a purchasing organisation within IKEA, buying materials and services that are not used for IKEA products but needed to run our daily business. Some 250 co-workers across three continents manage relations with key suppliers and provide support to the IKEA units that handle decentralised purchases made from many thousands of national and local suppliers.

IKEA IMS purchasers have in-depth business knowledge within their respective purchasing area, such as marketing, IT, retail operations, external services, travels and store equipment. The purchasing offices in Sweden, China and the US are supported on nearly all IKEA markets by national purchasers with a broad knowledge in national and regional purchasing.

IKEA IMS has a step-wise approach to implementing IWAY due to the large number of suppliers and their diverse characteristics. Audits are based on risk assessment and focus mainly on companies that are unlikely to have their own well-functioning code of conducts and that operate in areas where challenges related to working conditions and the environment are common. Suppliers of products that are sensitive from a health and safety perspective – such as children's play equipment for IKEA stores – is another group of particular importance.

IKEA Components

IKEA Components is a fully owned purchasing unit that develops components and raw materials for our products and acts as a sub-supplier to IKEA suppliers manufacturing finished products. Its co-workers around the world purchase fittings, drawers, lighting and mattress components, cardboard for packaging as well as raw materials such as plastic, metal and glass which in turn are used in thousands of IKEA products.

This gives IKEA unique opportunities to integrate sustainability aspects into key product components, as well as to embed IWAY deeper into our supply chain. IKEA Components has the same goal and follows the same IWAY working methods as the rest of the IKEA

purchasing organisation. IKEA as well as third-party, audits are conducted regularly throughout the supply chain.

Today, about half of IKEA Components' 184 suppliers are IWAY-approved, and the average fulfilment rate is over 90 percent.

THE IKEA SUPPLIER CODE OF CONDUCT – IWAY

IWAY specifies the requirements that we place on suppliers of products and services. Suppliers are responsible for communicating the content of the IKEA supplier code of conduct to their workers and sub-suppliers. Below is a summary of some of the key points of IWAY.

1. Legal compliance

The IKEA supplier shall always comply with the most demanding requirements whether they are relevant applicable laws or IKEA IWAY specific requirements.

2. Start-up requirements (IWAY musts)

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
- A transparent and reliable system for records of working hours and wages
- Insurance covering medical treatment for work-related accidents to all workers

3. Environmental standards

Suppliers shall reduce the environmental impacts from their production and operations.

Suppliers must:

- Work to reduce energy consumption
- Prevent pollution to air, ground and water
- Handle, store and dispose of chemicals and hazardous waste in an environmentally safe manner
- Ensure that workers handling chemicals and hazardous waste have the right competence and are adequately trained

4. Social and working conditions

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

- Provide a healthy and safe working environment

[Read the industry-specific requirements for IKEA Catalogue suppliers on page 16](#)

[Read the complete code of conduct at \[www.IKEA.com\]\(http://www.IKEA.com\)](#)

- Provide health and safety training for workers
- Ensure their buildings are safe, have reasonable privacy, are quiet and have facilities for personal hygiene, in those instances where housing facilities are provided
- Pay at least the minimum legal wage and compensate for overtime
- Base overtime on voluntary agreements, not exceeding legal limits
- Allow time off and regular breaks
- Not discriminate on any basis
- Not prevent workers from exercising collective bargaining activities nor prevent from associating
- Not accept corporal punishment, threats of violence or other forms of mental or physical coercion

Industry-specific requirements for IKEA transport service providers

IKEA transport service providers must comply with the requirements in our supplier code of conduct IWAY, including industry-specific requirements. Below is a summary of key points in the industry-specific requirements.

1. Industry-specific start-up requirements

- Trucks must not be older than 10 years (5 years for vehicles less than 3.5 tonnes)
- Completed Environmental Performance Survey (EPS) with annual update
- A minimum EPS score of 100 in Europe and 50 in Russia & Asia Pacific
- In North America, carriers must be a member of the EPA SmartWay programme and have a score of at least 1.0

2. Other industry-specific requirements

- Practical plans for reducing CO₂ emissions, including annual targets
- Anti-alcohol and anti-drug policy combined with clear communication
- Emergency phone numbers to all truck drivers
- Fire-fighting equipment in vehicles
- Driver licence checks at least annually
- Appropriate personal protective equipment including safety vests
- First aid equipment in all trucks and locomotives
- Appropriate housing facilities
- Working time capped at 60 hours including overtime per week
- Regular rest periods and daily breaks

Industry-specific requirements for IKEA food suppliers

IKEA food suppliers must comply with the requirements in our supplier code of conduct IWAY, including industry-specific requirements. Below is a summary of key points.

1. Food safety, traceability, testing and labelling

- A person appointed as responsible for food safety systems, including crisis management, recalls, etc.
- Food safety training for all co-workers on a regular basis
- A Hazard Analysis Critical Control Point (HACCP) system in place
- A Global Food Safety Initiative (GFSI) third-party approved food safety management certification
- Full traceability for all ingredients in IKEA products including packaging material
- Routines for analysis from raw material to finished products
- Verified declared shelf life of products
- Verified declared content and nutritional values. The product shall be analysed for energy, water, protein, ash content, sodium, total fat content, saturated fat, trans fats, carbohydrates and sugars. If the product has a declared content of dietary fibres, reduced sugars, or if the product claims to be free from certain allergens, e.g. gluten, this should also be analysed
- Appropriate, legal labels and packaging for all IKEA markets

2. General product requirements

- No use of genetically modified food ingredients
- Restrictions on levels of industrially produced trans fatty acids in the total fat content of food products (below 2 percent)
- Palm oil only from members of the Roundtable of Sustainable Palm Oil (RSPO)
- Restrictions on additives, such as AZO colours and MSG (monosodium glutamate)

3. Animal welfare & species protection

- No ingredients from force-fed animals and those that have been subject to routine administration of antibiotics or hormones
- Compliance with specific animal welfare standards (i.e. broiler chicken) that have been approved by IKEA
- No fish from endangered stocks
- Membership in the "Salmon Dialogue" if supplying salmon products
- No lobster or tiger prawns/scampi unless certified by an international organic standard

Industry-specific requirements for IKEA Catalogue suppliers

IKEA Catalogue suppliers must comply with the IKEA Catalogue Sustainability Requirements, which are based on the supplier code of conduct IWAY, as well as industry-specific requirements for pulp and paper suppliers; artwork, repro and IT online service suppliers; and for gravure and offset printing suppliers. Below is a summary of key points in the industry-specific requirements.

1. Pulp and paper suppliers:

- The origin of wood fibres for pulp and paper must be known
- Virgin wood fibre must comply with IKEA wood requirements
- No elementary chlorine used for bleaching processes
- All transport of fibre, pulp and paper must be documented
- Use of energy must be documented and energy reduction targets set
- Use of energy from renewable sources must be reported
- Specific limits on emissions to air and water

2. Artwork, repro and it online service suppliers:

- A procedure to take environmental aspects into consideration when purchasing computers and screens
- Reuse or recycling/destruction of discarded electronics by authorised companies
- Use of energy must be documented and energy reduction targets set

3. Gravure printers:

- Safe plating processes and safe chrome management
- Documentation of production and paper consumption
- Use of energy must be documented and energy reduction targets set
- Clean water consumption must be documented
- Emissions to air and water must be documented
- All transport related to printed products must be documented

4. Offset printers:

- Safe discard of plate developer
- Documentation of production and paper consumption, including waste
- Use of energy must be documented and energy reduction targets set
- Clean water consumption must be documented
- Emissions to air and water must be documented
- All transport related to printed products must be documented

Co-workers are our most valuable resource

Our co-workers are our most valuable resource – when they grow, IKEA grows. IKEA is committed to being a good employer for its many thousand co-workers around the world. We want to offer 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.

Listening to our co-workers

IKEA uses “VOICE” – a company-wide survey – to monitor how co-workers view various aspects of their employment at IKEA. 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 improve at IKEA. As a complement, the “IKEA Leadership Index” quantifies how co-workers view their managers.

Safe and healthy working conditions

IKEA strives to offer a safe and healthy work environment for all our co-workers. The safety of co-workers and customers is a top priority at IKEA, and much emphasis is placed on making sure co-workers get appropriate training and have access to the right tools and safety gear.

All co-workers within retail and distribution undergo safety training before starting to work at IKEA. This includes training on how to use equipment and machinery, fire and evacuation training, routines to prevent and handle workplace accidents, ergonomics, etc.

Each country operation shall have its own safety committee with co-worker representatives, working actively to secure a safe working environment. Each IKEA unit also has a risk manager, responsible for local safety routines and drills based on the IKEA Group Risk Manual. Safety work is evaluated annually.

IKEA co-workers travelling on business are provided with up to date travel-risk information and a 24 hour global emergency service.

Added to that, IKEA has processes in place to locate and assist travelling co-workers affected by incidents that might influence their safety or security.

Guidelines for compensation and benefits

IKEA wants to offer competitive and transparent compensation and benefits that attract, motivate and retain talent, and have global, mandatory guidelines for compensation and benefits that are being implemented throughout the organisation. The guidelines provide a common global approach combined with clear local responsibility to secure relevance, competitiveness and to meet the individual need in line with different life situations.

Each country must offer the same benefit structure for all of its co-workers and support them with individually adapted benefits to reflect and meet changing needs in life over the years. Benefits are to be based on core IKEA values as well as local laws and market conditions, and there must be an element that is considered outstanding on the market. For example, legislated parental leave varies from country to country, and IKEA may locally select this as an area where outstanding benefits could be offered.

Dialogue with unions

IKEA strives to have open and honest dialogues with co-workers, unions and other co-worker associations locally and internationally, building and developing constructive relationships based on mutual respect. Through our commitment to this dialogue, we challenge ourselves, our co-workers and their associations to find innovative and sustainable solutions based on the IKEA culture of simplicity and cost-consciousness.

IKEA supports each co-worker's right to freedom of association. We respect the rights of our co-workers to join, form or not to join a co-worker association of their choice without fear of reprisal, interference, intimidation or harassment.

Striving for diversity and equal opportunities

We strongly believe that IKEA becomes more creative and dynamic with a diverse work force, and we strive to recruit co-workers who have different backgrounds and experiences. The top 200 IKEA managers around the world represent more than 22 different nationalities, and our overall ambition is to have a workforce that mirrors the diverse IKEA customer base.

Support to fulfilling careers

We want our co-workers to have a fulfilling career and grow with us,

both professionally and personally. Each co-worker is in charge of his or her own competence development with continuous support from IKEA.

Co-workers who have mastered their current job are 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.

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

E-learning activities from the IKEA Learning Centre help develop relevant and essential skills for various IKEA functions and reach many co-workers with the same education.

Keeping co-workers informed

Access to relevant information is a necessity to enable co-workers to do their job, but IKEA also wants to build strong relations with co-workers and help them engage in their workplace with a sense of value and belonging. Well-functioning internal communication is a foundation for our co-workers' ability to perform their tasks and to learn and develop, as well as for effective leadership.

Each manager is responsible for ensuring that his or her co-workers have the ability and tools to receive and understand relevant information. Communication skills are part of all basic leadership training programmes, and there are a number of tools and specialists available to support managers.

The IKEA Intranet is complemented by a variety of different channels such as regular meetings, easily accessible notice boards and plasma screens, newsletters and closed-circuit radio. The global co-worker magazine "Readme" is distributed to all co-workers and translated into 19 languages. In many parts of the organisation, it is complemented by national and local magazines.

In many countries, IKEA has web-enabled services to better reach co-workers with limited computer access at work and better access outside work. Co-workers can log in through the web browser of any computer or mobile phone to access a range of simply written benefit descriptions and self-serve applications relating to wages and benefits, as well as news and information about various IKEA activities.

Supporting work-life balance

Co-workers of different ages are at different stages in their lives, and have different professional needs and abilities. IKEA can meet individ-

ual co-worker needs for work-life balance in various ways, for example, by offering flexible working hours, part- or full-time work, more or less responsibility, job sharing or telecommuting.

The way we meet and travel at IKEA also affects our work-life balance. By supporting well-planned and efficient meetings and replacing unnecessary travel by virtual meetings, we save time and reduce stress.

COMMUNITIES

Read more at
www.ikeafoundation.org
www.unicef.org
www.savethechildren.net
www.undp.org
www.unhcr.org

IKEA engages in the community

IKEA is active in the communities where we do business. We participate in a wide range of activities globally, nationally and locally. Through partnerships with carefully selected organisations, we support projects that are designed to match the needs of the communities in which they take place.

Regular dialogue with others is an important way for us to gain and share knowledge that helps us move forward. By cooperating with companies, trade unions, organisations, NGOs and IGOs, we accomplish more than we could have done by working on our own.

The IKEA Charity Policy & Community Involvement Guidelines

IKEA has a Charity Policy and Community Involvement Guidelines for global, national and local community support. The guidelines clarify principles and definitions, what kind of projects IKEA prefers to support and with which type of partners. They also provide guidance on how to structure projects, as well as how to work with accounting.

Sponsored projects focus on prioritised social and/or environmental issues related to children, the homeless, and victims of emergencies and/or natural disasters. The prioritised environmental issues are related to the protection of natural resources, climate change, and education and training in these areas.

As part of our commitment to being a good neighbour, most IKEA stores are actively involved in their local communities in partnership with selected organisations. There are many examples of national and local community projects, which can be found on the IKEA website.

Engagement in Earth Hour

During Earth Hour, IKEA units from around the world pledge support for the environment by turning off non-essential exterior and interior lighting, as well as offering a range of climate-related activities for customers and co-workers. WWF runs the Earth Hour event annually to increase awareness of climate change and to inspire practical actions that reduce carbon emissions.

Read more about
what IKEA is doing
in your country at
www.IKEA.com

Read more about
Earth Hour at
www.earthhour.org

The IKEA Foundation reaches out to 100 million children

The IKEA Foundation is a Dutch charitable foundation, funded by the Stichting INGKA Foundation, which also owns the IKEA Group parent company, INGKA holding B.V. The IKEA Foundation aims to improve opportunities for children and youth in developing countries.

The IKEA Foundation provides:

- Financial support for programmes run by strategic partners
- In-kind donations of IKEA products
- Know-how in the form of IKEA expertise

Strong partners such as UNICEF, Save the Children, UNDP and UNHCR, help us achieve large scale results. Programmes have a holistic approach to addressing children's fundamental needs with the aim to create substantial and lasting change, enabling them to eventually take charge of their own future. Long-term commitments are focused on South Asia, and particularly India, where the needs of children are great and IKEA has been doing business for many years.

The programmes aim to turn the cycle of poverty into a cycle of prosperity and are based on the Convention on the Rights of the Child and strive to fulfil the Millennium Development Goals.

The IKEA Foundation works in four dimensions:

A place to call home – Where a better life begins. Shelter and safety, along with love and nutrition, all nurture children so they can not only survive, but thrive.

A healthy start in life – Helping children get a good start, avert disease, survive illnesses and grow up stronger. Clean water, a place to go to the bathroom, and simply learning to wash hands, all help save lives.

A quality education – When children go to school and stay there, they get a huge step up in life and are much less vulnerable to the dangers of child labour or falling prey to exploitation.

A sustainable family income – When parents have a regular income, their children can go to school instead of to work. Helping mothers learn a skill or start a business can help break the cycle of poverty for them, their children, and for generations to come.

Read our list of key
organisations on page 20

Emergency relief

We are committed to protecting children in emergencies. The IKEA Foundation helps with product donations and invests in their recovery by providing financial support for children's rehabilitation and resumed education. Financial support can be provided to assist with the mid- and long-term recovery in the aftermath of disasters such as earthquakes, floods and cyclones.

To support immediate humanitarian relief efforts during major emergencies in developing countries, the IKEA Foundation helps with in-kind donations of IKEA products such as blankets, cooking utensils and comforting soft toys. IKEA retail country operations manage emergency support when needed in their countries and local communities.

List of key organisations

IKEA engages in regular dialogue with a number of key NGOs and other organisations. This list gives a short overview of what they do, and how IKEA cooperates with them on a global level.

Better Cotton Initiative (BCI) aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more sustainable, and works to develop globally accepted criteria for "Better Cotton". 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 and NGOs. IKEA is one of the founding members of the BCI.

Read more at www.bettercotton.org

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

Compassion in World Farming (CIWF) is a recognised international farm animal welfare charity. It engages with Europe's leading food companies, supporting products and initiatives that represent tangible benefits for farm animals. The charity bases its work on a solutions-led approach, developing relationships with food companies that are based on trust, mutual benefit and reward for progress. CIWF also works in partnership with other NGOs and sustainability platforms to integrate farm animal welfare into public procurement, policy and reporting frameworks. IKEA and CIWF work together on improving farm animal welfare standards in the IKEA food business.

Read more at www.ciwf.org.uk

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 of developments. It also provides an opportunity to promote industry interests. 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 at www.errt.org

Fair Labor Association (FLA) is a collaborative effort of socially responsible companies, colleges and universities, and civil society organisations to improve working conditions in factories around the world. It facilitates a transparent platform to secure cooperation and improvements among stakeholders. IKEA begun collaboration with FLA in 2011 through a pilot project in China, "Build Motivated Workforce", to support suppliers' development efforts towards full labour law compliance.

Read more at www.fairlabor.org

Forest Legality Alliance (FLA) is a joint effort of the World Resources Institute and the Environmental Investigation Agency, supported by the United States Agency for International Development and companies in the forest sector. FLA's goal is to reduce illegal logging through supporting the supply of legal forest products. IKEA is one of its members.

Read more at www.wri.org/fla

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 that 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, and 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 that 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

Global Forest & Trade Network (GFTN) is WWF's initiative to eliminate illegal logging and drive improvements in forest management. Participants are committed to promoting responsible forestry and credible certification. IKEA is part of this network.

Read more at www.gftn.panda.org

Global Social Compliance Programme (GSCP) is a collaborative initiative for companies to build consensus on best practices in labour and environmental standards in the supply chain. The aim is to develop a sustainable global approach to improving working and environmental conditions in global supply chains. With a joint approach, the Programme can reduce audit fatigue and duplication, making monitoring and improvement processes more efficient for both companies and suppliers. Participating companies represent retailers and consumer goods manufacturers.

Read more at www.gscpn.net

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 forestry issues with Greenpeace.

Read more at www.greenpeace.org

International Labour Organization (ILO) is a specialised 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.ntmcalc.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 wood procurement practices, and Rainforest Alliance's Smart-Wood Program is used for audits in certain regions.

Read more at www.rainforest-alliance.org

The Retail Forum is a multi-stakeholder platform set up in order to exchange best practices on sustainability in the European retail sector and to identify opportunities and barriers that may further or hinder the achievement of sustainable consumption and production. During 2010, issues such as sustainable forestry, life-cycle data on daily use products, carbon footprint of stores and product labelling have been discussed. The Retail Forum has been initiated by the European retail sector together with the European Commission, and the objective is to engage all key stakeholders, such as producers, suppliers, and consumer and environmental organisations, in the discussion. IKEA is a member of the Retail Forum.

Read more at ec.europa.eu

Roundtable on Sustainable Palm Oil (RSPO) is a non-profit association working to develop and implement global standards for sustainable palm oil. The organisation includes stakeholders from the entire palm oil industry - palm oil producers, palm oil processors, traders, consumer goods manufacturers, retailers, investors and NGOs involved in environmental conservation and social development. IKEA has been a member since 2006.

Read more at www.rspo.org

Save the Children is the world's leading independent organisation for children with 29 national organisations working together to deliver programs in more than 120 countries around the world. From emergency relief to long-term development, Save the Children helps children achieve a happy, healthy and secure childhood by securing and protecting children's rights to food, shelter, health care and education, and to freedom from violence, abuse and exploitation. Save the Children listens to children, involves children and ensures their views are taken into account. Working on both a governmental level with decision makers and on the ground close to the children and the communities, Save the Children delivers immediate and lasting improvements to children's lives. The IKEA Foundation and Save the Children have worked together since 1994 to develop long-term projects that will make a change for

more children around the world. Save the Children has a global corporate partnership with IKEA, working together on both an international and a local level.

Read more at www.savethechildren.net

UNDP, the United Nations Development Programme partners with people at all levels of society to help build nations that can withstand crisis, and drive and sustain the kind of growth that improves the quality of life for everyone. On the ground in 177 countries and territories, UNDP offers global perspective and local insight to help empower lives and build resilient nations. The IKEA Foundation cooperates with UNDP in a women's empowerment project in Uttar Pradesh, India.

Read more at www.undp.org

UNHCR, the UN Refugee Agency works in more than 120 countries. It is mandated by the United Nations to lead and coordinate international action for the worldwide protection of refugees and the resolution of refugee problems. Its primary purpose is to safeguard the rights and well-being of refugees, ensuring access to shelter, education, health services and livelihoods activities. It strives to ensure that everyone can exercise the right to seek asylum and find safe refuge in another state, with the option to return home voluntarily, integrate locally or to resettle in a third country. It also has a mandate to help stateless people and those who are internally displaced. The IKEA Foundation supports UNHCR's relief efforts in the Horn of Africa, Bangladesh and eastern Sudan.

Read more at www.unhcr.org

UNICEF, the United Nations Children's Fund is on the ground in over 150 countries and territories to help children survive and thrive, from early childhood through adolescence. The world's largest provider of vaccines for developing countries, UNICEF supports child health and nutrition, good water and sanitation, quality basic education for all boys and girls, and the protection of children from violence, exploitation and AIDS. UNICEF is funded entirely by the voluntary contributions of individuals, businesses, foundations and governments. The IKEA Foundation has supported UNICEF programs for

more than a decade. UNICEF has a corporate partnership with IKEA, working together on both a global and local level.

Read more at www.unicef.org

UTZ Certified is an independent, non-profit organisation that operates the world's largest and fastest growing certification programme for responsible coffee and cocoa production. All coffee served and sold at IKEA is 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. 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 cooperate on projects that focus on sustainable forest management, sustainable cotton production and climate change.

Read more at www.panda.org