



REPORT 2006

# **Social & Environmental Responsibility**

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**T**his report describes social and environmental responsibility within the IKEA Group 2006 and details the progress made at local, national and international levels.

IKEA's social and environmental strategy 2006-2009 has the following focus areas:

- Products and materials
- Suppliers
- Transport
- Energy
- Community involvement.

Each focus area has key performance indicators (KPIs) in order to quantify achieved results.

*Red text indicates a reference within this report.*

*Blue text indicates a reference to a website outside this report.*

## **We welcome your input**

We welcome your questions, comments and remarks, which help us to improve.

Please feel free to submit your feedback to IKEA in your country.

[www.IKEA.com](http://www.IKEA.com)

## **Would you like to know more?**

Visit [www.IKEA-group.ikea.com](http://www.IKEA-group.ikea.com) to find more information about IKEA.



## Dear Reader,

IKEA's sustainability direction, "IKEA's business shall have an overall positive impact on people and the environment", is incorporated to our new social and environmental strategy.

In 2006 we have devised the new strategy, valid for 2006-2009, to act as a long-term directive and compass for our work. It has a wide scope and during 2006 we focused on the following areas:

### Products & materials

IKEA products & materials shall always be environmentally adapted and safe from a health perspective. This area is primarily about IKEA home furnishing products, but also includes IKEA Food products.

We continue our work to ensure safe products and to increase the use of renewable and recyclable materials. When developing IKEA home furnishing products, we evaluate their environmental impact by using the "e-wheel" tool.

### Suppliers

IKEA shall secure good social, working and environmental conditions at suppliers and service providers. Issues related to forestry and child labour are of special importance.

IKEA conducts business in a wide variety of countries, including emerging economies and developing countries. Our aim is to secure sustainable IWAY conditions at all suppliers. IKEA works to increase the suppliers own capability and motivation to implement and maintain the requirements stated in respective IKEA code of conduct.

### Energy & transport

This focus area is related to the climate change. IKEA must reduce carbon dioxide emissions caused by our operations. This includes issues like heating/cooling, electricity and transportation of IKEA products.

IKEA has decided to reduce the energy consumption, and long-term all IKEA buildings shall use renewable energy for electricity and heating.

### Community involvement

IKEA shall act and be recognised as a good community partner wherever we operate. The work is focusing on improving health and education for children and women, and protecting the environment, with an emphasis on sustainable forestry.

IKEA supports UNICEF and Save the Children in several projects to improve the lives of children, including the prevention of child labour. WWF is our main partner in projects that promotes responsible forestry.

Our work for social and environmental responsibility develops as we learn more. We value your questions and feedback, which help us to improve.

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

Thomas Bergmark,  
Social and environmental manager, IKEA Group

**NEW  
LOWER  
PRICE**

**\$269**

**KLIPPAN two-seat sofa. Was ~~\$299~~.**  
Powder-coated steel legs. RA.  
W180×D88×H69cm.  
Alme natural.



**Low price  
but not at any price**

Keeping prices low is a cornerstone of the IKEA business idea, yet our low prices must never be at the expense of people or the environment.

**S**ocial and environmental responsibility is a prerequisite for doing good business. IKEA's sustainability direction is that "IKEA's business shall have an overall positive impact on people and the environment".

The IKEA vision and business idea encourage the work with social and environmental responsibility. Our vision "To create a better everyday life for the many people" refers not only to our customers, but also to our co-workers and people working for suppliers who manufacture IKEA products or provide services for IKEA.

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

### **Social and environmental specialists**

IKEA managers are responsible for including social and environmental issues in the daily work. To support business, there are a number of specialists covering a wide range of areas, such as chemical experts, foresters, IWAY auditors, energy experts etc.

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

### **Our code of conduct, IWAY**

IKEA is a production-oriented retailing company. We strive to build long-term relationships with suppliers that share our commitment to promote good practices, and who want to grow and develop together with IKEA.

By being on site and conducting responsible business, IKEA contributes to better manufacturing and working conditions for suppliers and their workers.

*The IKEA Way on Purchasing Home Furnishing Products* – IWAY, is our code of conduct for suppliers of home furnishing products, introduced in 2000. Today there are several IWAYs for different areas of our business, each of them being adapted to respective needs:

- purchasing IKEA home furnishing products
- purchasing IKEA food products
- purchasing the IKEA catalogue
- purchasing transport and distribution of IKEA products.

Suppliers and service providers must follow the respective code of conduct, which specifies the minimum requirements IKEA places as well as the support IKEA provides the supplier. Suppliers are responsible for communicating the content of the IKEA code of conduct to co-workers and sub-contractors and ensuring that all measures required are implemented.

### **IKEA against corruption**

We dissociate ourselves from corruption in any form whether direct or indirect, and work proactively to prevent it. We clarify our position to our suppliers by a vendor letter, which is to be signed by the supplier and an IKEA representative. We have a corruption policy, Rules of Prevention of Corruption, and an investigation policy which describes how co-workers should proceed when fraud, corruption, theft and other illegal behaviour is suspected.

### **Working together**

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

IKEA works in partnership with UNICEF, Save the Children, and WWF, the global conservation organisation, focusing on prevention of child labour and supporting responsible forestry in countries where IKEA conducts business.



I have always been of the opinion that an inclusive approach to social and environmental responsibility makes good business sense. Not only does it create positive feelings amongst our customers and co-workers, it also has a positive impact on our business.

And, in many cases it has also proven to be cost-efficient.

In this report we explain how we are implementing social and environmental responsibility as a cornerstone of the IKEA business.

IKEA's vision is to create a better everyday life for the many people. This vision along with our company values, also known as the IKEA culture, is in my view the real strength in our social and environmental work. These IKEA values are an integral part of the daily life of every IKEA co-worker. I find that no matter where in the world I meet IKEA co-workers, we all share the same respect for social and environmental issues.

I also believe this is one of the main reasons why IKEA is seen as socially and environmentally responsible in our daily business, by our co-workers, customers and partners.

However, in some areas progress is slower than we had hoped for. There have been instances where we have underestimated the efforts needed to get desired results, and sometimes we have found that we simply need more support from governments and partners to make progress. Although we have reached a number of the goals that we have set, we are far from content. But I can assure you that we are truly committed and want to do our very best.

Our social and environmental strategy is clear. Our customers shall always feel confident that when they purchase a product from IKEA, it is first and foremost safe, and comes from a company that is truly committed to social and environmental work.

Anders Dahlvig  
President and CEO, IKEA Group



**Giving people  
the possibility to grow**

IKEA's human resource idea is to give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that together we are committed to creating a better everyday life for ourselves and for our customers.

## **IKEA wants people who share our values**

At IKEA, we talk about co-workers rather than employees. The way we see it, the word co-worker gives a better description of how we view our people and the way we work together.

We want to work with people who are interested in building a relationship and finding a career at IKEA, people who are interested in home furnishing and the many aspects of life at home.

We are committed to promoting diversity at IKEA. We work in numerous countries, and we are committed to having a workforce that mirrors our customers. By attracting a diverse group of people to work with us, from different nationalities and backgrounds, IKEA becomes more creative and dynamic.

IKEA values togetherness, respect, simplicity and cost-consciousness. In addition, we encourage innovation, a strong desire to learn and to improve, and the ability to lead by example. We're not afraid to make mistakes, they help us to grow and develop. Humility and efficiency are other important trademarks of our corporate culture.

## **A fulfilling career at IKEA**

We want our co-workers to develop and succeed with us, and we want them to have fun.

IKEA wants to offer satisfying careers that encourage development, with rewards for individual performance, and which allow co-workers to change location as well as job function.

IKEA wants to be an employer that supports co-workers throughout the different stages of their personal and professional lives such as; leaving school, becoming a parent, returning to work after maternity leave.

## **Focus on leadership**

IKEA relies on the accountability of co-workers and the drive of strong leaders. We want leaders to be ambassadors for our values, and the IKEA culture.

An IKEA leader consciously develops co-workers and business, while acting as a role-model for others.

Training and support are provided to managers to ensure that they have the right skills to encourage and facilitate the development of co-workers in their team.

## **Direct contact and open communication**

We encourage IKEA leaders to have a direct contact and open communication with their co-workers. This also helps to build the team so that together, they can find ways to improve.

IKEA uses an annual company-wide survey to monitor progress. Co-workers are asked to fill in the VOICE survey anonymously to highlight what motivates them and what they are dissatisfied with. By using this questionnaire to describe what areas guide co-workers in their work, results from the VOICE survey help define areas to develop at IKEA.

As a complement to the VOICE survey, the IKEA Leadership Index quantifies how co-workers view their managers. These results are used to identify areas of improvement as seen from the ground up.

Results from recent surveys show that co-workers are inspired by the IKEA vision. In addition, we have found that the connection between leadership and the VOICE survey is strong, and there is a clear connection between VOICE results and business results.



## **Offering co-workers flexibility**

IKEA offers flexible employment to meet the needs of co-workers. At IKEA US, nearly half of the co-workers work flexible hours or compress their work schedule, while others telecommute or job share. New parents on maternity or paternity leave can return to work gradually.

At IKEA Germany co-workers who are parents of young children, and older managers, are job sharing with younger colleagues. IKEA Ludwigsburg in Stuttgart has opened a nursery on the premises, where IKEA co-worker parents can leave their children while at work. IKEA nurseries can also be found in IKEA Vienna North, Austria and in IKEA Funabashi, Japan.

A photograph of a child playing on a white shelving unit in a living room. The child is standing on a white sofa, reaching up to a shelf. The shelving unit is filled with books, a small white unicorn figurine, and a framed collage of colorful circular patterns. A boy is standing in front of the shelving unit, holding a green stuffed animal. The floor is covered with a red rug and scattered wooden blocks. A black coffee table is in the foreground, and a white sofa is on the left. The text "Making home furnishing products safe" is overlaid in large white letters.

# Making home furnishing products safe

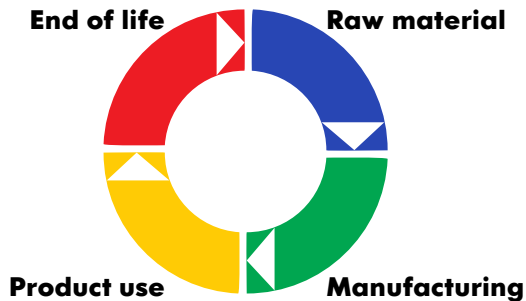
Customers live with IKEA products and they should feel confident that the products have a minimal effect on the environment, and do not contain substances that are potentially hazardous to their health.

Our aim is to use materials, surface treatments and production techniques with the lowest possible emissions. IKEA products shall be free from substances that are, or could potentially be, harmful to health and environment.

By FY09 IKEA home furnishing products shall be comprised of 75 percent renewable material and include as much recyclable material as possible.

### Environmental design

When developing products, we first decide what price the item will have when sold in IKEA stores. However, low prices must never compromise the quality or safety of IKEA products. Designers, product developers and technicians must consider safety, quality and environmental aspects from the initial design stage throughout the product's life cycle.



We use the e-Wheel to understand and evaluate the environmental impact of our products. The e-wheel has several checkpoints, which are divided into four phases: raw materials, manufacturing, product use and end of life.

## KPI

### Renewable materials used in products

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
	n/a*	n/a*	n/a*	<b>70%</b>	75%

\*Not available

### Waste recycled, reclaimed or used in energy production

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
Stores	73%	77%	80%	<b>80%</b>	90%
Distribution centres	78%	80%	86%	<b>86%</b>	90%

### Recovered or reused products in IKEA stores

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
	61%	64%	65%	<b>64%</b>	75%

### Ensuring product safety

IKEA applies the precautionary principle and considers the impact of production practices on health and the environment when using chemicals and other potentially hazardous substances. As a result, restrictions are placed on IKEA suppliers regarding the use of chemicals and other substances in our products.

In principle, if laws and regulations for chemicals and other substances are strengthened in any country where IKEA does business, then we strive to adopt the new requirements in other countries as well.

We continue to focus on reducing emissions and on removing potentially hazardous materials from our products. In addition, we recall products that do not fulfil our requirements. In 2006, IKEA identified and removed toxic substances found in IKEA's leather sofas. Optical brighteners were removed from textiles used in all IKEA quilts and pillows.

### Focus on children's safety

IKEA puts special focus on children's products, which must meet particularly high quality and safety requirements. In 2006, IKEA adapted and implemented European toy safety standard EN71-9, which specifies requirements related to the use of certain hazardous organic chemical compounds such as; flame retardants, colorants, primary aromatic amines, monomers, plasticizers, solvents, wood preservative and biocides, to be valid for all children's products.

We test IKEA children's products to strict national and international safety standards at our own third-party accredited test laboratory in Älmhult, Sweden. We also conduct safety checks of our products at independent, accredited test laboratories and institutes around the world.

IKEA provides co-workers with a specialised training programme called Children's School which presents knowledge and instruction on such children's topics as: children's development and needs, common living situations, safety, quality and health. This information is then used in the product development phase to help designers and others to consider the ways in which children will use IKEA products. In 2006, IKEA Children's School offered training for all technicians and

IKEA children's products must meet international quality and safety requirements.



purchasers working at IKEA trading service offices on issues related to the use of chemicals in products designated for use by children.

## Efficient use of materials

IKEA believes in using the smallest amount of resources to make the best possible products. We try to find solutions that minimise material use, without negatively affecting product functionality or appearance. Using hollow legs on furniture and chipboard as filling instead of solid wood are some of the ways IKEA saves resources.

## Renewable and recycled materials

The main raw materials used in IKEA products are wood, metal, plastic, glass, rattan and cotton. Wood, cotton and rattan are all renewable materials, while metal, glass and plastic are recyclable.

### Wood

Wood is of special importance to IKEA, as many of our products are made from wood or wood fibre. The material offers many environmental advantages because it is renewable, recyclable and biodegradable. However, for wood to be a responsible environmental choice, it should originate from responsibly managed forests.

*Please read more about how IKEA works with wood in the Forestry chapter.*

### Cotton

Cotton is the main raw material used to produce IKEA textiles. IKEA and WWF have started projects in Pakistan and India to introduce how cotton can be produced in a more environmentally-friendly manner.

*Please read more about the IKEA-WWF cotton project in the Community Involvement chapter.*

IKEA's long term ambition is to source cotton from sustainable plantations. We are co-operating with companies and NGOs through the Better Cotton Initiative to locate improvements in cotton cultivation techniques worldwide.

*Please read more about the Better Cotton Initiative in the Stakeholder chapter.*

In addition, IKEA is working to find and develop new materials for use as substitutes to cotton. Lyocell is a renewable cellulose extracted from eucalyptus tree pulp being used as a substitute to cotton or polyester in some products. Benefits from using lyocell include an environmentally clean manufacturing process and limited production waste.

### Plastic

IKEA primarily uses virgin plastic. The source of origin need to be ensured so that the quality of the end product will fulfil IKEA requirements. IKEA works to increase the use of recycled plastic. As an example, we use recycled PET plastic, one of the most common plastics used for the bottling of liquids and beverages.

IKEA uses ethylene vinyl acetate (EVA), instead of polyvinyl chloride (PVC) in products such as shower curtains. EVA is durable, easy-to-use, inexpensive and less damaging to the environment and human health than PVC. However, IKEA still uses PVC in electric leads and is working to find a suitable replacement.

### Minimising waste

It's important for IKEA to reduce the amount of waste created in the manufacturing process. We believe that where possible, waste from manufacturing should be used in the production of other items.

IKEA stores and distribution centres recycle large quantities of material. This helps us to save resources and can also result in considerable savings. Our stores and distribution

centres sort waste into many different categories; cardboard, paper, plastic, wood, metal, and glass.

In 2006, IKEA implemented the EU directive on Waste Electrical and Electronic Equipment (WEEE). This means that IKEA stores now accept and recycle electrical and electronic equipment we have produced. Customers can also return certain types of waste such as discarded packaging, spent batteries and low-energy bulbs for collection at most IKEA stores.

IKEA endeavours to adopt various preventive measures to minimise damage to products. However, when damage does occur, IKEA attempts to repair products rather than simply discarding them. These products can then be used as spare parts or they are sold at a reduced price in specially designated areas in the store.

IKEA stores and distribution centres handled 281,734 tonnes of waste in 2006, of which 81 percent was sorted for recycling, reuse or energy recover.

## Risk assessment and product testing

One of the cornerstones in ensuring IKEA product quality is risk assessment, which is used to evaluate, detect and eliminate potential hazards.

Each year thousands of tests are carried out on IKEA products during the development stage. Even more tests are conducted during production. Once a product is approved for production, any proposed changes to the product or to the production method are reviewed by IKEA to decide whether additional risk assessment testing is required.

In addition to product quality testing, we must ensure that banned chemicals such as formaldehyde and phthalates don't exceed IKEA requirements. IKEA has a third-party accredited test laboratory which is certified once a year by external auditors. In addition, third party accredited test laboratories perform random tests. IKEA requires suppliers to order certified products testing by third party auditors.



### Campaign to reduce use of carrier bags

On United Nations World Environment Day 2006, IKEA UK no longer provided customers with plastic carrier bags free of charge. The store instead charged 5 p for each plastic carrier bag and then 10 p when a biodegradable version was introduced. At the same time, IKEA encourages customers to use a reusable bag, by reducing the price of that bag. To date, plastic bag consumption has been reduced by 95%. The profits made from the sale of plastic carrier bags are being donated to Community Forest, a national, non-governmental organisation.

### Recall management

IKEA has a recall management system that ensures that customers and local authorities in countries where IKEA products have been subject to a product safety recall are notified about the situation.

When conducting a product safety recall, the primary goal is to warn customers about the potential risk. As a general rule, IKEA recalls the product in all countries where the concerned product is sold. We follow-up the recall to make sure that the information has reached our customers. The length of the recall is decided by legal demands and by how well we succeed in reaching our customers with the information.



**IKEA PS EDEN** is made by using heartwood, the innermost, reddish-brown part of the trunk.



**IKEA PS JORDBRO** is made of recycled milk packages and baby diapers.



**AGGER** ragrug is made from textile clippings that would otherwise be waste.



**IKEA PS BÖLSÖ** is made out of recycled PET plastic.



**GOSA OPTIMAL** uses lyocell, a natural product, as filling in stead of polyester.



**VÄLLÖ** water can is stackable, an optimal amount of water cans in each truck load.



**IKEA PS ELLAN** is made of recyclable polypropylene and wood fibres from sawmill waste.



**LÅDIS** is made from plastic used as IKEA loading ledges for transport of goods.



**LAMPAN** has an optimal packaging solution; all fittings are packed inside the lampshade.

## Safe food at IKEA stores

**IKEA strives to make sure the food that is served in our stores is safe and produced with consideration to the environment.**

Each year millions of people eat at IKEA restaurants around the world, and buy food products at the Swedish Food Market, a speciality shop which features products based on Swedish recipes and Swedish culinary traditions. The Swedish Food Market launched its' first own label products; IKEA Food in 2006.

### How we work

We purchase fresh and packaged food for IKEA restaurants and the Swedish Food Market both centrally and locally. The centrally purchased range, bought from some 100 suppliers, is the same at IKEA stores worldwide. The local range is selected in each country.

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

*The IKEA Way on Purchasing Food* is a code of conduct which states the minimum requirements for food product suppliers. It will be revised and the implementation at IKEA food suppliers will start in 2007.

In 2006 IKEA hired a food quality specialist to develop food standards and training, conduct product tests, and to establish food testing methods matching IKEA requirements. The food quality specialist also addresses food safety and quality issues at IKEA restaurants.



The Swedish Food Market features products based on Swedish recipes and Swedish culinary traditions, has a number of organic products in the range.

Organic meals and products

IKEA has set a goal that 15 percent of the products in the Swedish Food Market will be organically produced by FY09. In addition, it's our ambition to include one organic dish option on the menu in each IKEA restaurant.

A number of IKEA restaurants around the world regularly serve organic dishes. Organic dishes which are already available at IKEA restaurants vary by location. For instance, IKEA restaurants in Germany have an organic dish on the menu each month. In Italy, there is a children's menu featuring meals made exclusively from organically-produced ingredients.

All products labelled organic which are sold in the Swedish Food Market must be certified in accordance with a number of official organic certification standards.

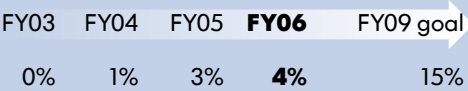
There are five organically produced products currently sold at the Swedish Food Market:

- Strawberry Marmalade (EU organic standard)
- Orange Marmalade (EU organic standard)
- Pasta Elks (EU organic standard, U.S. Department of Agriculture National Organic Program, Biological Farmers of Australia)
- Blue Cheese (EU organic standard)
- Christmas Snaps (EU organic standard)

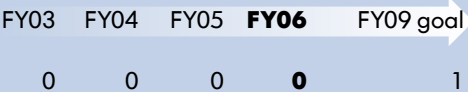
KPI

Organic products in the Swedish Food Market range

Average number of products: 100  
Total number of products available: 160



Organic dish served in all IKEA restaurants worldwide



# Towards sustainable production of the IKEA catalogue

**The IKEA Way on Purchasing Marketing Products and Services**, is the code of conduct which lists requirements for suppliers to ensure that the production of the IKEA catalogue and other marketing materials respects social and environmental conditions.

**IKEA has worked** with environmental requirements for suppliers since 1992. By implementing *The IKEA Way on Purchasing Marketing Products and Services*, the requirements now also consider social and working conditions. The implementation started during 2006 and there are the following focus areas:

**Product responsibility throughout the entire supply chain**

Sustainable production practices shall be integrated in all activities and we are establishing targets and describing indicators regarding the sustainability performance of the IKEA catalogue.

**Co-operation with suppliers**

The requirements stated in the code of conduct must be integrated in the business agreements and communicated to the suppliers.



The 2007 IKEA catalogue has a print run of 175 million copies, in 27 languages and 55 editions. Every year the IKEA catalogue is distributed to 100 million households in 30 countries.

**Minimising the use of resources**

Emission of fossil carbon dioxide per average catalogue must be limited.

Logistics and traceability of fibre for the paper used in the production of the IKEA catalogue is studied on a yearly basis. Today, 14% of the fiber used for the IKEA catalogue comes from FSC certified forests.

**Health and safety**

Good and safe working conditions for the workers involved in the production of the IKEA catalogue must be ensured. During 2006 we trained our own personnel of the audit process.

**Requirements to IKEA catalogue suppliers are followed up by a questionnaire every two years. Supplier data for production year 2006 will be compiled and analyzed in spring 2007.**

**Environmental management**

Paper suppliers are required to implement a certified environmental management system.

Certified paper suppliers	100%	92%
Certified artwork/repro, gravure and offset suppliers	32%	28%

**Paper (use of resources)**

Volume of paper (in tonnes)	65,000	83,000
Printed catalogue copies (in millions)	116	160
Fibres from certified forestry (FSC, PEFC, CSA, SFI)	74%	70%
Recycled fibres	1.7%	5.2%

**Energy and Transport (climate change)**

Fossil carbon dioxide per catalogue	0.80kg	0.55kg
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**Emissions to air (air quality)**

VOC (Volatile Organic Compounds) per catalogue	1.3g	0.7g
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**Emissions to water (quality)**

COD (Chemical Oxygen Demand) per catalogue	2.7g	3.3g
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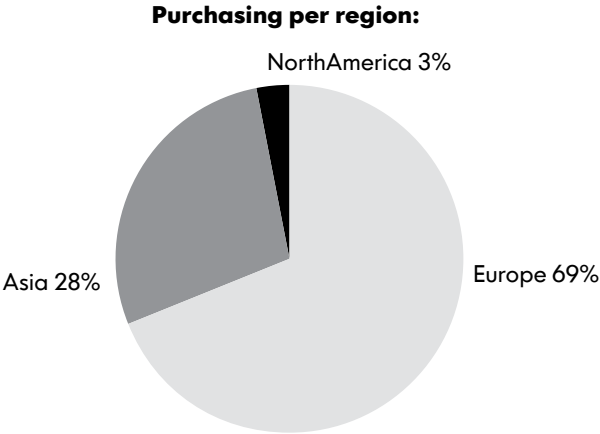


**IKEA products must be manufactured under acceptable working conditions by suppliers who take responsibility for the environment**

Our code of conduct, *The IKEA Way on Purchasing Home Furnishing Products*, specifies the minimum requirements that we place on suppliers and details what they can expect from IKEA.

**T**he *IKEA Way on Purchasing Home Furnishing Products* (IWAY) is our code of conduct and it is based on international conventions and declarations, and includes provisions based on the United Nations Universal Declaration of Human Rights (1948), the International Labour Organisation Declaration on Fundamental Principles and Rights at Work (1998), and the Rio Declaration on Environment and Development (1992).

IWAY specifies IKEA's minimum requirements for suppliers and what they can expect from IKEA. Suppliers are responsible for communicating the content of the IKEA code of conduct to co-workers and sub-contractors and ensuring that all measures required are implemented. Since 2006, the IWAY requirements also include that suppliers must conduct their own audits and have a health and safety committee with half its members being employees. This is in line with IKEA supporting and motivating the suppliers' themselves to implement and maintain the requirements stated in IWAY.



**Top five purchasing countries:**

China	18%
Poland	14%
Italy	8%
Sweden	7%
Germany	6%

# The IKEA Way on Purchasing Home Furnishing Products (IWAY)

## Start-up requirements

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

Prior to starting up a business relationship with IKEA there is an IWAY assessment, where potential IKEA suppliers must fulfil the start-up requirements:

- no forced or bonded labour
- no child labour
- no solid wood, veneer, plywood or layer-glued wood from intact natural forests or from forests with a clearly defined high conservation value.

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

## Suppliers can expect IKEA to:

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

## Social & working conditions

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

### Suppliers must agree to:

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

### Suppliers may not:

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

## Environment and forestry

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

### Suppliers must agree to:

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

### Suppliers may not:

- use wood originating from national parks, nature reserves, intact natural forests or any areas with officially declared high conservation values, unless certified.

IKEA co-workers working with a supplier on the factory floor.



## How we work

### Trading service offices

The management at the IKEA trading service offices are responsible for upholding *The IKEA Way on Purchasing Home Furnishing Products*, IWAY. On a daily basis, the business teams work closely with suppliers and monitor the production of IKEA products.

### IKEA auditors

IKEA has 70 trained auditors who conduct IWAY audits at all IKEA suppliers. Additionally, selected sub-contractors are audited when they produce a substantial part of an IKEA product.

When a supplier has been IWAY-approved a re-audit takes place every two years. Though, suppliers located in Asia are audited more frequently, in most countries every 6 months. IKEA auditors conducted 1,034 audits in 2006.

In order to get a more accurate picture of suppliers' factories, IKEA has decided to increase the number of unannounced audits. It has resulted in lower IWAY fulfilment rates at a number of Asian suppliers, and shows the importance of unannounced audits.

### The Compliance and Monitoring Group

The Compliance and Monitoring Group (CMG) is responsible for ensuring that the same audit criteria are followed worldwide. In 2006, CMG conducted 52 audits.

CMG works to fine-tune and calibrate audits by training and supporting auditors at IKEA trading service offices, thereby creating an overall standard of auditing. They also make their own audits of suppliers.

### Third-party auditors

KPMG, PricewaterhouseCoopers and Intertek Testing Services verify methods and objectivity in IKEA auditors' work, as well as verifying methods and results obtained from CMG audits.

In 2006, 27 audits were conducted by third party auditors.

Third-party auditing is an important tool for improving IKEA's own auditing. Third party auditors always take part in CMG audits, and they also conduct their own audits at IKEA suppliers.

## Addressing IWAY violations

In case of non-compliance, auditors require the supplier in question to send an action plan to IKEA within two weeks following the audit. The action plan must detail how the non-compliance will be rectified. In addition, there should be a description of planned corrective actions, together with a timeline and an appointed person as responsible for the implementation.

The business teams at the trading service offices ensure that the supplier has completed the necessary corrective actions according to the approved action plan.

## Long-term relationships

IKEA believes in long-term relationships and does not end relations with suppliers due to IWAY non-compliance. If there is a willingness from the supplier to improve, shown by an agreed plan of action for rectifying problems within an acceptable time frame, IKEA continues to do business with the supplier. However, if repeated violations occur and the supplier shows no interest in rectifying the situation, IKEA terminates its relationship with the supplier.

During 2006, IKEA terminated business relationships with 6 suppliers due to non-compliance. We terminated business with another 21 suppliers where non-compliance with IWAY was one of several reasons.

## KPI

### IKEA suppliers that are IWAY approved

	FY03	FY04	FY05	<b>FY06</b>	Goal
Europe	51%	54%	71%	<b>74%</b>	100%
Asia	11%	14%	16%	<b>13%</b>	100%
Americas	45%	46%	58%	<b>62%</b>	100%
Total	32%	36%	47%	<b>47%</b>	100%

The long term goal is that all IKEA suppliers shall be IWAY approved.

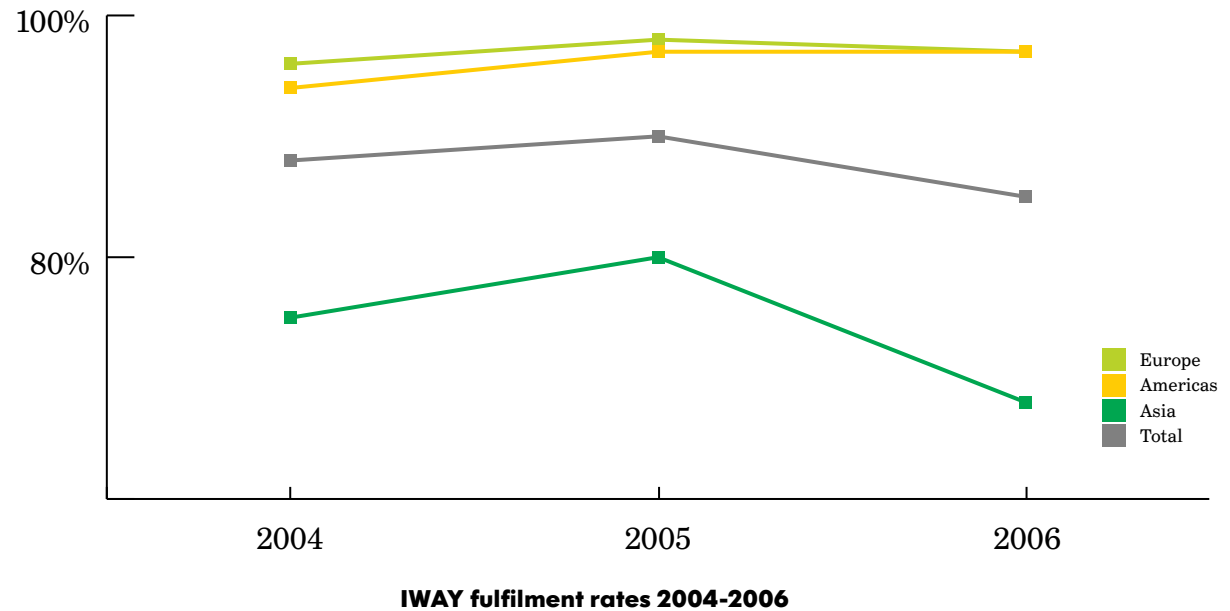
The decrease in the percentage in Asia reflects a stricter judgement from IKEA auditors together with an increasing amount of unannounced audits.

**IWAY fulfilment rates**

The average IWAY fulfilment rate has dropped from 90 to 85%. The main reason is a drop in results from Asia, from around 80 percent to 69 percent. The decrease in the percentage reflects a stricter judgement from IKEA auditors together with an increasing amount of unannounced audits.

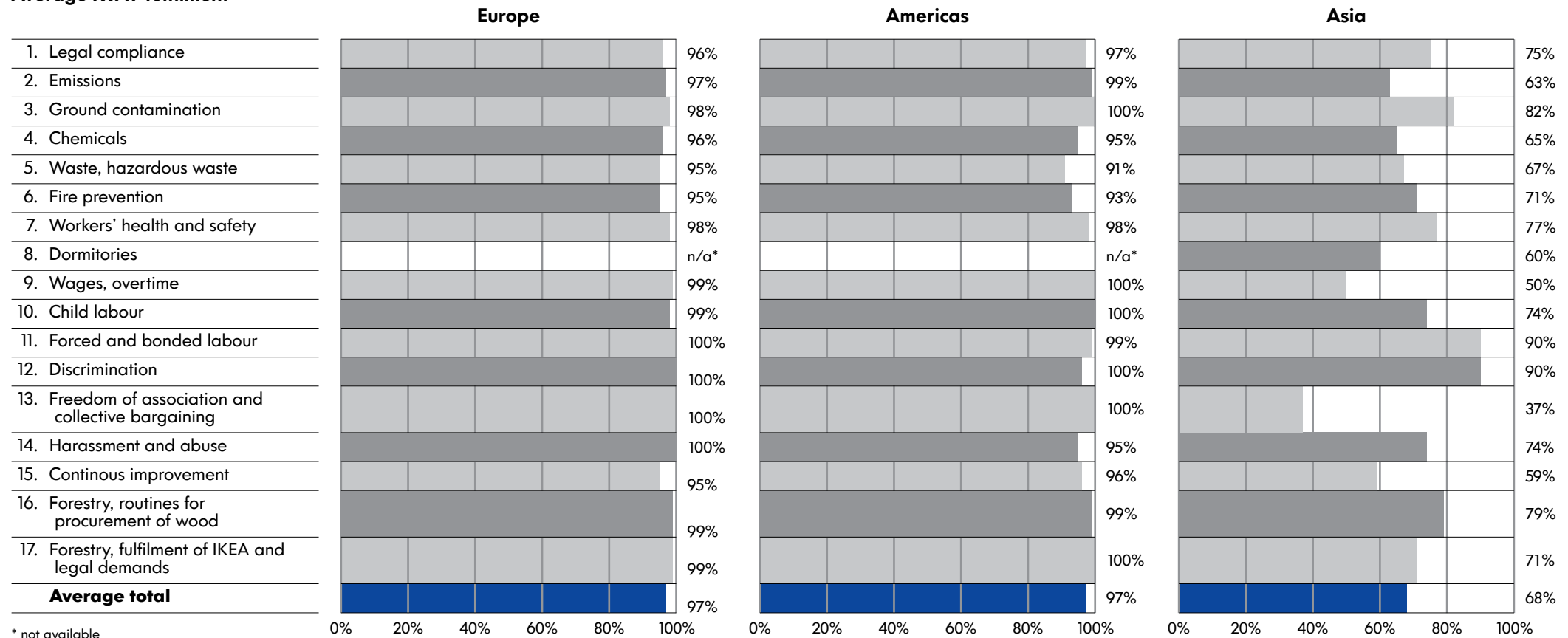
Most IWAY compliance violations are related to:

- Freedom of association
- Wages, working hours, social insurances
- Health and safety committee (since 2006 suppliers must have a health and safety committee with half its members being employees)
- Housing facilities/dormitories
- Emissions/environmental issues (waste handling, chemicals)



## IWAY fulfilment rates table 2006

## Average IWAY fulfilment



\* not available

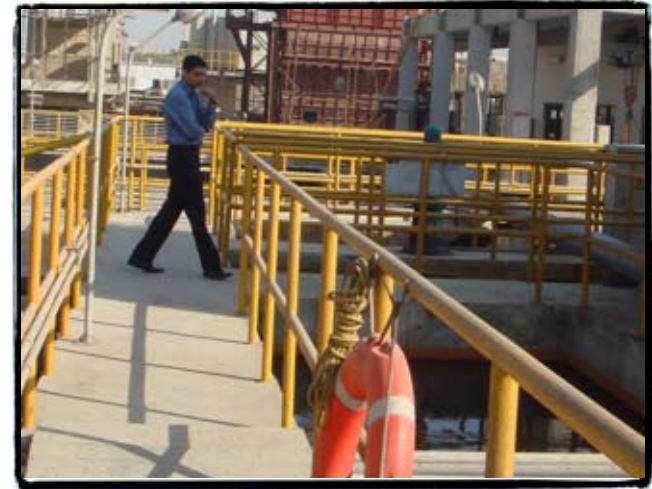


### Consolidating production of carpet and rugs

IKEA has been sourcing carpets from northern India for about 30 years. Traditionally, the carpet production has a decentralised structure and all production work such as weaving, washing, stretching, binding, and clipping is generally outsourced.

Consolidation of production means less transportation of material between supplier and sub-contractors, higher productivity and a better production and quality control. In addition, the suppliers' prerequisites to fulfil the IWAY requirements increase.

Two IKEA suppliers have reduced the number of sub-contractors from 70 to two units. An IKEA production specialist works with the suppliers to find the best strategy to develop the production units into well-functioning factories. In addition, an IKEA auditor provides extensive training in IWAY requirements.



### Improved supplier standards

IKEA is working with textile suppliers in Pakistan by encouraging them to install effluent treatment plants that treat wastewater discharge from textile processes such as dyeing and printing.

One IKEA textile supplier in Karachi has already installed an effluent treatment plant that can treat up to one million gallons of wastewater per day, a major step towards reducing pollution.

After seeing the results in Karachi first-hand, other IKEA suppliers in Pakistan are now installing effluent treatment plants.

IKEA reviews progress and supports suppliers through technical assistance and training on effluent treatment plant technology.

## IKEA does not accept child labour

**IKEA works actively to prevent child labour and to protect the best interests of children. *The IKEA Way on Preventing Child Labour* is our child labour code of conduct, which IKEA suppliers and their sub-contractors must agree to follow.**

**C**hild labour does exist in countries where IKEA products are manufactured. IKEA works actively to prevent child labour, with the aim to always act in the best interests of the child.

IKEA bases its work on the United Nations Convention on the Rights of the Child (1989), the International Labour Organisation (ILO) Convention Number 138 (1973) on minimum working age, and the ILO Convention Number 182 (1999) on the worst forms of child labour.

The IKEA Group Children's Ombudsman is responsible for ensuring that IKEA acts in the best interests of the child.

For many years IKEA's focus has been to prevent child labour in South Asia, especially in India. A consistent approach together with various stakeholders has resulted in a considerable decrease in the amount of child labour found in the IKEA supply chain.

Today there is an increase of child labour in China and in 2006, IKEA found an increasing number of children working at IKEA suppliers. To prevent child labour in China, we use the same approach as in India and build our work on the experience we have got from there.



IKEA supports a UNICEF child rights project in India, which gives more than 80,000 children access to education.

# The IKEA Way on Preventing Child Labour

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

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

## 1. General principle

- IKEA does not accept child labour. IKEA supports the United Nations (U.N.) Convention on the Rights of the Child (1989). In addition it is based on the International Labour Organisation (ILO) Minimum Age Convention no. 138 and the Worst Forms of Child Labour convention no.182.

## 2. Implementation

- IKEA requires that all suppliers shall recognise the United Nations Convention on the Rights of the Child, and all actions to avoid child labour shall be implemented by taking the child's best interests into action.
- Suppliers must comply with all relevant national and international laws, regulations and provisions applicable in the country of production.
- If child labour is found in any place of production, IKEA requires the supplier to implement a corrective action plan. The corrective action plan shall take the child's best interests into consideration. Care shall be taken not merely to move child labour from one supplier's workplace to another, but to enable more viable and sustainable alternatives for the child's development.

## 3. Young workers

- IKEA supports the legal employment of young workers. Young workers of legal working age have, until the age of 18, the right to be protected.
- IKEA requires all its suppliers to ensure that young workers are treated according to the law, including measures to avoid hazardous jobs, night shifts and ensure minimum wages. Limits for working hours and overtime should be set with special consideration to the worker's young age.

## 4. Labour force register

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

## 5. Monitoring

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

## Co-operation gives result

The reasons behind child labour are complex. It is important to address child labour with long-term and consistent efforts in order to prevent and eliminate it in the supply chain. Since many years, IKEA co-operates with UNICEF and Save the Children to tackle the root causes of child labour and to achieve sustainable solutions.

*Please read more about our activities and projects to prevent child labour in the Community Involvement chapter.*

## How we work

### Trading Service Offices

Co-workers in the trading services offices have contact with our suppliers on a daily basis, monitoring the production of IKEA products. They observe social and working conditions on site, which enables them to highlight the prevention of child labour.

IKEA's IWAY auditors conduct regular audits at suppliers to ensure and verify that there are no child labourers working on suppliers' premises, in compliance with the requirements from *The IKEA Way on Preventing Child Labour*.

Additionally, in South Asia, workshops are held in suppliers' factories so that their co-workers and sub-contractors can participate and discuss problems that they encounter on an everyday basis. This also facilitates agreement on solutions and increases our knowledge on how best to implement the IKEA code of conduct.

*Please read more about how IKEA conducts audits in the IWAY chapter.*

## Third-party auditors

IKEA has assigned KPMG to monitor child labour by carrying out unannounced visits to IKEA suppliers and their sub-contractors in Bangladesh, India and Pakistan. In 2006, 565 unannounced audits were conducted.

## Addressing child labour violations

If child labour is found, IKEA requires the supplier to act in the best interests of the child. The supplier must implement a corrective and preventive action plan, including education and training, and IKEA monitors the entire process and outcome.

Additionally, there are business consequences for the supplier, including probation of manufacturing new IKEA products, for at least six months. During the probationary period, the supplier is required to demonstrate that effective systems to prevent the recurrence of child labour are in place. IKEA monitors the action plan and normal business is resumed with the supplier only when the situation has been resolved and corrective action has been undertaken.

Preventive and corrective actions are monitored by IKEA; including visits to the school the child attends and unannounced visits to supplier's premises where the child was found working. If corrective action is not implemented within an agreed time frame, or if repeated violations occur, IKEA terminates all business with the supplier.

## IKEA supports responsible forestry

**IKEA does not accept solid wood, veneer, plywood or layer-glued wood from intact natural forests or from forests with a clearly defined high conservation value. Our long term goal is to source all wood from forests certified as responsibly managed.**

**W**ood is the principal material in many of the home furnishing products in the IKEA range. To reach the long-term goal to source all wood used for products in the IKEA range from forests certified as responsibly managed we support the suppliers in their work to fulfil our demands. We use a staircase model to stepwise increase demands on the wood used for IKEA products.

IKEA has two goals to be fulfilled by the end of FY09: We want all of the suppliers for solid wood, veneer, plywood and layer glued wood to meet our minimum requirements, by reaching level 2 in the staircase model. At the same time, we aim to have 30 percent (3.6 million m<sup>3</sup>) of wood for IKEA products coming from forests certified as responsibly managed, corresponding to level 4 in the staircase model.



NORDEN table and bench are made from knotty birch wood.

# IKEA requirements for wood suppliers

IKEA has established requirements for wood material used in IKEA products using a staircase model to stepwise increase the demands. The requirements apply to IKEA products that contain solid wood, veneer, plywood or layer-glued wood.

## Level 1: Start-up conditions

This level has basic requirements that wood product suppliers must fulfil before starting up business.

- The origin of the wood must be known. The supplier must be able to state from which region within a country that the wood originates.
- The wood must not originate from intact natural forests (INF) or high conservation value forests (HCVF).
- High value tropical tree species must be certified according to the Forest Stewardship Council (FSC).

## Level 2: Minimum requirements

At Level 2 there are a number of minimum requirements that suppliers must fulfil.

- The wood must be produced in accordance with national and regional forest legislation and other applicable laws.
- The wood must not originate from protected areas.
- The wood must not originate from plantations in the tropical and sub-tropical regions established after November 1994 by replacing intact natural forests.

## Level 3: 4Wood to ease transition

4Wood is a standard developed for suppliers by IKEA in 2005 to ease the transition from Level 2 to Level 4. The 4Wood standard emphasises the use of wood-tracking procedures and other routines to better control wood from procurement through production.

## Level 4: Forests certified as responsibly managed

The expectation at Level 4 is that forest management and chain of custody standards must be produced in a balanced co-operation between social, environmental and economic stakeholders and verified by an independent third party. Currently, Forest Stewardship Council is the only Level 4 certification scheme recognised by IKEA.

## How we work IKEA foresters

IKEA has twelve foresters working in different locations around the world to support and encourage a more sustainable approach to the use of forest and wood resources. The foresters work together with IKEA business teams to implement and follow up IKEA supplier compliance with forestry minimum requirements.

### Forest tracing

IKEA suppliers are checked for compliance with forestry minimum requirements during the IWAY audits that are performed by IKEA trading service offices. In an annual questionnaire, called Forest Tracing System (FTS), the suppliers must report the origin, volume and species of all wood used in IKEA products. This enables IKEA to identify the level reached on the staircase model for sources of wood raw materials.

### Wood supply chain audits

Based on the information from the FTS questionnaire and a risk assessment, a number of wood supply chains are chosen for closer evaluation. IKEA foresters audit the suppliers' and sub-suppliers' wood supply from the factory all the way back to the forest of origin. By conducting wood supply chain audits, we check that IKEA suppliers have communicated our requirements to their sub-suppliers, and that the supply chain links involved comply with the IKEA minimum requirements.

In 2006, 90 wood supply chain audits were conducted. This represents a volume of 2.1 million cubic metres round wood logs, which equals 33 percent of the total wood used in IKEA products.

### Third party auditors

Rainforest Alliance SmartWood Program, a third party auditor, conducts wood supply chain audits for IKEA. During 2006, Rainforest Alliance SmartWood Program conducted wood supply chain audits on IKEA suppliers in Russia, China and Romania.

## KPI

**Total wood used in IKEA products 2006: 6,400,000 cubic metres**

**Share of IKEA suppliers for solid wood, veneer, plywood, layer glued wood that meet IKEA minimum requirements (level 2 in the staircase model)**

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
97%	96%	90%	<b>91%</b>	100%

**Share of wood used in IKEA products coming from forests certified as responsibly managed (level 4 in the staircase model)**

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
x	x	12%	<b>7%</b>	30%

The decrease in the percentage of certified wood reflects the introduction of IKEA's more stringent criteria on suppliers' claims to have certified wood. IKEA suppliers must report the relevant Chain of Custody certificate number in order to claim that FSC certified material is being used in IKEA products.

## IKEA Forest Projects

Addressing issues such as illegal logging, responsible forest management and certification is critical to promoting sustainable forestry. IKEA actively participates in projects that support the development of responsibly managed forests in our main wood sourcing countries. We partner with environmental non-profit organisations to implement forest projects in our key wood sourcing countries. Projects focus on forest management, policy, research and education. IKEA has initiated several new forestry projects to take place from FY05 to FY08, working with organisations specialising in forest management, conservation and education.

**Sow a Seed:** More than 7,000 hectares (17,000 acres) of tropical rainforest has been replanted by this IKEA-initiated project. IKEA works to ensure planting and maintenance of lowland rainforest in Sabah State, on the island of Borneo in Malaysia, and to protect the area from logging for a period of 50 years.

*Read more about the Sow a seed project in the Community involvement chapter.*

**Rainforest Alliance** is an organisation working with IKEA in China on an initiative to increase awareness and expertise in practices for better forest management. Over 1,400 individuals from universities, industry, NGOs and the forestry sector have been trained in aspects of sustainable forest management and forest certification.

**WWF and IKEA** have been carrying out a series of forest projects since 2002, to combat illegal logging and promote responsible forestry and certification in key regions. In 2005, WWF and IKEA agreed to co-operate on a second phase of projects which are being carried out in Laos, Cambodia, Vietnam, Russia, China, Romania, Bulgaria, Latvia and Lithuania. Forest project activities include developing guidelines, systems and training in the forestry sector, and education and paving the road for future FSC certification.

*Find out more at: [www.panda.org/forests/IKEA](http://www.panda.org/forests/IKEA)*

### Top 5 wood sourcing countries:

Russia
Poland
China
Romania
Sweden

### Top 5 tree species used in IKEA products:

Pine	42%
Birch	18%
Spruce/Fir	16%
Beech	10%
Oak	3 %

## Highlights from the WWF and IKEA projects

**Laos and Cambodia:** IKEA has designed criteria for sourcing rattan and bamboo and developed requirements to ensure sound production processes. This project encourages a switch to sustainable rattan harvest and production in Laos and Cambodia. During FY06, the key species of rattan harvested, used, traded, and produced were identified and data on the ten most important rattan species was collected.

**Vietnam:** Acacia is a dark hardwood grown in plantations in Southeast Asia, and used in IKEA garden furniture products. IKEA believes that there should be no incentive for intact natural forests to be converted to plantation forests. The project goal is to certify an acacia plantation in Vietnam. The site and the IKEA supplier in Vietnam have been chosen, and a forest plantation pre-assessment exercise for FSC-certification has been performed.

**Russia and China:** This joint project works to curb illegal logging in Russia and reward legal forestry in Russia and China. The aim is to decrease illegal logging in selected regions, by developing approaches to verify the legality of timber traded across the border. WWF Russia is actively

participating in government working groups to find solutions to illegal logging on the national and regional levels, for example regional anti-illegal logging brigades receive technical assistance to conduct monitoring and control over logging activities. WWF China is actively working to develop wood tracing systems to support Forest Bureaus in China.

**Romania, Bulgaria:** Four IKEA suppliers in Romania are involved in project activities with WWF on working towards FSC certification. During FY06, the National Forestry Board of Bulgaria has committed 30 percent of all state forests, equivalent to 1 million hectares (2.5 million acres) to be FSC-certified in the next five years.

**Latvia and Lithuania:** Wood sourcing from privately-owned forests in the Baltic is increasing. This project has included educational seminars and workshops for private forest owners to support responsible forestry on private land. Activities to support transparency in the forest sector and combat illegal logging have been undertaken and participants have included Swedwood.

**Responsibly managed forests** are forests in which environmental, economic, and social factors have been considered in the forest management practices. Forest management of this type can be verified by an independent third party system.

**Intact natural forests** are forest areas where the principal characteristics and key elements of the original forest ecosystem are present. Forest areas of 50,000 hectares (123.5 acres) and greater with relatively minimal disturbance by human activity are included in this definition. The concept of intact natural forests was created by the non-governmental organisation, Global Forest Watch.

**High conservation value forests** are forests that possess one or more of the following attributes:

- Globally, regionally, or nationally significant concentrations of biodiversity values;
- Areas that are in or contain rare, threatened, or endangered ecosystems;
- Areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control);
- Areas fundamental to meeting the basic needs of local communities and/or that are critical to local communities' traditional cultural identity.

#### **FSC certification scheme**

The Forest Stewardship Council (FSC) certification scheme is currently the only certification standard which is recognised by IKEA. The FSC sets international standards for responsible forest management, and appoints independent third party organisations to certify forest managers and forest product producers to FSC standards. For a company to be able to advertise and sell their products as being FSC certified there must be an approved system used for tracking the wood flow through the entire supply chain. In addition, a chain of custody certificate requires the sawmill, trader or factory to have a documented and organised way to control all wood that is used. This system also calls for each owner of the raw material, from forest to end-producer, to have their own chain of custody certificate in order to sell their goods as FSC certified.



#### **Tracing the wood back to its origin**

IKEA traces the wood back to its origin by conducting wood supply chain audits.

In 2006, IKEA foresters in eastern Russia and northern China chose a cross-border wood supply chain to track the wood used to produce JOKKMOKK furniture. The audit was conducted across a selected supply chain of the JOKKMOKK supplier all the way back to the original logging site.

The result of the audit showed that there was no illegal logging and that the wood did not come from an intact natural forest nor a high conservation value forest.

A photograph of a warehouse interior. In the foreground, a man in a dark blue long-sleeved shirt and light blue jeans is operating an orange BT forklift. The forklift is positioned next to tall stacks of cardboard boxes on pallets. The boxes are stacked high, reaching up to the ceiling. The warehouse has a high ceiling with exposed metal beams and several bright lights hanging from it. The floor is a smooth, light-colored concrete. The overall scene depicts a busy logistics or distribution center.

# IKEA works to promote sustainable transport

IKEA transport suppliers must fulfil specific minimum environmental requirements. In addition, they must implement our code of conduct *The IKEA Way on Distributing Home Furnishing Products*.

**T**he *IKEA Way on Distributing Home Furnishing Products* applies to the transport and distribution of IKEA products, as well as IKEA distribution centres.

Implementation of the code of conduct started in 2006, with IKEA transport service providers signing a compliance commitment and participating in training courses. IWAY has also been implemented in all IKEA distribution centres and audits will take place during 2007. The goal is that all IKEA transport service providers and IKEA's distribution centres will be IWAY-approved by FY09.

#### Start-up requirements

Before starting to work for IKEA, all transport service providers must fulfil the start-up requirements stated in our code of conduct;

- no forced or bonded labour,
- no child labour.

Additionally, the requirements include a commitment to the training of transport service providers' employees, the use of environmentally-sound management practices, and to the promotion of the use of modern vehicles, clean fuel, and fuel-efficient driving techniques. Transport service providers must also have an environmental policy and an environmental action plan in place.

IKEA US requires all transport service providers to participate in the Environmental Protection Agency (EPA) Smart Way Partnership. The partnership focuses on supporting transport carriers in establishing long term goals for emission reductions and offers assistance in finding methods to calculate emissions. In addition, IKEA's work practices are subject to third-party verification. IKEA now ships all freight in North America with Smart Way carrier and logistics partners.

## KPI

### Carbon dioxide emissions reduction per transported m3/per kilometre

	FY03	FY04	FY05	<b>FY06</b>	FY10 goal
Stores	n/a*	n/a*	n/a*	<b>-5%</b>	-12% <sup>1</sup>
Distribution centres	n/a*	n/a*	n/a*	<b>-5%</b>	-12% <sup>1</sup>

<sup>1</sup> compared to FY06

### Fulfilment of minimum environmental requirements by transport suppliers

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
Road	n/a*	80%	83%	<b>93%</b>	100%
Rail	n/a*	96%	82%	<b>86%</b>	100%
Sea	n/a*	88%	93%	<b>100%</b>	100%

\*Not available

## How we work

### Regional transport offices

Seven IKEA regional offices purchase transport services and they are responsible for upholding *The IKEA Way on Distributing Home Furnishing Products*.

IKEA will start to conduct audits that cover social and environmental issues related to the transport of products in 2007.

IKEA co-workers conduct documented environmental assessments of transport service providers every two years. Since 2001 we have measured and followed up carbon dioxide emissions within the IKEA supply chain. IKEA transport service providers must be able to estimate their yearly carbon dioxide emissions and must set a three-year emission goal. Each year's emission results must be reported to IKEA.

### Packing flat and filling space

Smart packaging is an effective way to reduce the environmental impact of transport; reducing both emissions and transport costs. During product development, designers include packaging solutions in their work with product design.

In 2006, the inbound filling rate (supplier to warehouse) was 61% and the outbound filling rate (warehouse to store) was 59%.

Smart packaging is the most effective way to reduce the environmental impact of transport.

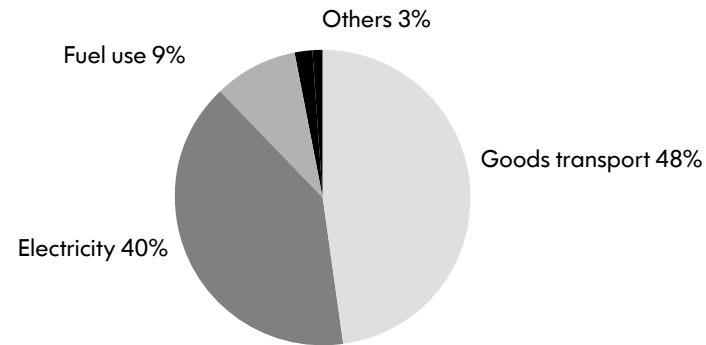


### Sustainable transport solutions

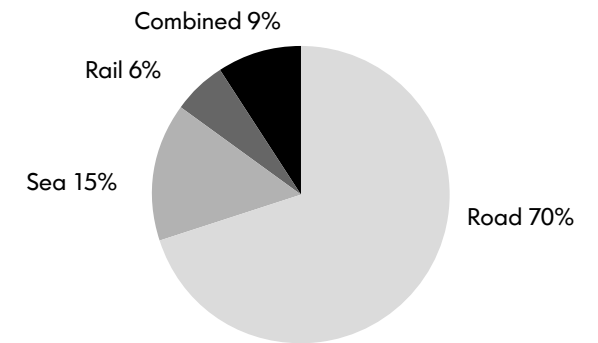
IKEA products are mainly transported by road, and we are working to find sustainable transport solutions such as rail and sea transport.

IKEA and the ocean-carrier Maersk have agreed to co-operate on social and environmental improvements. The aim of this partnership is to find joint solutions to reduce emissions, by focusing on identifying the carbon dioxide footprint; by measuring the amount of carbon dioxide emitted from IKEA transport door to door, including port operations, and by developing common measurements for mapping/tracing the environmental impact.

**Carbon dioxide emissions caused by IKEA operations**



**Types of transport used for IKEA products:**





### Improved packaging solutions

Space-saving packaging means that we can fit more IKEA products on each truck, reducing the number of trips needed to transport IKEA products and reducing carbon dioxide emissions as well.

GLES 3-pack plastic box is sold with all three pieces stacked into each other. This improvement in package design allows 343 pieces to fit on each pallet, which once held 200 pieces, reducing emissions by 39 percent.



### Rail initiatives in Sweden

By using rail transport to distribute IKEA products to IKEA Haparanda, Sweden, carbon dioxide emissions are reduced by 2,227 tonnes, equivalent to 824,815 litres (approximately 218,000 gallons) of diesel fuel.

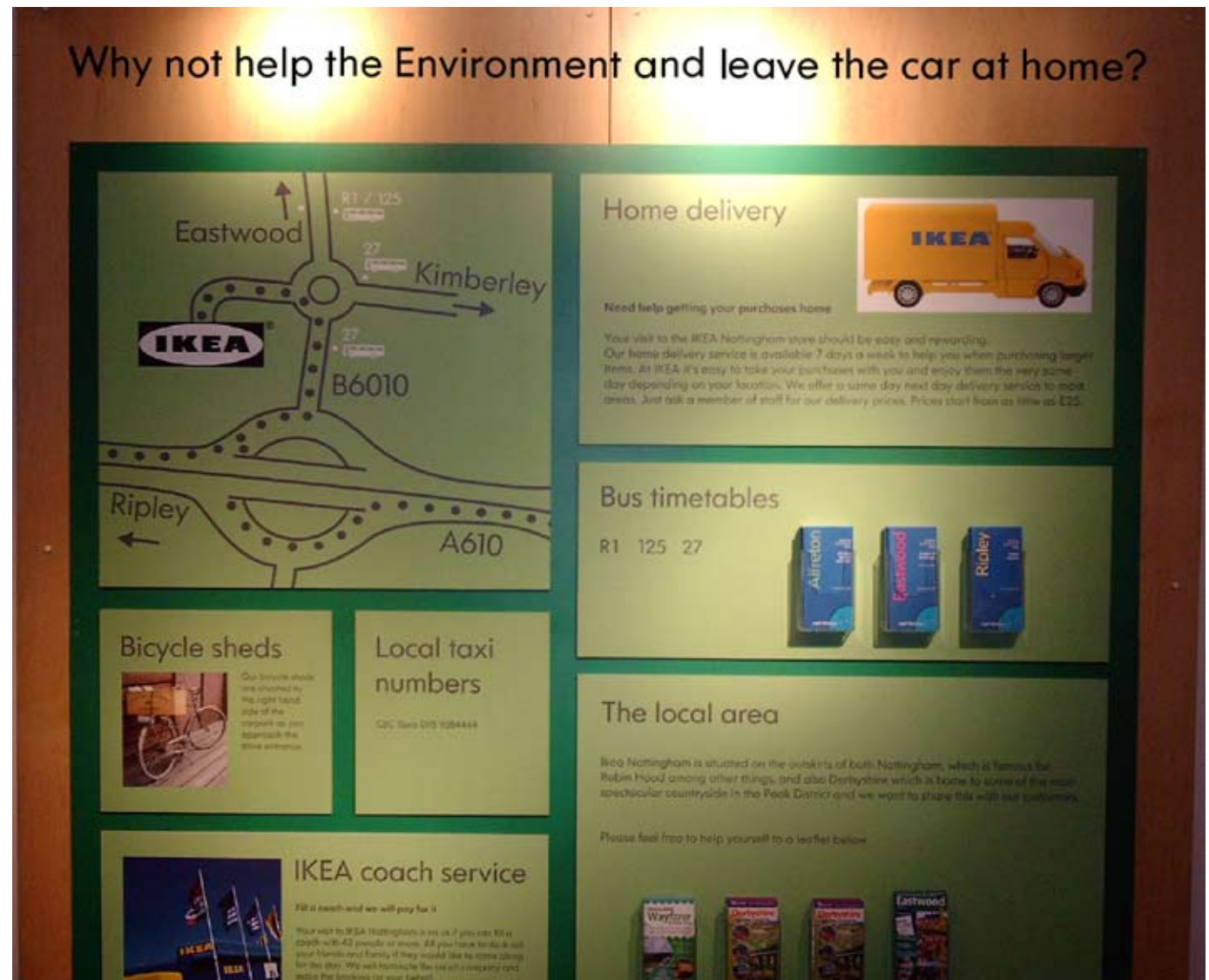
## IKEA provides customers with alternative travel methods to and from IKEA

When investigating locations for new stores IKEA considers the amount of traffic that will potentially be generated by the store. Most IKEA customers travel to and from the stores by car.

Some IKEA stores have their own shuttle buses linking them with the city centre. As a general rule we try to locate new stores in areas where there is efficient public transport. Additionally, IKEA works with local authorities to develop and improve public transport to and from IKEA stores.

IKEA has formulated a list of requirements for efficient public transport:

- public transport, preferably rail transport linking the store to the city centre or to a regional transport hub
- there must be an embarkation/disembarkation point within 150 metres (approximately 500 feet) of the store exit
- timetables must be clearly displayed at the exit to the store
- there must be at least one trip in each direction every hour during store opening hours



IKEA Nottingham, U.K. uses a message board to inform customers of different ways of travelling to and from IKEA.

Home delivery

IKEA stores offer home delivery, a service provided by independent transport companies. IKEA requires short-distance delivery companies to fulfil the same environmental demands as our other transport service providers. Home delivery of IKEA products must use low-emission vehicles by 2009.

Green company cars

All IKEA company cars must meet the criteria for low emission cars by 2010. This means that cars designed to seat up to five passengers may emit no more than 120 grams of carbon dioxide per kilometre, and cars designed to seat more than five passengers may emit no more than 195 grams of carbon dioxide per kilometre.

KPI

Customers travelling to IKEA stores by public transportation

FY03	FY04	FY05	FY06	FY09 goal
10%	10%	8%	8%	15%



### **IKEA shuttle service gaining ground in Canada**

IKEA stores in North York and Etobicoke, Canada have shuttle buses running between each store and Toronto. Nearly 300,000 passengers took advantage of the service during FY06.



### **Let's get going**

The IKEA Group held an in-house competition, "Let's get going", for co-workers at IKEA worldwide. The two-week competition held in 2006, encouraged co-workers to find environmentally friendly ways of getting to work. During the competition, IKEA co-workers saved 757 673 kilometres (470, 800 miles) and 185 tonnes of carbon dioxide, which is equivalent to taking 46 cars off the road for one year.



### **Environmental rental vans for IKEA customers in Switzerland**

IKEA Switzerland replaced the fleet of petrol-driven rental vans located at IKEA stores with biofuel vans from Swiss transport company Ford Transit, in 2006.

To encourage customer use of environmentally-friendly transportation a 50 percent discount on van rental fees, is offered to customers who visit IKEA stores by train or bus, and then hire Ford Transit vans to take their IKEA purchases home.



### Bio diesel trucks in Norway

Fifty percent of home deliveries to IKEA customers in the Oslo area in Norway are done by trucks running on bio diesel fuel. This project with IKEA, the Norwegian Post Office and Hydro Texaco is led by the national environmental organisation Green in Praxis, GRIP. The project will run for a year, so that winter and summer driving can be tested and evaluated. When the project ends in June 2007 the results will be evaluated to determine if it is possible to increase the number of deliveries run on bio diesel fuel in Norway.



### IKEA England gave bicycles to its co-workers


IKEA co-workers in England received a bicycle and a bag as an end-of-year gift in 2006. The cycles are foldable, which enables IKEA co-workers to bring them along on the train. IKEA also subsidises fifteen percent of the price of train tickets for co-workers.



### Hydrogen cars used in joint project in Berlin

The IKEA Spandau store in Berlin, Germany and automobile company Opel started joint fuel cell vehicle tests in Berlin in June 2006 as part of the Clean Energy Partnership Berlin (CEP), an energy project for sustainable mobility.

IKEA service personnel will visit customers in emission-free vehicles, built on the Opel Zafira chassis and fuelled with liquid hydrogen.



**All IKEA buildings shall  
use renewable energy**

IKEA will lower its energy consumption and increase the proportion of renewable electricity and heating used in IKEA buildings.

The long term direction is that all IKEA buildings shall be supplied with renewable energy that is generated by energy sources other than fossil fuel. Additionally, we want to reduce IKEA's total energy use per sold cubic metre in the stores, and IKEA's total energy per moved cubic metre in our distribution centres by 25 percent respectively.

### Focus on stores and distribution centres

IKEA has decided to focus on reducing energy use at IKEA stores, distribution centres and Swedwood factories because this is where the impact will be the greatest.

Energy use in IKEA stores consists of store heating, ventilation, electricity for internal and external lighting, as well as air-conditioning. In IKEA distribution centres, energy use is mainly for heating and electricity for internal lighting. At Swedwood, the majority of the energy is used for drying wood, for producing furniture, components, and boards, space heating and ventilation.

The energy use per sold cubic metre in IKEA stores as well as the energy used per moved cubic metre in IKEA distribution centres shows great variation from one IKEA unit to another. The difference in energy use can be explained by climate, opening hours and sales, efficiency of heating, ventilation and air conditioning equipment, the quality of insulation and the set up of the energy management systems.

### Electricity from renewable sources

The availability of renewable electricity varies between countries, mainly due to the access and availability of renewable electricity sources. IKEA has the possibility to purchase Renewable Electricity Certificates from renewable electricity providers, or to purchase “bundled” renewable

## KPI

### Energy consumption in relation to sold or moved m<sup>3</sup>

	FY03	FY04	FY05	<b>FY06</b>	Goal
Stores	n/a*	n/a*		<b>2%</b> <sup>1</sup>	-25%
Distribution centres	n/a*	n/a*		<b>-9%</b> <sup>1</sup>	-25%

<sup>1</sup> compare to 2005

The long-term goal is to reduce our energy consumption by 25 percent.

### Renewable energy

	FY03	FY04	FY05	<b>FY06</b>	Goal
Stores	21%	23%	21%	<b>25%</b>	100%
Distribution centres	2%	19%	17%	<b>26%</b>	100%
Swedwood	63%	58%	52%	<b>54%</b>	100%

The long-term goal is that 100 percent of IKEA buildings shall be supplied with renewable energy.

\*Not available

power. “Bundled” renewable power is a combination of traditional electricity and “green electricity”, such as hydro-electric power and wind power or other sources of renewable electricity. Another renewable electricity alternative for IKEA is to install wind power systems. In recent years, IKEA has focused on purchasing bundled renewable electricity.

### Heating from renewable sources

In most cases today we have few options to choose from when buying heat from renewable sources. Whilst a few IKEA buildings are connected to district heating schemes which use renewable energy sources, the vast majority of our buildings will have to invest in methods to generate their own renewable heat from solar, geothermal or biomass sources.

## How we work

### Energy use monitoring

Energy use is continuously monitored in each IKEA building, to find areas to save energy. IKEA designs lighting, heating, ventilation equipment and car park lighting to cope with peak days. It’s possible to save energy by, for example, use less lighting outside peak hours.

IKEA introduced a mandatory energy usage checklist in 2006 to raise awareness of current energy use, to monitor work and to enable internal energy audits to be conducted. The checklist also makes it easier to compare energy usage between IKEA buildings and to exchange experiences, and it will be followed up on a regular basis.

WebEss is an IT application used by IKEA buildings for reporting energy consumption and emissions, and for benchmarking with other IKEA buildings. WebEss records electricity, fuel oil, gas, water and other types of energy



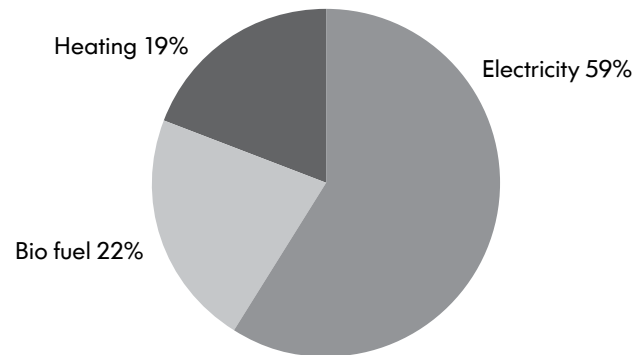
IKEA low energy bulbs use 80% less energy compared to ordinary light bulbs. Customers can recycle their low-energy bulbs at IKEA stores.

consumption. It also provides information about how much renewable energy is used per sold or per moved cubic metre as well as the amount of carbon dioxide emission caused by our operations. The goal is to gain an overview – on the local level, by examining IKEA buildings in a specific country, and on the global level, by comparing results of current consumption levels, challenges and possible improvements across IKEA buildings worldwide. Most IKEA buildings used WebEss in 2006 to monitor and report their energy consumption and emissions.

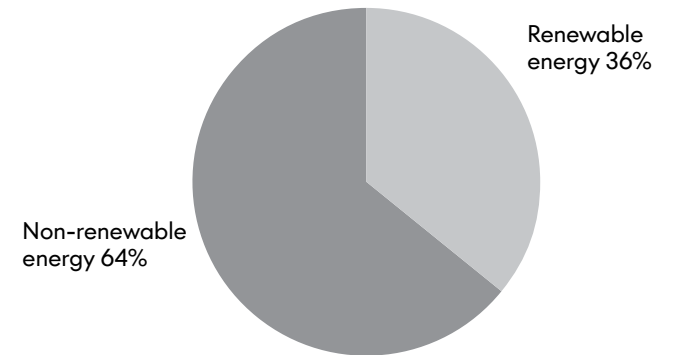
#### **New building standards document**

IKEA is developing a building standards document for renewable energy use and the reduction of energy consumption in IKEA buildings. The aim of the building standards is to establish methods to build new IKEA buildings which run solely on renewable energy. For existing IKEA buildings, the building standards will offer suggestions on how to replace traditional heating and cooling equipment with equipment adapted to renewable energy requirements. The building standards document will be completed in 2007.

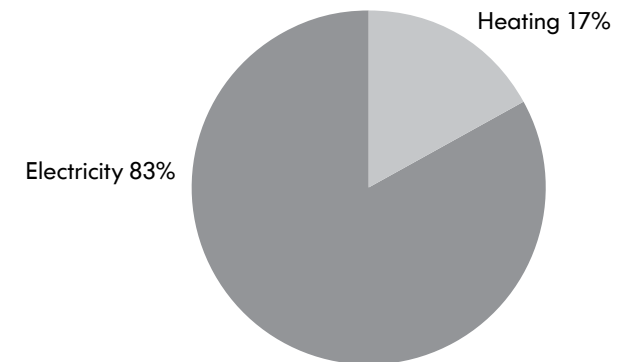
**IKEA's total energy consumption**



**IKEA energy sources**



**Different fuels causing carbon dioxide emissions**





### Energy efficient construction

The IKEA store in Spreitenbach, Switzerland uses energy saving equipments. There are 4 centimetres of extra insulation on the roof and façade, solar panels, and a pellet furnace. Rainwater is used for lavatory flushing.



### Motion detectors save electricity

The IKEA distribution centre in Tejon, Canada, have reduced electricity costs by 50 percent by installing motion sensors that regulate lighting. The motion sensors allow IKEA to only light areas which are in use.



### Reduced energy use

IKEA co-workers in Shanghai, China, have reduced energy use per sold cubic meter by 23 percent in the IKEA store by using energy more efficiently. Lighting is now turned off during non-business hours and a new system controls the use of air-conditioning.

A woman wearing a wide-brimmed straw hat and a blue jacket is working in a tea plantation. She is crouched down, tending to the tea bushes. The background is a lush green tea field with rows of bushes stretching into the distance.

# **IKEA works in communities in countries where we do business**

IKEA collaborates with UNICEF, Save the Children, and WWF, the global conservation organisation. The work is mainly dedicated to improving health and education, focusing on children and women, and to protecting the environment, with an emphasis on sustainable forestry.

**IKEA participates** in a wide range of activities internationally, nationally and locally. Through our partnerships with carefully selected organisations that are generally regarded as specialists in their fields, we're able to support projects that are designed to best match the needs of the communities where they take place.

## International activities

### A child rights project in northern India

IKEA supports an UNICEF child rights project in the north Indian state of Uttar Pradesh, a region from where IKEA sources many of its carpets.

The project aims to address the root causes of child labour, such as debt, poverty, lack of access to education, disability and ill health. In addition, the project works to mobilise rural communities and to change traditional mindsets and values.

There are currently five hundred villages involved with the child rights project and more than one million people will benefit from it. Some 80,000 children who would otherwise have no opportunity to attend school now have access to education.

An important aspect of the project addresses the needs of women in the region, through awareness-building, information and training, with the aim of empowering women. They receive information about such topics as children's rights, health, and nutrition, all important steps towards to self-help.

### Financial self-help groups

The women have set-up financial self-help groups saving small sums of money to create their own funds. By doing so, they avoid having to seek credit from unscrupulous money lenders when they need money for medical emergencies and pressing family needs. The women are able to break the vicious cycle of debt that forces some parents to put their



The Child Rights project in northern India focuses on empowering women through information and training.

children to work, and instead seek help from within the group.

The women also secure loans from the group to start small businesses, which are a means for them to earn additional income for their families, building self-esteem as well as developing their entrepreneurial skills. In addition, a stronger financial situation for the family means fewer children having to work and offers a chance for children to receive an education.

Meera, took out a loan from her self-help group to open a grocery shop. It's given her an income and much more. For

her "being able for the first time to buy myself a sari with money I have earned from the shop, made me feel like I have power", she said.

For Nirmala, a member of another self-help group in Uttar Pradesh, a bank loan secured on the strength of her self-help group's savings records was a chance for her to buy a flour mill. "Thanks to the earnings from the mill I've been able to buy a second shop, educate my children, pay for my daughter's wedding and have a bore hole drilled on my land," she explained.

### Alternative Learning Centres

Education for children is another key element of the child rights project. Alternative Learning Centres act as bridge schools to help children between six and twelve years old who have not started school at the right age, to eventually become students in the formal educational system. The Alternative Learning Centres offer free, quality, education to children who have missed out earlier. As villagers begin to experience first-hand the positive impact of the Alternative Learning Centres, they have become more positive towards the education of their children. This has in turn led to increased community awareness of the importance of education and the rights of children.

### Income generation initiative

Members of a number of women's financial self-help groups embroider cushion covers for IKEA. IKEA designers visited the project area to familiarise themselves with the traditional skills of women in the region. The cushion covers were then designed by IKEA accordingly, for production by the women in the self-help groups.

### Immunisation project

Healthy Start for Children is an UNICEF immunisation project supported by IKEA. The project aims to vaccinate 140,000 infants and 150,000 pregnant women in some 3,300 villages during a five-year period. This measure will protect children against major childhood diseases and will enable them to have a healthy start in life.

Inadequate immunisation coverage is primarily responsible for the onset of illness in children in the project villages. In addition, illness was often found to cause financial obligations and debt burdens in poor households, factors which can force children into work.

Women are in charge of monitoring immunisation drives in their villages, and in this way routine immunisation programmes also help prevent child labour.



The immunisation project in India aims to vaccinate 140,000 infants and 150,000 pregnant women in some 3,300 villages during a five-year period.

### Preventing girl child labour in cotton seed farming

IKEA supports an UNICEF project aimed to prevent girl children from working on cotton seed farms in the south Indian state of Andhra Pradesh. The project initially covers 104 villages, with 63,000 children expected to benefit from the project's focus areas.

Child labour in the cotton seed farming industry is a serious problem; about 60 percent of children working in this industry are reported to have abandoned schools. They are often pledged by their families to moneylenders in order to pay off debts.

The project helps children gain access to quality education, empower girls' collectives to influence their communities, and raise awareness of the local government, NGOs and employers against child labour. In addition, 70 government schools are helped to improve their quality of education.

### Annual donation to improve children's lives

Funds raised from the sale of soft toys at IKEA stores provided financing for programmes run by Save the Children and UNICEF in 15 countries.

An UNICEF project counteracts child labour in Romania. The project aims to strengthen children's rights by amongst other things, registering newborn babies to hinder their disappearance.

A Save the Children project in China also benefits from the proceeds of IKEA soft toy sales, and is targeted to run in six Chinese provinces until 2009. Better education, regular healthcare and improved living conditions are the main focus areas, and 20 activity centres and safe playgrounds will be built for children.

This is the first consecutive year IKEA sold soft toys in aid of social programmes for children during the five weeks

before Christmas. One euro of each IKEA soft toy sold went to children in need, and the scheme raised over 1.9 million euros.

*For more information about projects financed by the sale of soft toys, please visit [www.ikea-group.ikea.com](http://www.ikea-group.ikea.com)*

### **Pakistan earthquake**

Northeast Pakistan was rocked by a massive earthquake that left more than 70,000 people dead and three million homeless in October 2005. IKEA donated 344,000 quilts to UNICEF for use during the Pakistan Earthquake emergency. 18,500 HOKUS blankets for use by babies and children were also donated.

### **Sow a Seed in Borneo**

IKEA supports a project to reforest and maintain 18,500 hectares of lowland rainforest in Sabah on the island of Borneo in Malaysia, and to protect the area from logging for a period of 50 years. Sow a Seed has contributed to the building of homes, meeting places for social events, and field accommodations for the more than 150 workers and their families who work with the project, which is a partnership between IKEA, the Swedish University of Agricultural Sciences, the Yayasan Sabah Group, and the Malaysian forestry company RBJ.

*For more information about Sow a Seed, please visit [www.ikea-group.ikea.com](http://www.ikea-group.ikea.com)*

### **Scholarships to study responsible forest management**

Although many of the forests where wood for our products comes from are similar in biological terms, the people, traditions, legislation and forest practices may differ considerably. Therefore there is a need to contribute to forestry knowledge in the countries where we source wood for our products.



IKEA supports “Sow a seed” – a project working to reforest and maintain rainforest on the island of Borneo in Malaysia.



Students participating in a summer forestry school in Russia.

An international one-year programme in sustainable forestry established by IKEA and the Southern Swedish Forest Research Centre facilitates information exchange and relationship-building between countries near the Baltic Sea. In 2006, 22 students from Latvia, Lithuania, Poland, Russia, Ukraine, and Germany were sponsored by IKEA to attend the sustainable forestry course held at the Swedish University of Agricultural Sciences (SLU) in Alnarp in southern Sweden.

*For more information about SLU: [www.slu.se](http://www.slu.se)*

### **Developing forestry education in Russian schools**

The goal of this project is to build the capacity of Russia's civil sector to manage public natural resources, such as forests. World Resources Institute, WRI's initiative Global Forest Watch Russia partnered with local NGOs and interested citizens to develop forestry education in rural high schools. In 2006, IKEA's support has contributed to:

- The creation of a network of tree nurseries associated with high schools in regions with reforestation needs in Russia, with 500 seedlings planted and 70 student participants.
- The production of educational materials for forestry education in rural high schools, with 10,000 copies of the publication *How to Grow a Forest* distributed to students.
- The establishment of educational programs and activities in Southern Siberian and Northern European Russian schools. Students learn to identify vegetation species, build eco-paths, orient themselves in the forest, as well as how to work with various levels of society; such as local residents, media, and government. Some 70 students participated in a summer forestry school.

### Cotton produced in a better way

Projects in Pakistan and India have been started by IKEA and WWF to introduce how cotton can be produced in a more environmentally-friendly and healthy manner by using Better Management Practices. Both countries have projects which will run for 3-year periods.

The projects work with local cotton growing farmers in Farmer Field Schools. The aim is that 2,000 farmers in Pakistan will pass through the Farmer Field Schools during the 3-year period and that 500 farmers will be trained in the Indian project. In Pakistan, the project started in 2005 and in India, work began in 2006.

The methodology for the schools is discovery-based, and the project examines topics relating to water, pesticides and fertilizers. The goal is to decrease the use and negative effects of these substances, improve efficiency, maintain the cotton crop yield and increase the farmers' gross margins.

### National and local activities

There are numerous examples of national and local activities held during 2006. Here are a few of them:

#### Germany

##### The IKEA Stiftung

The IKEA Stiftung is an independent non-profit organisation founded by the German IKEA companies in 1981 which focuses on improving the personal and living situation of children. Three examples of projects funded by the IKEA Stiftung:

##### Soup kitchen in Namibia

This project aims to create a soup kitchen in Otjimuise, a slum outside of Windhoek, Namibia for around 150 children; many of whom suffer from malnutrition and have been orphaned by AIDS, and to educate the women in this community. IKEA Stiftung is supporting the soup kitchen by providing start-up financing during the first three years of the project.

##### Cleft centre for children in India

The disabilities resulting from cleft, a congenital defect can be easily corrected with surgery. In India the situation of children with cleft is severe, as their families often hide them from the public or even abandon them. There are four cleft centres in India, which have already provided help to 2,500 children through surgery. In Gujarat (a state in north-western India, close to the border of Pakistan) with its population of 41 million people, the picture is quite different. Until recently, there had been no possibility for the poor there to have their children suffering from cleft treated.



IKEA Gateshead, UK, supporting works to improve and introduce play areas in local North East England hospitals.

Financial assistance from IKEA Stiftung has enabled the doctors from the Cleft-Kinder-Hilfe to open a much-needed cleft centre in the Gujarat capital, Ahmedabad.

##### Treatment of malnourished children in Niger

In Niger, the poorest country in the world, the medical aid agency Médecins Sans Frontières (Doctors without Borders) are fighting for the survival of several thousand children in the Zinder region. In 2006, desperately needed medical care and food for some 10,000 children was brought to the Zinder region with the support of IKEA Stiftung.

## United States

### Plant a tree. Clean the air. Cool the globe

This campaign is a joint project with IKEA and American Forest, a non-profit conservation organisation, to plant hundreds of thousand of trees across the United States to help reduce carbon dioxide pollution and to renew America's forests. IKEA stores have asked customers to donate 1USD to plant one tree, and IKEA has promised to match donations up to 100,000USD.

## United Kingdom

### Adopt-A-School

IKEA Gateshead is supporting The Drive Primary School, Felling, Gateshead as part of their community work in the North East of England. The school was chosen as it is local to the IKEA store and is situated in a very deprived area of the North East. IKEA Gateshead refurbished the nursery kitchen and has given the school the opportunity to raise funds in the IKEA store, through such things as Carole singing at Christmas. IKEA Gateshead will continue to work with the school, donating more furnishing items, such as picture frames for an art gallery, over the next few months.

### The Children's Foundation including Happy Campaign

IKEA Gateshead supports the Children's Foundation, including their HAPPY Campaign. Children's Foundation works to improve the health and wellbeing of children and young people in the North East. IKEA Gateshead aims to

raise money for the charity through; the charity collecting in store, the cost of products donated for refurbishments and all toys donated to local hospitals, all customer and co-worker donations made to the charity fund. For example, some of IKEA co-workers have run marathons in aid of the charity.

The HAPPY Campaign works to improve and introduce play areas to Accident and Emergency departments in local North East England hospitals – to make the areas more child-friendly at a time that may be very distressful for the children.

### IKEA Leeds and Ryegate Children's Centre

In November 2005, IKEA Leeds teamed with local radio station Real Radio to hold an in-store "Bring a pound to work" fundraising event. IKEA agreed to match money raised in a donation of furniture to Sheffield Children's Hospital. Sheffield Children's Hospital decided the money would be better spent at the Ryegate Children's Centre.

The Ryegate is a drop-in centre where children from ages 1-19 years old go for assessment by Occupational Therapists to diagnose and monitor illnesses. The main entrance and waiting areas were refurbished including areas used by parents or guardians and children patients for eating, waiting, and relaxing. The result was a friendly, welcoming environment for adults and children and an enjoyable work environment for the staff working in the open-plan offices adjoining the area.



**Plant a tree**  
Clean the air. Cool the globe.

**Donate \$1 – Plant 1 tree**  
Healthy forests reduce CO<sub>2</sub> pollution.

IKEA will match your donation for the first 100,000 trees planted.

**AMERICAN FORESTS**  
www.americanforests.org

**IKEA**  
www.ikea.com

Information about the joint project with IKEA US and American Forest.

### France Improving the life of the homeless

IKEA France started a national partnership in 2005 with an association called Fondation Abbé Pierre which provides different kind of housing solutions for homeless people, marginalised people and poor families. Working with Fondation Abbé Pierre, IKEA has furnished and decorated different Solidarity Centres and Community Houses. In 2006, nine projects were completed. IKEA has donated products and advice about home-furnishing, in order to make spaces practical, comfortable and warm. Co-workers have volunteered their time to help assemble the hundreds IKEA products donated to Fondation Abbé Pierre.

### Support for youth from deprived areas

IKEA Metz in France, supports a local association, Maison pour tous (Everyone's House), for teenagers living in deprived and isolated suburban areas. This partnership started three years ago, and some activities organised by the association would have disappeared without IKEA's financial support. In cooperation with the local administration and many teachers, the association provides free activities for young people who have no access to sports activities, entertainment and culture. Each year a film festival is held, giving the possibility for the young people to see the latest movies. After viewing the movies at the association, the young people were invited to vote for the best movie. This enormous jury of 300 teenagers met in June to vote...in the IKEA Metz restaurant!



French youth meet in the IKEA Metz restaurant.

## Sweden

### Family counselling for children with divorced parents

IKEA Sweden gives support to the Save the Children Sweden project Family counselling for children with divorced parents. Each time an IKEA Sweden customer shows their IKEA Family card when making a purchase, 25 öre (equivalent to 0,03 euro) is given to the project.

Save the Children Sweden has started a website for children with divorced parents which enables children to contact the organisation anonymously. During the first six months 6500 visits were registered, 500 children got counselling, and the average age of visitors is 11.5 years old. Save the Children Sweden also organises children's groups where children are given the possibility to meet others going through the same experiences.

## Italy

### Helping families and children in need

IKEA Italy is active in helping families and children in need to improve their quality of life.

In Milan IKEA Italy has supported the Centre for Psychic troubles by furnishing a ward used for daily activities at the centre.

In Ronco Briantino (Milano), IKEA furnished the living room and three rooms in a place where women of every nationality, pregnant or with small children, with any kind of problem (psychological, economical, social etc.), can find a place to start a new life.

In Torino, IKEA furnished a community for young people aged 12-18 years old who have left their homes because of difficult family situations. IKEA furnished the rooms everyone shares and 3 double rooms.

*For more information about local and national community activities, please visit [www.ikea.com](http://www.ikea.com) and choose country.*



**Visa ditt kort varje gång.**


Du får nästa nummer av IKEA FAMILY LIVE gratis hem i brevlådan och alla förmåner.

IKEA skänker 25 öre till Rädda Barnens projekt "Familjerådgivning för barn med skilda föräldrar". Läs mer på [www.IKEA.se/IKEAFAMILY](http://www.IKEA.se/IKEAFAMILY)





IKEA Sweden supports the Save the Children Sweden project: Family counselling for children with divorced parents.



# We gain knowledge through dialogue with our stakeholders and partners

By co-operating with companies, trade unions and organisations, we're able to learn, share experiences and accomplish more than we could have done by working on our own.

## Collecting stakeholder feedback

### Customers

IKEA collects feedback from customers using the Customer Satisfaction Index, CSI. This survey is carried out twice a year and is used to investigate our customers' satisfaction with the IKEA stores. The survey provides an international benchmark and ensures that customer satisfaction issues are regularly addressed.

### Co-workers

IKEA uses the VOICE survey, an annual company-wide survey, to get a feel for how our co-workers perceive their work situation. IKEA co-workers are asked to fill in the survey anonymously on issues that clarify what motivates them and what they are dissatisfied with. By describing what topics guide co-workers in their work, results from the VOICE survey can be used as a steering tool that helps define areas to develop at IKEA.

### Suppliers

IKEA examines feedback from suppliers, gathered every three years by an independent third party, on strengths, weaknesses and areas for improvement.

The IKEA Group Supplier Ombudsman offers assistance to IKEA suppliers who experience difficulties with IKEA as a customer, and who need additional support and mediation. The service provided by the Supplier Ombudsman addresses topics regarding the business relationship between the supplier and IKEA, and is an alternative to commercial arbitration.

## Working in co-operation with stakeholders and partners

The list below describes our main stakeholders at international level and explains how IKEA co-operates with each organisation. The organisations are listed in alphabetical order.

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

[Read more at www.bettercotton.org](http://www.bettercotton.org)

**Building and Wood Workers' International (BWI)** is the Global Union Federation of democratic and free trade unions, protecting more than 12 million members in 350 trade unions around the world in the building, building materials, wood, forestry and allied industries. BWI and IKEA have, since 1998, a long-term co-operation and an agreement based on the IKEA code of conduct, *The IKEA Way on Purchasing Home Furnishing Products* (IWAY). IKEA and BWI meet continuously to exchange experiences, discuss working conditions and social responsibility.

[Read more at www.bwi.org](http://www.bwi.org)

**Business for Social Responsibility (BSR)** is a global, non-profit organisation that helps member companies achieve business success while respecting ethical values, people, communities and the environment. BSR provides information, tools, training and advisory services to make corporate social responsibility an integral part of business operations and strategies. IKEA is member of BSR.

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



The Green Power Market Development group learns about wind power at Nike's distribution site in the Netherlands.

**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. Members are leading multinational manufacturers and retailers (shippers), freight carriers (ocean, road, rail and air service providers). IKEA is a member of the Clean Cargo Working Group.

[Read more at www.bsr.org/CSRResources/WGO](http://www.bsr.org/CSRResources/WGO)

**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 who certify forest managers and forest product producers to FSC standards. The long-term goal of IKEA is to source all wood from forests certified as responsibly managed. FSC certification scheme is the only certification standard which is recognised by IKEA.

*[Read more at www.fsc.org](http://www.fsc.org)*

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

*[Read more at www.unglobalcompact.org](http://www.unglobalcompact.org)*

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

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

**Green Power Market Development** is run by the World Resource Institute, and is a partnership dedicated to building commercial and industrial markets for renewable energy. The Group seeks to define the business case for corporate purchase of green energy products, to reduce market barriers face by green power suppliers and buyers by providing independent information, and to develop strategies that reduce green power costs by devising innovative purchasing options. IKEA is a member of the organisation, working to develop tools and strategies that increase the use of electricity generated from renewable sources.

*[Read more at www.thegreenpowergroup.org](http://www.thegreenpowergroup.org)*

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

*[Read more at www.ntm.a.se](http://www.ntm.a.se)*

**Refrigerance Naturally** is a United Nations initiative acting as a catalyst, advocate, educator and facilitator to promote the wise and sustainable development of the global environment. Part of this work is to encourage new partnerships and mind-sets within the private sector to facilitate the transfer of knowledge and technology for sustainable development. IKEA is a member of the organisation.

*[Read more at www.refrigerantsnaturally.com](http://www.refrigerantsnaturally.com)*

**Save the Children** is the world's largest independent organisation for children, and works to secure and protect children's rights to food, shelter, health care, education and freedom from violence, abuse and exploitation. Save the Children and IKEA work together on international and local levels, and have a long relationship working to prevent child labour.

*[Read more at www.savethechildren.net](http://www.savethechildren.net)*

**UNICEF**, the United Nations Children's Fund is the world's leading organisation for children. UNICEF is on the ground in over 150 countries and territories to help children survive and thrive. UNICEF supports child health and nutrition, good water and sanitation, quality basic education and gender equity for boys and girls, the protection of children from violence, exploitation and AIDS. IKEA and UNICEF are long term partners working together at the international and local levels. Over the past ten years, IKEA has supported UNICEF programmes benefiting children and their opportunities for learning and developing in Asia, Africa and Central & Eastern Europe. In northern India, IKEA supports A UNICEF child rights project to address the root causes of child labour. Many IKEA stores sell UNICEF cards at holiday time.

*[Read more about IKEA and UNICEF joint projects at www.unicef.org/corporate\\_partners/index\\_25092.html](http://www.unicef.org/corporate_partners/index_25092.html)*

**WWF**, the global conservation organisation, is one of the world's largest and most experienced conservation organisations with a global network active in more than 100 countries. WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring the sustainable use of renewable natural resources and promoting the reduction of pollution and wasteful consumption. The WWF and IKEA Co-operation on Forest Projects contributes to spreading information and further education, and supports the certification of responsible forest management and the promotion of responsible forestry on the ground in priority regions.

*[Read more on WWF and IKEA joint projects at www.panda.org/forests/ikea](http://www.panda.org/forests/ikea)*



# Monitoring progress

IKEA uses key performance indicators, KPIs, for measuring and monitoring progress to help us improve our work.

All KPI results which are included in this report are per 31 August 2006, unless otherwise stated.

## KPI Products & materials

### Renewable materials used in products

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
n/a*	n/a*	n/a*	<b>70%</b>	75%

\*Not available

### Waste recycled, reclaimed or used in energy production

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
Stores	73%	77%	80%	<b>80%</b>	90%
Distribution centres	78%	80%	86%	<b>86%</b>	90%

### Recovered or reused products in IKEA stores

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
61%	64%	65%	<b>64%</b>	75%

## KPI Food

### Organic products in the Swedish Food Market range

Average number of products: 100

Total number of products available: 160

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
0%	1%	3%	<b>4%</b>	15%

### Organic dish served in all IKEA restaurants worldwide

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
0	0	0	<b>0</b>	1

## KPI Supply of IKEA Home Furnishing products

### IKEA suppliers that are IWAY approved

	FY03	FY04	FY05	<b>FY06</b>	goal
Europe	51%	54%	71%	<b>74%</b>	100%
Asia	11%	14%	16%	<b>13%</b>	100%
Americas	45%	46%	58%	<b>62%</b>	100%
Total	32%	36%	47%	<b>47%</b>	100%

The long term goal is that all IKEA suppliers shall be IWAY approved.

The decrease in the percentage in Asia reflects a stricter judgement from IKEA auditors together with an increasing amount of unannounced audits.

## KPI Forestry

**Total wood used in IKEA products 2006: 6,400,000 cubic metres**

**Share of IKEA suppliers for solid wood, veneer, plywood, layer glued wood that meet IKEA minimum requirements (level 2 in the staircase model)**

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
97%	96%	90%	<b>91%</b>	100%

**Share of wood used in IKEA products coming from forests certified as responsibly managed (level 4 in the staircase model)**

FY03	FY04	FY05	<b>FY06</b>	FY09 goal
x	x	12%	<b>7%</b>	30%

The decrease in the percentage of certified wood reflects the introduction of IKEA's more stringent criteria on suppliers' claims to have certified wood. IKEA suppliers must report the relevant Chain of Custody certificate number in order to claim that FSC certified material is being used in IKEA products.

## KPI Energy

**Energy consumption in relation to sold or moved m<sup>3</sup>**

	FY03	FY04	FY05	<b>FY06</b>	Goal
Stores	n/a*	n/a*		<b>2%</b> <sup>1</sup>	-25%
Distribution centres	n/a*	n/a*		<b>-9%</b> <sup>1</sup>	-25%

<sup>1</sup> compare to 2005

The long-term goal is to reduce our energy consumption by 25 percent.

**Renewable energy**

	FY03	FY04	FY05	<b>FY06</b>	Goal
Stores	21%	23%	21%	<b>25%</b>	100%
Distribution centres	2%	19%	17%	<b>26%</b>	100%
Swedwood	63%	58%	52%	<b>54%</b>	100%

The long-term goal is that 100 percent of IKEA buildings shall be supplied with renewable energy.

\*Not available

## KPI Transport of products

### Carbon dioxide emissions reduction per transported m3/per kilometre

	FY03	FY04	FY05	<b>FY06</b>	FY10 goal
Stores	n/a*	n/a*	n/a*	<b>-5%</b>	-12% <sup>1</sup>
Distribution centres	n/a*	n/a*	n/a*	<b>-5%</b>	-12% <sup>1</sup>

<sup>1</sup> compared to FY06

### Fulfilment of minimum environmental requirements by transport suppliers

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
Road	n/a*	80%	83%	<b>93%</b>	100%
Rail	n/a*	96%	82%	<b>86%</b>	100%
Sea	n/a*	88%	93%	<b>100%</b>	100%

\*Not available

## KPI Transport of people

### Customers travelling to IKEA stores by public transportation

	FY03	FY04	FY05	<b>FY06</b>	FY09 goal
	10%	10%	8%	<b>8%</b>	15%

## IKEA in brief

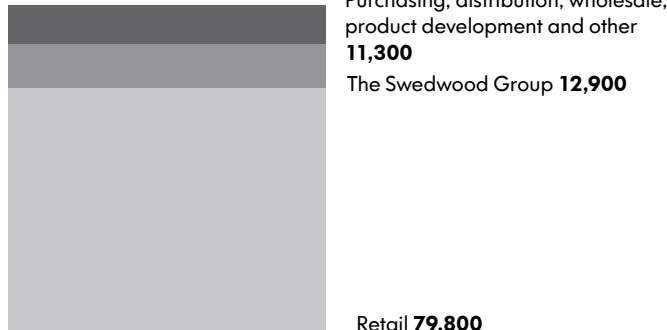
### Our vision

To create a better everyday life for the many people.

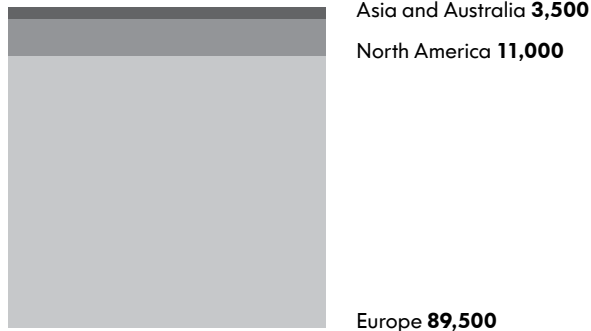
### Our business idea

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

### Co-workers by area



### Co-workers by region

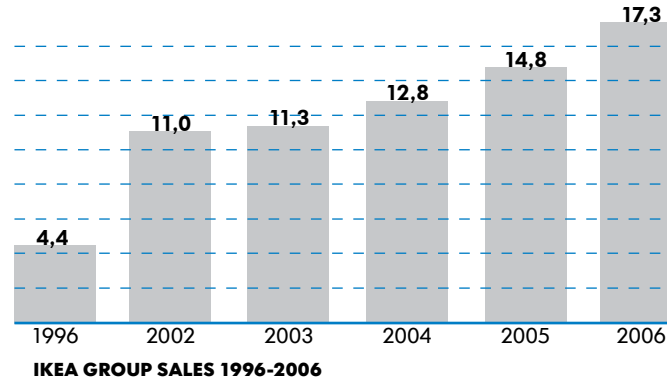


**Number of co-workers** in the IKEA Group: 104,000

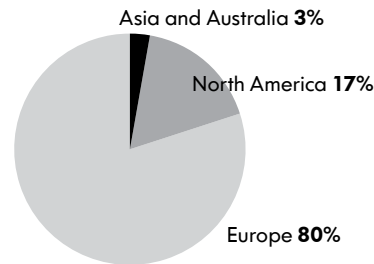
**Number of visitors** to IKEA stores 2006: 458,000,000

**Number of visitors** to IKEA websites 2006: 278,000,000

**IKEA Group sales** for the financial year 2006 (01 September 2005- 31 August 2006): 17.3 billion euros.



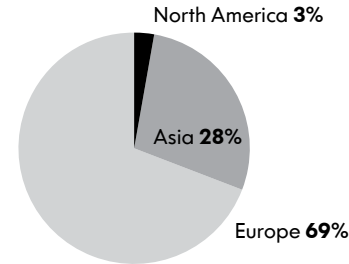
### Sales by region



### Top five sales countries

Germany	17%
USA	12%
UK	9%
France	9%
Sweden	8%

### Purchasing by region



### Top five purchasing countries

China	18%
Poland	14%
Italy	8%
Sweden	7%
Germany	6%

**THE IKEA GROUP** opened 16 new stores during 2006.

In August 2006 there were 237 IKEA stores in 34 countries and territories.

The IKEA Group owns 210 IKEA stores in 24 countries. The other 27 stores are owned and run by franchisees in the following 15 countries and territories: Australia (2), United Arab Emirates (2), Greece (2), Hong Kong (3), Iceland (1), Israel (1), Kuwait (1), Malaysia (1), the Netherlands (1), Saudi Arabia (2), Singapore (1), Spain (4), Taiwan (3), Turkey (2) and the USA (1).

For a list of all IKEA Group stores, visit: [www.IKEA-group.IKEA.com](http://www.IKEA-group.IKEA.com)

**THE IKEA GROUP** has operations in 44 countries: 45 trading service offices in 31 countries, 1,300 suppliers in 54 countries, 26 distribution centres and 10 customer distribution centres in 16 countries.

**THE SWEDWOOD GROUP** is the IKEA industrial group, producing wood-based furniture and components. It has 12,900 co-workers and 36 factories and sawmills in nine countries.

**THE IKEA RANGE** comprises 9,500 products and is the same in IKEA stores all round the world.

**THE IKEA CATALOGUE** 2006 was printed in 175 million copies in 55 editions and 27 languages.

### FOR MORE INFORMATION ABOUT IKEA

Please visit your local country site at [www.IKEA.com](http://www.IKEA.com) or visit our corporate website [www.IKEA-group.IKEA.com](http://www.IKEA-group.IKEA.com)