



REPORT 2007

# Social & Environmental Responsibility

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## About this report

This report describes the social and environmental responsibility work carried out at international level by the IKEA Group during FY07 (financial year 2007, from 01 September 2006 to 31 August 2007). Key performance indicators (KPIs) are listed in order to quantify achieved results.

IKEA is following the current social and environmental strategy 2006-2009, which applies to specific focus areas:

- Products and materials
- Suppliers
- Climate change
- Community involvement

*Red text indicates a reference within this report.*

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

## Would you like to know more?

You can find more information about each topic covered in the *IKEA Social & Environmental Responsibility Report 2007*. Please visit the section “About IKEA/our responsibility” at [www.ikea.com](http://www.ikea.com)

## We welcome your input

Please feel free to send your feedback about this report or any other topic to IKEA at [www.ikea.com](http://www.ikea.com)

## Dear Reader,

### **This report is the result of the past year's continued work for environmental and social responsibility.**

In reading this report, I am reminded that it takes time and involves thousands of small steps, to make sustainable changes. I am especially proud of the efforts and enthusiasm that IKEA co-workers show, by working together to reach our social and environmental goals.

*The IKEA Social & Environmental Responsibility Report 2007* highlights ongoing efforts and a number of important developments that have taken place in FY07. It contains information about a wide range of topics; such as climate change, IWAY- our code of conduct, products and materials, and community involvement.

During 2007, IKEA and WWF decided to start a number of joint projects on climate change, in order to reduce emissions caused by our business. IKEA stores have started to serve and sell UTZ certified coffee which is traceable all the way back to the plantations.

I am particularly happy that IKEA has continued to work on projects with our global partners UNICEF, Save the Children and WWF. Through these partnerships with organisations that are generally regarded as specialists in their fields, we can accomplish more than we could have done by working on our own.

Overall, we can see that our work for social and environmental responsibility is moving forward. Things are getting better. However, we still face a number of challenges.

Presently the rail system in the EU makes the use of rail transport across Europe difficult, as a result we must still use road transport for much of our distribution.

In Asia, the approval and follow-up of IWAY requirements, especially in the area of working conditions, is progressing slower than we had hoped for. We have a strategy to improve the situation, and we have seen that our active presence is contributing to better conditions there.

Thank you for taking the time to read about how IKEA works to ensure social and environmental responsibility.



Thomas Bergmark  
Social and environmental manager,  
IKEA Group.



# Making home furnishing products safe

**Customers live with IKEA products. They should feel confident that our products have a minimal effect on the environment, and do not contain substances that are potentially hazardous to their health or to the people that are producing them.**

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

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

## NEWS:

### Alternatives to incandescent lighting

IKEA aims to gradually phase out inefficient incandescent lighting by 2012 and is currently working to find alternatives, in order to reduce the impact of this type of lighting on the climate. Low energy light bulbs and lighting that uses LED (light emitting diode) technology are a few of the ways in which IKEA works to develop products that have less impact on the climate.

In FY07, IKEA increased the percentage of LED technology used in IKEA winter holiday lighting from 1 percent to 80 percent. In the summer range, the share of LED light bulbs increased from 70 percent to 100 percent. LED lighting uses less energy compared to an incandescent bulb, and has a lifespan that is up to 50 times longer than standard incandescent light bulbs.

### IKEA follows requirements for electrical and electronic products

ROHS is the EU legislation which addresses and restricts the use of hazardous substances in electrical and electronic components. IKEA products follow the chemical restrictions which are stated in the ROHS directive.

### IKEA follows EU REACH requirements

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. IKEA implemented requirements regarding the restriction of chemical use, as stated in REACH. REACH is the new EU regulation on the registration, evaluation, authorisation and restriction of chemicals. All IKEA products shall comply with the chemical restrictions in the REACH legislation.

### Decreasing product emissions and formaldehyde use

IKEA is concerned about product emissions and formaldehyde use. We have a long-term vision that emission levels in wood based products shall be at the same levels found in natural wood. For instance; we have investigated methods in order to replace formaldehyde in almost all glue applications.

IKEA has decided on a new formaldehyde emission standard level, which will be implemented during 2008. The new emission standard means that we will decrease current limit levels by half in all wood based board. The new level will be comparable to half of E1 (the European Formaldehyde standard level, which is considered to not be hazardous to health).

### Removal of solvent borne coatings

IKEA aims to phase out all solvent-borne wood coatings by the end of 2009. Nearly all products in the IKEA children's products range are coated with water-borne coatings.



## COMMENTS ON KPIS AND FIGURES 2007:

By FY09 IKEA home furnishing products shall be comprised of 75 percent renewable material and include as much recyclable material as possible. There are already many products in the IKEA range which are made from renewable materials such as wood and cotton.

IKEA works to minimise 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 work to minimise damage to products. However, when damage does occur, IKEA attempts to repair products rather than simply discarding them.

## PRODUCTS & MATERIALS / HOME FURNISHING PRODUCTS

### Renewable materials used in products

	FY04	FY05	FY06	<b>FY07</b>	FY09 goal
	n/a*	n/a*	72%	<b>71%</b>	75%

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

	FY04	FY05	FY06	<b>FY07</b>	FY09 goal
Stores total	77%	80%	80%	<b>84%</b>	90%
Distribution Centres	80%	86%	86%	<b>76%</b>	90%

### Recovered or reused products in IKEA stores

	FY04	FY05	FY06	<b>FY07</b>	FY09 goal
Stores total	64%	65%	64%	<b>64%</b>	75%

\* not available

# IKEA supports responsible forestry

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

IKEA does not accept illegally felled wood or wood from intact natural forests .

IKEA has a long-term goal to source all wood used in IKEA products from forests certified as responsibly managed. IKEA is a member of the Forest Stewardship Council (FSC) certification, and works actively to increase the availability of certified wood.

IKEA has its own forest specialists. They spread knowledge about forest management and trace wood all the way back to its origins, to verify that IKEA wood requirements are met throughout the entire supply chain.

## **IKEA requirements for wood suppliers**

As part of our work to reach the long-term goal, IKEA has established four levels of requirements for wood suppliers. These increase step-wise from basic start-up conditions (Level 1) to forest management criteria (Level 4).

*Please refer to page 10 to read our requirements for wood suppliers.*

Representatives from IKEA Trading Service Offices are often on site at factories. They support and motivate suppliers to implement and maintain IKEA's requirements. IKEA auditors visit suppliers to verify that IKEA's minimum requirements are met.

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

**Joint forestry projects with WWF**

IKEA co-operates with WWF to support responsible forestry and to tackle problems such as illegal logging and the lack of FSC-certified raw materials. A number of projects are currently underway in Laos, Cambodia, Vietnam, Russia, China, Romania, Bulgaria, Ukraine, Latvia and Lithuania.

**Laos and Cambodia:** This project encourages a switch to sustainable rattan harvest and production in Laos and Cambodia.

**Vietnam:** The goal of this project is to certify an acacia plantation in Vietnam. Acacia is used in IKEA garden furniture products and IKEA believes that there should be no incentive for intact natural forests to be converted to plantation forests.

**Russia and China:** This joint project works to curb illegal logging in the crossborder trade between Russia and China.

**Romania, Bulgaria, Ukraine:** The projects aim to implement responsible forestry practices by governments, companies and NGOs and to increase their commitment to the concept of High Conservation Value Forests.

**Latvia and Lithuania:** The project focuses on wood sourcing from privately owned forests in the Baltic.

*[Read more about the projects on  
www.panda.org/forests/ikea](http://www.panda.org/forests/ikea)*

**Training for better forest management**

IKEA works in partnership with Rainforest Alliance in China to increase awareness and experience of better forest management practices. Over 5,000 individuals from universities, industry, NGOs and the forestry sector have been trained in topics related to sustainable forest management and forest certification.

**NEWS:****Further documentation requirements for wood suppliers**

IKEA wood suppliers must now meet further documentation requirements in order to be in full compliance with level 4 on the IKEA staircase model. Suppliers must ensure that their own FSC certified wood volumes have two types of certification: FSC Forest Management Certificates, and Chain of Custody Certificates.

The number of IKEA suppliers with a full FSC chain of custody certificate has doubled as a result of the new requirements.

**Approved wood supplies**

Russia and China are top wood sourcing countries for IKEA. During FY07, IKEA focused its work on strengthening supplier understanding and compliance with IKEA's minimum forestry requirements. Improved results have already been observed. In China the percentage of approved wood supplies fulfilling Level 2 standards has risen by 30 percent compared to results from FY06.



## COMMENTS ON KPIs AND FIGURES 2007:

The decrease in share of solid wood used in IKEA products (Level 4 in the staircase model) reflects IKEA's increased supplier documentation requirements for full FSC chain of custody certification. This means that IKEA has not been able to tally all the FSC certified wood in our supply chain according to the rules of the FSC. However, the requirements also brought a significant increase in the number of IKEA wood suppliers with full FSC chain of custody certification in FY07. This will eventually have a positive impact on wood supply figures.

Development was slower than expected in work with forests certified as responsibly managed. IKEA will not reach the set target of 30 percent by the end of 2009. Today, there are major challenges in locating FSC certified wood supplies in China. Illegal logging in the cross border trade between Russia and China is one of the main problems.

IKEA and WWF are working together to promote legal forestry practices in Russia and China. As a result, we have seen some positive developments. For instance in China, 700,000 hectares (approximately 1.8 million acres) of forest have been FSC certified.

The number of wood supply chain audits conducted in FY07, decreased from 90 audits to 50 audits. This is due to work on implementing the increased documentation requirements for full FSC chain of custody certification, as well as the focus on wood supply sources in Russia and China.

## PRODUCTS & MATERIALS / WOOD

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

FY04	FY05	FY06	FY07	FY09 goal
96%	90%	91%	94%	100%

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

FY04	FY05	FY06	FY07	FY09 goal
n/a*	12%	7%	6%	30%

\* not available

There has been some progress in forestry work in FY07, with additional wood suppliers meeting our minimum requirements for wood material.

## FIGURES 2007

**Top 5 tree species used in IKEA products**

Pine, Birch, Spruce, Beech, Oak

**Top 5 wood sourcing countries**

Poland, Russia, China, Romania, Sweden

**Total wood used in IKEA products (cubic metres)**

FY04	FY05	FY06	FY07
6,000,000	6,400,000	6,400,000	7,080,000

**Number of wood supply chain audits**

FY04	FY05	FY06	FY07
n/a*	68	90	50

**Audited volume (in wood supply chain audits), cubic metres / % of total wood used in IKEA products**

FY04	FY05	FY06	FY07
n/a*	1,600,000 /26%	2,100,000 /33%	900,000 /14%

**Approved audited volume (in wood supply chain audits) %**

FY04	FY05	FY06	FY07
n/a*	71%	66%	59%

**Number of third party audits**

FY04	FY05	FY06	FY07
0	0	4	4

**Number of IKEA foresters**

FY04	FY05	FY06	FY07
18	12	12	14

# IKEA requirements for wood suppliers

These 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.

# IKEA supports sustainable cotton production

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

IKEA is actively involved in developing new environmentally adapted methods for cotton production and cultivation which use less water and chemicals. Conventional cotton growing and processing consumes large amounts of water and chemicals.

## **IKEA and WWF joint cotton projects**

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

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

## **Better Cotton Initiative (BCI)**

IKEA is one of the founding members of the Better Cotton Initiative (BCI). This global multi-stakeholder organisation aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide to make it more sustainable. Leading participants are international companies, NGOs and the United Nations Environment Programme.

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

## **Preventing child labour in cotton seed farming**

IKEA Social Initiative supports UNICEF projects aimed at preventing girls from working on cotton-seed farms in the southern Indian state of Andhra Pradesh. The projects help children gain access to quality education, empowers girls' collectives to influence their communities, and raises awareness of child labour amongst NGOs, employers and local government.

*[Read more on www.unicef.org](http://www.unicef.org)*

## **NEWS:**

### **Evaluating IKEA and WWF joint cotton projects**

Early results from IKEA and WWF joint cotton projects have shown that it is possible to produce large amounts of cotton at a lower cost, while also reducing the negative environmental impact. These projects have also proven that it is possible for farmers to maintain cotton crop yields and increase their gross margins. The results now serve as an inspiration to thousands of other cotton farmers in the region.

### **Setting goals for cotton use**

Our long-term goal is for all cotton used in IKEA products to be from BMP cotton sources. Availability of sufficient volumes of BMP cotton will affect how quickly we can reach this goal.

IKEA is working to establish criteria for cotton suppliers as part of our work for BMP cotton. IKEA cotton suppliers must significantly reduce their use of pesticides, water resources and chemical fertilisers.

### **Alternative materials**

There are alternative materials which can help to reduce the need for cotton in IKEA products. Lycocell which is produced from cellulose, can be used as an environmentally friendly alternative to cotton. It is already being used in a number of products in the IKEA range.

### **New quality standards**

IKEA suppliers are adapting production to meet a new set of quality standards. This includes optimising the use of material, which reduces the need for cotton and the weight of textiles whilst enhancing the overall quality. Reduced textile weight has brought environmental benefits such as decreased transport volumes and a reduction in the amount of water and chemicals used in textile processing.

# Safe food at IKEA stores

**Each year millions of people eat at IKEA restaurants around the world. They also buy food products at the Swedish Food Market, a speciality shop which features products based on Swedish recipes and Swedish culinary traditions.**

IKEA strives to ensure that food served in our restaurants and food products sold in our stores are safe and grown with consideration to the environment and for the people that produce it.

IKEA purchases 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. In addition, *The IKEA Way on Purchasing Food* is a code of conduct which states the minimum requirements for food product suppliers who work with IKEA.

*For further information please download [The IKEA Way on Purchasing Food](#) at “About IKEA/our responsibility/read our materials” at [www.ikea.com](http://www.ikea.com)*

## NEWS:

### Implementing our code of conduct

As part of our work to implement our code of conduct, *The IKEA Way on Purchasing Food*, we have begun informing all central food suppliers of our minimum requirements that must be complied with. IKEA has a goal that all central suppliers shall be audited and IWAY approved by the end of FY09.

### Quality and Environmental Requirements

A new document, Quality and Environmental Requirements, was sent out to all central food suppliers in FY07. This document is a complement to our food purchasing code of conduct, and consists of specific requirements on food quality and environmental issues which are not covered by IWAY.

For instance, all suppliers of salmon products must participate in the Salmon Dialogue, a multi-stakeholder initiative by our partner WWF, to develop criteria for sustainable salmon farming. Other examples included in the document are requirements that prohibit the use of fish from endangered stocks (e.g. cod from the Baltic Sea); and restrictions on levels of industrially produced trans fatty acids in the total fat content of food products (below 2%). IKEA will not use ingredients that come from force-fed animals.

### New organic products

Organic orange and elderflower jam, and organic ginger thins have been added to the range of products sold in the Swedish Food Markets.

### UTZ Certified Coffee

IKEA serves a lot of coffee every day, and wants to ensure that the coffee served is produced in a responsible manner. IKEA stores will serve and sell UTZ certified coffee, which is traceable all the way back to the plantations. UTZ certification proves that coffee is grown professionally and with care for local communities and the environment.

*Read more about UTZ certified coffee at [www.utzcertified.org](http://www.utzcertified.org)*

COMMENTS ON KPIS  
AND FIGURES 2007:

In FY07 IKEA has seen positive development in our work to make sure that the food served at IKEA stores is safe. The launch of *The IWAY on Purchasing Food* and Quality and Environmental Requirements to central suppliers were significant steps forward in this area.

In addition, our work to provide more organic products to IKEA customers showed an improvement as the number of organic products in the Swedish Food Market range increased.

The number of organic dishes served in all IKEA restaurants is still low, due to the challenges related to centrally sourced, prepared and shipped food. IKEA is working to address these challenges and to meet our goal to serve one organic dish in all restaurants by FY09. Currently, organic dishes are served at IKEA restaurants in 10 out of 24 countries.

PRODUCTS & MATERIALS /  
IKEA FOOD

Organic products in the Swedish Food Market range

FY04	FY05	FY06	FY07	FY09
				goal
1%	3%	4%	6%	15%

Organic dish served in all IKEA restaurants worldwide

FY04	FY05	FY06	FY07	FY09
				goal
0	0	0	0	1

# Towards sustainable production of the IKEA Catalogue

**More than 190 million copies of the 2008 IKEA catalogue were printed in 27 languages and 56 editions.**

IKEA strives to ensure that social requirements and industry specific environmental demands are met. IKEA catalogue production is regulated in the code of conduct *The IKEA Way on Purchasing Marketing Products and Services*.

*For further information, please download *The IKEA Way on Purchasing Marketing Products and Services* in the section "About IKEA/ our responsibility/ read our materials" at [www.ikea.com](http://www.ikea.com)*

## NEWS:

### **Implementation and follow-up of the code of conduct**

IKEA has a goal to increase the number of certified paper suppliers. In FY07, a questionnaire with supplier data regarding IWAY compliance was collected and analysed. IKEA will now use the data to define targets for suppliers IWAY compliance.

### **Recommendations for water consumption**

There are sustainability requirements for purchasing paper and printing the catalogue, and for monitoring emissions to air and water. In FY07, recommendations for water consumption have been included for the first time, along with our paper production sustainability requirements.

### **Tracing paper fibre**

About 70 percent of the paper used for IKEA catalogues is made from fibres originating from certified forestry. Studies are made continuously to verify the origin of the paper fibre.

### **Changes to methods for requirement follow-up**

Methods for following up requirements have been changed to ensure more frequent checks. Previously verification of suppliers took place every other year. In FY07, the decision was made to increase verification checks to once a year.

### **Authorisation system to evaluate catalogue production launched**

To evaluate the impact of catalogue production on the environment, an authorisation system for suppliers has been launched.



## COMMENTS ON FIGURES 2007:

IKEA has seen some positive results in our work towards sustainable production of the IKEA catalogue. Implementation of *The IKEA Way on Purchasing Marketing Products and Services* has moved forward. However, development in a number of areas is less than expected, especially when one examines figures in areas such as emission of fossil carbon dioxide.

All catalogue suppliers were monitored via questionnaires and/or audits on site. The suppliers have initiated corrective action plans and IKEA is working with them to improve results in the necessary areas.

## FIGURES 2007

### IWAY fulfilment rates

	<b>FY07</b>
<b>General requirements</b>	<b>68%</b>
Legal and sustainable management	75%
Ground contamination	100%
Chemicals	85%
Hazardous and non-hazardous waste	96%
Continuous improvements	96%
Fire prevention	100%
Workers safety	94%
Provided housing facilities	100%
Wages and working hours	96%
Child labour	100%
Forced and bonded labour	100%
Discrimination	100%
Freedom of association	100%
Harassment, abuse and disciplinary practices	100%

<b>Industry specific requirements</b>	<b>77%</b>
Environmental management system	43%

### Industry specific requirements

	<b>FY05</b>	<b>FY07</b>
Certified paper suppliers	92%	81%
Certified artwork/repro, gravure and offset suppliers	28%	38%
Volume of paper (tonnes)	83,000	100,000
Printed catalogue copies (millions)	146	172
Fibres from certified forestry (FSC, PEFC, CSA, SFI)	70%	71%
Fibres from FSC certified forests	14%	18%
Recycled fibres	5.20%	3.40%
Fossil carbon dioxide per catalogue	0.55 kg	0.67kg
VOC (Volatile Organic Compounds) per catalogue	0.7 g	1.1g
COD (Chemical Oxygen Demand) per catalogue	3.3 g	3.9g

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

**Our focus is to motivate and support suppliers to take more responsibility themselves, so that developments become sustainable and independent an IKEA presence.**

IKEA requires suppliers to comply with our code of conduct, *The IKEA Way on Purchasing Home Furnishing Products (IWAY)*.

IWAY specifies the minimum requirements that we place on suppliers and details 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.

IWAY defines detailed criteria relating to working conditions, minimum wages and overtime payments. The right to belong to a trade union, waste and chemical management and water and air emissions are other topics which are covered in our code of conduct. IWAY bans child labour and discrimination in the workplace.

*Please refer to page 22 to read our code of conduct.*

## **IKEA co-workers on site in factories**

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

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

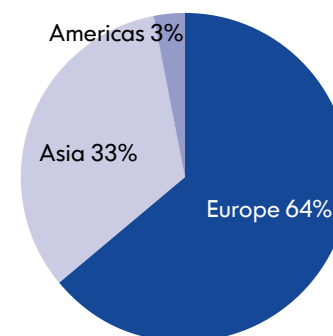
The Compliance and Monitoring Group (CMG) is responsible for ensuring that the same audit criteria are followed worldwide. CMG works to fine-tune and calibrate audits by training and supporting IKEA auditors in order to create an overall standard of auditing.

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

## **Top 5 purchasing countries**

China	22%
Poland	16%
Italy	8%
Sweden	6%
Germany	6%

## **Purchasing per region**



## NEWS:

### **Increased number of unannounced audits**

IKEA has increased the number of unannounced audits conducted. This procedure is sometimes necessary to get a more accurate picture of suppliers' factories, as well as a means to focus audits on specific areas where there have been previous IWAY violations.

### **More time allocated to third party and CMG audits**

A decision was made to increase audits, held at IKEA suppliers' locations which are longer than one day, and which are conducted by IKEA Compliance and Monitoring Group and/or third party audits. This helps to change the focus and depth of these audits. It also means that more interviews can be held with a greater number of co-workers.

### **Pilot project to give suppliers IWAY compliance responsibility**

In Europe, a pilot project to give suppliers IWAY compliance responsibility has begun. The aim of the project is for IWAY compliance and monitoring to be transferred from IKEA to suppliers. However, IKEA Compliance and Monitoring Group and third party audits will still conduct audits at these suppliers' locations. The project will initially be tested with a group of IKEA suppliers that have all attained and maintained IWAY approval for no less than two years. First results of the project are expected in FY08.

### **IKEA and Business for Social Responsibility Project: "One Voice - Beyond Monitoring"**

IKEA participates in the Business for Social Responsibility (BSR) project "One Voice - Beyond Monitoring", to address topics related to corporate social responsibility. BSR is a non-profit business association that provides socially responsible business solutions to many of the world's leading corporations. The aim of the "One Voice" project is for IKEA to build relationships with other multinational companies doing business in China. Together they will address topics related to corporate social responsibility, and will work jointly to find solutions.

*[Read more about Business for Social Responsibility at www.bsr.org](http://www.bsr.org)*

## COMMENTS ON KPIS AND FIGURES 2007:

In FY07, IKEA has seen an increase in the number of suppliers that are IWAY-approved in Europe and the Americas. In Asia improvements are slower. IWAY fulfilment rates continue to be low in areas such as wages and overtime, workers' health and safety, fire prevention, hazardous waste and chemicals.

There are major challenges in regards to social and environmental conditions in China. IKEA continues to see positive development amongst Chinese suppliers since the introduction of the code of conduct (IWAY) in 2000. Most fulfil the majority of the IWAY requirements – although only a few are fully approved.

The most difficult labour-related issues in China are wages, working hours, overtime compensation and social insurance. One factor contributing to the difficulty in implementing change is the high presence and mobility of migrant workers whose main goal is to make money and then return home. Another difficulty in China is the right to form unions.

Representatives from IKEA Trading Service Offices are often on site in factories. We can see that our active presence has contributed to improved conditions. In China, we have specially appointed IWAY-developers, who support suppliers in the improvement process and offer various types of training.

## SUPPLY CHAIN / IWAY AND SUPPLIERS OF IKEA HOME FURNISHING PRODUCTS

### IKEA suppliers that are IWAY approved

	FY04	FY05	FY06	FY07	goal
Europe	54%	71%	74%	<b>78%</b>	100%
Americas	46%	58%	62%	<b>67%</b>	100%
China				<b>4%</b>	100%
South Asia				<b>32%</b>	100%
South East Asia				<b>52%</b>	100%
Total Asia	14%	16%	13%	<b>17%</b>	100%
<b>Total Regions</b>	<b>36%</b>	<b>47%</b>	<b>47%</b>	<b>50%</b>	<b>100%</b>

IKEA audits suppliers at least every second year. In China, the audit frequency is higher: all suppliers there are audited at least once a year and these audits are mainly unannounced.

The problems in Asia are not specific to IKEA suppliers, and efforts by IKEA are not enough to bring about change. Continuous support from the authorities and improved compliance with existing legislation are needed.

## FIGURES 2007

### Number of IKEA auditors

	FY04	FY05	FY06	FY07
	80	70	70	<b>80</b>

### Number of TSO audits/of which were unannounced

	FY04	FY05	FY06	FY07
Europe	743	436	472	<b>492/7</b>
Americas	52	36	34	<b>42/0</b>
Asia	613	540	528	<b>785/207</b>
<b>Total</b>	<b>1,408</b>	<b>1,012</b>	<b>1,034</b>	<b>1,319/214</b>

### Number of CMG audits

	FY04	FY05	FY06	FY07
Europe	30	27	25	<b>22</b>
Americas	0	3	3	<b>2</b>
Asia	21	23	24	<b>20</b>
<b>Total</b>	<b>51</b>	<b>53</b>	<b>52</b>	<b>44</b>

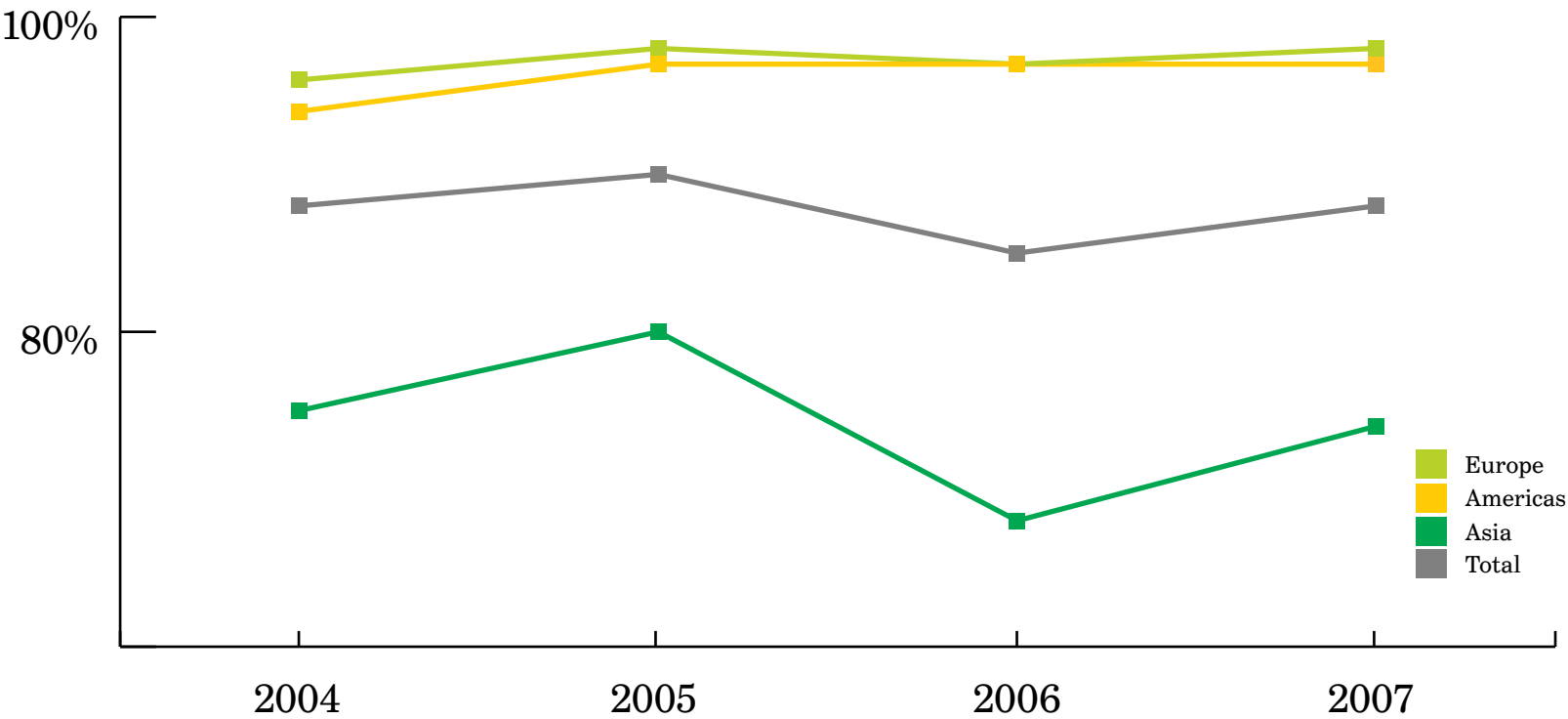
### Number of third party audits

	FY04	FY05	FY06	FY07
Europe	0	16	3	<b>14</b>
Americas	1	0	0	<b>0</b>
Asia	7	10	24	<b>34</b>
<b>Total</b>	<b>8</b>	<b>26</b>	<b>27</b>	<b>48</b>

### Terminated business with X number of suppliers

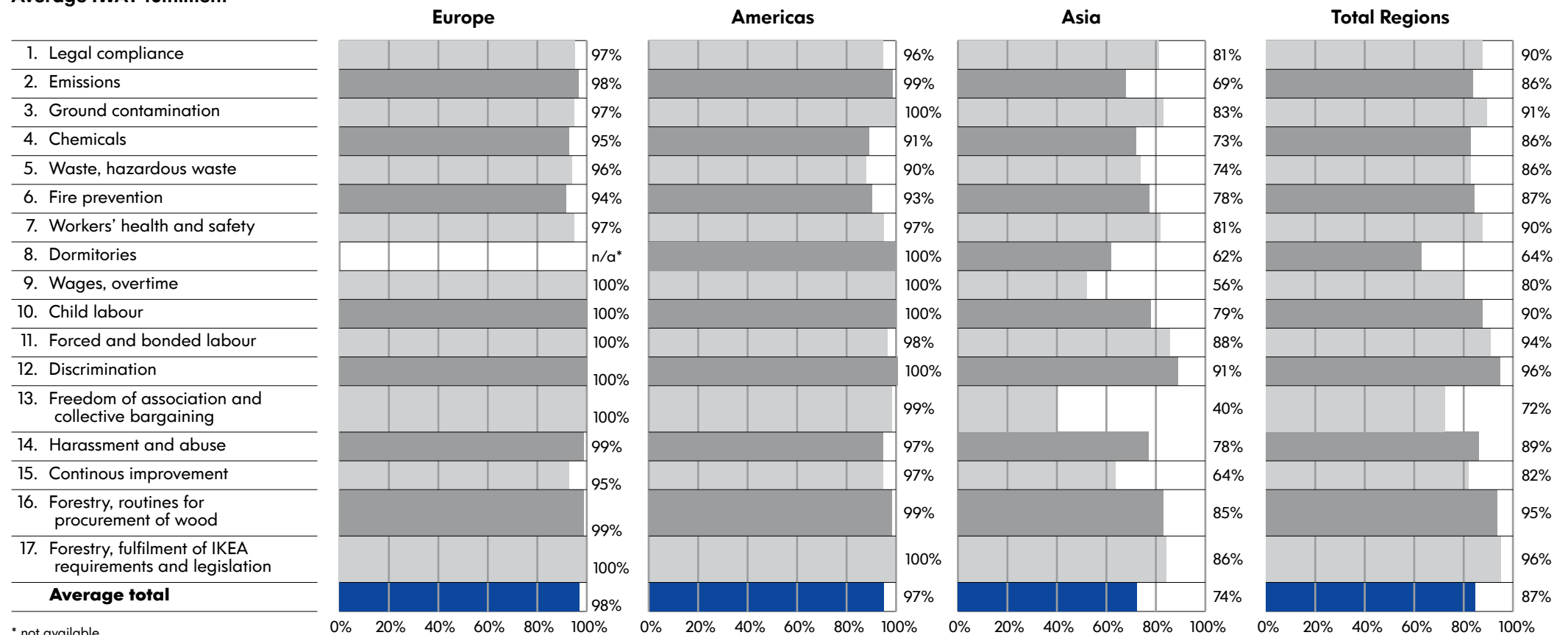
	FY04	FY05	FY06	FY07
IWAY non-compliance only	10	8	6	<b>24</b>
IWAY non-compliance one of several reasons	39	24	21	<b>32</b>

AVERAGE IWAY FULFILMENT RATES



## AVERAGE IWAY FULFILMENT RATES 2007 - REGIONS

### Average IWAY fulfilment

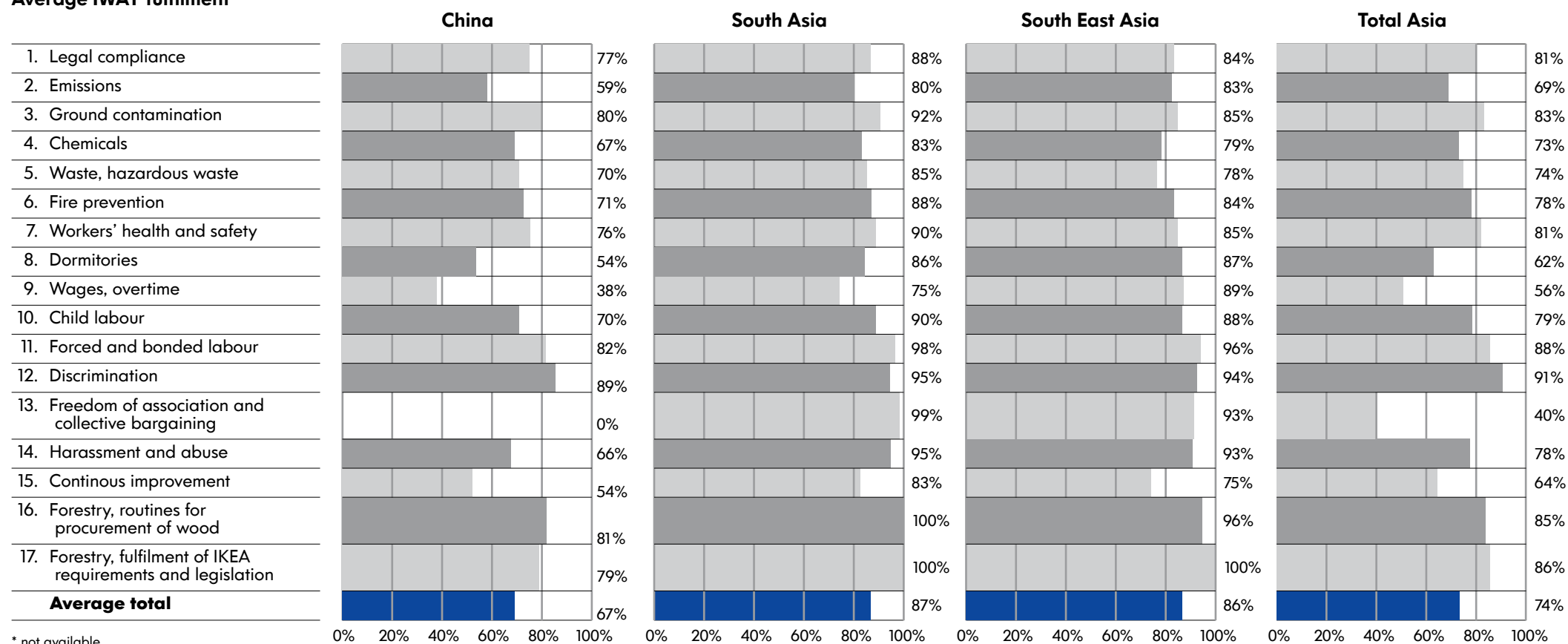


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## AVERAGE IWAY FULFILMENT RATES 2007 - ASIA

### Average IWAY fulfilment



\* not available

# 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 and working conditions

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

### Suppliers must agree to:

- provide 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 does not accept child labour

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

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

*Please see page 24 to read the IKEA Way on Preventing Child Labour.*

Our presence and long-term business relationships in countries where child labour exists allows us to raise awareness, and place demands on IKEA suppliers to comply with our code of conduct.

The IKEA Group has a Children's Ombudsman who is responsible for ensuring that IKEA acts in the best interests of the child. There are additional IKEA Children's Ombudsmen on the ground in China and South Asia, who offer special expertise in these areas.

IKEA co-operates with UNICEF and Save the Children to tackle the root causes of child labour and to achieve sustainable solutions.

*Read more on page 33.*

## **Experiences from India used as model**

For many years IKEA's focus has been to prevent child labour in South Asia, especially in India. A consistent dialogue with suppliers has resulted in a considerable decrease in the amount of child labour found in the IKEA supply chain there. Our work with local government and various organisations on the ground, has helped to address solutions to child labour topics and to bring about change.

In China, child labour is becoming an increasing challenge. To prevent child labour in China, we use the same approach as in India, and base our work on experiences that we have gathered there.

## **Addressing child labour issues**

IKEA co-workers at IKEA Trading Service Offices are often onsite at suppliers' factories. They observe social and working conditions, which enables them to highlight the prevention of child labour.

IKEA holds workshops at suppliers to encourage workers and sub-contractors to discuss problems that they encounter on an everyday basis.

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

IKEA has assigned KPMG, a third party auditor, to conduct unannounced random checks at suppliers and their sub-contractors in India, Pakistan and Bangladesh with special emphasis on child labour. In FY07, 343 audits were conducted.

## **What happens if a child is found on site?**

Despite preventative measures, rules and inspections, children are sometimes found working on sites where IKEA products are produced. In such cases, the supplier is responsible for implementing a corrective action plan. This includes measures to ensure that children are not working and instead are offered educational opportunities.

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

# The IKEA Way on Preventing Child Labour

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

# IKEA will reduce its impact on the climate

**IKEA must reduce carbon dioxide emissions caused by our business. IKEA supports the development of modern and environmentally-friendly manufacturing processes and of transportation with fewer emissions. We are becoming energy efficient and replacing fossil fuels with energy from renewable sources.**

## “IKEA Goes Renewable”

IKEA aims to improve our overall energy efficiency by 25 percent compared to 2005, in all IKEA stores, distribution centres, factories and offices, and ultimately to supply them with 100 percent renewable energy.

*Read more about “IKEA Goes Renewable” on page 27.*

## Transportation with fewer emissions

IKEA wants to reduce carbon dioxide emissions from transport. All transport services must use modern vehicles, have concrete emission targets and measure their carbon dioxide emissions. Optimal loading, cleaner fuels and fuel-efficient driving techniques are important factors in making goods transport better adapted to the environment.

*Read more about transport services on page 29.*

## Sustainable transport of people

IKEA wants to make it easier for customers and co-workers alike to leave the car at home and instead use public transport to travel to and from the store.

*Read more about sustainable transport on page 31.*

## Products with less impact on the climate

IKEA works to develop products that have less impact on the climate. For instance, IKEA is working to offer alternatives to incandescent light such as low-energy bulbs and the use of LED technology.

*Read more about alternatives to incandescent lighting on page 5.*

## NEWS:

### CLIMATE PROJECTS WITH WWF

IKEA and WWF decided to start joint projects to reduce the impact on the climate in FY07. The aim is to cut carbon dioxide emissions from IKEA suppliers and from passenger traffic to and from the stores. WWF also provides advice for “IKEA Goes Renewable”.

### Energy efficiency and renewable energy for IKEA suppliers

This project aims to promote and create efficient production practices, with a focus on energy efficiency and the use of renewable energy by IKEA suppliers. The focus is on how IKEA can work with suppliers to use energy targets similar to those in “IKEA Goes Renewable”. The pilot projects will be developed and run in Poland, Sweden and China.

### Sustainable customer and co-worker transportation

The goal is to work proactively towards a reduction of carbon dioxide emissions from customer and co-worker transportation. IKEA will focus on developing and employing sustainable transport solutions for people in the markets where IKEA does business.

Pilot projects in the United Kingdom, China and the United States will examine how to support the development of sustainable and cost-efficient local transportation solutions. Input will be gathered from citizens groups, governmental bodies and local authorities, public and alternative transport providers.

## COMMENTS ON FIGURES 2007:

The total amount of carbon dioxide emissions directly related to IKEA operations, increased by 11 percent in FY07. However, in relative terms, we see this as moving closer to a more positive development. When one examines carbon dioxide emissions compared to total products sold, we see an overall improvement compared to FY2005.

IKEA sees a potential for reducing emissions by working on emissions levels from IKEA buildings. By establishing and updating building standards, IKEA can improve energy efficiency considerably.

*Read more about how IKEA works to reduce energy emissions in IKEA buildings on page 27.*

## FIGURES 2007

IKEA uses the Greenhouse Gas Protocol (GHG) developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) as its reporting standards.

*For more information about the Green House Gas Protocol, please visit [www.ghgprotocol.org](http://www.ghgprotocol.org)*

### CO2 emissions caused by IKEA operations, tonnes CO2

	FY04	FY05	FY06	FY07
Scope 1	80,692	85,443	103,936	<b>84,070</b>
Scope 2	421,142	440,097	455,690	<b>514,656</b>
Scope 3	382,872	501,633	525,019	<b>590,000</b>
Total	884,706	1,027,173	1,084,645	<b>1,188,726</b>

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

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

Scope 3 (goods transport only) Indirect emissions from sources that are relevant to the IKEA business but that IKEA does not directly control.

### CO2 emissions caused by IKEA operations, tonnes CO2

	FY04	FY05	FY06	FY07
Stores	312,078	320,607	321,522	<b>309,366</b>
Distribution-centres	59,843	56,943	63,306	<b>42,616</b>
Swedwood	130,282	173,287	169,672	<b>196,001</b>
Offices	2,503	1,271	5,127	<b>5,178</b>
Total IKEA-units	504,706	552,108	559,627	<b>553,161</b>
Goods-transport	380,000	460,340	521,620	<b>590,000</b>
Business travels	n/a*	9,319	11,887	<b>45,565</b>

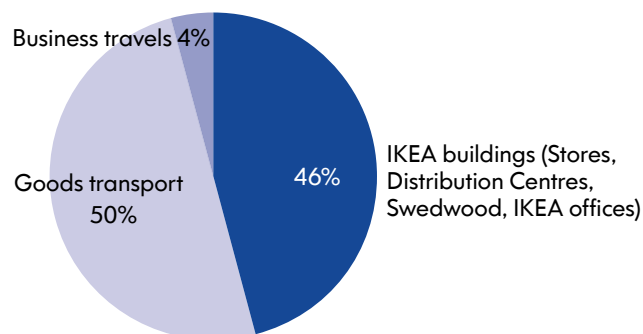
**Total** **884,706** **1,021,767** **1,093,134** **1,188,726**

\* not available

### Total gram CO2/m3 produced for IKEA

84 88 70 **66**

### CO2 emissions caused by IKEA operations, %





# “IKEA Goes Renewable”

**IKEA has a long term direction that all IKEA buildings shall be supplied with 100 percent renewable energy. We also want to improve our overall energy efficiency by 25 percent compared to levels from FY05.**

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

Newly built facilities are, where possible, designed to use bio fuels, geothermal heat, solar, wind or water power, and all existing buildings are being adapted where possible.

## NEWS:

### **Purchasing renewable electricity**

IKEA identified a number of classification criteria for the purchase of renewable energy in FY 07. The criteria were developed to examine various types of renewable energy available for purchase such as: wind power, renewable power, biomass and photovoltaic power, or a mix of purchases.

### **Surveys to evaluate energy needs and improve energy efficiency**

By using surveys and raising co-worker awareness, a number of IKEA stores have been able to reduce the amount of energy used on site. For instance, the West Sacramento IKEA store in the United States, has worked with their local electricity supplier to optimise the use of lighting and fans. They have also changed some lamps and window protection. By making these changes, they have reduced energy consumption by 20 percent in the first year.

### **Establishing standards**

By establishing and updating standards, IKEA continues to improve the choice of equipment and energy management. This translates into savings that can improve energy efficiency considerably.

Building component standards, which specify a range of energy efficient measures to be included in new IKEA buildings, were completed in FY 2007.

Lighting standards were updated. As a result, a new standard for spotlights in IKEA buildings was developed. Spotlights will be changed from 50 watt and 35 watt light bulbs to 20 watt light bulbs.

Standards for heating equipment have been defined.

Energy consumption standards in new stores have also been established. The energy consumption standard has been determined to be 45 kilowatt hours per cubic metre sold, by year five after store opening.

The first results from surveys have shown that by establishing and updating standards a 10-50 percent improvement in energy efficiency might be achieved. Final results will be available in FY08.

### **Alternative energy sources introduced**

When new IKEA buildings are designed, when possible the heating needs are provided from ground source heat pumps, air heat pumps, biomass boilers and solar power. For example, the Karlstad store is the first IKEA store in Sweden heated with a ground source heat pump. The installation, which is one of the largest geothermal installations in Sweden, reduces the heating consumption by 80 percent. The reduction is equivalent to the energy consumed by 150 detached houses per year.

In FY07, IKEA learnt more about how to use wind, biomass and sunshine to make electricity. For instance, there are four IKEA stores located in Belgium, Spain, Germany and the United States that have purchased photovoltaic panels to turn sunshine into electricity.

We have also identified areas where IKEA can purchase renewable power from suppliers in locations where IKEA buildings are not able to produce it on site.

IKEA purchases 100 percent of the electricity to run IKEA buildings from renewable sources in Germany, Italy, the Netherlands, Norway, Sweden and the United Kingdom.

## COMMENTS ON KPIS AND FIGURES 2007:

Overall, IKEA has seen an improvement in the area of energy efficiency, and some progress with renewable energy in FY07.

The percentage of renewable energy use increased in FY07. This is due to more renewable electricity being purchased and to more use of biomass for heating. A warm winter also helped to reduce the need for heating. Swedwood saw a slight decrease in renewable energy figures. This is due to a recent change in the method for measuring biomass use.

Relative energy consumption decreased, while energy efficiency increased thanks to increased productivity and additional training of co-workers. A warm winter and a cool summer at many IKEA locations also helped to reduce energy consumption.

In order to meet long term goals to become more energy efficient, IKEA wants to work with communities where IKEA buildings are located, to implement change. However, in certain regions, there is a lack of incentive at local government level to change energy consumption patterns, which can slow development. In other areas, where renewable energy awareness and development is much faster paced, local governments work actively with IKEA to find new solutions.

## CLIMATE CHANGE / IKEA BUILDINGS

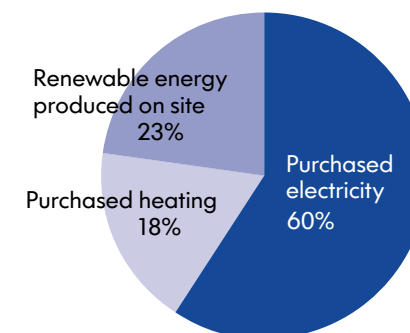
### Renewable energy

	FY05	FY06	<b>FY07</b>	aim
Stores	21%	25%	<b>28%</b>	100%
Distribution Centres	17%	26%	<b>30%</b>	100%
Swedwood	61%	60%	<b>59%</b>	100%
<b>Total</b>	<b>38%</b>	<b>39%</b>	<b>42%</b>	<b>100%</b>

### Improved energy efficiency compared to 2005

	FY05	FY06	<b>FY07</b>	aim
Stores	-	-6%	<b>7%</b>	25%
Distribution Centres	-	14%	<b>29%</b>	25%
Swedwood	-	8%	<b>15%</b>	25%
<b>Total</b>	-	<b>1%</b>	<b>9%</b>	<b>25%</b>

### IKEA's total energy consumption



# IKEA works to support sustainable transport

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

Goods transport contributes to carbon dioxide emissions. This is why IKEA works to optimise filling rates for goods transport. Optimal loading with flat packed furniture, means we transport only a minimum amount of air in each load.

*The IKEA Way on Distributing Home Furnishing Products* applies to the transport and distribution of IKEA products, as well as IKEA distribution centres. Requirements address topics related to social and working conditions as well as to respect for the environment.

*For further information please download [The IKEA Way on Distributing Home Furnishing Products](#) at the section “About IKEA/ our responsibility/ read our material” at [www.ikea.com](http://www.ikea.com)*

## NEWS:

### Implementing our code of conduct

IKEA has begun auditing our transport suppliers. The audits monitor their performance in covering the social and environmental issues related to the transport of products.

### Reducing carbon dioxide emissions from transport

All IKEA transport service providers must set their carbon dioxide emissions targets and set a three-year emission goal. They must also measure their carbon dioxide emissions and fill in an “Environmental Performance Survey”. In addition, transport service providers must use modern vehicles that are less than 10 years old.

### Innovative designs increase fill rate

IKEA uses plastic loading ledges as an alternative to wooden shipping pallets to optimise filling rates. Loading ledges are patented by IKEA, used as one measure to reduce carbon dioxide emissions. When the loading ledges are recycled, the IKEA product LÅDIS is made from the recycled material of loading ledges.

## COMMENTS ON KPIs AND FIGURES 2007:

In FY07 IKEA has seen positive development in the work to reduce carbon dioxide emissions per transported cubic metre per kilometre. Our stated goal to reduce carbon dioxide emissions by 12 percent by 2010 has already been met. This is most likely due to a shift in our mode of transport, from road to ocean.

A first group of transport suppliers have fulfilled IWAY requirements and are now approved.

A consolidation point in Qingdao, in North China, used by IKEA for receiving and storing cargo from suppliers, has been IWAY-approved. Consolidation points are warehouses where suppliers with small orders deliver their goods. By consolidating many small orders from different suppliers, goods can be put into the same containers going to one receiver. This improves the filling rate in containers, and reduces the environmental impact of transport.

In order to meet long term goals to reduce our impact on the climate, IKEA wants to work with legislators, partners and colleagues to find means to implement change. Presently the rail system in the EU makes the use of rail transport across Europe difficult. However, in countries where rail transport is available and efficient it is one of our preferred means of transport. For instance, all our products to Norway go by rail. Forty percent of IKEA goods in Sweden are transported by rail. All IKEA products destined for stores in Stockholm and Haparanda, Sweden go by rail.

## CLIMATE CHANGE / TRANSPORT OF PRODUCTS

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

	FY04	FY05	FY06	FY07	FY10
					goal

	n/a*	n/a*	-5%	<b>-12%</b>	-12%
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### Fulfilment of minimum environmental requirements by transport suppliers

	FY04	FY05	FY06	FY07	FY09
					goal

Ocean	88%	93%	100%	<b>69%</b>	100%
Land (new category)				<b>99%</b>	
Road	80%	83%	93%	<b>see land</b>	100%
Rail	96%	82%	86%	<b>see land</b>	100%

### IWAY approved transport suppliers

	FY04	FY05	FY06	FY07	FY09
					goal

				<b>5%</b>	60%
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### IWAY approved Distribution Centres

	FY04	FY05	FY06	FY07	FY09
					goal

				<b>71%</b>	100%
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\* not available

## FIGURES 2007

### Modes of transport (goods volume)

	FY04	FY05	FY06	FY07
Road	76%	67%	70%	<b>69%</b>
Ocean	3%	17%	15%	<b>17%</b>
Rail	10%	6%	6%	<b>5%</b>
Combined transport	11%	10%	9%	<b>8%</b>

### Filling rate

	FY04	FY05	FY06	FY07
Inbound (supplier to warehouse)	57%	58%	61%	<b>62%</b>
Outbound (warehouse to Store)	57%	58%	59%	<b>56%</b>

# IKEA works to provide sustainable transport of people

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

IKEA offers a home-delivery service for customers considering using public transport. Requirements for use of low emission vehicles to transport service providers of home delivery have been introduced.

## NEWS:

### **IKEA and WWF joint emissions projects**

IKEA and WWF decided to start joint pilot projects to reduce carbon dioxide emissions from customer and co-worker transportation to and from the stores. Pilot projects will be developed and run in the United Kingdom, China and the United States.

IKEA will put more focus on developing and employing sustainable transport solutions for people in the markets where IKEA does business. One area of the project will examine how to support the development of sustainable and cost-efficient local transportation solutions. Input will be gathered from citizens groups, governmental bodies and local authorities, public and alternative transport providers.

### **Standards defined for green company cars**

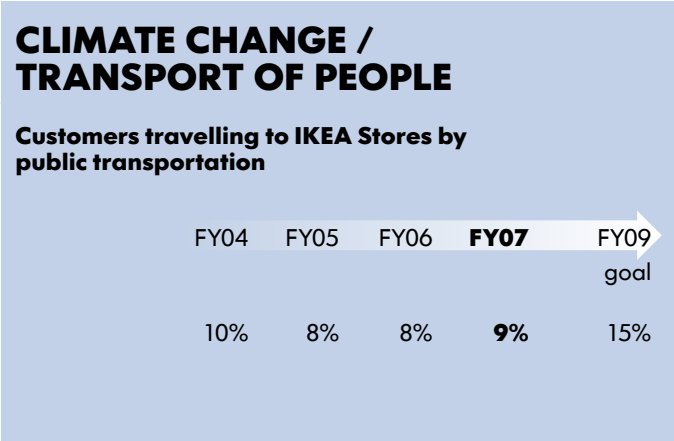
IKEA has defined standards for “green” company cars. By 2010 all IKEA company cars shall meet the EU carbon dioxide emissions targets of 120 grams carbon dioxide per kilometre driven. All IKEA regions will begin to report figures on the percentage of green company cars used in FY08.

In the United Kingdom, Honda Hybrid cars have been purchased. Other “green” company cars, such as Toyota Prius, have been purchased in Spain, Austria and Switzerland.

COMMENTS ON KPIs  
AND FIGURES 2007:

The number of customers travelling to IKEA stores by public transportation increased during FY07. IKEA has promoted the usage of public transport at nearly all IKEA stores.

In Norway, IKEA co-workers have been given bicycles, and in the IKEA Milan Corsico store in Italy, a new type of low emission diesel bus, Euro 4, is being used to transport customers and co-workers.





# IKEA works in communities

**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.**

IKEA collaborates with UNICEF, Save the Children and WWF, the global conservation organisation. The work is mainly dedicated to children's rights, improving health and education for children and women, and to protecting the environment, with an emphasis on sustainable forestry, sustainable cotton production and climate change.

*Read more about how IKEA works in communities under the section "About IKEA/our responsibility/community involvement at [www.ikea.com](http://www.ikea.com)*

## IKEA SOCIAL INITIATIVE

IKEA Social Initiative fights for children's rights, together with our global partners, UNICEF and Save the Children. IKEA has adopted a holistic approach, addressing children's rights through programmes that have been created to enable long-lasting change.

### Children's rights projects

IKEA Social Initiative supports UNICEF children's rights projects. The projects focus on sustainable change from within communities, mainly in India and Pakistan, where IKEA has conducted business for many years. Here, the focus is on measures that promote children's health, through immunisations, vitamins and nutrition.

Alternative Learning Centres prepare children who may lack the necessary skills, for enrolment in mainstream government schools.

Women and mothers are offered special programmes to help empower them, to build their confidence and to give them the necessary tools they need to earn money of their own.

### Preventing child labour in cotton seed farming

IKEA Social Initiative supports a UNICEF project aimed at preventing girls from working on cotton-seed farms in the southern Indian state of Andhra Pradesh. The project helps children gain access to quality education, empowers girls' collectives to influence their communities, and raises awareness of child labour amongst NGOs, employers and local government.

### In-kind donations and emergency-relief aid

In emergency situations or situations of need, IKEA Social Initiative helps with in-kind and relief aid. For instance, IKEA Social Initiative supports emergency efforts of Save the Children in flood-affected areas of Bangladesh and India.

### Children's health research programme

IKEA Social Initiative supports a five-year programme at the Research Foundation of Astrid Lindgren Children's Hospital located in Stockholm, Sweden which will work to improve the health of children in India, Pakistan and Bangladesh. The programme consists of research and educational activities in Sweden as well as in India, Pakistan and Bangladesh.

Infectious diseases, immunology and illnesses common in newborn babies are a number of key research areas which will be examined during the programme.

*Read more about Astrid Lindgren Children's Hospital at [www.karolinska.se](http://www.karolinska.se)*

### Saving the lives of children with cancer in Vietnam

IKEA Social Initiative collaborates with the Research Foundation of Lund Vietnam Childhood Cancer Program.

The focus of the six-year collaboration will be on saving the lives of children with cancer in Hanoi, Vietnam. Work will include making improvements to the way children are diagnosed, treated and cared for.

Swedish and Vietnamese doctors will work together during the collaboration. Vietnamese doctors and nurses will spend several months at Lund University Hospital in Lund, Sweden. While there, they will participate in the treatment of children with cancer. At the same time, doctors and nurses from Lund University Hospital will participate in work at the National Hospital for Paediatrics in Hanoi.

*Read more about Lund University Hospital at [www.lu.se](http://www.lu.se)*

### IKEA customers improve children's lives

For a number of weeks in the autumn every year, IKEA donates 1 euro for every soft toy sold to projects run by UNICEF and Save the Children. More than eleven million euro has been raised since the start in 2003. The donations have helped fund projects in a number of countries, including Albania, Bangladesh, Russia, Vietnam, Ivory Coast, Uganda and China.

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

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

**ENVIRONMENTAL PROJECTS**

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

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

IKEA continued a number of environmental projects such as:

**Sow a Seed in Borneo**

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

Sow a Seed has contributed to the building of homes, meeting places for social events, and field accommodations for the more than 150 workers and their families who work with the project. More than 8000 hectares of forest have been replanted with native tree species.

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

*Read more about Sow a Seed at [www.ikea.com](http://www.ikea.com)*

**Scholarships to study responsible forest management**

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

In 2007, 23 students from Latvia, Lithuania, Poland, Russia, Ukraine and Germany were sponsored by IKEA to attend the sustainable forestry course held at the Swedish University of Agricultural Sciences (SLU) in Alnarp, in southern Sweden.

*Read more on forestry projects on page 8.*

*Read more on cotton projects on page 11.*

*Read more on climate change projects on page 25.*

**NATIONAL AND LOCAL PROJECTS**

There are numerous examples of national and local social and environmental projects held during 2007.

*For more information on what IKEA is doing in your country, please visit the section "About IKEA/our responsibility/community involvement" at [www.ikea.com](http://www.ikea.com)*

# 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.**

The list below describes our main stakeholders at international level and explains how IKEA co-operates with each organisation. IKEA stakeholder and partner 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. Leading participants are international companies, NGOs and the United Nations Environment Programme. IKEA is one of the founding members in the Better Cotton Initiative (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 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 address topics of social responsibility.

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

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

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

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

[Read more at www.bsr.org/CSRResources/WGO/CC-GF/index.cfm](http://www.bsr.org/CSRResources/WGO/CC-GF/index.cfm)

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

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

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

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

**Greenpeace** is an international non-profit organisation focusing on biodiversity and the environment. Greenpeace campaigns, amongst other things, to stop climate change, protect ancient forests, and encourage sustainable trade. IKEA discusses 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. Green Power Market Development seeks to define the business case for the corporate purchase of green energy products to reduce market barriers faced by green power suppliers and buyers by providing independent information. Work is also focused on developing strategies that reduce green power costs by devising innovative purchasing options. IKEA is a member of the organisation.

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

*Read more about IKEA and UNICEF joint projects at [http://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. WWF and IKEA co-operate on projects which focus on sustainable forestry, sustainable cotton production and climate change.

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

**Monitoring progress**

IKEA uses Key Performance Indicators (KPIs) to monitor and measure progress. This helps us to improve our work.

All KPI results which are included in this report are per 31 August 2007, unless otherwise stated.

## PRODUCTS & MATERIALS / HOME FURNISHING PRODUCTS

### Renewable materials used in products

FY04	FY05	FY06	<b>FY07</b>	FY09 goal
n/a*	n/a*	72%	<b>71%</b>	75%

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

	FY04	FY05	FY06	<b>FY07</b>	FY09 goal
Stores total	77%	80%	80%	<b>84%</b>	90%
Distribution Centres	80%	86%	86%	<b>76%</b>	90%

### Recovered or reused products in IKEA stores

	FY04	FY05	FY06	<b>FY07</b>	FY09 goal
Stores total	64%	65%	64%	<b>64%</b>	75%

\* not available

## PRODUCTS & MATERIALS / WOOD

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

FY04	FY05	FY06	<b>FY07</b>	FY09 goal
96%	90%	91%	<b>94%</b>	100%

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

FY04	FY05	FY06	<b>FY07</b>	FY09 goal
n/a*	12%	7%	<b>6%</b>	30%

\* not available

## PRODUCTS & MATERIALS / IKEA FOOD

### Organic products in the Swedish Food Market range

FY04	FY05	FY06	<b>FY07</b>	FY09 goal
1%	3%	4%	<b>6%</b>	15%

### Organic dish served in all IKEA restaurants worldwide

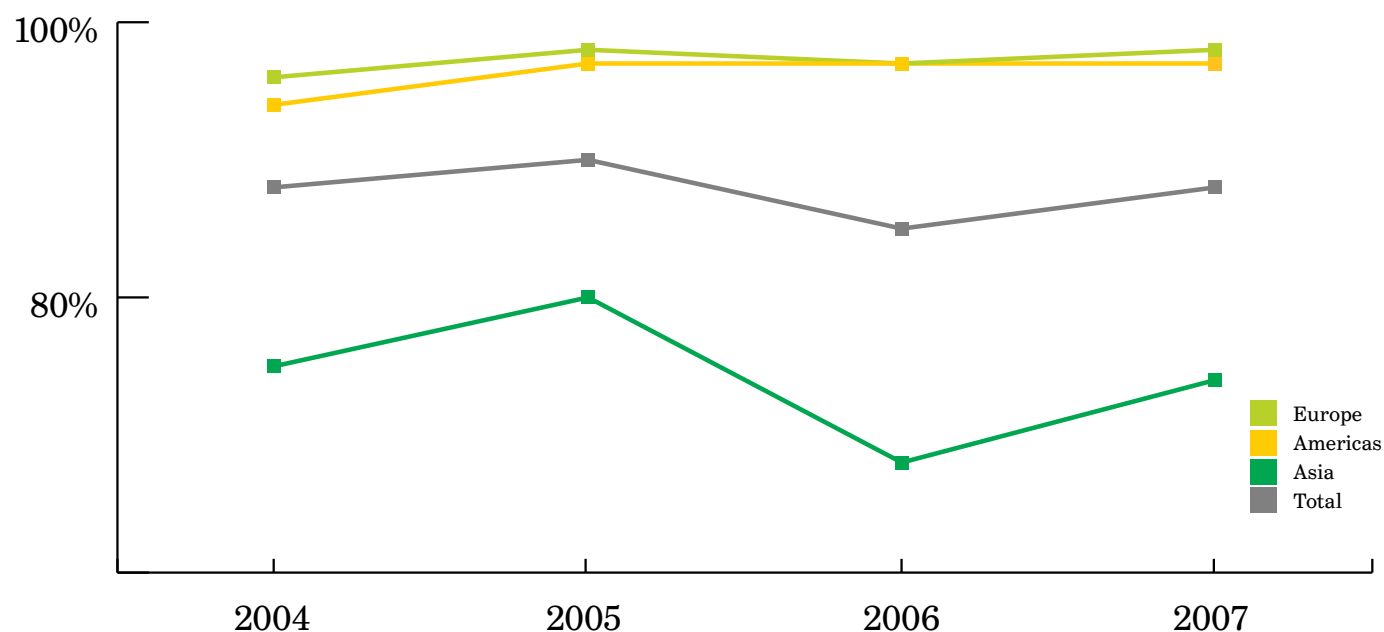
FY04	FY05	FY06	<b>FY07</b>	FY09 goal
0	0	0	<b>0</b>	1

## SUPPLY CHAIN / IWAY AND SUPPLIERS OF IKEA HOME FURNISHING PRODUCTS

### IKEA suppliers that are IWAY approved

	FY04	FY05	FY06	<b>FY07</b>	goal
Europe	54%	71%	74%	<b>78%</b>	100%
Americas	46%	58%	62%	<b>67%</b>	100%
China				<b>4%</b>	100%
South Asia				<b>32%</b>	100%
South East Asia				<b>52%</b>	100%
Total Asia	14%	16%	13%	<b>17%</b>	100%
<b>Total Regions</b>	36%	47%	47%	<b>50%</b>	100%

## AVERAGE IWAY FULFILMENT RATES



## CLIMATE CHANGE / IKEA BUILDINGS

### Renewable energy

	FY05	FY06	FY07	aim
Stores	21%	25%	<b>28%</b>	100%
Distribution Centres	17%	26%	<b>30%</b>	100%
Swedwood	61%	60%	<b>59%</b>	100%
<b>Total</b>	<b>38%</b>	<b>39%</b>	<b>42%</b>	<b>100%</b>

### Improved energy efficiency compared to 2005

	FY05	FY06	FY07	aim
Stores	-	-6%	<b>7%</b>	25%
Distribution Centres	-	14%	<b>29%</b>	25%
Swedwood	-	8%	<b>15%</b>	25%
<b>Total</b>	<b>-</b>	<b>1%</b>	<b>9%</b>	<b>25%</b>

## CLIMATE CHANGE / TRANSPORT OF PRODUCTS

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

	FY04	FY05	FY06	FY07	FY10 goal
	n/a*	n/a*	-5%	<b>-12%</b>	-12%

### Fulfilment of minimum environmental requirements by transport suppliers

	FY04	FY05	FY06	FY07	FY09 goal
Ocean	88%	93%	100%	<b>69%</b>	100%
Land (new category)				<b>99%</b>	
Road	80%	83%	93%	<b>see land</b>	100%
Rail	96%	82%	86%	<b>see land</b>	100%

### IWAY approved transport suppliers

	FY04	FY05	FY06	FY07	FY09 goal
				<b>5%</b>	60%

### IWAY approved Distribution Centres

	FY04	FY05	FY06	FY07	FY09 goal
				<b>71%</b>	100%

\* not available

## CLIMATE CHANGE / TRANSPORT OF PEOPLE

### Customers travelling to IKEA Stores by public transportation

	FY04	FY05	FY06	FY07	FY09 goal
	10%	8%	8%	<b>9%</b>	15%